

Annual Report 2007

Despite the global downturn of physical product sales the national Austrian market was fairly stable. Nevertheless the income generated from online usages is still disappointing.

ROYALTIES

The turnover of total royalties in 2007 amounted to 29.430 million euro, a decrease of 1.67 percent compared to the previous year. The following table shows the amounts per category (in millions of euro):

Total Royalties

	2006	2007	Change from 2006 %
National			
Phono	5.327	5.294	(0.62)
Radio/TV	6.500	6.428	(1.11)
Blank tape levy	5.848	5.516	(5.68)
Other royalties	0.712	0.949	33.29
Audiovisual productions	0.623	0.560	(10.11)
Rental/lending	0.035	0.033	(5.71)
Online	0.779	0.717	(7.96)
Total national	19.824	19.497	(1.65)

	2006	2007	Change from 2006 %
International			
Central Licensing	6.187	6.331	2.33
Payments to beneficiaries	3.920	3.602	(8.11)
Total international	10.107	9.933	(1.72)
Grand Total	29.931	29.430	(1.67)

Phono

The company's core business is the administration of mechanical rights with respect to the sound carrier industry. **austro mechana's** annual financial statements for 2007 report royalties from sales in the second half of 2006 and the first half of 2007. Licence fees collected by **austro mechana** directly were at 5.294 million euro, down by 0.62 percent compared to 2006.

More than 50 percent of the royalties accrued on the Austrian market are handled by sister societies via so-called central licensing agreements with major labels:

- EMI: by SDRM
- SONY/BMG: by GEMA
- UNIVERSAL: by SABAM
- WARNER: by GEMA

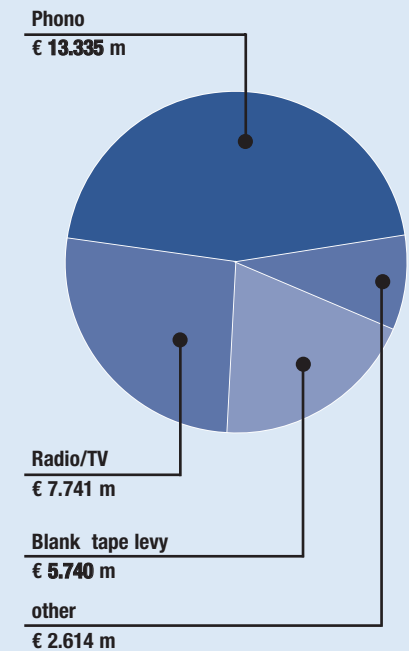
In the scope of these agreements **austro mechana** receives royalties from sales in Austria only for distribution. These revenues are reported as "Royalties – International - Central Licensing". They essentially represent the market share of the multinational groups and showed an increase of 2.33 percent in 2007. This increase is to be attributed to subsequent settlements and does not reflect the market trend which continues to decrease.

Overall licensing revenues for sales of sound carriers in Austria from both areas together were at 11.625 million euro, approximately 0.96 percent above that of last year. A fact which is due to some major national productions.

ORF

Based on the decision of an arbitration commission in 2003 the public broadcasting station ORF pays **austro mechana** 0.6693 percent of its revenues from subscriber fees and advertising including special forms of advertising (for ex. sponsoring, product placement)

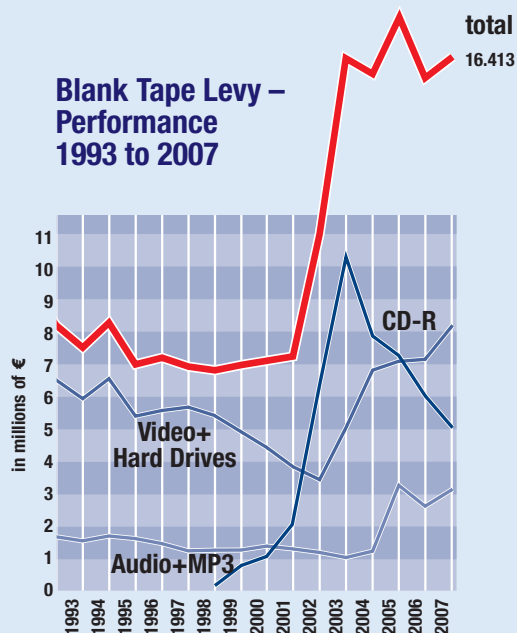
Breakdown of Revenues



for mechanical rights. This resulted in 5.198 million euro in 2007, which is a decrease of 1.10 percent with respect to the revenues of 5.256 million euro in 2006.

Private radio / TV

Total revenues in the area of private radio / private television came to 1,230 million euro in 2007 and represent a decrease of 1.20 percent compared to the previous year's result of 1.245 million euro.



Blank tape levy

The total revenues for all rights holders organisations and the share of **austro mechana** showed a performance over the last three years as follows (in millions of euro):

	2005	2006	2007
AUDIO analogue	0.273	0.224	0.204
AUDIO digital	0.424	0.266	0.233
Computer CD-R	7.246	6.072	5.078
VIDEO	1.732	1.384	1.039
DVD	4.882	5.142	6.185
MP3/Jukebox	2.594	2.132	2.718
Hard drive in DVD-recorders / Sat-receivers	0.476	0.626	0.956
Total	17.627	15.846	16.413
Share of austro mechana	6.394	5.848	5.516

ASSETS

A Fixed Assets

	December 31, 2007		December 31, 2006	
	€	€	in thousands of euro	
I. Intangible assets				
1. IT software		279.278,36		361
II. Tangible assets				
1. Land and buildings on third party land				
a) Land value	31.365,38		31	
b) Building value	113.744,28		122	
2. Other equipment, operating and office equipment				
a) Office furnishings	67.564,14		47	
b) Office equipment	14.804,02	227.477,82	20	220
III. Financial assets				
1. Shares in companies	169,90		0	
2. Long-term securities	26.896.183,97	26.896.353,87	26.896	26.896
		<u>27.403.110,05</u>		<u>27.477</u>

B Current Assets

I. Receivables and other assets				
1. Advances and down-payments	151.621,02		156	
2. Receivables from license fees	6.071.891,97		6.516	
3. Other receivables and assets	115.195,21	6.338.708,20	243	6.915
II. Securities		5.159.029,78		5.237
III. Cash, bank accounts		11.927.614,65		11.264
		<u>23.425.352,63</u>		<u>23.416</u>

C. Prepaid Expenses

		22.836,90		28
		<u>50.851.299,58</u>		<u>50.921</u>

The decline of **austro mechana's** share despite an increase in total collections is due to a new split among the various rights holders' organisations. A new market research gave evidence that storage media are used to a greater extent for copying audiovisual content than audio contents. As a result as of 2007 **austro mechana** receives a smaller share of the total collections for private copying.

Online

Revenues in the 2007 business year showed a decrease of 7.96 percent compared to the year before. This is primarily due to the music-on-demand - downloads sector. Further performance will depend both on the developments in the European environment and on the

efforts to find licensing models for new usages of music (user generated content).

International

The overall income from foreign societies was down by 1.72 percent in 2007. The performance in Central Licensing has already been depicted on page 1. Royalties collected by sister societies abroad dropped by 8.11 percent to 3.602 million euro. This reflects the substantial decrease on the international sound and audiovisual carrier markets.

	December 31, 2007		December 31, 2006	
	€	€	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	270.426,00		294	
2. Accruals for pensions	344.264,00		366	
3. Other accruals	<u>3.456.173,44</u>	4.070.863,44	<u>2.883</u>	3.543
C. Liabilities				
1. Accounts payable	206.492,90		85	
2. Payables due to domestic and foreign beneficiaries				
a) Not yet cleared	31.308.812,01		31.753	
b) Cleared	3.265.566,56		3.497	
3. SKE payables	5.187.342,62		4.378	
4. Other payables	<u>6.794.053,90</u>	46.762.267,99	<u>7.647</u>	47.360
Tax-related € 99.047,19 (2006: € 572,000)				
Social security-related € 36.833,53 (2006: € 34,000)				
		<u>50.851.299,58</u>	<u>50.921</u>	

Transactions with foreign countries provided the following picture in 2007 (in millions of euro)

	AUME abroad	From abroad to AUME		AUME abroad	From abroad to AUME
GEMA/Germany	4.961	2.309	HARRY FOX/USA	0.037	0.027
SDRM/France	0.215	0.371	JASRAC/Japan	0.002	0.048
SUISA/Switzerland	0.125	0.168	SABAM/Belgium	0.041	0.027
MCPS/England	0.364	0.107	ARTISJUS/Hungary	0.003	0.053
SIAE/Italy	0.270	0.105	OSA/Czech Republic	0.026	0.037
STEMRA/Holland	0.111	0.108	ZAIKS/Poland	0.003	0.027
NCB/Scandinavia	0.169	0.045	Other	0.061	0.084
SGAE/Spain	0.040	0.082	Total	6.428	3.598

DISTRIBUTION

In 2007, **austro mechana** distributed a total of 18.241 million euro (previous year 18.557 million euro) to its 18,000 members.



Foto: Archiv

ORF minute values

The following minute values have been applied for the distribution of royalties generated from ORF broadcasts in 2006 which were distributed in 2007 (compared to the previous year):

	2005	2006
Radio		
Hook-up broadcast	€ 2.96	€ 2.58
Local broadcast	€ 0.99	€ 0.86
Radio from hard drive		
Hook-up broadcast	€ 1.20	€ 1.45
Local broadcast	€ 0.40	€ 0.48
Television		
Hook-up broadcast	€ 11.45	€ 11.10
Local broadcast	€ 3.82	€ 3.70

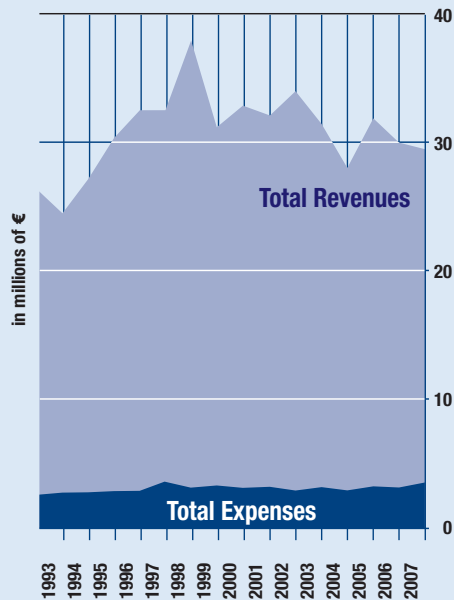
Films (foreign productions) and live broadcasts on television are not licensed by **austro mechana**.

Statistics

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

Authors + Successors	2006	2007
More than € 100,000	3	4
€ 50,000 to € 100,000	15	16
€ 10,000 to € 50,000	103	99
€ 1,000 to € 10,000	676	654
Less than € 1,000	8,288	8.855
Total	9,085	9.628
Publishers	2006	2007
More than € 1 million	3	3
€ 100,000 to € 1 million	15	15
€ 10,000 to € 100,000	45	45
€ 1,000 to € 10,000	106	98
Less than € 1,000	292	298
Total	461	459

Development of Revenues – Expenses



were 8.9 percent above last year's total of 1.755 million euro. Administrative costs were at 1.632 million euro (last year 1.413 million euro).

SOCIAL AND CULTURAL INSTITUTIONS (SKE)

The SKE of **austro mechana** derives 50 percent of the income generated by the blank tape levy. In 2007 the SKE Fund was generally spent as follows (amounts in euro):

Social allowances	
Allowances for securing a basic standard of living	13,200.00
Allowances for extraordinary costs	12,600.00
Allowances for health insurance	15,998.08
Allowances for pension insurance	6,904.08
Retirement benefits – authors	13,479.73
Retirement benefits – music publishers	588,574.00
Retirement benefits – music publishers	112,224.00
Total	762,979.89
Cultural subsidies	
General subsidies	69,776.48
Project funding for serious music	297,350.00
Project funding for popular music	742,730.00
Total	1,109,856.48

The annual report about SKE's activities in 2007 as well as SKE guidelines and other relevant information are published on the website www.ske-fonds.at.

COSTS

As of the end of 2007 **austro mechana** (including SKE) had 28 employees. At 1.911 million euro, total expenses for personnel in the 2007 business year

IMPRINT

Owner:
austro mechana
 Gesellschaft zur Wahrnehmung mechanisch musikalischer Urheberrechte GesmbH,
 1030 Vienna, Baumannstr. 10

Supervisory Board:
 Robert Opratko, Heinz Glawischnig, Edith Michaela Krupka-Dornaus, Wolfgang Mitterer, Helmuth Pany, Fritz

Executive Board:
 Dieter Kaufmann, Alf Krauliz,

Schindlacker, Eva Endlich (Works Council), Franz Grabensteiner (Works Council), Karin Schober-Schärf (Works Council)

Director: Ursula Sedlaczek

Editor and Publisher: **austro mechana** GesmbH

Responsible for Content:
 Ursula Sedlaczek
 All: 1030 Vienna, Baumannstraße 10

Printer: York Printmanagement GmbH

Basic Direction:
 Service for the Music Creators

	2007	2006
	€	€
		in thousands of euro
1. Revenue		
License fees	29.429.593,89	29.931
Allocation for distribution	-28.547.782,82	840
Revenue from previous periods		2.297
Change in the accrual of commission income		0
	<u>2.232.583,71</u>	<u>3.137</u>
2. Change in SKE-related liabilities	69.769,37	-2
3. Other operating income		
a) Income from disposal of assets	645,83	0
b) Income from release of accruals	24.000,00	22
c) Miscellaneous	<u>900.758,50</u>	<u>933</u>
	<u>925.404,33</u>	<u>955</u>
4. Personnel expenses		
a) Salaries	-1.408.568,15	-1.342
b) Expenses for severance pay and payments to benefit provision fund	-54.419,16	-64
c) Expenses for pensions	-59.741,95	26
d) Expenses for statutory social contributions and payroll-related taxes	-359.590,97	-350
e) Other social benefit-related expenses	-28.908,46	-25
	<u>-1.911.228,69</u>	<u>-1.755</u>
5. Depreciation on intangible assets and tangible assets	-150.227,65	-142
6. Other operating expenses	-1.631.684,72	-1.413
7. Subtotal of 1-6	<u>371.427,42</u>	<u>780</u>
8. Income from securities and investments	996.505,71	1.107
9. Other interest and similar income	641.013,06	376
10. Income from the sale of securities and current assets	0,00	44
11. Expenses from financial assets and securities from current assets (of this depreciation totalling € 78,559.89; 2006: 10,735.89)	-78.559,89	-11
12. Interest and similar expenses	-94.151,34	-96
13. Subtotal 8 -12	<u>1.464.807,54</u>	<u>1.420</u>
14. Subtotal 7 and 13	<u>1.836.234,96</u>	<u>2.200</u>
15. Beneficiary claims	-1.836.234,96	-2.200
16. Annual surplus = net profit	<u>0,00</u>	<u>0</u>