



austromechana[®]
ANNUAL REPORT
2016

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BUSINESS DEVELOPMENT

SCOPE

austro mechana is a Collective Management Organisation according to the Austrian law on Collective Management Organisations. On the basis of the authorization granted by the Austrian Supervisory Authority for Collective Management Organisations austro mechana administers the reproduction and distribution rights (mechanical rights) in musical works with or without text from composers, authors, their legal successors and music publishers in Austria. austro mechana grants all users the license necessary to use music and distributes the revenues to authors or their legal successors and music publishers.

LICENCE REVENUES

Worldwide, the physical sound carrier market continues to decline significantly. Austria is no exemption despite a high market share of physical sound carriers (CD, DVD, Vinyl) versus other countries. The good business result of austro mechana is attributable to the storage media levy turnover in the year under review. Agreements with user organisations were achieved which led to payment of storage media levy for previous years and hence an extraordinary, one-time increase of turnover in this area. This led to a 46% increase of license revenues versus prior year to € 33.568 m for austro mechana in 2016. Looking at the license revenues per type of use shows the following.

Financial statements for 2016 report royalties from sales of audio products in the second half of 2015 and the first half of 2016. Licence fees collected directly by austro mechana amounted to € 2.657 m, a decrease of 12.6% versus 2015.

The majority of royalties accrued on the Austrian sound carrier market are collected by affiliated collecting organisations on the basis of so-called Central Licensing agreements with major labels. Under these agreements, austro mechana receives licence fees from sales in Austria only for its distribution services. These central licensing revenues essentially represent the market share of the multinational groups and amounted to € 2.006m, a 10.8% decline versus prior year. They are accounted for in license revenues international.

Licence fees for sales of sound carriers in Austria from both revenue fields together were at € 4.663 m, down 11.8% compared to 2015. This decline is due to the well understood and continuing migration from physical products to online.

austro mechana is connected with 37 musical collective management organisations worldwide via reciprocal representation agreements, thus ensuring that beneficiaries of austro mechana receive royalties for the use of their works abroad. In addition, austro mechana acts as collection service provider for other Austrian collective management organisations on their behalf.

Besides its main purpose, the licensing and settlement of royalties, austro mechana fulfils important social and cultural tasks in favor of its beneficiaries. Details see page 5.

Revenue in the area radio/TV increased by 1.8% versus prior year to € 7.997m.

By amending the Copyright Act in 2015, the so-called blank tape levy was renamed as storage media levy, while enlarging the scope of the private copying levy to multi-functional storage media as computer hard disks and storages of mobile phones. In 2016, we succeeded in concluding an umbrella agreement on "New Media" as of October 2015. The collection of the levy for "New Media" (built-in storages in PC, smartphones and tablets, external hard disks, memory cards, digital picture frames and smartwatches et alia) led to significant increases in turnover. Also in the reporting year, a framework agreement could be reached on the settlement of the past, which also had very positive effects on revenues. The revenues from storage media levy were € 14.768 m in the reporting year (last year: € 3.638 m). The negotiations on distribution among the collective management organisations having a share in storage media levy are not finished yet, which is why this amount could still change.

License revenues in the online business dropped by 17.3% to € 721,000 in 2016, mainly due to the continuous shift of consumer interest to on demand-streaming services. The share of royalties in such services is lower for austro mechana compared to download services.

Revenue streams from affiliated collecting organisations were down 2.2% versus prior year and amounted to € 3.551 m. Overall revenues from abroad amounted to € 5.557 m, a decline of 2.9% versus prior year.

BUSINESS DEVELOPMENT

OPERATING COSTS

Operating costs remained stable (+0.6%) in the year under review at € 4.139 m. A detailed analysis shows that personnel expenses decreased by 1.7% versus prior year to € 1.739 m. Administrative cost increased slightly and amounted to € 2.300 m. Depreciation cost increased significantly in 2016 mainly due

to software investments. In addition, a full year's depreciation for buildings came into effect in the year under review versus only a half year depreciation in the year before. This part of the depreciation was offset by the proper use of the investment reserve.

DISTRIBUTION

Beneficiaries of *austro mechana* received national and international payments on 1 July, 29 September and 15 December 2016. A total of € 11.979 m was distributed to the beneficiaries of *austro mechana* in the year under review.

Because of the confirmation of the negative verdict by the second instance in 2016 in the proceeding of *austro mechana* against the internet seller Amazon about storage media levy, *austro mechana* had to freeze the monies from the

levy for the reporting year due to its commercial due diligence. This applied to both the distribution as royalties as well as the distribution for sponsorship and allotments by the Social and Cultural Institutions. A distribution of the frozen monies was only possibly after the decision by the Supreme Court in February 2017 (see below).

A total of € 3.654 m was distributed to collective management organisations abroad in the reporting year.

OTHER

An event of special significance which occurred after the end of the business year is connected with the proceeding of *austro mechana* against Amazon. On March 15, 2017 the Supreme Court announced his decision in the proceeding of *austro mechana* against Amazon. With this, Amazon is in principle obliged to account for and to pay the storage media levy.

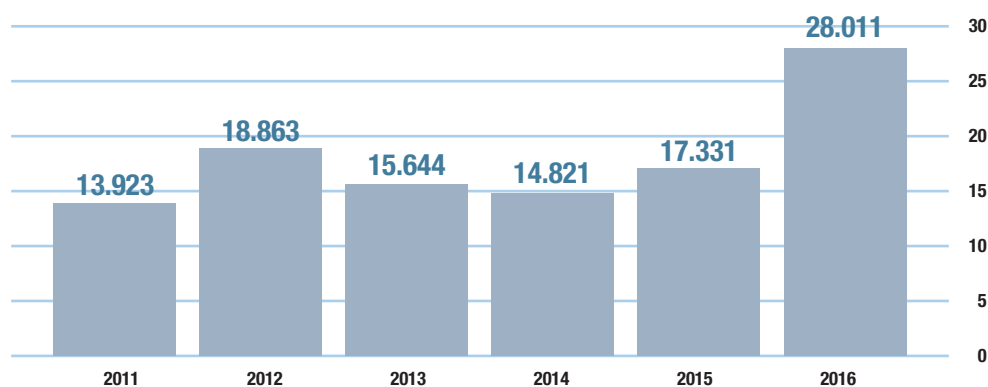
The system of storage media levy, which was present in

recent years under the keyword "hard disk fee", was confirmed by the Supreme Court. It is in conformity with Union Law and results in the principle payment obligation of Amazon for storage media delivered to Austria.

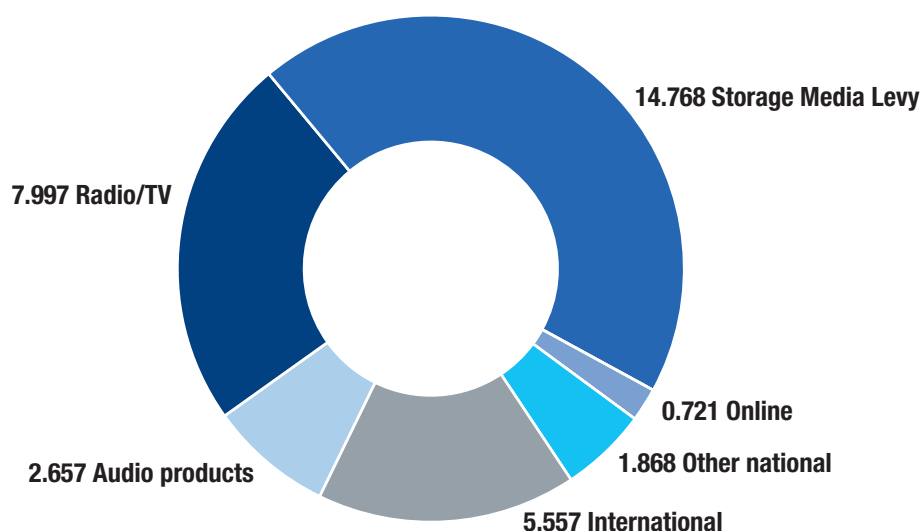
Due to the structure of the lawsuit (two steps), payments cannot yet be expected; as additional questions, although not so critical, must be answered by the Commercial Court of Vienna first.

CHARTS AND GRAPHS

National License Revenues (€ m)



Total revenues 2016 (€ m)



Licence revenues total by source (€ m)

	2016 € m	2015 € m
National		
Audio products	2.657	3.039
Audiovisual products	0.161	0.269
Radio/TV	7.997	7.852
Storage media levy	14.768	3.638
Online	0.721	0.872
Other license fees	1.707	1.660
National total	28.011	17.331
International	5.557	5.725
Grand Total	33.568	23.057

Transactions from affiliated collecting organisations (Top 15 in 2016, € m)

GEMA / DE	2.464
SUISA / CH	0.309
SDRM / FR	0.250
MCPS / GB	0.135
SIAE / IT	0.059
ARTISJUS / HU	0.055
STEMRA / NL	0.052
OSA / CZ	0.045
SABAM / BE	0.036
JASRAC / JP	0.032
NCB / SCAND	0.022
SGAE / ES	0.018
HARRY FOX / USA	0.015
AMCOS / AUS	0.011
STIM / SE	0.010

SOCIAL AND CULTURAL INSTITUTIONS

SOCIAL AND CULTURAL INSTITUTIONS

The Social and Cultural Institutions of *austro mechana* grant subsidies and funds directly to or for the benefit of contemporary musical authors who are members of *austro mechana*. Subsidies therefore also go to orchestras, organisers, small labels and organisations whose main focus is on the presentation of national contemporary music. The funds for these institutions come solely from the copyright fee for private copies, the storage media levy (previously blank tape levy). *Austro mechana* is authorized to collect these fees on behalf of all Austrian collective management organisations for blank storage media. The revenues are for the benefit of

composers, writers, visual artists, film and video artists as well as performing artists, film and music producers. 50 per cent are distributed as royalties, 50 per cent are assigned by legal obligation to the respective Social and Cultural Institutions of the collective management organisations for allowances and subsidies. Expert advisory boards decide upon the allocation of funds for social allowances and cultural subsidies.

In 2016 the funds for Social and Cultural Institutions were allocated as follows (amounts in Euro):

Social allowances

Allowances for securing a basic standard of living	4,500.00
Allowances for extraordinary costs	1,000.00
Allowances for social insurance	20,000.00
Retirement benefits	639,174.00
Total	664,674.00

Cultural subsidies

General subsidies	77,309.70
Project funding for serious music	191,150.00
Project funding for popular music	313,230.00
Total	581,689.70

The annual report about the activities of the social and cultural institutions as well as guidelines and general information are published on the website www.ske-fonds.at.



ABOUT US

austro mechana is a private limited company and is a subsidiary of AKM Autoren, Komponisten und Musikverleger, a registered cooperative with limited liability.

Managing Director:

Dr. Gernot Graninger

Supervisory Board:

Prof. Robert Opatko, chairman, composer

Peter Vieweger, composer

Johann Ecker, author

Edith Michaela Krupka-Dornaus, deputy chairman, music publisher

Delegated by works council:

Silke Michel

Gisela Vitek

Number of employees (31 Dec 2016):

The average number of employees, including 2 employees in the social and cultural institutions, amounts to 27 (2015: 27).

Company:

AUSTRO-MECHANA Gesellschaft zur Wahrnehmung mechanisch-musikalischer Urheberrechte Gesellschaft m.b.H.

Corporate seat:

Vienna

Company register:

The company is registered with the commercial register of the Vienna Commercial Court under number FN 76606g.

Authorization

By public announcement of the Ministry of Education and Culture on 20 April 1982, austro mechana was granted the permission to administer the copyrights of composers, authors and music publishers as Collective Management Organisation as defined by the act on Collective Management Organisations.

State supervision

By law, Collective Management Organisations are subject to regulatory supervision which are handled by the Supervisory Authority for Collective Management Organisations based in the Ministry of Justice.

Number of beneficiaries

As per 31 December 2016, austro mechana had a total of 25,556 beneficiaries, thereof 23,106 authors, 1,677 legal successors and 773 music publishers. Austro mechana gained 669 new beneficiaries in the year under review.

BALANCE SHEET AS AT 31 DEC 2016

ASSETS		
	As at 31 Dec 2016	As at 31 Dec 2015
	€	€ '000s
A. FIXED ASSETS		
I) Intangible assets		
1) Software and licenses	700,374.75	764
2) Prepayments made	31,769.00	35
	732,143.75	799
II) Tangible Assets		
1) Properties and buildings	697,092.75	716
2) Other assets, office and business equipment	35,083.58	45
3) Assets under construction	538,714.00	65
	1,270,890.33	826
III) Financial Assets		
1) Holdings	169.90	0
2) Fixed Asset securities	9,702,485.25	9,724
	9,702,655.15	9,724
	11,705,689.23	11,349
B. CURRENT ASSETS		
I) Receivables and other assets		
1) Accounts Receivable	12,514,907.71	7,647
<i>thereof with a residual term of more than one year</i>	<i>0.00</i>	<i>0</i>
2) Receivables from affiliated companies	1,666,186.82	1,215
<i>thereof with a residual term of more than one year</i>	<i>0.00</i>	<i>0</i>
3) Advances to beneficiaries and int, Organisations	162,501.78	207
<i>thereof with a residual term of more than one year</i>	<i>0.00</i>	<i>0</i>
4) Other receivables and assets	89,121.38	15
<i>thereof with a residual term of more than one year</i>	<i>0.00</i>	<i>0</i>
	14,432,717.69	9,084
II) Cash in hand, cash at bank	96,808,325.90	27,644
	111,241,043.59	36,728
	122,946,732.82	48,077

BALANCE SHEET AS AT 31 DEC. 2016

LIABILITIES		
	As at 31 Dec 2016	As at 31 Dec 2015
	€	€ '000s
A) Equity		
I) Registered capital		
1) Subscribed capital <i>of which paid in: € 18,168.15; 2015: € '000s 18</i>	36,336.45	36
2) Outstanding contributions, not requested	-18,168.30	-18
	18,168.15	18
II) Retained earnings		
1) Investment reserve	227,810.99	249
2) Free reserve	690,000.00	690
	917,810.99	939
	935,979.14	957
B) Provisions		
1) Provisions for severance pay	329,760.00	329
2) Provisions for pension plan	106,219.00	111
3) Other provisions	2,801,064.47	2,969
	3,237,043.47	3,409
C) LIABILITIES		
<i>thereof with a residual term of up to one year</i>	<i>118,773,710.21</i>	<i>43,711</i>
1) Trade accounts payable	170,891.73	187
<i>thereof with a residual term of up to one year</i>	<i>170,891.73</i>	<i>187</i>
2) Liabilities from cleared royalties	1,181,970.77	1,162
<i>thereof with a residual term of up to one year</i>	<i>1,181,970.77</i>	<i>1,162</i>
3) Liabilities from royalties to be cleared	44,124,394.28	28,585
<i>thereof with a residual term of up to one year</i>	<i>44,124,394.28</i>	<i>28,585</i>
4) social and cultural institutions liabilities	3,598,173.86	3,302
<i>thereof with a residual term of up to one year</i>	<i>3,598,173.86</i>	<i>3,302</i>
5) Other liabilities	69,698,279.57	10,475
<i>thereof with a residual term of up to one year</i>	<i>69,698,279.57</i>	<i>10,475</i>
of which from taxes	243,439.65	48
<i>thereof with a residual term of up to one year</i>	<i>243,439.65</i>	<i>48</i>
of which within the social welfare framework	38,162.81	39
<i>thereof with a residual term of up to one year</i>	<i>38,162.81</i>	<i>39</i>
	118,773,710.21	43,711
	122,946,732.82	48,077

PROFIT AND LOSS STATEMENT

	2016	2015
	€	€ '000s
1) Income		
a) Income from national license fees	28,010,940.24	17,331
b) Income from international license fees	5,556,890.43	5,725
c) Other Income	3,574,860.78	4,149
	37,142,691.45	27,206
2) Other operating income		
a) Income from the disposal of fixed assets except financial assets	30.00	0
b) Income from the release of provisions	504,336.14	9
	504,366.14	9
3) Staff cost		
a) Salaries	-1,277,433.69	-1,328
b) Social expenses		
ba) Expenses for social security plans	-59,144.70	-58
bb) Expenses for severance payments and contributions to company-sponsored employee provision funds	-14,635.63	-6
bc) Expenses for social security contributions and payment-related charges and compulsory contributions	-378,883.21	-367
c) Other social expenses	-8,642.40	-10
	-402,161.24	-441
	-1,738,739.63	-1,769
4) Amortisation of immaterial assets in fixed assets and tangible assets	-99,824.77	-74
5) Other operating expenses		
a) other	-2,300,487.12	-2,272
	-2,300,487.12	-2,272
6) Subtotal of lines 1 to 5	33,508,006.07	23,100
7) Plus change in liability of social and cultural institutions contained in subtotal of lines 1-5	136,316.56	143
8) Subtotal of lines 6 to 7	33,644,322.63	23,243
9) Income from securities and bonds	0.00	505
10) Other interest income and similar income	57,946.80	21
11) Expenses for financial investments <i>thereof: Depreciation of financial investments € 21,652.50 (2015: € '000s 15)</i>	-21,652.50	-15
12) Interest income and similar expenses	-0.03	-55
13) Subtotal of lines 9 to 12	36,294.27	456
14) Minus change in liability of social and cultural institutions contained in subtotal of lines 9-12	-3,981.83	0
15) Subtotal of lines 13 and 14 (financial success)	32,312.44	456
16) Release of investment reserve	21,496.13	11
17) Allocation to reserve	0.00	-200
18) Subtotal of lines 16 and 17 (reserves)	21,496.13	-189
19) Net income = royalties to be appropriated	33,698,131.20	23,510
20) Allocation to liabilities from unappropriated royalties	-33,698,131.20	-23,510
21) Annual surplus = net profit	0.00	0.00

WHAT WE DO AND HOW WE WORK

austromechana

- is the Collective Management Organisation for mechanical rights in music in Austria,
- administers the copyrights of musical authors and music publishers as a trustee,
- represents the rights of more than 25,000 austro mechana beneficiaries and - via reciprocal representation agreements with international affiliates - of millions of copyright holders around the world, in Austria,
- is a limited liability company and a subsidiary of AKM.

austromechana offers services to music creators and music users:

- ensures that authors, composers and music publishers get their royalties from the production of sound and video carrier media, from the reproduction of their works in the areas of radio/TV and online/mobile as well as their share from the storage media levy.
- Music users can obtain the necessary license to use the nearly worldwide repertoire of copyrighted music from [austromechana](#).

All revenues are passed on by [austromechana](#) to the music authors and publishers.

- There are fixed rules for the distribution of royalties.
- To cover operating cost, a commission fee is deducted prior to the distribution of revenues. Austro mechana is not profit oriented.

Within the framework of its social and cultural institutions, [austromechana](#) grants subsidies and allowances for its beneficiaries according to the guidelines.

IMPRINT

AUSTRO-MECHANA Gesellschaft zur Wahrnehmung mechanisch-musikalischer Urheberrechte Ges. m.b.H.
Address/Contact: 1030 Vienna, Baumannstrasse 10 | P +43 1 717 87-0 | office@aume.at | www.aume.at
Managing Director: Dr. Gernot Graninger