



Slovak performing and mechanical rights society

annual report 2008





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2008

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Introductory word

*Dear Friends, Colleagues, Clients
and Music Supporters,*

Allow me to address you for the first time in my capacity as the General Manager of SOZA and evaluate on the following pages of this report what SOZA as a collective copyright administrator achieved during the course of 2008.

In spite of the definitely good economic results, it was not a simple period. In the middle of the year we experienced a change in the management, license agreements expired for several important users at end of the year and, in particular, the international agenda and relations with the European Commission clearly demonstrated that the global rules and the European perception of intellectual property protection win out over domestic ones. Therefore, if we wish to remain a trustworthy partner and a member of international copyright societies, we must demonstrate even higher transparency, openness and compatibility with all foreign contracting partners. Our work has to be readable, understandable and especially controllable for anybody in Europe. However, in turn, we expect the same from our colleagues abroad.

The arrival of new communication technology requires far greater changes in our behaviour. If my predecessors spoke about this as an upcoming phenomenon, the year 2008 brought it as a definite fact. The affinity of music consumers is changing substantially, similar to the changing policies of publishers, broadcasters, users... and traders at the end of this network. The sale of so-called "packaged music", which means the sale of music on records, cassettes or CDs, the form mostly known to the middle-aged and older generations, is rapidly decreasing. And the music received on-line, through mobiles or gaming consoles will be win out. Naturally, this should not be anything strange. It is required by the speed of our life, easy access to web contents, globalization and the unification of the trends and taste of the most massive consumer – the young generation. The greater danger, however, lies in the emerging attitude towards authorship as such, first of all among on-line users. Confusing the right to royalty for the use of the author's craft with the right to free distribution of information is not only demagogical but insidious. First, such interpretation must be rejected immediately. I observe with trepidation not only the rising economic power but even the political power of "pirate" web groups. I'd be sad if the free use of the author's craft became socially accepted and legally unimpeachable. "Pirate" marketing, on the other hand, is very sophisticated; the intellect and creativity of its author's cannot be underestimated. The Jánošík or Robin Hood principle is very agreeable for people who gladly believe the lie that freely accessible web content does nothing more than take from the "rich" and give to the "poor".

Yes indeed, copyright piracy is the topic mentioned so often as a danger in the past and now it is a harsh reality. The year 2009 is expected to be turbulent not only due to new copyright rules and the massive interference of on-line services in copyright life all over the world. The deepening economic crisis and the consequent recession in nearly



*Vladimir Repcik
SOZA General Manager*

all of the world economies have significantly changed the spheres of users' influence and their economic background. It would be naive to think that the crisis will not touch the collective copyright administrators and thus mainly the authors and publishers as well. I only believe this touch will be gentle enough. Unfortunately, we cannot always influence the happenings around us by our work and efforts. Decreased income from advertisements, the cessation of some media, the liquidation of operations or notices of business termination can be found almost regularly in my daily post. They are like a raised forefinger, a signal indicating that the growth curve could once change to a horizontal line or even to a downward slope. Nevertheless, we are part of the music and entertainment industry like anybody else. Thus naturally, the recession has also had its impact on us. For this reason my expectations for 2009 are much more cautious than for the preceding years.

However, the development cannot be stopped. Despite technological progress, the skills moving things forward since time out of mind have always been human creativity and fantasy. Regardless of MP3, records, cassettes or CD-disks, it will always be those few human tones that many generations will be whistling as their unforgettable evergreen. Therefore, we have to protect our creativity as a substance of everything, accompanying us from womb-to-tomb. Let us trust in our high-minded work as a modest contribution to supporting and protecting the creative spirit of authors, composers and lyricists of musical works.

In conclusion, let me invite you for a few minutes to the backstage of SOZA. Please, be informed about the results of our work for 2008, which besides the changes already mentioned, have brought SOZA significant economic growth, the strengthening of our position and the creation of space for future developing activities. In particular, this is thanks to the Board of SOZA, which understood and approved the proposed trends, the professionalism of SOZA's employees as well as my predecessor and friend, Pavol Jursa.

I'm convinced, that the year 2009 will be as successful as the year 2008 for SOZA and thus for all Slovak authors, lyricists and publishers.

*Vladimir Repcik
SOZA General Manager*

Slovak Performing and Mechanical Rights Society

// It is a legal entity, a non-for-profit civic association founded pursuant to Act No.83/1990 Coll. It represents a common interest based self-government of authors and publishers of musical works who as property right holders administer and pursue the property interests of the society as a whole via their elected bodies.

// Since Jan. 1,1998 it has operated as a collective manager of copyright to musical works in accordance with licences issued by the Slovak Ministry of Culture no.1/1998, and 1/2004. Being a collective copyrights administrator it issues licences to users of musical works authorising them to use the musical works. It also collects royalties and distributes them to eligible rights holders (pursuant to §40, §81 of the Copyrights Law).

// Based on copyrights representation agreements it administers property rights of domestic authors and publishers of musical works.

// Based on reciprocal agreements with counterparties, i.e. sister rights societies abroad it represents foreign rights holders in our territory and sister organizations represent our rights holders abroad.

// It is an fully internationally integrated entity. It is a full member of large world-wide organizations, namely **CISAC**, **BIEM** and the European organization **GESAC**.

CISAC – International Confederation of Authors' and Composers' Societies, representing more than 2,5 million authors in any area of arts (music, drama, literature, audiovisual production, graphic and visual arts).

BIEM – the international organization associating collective rights administrators, focusing on so called mechanical rights protection.

GESAC– European Grouping of Societies of Authors and Composers represents nearly 500.000 authors or their successors in title in the area of music, graphic and plastic arts, literary and dramatic works, and audiovisual as well as music publishersh.

TYPES OF USE OF SOZA LICENCED MUSIC

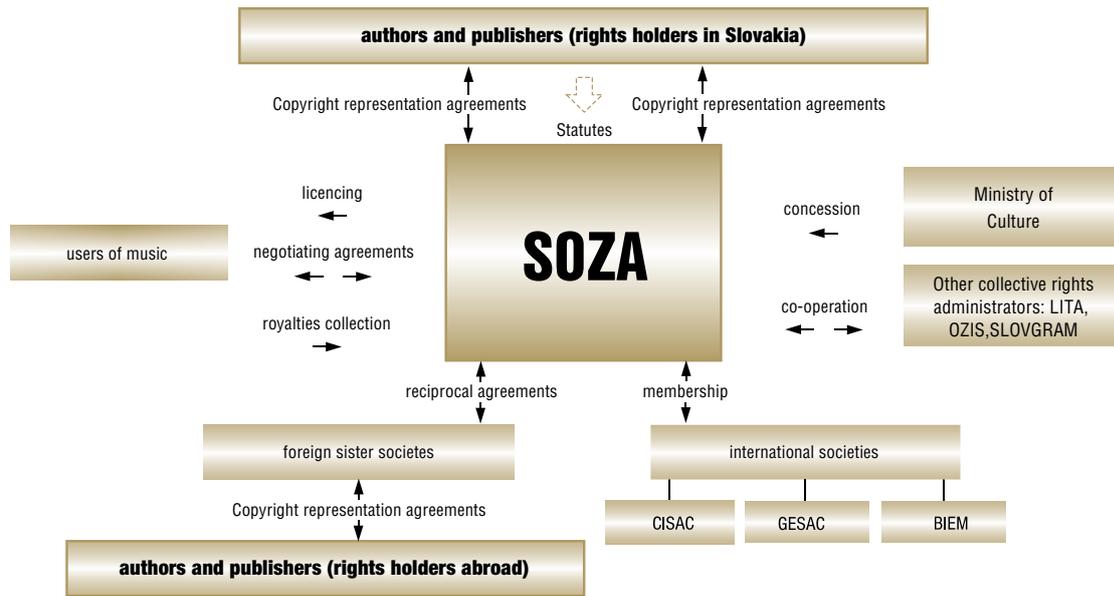
SOZA issues licences for using of musical works:

- // in public musical performances
- // via technical equipment
- // in juke-boxes
- // in radio and television broadcasting
- // via cable retransmission
- // on audio or audio-visual carriers
- // in theaters (archived music)
- // in public film screening
- // via internet and other similar networks
- // in reproduction of sound recordings for the purpose of providing a DJ service

SOZA collects remunerations of blank carriers and recording devices on behalf of other Slovak collective administrators.



Scheme of basic relations in SOZA



SOZA membership

SOZA is contracted to represent 1819 composers, song-writers, sub-composers, and publishers of all music genres.

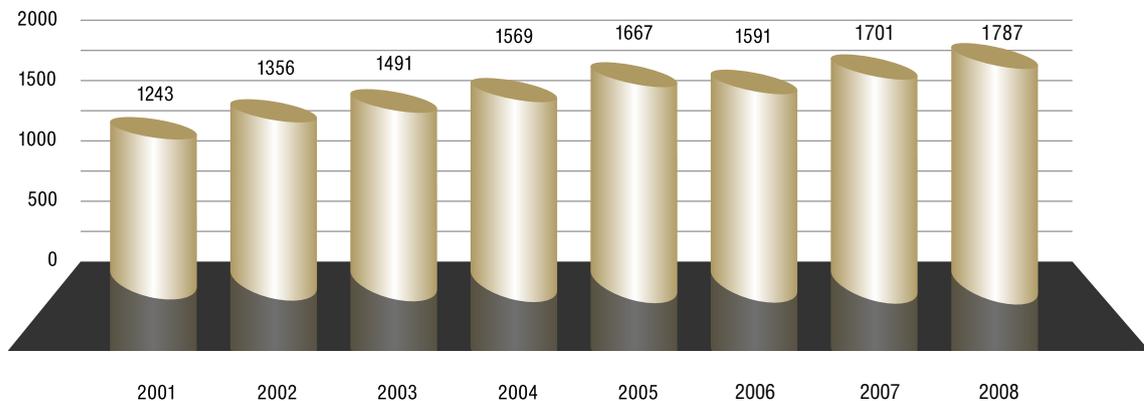
Authors:

// candidates	779
// members	718
// deceased authors	273

Publishers:

// candidates	17
// members	32

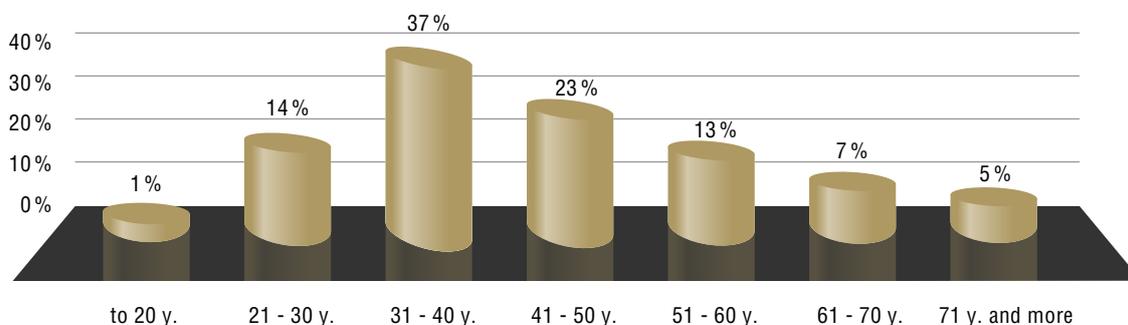
THE NUMBER OF RIGHTS HOLDERS REPRESENTED ON CONTRACTUAL BASIS OVER THE PERIOD 2001-2008



SOZA collects royalties for use of musical works in the territory of Slovakia and abroad for 1809 authors and publishers. 9 authors and 1 editor have decided to have their copyrights administered by SOZA for the territory of Slovakia, while for the rest of the world they wanted to be represented by other international authors societies.

In 2008 SOZA registered 88 new authors and new 3 publishers to be represented by SOZA.

AGE STRUCTURE OF SOZA REPRESENTED AUTHORS



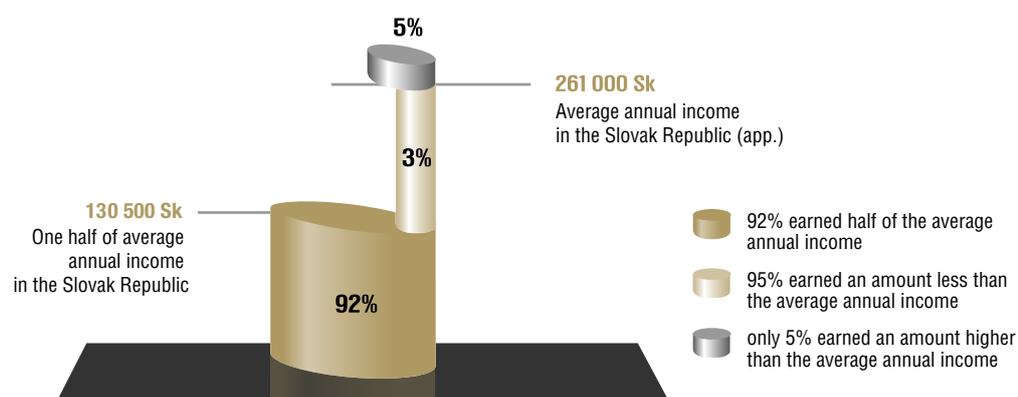
The SOZA Award for the most successful project in the field of classical music goes to the publisher, Slovak Music Bridge for the collected work "Quint Variations by Slovak Composers" (the publishers' representatives – Vladimir Sirota (left) and Milos Betko)



The SOZA Award for the most successful work in the field of popular music goes to the authors of the composition „Povedzme“ - Vladimir Kraus (left) and Robo Grigorov

Every year SOZA awards from among its members those whose musical works were exceptionally successful in music life in Slovakia. At the same time, SOZA awards are an expression of support to public use of works represented by SOZA and to development of Slovak music culture.

Comparison of annual royalties income of authors and publishers represented by SOZA and average annual income in the Slovak Republic in 2008.



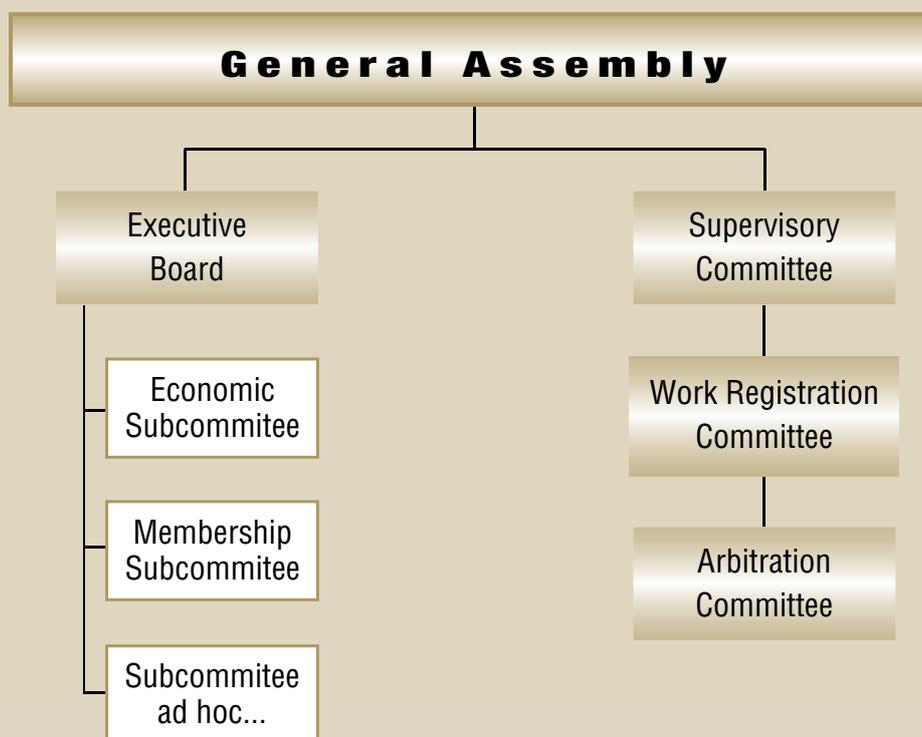
SOZA and the world

SOZA entered into 58 international reciprocal mutual representation agreements based on which it makes sure the Slovak composers rights are exercised all over the world in countries recognizing copyrights. These bilateral agreements with its partner copyrights organizations cover almost the entire world. In reciprocity, SOZA ensures that in the territory of the Slovak Republic foreign and local copyrights can be equally exercised.

List of partner copyright societies SOZA has mutual representation agreements with

SOCIETY	STATE	TERRITORY
ABRAMUS	Brazil	Brazil
ACDAM	Cuba	Cuba
ACUM	Israel	Israel
AEPI	Greece	Greece
AGADU	Uruguay	Uruguay
AKKA/LAA	Latvia	Latvia
AKM	Austria	Austria
AMRA	United States of Amerika	United States of Amerika
APRA	Australia	Ashmore, Australia, Australian Antarctic Territory, Cartier Island, Christmas Island, Cocos Islands, Fiji, Heard Island, MacQuarie Islands, McDonald Island, Nauru Island, New Guinea, New Zealand, Niue Island, Norfolk Islands, Papua, Ross Dependency, Tokelau Islands, Western Samoa
ARTISJUS	Hungary	Hungary
ASCAP	United States of Amerika	United States of Amerika, Virgin Islands, Puerto Rico
AUSTRO MECHANA	Austria	Austria
BMI	United States of Amerika	United States of Amerika, Puerto Rico
BUMA/STEMRA	The Netherlands	The Netherlands, Netherlands Antilles, Indonesia, Surinam
CASH	Hong Kong	Hong Kong
EAU	Estonia	Estonia
FILSCAP	Philippines	Philippines
GEMA	Germany	Germany, Turkey, Philippines
GESAP	Georgia	Georgia
HARRY FOX AGENCY	United States of Amerika	United States of Amerika
HDS	Croatia	Croatia
IMRO	Ireland	Ireland
JASRAC	Japan	Japan
KODA	Denmark	Denmark
LATGA-A	Lithuania	Lithuania
MACP	Malaysia	Malaysia
MCPS	United Kingdom of Great Britain and Ireland	United Kingdom of Great Britain and Ireland (except Canada), South African Republic
MESAM	Turkey	Turkey
MUSICAUTOR	Bulgaria	Bulgaria
NCB	Denmark	Denmark, Norway, Sweden, Finland, Iceland, Lithuania
OSA	Czech Republic	Czech Republic
PRS	United Kingdom of Great Britain and Ireland	United Kingdom of Great Britain and Ireland (except Canada and Hong Kong)
RAO	Russia	Russia
RUPIS	Byelorussia	Byelorussia
SABAM	Belgium	Belgium, Zair, Rwanda, Burundi
SACM	Mexico	Mexico
SACEM/SDRM	France	France, Martinique, Guadeloupe, Guayana, Réunion, Comoro Islands, Somalia, Polynesia, New Caledonia, Saint-Pierre, Miquelon, Algeria and Sahara, Mauretania, Nigeria, Ivory Cost, Burkina Faso, Dahomey, Senegal, Mali, Chad, Central African Republic, Congo, Gaboon, Togo, Cameroon, Guinea, Tunisia, Morocco, Lebanon, Egypt, Monaco, Andorra, Syria, Luxembourg, Turkey, Madagascar, Benin, Gibuti, Gambia, Zair.
SADAIC	Argentina	Argentina
SAMRO	South African Republic	South African Republic, Namibia, Botswana, Lesotho, Swaziland
SAZAS	Slovenia	Slovenia
SBACEM	Brazil	Brazil
SESAC	United States of Amerika	United States of Amerika, Virgin Islands, Guam, Puerto Rico
SGAE	Spain	Spain, Bolivia, Costa Rica, Colombia, Chile, Dominican Republic, Ecuador, Salvador, Guatemala, Haiti, Honduras, Nicaragua, Panama, Paraguay, Peru, and Venezuela.
SIAE	Italy	Italy, Vatican City, San Marino, Ethiopia, Lybia, Somalia
SOCAN	Canada	Canada
SOCOM/ZAMP	Macedonia	Macedonia
SODRAC	Canada	Canada
SOKOJ	Serbia and Montenegro	Serbia and Montenegro
SPA	Portugal	Portugal, Madeira, Acores, Angola, Mozambique, Guinea, Cap-Vert, São Tomé and Prince, Makao, Timor
STEF	Iceland	Iceland
STIM	Sweden	Sweden
SUISA	Switzerland	Switzerland, Liechtenstein
TEOSTO	Finland	Finland
TONO	Norway	Norway
UACRR	The Ukraine	The Ukraine
UBC	Brazil	Brazil
UCMR/ADA	Romania	Romania
ZAIS	Poland	Poland

Elected Bodies



// Executive Board

It consists of 18 members elected by General Assembly according to the following professions representation key:

- 4 composers of classical music*
- 3 composers of popular music*
- 2 composers – arrangers of folk music*
- 1 composer of brass music*
- 2 authors of the lyrics*
- 6 publishers*

In between General Assembly meetings the Executive Board acts as a Supreme Executive Body of SOZA.

Board (for the 2008 – 2011 office term)

Lubomir Burgr	Miroslav Jurika
Ondrej Demo	Daniel Matej
Rastislav Dubovsky	Jan Strasser
Miroslav Dudik	A – TEMPO VERLAG SLOVAKIA
Peter Graus	HUDOBNY FOND
Juraj Hatrik	MUSICA
Adam Hudec	STUDIO LUX
Richard Jajcay	STUDIO FONTÁNA
Matus Jakabcic, Chairman	OPUS

// Supervisory Committee

It consists of 7 members elected by the General Assembly according to the following professions representation key:

- 1 composer of classical music*
- 1 composer of popular music*
- 1 composer of special functions music or jazz music*
- 1 composer - arranger of folk music*
- 1 composer of brass music*
- 1 author of the lyrics*
- 1 publisher*

The supervisory committee is the supreme audit body of SOZA having general audit and review authority (it can audit any of its operations and other elements of the structure).

Supervisory Committee (for the 2008 – 2011 office term)

Marian Brezani
Martin Corej
Stanislav Hochel
Aniko Dusikova, Chairman
Jan Jamriska
Anton Popovic
DISKANT

// Work Registration Committee

It consists of 5 members elected by the General Assembly according to the following professions representation key:

- 1 composer of classical music*
- 1 composer of popular music*
- 1 composer of special functions music*
- 1 composer – arranger of folk music*
- 1 composer of brass music*

The work registration committee is a specialized elected body with technical authority to classify the reported musical work according to relevant categories based on the SOZA Distribution Rules.

Work Registration Committee (for the 2006-2009 office term)

Milos Betko
Ondrej Demo
Adam Hudec
Vitazoslav Kubicka
Pavol Zajacek, Chairman

// Arbitration Committee

It consists of 5 members elected by the General Assembly from among the authors (composers and authors of the lyrics) having morale status and experience to guarantee fair and equitable resolution of conflicts and disputes:

Arbitration Committee (for the 2006-2009 office term)

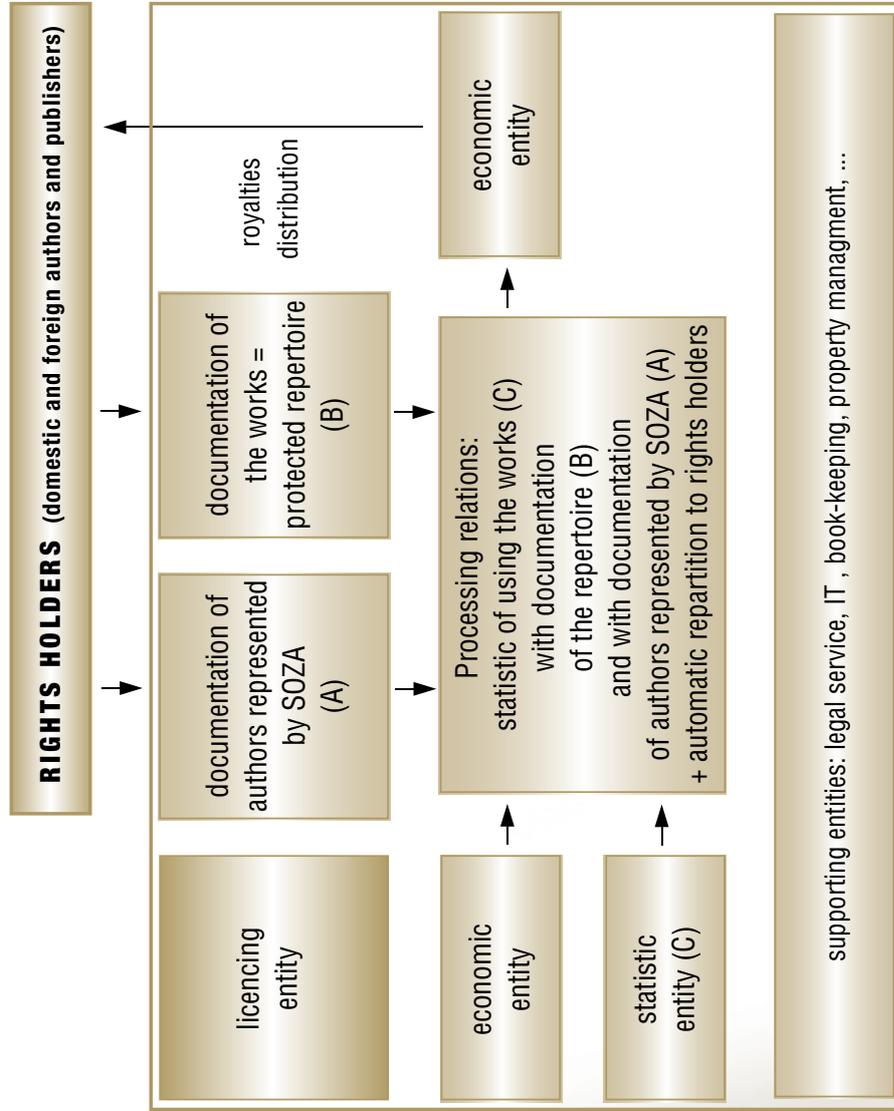
Pavol Bagin
Zuzana Homolova
Peter Lipa
Vaclav Patejdl
Peter Zagar, Chairman

The arbitration committee is responsible for resolving disputes between SOZA members or candidates and between individual SOZA member or candidat and the institution of SOZA.

// Panel of members of elected bodies

Members of all the four elected bodies together create a Panel of members of elected bodies deciding on the most important issues: amendments to the Distribution Rules, Information Access Directive, nominating individual members to elected bodies and co-opting individual members to all the elected bodies. The Panel of members of elected bodies also confirms the decisions of the Board on replacements of the General Manager and it discusses the Board decisions on membership criteria.

HOW WE OPERATE



licencing →
 royalties collection →
 reports about using the works →

USERS OF THE MUSICAL WORKS

supporting entities: legal service, IT, book-keeping, property management, ...

SOZA Board Report to the SOZA General Assembly (May 27, 2009)

Ladies and Gentlemen,
Colleagues, Guests!

On behalf of the SOZA Board and in accordance with the SOZA Statutes, allow me to present the Annual Report on the activities carried out by our Association since last year's General Assembly. The period from the last General Assembly until today was one of much more intensive integration, in particular into the international copyright structures. In comparison with the previous years, today we take a much more active part in the solution of copyright and license issues within the European Union. The face of the CISAC and GESAC organisations is also changing substantially and we are more and more forced to accept the often tough and financially demanding rules of international cooperation. Thanks to SOZA's longtime tradition and its good reputation, we are perceived as a reliable partner. I'm convinced that the perception of SOZA in Slovakia compares favourably with the other organisations of collective administration, due not only to our income but also thanks to our image of reliability, seriousness and stability built throughout the years. I believe I will be able to make the same statement at the General Assembly next year. In the individual chapters of this report I will mention some specific facts which will give you a detailed picture of SOZA's development during the previous period.

I. 2008 ECONOMIC RESULTS

The results are presented according to the standard methodology introduced in 2002, whose schematic and numerous presentation you can find in the annexed table you received upon your arrival.

Summary figures: accounting income dropped by 3%, amounting to SKK 303 million; the revenues decreased by 4% and amounted to SKK 280 million; out of this, SOZA's own revenues also dropped by 4% and amounted to SKK 243.6 million. At the same time, we achieved a decrease in costs by 0.9%, while total overhead costs were reported at 14.88 %. Total assets, i.e., tangible, intangible and financial assets represent the value of SKK 396 million, which is SKK 11.2 million less than in 2007.

Last year's good economic results are demonstrated by the following figures: total revenues of SOZA in 2008 were at SKK 280,283,720 representing a decrease by SKK 10,758,897 or 3.7% against 2007. The own revenues of SOZA, the net of the share of partner societies participating in joint collections, amounted to SKK 243,686,077, representing a decrease by SKK 10,259,914 or 4 % against 2007. This drop was mainly due to the revenues from TV Markiza, which in 2007 paid its balance from the previous year and the payments according to the newly drafted agreement for 2007; TV JOJ also paid its debts from the preceding period at the beginning of 2007. In 2008, both television broadcasters paid the royalties



Matus Jakabcic
SOZA Board Chairman

according to the agreement, however, without any additional payments.

Royalty payments for the use of music in radio broadcasting dropped by SKK 7.8 million compared to last year, since in 2007 Slovak Radio paid its debts from the previous period and in 2008 it paid royalties according to the agreement only.

We encountered the same situation with the private radio stations, as last year they paid just the contractually agreed amounts without repaying any debts. These were paid mainly in 2007, when the agreements were changed under the condition of settling all debts.

Royalties collected in the area of cable retransmission went up by SKK 1 million, since the cable television operators paid their invoices due this year at end of 2008, thus only the payment dates were moved.

Royalty payments for the use of music in public performances increased by SKK 4.8 million, amounting to a value of SKK 65 million. This pleasing result was achieved thanks to extraordinary efforts made by the employees of the Licensing Department, their overtime work and with the help of 5 temporary employees hired during the summer months. The Legal Department added one employee, which has had a positive impact on income and increased number of executions.

The online music use sector remained at the 2007 level. Last year, the recession of legal music sales continued, which was also reflected in the overall decrease of registrations by large mobile phone operators. In this respect, the operators pointed to the ongoing trend of free downloads, facilitated also by the higher technical level of mobile phones allowing the mutual sending of melodies without the obligation to pay for such exchange of musical work. In the last quarter of 2008, the number of concluded contracts increased, however, the related income will only influence the 2009 balance.

Royalties for the use of music on record carriers sold (so-called mechanical rights) grew by SKK 1.7 million, and royalty payments for the use of our music abroad increased by SKK 2.6 million (OSA). Remunerations for

the sales of blank carriers and recording devices enabling copying for private use remained at the 2007 level, while the joint collections for all four Slovak copyright societies continued to be carried out in this area by 'ISNA' our contracted centre. Other income grew by 4.6%, which was mostly contributed by withholdings from royalties remitted abroad (10% for national culture),

And now, the expenditures. In 2008, the total operational costs amounted to SKK 41,717,703, representing a year-on-year decrease of SKK 374,790 or 0.9%. Personnel costs, including mandatory social charges, inspectors' commissions and other external fees went up by 7.8%; material costs decreased by 32.4% (mainly depreciation). The so-called inherent costs (international organization membership fees, remunerations for members of SOZA bodies, costs related to General Assemblies and SOZA Awards, etc.) remained practically unchanged. The development of costs corresponded in full to the overall economic development in 2008, while the expense-to-income ratio rose by only 0.4% despite the decreased income. In the international context, SOZA's overhead is one of the best among small associations.

On its session held in February, the Board evaluated the 2008 economic results as very good and expressed its appreciation to the employees and the General Manager of SOZA.

II. INTERNAL RELATIONS

The period since the last General Assembly was again accompanied by several changes within SOZA. After the elections held at the last General Assembly, the Board started its work in an old-new structure. The Board re-elected Matus Jakabcic as Chairman and Juraj Curny was elected as Vice Chairman. In addition to the personnel changes on the Board, SOZA's General Manager was also replaced. After the resignation of Pavol Jursa from the post of General Manager in May 2008, the priority task for the new Board was to fill the position of SOZA's statutory representative. The Board expressed its thanks to Pavol Jursa for his devoted work especially in this difficult period of his personal life. Following the General Assembly, the newly elected Board appointed Vladimir Repcik to the position of SOZA General Manager and afterwards the Panel of elected bodies confirmed him in this function. The new General Manager has taken over the position successfully, which has been demonstrated by the good economic results achieved by SOZA in 2008. Ladislav Briestensky, acting as the General Manager's adviser contributed to the continuity of work on this position. In addition to the regular work of the Board and its Subcommittees, two important new specialised working groups were established upon membership initiation; i.e., the Working Group for Social and Cultural Withholdings and the Working Group for Addressed and Unaddressed Royalties.

The Working Group for Social and Cultural Withholdings was established based on the Board decision of September 10, 2008, to satisfy the requirement to create a Social and Cultural Fund. The fund should be created by withholdings from royalties remitted abroad in compliance

with the reciprocal agreements concluded with partner collecting societies. The decision in question was taken mainly on the basis of the requirements of foreign copyright organisations to clearly show the use of all withheld financial means. It is an important step especially in respect of declaring SOZA's transparency and proving the direction and use of the fund's financial flow.

Since October 2008, meetings of the Board's working group have been conducted with the aim to review the settlement procedures of SOZA and to propose possible modifications of the rules applied within the distribution of statistical, unaddressed and other royalties. The working group takes into consideration all of the factors influencing the settlement procedure, from the classification of musical work up to the registration of users. In addition to the Chairman of the Supervisory Committee, who is a member of this working group, the meetings are attended by invited colleagues as well, mainly from the Registration Committee, according to requirements.

Membership structure as of April 22, 2009

Authors	SOZA members	717
	Candidates	789
	Deceased authors	277
Publishers	SOZA members	32
	Candidates	16
Contracted representation total		1 831

In the Board Report submitted to the SOZA General Assembly last year, I presented in detail the positive and negative impacts of VAT introduction at SOZA. Even though the switch to the VAT regime seemed to be an insurmountable obstacle in many aspects, I'm glad to state now, that in spite of several problems and the increased workload for SOZA's staff, due to the VAT introduction, we have successfully implemented all of the changes connected with this new situation within SOZA's activities.

With the introduction of the euro, it was again necessary to adjust the entire functioning of our organisation to the new requirements (especially the adjustment of SOZA's software facilities) also resulting in extra work for the SOZA staff, particularly in the Economic and Licensing Departments.

Last but not least, the implementation of "DORIS" software in the Department for Documentation, Distribution and Mechanical Rights also brought about many changes throughout our activities. The new introduced procedures required lots of work and training in the new areas of this information system and an increase in the headcount, especially in the IT Department.

Since SOZA's activities must be continuously adjusted to new conditions and requirements, various measures and changes had to be passed in order to improve and make more efficient the company's overall functioning. Within these measures, the Board made a decision, based on the General Manager's proposal, to increase the number of SOZA personnel, specifically in the Licensing and IT Departments.

The main goal that SOZA set for this year, despite the unfavourable economic situation caused by the world financial crisis, was to keep its income at the level approved for 2009, while making efforts to support this intention through cost effectiveness and adherence to planned overheads.

III. INTERNATIONAL RELATIONS

A significant change in the area of international relations took place on July 16, 2008 when the European Commission issued a decision in the matter of the so-called "Statement of Objections" (the "CISAC case") which relates to cross-border licensing in the field of cable retransmission, satellite broadcasting and online use. The decision states that SOZA, together with 24 other European collecting societies, violated Article 81 of the EC Treaty and Article 53 of the EEA Agreement, in particular by concluding reciprocal agreements based on the CISAC model contract, which is considered by the European Commission as a "concerted practice" in conflict with the competition law of the European Communities. Since SOZA did not agree with this decision and it was given the opportunity to be represented by a law firm providing services to CISAC, it decided together with almost all of the other collecting societies to lodge an appeal in the Court of First Instance of the European Communities. However, despite this appeal, according to the legal norms of the EU, SOZA was obliged to amend its reciprocal agreements with the other European collecting societies to make these agreements comply with the EU legislation before a decision is taken by this court. Specifically, it had to execute amendments to the reciprocal agreements on a strictly bilateral basis and not according to the CISAC model contract. SOZA proposed that all concerned societies from EU countries amend their reciprocal agreements; at the same time, it received amendments from neighbouring countries, which as opposed to the previous unified CISAC model contract, had entirely different wordings. As a result, various amendments to the reciprocal agreements were executed with nearly all of the collecting societies concerned (with the exception of the ongoing negotiations with PRS, STIM and GEMA).

In this respect it is important to underline that these changes in the reciprocal agreements had virtually no practical impact on our existing licensing system in the field of cable retransmission, satellite broadcasting and online services.

The ever-increasing requirements of foreign companies for the highest transparency of financial flows and use of withheld financial means, led the SOZA Board to consider the idea of creating a fund for social and cultural purposes. As already mentioned, the establishment of this fund shall be administered by the special "Working Group for Social and Cultural Withholdings".

As to our contacts with our partner collecting societies, last year we attended the regular CISAC working meetings, but also accepted the invitation of the British PRS society for a training session focused on documentation, distribution and licensing procedures, in particular for the countries of Central and Eastern Europe.

On the other hand, we welcomed visits from the representative of the PRS society, a representative of CISAC in addition to the regular annual visit paid by the American BMI representative.

IV. CONCLUSION

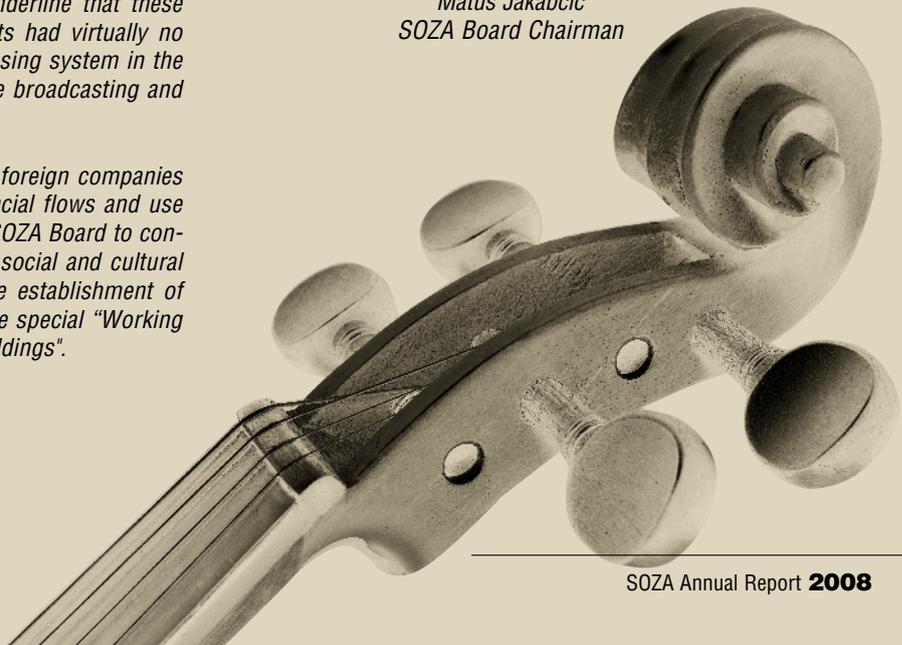
Ladies and Gentlemen, Colleagues, Guests!

We are now in a difficult and very demanding period of our existence. On one hand, we face a complicated international situation, with increased pressure from large copyright organisations. On the other hand, there is a financial crisis to which no one is immune. All in all, this situation affects the users of music and consequently means a potential danger for us, too. I'm convinced, although I'd be glad if I were wrong, that in the coming period no large media or other important user of our repertoire is due to arrive. In order to maintain our good economic results, we have to search for resources elsewhere. One way to achieve this is through the much more intensive and consistent collection of fees and more precise licensing of existing users. In Slovakia, there are still too many entities who neglect music copyrights. They do not realize that using a song or other musical work without paying for it is in fact theft. On the other hand, I have to say that today copyright awareness is at a much higher level than it was some years ago. My wish is to weather the storm of this difficult crisis situation and protect our position along with the incontestable interests and claims as best as possible.

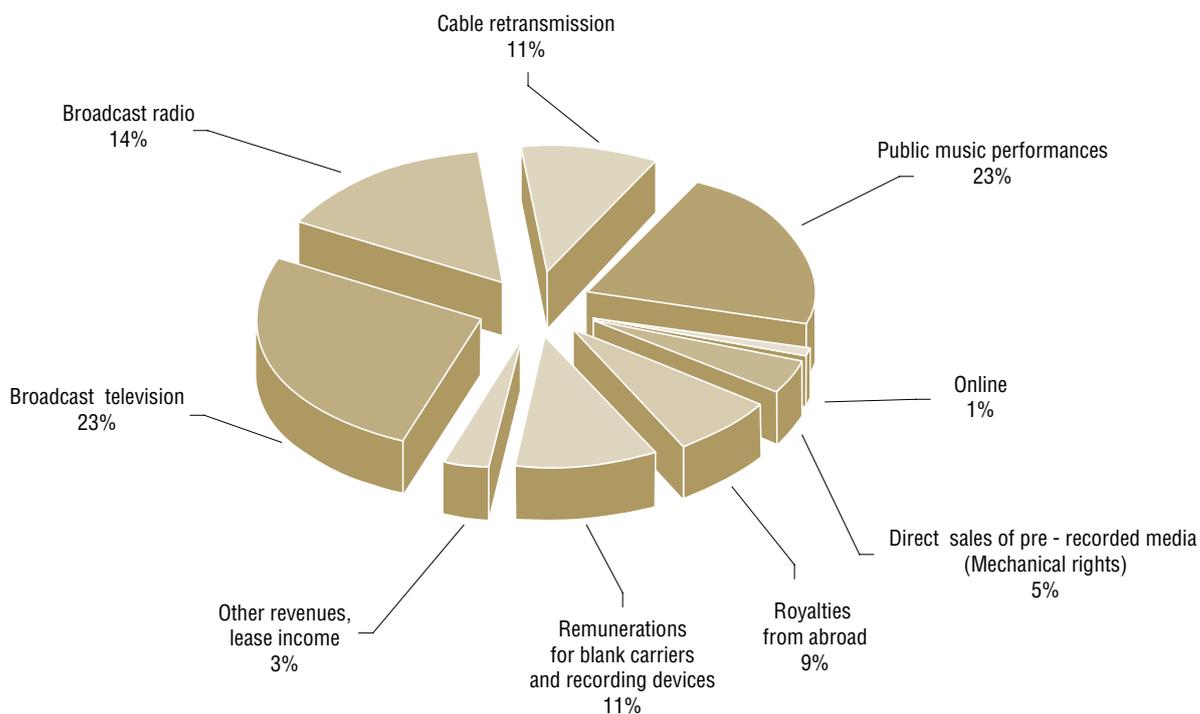
In conclusion, on behalf of the SOZA Board, I would like to express my thanks to all of the members of the elected bodies, as well as to the General Manager of SOZA and the employees for their good and meaningful cooperation.

Thank you for your attention.

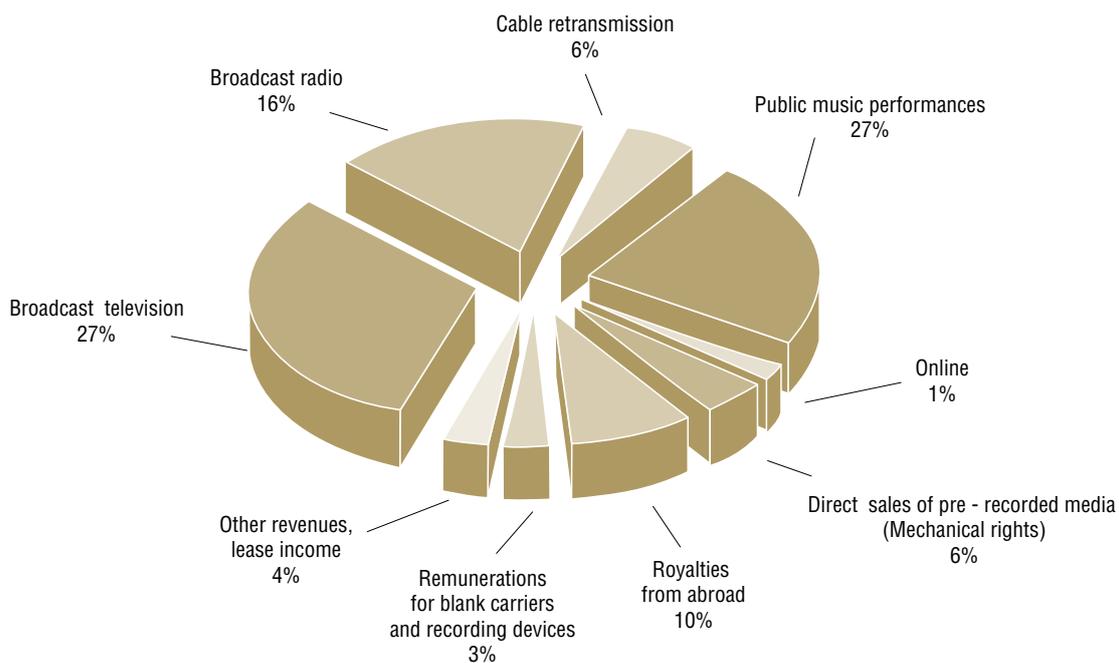
Matus Jakabcic
SOZA Board Chairman



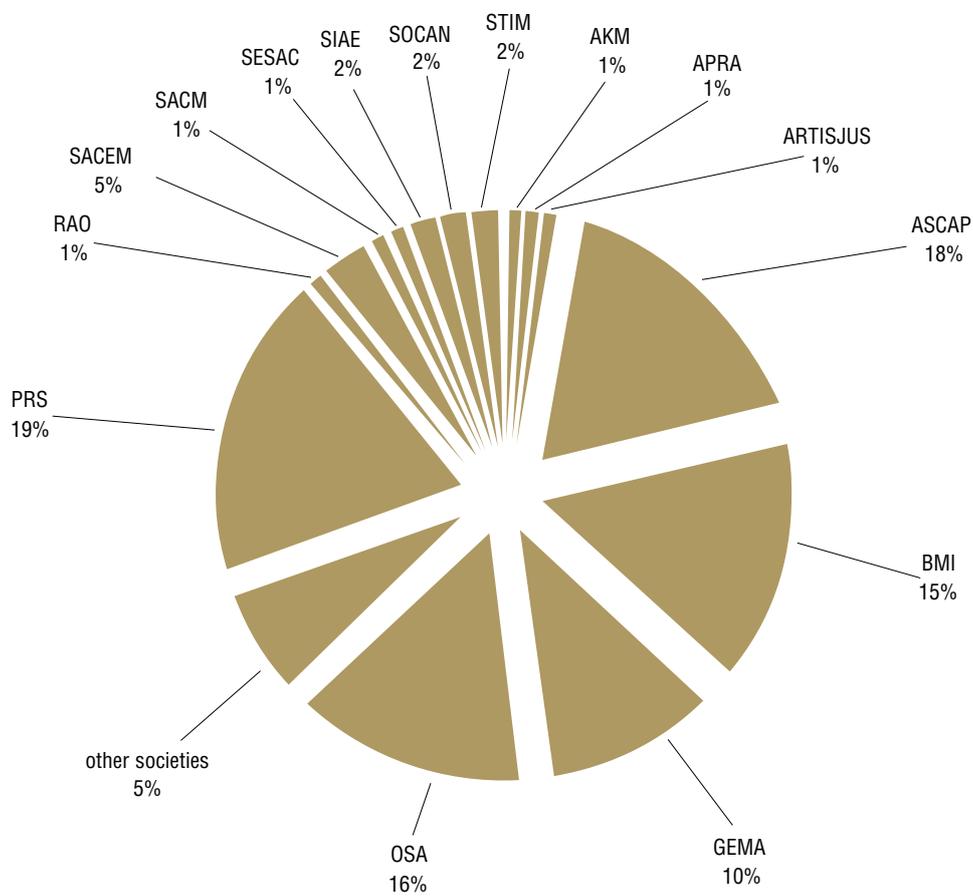
**2008 SOZA REVENUES INCLUDING COLLECTIONS
FOR SOCIETIES REPRESENTING NEIGHBOUR RIGHTS**



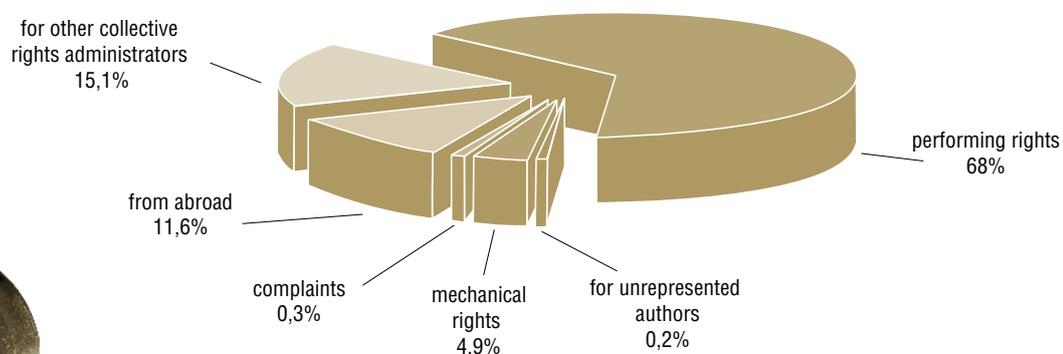
**2008 SOZA REVENUES EXCLUDING COLLECTIONS
FOR SOCIETIES REPRESENTING NEIGHBOUR RIGHTS**



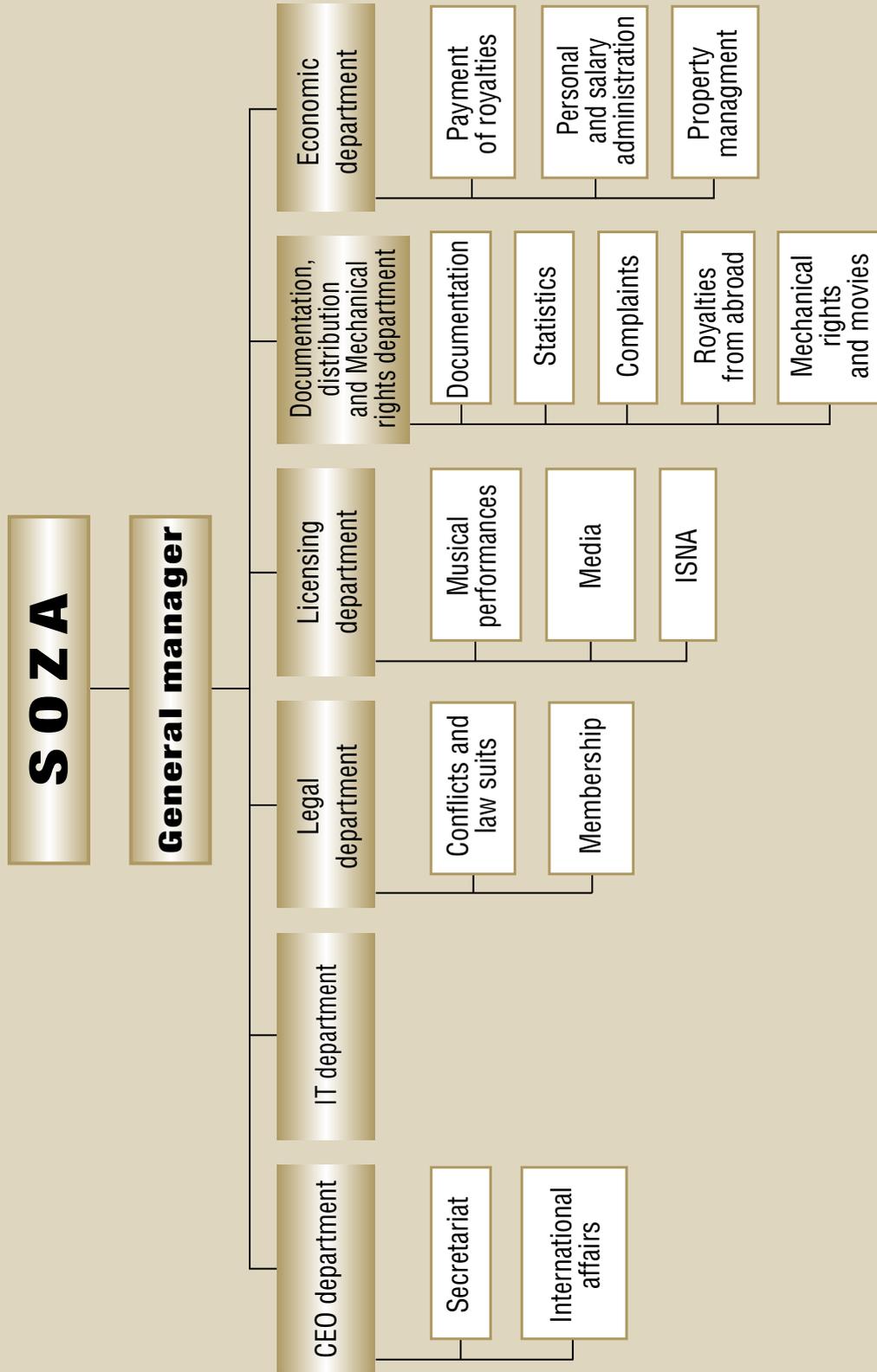
ROYALTIES FOR THE FOREIGN SOCIETIES IN 2008



DISTRIBUTION OF ROYALTIES AND REMUNERATIONS FOR THE SLOVAK RIGHTS HOLDERS IN 2008



Structure of SOZA departments



Year 2008 at SOZA departments

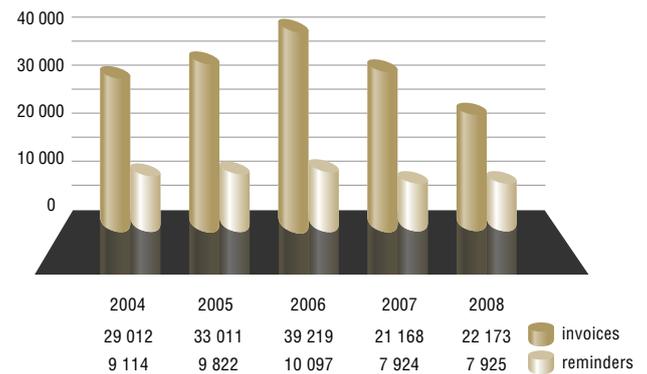
// In 2007 the domestic works documentation department registered and processed 3.971 new work registrations of domestic authors. As of December 2008 SOZA registered 94.150 works of domestic authors and 115.428 works of foreign authors.

(note: in SOZA a change in the methodology of reporting the number of registered works as well as the number of registrations was implemented. Up to 2007, for technical reasons, SOZA double registered some of the number of domestic and foreign works in the database. This related to the cases in which the same work was registered as autonomous and archive background music or archive advertising. Since 2008, SOZA reports only the number of different works. Until 2007, SOZA reported the number of received registrations and since 2008 it reports the number of newly registered works.)

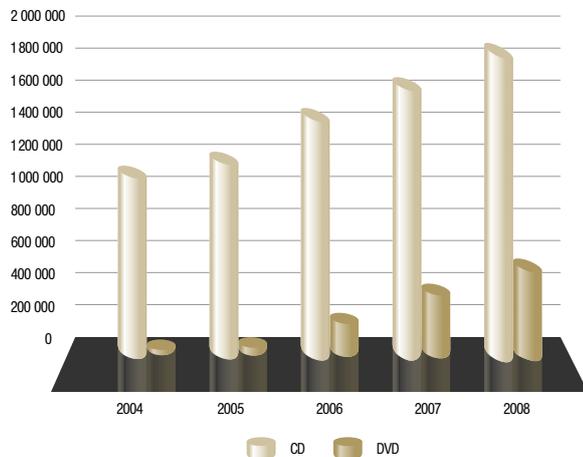
// In 2008 the Mechanical rights department licenced: 1,800.000 pc of CDs, 450.000 pc of DVDs.

// In 2007 the Music performance department registered 16.143 users of musical works in public places.. The Music performance department processed 22.173 invoices and 7.925 reminders. Resulting revenue was SKK 85,609.682.

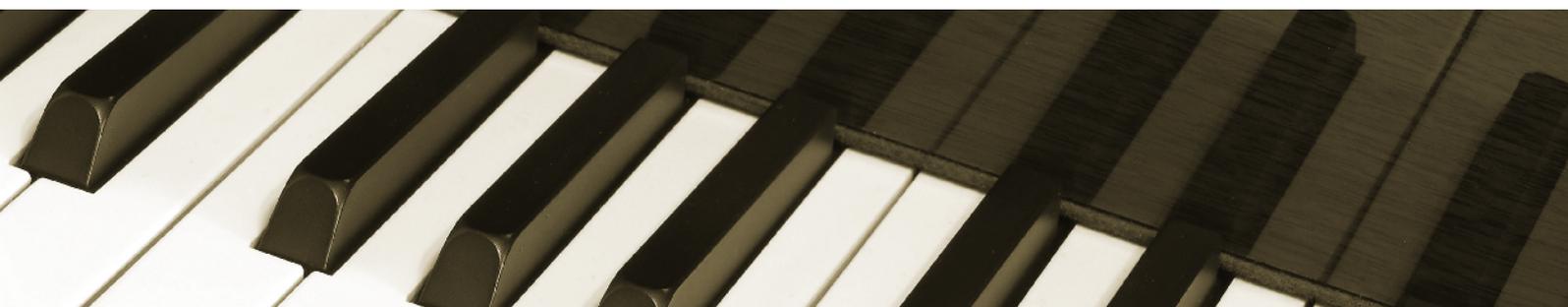
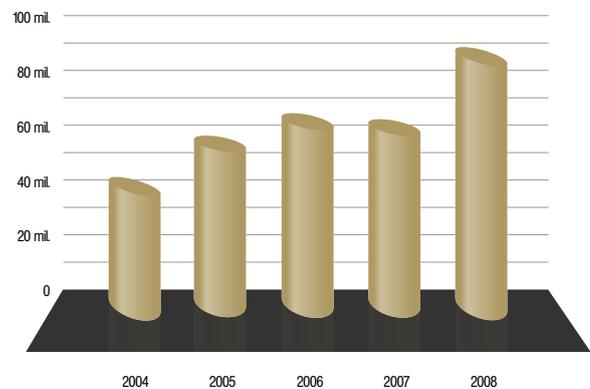
THE NUMBER OF INVOICES AND REMINDERS OVER THE PERIOD OF 2004 - 2008



THE NUMBER OF LICENCED CDs AND DVDs OF 2004 - 2008

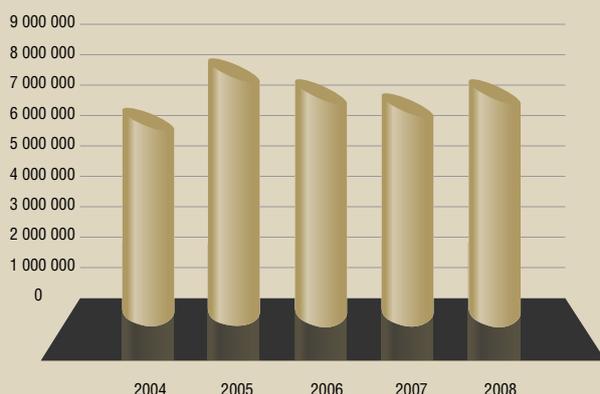


INCOME FOR THE MUSIC PERFORMANCE DEPARTMENT



// The Licensing department of SOZA deals also with licensing the use of music via juke-boxes. Users of music must sign licensing agreement with SOZA, based on which they are issued a SOZA license stamp with a hologram and a registration number. In 2008, 169 juke-box operators registered and 2.798 license stamps were issued. SOZA collected royalties amounting to SKK 7,018.969 for juke-box music playing.

AMOUNT CHARGED FOR THE USE OF MUSIC VIA JUKE-BOX



// Our media department is responsible for licensing:

Television broad-casters	
– number of agreements signed:	9
Radio broad-casters	
– number of agreements signed:	28
Providers of infochannels	
– number of agreements signed:	46
Cable distribution operators	
– number of agreements signed:	146
Producers and importers of media and equipment:	
– number of agreements signed:	85
Web site operators – number of agreements signed:	70

// In 2008, a total of 2.726 unpaid invoices amounting to SKK 14,520,535 were handed over to the Legal Department of SOZA. More than a half of these were paid via out-of-court settlements, representing a value of approximately SKK 7.4 million. SOZA lawyers tried to claim the remaining unpaid invoices through legal proceedings, the number of which reached 137 in 2008. The total amount claimed represented approximately SKK 5.5 million.

// In 2008, SOZA claimed receivables in the amount almost SKK 2 million through 57 execution proceedings.

// The number of criminal proceedings in 2008 is comparable with the year 2007. The majority still comprise criminal prosecutions for the use of musical works through illegally produced carriers (CD, DVD and mainly compressed MP3 formats). The amount of compensatory damages was at a level similar to that in 2007, i.e., approximately SKK 164,000.

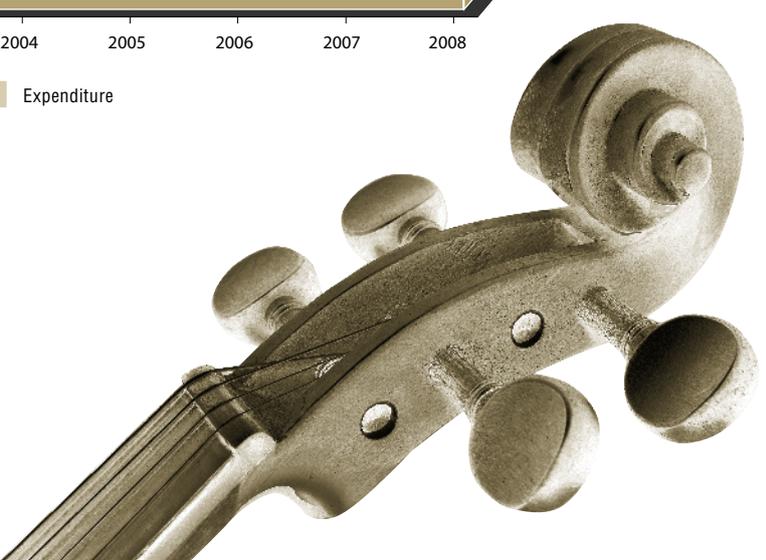
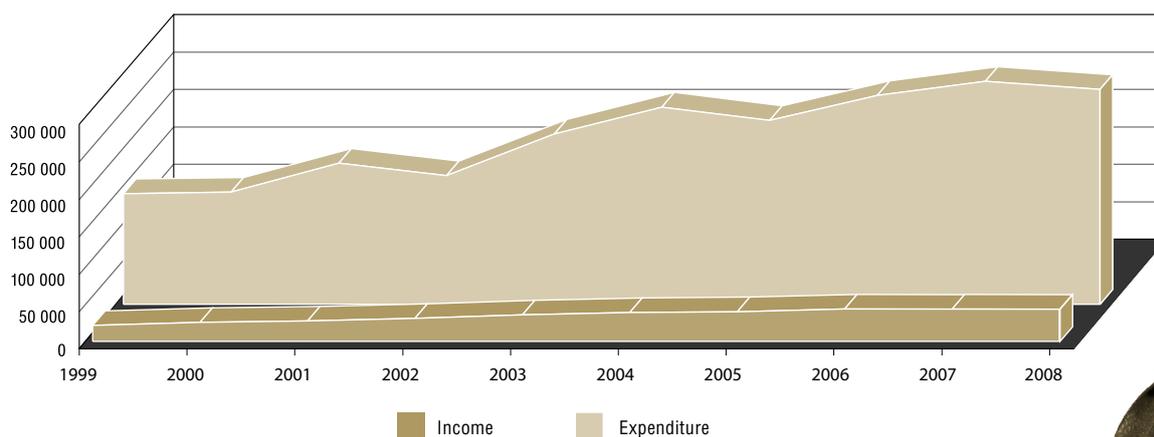
// At the end of 2008, the Legal Department added one employee – a lawyer. Especially after the VAT introduction, the Legal Department experienced a lack of staffing. This was mainly due to the fact that VAT required the collection of receivables handed over to the Legal Department in the highest possible amount in order to eliminate VAT losses as much as possible. Already today it can be stated that the increased staff at the Legal Department was meaningful and we believe that the balance of collected debts will be even more favourable next year.

Financial Report 2008

BALANCE SHEET (SKK 000)		<i>As of Dec. 31,2008</i>	
		<i>Assets</i>	<i>Liabilities</i>
FIXED ASSETS			
013	Software	11 087	
018	Other intangible fixed assets	2 793	
041	New intangible assets		
073	Adjustments – software	-4 451	
078	Adjustments – other intangible fixed assets	-2 555	
031	Landy	642	
021	Buildings	25 048	
022	Machinery, furniture and equipment	8 409	
023	Vehicles	1 411	
028+029	Other tangible fixed assets	1 035	
042	New tangible fixed assets		
081	Adjustments – buildings	-8 185	
082	Adjustments – machinery, furniture and equipment	-7 641	
083	Adjustments – vehicles	-715	
088	Adjustments – other tangible fixed assets	-1 013	
CURRENT ASSETS			
112	Material in stock	3	
311-314	Trade receivables	48 204	
315	Other receivables	991	
335	Another receivables	122	
341	Tax payable	19	
211+213	Cash and cash equivalents	291	
221+261	Bank accounts	51 698	
251	Debt securities	273 818	
381	Deferred charges	196	
385	Accrued receipts	633	
EQUITY			
411	Registered capital		16 501
LIABILITIES			
459	Other reserves		91 947
472	Social fund		44
321-325	Trade payables		280 462
331+333	Due to employees		4 056
336	Social security payable		1 657
341-345	Tax payable		1 574
379	Other accounts payable		5 555
384	Deferred income – membership fees		44
TOTAL ASSETS		401 840	
931	Performance result subject to approval		0
963	Profit and Loss Statement		0
	Performance result (profit/loss)		0
TOTAL LIABILITIES			401 840
	Turn over	401 840	401 840

PROFIT AND LOSS STATEMENT (SKK 000)		<i>As of Dec. 31, 2008</i>	
		<i>Expenses</i>	<i>Income</i>
501+502	Material and utilities	894	
511...518	Services	4 659	
521	Payroll	26 105	
524	Social insurance (cost)	7 213	
527	Social security	772	
532+538	Taxes, fees, and other cost and expenses	82	
543	Writing off receivables	22	
549	Other expenses	242	
551	Depreciation and amortization	3 213	
562	Benefits paid	580	
591	Income tax	1 582	
602	Sales		10 398
644	Interests		31 330
641-649	Other income		6 616
655	Sales of trading securities		210
664	Membership fee income	4 367	1 177
545/645	Exchange rate differential		
TOTAL EXPENSE		49 731	
	Retained earnings	0	
TOTAL INCOME			49 731
	Turn-over	49 731	49 731

**SOZA 1999 - 2008 INCOME AND EXPENDITURES
(SKK 000)**



AUDITOR'S REPORT

INDEPENDENT AUDITORS' REPORT

to the corporate governance bodies of Slovensky ochranny zväz autorsky pre prava k hudobnym dielam (SOZA, Slovak Performing and Mechanical Rights Society)

We have audited the accompanying financial statements of SLOVENSKY OCHRANNY ZVAZ AUTORSKY (Slovak Performing and Mechanical Rights Society) consisting of balance sheets as of Dec.31, 2008, the related profit and loss statement for the year then ended, as well as an overview of substantial accounting principles and accounting methods and explanatory notes to the financial statements.

Responsibility of Management of the Society for the financial statements

The Society's management is responsible for compilation and objective presentation of the financial statements in accordance with the Accounting Law No. 431/2002 Coll., as amended later. The responsibility covers design, implementation, and maintenance of internal controls relevant for compilation and objective presentation of financial statements not containing material misstatements due to fraud or error, then selection and application of suitable accounting principles and accounting methods, as well as accounting estimates adequate to given circumstances.

Responsibility of Auditors

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with the international auditing standards. Those standards require that we observe code of ethics, plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes examining evidence supporting the amounts and disclosures in the financial statements.

Examining methods are selected at the discretion of auditors, including assessment of the risk of material misstatements in the financial statements, due to fraud or error. When assessing the risk auditors consider internal controls relevant for compilation and objective presentation of financial statements in order to propose auditing procedures suitable under given circumstances, however, not for the purpose of expressing opinion on efficiency of internal controls of the accounting unit. An audit also includes assessing the suitability of accounting principles and accounting methods used and of significant estimates made by the management, as well as evaluating the overall financial statement presentation.

We believe that our audits and evidence gained provide a sufficient and suitable basis for our opinion.

Opinion

In our opinion, the financial statements present fairly and objectively the financial position of the Society 'Slovensky ochranny zväz autorsky pre prava k hudobnym dielam' (Slovak Performing and Mechanical Rights Society) as of Dec. 31, 2008, and the results of its operations for the year then ended in conformity with the accounting legislation.

Bratislava, May 15, 2009

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Executive of the Unlimited Partner
License UDVA No. 328

Marian Zaprazny
Responsible auditor
License SKAU No. 583

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SOZA Annual Report 2008
Unsalable
Jun 2009
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annual report 2008

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