

Annual Report 2012

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

In 2012 austro mechana's overall revenue reached € 25.265 million, an increase of 22.43 % compared to the previous year. This result is primarily due to subsequent payments in the field of private copying levies. A breakdown of the collections in 2012 and 2011 by source, is given below.

	2012 (€ m)	2011 (€ m)	Change (%)		2012 (€ m)	2011 (€ m)	Change (%)
National				International			
Audio products	3.601	3.563	1.07	Central Licensing	3.446	3.544	-2.77
Radio/TV	7.011	6.901	1.59	Sister Societies	2.812	3.041	-7.53
Private copying levy	6.087	1.593	282.11	Advertising Slots foreign TV-channels	0.144	0.128	12.50
Other royalties	1.309	1.169	11.98	Total international	6.402	6.713	-4.63
Audiovisual products	0.372	0.252	47.62				
Rental/lending	0.032	0.031	3.23	Grand Total	25.265	20.636	22.43
Online	0.451	0.414	8.94				
Total national	18.863	13.923	35.48				

Audio Products

The licensing of sound carrier productions is our core business. Financial statements for 2012 report royalties

from sales in the second half of 2011 and the first half of 2012. Licence fees collected by us directly were at € 3.601 million, up 1.07 % compared to 2011.

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 2.77 % in 2012 versus the preceding year.

Licensing revenues for sales of sound carriers in Austria from both areas together totaled € 7.047 million, down 0.84 % compared to 2011.

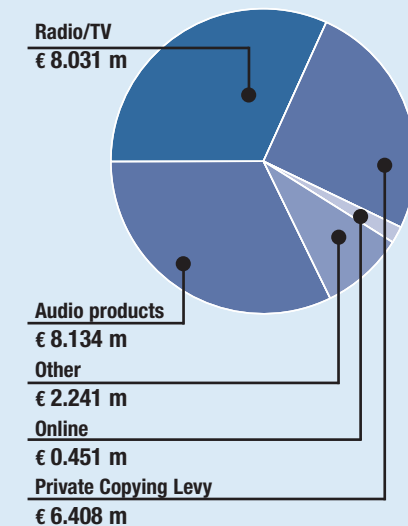
Public Radio / TV

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 2012, this resulted in € 5.427 million, an increase of 1.34% compared to last year's income of € 5.355 million.

Private Radio / TV

Total revenues in Private Radio / Private Television came to € 1.584 million in 2012. This represents an increase of 2.46 % from the preceding year's result of € 1.546 million.

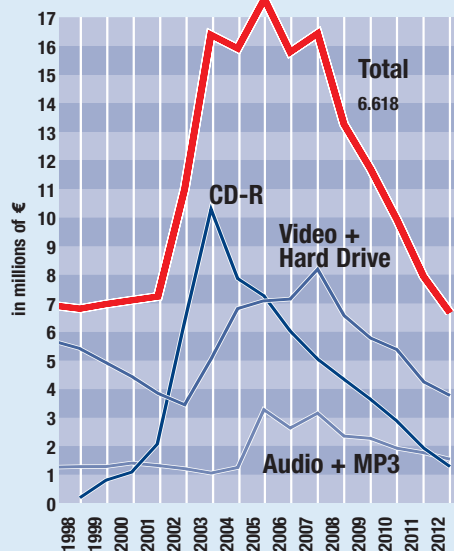
Revenue Split



Private Copying Levy

austro mechana negotiates and collects the remuneration for private copying on behalf of all right holders organizations concerned. The continued decline in income 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
1998 - 2012**



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

	2012	2011	%
AUDIO analogue	0.033	0.058	-43
AUDIO digital	0.080	0.097	-18
Computer CD-R	1.290	1.900	-32
VIDEO	0.176	0.203	-13
DVD	2.066	2.904	-29
MP3/Jukebox	0.921	1.163	-21
Hard drive in DVD-recorders / Sat-receivers	1.535	1.140	35
USB-Sticks	0.517	0.463	12
Total	6.618	7.928	-17
Share of austro mechna	2.237	2.778	-19

Online

Licensing income in the field of online uses could be increased by 8.94 % compared to 2011.

International

Total income from abroad was down 4.63 % in the year under review which reflects the continued fall on the international sound and audiovisual carrier markets.

DISTRIBUTION

More than 22,000 composers, lyricists and music publishers have entrusted austro mechna with the administration of their mechanical rights.

The amount available for distribution to our direct members in 2012 came to € 12.852 million.

Transactions with sister societies abroad provided the following picture in 2012 (€ m)

	AUME abroad	From abroad to AUME		AUME abroad	From abroad to AUME
GEMA/ Germany	3.780	1.823	HARRY FOX/USA	0.016	0.009
SDRM / France	0.201	0.216	JASRAC / Japan	0.004	0.032
SUISA / Switzerland	0.156	0.204	SABAM / Belgium	0.025	0.022
MCPS / England	0.154	0.081	ARTISJUS / Hungary	0.002	0.043
SIAE / Italy	0.138	0.069	OSA / Czech Republic	0.034	0.054
STEMRA / Holland	0.094	0.105	ZAIKS / Poland	0.003	0.008
NCB / Scandinavia	0.128	0.030	Others	0.067	0.078
SGAE / Spain	0.028	0.043	Total	4.830	2.817

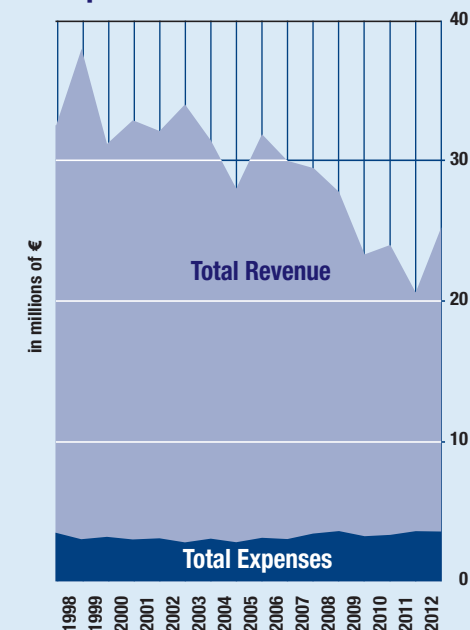
ASSETS

	December 31, 2012		December 31, 2011	
	€	€	€	€
I. Intangible assets				
1. IT software	2,136.75		367.50	
2. Advance payments	442,598.00	444,734.75	123,759.00	124,126.50
II. Tangible assets				
1. Land and buildings on third party land				
a. Land value	31,365.38		31,365.38	
b. Building value	144,484.14		155,684.57	
c. Advance payments	24,196.00		12,312.50	
2. Other equipment, operating and office equipment				
a) Office furnishings	55,367.82		66,985.00	
b) Office equipment	13,859.81		3,437.74	
c) Vehicle fleet	10,552.50	279,825.65	14,070.00	283,855.19
III. Financial assets				
1. Shares in companies	169.90		169.90	
2. Long-term securities	26,357,680.00	26,357,849.90	26,357,680.00	26,357,849.90
		<u>27,082,410.30</u>		<u>26,765,831.59</u>
B. B. Current Assets				
I. Receivables and other assets				
1. Advances and down-payments	219,881.40		221,296.00	
2. Receivables from license fees	3,594,158.68		3,340,684.42	
3. Other receivables and assets	77,391.35	3,891,431.43	480,293.51	4,042,273.93
II. Cash, bank accounts		17,011,331.45		17,702,071.39
		<u>20,902,762.88</u>		<u>21,744,345.32</u>
C. C. Prepaid Expenses		0.00		658.68
		<u>47,985,173.18</u>		<u>48,510,835.59</u>

	December 31, 2012		December 31, 2011	
	€	€	€	€
A. Equity				
1. Common stock	36,336.45		36,336.45	
Outstanding capital contributions	<u>-18,168.30</u>	18,168.15	<u>-18,168.30</u>	18,168.15
2. Investment reserve		260,000.00		0.00
B. Accruals				
1. Accruals for severance costs	518,340.00		423,197.00	
2. Accruals for pensions	128,323.00		123,153.00	
3. Other accruals	<u>4,664,342.14</u>	5,311,005.14	<u>8,374,369.32</u>	8,920,719.32
C. Liabilities				
1. Accounts payable	164,865.46		655,391.25	
2. Payables due to domestic and foreign parties				
a) Not yet cleared	29,664,007.76		26,168,255.09	
b) Cleared	1,287,755.31		1,218,068.58	
3. SKE payables	3,221,836.70		4,165,001.80	
4. Other payables	<u>8,057,534.66</u>	42,395,999.89	<u>7,365,231.40</u>	39,571,948.12
Tax-related € 34,558.73 (2011 € 85,000)				
Social security-related € 96.164,46 (2011 € 35,000)				
		<u>47,985,173.18</u>		<u>48,510,835.59</u>

LIABILITIES & SHAREHOLDER EQUITY**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 € 4.327 million in 2012, expenditures amounted to € 3.796 million. The resulting surplus permitted the allocation for an investment reserve as well as an additional distribution of € 271,000 to the society's members and foreign right holders. At the end of 2012 austro mechana had 28 employees.

Development of Income – Expenditures**ORF minute values**

The following values per minute have been applied for the distribution of mechanical royalties generated from ORF broadcasts in 2011 which were distributed in 2012:

Radio	Value
Hook-up broadcast	€ 1.58
Local broadcast	€ 0.53
Television	Value
Hook-up broadcast	€ 8.73
Local broadcast	€ 2.91

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	2012	2011	Publishers	2012	2011
More than € 100,000	4	3	More than € 1 million	2	2
€ 50,000 to € 100,000	2	8	€ 100,000 to € 1 million	12	14
€ 10,000 to € 50,000	85	84	€ 10,000 to € 100,000	42	41
€ 1,000 to € 10,000	543	545	€ 1,000 to € 10,000	112	109
Less than € 1,000	11,033	10,808	Less than € 1,000	370	348
Total	11,667	11,448	Total	538	514

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 2012 the SKE Fund was allocated as follows (€ m):

Social allowances	
Allowances for securing a basic standard of living	7,500.00
Allowances for extraordinary costs	14,922.00
Allowances for health insurance	7,596.16
Allowances for pension insurance	2,809.52
Allowances for social insurance	29,473.98
Retirement benefits - authors	608,666.00
Retirement benefits – music publishers	74,715.00
Total	745,682.66

Cultural subsidies	
General subsidies	47,673.24
Project funding for serious music	269,400.00
Project funding for popular music	403,200.00
Total	720,273.24

The annual report about SKE's activities in 2012 as well as SKE guidelines and other relevant information are published on the website www.ske-fonds.at.

austro mechana and AKM join forces

The General Assembly 2013 decided to sell all corporate shares to the sister society AKM. Gernot Graninger, General Director of AKM, was appointed CEO of **austro mechana**. The brand and the society as such will remain but AKM and **austro mechana** will merge their operations to generate synergies and will embark on a common strategy for the challenges ahead.

OUR BOARDS



In the year under review **austro mechana's** boards were composed of the following persons:

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, 2012 to December 31, 2012

	2012		2011	
	€	€	€	€
1. Revenue				
License fees	25,265,883.37		20,636,073.71	
Allocation for distribution	-24,539,866.18	726,017.19	-19,997,261.61	638,812.10
Revenue from previous periods		2,251,132.78		2,050,821.88
Change in the accrual of commission income		387,000.00		30,000.00
		<u>3,364,149.97</u>		<u>2,719,633.98</u>
2. Other operating income				
a) Income from release of accruals		7,420.49		301,628.09
b) Miscellaneous		955,467.92		791,026.15
		<u>962,888.41</u>		<u>1,092,654.24</u>
3. Personnel expenses				
a) Salaries		-1,386,239.36		-1,363,792.63
b) Expenses for severance pay and payments to benefit provision fund		-141,380.71		-37,156.01
c) Expenses for pensions		-70,601.04		-57,399.76
d) Expenses for statutory social contributions and payroll-related taxes		-369,677.29		-360,154.48
e) Other social benefit-related expenses		-8,457.57		-10,741.77
		<u>-1,976,355.97</u>		<u>-1,829,244.65</u>
4. Depreciation on intangible assets and tangible assets		-36,849.21		-40,140.51
5. Other operating expenses		-1,938,185.33		-2,003,437.07
6. Subtotal of 1 - 5		375,647.87		-60,534.01
7. plus change in SKE-related liabilities contained in subtotal of 1 - 5		155,261.06		77,085.75
8. Subtotal of 6 and 7		530,908.93		16,551.74
9. Income from securities and investments		813,151.07		790,710.60
10. Other interest and similar income		202,674.72		306,039.85
11. Expenses from financial assets		-12,743.82		-16,788.35
12. Interest and similar expenses		-79,795.28		-92,792.87
13. Subtotal 9 -12		923,286.69		987,169.23
14. less change in SKE-related liabilities contained in subtotal of 9 – 12		-56,230.54		-74,817.02
15. Subtotal 13 and 14		867,056.15		912,352.21
16. Total of 8 and 15		1,397,965.08		928,903.95
17. Allocation for investment reserve		-260,000.00		0.00
18. Beneficiaries claims		-1,137,965.08		- 928,903.95
19. Annual surplus = net profit		<u>0.00</u>		<u>0.00</u>