

Annual Report 2008

Despite the global downturn of physical product sales **austro mechana** could hold its ground by putting more effort into the market and implementing a rigid cost management. Preparing for its future, **austro mechana** is evaluating its activities and new possibilities of cooperation with sister societies. The high quality of **austro mechana's** operations and its efficient approach to new challenges guarantee a stable economic situation also in times of the current crisis and will so in the future.

REVENUES

In 2008, a total of € 27.759 million in royalties was collected. This was slightly lower than in the preceding year. A breakdown of the amounts collected in 2007 and 2008, by category, is given below (€ m):

Total Royalties

	2007	2008	Change from 2007 %
National			
Phono	5.294	4.994	(5.67)
Radio/TV	6.428	6.559	2.04
Private copying levy	5.516	4.389	(20.43)
Other royalties	0.949	0.980	3.27
Audiovisual	0.560	1.004	79.29
Rental/lending	0.033	0.035	6.06
Online	0.717	0.867	20.92
Total national	19.497	18.828	(3.43)

	2007	2008	Change from 2007 %
International			
Central Licensing	6.331	4.965	(21.58)
Payments to beneficiaries	3.602	3.778	4.89
Advertising Slots foreign TV-channels		0.188	
Total international	9.933	8.931	(10.09)
Grand Total	29.430	27.759	(5.68)

Phono

The society's core business is the administration of mechanical rights with respect to the sound carrier industry. **austro mechana's** financial statements for 2008 report royalties from sales in the second half of 2007 and the first half of 2008. Licence fees collected by **austro mechana** directly were at € 4.994 million, down by 5.67% compared to 2007.

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

sister societies listed below via so-called central licensing agreements with major labels:

- EMI: by SDRM
- SONY MUSIC: by GEMA
- UNIVERSAL: by SABAM
- WARNER: by GEMA

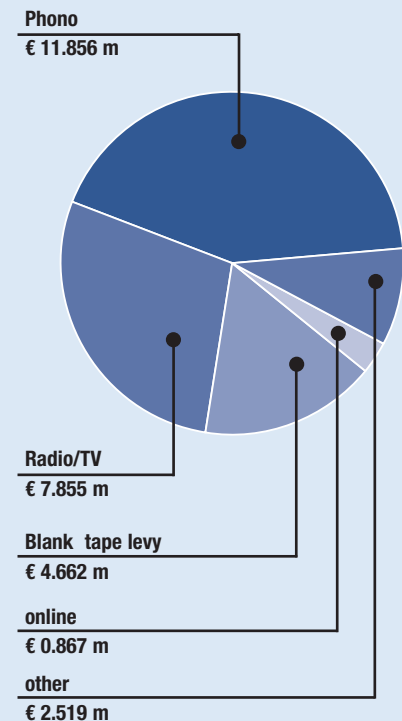
Under these agreements **austro mechana** receives royalties from sales in Austria only for distribution. These revenues are reported as "Royalties – International – Central Licensing". They essentially represent the market share of the multinational groups and show a decline of 21.58 % in 2008 vs the preceding year.

Licensing revenues for sales of sound carriers in Austria from both areas together totalled € 9.959 million, which is a decline of 14.33% compared to 2007.

ORF

Under the agreement with the Austrian public broadcasting station ORF – which is based on the decision of an arbitration commission back in 2003 – **austro mechana** 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 2008, this resulted in € 5.230 million, which is 0.62% above last year's revenues of € 5.198 million.

Breakdown of Revenues



Private radio / TV

Total revenues in the area of private radio / private television came to € 1.329 million in 2008. This represents an increase of 8.05% from the preceding year's result of € 1.230 million.

Private Copying Levy

austro mechana negotiates and collects the remuneration for private copying on behalf of all right-holders organisations concerned. In 2008, total revenues were at € 13.213 million, down by 19.5 %. The dramatic decline is attributable almost entirely to the shift in technology and consumer behaviour from recor-

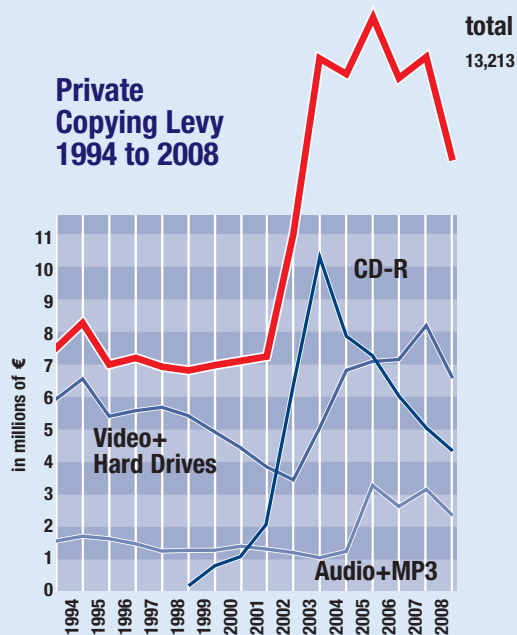


table products such as CD-R and DVD-R to products with integral hard discs. The tariffs for these devices are – considering the high storing capacities - relatively low.

A breakdown by product group and the share of austro mechana over the last three years is illustrated by the chart alongside (€ m):

	2006	2007	2008
AUDIO analogue	0.224	0.204	0.140
AUDIO digital	0.266	0.233	0.172
Computer CD-R	6.072	5.078	4.321
VIDEO	1.384	1.039	0.645
DVD	5.142	6.185	4.755
MP3/Jukebox	2.132	2.718	2.017
Hard drive in DVD-recorders / Sat-receivers	0.626	0.956	1.163
Total	15.846	16.413	13.213
Share of austro mechana	5.848	5.516	4.389

ASSETS

A Fixed Assets

	December 31, 2008		December 31, 2007	
	€	€	in thousands of euro	
I. Intangible assets				
1. IT software		178,350.62		279
II. Tangible assets				
1. Land and buildings on third party land				
a) Land value	31,365.38		31	
b) Building value	121,370.53		114	
2. Other equipment, operating and office equipment				
a) Office furnishings	84,666.70		67	
b) Office equipment	8,214.27		15	
c) Vehicle fleet	24,622.50	270,239.38	0	227
III. Financial assets				
1. Shares in companies	169.90		0	
2. Long-term securities	26,900,047.69		26,896	26,896
		<u>27,348,807.59</u>	<u>26,896</u>	<u>27,402</u>

B Current Assets

I. Receivables and other assets				
1. Advances and down-payments	161,543.37		152	
2. Receivables from license fees	5,411,036.51		6,072	
3. Other receivables and assets	953,088.39	6,525,688.27	115	6,339
II. Securities		0.00		5,159
III. Cash, bank accounts		15,392,956.00		11,928
		<u>21,918,624.27</u>		<u>23,426</u>

C. Prepaid Expenses

		15,865.86		23
		<u>49,283,297.72</u>		<u>50,851</u>

Online

In 2008, revenues for online usages increased by 20.92%. The growth in revenues is primarily due to supplementary accountings for preceding years. However, in the long run income from online will decline – although the number of usages will increase. A fact, which is mainly due to dropping tariffs but also to withdrawals of rights by the major publishers for multi-territorial licensing. 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

In 2008, the total income from foreign societies was down by 10.09% which is attributable to the dramatic drop in "Central Licensing" revenues. Royalties collected by sister societies abroad were up by 4.89%. The overall result reflects the substantial decrease on the international sound and audiovisual carrier markets.

	December 31, 2008		December 31, 2007	
	€	€	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	236,688.00		270	
2. Accruals for pensions	351,881.00		344	
3. Other accruals	<u>3,721,479.38</u>	4,310,048.38	<u>3,457</u>	4,071
C. Liabilities				
1. Accounts payable	503,816.81		206	
2. Payables due to domestic and foreign parties				
a) Not yet cleared	29,946,195.16		31,309	
b) Cleared	2,829,558.56		3,266	
3. SKE payables	5,915,207.84		5,187	
4. Other payables	<u>5,760,302.82</u>	44,955,081.19	<u>6,794</u>	46,762
Tax-related € 4,135.81 (2007: € 99,000)				
Social security-related € 38,875.38 (2007: € 37,000)				
		<u>49,283,297.72</u>		<u>50,851</u>

Transactions with foreign countries provided the following picture in 2008 (in millions of euro)

	AUME abroad	From abroad to AUME		AUME abroad	From abroad to AUME
GEMA/Germany	4.837	2.442	HARRY FOX/USA	0.022	0.031
SDRM/France	0.211	0.337	JASRAC/Japan	0.002	0.034
SUISA/Switzerland	0.134	0.220	SABAM/Belgium	0.005	0.044
MCPS/England	0.205	0.111	ARTISJUS/Hungary	0.003	0.056
SIAE/Italy	0.286	0.119	OSA/Czech Republic	0.019	0.044
STEMRA/Netherlands	0.109	0.091	ZAIKS/Poland	0.002	0.012
NCB/Scandinavia	0.150	0.046	Other	0.073	0.085
SGAE/Spain	0.038	0.108	Total	6.096	3.780

DISTRIBUTION

In 2008, **austro mechana** could distribute a total of € 17.388 million to more than 19,000 composers, lyricists and music publishers.



Foto: Archiv

ORF minute values

The following minute values have been applied for the distribution of royalties generated from ORF broadcasts in 2007 which were distributed in 2008 (compared to the previous year):

	2006	2007
Radio		
Hook-up broadcast	€ 2.58	€ 2.24
Local broadcast	€ 0.86	€ 0.74
Radio from hard drive		
Hook-up broadcast	€ 1.45	€ 1.68
Local broadcast	€ 0.48	€ 0.55
Television		
Hook-up broadcast	€ 11.10	€ 10.82
Local broadcast	€ 3.70	€ 3.61

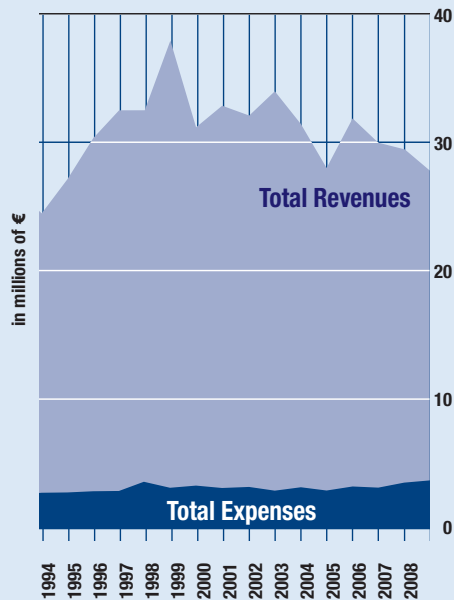
Films (foreign productions) and live broadcasts on television are not licensed by **austro mechana**.

Statistics

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

Authors + Successors	2007	2008
More than € 100.000	4	3
€ 50.000 to € 100.000	16	12
€ 10.000 to € 50.000	99	99
€ 1.000 to € 10.000	654	634
Less than € 1.000	8,855	9,245
Total	9,628	9,993
Publishers	2007	2008
More than € 1 million	3	3
€ 100.000 to € 1 million	15	15
€ 10.000 to € 100.000	45	39
€ 1.000 to € 10.000	98	112
Less than € 1.000	298	310
Total	459	479

Development of Revenues – Expenses



The surplus of € 33.000 was distributed to the society's members and other right owners. At the end of 2008 **austro mechana** had 29 employees.

The performance of total revenues and expenses from 1994 to 2008 is illustrated in the graph alongside.

SOCIAL AND CULTURAL INSTITUTIONS (SKE)

The SKE of **austro mechana** derives 50 % of the income generated by the private copying levy. In 2008 the SKE Fund was spent as follows (€ m):

Social allowances	
Allowances for securing a basic standard of living	12,600.00
Allowances for extraordinary costs	39,092.00
Allowances for health insurance	15,586.15
Allowances for pension insurance	6,890.42
Allowances for social insurance	18,416.68
Retirement benefits - authors	615,836.00
Retirement benefits – music publishers	109,524.00
Total	817,945.25
Cultural subsidies	
General subsidies	63,949.90
Project funding for serious music	318,325.00
Project funding for popular music	717,250.00
Total	1,099,524.90

The annual report about SKE's activities in 2008 as well as SKE guidelines and other relevant information are published on the website www.ske-fonds.at.

OPERATING COSTS

austro mechana is acting as a trustee and may not make any profit. Operating costs have to be covered by the income from commission fees. Commission and financial income totalled € 3,750 million in 2008, expenditures during the year came to € 3,717 million.

ORGANISATION

- austro mechana's** Boards are composed as follows:
- Executive Board:**
 - Dieter Kaufmann, President: composer – serious music
 - Marion von Hartlieb: publisher
 - Alf Krauliz: lyricist
 - Kurt Brunthaler: composer – popular music
 - Erwin Kiennast: composer – popular music
 - Christian Kobel: publisher
 - Josef Prokopetz: lyricist

- Supervisory Board:**
 - Robert Opratko: composer – popular music
 - Helmut Pany: publisher
 - Fritz Schindlacker: lyricist
 - Heinz Glawischnig: lyricist
 - Edith Michaela Krupka-Dornaus: publisher
 - Wolfgang Mitterer: composer – serious music
- The Annual General Meeting was held on 16 June 2009.

	2008	2007
	€	€ in thousands of euro
1. Revenue		
License fees	27,758,523.69	29,430
Allocation for distribution	-26,943,579.26	882
Revenue from previous periods	2,202,238.09	2,232
Change in the accrual of commission income	-177,000.00	-45
	<u>2,840,182.52</u>	<u>3,069</u>
2. Other operating income		
a) Income from disposal of assets	0.00	1
b) Income from release of accruals	81,728.67	24
c) Miscellaneous	858,403.94	901
	<u>940,132.61</u>	<u>925</u>
3. Personnel expenses		
a) Salaries	-1,381,109.30	-1,408
b) Expenses for severance pay and payments to benefit provision fund	-50,605.58	-54
c) Expenses for pensions	-109,190.83	-60
d) Expenses for statutory social contributions and payroll-related taxes	-378,655.03	-360
e) Other social benefit-related expenses	-26,757.64	-29
	<u>-1,946,318.38</u>	<u>-1,911</u>
4. Depreciation on intangible assets and tangible assets	-158,625.05	-150
5. Other operating expenses	-1,733,736.04	-1,632
6. Subtotal of 1 – 5	<u>-58,364.34</u>	<u>301</u>
7. plus change in SKE-related liabilities contained in subtotal of 1- 5	91,501.44	118
8. Subtotal of 6 and 7	<u>33,137.10</u>	<u>419</u>
9. Income from securities and investments	706,036.35	996
10. Other interest and similar income	744,097.68	641
11. Income from the sale of financial assets	6,136.56	0
12. Expenses from financial assets and securities from current assets (of this depreciation totalling € 0; 2007: € 78,559.89)	-144,361.65	-78
13. Interest and similar expenses	-109,579.07	-94
14. Subtotal of 9 – 13	<u>1,202,329.87</u>	<u>1,465</u>
15. less change in SKE-related liabilities contained in subtotal of 9 – 13	-116,790.44	-48
16. Subtotal of 14 and 15	<u>1,085,539.43</u>	<u>1,417</u>
17. Total of 8 and 16	1,118,676.53	1,836
18. Beneficiary claims	-1,118,676.53	-1,836
19. Annual surplus = net profit	<u>0.00</u>	<u>0</u>