

Annual Report 2011

In the past year **austro mechana** have enhanced their efforts to maintain their good performance despite the decline of the market for mechanicals. The focus is on political initiatives for the strengthening of copyright in Austria and safeguarding income from royalties and levies.

REVENUES

Revenues in 2011 amount to € 20.636 million, down 14.07 % compared to 2010. The drop in royalties is primarily driven by the ongoing decrease of the CD market. A breakdown of the collections in 2011 and 2010, by source, is given below.

	2011 (€ m)	2010 (€ m)	Change (%)		2009 (€ m)	2008 (€ m)	Change (%)
National				International			
Audio products	3.563	4.103	-13.16	Central Licensing	3.544	4.219	-16.00
Radio/TV	6.901	6.527	5.73	Sister Societies	3.041	3.010	1.03
Private copying levy	1.593	2.199	-27.56	Advertising Slots foreign TV-channels	0.128	0.020	540.00
Other royalties	1.169	1.137	2.81	Total international	6.713	7.249	-7.39
Audiovisual products	0.252	2.301	-89.05				
Rental/lending	0.031	0.034	-8.82	Grand Total	20.636	24.015	-14.07
Online	0.414	0.465	-10.97				
Total national	13.923	16.766	-16.96				

Audio Products

The licensing of sound carrier productions is our core business. Financial statements for 2011 report royalties from sales in the second half of 2010 and the first half

of 2011. Licence fees collected by us directly were at € 3.563 million, a drop of 13.16 % compared to 2010.

Roughly 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 **austro mechana** 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 16 % in 2011 versus the preceding year.

Licensing revenues for sales of sound carriers in Austria from both areas together total € 7.107 million, down 14.6 % compared to 2010.

Public Radio / TV

Under the agreement with the Austrian public broadcasting station ORF **austro mechana** 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 2011, this resulted in € 5.355 million, an increase of 5.96% compared to last year's income of € 5.054 million.

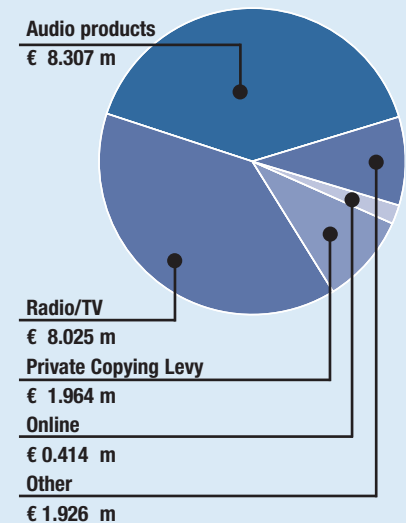
Private Radio / TV

Total revenues in Private Radio / Private Television came to € 1.546 million in 2011. This represents an increase of 4.96 % from the preceding year's result of € 1.473 million.

Private Copying Levy

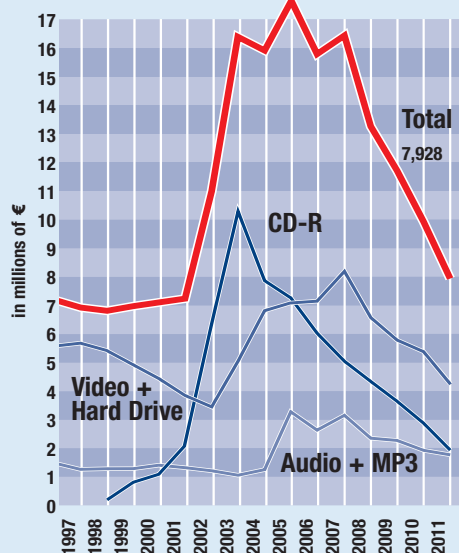
austro mechana negotiates and collects the remu-

Revenue Split



neration for private copying on behalf of all right holders organizations concerned. Total collections show a further dramatic drop of 19.98% from € 9.907 million in 2010 to € 7.928 million in 2011. The continued 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 still pending in both cases.

**Private Copying Levy
1997 - 2011**



A breakdown by product group and the share of austromechna is given below (€ m):

	2011	2010	%
AUDIO analogue	0.058	0.077	-24.68
AUDIO digital	0.097	0.148	-34.46
Computer CD-R	1.900	2.855	-33.45
VIDEO	0.203	0.340	-40.29
DVD	2.904	3.774	-23.05
MP3/Jukebox	1,163	1.392	-16.45
Hard drive in DVD-recorders / Sat-receivers	1.140	1.022	11.55
USB-Sticks	0.463	0.299	54.85
Total	7.928	9.907	-19.98
Share of austromechna	2.748 *	3.399 *	-19.15

* 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.

ASSETS

A Fixed Assets

- I. Intangible assets
 - 1. IT software
 - 2. Advance payments
- II. Tangible assets
 - 1. Land and buildings on third party land
 - a. Land value
 - b. Building value
 - c. Advance payments
 - 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

	December 31, 2011		December 31, 2010	
	€	€	in thousands of euro	
I. Intangible assets				
1. IT software		367.50		11
2. Advance payments	123,759.00		0	11
II. Tangible assets				
1. Land and buildings on third party land				
a. Land value		31,365.38		31
b. Building value		155,684.57		167
c. Advance payments		12,312.50		
2. Other equipment, operating and office equipment				
a) Office furnishings		66,985.00		79
b) Office equipment		3,437.74		1
c) Vehicle fleet		14,070.00		18
III. Financial assets				
1. Shares in companies		169.90		0
2. Long-term securities	26,357,680.00		26,358	26,358
		<u>26,357,849.90</u>		<u>26,358</u>
		<u>26,765,831.59</u>		<u>26,665</u>

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

1. Advances and down-payments	221,296.00		196	
2. Receivables from license fees	3,340,684.42		4,750	
3. Other receivables and assets	480,293.51	4,042,273.93	109	5,055
II. Cash, bank accounts		17,702,071.39		18,706
		<u>21,744,345.32</u>		<u>23,761</u>

C. Prepaid Expenses

		658.68		1
		<u>48,510,835.59</u>		<u>50,427</u>

Online

As a result of the withdrawal of online rights by the major publishers we see Online revenues fall from € 0.465 m in 2010 to € 0.414 m in 2011. 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 flexibly to new online services on the market.

International

Total income from abroad was down 7.39 % in the year under review which reflects the continued fall on the international sound and audiovisual carrier markets.

Transactions with sister societies abroad provided the following picture in 2011 (€ m)

	AUME abroad	From abroad to AUME		AUME abroad	From abroad to AUME
GEMA/ Germany	3.876	1.968	HARRY FOX/USA	0.017	0.011
SDRM/France	0.179	0.277	JASRAC / Japan	0.006	0.030
SUISA/Switzerland	0.133	0.158	SABAM/Belgium	0.022	0.054
MCPS/England	0.125	0.073	ARTISJUS / Hungary	0.002	0.047
SIAE/Italy	0.154	0.099	OSA/ Czech Republic	0.035	0.057
STEMRA/The Netherlands	0.091	0.079	ZAIKS / Poland	0.002	0.007
NCB/Scandinavia	0.112	0.066	Others	0.043	0.067
SGAE/Spain	0.025	0.041	Total	4.822	3.034

	December 31, 2011		December 31, 2010	
	€	€	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	423,197.00		399	
2. Accruals for pensions	123,153.00		129	
3. Other accruals	<u>8,374,369.32</u>	8,920,719.32	<u>7,130</u>	7,658
C. Liabilities				
1. Accounts payable	655,391.25		286	
2. Payables due to domestic and foreign parties				
a) Not yet cleared	26,168,255.09		27,249	
b) Cleared	1,218,068.58		1,345	
3. SKE payables	4,165,001.80		4,987	
4. Other payables				
Tax-related € 84,900.42 (2010 € 3,000)				
Social security-related € 35,026.77 (2010 € 35,000)	<u>7,365,231.40</u>	39,571,948.12	<u>8,884</u>	42,751
		<u>48,510,835.59</u>		<u>50,427</u>

DISTRIBUTION

In 2011, we distributed a total of € 13.526 million to more than 20,000 direct members.

OPERATING COSTS

austro mechna 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 € 3.741 million in 2011, expenditures amounted to € 3.724 million. The surplus of € 17,000 was distributed to the society's members and foreign right holders. At the end of 2011 austro mechna had 28 employees.

ORF minute values

The following values per minute have been applied for the distribution of mechanical royalties generated from ORF broadcasts in 2010 which were distributed in 2011:

Radio	
Hook-up broadcast	€ 1.71
Local broadcast	€ 0.56
Television	
Hook-up broadcast	€ 9.41
Local broadcast	€ 3.14

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

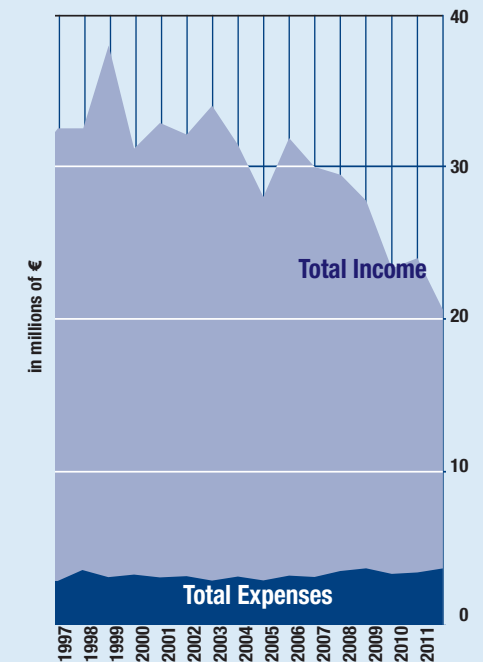
Statistics

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

Authors	2011	2010
More than € 100,000	3	3
€ 50,000 to € 100,000	8	9
€ 10,000 to € 50,000	84	71
€ 1,000 to € 10,000	545	591
Less than € 1,000	10,808	10,039
Total	11,448	10,713

Publishers	2011	2010
More than € 1 million	2	3
€ 100,000 to € 1 million	14	13
€ 10,000 to € 100,000	41	44
€ 1,000 to € 10,000	109	98
Less than € 1,000	348	348
Total	514	506

Development of Income – Expenditures



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 2011 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	9,324.49
Allowances for pension insurance	1,770.97
Allowances for social insurance	19,716.41
Retirement benefits - authors	675,069.00
Retirement benefits - music publishers	91,144.00
Total	834,624.87
Cultural subsidies	
General subsidies	67,085.77
Project funding for serious music	308,849.98
Project funding for popular music	567,200.00
Total	943,135.75

The annual report about SKE's activities in 2011 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 being 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 Schindlecker
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, 2011 to December 31, 2011

	€	2011 €	2010 in thousands of euro
1. Revenue			
License fees		20,636,073.71	24,015
Allocation for distribution		-19,997,261.61	-23,166
Revenue from previous periods			1,888
Change in the accrual of commission income		30,000.00	19
		<u>2,719,633.98</u>	<u>2,756</u>
2. Other operating income			
a) Income from release of accruals		301,628.09	91
b) Miscellaneous		791,026.15	792
		<u>1,092,654.24</u>	<u>883</u>
3. Personnel expenses			
a) Salaries		-1,363,792.63	-1,333
b) Expenses for severance pay and payments to benefit provision fund		-37,156.01	-152
c) Expenses for pensions		-57,399.76	110
d) Expenses for statutory social contributions and payroll-related taxes		-360,154.48	-364
e) Other social benefit-related expenses		-10,741.77	-10
		<u>-1,829,244.65</u>	<u>-1,749</u>
4. Depreciation on intangible assets and tangible assets		-40,140.51	-93
5. Other operating expenses		<u>-2,003,437.07</u>	<u>-1,783</u>
6. Subtotal of 1 - 5		-60,534.01	14
7. plus change in SKE-related liabilities contained in subtotal of 1 - 5		77,085.75	52
8. Subtotal of 6 and 7		16,551.74	66
9. Income from securities and investments		790,710.60	790
10. Other interest and similar income		306,039.85	114
11. Expenses from financial assets and securities from current assets		-16,788.35	-20
12. Interest and similar expenses		-92,792.87	-144
13. Subtotal 9 - 12		<u>987,169.23</u>	<u>740</u>
14. less change in SKE-related liabilities contained in subtotal of 9 - 12		-74,817.02	-33
15. Subtotal 13 and 14		912,352.21	707
16. Total of 8 and 15		<u>928,903.95</u>	<u>773</u>
17. Beneficiaries claims		-928,903.95	-773
18. Annual surplus = net profit		<u>0.00</u>	<u>0</u>