

Annual Report 2010

The past year has been the year of search for cooperations and enhanced change management. austromechana has managed to maintain their good performance despite the ongoing decrease of mechanical royalties.

REVENUES

Although 2010 was a difficult year we collected € 24.015 million in royalties for our songwriter, composer and publisher members. Compared to the result in 2009, this is a growth of 3.06 %. A breakdown of the collections in 2010 and 2009, by category, is given below (€ m):

	2010	2009	%		2010	2009	%
National				International			
Audio products	4.103	4.574	(10.30)	Central Licensing	4.219	4.449	(5.17)
Radio/TV	6.527	6.556	(0.44)	Sister Societies	3.010	3.572	(15.73)
Private copying levy	2.199	2.412	(8.83)	Advertising Slots foreign TV-channels	0.020	0.117	(82.91)
Other royalties	1.137	1.086	4.70	Total international	7.249	8.138	(10.92)
Audiovisual products	2.301	0.133	1,630.08				
Rental/lending	0.034	0.034	0.00	Grand Total	24.015	23.303	3.06
Online	0.465	0.370	25.68				
Total national	16.766	15.165	10.56				

Audio Products

The licensing of sound carrier productions is our core business. Financial statements for 2010 report royalties from sales in the second half of 2009 and the first half

of 2010. Licence fees collected by us directly were at € 4.103 million, a drop of 10.3 % compared to 2009.

More than 50% of the royalties accrued on the Austrian sound carrier market are collected by sister

societies via so-called Central Licensing agreements with major labels. Under these agreements austromechana receives royalties from sales in Austria only for distribution. These revenues essentially represent the market share of the multinational groups and show a decline of 5.17 % in 2010 versus the preceding year.

Licensing revenues for sales of sound carriers in Austria from both areas together total € 8.322 million and are down 7.77 % compared to 2009.

Public Radio / TV

Under the agreement with the Austrian public broadcasting station ORF austromechana receives 0.6693% of the broadcaster's revenues from subscriber fees and advertising including special forms of advertising (for ex. sponsoring, product placement) for mechanical rights. In 2010, this resulted in € 5.054 million, which is a 2.15% fall compared to last year's income of € 5.165 million.

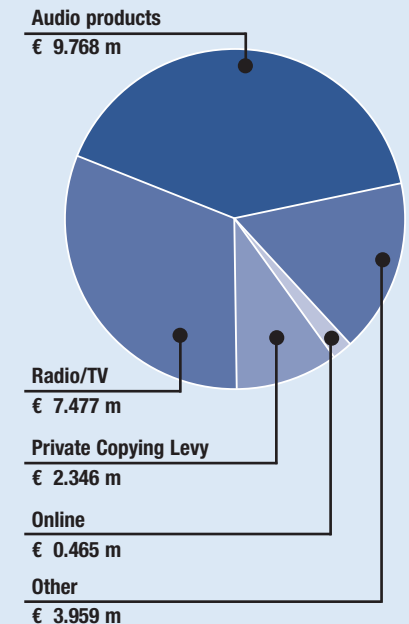
Private Radio / TV

Total revenues in Private Radio / Private Television came to € 1.473 million in 2010. This represents an increase of 5.9% from the preceding year's result of € 1.391 million.

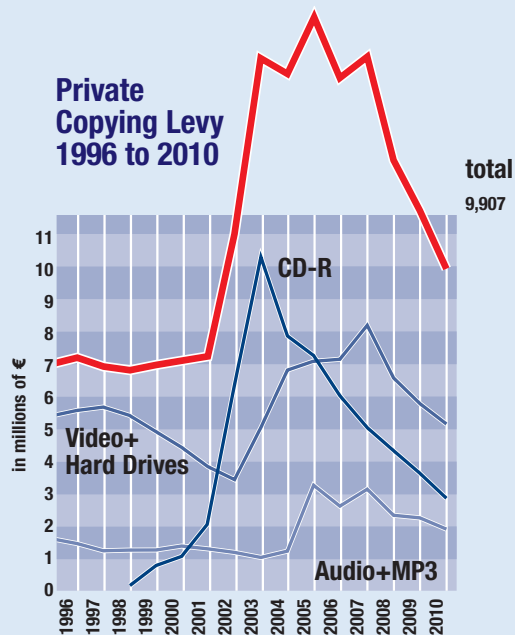
Private Copying Levy

austromechana negotiates and collects the remunera-

Revenue Split



tion for private copying on behalf of all right holders organizations concerned. Total collections show a decrease of 8.83% from € 11.699 million in 2009 to € 9.907 million in 2010. The decline is attributable almost entirely to the shift in technology and consumer behaviour from recordable products such as CD-R and DVD-R to products with integral hard discs. The tariffs for these devices are – considering the high storing capacities - relatively low. Efforts to negotiate tariffs with the consumer electronics industry for mobile phones with MP3 devices / function on the one hand and hard discs in PC on the other hand have failed. Law suits are pending in both cases.



A breakdown by product group and the share of austromechana over the last three years is given below (€ m):

	2010	2009	2008
AUDIO analogue	0.077	0.114	0.140
AUDIO digital	0.148	0.169	0.172
Computer CD-R	2.855	3.630	4.321
VIDEO	0.340	0.443	0.645
DVD	3.774	4.373	4.755
MP3/Jukebox	1.392	1.837	2.017
Hard drive in DVD-recorders / Sat-receivers	1.022	0.972	1.163
USB-Sticks	0.299	0.161	0.000
Total	9.907	11.699	13.213
Share of austromechana	3.399 *	3.862 *	4.389

* Due to a dispute concerning the shares of the levy for audio-carriers between the right holders organizations involved only 50 % of the collections for this product group have been distributed as an advance payment.

Online

As a result of supplementary accountings we see Online revenues rise, up 25.68% from € 0.370 million

ASSETS

A Fixed Assets

- I. Intangible assets
 - 1. IT software
- II. Tangible assets
 - 1. Land and buildings on third party land
 - a) Land value
 - b) Building value
 - 2. Other equipment, operating and office equipment
 - a) Office furnishings
 - b) Office equipment
 - c) Vehicle fleet
- III. Financial assets
 - 1. Shares in companies
 - 2. Long-term securities

B Current Assets

- I. Receivables and other assets
 - 1. Advances and down-payments
 - 2. Receivables from license fees
 - 3. Other receivables and assets
- II. Cash, bank accounts

C. Prepaid Expenses

	December 31, 2010		December 31, 2009	
	€	€	in thousands of euro	
A Fixed Assets				
I. Intangible assets				
1. IT software		10,940.83		74
II. Tangible assets				
1. Land and buildings on third party land				
a) Land value	31,365.38			31
b) Building value	166,885.00			178
2. Other equipment, operating and office equipment				
a) Office furnishings	78,556.36			71
b) Office equipment	1,558.97			4
c) Vehicle fleet	17,587.50	295,953.21	21	305
III. Financial assets				
1. Shares in companies	169.90		0	
2. Long-term securities	26,357,680.00	26,357,849.90	26,358	26,358
		26,664,743.94		26,737
B Current Assets				
I. Receivables and other assets				
1. Advances and down-payments	196,336.86		208	
2. Receivables from license fees	4,749,909.74		3,422	
3. Other receivables and assets	108,814.83	5,055,061.43	380	4,010
II. Cash, bank accounts		18,706,427.26		15,603
		23,761,488.69		19,613
		660.18		10
		<u>50,426,892.81</u>		<u>46,360</u>

in 2009 to € 0.465 million in 2010. However, due to the withdrawals of rights by the major publishers for multi-territorial licensing a large share of these royalties has to be held in suspense. Further performance will depend both on the developments in the European environment and on the efforts to react swiftly and flexible to new online services on the market.

International

Total income from abroad was down 10.92 % in the year under review which is mainly attributable to the 15.73% drop in royalties collected by sister societies. The overall result reflects the continued fall on the international sound and audiovisual carrier markets.

Transactions with sister societies abroad provided the following picture in 2010 (€ m)

	AUME abroad	From abroad to AUME		AUME abroad	From abroad to AUME
GEMA/ Germany	4.015	1.840	HARRY FOX/USA	0.024	0.034
SDRM/France	0.167	0.279	JASRAC / Japan	0.004	0.027
SUISA/Switzerland	0.138	0.197	SABAM/Belgium	0.021	0.021
MCPS/England	0.131	0.135	ARTISJUS / Hungary	0.001	0.038
SIAE/Italy	0.190	0.143	OSA/ Czech Republic	0.036	0.059
STEMRA/Netherlands	0.071	0.088	ZAIKS / Poland	0.001	0.011
NCB/Scandinavian	0.132	0.033	Others	0.039	0.070
SGAE/Spain	0.027	0.040	Total	4.997	3.015

	December 31, 2010		December 31, 2009	
	€	€	in thousands of euro	
LIABILITIES & SHAREHOLDER EQUITY				
A. Equity				
Common stock	36,336.45		36	
Outstanding capital contributions	<u>-18,168.30</u>	18,168.15	<u>-18</u>	18
B. Accruals				
1. Accruals for severance costs	398,990.94		260	
2. Accruals for pensions	129,182.00		337	
3. Other accruals	<u>7,129,702.62</u>	7,657,875.56	<u>5,550</u>	6,147
C. Liabilities				
1. Accounts payable	286,231.54		748	
2. Payables due to domestic and foreign parties				
a) Not yet cleared	27,248,530.80		26,354	
b) Cleared	1,344,805.42		1,284	
3. SKE payables	4,986,548.08		5,907	
4. Other payables	<u>8,884,733.26</u>	42,750,849.10	<u>5,902</u>	40,195
Tax-related € 3,369.31 (2009: € 84,000)				
Social security-related € 35,353.17 (2009: € 35,000)				
		<u>50,426,892.81</u>		<u>46,360</u>

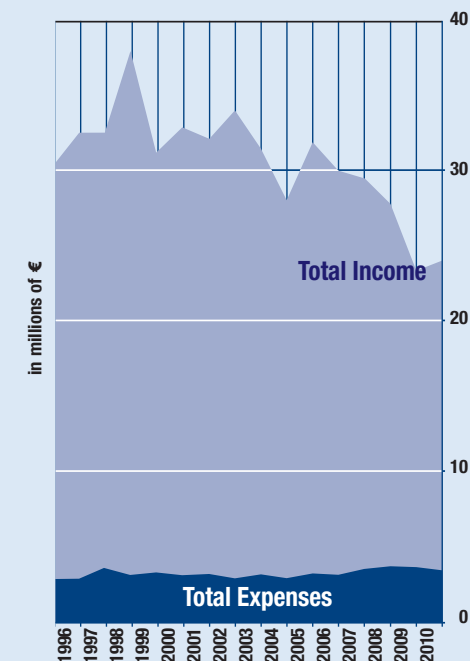
DISTRIBUTION

In 2010, we distributed a total of € 14.523 million to more than 20,000 direct members.

OPERATING COSTS

austro mechana acts as a trustee and may not make any profit. Our operating costs have to be covered by the income from commission fees. Commission fees and financial income totalled € 3.547 million in 2010, expenditures could be reduced to € 3.481 million. The surplus of € 66,000 was distributed to the society's members and foreign right holders. At the end of 2010 austro mechana had 28 employees.

Development of Income – Expenses



ORF minute values

The following values per minute have been applied for the distribution of mechanical royalties generated from ORF broadcasts in 2009 which were distributed in 2010:

Radio	
Hook-up broadcast	€ 1.67
Local broadcast	€ 0.55
Television	
Hook-up broadcast	€ 9.18
Local broadcast	€ 3.06

Films (foreign productions) and live broadcasts on television are not licensed by austro mechana.

Statistics

The statistics on distribution to authors and publishers compared to the preceding year resulted in the following picture.

Authors	2010	2009	Publishers	2010	2009
More than € 100,000	3	2	More than € 1 million	3	3
€ 50,000 to € 100,000	9	14	€ 100,000 to € 1 million	13	14
€ 10,000 to € 50,000	71	94	€ 10,000 to € 100,000	44	47
€ 1,000 to € 10,000	591	644	€ 1,000 to € 10,000	98	96
Less than € 1,000	10,039	9,650	Less than € 1,000	348	324
Total	10,713	10,404	Total	506	484

SOCIAL AND CULTURAL INSTITUTIONS (SKE)

austro mechana has a legal obligation to assign 50 % of the income generated by private copying levies to the social and cultural funds of SKE. From these funds austro mechana promotes Austrian copyrights on the one hand by subsidizing music productions and performances as well as by supporting the creation of music with 'publicity awards' and 'annual awards'. On the other hand austro mechana pursues social goals and pays subsidies in cases of emergency, for health insurances and pensions.

In 2010 the SKE Fund was allocated as follows (€ m):

Social allowances	
Allowances for securing a basic standard of living	9,600.00
Allowances for extraordinary costs	28,000.00
Allowances for health insurance	10,051.17
Allowances for pension insurance	5,734.25
Allowances for social insurance	14,636.24
Retirement benefits – authors	672,877.00
Retirement benefits – music publishers	94,720.00
Total	835,618.66
Cultural subsidies	
General subsidies	65,658.53
Project funding for serious music	312,350.00
Project funding for popular music	718,760.00
Total	1,096,768.53

The annual report about SKE's activities in 2010 as well as SKE guidelines and other relevant information are published on the website www.ske-fonds.at.



OUR BOARDS

austromechana®

austro mechana's board members are elected by the General Assembly for three-year-terms:

Executive Board:

- Dieter Kaufmann
President: composer – serious music
- Marion von Hartlieb
Vice President: publisher
- Alf Krauliz
Vice President: songwriter
- Kurt Brunthaler
composer – popular music
- Erwin Kiennast
composer – popular music
- Christian Kobel
publisher
- Fritz Schindlechter
songwriter

Supervisory Board:

- Heinz Glawischnig
songwriter
- Edith Michaela Krupka-Dornaus
publisher
- Wolfgang Mitterer
composer – serious music
- Robert Opratko
composer – popular music
- Helmuth Pany
publisher
- Regine Steinmetz
songwriter

Profit and Loss Statement for the Business Year from January 1, 2010 to December 31, 2010

	2010	2009
	€	€
		in thousands of euro
1. Revenue		
License fees	24,015,494.98	23,303
Allocation for distribution	-23,166,360.34	-22,567
Revenue from previous periods		2,176
Change in the accrual of commission income	19,000.00	-126
	<u>2,756,229.37</u>	<u>2,786</u>
2. Other operating income		
a) Income from release of accruals	91,234.53	10
b) Miscellaneous	792,224.18	918
	<u>883,458.71</u>	<u>928</u>
3. Personnel expenses		
a) Salaries	-1,333,594.36	-1,321
b) Expenses for severance pay and payments to benefit provision fund	-152,139.03	-39
c) Expenses for pensions	110,213.58	-84
d) Expenses for statutory social contributions and payroll-related taxes	-363,973.96	-360
e) Other social benefit-related expenses	-9,727.45	-14
	<u>-1,749,221.22</u>	<u>-1,818</u>
4. Depreciation on intangible assets and tangible assets	-92,758.97	-156
5. Other operating expenses	-1,783,380.38	-1,847
6. Subtotal of 1 - 5	<u>14,327.51</u>	<u>-107</u>
7. plus change in SKE-related liabilities contained in subtotal of 1 - 5	52,148.52	131
8. Subtotal of 6 and 7	<u>66,476.03</u>	<u>24</u>
9. Income from securities and investments	790,710.60	809
10. Other interest and similar income	113,916.35	217
11. Expenses from financial assets	-20,195.48	-22
12. Interest and similar expenses	-144,071.37	-83
13. Subtotal 9 - 12	<u>740,360.10</u>	<u>921</u>
14. less change in SKE-related liabilities contained in subtotal of 9 – 12	-33,268.76	-88
15. Subtotal 13 and 14	<u>707,091.34</u>	<u>833</u>
16. Total of 8 and 15	<u>773,567.37</u>	<u>857</u>
17. Beneficiaries claims	-773,567.37	-857
18. Annual surplus = net profit	<u>0.00</u>	<u>0</u>