

Annual Report 2006

The market conditions for small collecting societies are becoming increasingly tougher. Despite this **austro mechana** also did well last year.

ROYALTIES

The overall result for 2006 shows a marginal decline of 0.86 percent in total royalties for 2006 compared to the previous year.

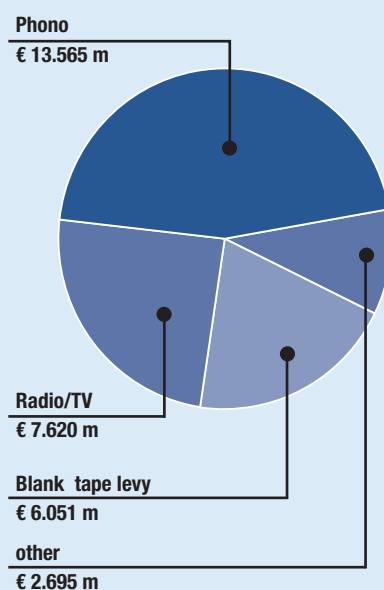
The following chart shows the details (in millions of euro):

Domestic	2005	2006	Change from 2005
Phono	5.248	5.327	1.51 %
Radio/TV	6.182	6.500	5.14 %
Blank tape levy	6.394	5.848	-8.54 %
Other royalties	0.741	0.712	-3.91 %
Audiovisual productions	0.806	0.623	-22.70 %
Rental/lending	0.034	0.035	2.94 %
Online	0.871	0.779	-10.56 %
Total domestic	20.276	19.824	-2.23 %
International			
Central Licensing	5.652	6.187	9.47 %
Payments to beneficiaries	4.263	3.920	-8.05 %
Total international	9.915	10.107	1.94 %
Grand Total	30.191	29.931	-0.86 %

Phono

The company's focus of business activity lies in the administration of mechanical rights with respect to the sound carrier industry. **austro mechana's** annual financial statements for 2006 report royalties from sales in the second half of 2005 and the first half of 2006. The volume of royalties invoiced by **austro mechana** itself increased by 1.51

Total Revenues for 2006 (Domestic and International)



percent to 5.327 million euro compared to 2005. This shows that the domestic phonographic market does not appear to reflect the downward trend throughout Europe.

More than half of the royalties accumulated from the Austrian sound carrier market are handled by sister societies via so-called central licensing agreements between 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 comprise the market share of the multinational groups and show an increase of 9.47 percent for

the 2006 business year. This increase is attributed to subsequent settlements for music videos and is not the market trend, which is unfortunately continuing to decrease.

In the 2006 business year licensing revenues for sales in Austria in both areas were approximately 5.63 percent above those of last year due to subsequent settlements.

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) for mechanical rights. This resulted in the figure of 5.256 million euro for 2006, which is an increase of 2.68 percent with respect to the revenues of 5.119 million euro in 2005.

Private radio / TV

Total revenues in the area of private radio / private television came to 1.244 million euro in 2006 and represent an increase of 17.03 percent compared to the previous year's result of 1.063 million euro.

Blank tape levy

As the negotiations with the Austrian Federal Economic Chamber concerning the general agreement on a tariff for storage media for MP3 players, DVD recorders, satellite receivers and similar devices failed, a private court of arbitration was summoned by both parties. On August 8, 2006 the court arrived at a decision concerning the new tariffs for these media which retroactively went into effect on 01. 01. 2006. As a result, a new general agreement was negotiated with the Austrian Federal Economic Chamber based on the court of arbitration's ruling. The tariffs were reduced by the court even further, accommodating the proposals of the collecting societies but not to the extent demanded by the Austrian Federal Economic Chamber.

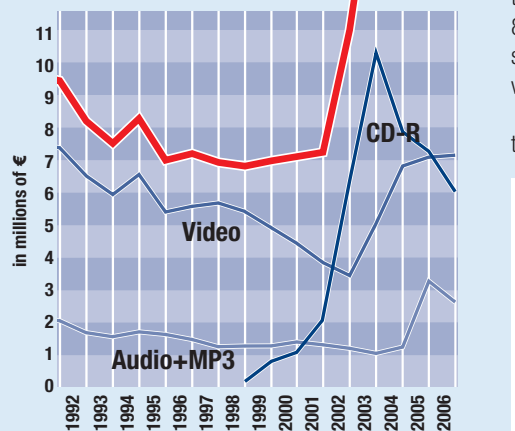
The total revenues of all collecting societies and the share of **austro mechana** showed a per-

formance over the last three years as follows (in millions of euro):

	2004	2005	2006
AUDIO analogue	0.391	0.273	0.224
AUDIO digital	0.432	0.424	0.266
Computer CD-R	7.851	7.246	6.072
VIDEO	2.399	1.732	1.384
DVD	4.405	4.882	5.142
MP3/Jukebox	0.419	2.594	2.132
Hard drive in DVD recorders / Sat-receivers		0.476	0.626
Total	15.897	17.627	15.846
Share of austro mechana	5.539	6.394	5.848



Blank Tape Levy – Performance 1992 to 2006



The decline in revenues is primarily due to the reduced tariffs. The sale of classic storage media including cassettes, CDs and DVDs continues to decline, while the business with MP3 players is booming.

Online

The royalties in the 2006 business year show a decline of 10.56 percent compared to the year before. This is primarily due to the music-on-demand / downloads sector. Further performance will depend on developments in the European sphere.

International

The performance in Central Licensing has already been depicted in the phonographic section. Royalties collected by sister societies abroad declined by 8.05 percent to 3.920 million euro. This shows how substantial the decreases on the sound and audiovisual carrier markets abroad were.

Transactions with foreign countries provided the following picture in 2006 (in millions of euro):

	AUME abroad	From abroad to AUME
GEMA/Germany	4.953	2.398
SDRM/France	0.235	0.402
SUISA/Switzerland	0.127	0.205
MCPS/England	0.365	0.176
SIAE/Italy	0.295	0.127
STEMRA/Holland	0.132	0.113
NCB/Scandinavia	0.170	0.028
SGAE/Spain	0.038	0.059
HARRY FOX/USA	0.033	0.019
JASRAC/Japan	0.005	0.044
SABAM/Belgium	0.064	0.093
ARTISJUS/Hungary	0.002	0.030
OSA/Czech Republic	0.025	0.038
ZAIS/Poland	0.002	0.014
Other	0.080	0.053
Total	6.526	3.799

Balance Sheet on

ASSETS

	€	31. 12. 2006	€	31. 12. 2005	in thousands of euro
A Fixed Assets					
I. Intangible assets					
1. IT software			361,115.83		472
II. Tangible assets					
1. Land and buildings on third party land					
a) Land value	31,365.38			31	
b) Building value	122,073.60			128	
2. Other equipment, operating and office equipment					
a) Office furnishings	46,854.37			36	
b) Office equipment	19,623.44			9	
c) Car fleet	0.00		219,916.79	17	221
III. Financial assets					
1. Shares in companies	169.90			1	
2. Long-term securities	26,896,183.97		26,896,353.87	26,896	26,897
			27,477,386.49		27,590
B Current Assets					
I. Receivables and other assets					
1. Advances and down-payments	155,760.54			207	
2. Receivables from license fees	6,515,565.07			6,718	
3. Other receivables and assets	243,290.56		6,914,616.17	672	7,597
II. Securities			5,237,589.67		6,410
III. Cash, bank accounts			11,263,801.57		10,601
			23,416,007.41		24,608
C. Prepaid Expenses			28,048.00		47
			<u>50,921,441.90</u>		<u>52,245</u>

DISTRIBUTION

From all the various payment categories a total of 18.557 million euro (previous year 19.481 million euro) was distributed to **austro mechana's** members in the 2006 business year.

ORF minute values

For the distribution of revenues to beneficiaries for 2005 in 2006 the following minute values resulted compared to 2004:

	2004	2005
Radio		
Hook-up broadcast	€ 3.53	€ 2.96
Local broadcast	€ 1.17	€ 0.99
Radio from hard drive		
Hook-up broadcast	€ 0.99	€ 1.20
Local broadcast	€ 0.32	€ 0.40
Television		
Hook-up broadcast	€ 12.46	€ 11.45
Local broadcast	€ 4.16	€ 3.82

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

Statistics

The statistics on distribution to authors and publis-

hers results in the following picture compared to the previous year.

Authors + Successors	2005	2006
More than € 100,000	5	3
€ 50,000 to € 100,000	20	15
€ 10,000 to € 50,000	105	103
€ 1,000 to € 10,000	732	676
Less than € 1,000	8,117	8,288
Total	8,979	9,085

Publishers	2005	2006
More than € 1 million	4	3
€ 100,000 to € 1 million	11	15
€ 10,000 to € 100,000	52	45
€ 1,000 to € 10,000	87	106
Less than € 1,000	260	292
Total	414	461

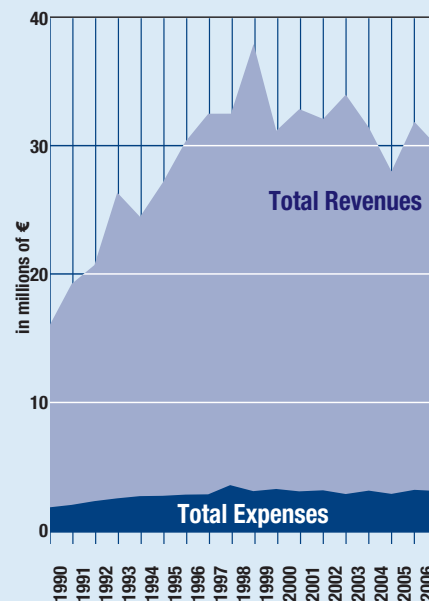
COSTS

As of the end of 2006 **austro mechana** (including SKE) had 26 employees. At 1.755 million euro, total expenses for personnel in the 2006 bu-

siness year were 1.1 percent below last year's total of 1.775 million euro. Administrative costs were lowered by 3.62 percent to 1.413 million euro (last year 1.466 million euro).

The performance of total revenues and expenses from 1990 to 2006 is shown by the graph below.

Comparison of Revenues – Expenses



December 31, 2006

	31. 12. 2006		LIABILITIES & SHAREHOLDER EQUITY	
	€	€	31. 12. 2005	in thousands of euro
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	294,481.00		590	
2. Accruals for pensions	366,173.00		510	
3. Other accruals	<u>2,882,600.00</u>	3,543,254.00	<u>2,931</u>	4,031
C. Liabilities				
1. Accounts payable	85,362.81		680	
2. Payables due to domestic and foreign parties				
a) Not yet cleared	31,752,723.79		31,427	
b) Cleared	3,496,965.57		3,490	
3. SKE payables	4,378,231.48		3,026	
4. Other payables	<u>7,646,736.10</u>	47,360,019.75	<u>9,573</u>	48,196
Tax-related € 571,661.35 (2005: € 227,000)				
Social security-related € 33,693.93 (2005: € 33,000)				
		<u>50,921,441.90</u>		<u>52,245</u>

SOCIAL AND CULTURAL INSTITUTIONS (SKE)

The SKE of **austro mechana** derives its funds from 50 % of the income generated by the blank tape levy. In 2006 the SKE Fund was generally spent as follows (amounts in euro):

Social allowances	
Allowances for securing a basic standard of living	7,800.00
Allowances for extraordinary costs	25,500.00
Allowances for health insurance	8,067.58
Allowances for pension insurance	2,556.53
Allowances for social insurance	12,990.69
Retirement benefits – authors	544,120.00
Retirement benefits – music publishers	111,306.00
Total	712,340.80
Cultural subsidies	
General subsidies	69,343.01
Project funding for serious music	251,300.00
Project funding for popular music	645,538.57
Total	966,181.58

As in previous years, an extensive report for 2006 was issued by the SKE office. This report as well as SKE guidelines and other relevant information can be found on the homepage at www.ske-fonds.at.

IMPRINT

Owner: austro mechana Gesellschaft zur Wahrnehmung mechanisch musikalischer Urheberrechte GesmbH, 1030 Vienna, Baumannstr. 10	Endlich (Works Council), Franz Grabensteiner (Works Council), Andreas Kolm (Works Council)
Executive Board: Dieter Kaufmann, Alf Krauliz, Marion von Hartlieb, Kurt Brunthaler, Erwin Kiennast, Christian Kobel, Josef Prokopetz	Director: Ursula Sedlaczek Editor and Publisher: austro mechana GesmbH Responsible for Content: Ursula Sedlaczek All: 1030 Vienna, Baumannstraße 10
Supervisory Board: Robert Opratko, Heinz Glawischnig, Edith Michaela Krupka-Dornaus, Wolfgang Mitterer, Helmuth Pany, Fritz Schindlecker, Eva	Printer: York Printmanagement GmbH Basic Direction: Service for the Music Creators

BOARDS

As the current term of office for the management and supervisory boards ended with the last annual General Assembly, new elections for both boards took place for the period from 2007 to 2010. The appointments to both are unchanged as follows:

Executive Board:

Dieter Kaufmann: 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
Helmuth Pany: publisher
Fritz Schindlecker: lyricist
Heinz Glawischnig: lyricist
Edith Michaela Krupka-Dornaus: publisher
Wolfgang Mitterer: composer – serious music

Profit and Loss Statement for the Business Year from January 1, 2006 to December 31, 2006

	€	2006	€	2005
				in thousands of euro
1. Revenue				
License fees	29,930,907.36		30,191	
Allocation for distribution	-29,091,182.23	839,725.13	-29,358	833
Revenue from previous periods		2,297,089.83		2,138
Change in the accrual of commission income		0.00		-81
		<u>3,136,814.96</u>		<u>2,890</u>
2. Change in SKE-related liabilities		-2,132.09		27
3. Other operating income				
a) Income from release of accruals		21,916.33		117
b) Miscellaneous		933,364.23		968
		<u>955,280.56</u>		<u>1,085</u>
4. Personnel expenses				
a) Salaries		-1,341,599.03		-1,397
b) Expenses for severance pay and payments to benefit provision fund		-63,442.21		-50
c) Expenses for pensions		25,862.02		36
d) Expenses for statutory social contributions and payroll-related taxes		-350,335.32		-342
e) Other social benefit-related expenses		-25,402.09		-21
		<u>-1,754,916.63</u>		<u>-1,774</u>
5. Depreciation on intangible assets and tangible assets		-142,398.83		-135
6. Other operating expenses		-1,412,579.24		-1,465
7. Subtotal of 1-6		<u>780,068.73</u>		<u>628</u>
8. Income from securities and investments		1,106,480.92		1,091
9. Other interest and similar income		375,603.70		385
10. Income from the sale of securities and current assets		44,026.47		0
11. Expenses from financial assets and securities from current assets				
Umlaufvermögens (of this depreciation totalling € 10,735.89; 2005: 449,104.70)		-10,735.89		-449
12. Interest and similar expenses		-95,850.00		0
13. Subtotal 8-12		<u>1,419,525.20</u>		<u>1,027</u>
14. Subtotal 7 and 13		<u>2,199,593.93</u>		<u>1,655</u>
15. Beneficiary claims		-2,199,593.93		-1,655
16. Annual surplus = net profit		<u>0.00</u>		<u>0</u>