

(all balances are indicated in thousand HUF unless otherwise specified)

## **1. The operational environment of Artisjus in 2022**

### *1.1 General conditions of the collection of royalties*

With the global pandemic receding in 2022, there was reason to hope that music consumption markets would return to their pre-coronavirus situation, and trends pointing in this direction could be observed. However, the direct and indirect effects of the Russian–Ukrainian war that broke out on 24 February 2022 (i.e. the energy crisis and galloping inflation) brought considerable uncertainty once again into the Hungarian economy, and thus to the markets of music consumption and the collection of royalties. Nevertheless, we tried to compare the 2022 collection performance of Artisjus to the last pre-pandemic year, 2019, which had produced a record in terms of revenues. We aimed for this financial result – and now we can certainly say, we did so quite successfully. Meanwhile, in terms of expenses, the unexpected and unforeseeable spike in energy prices and the subsequent general inflation posed a serious challenge demanding in-year intervention.

### *1.2 The operation of the work organisation*

In 2022, the work organisation of Artisjus continued to operate according to the hybrid working arrangement that had been introduced earlier, and it carried out the tasks of collective administration of rights with the staff number reduced in 2021. We can affirm that the special, flexible work schedule fulfilled our expectations: staff efficiency did not decrease, and the collection and distribution activity was performed on the usual standards and with the usual efficacy. An employee satisfaction survey in 2023 confirmed the general acceptance of this working arrangement, so no changes are planned in that respect.

### *1.3 Evolution of the legal environment*

The amendment of the Act on Authors' Rights ("Sztj.") and the Act on the Collective Management of Copyright ("Kjkt."), which was prepared in 2021, containing the rules that fine-tuned and corrected the transposition of the DSM Directive, entered into force in 2022. The legislator consulted with Artisjus, and the amended text reflects our recommendations.

Due to an amendment of legislation affecting the internal functioning of Artisjus, the definition of the public body exercising the rights of the heir in relation to the inheritance of copyright by the state changed in 2022. In the context of public asset management, the assets managed by "MNV Zrt." (Hungarian National Asset Management Inc.) were divided into two parts, and one part of it was transferred to "Maradványvagyon-hasznosító Zrt." (Residual Asset Utilisation Inc.) established for this purpose. The latter will be in charge of managing the rights of pecuniary value inherited by the Hungarian State after 1 January 2022. However, in the case of the earlier successions, the entity exercising the rights on behalf of the Hungarian State (and entitled to receive the royalties) can only be established by individual enquiry.

Artisjus's tariff chart and rights management activities were indirectly affected in 2022 by the fact that the collective management organisations of performers and phonogram producers attempted to enforce the royalty claims of right owners of rights related to copyright based on communication to the public by direct feed-in. The right to communication to the public by direct feed-in was introduced by the 2021 amendment of the Act on Authors' Rights ("Sztj.") based on the transposition of the so-called SatCab Directive, both with respect to copyright owners and holders of rights related to copyright, with the wording of Paragraph (5a) of Article 26 of the "Sztj." This use is one of the subcases of the

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broadcasting use (which existed earlier as well); and it is part of the collectively enforced royalty claims of performers and phonogram producers under Article 77 of the "Sztj." in relation to holders of rights related to copyright. The enforcement of this new right did not pose a problem for Artisjus as the Society had already carried out royalties collection of an equivalent nature from the stakeholders of the broadcasting market according to its Cable II tariff chart. At the same time, the enforcement of the royalty claims of the holders of rights related to copyright, which were new to the market, was met with resistance by the broadcasting market. The users appealed against the Minister of Justice's decision approving the collective, S22 tariff chart (also applicable to these royalties) of the two affected collective management organisations, EJI and MAHASZ, and finally, in an administrative procedure, the court ordered the Ministry of Justice to conduct a new procedure. In the new procedure, the authority rejected the approval of the tariff chart of the collective management organisations of rights related to copyright. As a consequence of the royalty claims of the holders of rights related to copyright, the broadcasting market concerned has already notified Artisjus of its demand to reduce the royalties. Moreover, based on the experience of the first judicial review regarding the tariff chart approval, the Ministry of Justice has prepared a draft legislation amending the tariff chart approval procedure in spring 2023, which will impose an additional obligation on collective management organisations to state reasons for their tariffs.

*1.4 Evolution of our relations with authorities*

The usual comprehensive supervisory audit was carried out by the Hungarian Intellectual Property Office (HIPO) in 2022 as well; it examined the operation of the Society with respect to its compliance with the regulations on authors' rights. In the course of the 2022 supervisory procedure, we received one question concerning the announcement and publication of our amended Statutes. Based on our responses, the supervisory procedure in 2022, too, ended without the establishment of any infringement.

In 2022, no supervisory procedure concerning Artisjus was initiated by the Hungarian Intellectual Property Office (HIPO) in response to authors' or users' complaints.

The procedure "*Audit of the Copyright System – Audit of the activities of the Hungarian Intellectual Property Office and the accountability and transparency of copyright management organisations*", included in the State Audit Office's first-semester audit plan for 2021, came to its final phase with the report issued in June 2022. The State Audit Office's report called on the Society to draw up an action plan and take appropriate measures in three areas. Two of these comments were made in connection with the Society's internal regulations:

- the adoption of the Rules of Operation and Organisation (the State Audit Office criticised the lack of signature regarded by the SAO as appropriate issuance; therefore, concluding that the Society, in fact, had no approved Rules of Operation and Organisation),
- a measure with a view to the Supervisory Board to adopt its own order of business (after the entry into force of the "new" Civil Code of 2013, the formerly separate order of business of the Supervisory Board was integrated into the Statutes, and this solution – in line with the rules of civil law – was not modified by the Society even after the entry into force of the different rule of the "Kjkt." in 2016),
- the State Audit Office imposed a measure relating to the accounting system concerning the payment of royalties.

By the time of the delivery of the SAO's report, the objection to the lack of Rules of Operation and Organisation (ROO) was no longer pertinent, for following the amendment of the ROO on 30 May 2022, the Society published it in a consolidated structure and with the appropriate signatures. The

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General Assembly decided about the amendment of the Statutes at its meeting of 27 October, and deleted the rules of order of business of the Supervisory Board from the provisions of the deeds of foundation, whereas the Supervisory Board adopted its own order of business at its meeting of 25 October. Artisjus developed a draft measure on the documentation of payments to right owners, which was accepted by the State Audit Office, and which has been implemented since.

Following an earlier audit by SAO, HIPO informed Artisjus of the formal requirements for documents submitted to the supervisory authority in order to comply with SAO's requirements for issuance (concerning the appropriate organisational signature attesting the authenticity of the regulations). As a consequence, both for the regulations submitted to the supervisory authority and for those published on the Society's website, we have been since then applying the formal requirements of the supervisory authority and those of the registry court for the Statutes in order to attest the completeness and authenticity of the text.

In 2022, we requested a position paper from HIPO on whether the exclusivity of the contract of agency on the collective administration of rights for collecting societies is applicable to multi-territory online rights management (i.e. whether a mandate can be given to another independent collecting society, in parallel with Artisjus). In its position paper, HIPO confirmed the applicability of exclusivity. Subsequently, during the 2022 legislative amendment, the legislator amended the relevant provision of the "Kjkt." (originally motivating our request of a position paper) in accordance with the HIPO position.

The so-called follow-up proceedings, which had been launched against Artisjus in 2018 in order to verify the fulfilment of the commitment made in the competition procedure initiated by the Hungarian Competition Authority (GVH) in early 2014 regarding the establishment of blank carrier fees, and which was discussed in detail in previous Business Reports, was still not concluded in 2022. The following steps were taken this year:

- Artisjus, with the help of its own experts, gave a detailed opinion on the expert opinion prepared at the end of 2021 by the new expert appointed by GVH in 2021 (and it was found to be seriously questionable, lacking professional grounds, and contradictory in several respects to the expert opinion of the previous expert appointed by GVH; moreover, unsuitable for resolving the contradictions between the opinions of the former expert of GVH and those of the private experts of Artisjus);
- in the summer of 2022, the Competition Council of GVH issued its supplementary preliminary position, in which it attempted to resolve the inconsistencies between the expert opinions within its own competence, without taking into account the observations of Artisjus, and, just like in its previous preliminary position, it proposed to impose a fine of approximately HUF 310 million on Artisjus;
- Artisjus submitted detailed observations in response, contesting the substance of the findings of the supplementary preliminary position;
- in the autumn, we also presented our position at a personal hearing held at the request of the Society and other defendants in the proceedings, with the participation of our external legal representative (legal aspects), the President of the Society (authors' considerations) and the external private expert invited (professional considerations). At this point, a decision to close the procedure is likely to be the next step.

However, GVH has not yet made its decision by the closure of this business report.

Artisjus submitted its indicative *tariff charts* for 2022 for approval in due time by 1 September. The most important tariff chart modification was the inflationary increase of royalties, the rate of which was 5.1 per cent, adjusted to the rate of general inflation in 2021 (except for the M tariff chart, where

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no increase was introduced). In the tariff chart approval procedure, the inflationary increase was approved without complication in all cases.

In 2022, the National Tax and Customs Administration (NAV) conducted a comprehensive audit regarding the taxes affecting Artisjus for the financial years of 2019 and 2020. No tax deficits were identified for the relevant financial years.

## 2. Royalty collection and administrative costs in 2022

In the year 2022, the total amount of royalties collected by Artisjus was 23,818,482 thousand HUF, which constituted 113 per cent of the reference value of 2021.

<b>Royalty collection and administrative costs</b>			
	<b>2021</b>	<b>2022</b>	<b>%</b>
	(thousand HUF)	(thousand HUF)	
Public performance royalties	4,160,962	6,230,389	149.7
Revenue from broadcasting and cable television	6,635,666	6,909,106	104.1
<i>from which cable television revenue</i>	<i>3,049,296</i>	<i>3,059,379</i>	<i>100.3</i>
Royalties on blank carriers	7,783,028	7,441,625	95.6
Royalties on mechanical and canned music	121,784	129,145	106.0
Online	1,188,439	1,740,351	146.4
Royalties on reprography	5,875	6,712	114.2
Royalties on foreign broadcasting organizations	897,760	910,246	101.4
Royalties from abroad	373,949	450,908	120.6
<b>Total:</b>	<b>21,167,463</b>	<b>23,818,482</b>	<b>113%</b>

Within that, the rate of the royalties collected on behalf of right holders represented directly by Artisjus, on that of Hungarian collective management organisations representing other right holders and of foreign television channels represented by Artisjus was the following:

<b>The rate of the royalties collected on behalf of right holders represented directly by Artisjus, on that of Hungarian collective management organisations representing other right holders and of foreign television channels represented by Artisjus:</b>				
	<b>2021</b>	<b>%</b>	<b>2022</b>	<b>%</b>
	(thousand HUF)		(thousand HUF)	
Those represented by ARTISJUS	13,172,388	62.23	15,789,443	66.29
Those represented by HUNGART, FILMJUS, EJI and MAHASZ	7,097,315	33.53	7,118,793	29.89
Foreign broadcasting organisations	897,760	4.24	910,246	3.82
<b>Total</b>	<b>21,167,463</b>	<b>100.00</b>	<b>23,818,482</b>	<b>100.00</b>

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Artisjus met its indicative Business Plan for 2022, and its revenues exceeded its total revenues in 2019, the year before the pandemic.

*2.1 Live and canned music public performance market*

The big question for 2022 was to what extent the energy crisis and galloping inflation would reduce the revenue-generating capacity of the live and background music public performance sectors (retail, hospitality, commercial accommodation), which have been slowly recovering after the pandemic.

Despite our expectations, the number and popularity of concerts and other live music events were not affected by the above economic factors: after two quiet years of pandemic, the number of events organised in 2022 was higher than in 2019. Due royalties were successfully collected and processed through internal workflow reorganisation and ad hoc redeployment of staff, and in 2022, the amount of live music royalties collected exceeded all previous levels – the excess was 35 per cent compared to 2021. Within that, the amount of royalties collected from concerts was almost 15% higher than in 2019.

Although – luckily – the market collapse (mass closures) predicted by advocacy organisations for the fourth quarter of 2022 (i.e. the heating season) did not materialise, the joint effect of the decline in purchasing power and the energy crisis was that the catering background music and hotel music services continued to trend slightly downwards: although our business plan was met, the revenues collected from these markets shrank by 7.2 per cent and 11.9 per cent year-on-year compared to 2019.

Meanwhile, as we achieved a 15.6 per cent increase in royalty income from retail compared to the 2019 reference value, the year of 2022 was far from being a failure in the public performance market: overall, public performance revenues were 2.6 per cent higher than in 2019, the last unrestricted year before the pandemic.

In 2022, the so-called “*major live concert service (MLCS)*” rights management and clearing method, introduced by the British collecting society, PRS across their entire representation contract portfolio, including Artisjus, for the joint rights management of major international productions, was already operational in Artisjus, which provides for a specific expedited management (collection + distribution) for concerts meeting certain conditions (held in pre-defined, larger venues and using PRS repertoire).

*2.2 Broadcasting and cable television market*

The radio, television broadcasting and cable television (broadcasting) royalty markets did not diminish on the whole in the two years of the pandemic compared to the 2019 reference value – in fact, we achieved an increase of 20 per cent by 2021.

In *broadcasting royalties*, despite the fact that inflation took away the nominal growth of the advertising market, our revenues in 2022 were at 107.3 per cent of this reference value. This was based on the successful increase in commercial television revenues in previous years and the successful series of negotiations concluded with the public service media (MTVA) at the end of the year.

In 2022, the centralisation of the radio market around the two large central radio stations (Rádió 1, Best Fm) continued. Royalties were promptly collected from new stakeholders entering the market at the beginning of the year: Dikh Rádió, Sportrádió, Rock Fm and Base FM, Radiócafé.

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*Cable television royalties* were broadly in line with the reference value (+0.3%), in a broadcasting market that was stagnating and even showing signs of decline towards the end of the period. From January 2022, we increased the scope of the current “discounted” tariff below 500 households to 5,000 households, on the condition that no future discounting at the head-end level would be possible. Thus, if a broadcaster reaches 5,000 households with any of the channels it distributes, the lower tariff applicable below 5,000 households would not be used to determine the royalty rate for the broadcaster. The transition was successful, the below/above 5,000 households system worked well, and there was no negative feedback from our partners.

In the framework of our media audit activity in 2022, we audited a total of 15 broadcasters, our representative visiting 8 radio and 7 television organisations, including partners where we had also audited in previous years. Again, the results were reassuring, with only minimal differences found by our auditor, which shows that the market is aware of the continued attention of Artisjus.

### *2.3 Private copying fees*

Blank carrier fees constituted a stable revenue for our rights holders in 2022, though 4.4 per cent lower than the reference value. The market optimism prevailing after the passing of the pandemic was significantly broken by high inflation and especially, by the ailing HUF exchange rate in 2022. Mobile phone royalties continue to account for two-thirds of total revenues, and trends in this market will largely determine the evolution of blank carrier fees. According to international analyses, 2022 was one of the worst performing years for the mobile market in the last decade, with global shipments falling by roughly 11%.

In addition to the above factors, the domestic market decline is also due to a contraction in operator sales, which account for a significant share (around 50%) of the domestic mobile handset market: on the one hand, they reduced their own purchases to cut costs, and on the other, due to the dramatic price increase of mid-range handsets, they focused on lower- and higher-end handsets, which were less profitable in terms of sales.

Among other carriers/devices, we should highlight memory sticks, a category in which we closed the year with a significant surplus.

In 2022, we also saw growth in the case of tablets. The main reason for this is the periodic change in technology (taking place every 2 or 3 years), which is mainly associated with increasing storage capacity. Industry analyses suggest that significantly expanding movie streaming services are also contributing to this: tablets are more convenient, cheaper and at least as efficient a means of consuming such content as laptops or desktops.

### *2.4 The (offline mechanical) market of the collection of rights on sound recordings*

The royalty income of the mechanical market amounted to 129,145 thousand HUF in 2022, an increase of 6 per cent compared to 2021, and an increase of 15 per cent compared to the pandemic year of 2020. Due to the economic problems, several publishers gave up their business, and production difficulties became more pronounced. The number of registered sound recordings of over 1,000 copies was steadily decreasing (2021: 167 recordings; 2022: 119 recordings). Even in such quantities, physical recordings were now only produced for newspaper supplements, petrol station sales, webshops or sales at concerts. Author's editions are becoming less and less popular due to production difficulties and costs, with authors and orchestras saying there is more potential in concert and online uses.

Partly in the context of Artisjus's international obligations as a member of BIEM, a sound recording publishing audit was carried out in 2022. The audit did not find any discrepancies in either stock records or royalties paid for major labels.

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*2.5 Online music market*

The steady growth of online royalties collection continued in 2022: the annual online revenue amounted to 1,740,351 thousand HUF, which exceeded the 2021 result by 46.4%. After a steep increase in the COVID period, the market has been expanding at a slowing rate of around 10–20 per cent. The strong revenue growth is explained by the impact of retroactive licensing and the retroactive collection of certain music streaming services. The shrinkage of download services stopped, but it is negligible compared to the growing VOD (video-on-demand) and music streaming services.

In 2022, we came to an important milestone in the operation of online right management. The intensive demand for IT resources, in particular of multi-territory online services, and their sustainable provision had been a concern for Artisjus's work organisation for several years. In 2022, after examining several other similar options, the decision was made to entrust a significant part of the online multi-territory music rights management and back-end operations to one of the world's leading collecting societies, the French music collective rights manager SACEM, which has been Artisjus's representative partner for almost 100 years. Under the terms of a contract signed in 2022, SACEM, which has a mature system and a significantly higher input budget, will carry out these tasks on behalf of Artisjus for an increasing number of online music services from 2023 onwards. The documentation of the national repertoire and the final steps of distribution and royalty payments will remain the responsibility of Artisjus, and we will continue to be in contact with our authors and publishers. Our represented rights holders will thus receive the same quality of service at a reasonable cost level as SACEM's own French authors, the music publishers represented (including Universal's global portfolio) and the authors and music publishers represented by the US, Canadian and South Korean collecting societies that have already entrusted SACEM with the same task. In 2022, in addition to the technical and legal preparations for the contracts concluded for this purpose, preparations for cooperation were underway.

*2.6 Administrative costs*

In the year 2022, the administrative costs deducted by Artisjus effectively for its operation (i.e. excluding the obligatory payment of health contribution after copyright) amounted to 18.54 per cent.

Total administrative costs: Administrative cost indicators effectively deducted for operation			
	2021 (thousand HUF)	2022 (thousand HUF)	%
1 Net sales revenue:	21,124,462	23,684,037	112
2 Accrued administrative costs of the distribution of royalties for the year following the target year:	926,524	1,087,398	117
3 Administrative costs for the target year:	3,497,030	3,901,161	112
4 Administrative costs of the distribution of royalties collected in the year prior to the target year:	860,304	926,524	108
5 *Revenue from miscellaneous sales:	23,219	26,429	
<b>(3+4) 6 Total administrative costs</b>	<b>4,357,334</b>	<b>4,827,685</b>	<b>111</b>
<b>(1+2-4-5) 7 Adjusted net sales revenue</b>	<b>21,167,463</b>	<b>23,818,482</b>	<b>113</b>

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8	Authors' healthcare contribution (EPÜ-518100)	392,994	412,775	105
<b>(6-8) 9</b>	<b>Operational administrative costs</b>	<b>3,964,340</b>	<b>4,414,910</b>	<b>111</b>
<b>(6/1) 10</b>	<b>Total administrative costs in proportion to net sales revenue</b>	<b>20.63%</b>	<b>20.38%</b>	
<b>(9/7) 11</b>	<b>Operational administrative costs in proportion to corrected sales revenue</b>	<b>18.73%</b>	<b>18.54%</b>	

\* From the financial year of 2018, revenue from re-invoicing and rentals must be indicated in this revenue category

The ratio of the amount collected and the amount effectively spent on the operation of Artisjus is shown by the so-called **total expense ratio**, calculated with the methodology prescribed by HIPO. Its rate was **13.45 per cent** for the year 2022 (supplementary annex, Point 23).

The diminution of the total expense ratio can be put down to the following:

1. We managed to keep our costs under control despite the growing inflation. Thanks to our conscious cost management and continuous in-year monitoring, our costs grew by 4.1 per cent. This can be explained by the fact that we scaled back our investment and development projects, as well as our procurements. For some of our partners, we managed to get price increases due to high inflation to be built into pricing from the last quarter and from 2023 (Artisjus's tariffs can also be increased by the average inflation rate of the previous year). Moreover, in view of rising energy prices, we optimised the energy use of the office building by closing the top two floors during the heating season and heating at lower temperatures and for shorter periods than in previous years.
2. During the 2022 financial year, the central bank continuously increased the base rate, which also affected bank deposit interest rates. Our revenue accrued from interests grew tenfold over that of the year 2021.

During the year, the economic environment posed constant challenges to the work organisation. In order to retain and motivate existing staff, we carried out a salary increase during the year, which necessitated a change in the business plan (the risks of turnover, churn and burn-out during the year were confirmed by our experience as well as internal survey results). This move was accepted and supported by our elected representatives (the Board and the General Assembly at the time of the adoption of the business plan), and the figures of our budget (including the reduced TCI) projected at the presentation of the plan were fully met in the end. All in all, even with this workforce stabilisation step, we delivered rights management in 2022 at the lowest percentage cost in recent years.

### **3. Relations with members and right holders, communication**

#### **3.1 Membership data**

At the end of 2022, the number of society members entrusting Artisjus with the collective administration of their rights amounted to 2,095. At the same time, the number of non-society members entrusting Artisjus with the collective administration of their rights was 24,539. On 31



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December 2022, the number of the registered users of the Artisjus Authors' Information System (AIS) amounted to 18,800.

#### 3.2 Communication of Artisjus in 2022

This was the first year after the pandemic that we could organise our events without compromise (Songwriter Expo [DEX], award ceremonies, Songwriting Camp, meetings for members, professional events). For the first time in its history, DEX was broken down into thematic days, and with this new format, the four-day event was the longest ever. We held the Artisjus award ceremony at a new venue, the House of Music, Hungary, and the participants of the full-house event confirmed that this decision was the right one.

While the first half of the year was dominated by events, the second half was dedicated to internal communication (with right owners), such as the creation of the new Songwriting Hub site and our publicity campaign, i.e. the Day of Songwriters, and the highlight of the press work was the communication about the contract signed with SACEM as well as on online royalties distribution.

2022 saw the release of our very first international press material, and actually, two of them. Firstly, we conducted traditional press communications for the Songs for Ukraine campaign, and also contacted radio and television editors directly. Artisjus took the initiative to invite radio and television editors to play as many Ukrainian songs as possible in their programmes to show their solidarity and to "earn" royalties for them. In order to do this, we worked together with the Ukrainian collective rights management organisation to create playlists and encourage the media to join. We collaborated with CISAC on the domestic initiative, which thus turned into a global action, and got coverage even in the American Billboard. Our other international press release was about the collaboration with SACEM as described above.

#### 4. Distribution and documentation

The main amendments to the Society's Distribution Regulation adopted by the General Assembly in 2022:

- **Restructuring of the distribution of canned music and blank carrier fees** – the distribution of canned music and blank carrier fees, which have a considerable royalties base, was adjusted to the changed music consumption environment
- **Introduction of a new "K3" classical music genre:** a genre category with simplified and lower scores was created for certain simplified pieces of classical music (e.g. in music pedagogy) (proposal of the Genres Classification Committee). The scores are identical to the scores of the SZ3 genre.
- **Increase of distribution basis for individual canned music from 6 per cent to 7 per cent** within the canned music basis
- Technical amendments of the Distribution Regulation due to the **SACEM outsourcing**.

#### 5. Social, cultural and professional activities

In harmony with the governing legal frameworks from 2012, Artisjus is only entitled to provide allowances (through its foundations: Artisjus Music Foundation and Artisjus Literary Foundation) as a supplement to pension or as a social benefit for persons in need. The amounts deducted for cultural

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purposes were transferred by Artisjus to the National Cultural Fund in 2022 as well. In accordance with our Support Policy and the provisions of the Act on Authors' Rights ("Szjt.") as well as the Act on the Collective Management of Copyrights ("Kjkt."), our professional support activities were carried out directly by the Society.

## **6. International environment**

Artisjus continues to take part in the work of the global confederation of rights management organisations (CISAC) and the European regional organisation (GESAC) as a member of the board of both bodies. Moreover, Artisjus is represented in the legal committees of both organisations by our delegate, Gábor Faludi.

Artisjus participates in the so-called Open Music Europe (OpenMUSE) project funded by the EU. Our participation in the project will allow us to extend the planned surveys and analyses of the project to Hungary, on the issues studied by the project. The objectives of the project include increasing the competitiveness and sustainability of the European music ecosystem, improving social responsibility, and making music ecosystems more equitable by developing transparent methods and tools, using a mainly data-driven approach. The Open Music Observatory, which will be created through the project, will provide a common and open platform for the entire music ecosystem, and it may – among others – ensure a better measurement of consumptions that are currently data-poor and are not licensed at their real economic value or are not licensed at all. In 2022, only preparatory work for the project started, whereas the actual funding period is between 2023 and 2025. In addition to several European collective management organisations (SOZA in Slovakia and Musicautor in Bulgaria), the project also involves academic participants from Finland, Italy, Slovakia and the Netherlands (IVIR Institute at the University of Amsterdam).

## **7. The long-term renewal of the Society's IT system (the so-called *AiR Reload* project)**

In 2022, in the process to replace the Oracle-based AiR system supporting the Association's work organisation, the tender launched on the basis of a high-level list of system requirements completed in 2021:

- for the delivery of the functionality via a foreign developer was successful. We contracted with an Irish company, Spanish Point, which had delivered successful projects for CISAC and several other collective management organisations, and work started on customising their service structured as a "software-as-a-service" and its integration into Artisjus's operation;
- the tender for the remaining system components was also successful in that we were able to select a suitable domestic supplier based on our funds and requirements, but to our surprise, when concluding the agreement, the supplier company did not agree to a significant part of the terms of the tender, and the agreement was not signed.

Based on the experience of the tender, and since the technological background of the other proposals received was not acceptable, we decided to start detailed design work in 2023 based on high-level system requirements and replace the AiR system in smaller phases of modular development for the identified functional groups.

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**8. Miscellaneous issues**

The Society pursues no research and development.

The Society has a single business location (1016 Budapest, Mészáros utca 15–17.). Moreover, it has local offices in the following towns:

- Debrecen
- Győr
- Miskolc
- Pécs
- Szeged
- Zalaegerszeg

On 31 December 2022, the Society had altogether 167 active employees.

The Society has projected a net royalty income of 19,432,761 thousand HUF (without VAT and basic administrative fee) for the year 2023.

Budapest, 26 April 2023



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Dr. András Szinger  
Director General