

Annual Report 2014

REVENUE

austro mechana's overall revenue amounted to € 21.045 million in 2014. This was a decline of 3.7 % compared to the previous year. The fall was lower than expected and primarily due to a decrease in income in Private Copying Levies, Audiovisual products and Online. An overview of the collections in 2014 and 2013 by source is shown below.

	2014 (€ m)	2013 (€ m)	Change (%)		2014 (€ m)	2013 (€ m)	Change (%)
National				International			
Audio products	3.299	3.275	0.7	Central Licensing	2.561	3.026	-15.4
Radio/TV	7.122	7.084	0.5	Sister Societies	3.499	3.043	15.0
Private copying levy	1.627	2.100	-22.5	Advertising Slots foreign TV-channels	0.164	0.147	11.6
Other royalties	1.454	1.498	-2.9	Total international	6.224	6.216	0.1
Audiovisual products	0.403	0.503	-19.9	Grand Total	21.045	21.860	-3.7
Online	0.916	1.184	-22.6				
Total national	14.821	15.644	-5.3				

Audio Products

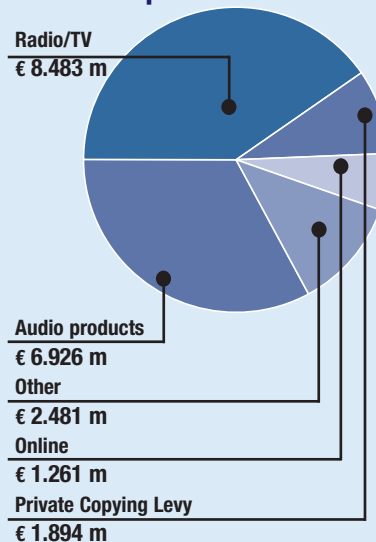
Financial statements for 2014 report royalties from sales in the second half of 2013 and the first half of 2014. Licence fees collected directly by austro

mechana amounted to € 3.299 million, a slight increase of 0.7 % compared to 2013.

Roughly 40 % of 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 its distribution services. These revenues essentially represent the market share of the multinational groups. In 2014, revenues from Central Licensing fell 15.4 % to € 2.561 million.

Revenue Split



Receipts for sales of sound carriers in Austria from both fields together were at € 5.860 million, down 7.0 % compared to 2013.

Radio / TV

In 2014, licence income from the Austrian public broadcaster ORF came to € 5.595 million, an increase of 2.1 % compared to last year's income of € 5.480 million.

Total revenue in the field of Private Radio / Private Television reached € 1.527 million in 2014. This represents a decline of 4.8 % from the preceding year's result of € 1.604 million.

Private Copying Levy

austro mechana negotiates and collects the remuneration for private copying on behalf of all participating right holders organisations. What follows is an overview of total revenues sorted by relevant media and the respective share of austro mechana:

	2014 (€ m)	2013 (€ m)	Change (%)
AUDIO analogue	0.015	0.023	-34.8
AUDIO digital	0.090	0.102	-11.8
Computer CD-R	1.029	1.664	-38.2
VIDEO	0.082	0.000	
DVD	1.619	1.982	-18.3
MP3/Jukebox	1.260	0.580	117.2
Hard drive in DVD- recorders / Sat- receivers	1.356	0.962	41.0
USB-Sticks	0.852	0.673	26.6
Total	6.303	5.986	5.3
Share of austro mechana	2.232*	2.100	6.3

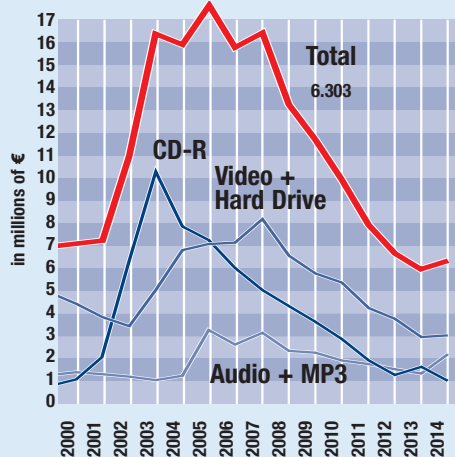
* At the date of annual closure, negotiations on the exact shares in Private Copying Levies between the collective management societies concerned were still in progress. Due to this fact, austro mechana's revenue from Private Copying Levies was estimated lower than it finally was agreed upon.

The slight increase of total collections of Private Copying Levies in 2014 was probably driven by clearance sales of MP3 devices – a singular event, though.

Levies generated by the sale of CD-R and DVD-R are still falling, as the shift to devices with integral memories continues. Considering their high storage capacities, the levies on those products, foremost USB, are relatively low.

To date, retailers have not yet accepted the obligation for levies on “new” media such as smartphones and computer hard disks. Lawsuits against importers of such products have been started by austromechna several years ago and are still pending. In 2013, the European Court of Justice and the Austrian Supreme Court issued two ground-breaking decisions, giving eventually room for a binding levy on computer hard disks and music-playing mobile phones on the one hand and a verdict against one of the biggest global direct sellers, who refuses to pay any and all levies since almost a decade. Those important lawsuits are expected to be finished in 2016 at the earliest.

Private Copying Levy 2000 - 2014



Online

At € 0.916 million, licensing income in 2014 in the field of online business was 22.6 % below last year’s total. However, the comparison with 2013 income is not sound as last year’s numbers contained settlements for prior periods.

ASSETS

A. Fixed Assets

	December 31, 2014		December 31, 2013	
	€	€	€	€
I. Intangible assets				
1. IT software	856,567.34		778,878.63	
2. Down-payments	0.00	856,567.34	82,659.00	861,537.63
II. Tangible assets				
1. Land and buildings on third party land				
a. Land value	31,365.38		31,365.38	
b. Building value	96,802.98		134,682.33	
c. Construction in progress	178,403.00		32,175.00	
2. Other equipment, operating and office equipment				
a) Office furnishings	31,593.11		43,275.27	
b) Office equipment	0.00		6,070.37	
c) Vehicle fleet	0.00	338,164.47	0.00	247,568.35
III. Financial assets				
1. Shares in companies	169.90		169.90	
2. Long-term securities	26,588,717.10	26,588,887.00	26,350,000.00	26,350,169.90
		<u>27,783,618.81</u>		<u>27,459,275.88</u>

B. Current Assets

I. Receivables and other assets				
1. Advances and down-payments	194,356.07		264,226.08	
2. Receivables from license fees	3,164,741.67		3,072,994.02	
3. Other receivables and assets	85,792.35	3,444,890.09	444,231.20	3,781,451.30
II. Cash, bank accounts		9,715,055.99		9,367,866.18
		<u>13,159,946.08</u>		<u>13,149,317.48</u>

		<u>40,943,564.89</u>		<u>40,608,593.36</u>
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International

In the year under review total income from sister societies abroad was 15.0 % above preceding year’s revenues, which is primarily due to subsequent settlements for prior periods from GEMA.

DISTRIBUTION

More than 23,000 composers, lyricists and music publishers have entrusted austromechna with the administration of their mechanical rights.

The amount available for distribution to our direct members in 2014 came to € 13.204 million.

Transactions with sister societies abroad provided the following picture in 2014 (€ m):

	AUME abroad	From abroad to AUME	AUME abroad	From abroad to AUME	
GEMA / Germany	3.090	2.506	HARRY FOX / USA	0.013	0.006
SDRM / France	0.142	0.256	JASRAC / Japan	0.003	0.021
SUISA / Switzerland	0.150	0.186	SABAM / Belgium	0.025	0.030
MCPS / England	0.157	0.120	ARTISJUS / Hungay	0.002	0.050
SIAE / Italy	0.116	0.071	OSA / Czech Republic	0.019	0.043
STEMRA / Holland	0.073	0.057	ZAIKS / Poland	0.002	0.011
NCB / Scandinavia	0.144	0.033	Others	0.054	0.095
SGAE / Spain	0.019	0.016	Total	4.009	3.501

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 2014, the SKE Fund was allocated as follows (amounts in Euro):

Social allowances	
Allowances for securing a basic standard of living	6,000.00
Allowances for extraordinary costs	18,500.00
Allowances for health insurance	6,482.19
Allowances for pension insurance	2,892.50
Allowances for social insurance	14,294.58
Retirement benefits - authors	589,014.00
Retirement benefits – music publishers	57,687.00
Total	695,500.27

Cultural subsidies	
General subsidies	51,110.04
Project funding for serious music	254,650.00
Project funding for popular music	337,450.00
Total	643,210.04



The annual report about SKE's activities in 2014 as well as SKE guidelines and other relevant information are published on the web-site www.ske-fonds.at.

ORGANISATION

austro mechana is a subsidiary of the Austrian performing rights society AKM. The Board of directors of AKM serves as General Assembly of **austro mechana**.

On 16 June 2015, the General Assembly has newly elected the Advisory Council on mechanical rights, which is now composed of

the following persons:

- Heinz Glawischnig - Songwriter
- Wolfgang Indra - Publisher
- Erwin Kiennast - Composer
- Alf Krauliz - Songwriter
- Wolfgang Mitterer - Composer
- Wolfgang Stanicek - Publisher

Profit and Loss Statement for the Business Year from January 1, 2014 to December 31, 2014

	2014		2013	
	€	€	€	€
1. Revenue				
License fees	21,045,128.86		21,860,637.84	
Allocation for distribution	<u>-20,263,316.55</u>	781,812.31	<u>-21,108,000.66</u>	752,637.18
Revenue from previous periods		2,172,435.13		2,657,461.63
Change in the accrual of commission income		<u>-11,000.00</u>		<u>-266,000.00</u>
		<u>2,943,247.44</u>		<u>3,144,098.81</u>
2. Other operating income				
a) Income from disposal of fixed assets		0.00		2,965.00
b) Income from release of accruals		28,222.13		79,004.64
c) Miscellaneous		942,538.34		1,023,964.69
		<u>970,760.47</u>		<u>1,105,934.33</u>
3. Personnel expenses				
a) Salaries		-1,263,339.27		-1,525,966.39
b) Expenses for severance pay		-31,127.24		-41,462.97
c) Expenses for pensions		-55,354.87		-60,435.48
d) Expenses for statutory social contributions and payroll-related taxes		-356,574.32		-414,640.50
e) Other social benefit-related expenses		-8,902.35		-9,236.04
		<u>-1,715,298.05</u>		<u>-2,051,741.38</u>
4. Depreciation on intangible assets and tangible assets		-59,753.72		-35,037.15
5. Other operating expenses				
a) Miscellaneous		-2,035,659.63		-1,984,026.39
6. Subtotal of 1 - 5		<u>103,296.51</u>		<u>179,228.22</u>
7. plus change in SKE-related liabilities contained in subtotal of 1 - 5		133,827.70		80,398.15
8. Subtotal of 6 and 7		<u>237,124.21</u>		<u>259,626.37</u>
9. Income from securities and investments		659,560.00		790,500.00
10. Other interest and similar income		48,033.56		62,764.37
11. Income from financial assets		247,000.00		0.00
12. Expenses from financial assets		-53,021.90		-15,172.73
a) Depreciation		-7,506.20		0.00
13. Interest and similar expenses		-127,625.17		-169,391.60
14. Subtotal of 9 -13		<u>773,946.49</u>		<u>668,700.04</u>
15. less change in SKE-related liabilities contained in subtotal of 9 – 13		-4,119.47		-5,520.79
16. Subtotal of 14 and 15		<u>769,827.02</u>		<u>663,179.25</u>
17. Total of 8 and 16		<u>1,006,951.23</u>		<u>922,805.62</u>
18. Allocation for reserve		-230,000.00		-260,000.00
19. Beneficiary claims		-776,951.23		-662,805.62
20. Annual surplus = net profit		<u>0.00</u>		<u>0.00</u>