

Annual Report 2013



SOZA

SLOVAK PERFORMING
AND MECHANICAL RIGHTS SOCIETY

www.soza.sk

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We protect copyrights



of domestic and foreign
authors of musical works
for more than 90 years

SOZA

Slovak Performing and Mechanical Rights Society

We are a society of authors, publishers and rights holders of musical works, authorised to collectively manage and administer copyright, in compliance with the authorisations issued by the Ministry of Culture of the Slovak Republic number 1/1998 and 1/2004. We facilitate licensing, collect and distribute royalties for musical works on behalf of authors and publishers entitled to the rights and remedies by virtue of the Copyright Act (No. 618/2003 Coll.). As a non-profit association with full legal personality, pursuant to Act No. 83/1990 Coll., our principal role is to license copyrighted works and collect royalties as part of compulsory licensing. Our mission is to protect common interests of copyright holders, promote the value of and enforce copyright, as well as collect and distribute royalties from other national and international affiliated societies.

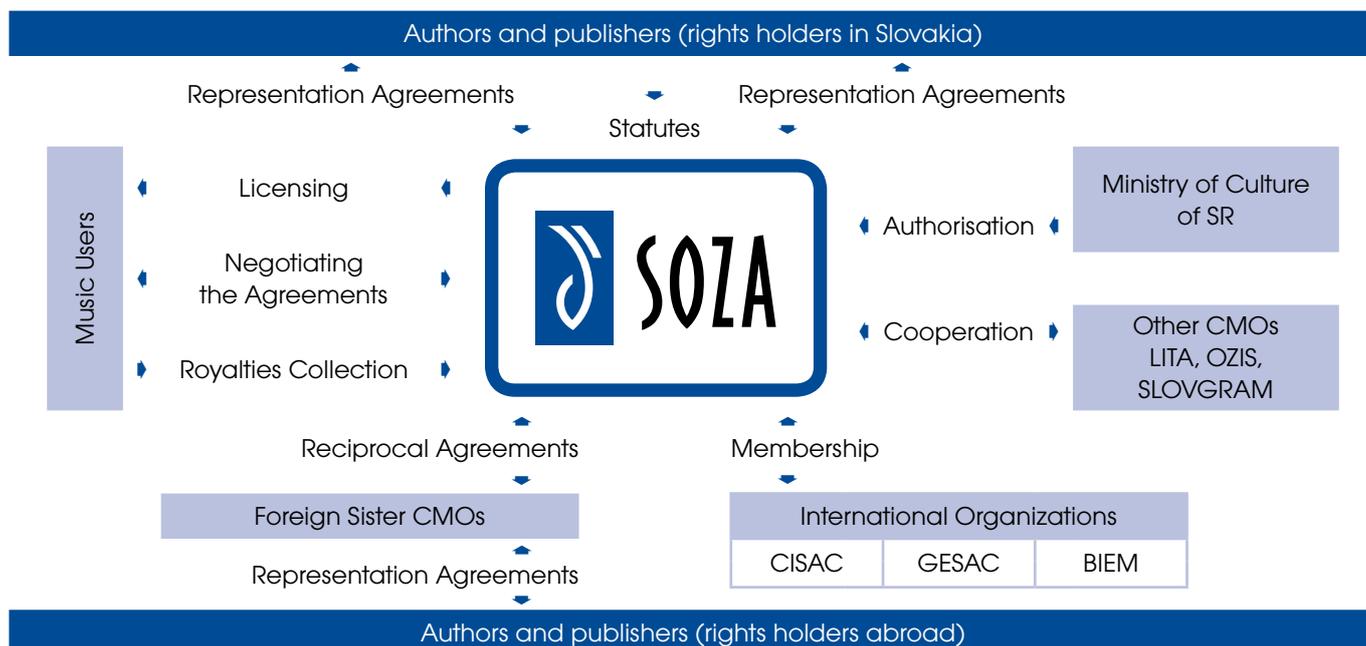
What Music Licence can SOZA issue?

SOZA can license the following use of music:

- ∩ Non-theatrical performance
- ∩ Broadcasts and transmissions
- ∩ Jukeboxes
- ∩ Radio and TV
- ∩ Cable retransmission
- ∩ Theatres (archive only)
- ∩ Public cinema screenings
- ∩ Online and mobile service networks
- ∩ Recording and distribution of phono, audiovisual and multimedia carriers
- ∩ Format transfers used by DJs

We collect remuneration and private copying remuneration for the production and import of blank audio and audio-visual media, as well as the production and import of devices capable to reproduce audio or audio-visual recordings.

SOZA Basic Relations Scheme



SOZA Elected Bodies

The Board

SOZA Board is acting as the chief governing body of SOZA for the period between one Annual General Meeting and the next. It has 18 members - appointed by the General Meeting, and shall convene at least 10 times per year.

Annual Activity Statement of the Board was presented to the General Meeting at the Annual General Meeting on 28 May 2014.

Composition of the Board

elected for the term from 2012 to 2015

Matúš Jakabčič, Chairman

Ľubomír Burgr

Ondrej Demo

Rastislav Dubovský, Deputy-Chairman

Miroslav Dudík

Juraj Hatrík

Martin Nedvěd, ŠTÚDIO FONTÁNA SLOVAKIA

Peter Horák, A-TEMPO VERLAG SLOVAKIA

Adam Hudec

Richard Jajcay

Katarína Jarušková, HUDOBNÝ FOND

Lucia Jurgová, STUDIO LUX

Miroslav Jurika

Pavol Jursa

Jela Kersenbaum, MUSICA

Slavomír Kopec, OPUS

Daniel Matej

Ján Štrasser



Matúš Jakabčič



Ľubomír Burgr



Ondrej Demo



Rastislav Dubovský



Miroslav Dudík



Juraj Hatrík



Martin Nedvěd



Peter Horák



Adam Hudec



Richard Jajcay



Katarína Jarušková



Lucia Jurgová



Miroslav Jurika



Pavol Jursa



Jela Kersenbaum



Slavomír Kopec



Daniel Matej



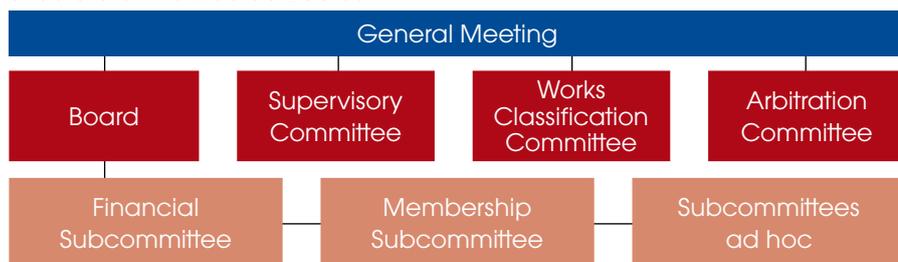
Ján Štrasser

Supervisory Committee

As a standing chief audit body of SOZA, this committee's role is to supervise compliance with the Articles of Association and applicable legislation, governance of adopted resolutions and management control of the Society. It has 7 members appointed by the General Assembly and convened 9 times last year.

Supervisory Committee is responsible for evaluation of supervised segments, proposals of corrective measures, including advice for dis-

Structure of the Elected Bodies



dismissal of a board member based on the evidence of a breach of duties and misconduct. When appropriate, they propose a one-off audit to impose a rare form of supervision, authorise selection of the auditor, and determine the scope and extend of the audit. They report to the Board for the periods in between the Annual General Meetings.

SUPERVISORY COMMITTEE

Elected for the term from 2012 to 2015

Anikó Dušíková, Chairman
 Stanislav Hochel
 Marián Brezáni
 Martin Čorej
 Ctibor Kolinský, DISKANT
 Ján Jamriška
 Tomáš Zubák

Classification Committee

The role of the Classification Committee is to assign disclosed musical works into respective categories, as specified by SOZA Distribution Rules. It is a standing committee and has 5 elected members.

The Classification Committee stated in its report submitted to the General Meeting (that took place on 28 May 2014) that 4,430 works were registered and classified at its sessions. In the category of classical music there were 671 works; in the category of music folklore 267 works were classified and in the category of brass music there were 102 new works. As for popular music, 2,728 compositions were included; in the category of special functions' music there were 646 and of experimental music 16 compositions that were classified and registered.

CLASSIFICATION COMMITTEE

Elected for the term from 2014 to 2018

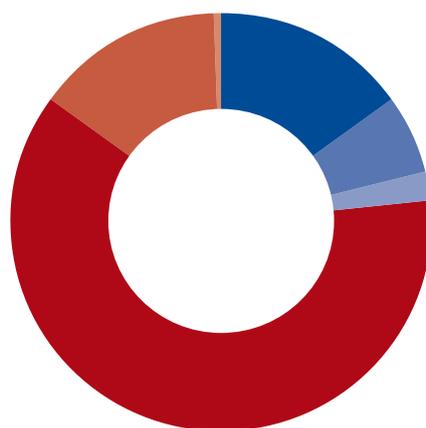
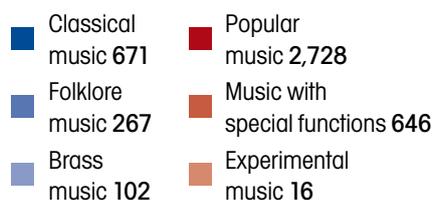
Pavel Zajáček, Chairman
 Miloš Betko
 Ondrej Demo
 Adam Hudec
 Pavol Kvassay

Arbitration Committee

Serves as a conciliation body in the exercise of membership rights and duties. Panel considers disputes between Provisional/SOZA Members and between members and SOZA governing bodies. It has 6 Board-elected members, who are elected by the Board from the pool of authors' membership, who have proven moral status and experience, prerequisite to making just judgments in disputed matters.

In 2013, three requests were submitted to the Arbitration Committee.

Number of registered composition in individual music categories



ARBITRATION COMMITTEE

for the 2014 – 2018 office term

Egon Krák, Chairman
 Ľuboš Bernáth
 Martin Gašpar
 Zuzana Homolová
 Tomáš Janovic
 Peter Lipa

Panel of Elected Bodies' Members

Appointed from the pool of members elected to the governing bodies, the Panel of the elected governing bodies has a decision-making authority in matters of co-optation, honorary elections, claims or dispute resolution, membership termination appeals, suspension of membership rights appeals, rectification measures requests, and all other disputes between the members and SOZA's governing bodies under review of the Arbitration Committee.

We Protect Copyright



of More Than 2,000
Slovak Authors
and Publishers

SOZA Membership

We provide service to 2,228 local composers, songwriters and music publishers.

We manage and administer economic rights of musical works assigned to us by authors and publishers by signing of the Membership Agreement. Membership commences upon completion of a waiting period of an applicant admitted to the Provisional membership category. Provisional members are entitled to the same rights and privileges as SOZA members, apart from casting votes at AGMs. 29 more authors applied for SOZA membership in 2012.

Copyright Protection Term

We protect copyright for a term of the author's life plus seventy years. We manage rights of 310 deceased authors.

Membership Demographics

Our youngest male author is only 17 and female 19 year old. Our oldest male author is 94 and female 91 years old. Our biggest age group is that of members between 31 and 40 years of age, equating to 38 % of all our members.

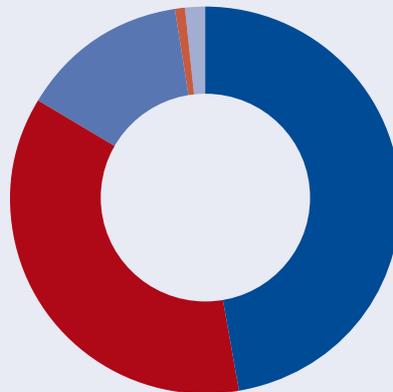
Representing Works Irrespective of Shares Allocation.

Shares of our average net distributable revenue allocated in 2013:

- ⌘ up to one fourth of yearly net distributable revenue allocated to 91 % of members
- ⌘ up to half of yearly net distributable revenue allocated to 94 % of members
- ⌘ in excess of average yearly net distributable revenue allocated to 3 %

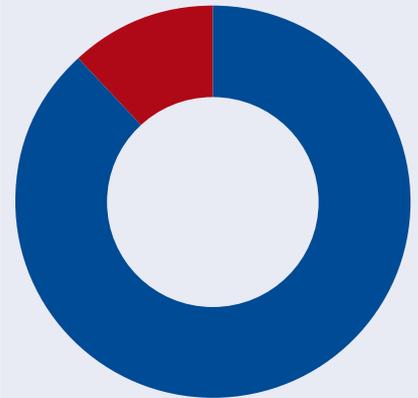
SOZA membership as of 1 June 2014

- Authors candidates 1,058
- Authors members 808
- Deceased authors 310
- Publishers members 31
- Publishers candidates 21

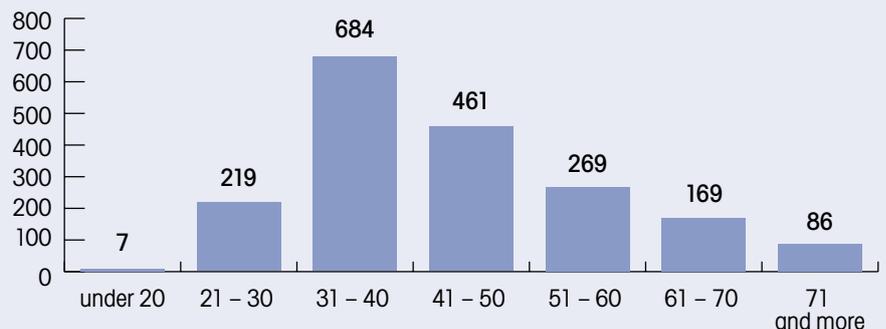


Female - Male ratio in SOZA membership

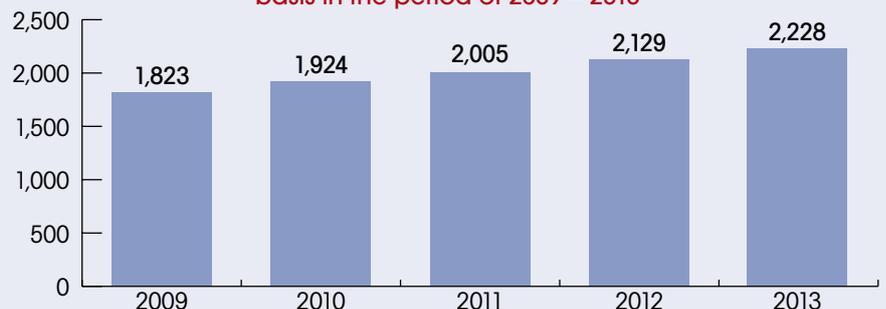
- Men 1,965
- Women 263



Age structure of authors represented by SOZA in 2013



The growth of number of rights holders represented on the contractual basis in the period of 2009 - 2013



SOZA as Part of the International Copyright Protection System

SOZA is a part of international network of societies dedicated to copyright protection and collective rights management.

CISAC – SOZA has been a member of the International Confederation of Societies of Authors and Composers since 1970. It has a worldwide network, representing in excess of 3 million authors and publishers.

BIEM – SOZA joined this international organisation representing mechanical rights societies in 1973. It coordinates statutory license agreements of 44 societies based in 42 countries.

GESAC – SOZA became a member of this largest European organization that groups authors' collective management societies back in 2005. It has 34 members operating in states of the European Union, Norway and Switzerland.

Membership of these international societies qualified SOZA to partake in the development of international collective copyright protection system. Trainings and seminars organised by GESAC and CISAC, provide an invaluable source of experience and information to SOZA delegates.

SOZA has 65 agreements with affiliated societies, facilitating legal grounds for copyright protection of Slovak authors in these territories. SOZA is also responsible for protecting the rights of foreign authors in the territory of the Slovak Republic.

List of Societies SOZA Concluded Reciprocal Representation Agreements with, and Territories where Collective Management of Entrusted Rights is Executed

SOCIETY	COUNTRY	TERRITORY
AAS	Azerbaijan	Azerbaijan
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 America	United States of America
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, Ross Dependency, Tokelau Islands, Western Samoa
ARTISJUS	Hungary	Hungary
ASCAP	United States of America	United States of America, Philippines, Puerto Rico
AUSTRO MECHANA	Austria	Austria
BMI	United States of America	United States of America, Virgin Islands, Puerto Rico
BUMA/STEMRA	Netherlands	Netherlands, Netherlands Antilles, Indonesia, Surinam, Aruba
CASH	Hong Kong	Hong Kong
EAU	Estonia	Estonia
FILSCAP	Philippines	Philippines
GEMA	Germany	Germany, Turkey, Philippines
HARRY FOX AGENCY	United States of America	United States of America
HDS	Croatia	Croatia

IMRO	Ireland	Ireland
JASRAC	Japan	Japan
KAZAK	Kazakhstan	Kazakhstan
KODA	Denmark	Denmark
LATGA-A	Lithuania	Lithuania
MACP	Malaysia	Malaysia
MCPS	United Kingdom of Great Britain and Ireland	United Kingdom of Great Britain (except Canada), Ireland, South African Republic
MCSC	China	China
MESAM	Turkey	Turkey
MSG	Turkey	Turkey
MUSICAUTOR	Bulgaria	Bulgaria
NCB	Denmark	Denmark, Norway, Sweden, Finland, Island, Lithuania
NCIP	Byelorussia	Byelorussia
OSA	Czech Republic	Czech Republic
PRS	United Kingdom of Great Britain and Ireland	United Kingdom of Great Britain and Ireland, United Kingdom of Great Britain (except Canada a Hong Kong)
RAO	Russia	Russia
SABAM	Belgium	Belgium, Zaire, Rwanda, Burundi
SACEM/SDRM	France	France, Martinique, Guadeloupe, Guyana, Réunion, Comoro Islands, Somalia, Polynesia, New Caledonia, Saint - Pierre and Miquelon, Algeria and Sahara, Mauretania, Nigeria, Ivory Coast, Burkina Faso, Benin, Senegal, Mali, Chad, Central African Republic, Congo, Gaboon, Togo, Cameroon, Guinea, Tunis, Morocco, Lebanon, Egypt, Monaco, Andorra, Syria, Luxembourg, Turkey, Madagascar, Gibuti, Gambia, Zaire
SACM	Mexico	Mexico
SADAIC	Argentina	Argentina
SAMRO	South African Republic	South African Republic, Namibia, Botswana, Lesotho, Swaziland
SAS	Georgia	Georgia
SAYCO	Columbia	Columbia
SAZAS	Slovenia	Slovenia
SBACEM	Brazil	Brazil
SESAC	United States of America	United States of America, Virgin Islands, Guam, Puerto Rico
SGAE	Spain	Spain, Bolivia, Costa Rica, Columbia, Chile, Dominican Republic, Ecuador, Salvador, Guatemala, Haiti, Honduras, Nicaragua, Panama, Paraguay, Peru, Venezuela
SIAE	Italy	Italy, Vatican City, San Marino, Ethiopia, Lybia, Somalia
SOCAN	Canada	Canada
SOCOM/ZAMP	Macedonia	Macedonia
SODRAC	Canada	Canada
SOKOJ	Yugoslavia	Yugoslavia
SPA	Portugal	Portugal, Madeira, Açores, Angola, Mozambique, Guinea, Cap - Vert, São Tomé and Prince, Macao, Timor
SQN	Bosnian and Herzegovina	Bosnian and Herzegovina
STEF	Island	Island
STIM	Sweden	Sweden
SUISA	Switzerland	Switzerland, Liechtenstein
TEOSTO	Finland	Finland
TONO	Norway	Norway
UACRR	Ukraine	Ukraine
UBC	Brazil	Brazil
UCMR/ADA	Romania	Romania
VCPMC	Vietnam	Vietnam
ZAIKS	Poland	Poland

SOZA Awards 2011 and 2012

SOZA presented awards for the best Slovak music, produced in 2011 and 2012, in November last year.

Music is the food for the soul. Life without it would be dull. Creators of music - the authors, should be praised. Slovak popular music promotions vanished with the cancelled Slavik charts. This void has been readily filled with the SOZA Awards in a celebration of Slovak music in all its glory.

Awards ceremony opened with SOZA's general manager address, delivered by Mr Anton Popovič. Evening was filled with exhilarating performances by popular Slovak musicians. The Bratislava Hot Serenaders, kicked off the evening with their passionate interpretations of authentic hot jazz music, featured guest, a star opera singer Miloš Stančík, joined



forces with the charming Serenader's Sisters with performers such as IMT Smile, whose frontman Ivan Tásler received the author's award

for the most played musical work of 2012 and the most played work on the radio award.

Impressive performance delivered by the world music formation - the Pressburger Klezmer Band, was followed by a number from the renowned Broadway musical Rent, woodwind harmony of the unusual classical instrument - the basset horns, and the magnificent world of Alexander Albrecht's music - performed by the Quasars Ensemble. Matúš Jakabčič added his jazz performance to the mix, surpassed only by the range of styles of Miroslav Žbirka - awarded by SOZA for his Lifetime Achievement.

In an interview for Hudba.sk he said: "When you work on new songs all the time, getting an award like this makes you realise that some people out there had noticed. I am pleased to learn that and appreciate this much needed confidence boost, before I start working on some larger projects ahead."





Artists awarded by SOZA for their work in 2011 & 2012:

Composer's Award for the most played musical work:

Marián Kachút (2011),
Ivan Tásler (2012)

Lyricist's Award for the most played musical work:

Kamil Peteraj (2011),
Kamil Peteraj (2012)

Most played work Award:

Veľa lásky (Ivan Tásler) (2011),
Viac (Ivan Tásler, Anna Tásler-Onderková) (2012)

Best selling phono or audiovisual recording Award:

Fenomén (Rytmus) (2011),
Spievankovo 3 (Mária Podhradská & Richard Čanaky) (2012)

Slovak music broadcast Award:

Anténa – hitrádio (2011),
Anténa – hitrádio (2012)

International Performance of Slovak works Award 2011:

Vladimír Godár

International Performance of Slovak works Award 2012:

Lubica Malachovská Čekovská

Entry in the Golden Chronicle of SOZA 2011:

Ivan Hrušovský a Ján Siváček

Entry in the Golden Chronicle of SOZA 2012:

Vít Ilek a Ivan Parík

Lifetime Achievement Award 2011:

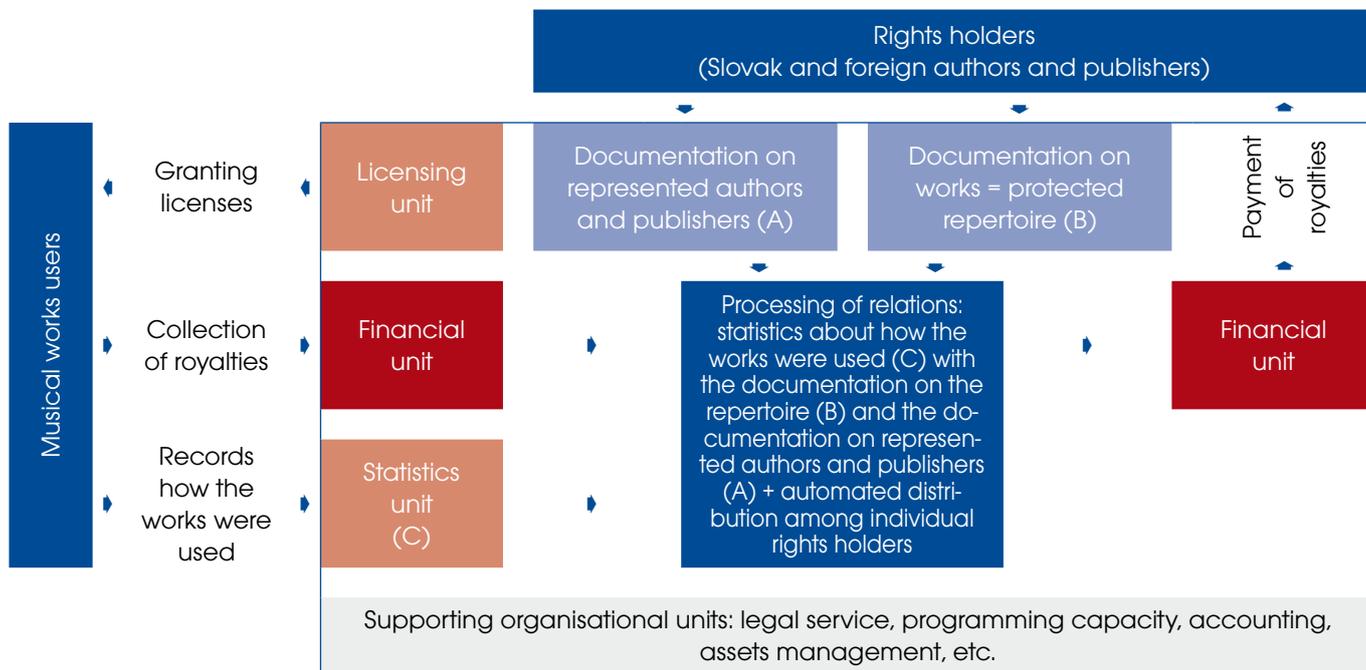
Gabriel Jonáš

Lifetime Achievement Award 2012:

Miroslav Žbirka



How Do We Operate



Social and Cultural Fund SOZA

SOZA's funding benefit scheme is established as a standard redistribution fund on the basis of reciprocal agreements concluded by SOZA with its foreign affiliated collective management organisations.

Contribution proposals presented for the Board's approval are administered by the the Social and Cultural Fund Council. Six Council members appointed to evaluate benefit proposals submissions are appointed for a 2-year team.

Members of the Council of the Social and Cultural Fund

Rastislav Dubovský
Adam Hudec
Matúš Jakabčič
Miroslav Jurika
Daniel Matej
Ján Štrasser
Ľubor Kolínsky
(The Supervisory Committee Member)

Funding Benefit Schemes of SOZA

- » Crisis Benefit Programme (Pomoc v náhlej núdzi)
- » Severe Financial Hardship Benefit (Príspevok v sociálne zhoršených pomeroch)

- » SOZA Awards Ceremony (Príspevok na podujatie Ceny SOZA)
- » Film Music Authors' Programme (Podpora tvorcov filmovej hudby)
- » Special Event and Performance Programme (Príspevok na významné projekty a tvorbu)
- » Music Partner Support Programme (Príspevok na činnosť partnerovi podporujúceho autorov hudobných diel)
- » Cultural Awareness Programme (Príspevok na marketingové aktivity v oblasti kultúry)

SOZA Board Report

Submitted to the General Meeting

(on 28 May 2014)

Ladies and gentlemen,

Allow me to take this opportunity to present our annual financial review, on behalf of the Board of SOZA and prepared pursuant to the Articles of association of SOZA, for the period of one calendar year from the last

Annual General Meeting, held on 29 May 2013.

I am pleased to report that this year, under new management, has been marked with positive boosts in general reputation and acceptance of SOZA, received from the arts and media community.

Thanks to our management's diligent work, we have laid solid foundations for communication channels, with our legislative and governing body - the Ministry of Culture of the Slovak Republic. SOZA's consulting input on adoption of the Directive on the Collective Rights Mana-



gement bore clear evidence of just that.

We will continue to consult with the Ministry of Culture of the Slovak Republic on improvements of the copyright and rightsholders' protection as well as changes to current copyright legislation

Our ongoing public awareness initiative culminated in series of specialised Intellectual Property and Copyright Law workshops. Although designed to address our younger generation, particularly university students, it had also reached out to a number of people coming from all walks of life.

It is fair to say that strategies implemented by our new management last year, eventuated in some notable public relations developments.

Despite all these improvements, creative expressions and artistic works are deemed of a much lesser value in our society; whilst it is highly esteemed in other cultures, whether it is those of our neighbouring countries, or any other EU Member States. Such lack of merit has had rather detrimental effect also on the value of copyright protected works. For instance, the annual collections per capita by the foreign authors collective management organisations in 2012 were: € 4.90 in Hungary, € 3.20 in the Czech Republic, € 2.30 in Poland and roughly about € 1.20 in the Slovak Republic.

Some of SOZA's main concerns remain consumers that go to great lengths to avoid their legal obligations and payments for royalties. Other issues stem from the lack of reliable information about the current legislation and hostile reception of efforts made by collective rights management societies' /SOZA/ from the internet community.

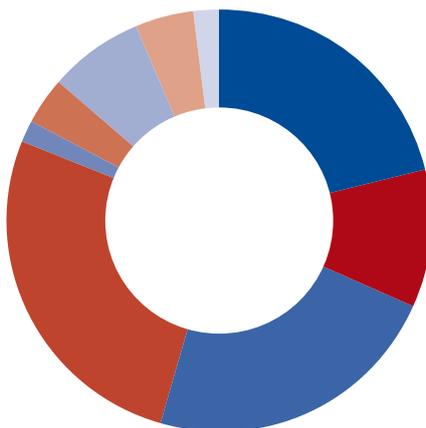
Collective rights management compliance with the EU legislation and international obligations, persist to be much of a challenge in our region; a hurdle, which requires relentless dedication and exceptional levels of expertise to overcome.

I. FINANCIAL RESULTS IN 2013

Figures presented in this financial review were prepared using SOZA's

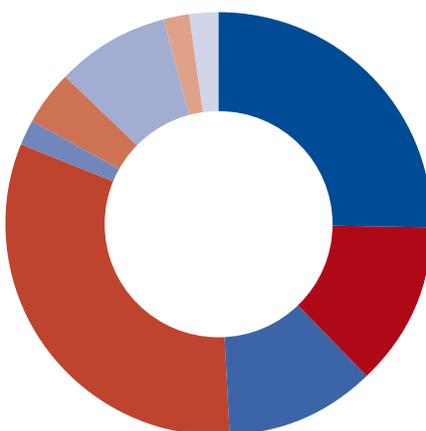
SOZA income including joint collections in 2013

- TV broadcasts 21 %
- Radio broadcasts 11 %
- Cable retransmission 23 %
- Public music performances 27 %
- Online 1 %
- Sale of rec. media (mechanical rights) 4 %
- Royalties from abroad 7 %
- Remunerations for blank media and rec. dev. 4 %
- Other income, lease includes 2 %



SOZA's income excluding the share of partner societies in 2013

- TV broadcasts 25 %
- Radio broadcasts 13 %
- Cable retransmission 11 %
- Public music performances 32 %
- Online 2 %
- Sale of rec. media (mechanical rights) 4 %
- Royalties from abroad 9 %
- Remunerations for blank media and rec. dev. 2 %
- Other income, lease includes 2 %



Accounting Policies and Procedures of the Society from 2002, for more detail please refer to the Balance Sheets, received at your registration for entry to the AGM.

INCOME

In 2013 SOZA received € 9,303,517.06 in total revenue, which equates to a 24.9 percent increase to 2012, with a total revenue of € 1,859,582.63 reported for that year. Royalty revenue collected by SOZA alone amounted to € 7,786,356.35, up 13.98 percent and € 955,296.77 more on 2012. Combined value of all assets and property managed by SOZA fell to € 10,363,000.00 incurring a loss of € 388,077.00 compared to the previous year. SOZA's 2013 return projections turned out to be quite accurate this time, since they were based on the royalty statements and current licensing agreement figures.

Revenue from royalties for use of musical works in television and radio broadcast increased by € 420,477.78 in 2013, and included all licence payments for that year, collected from TV Markíza and TV JOJ. For the first time SOZA had succeeded in collecting of all royalty TV Markíza's licence payments in full, that same year. RTVS' licence payments were collected in full as usual, and discrepancy, brought into SOZA's attention, regarding an arrears amount from their annual licence instalment will be determined and addressed separately.

Revenue collected for musical works used in private radio broadcast sector fell by 8.51 percent, equating to a € 39,551.34 loss in 2013.

This decline reflected only partial proceeds from this market area, as the majority of revenue were masked by restitution recovery for SOZA's unjust enrichment claims made against private radio broadcaster, and usually acting without any licensing agreement in place. SOZA, as the creditor to Rádio VIVA, which has lost its licence in December 2013, has registered an unpaid debt for recovery in formal insolvency procedures.

Royalties from private radio broadcasters are difficult to estimate, as they rely heavily on marketing

trends, being the majority of their revenue stream. Many new companies are formed, often by the executives of broadcasters previously indebted to SOZA, in 2013 we saw five new private radio broadcasters entering the market.

Revenue for cable retransmission reached € 2,134,527.10 in 2013, which increased by € 1,477,713.92 and 224.98 percent in 2012. SOZA began to collect this revenue following their lengthy lawsuits with cable retransmission operators, owing amounts for licences running for nearly two years. Collective Licensing Agreements with the APKT and SAKT societies, effective from 29 November 2012, as well as the Joint cable television retransmission agreements signed with other collective management organisations LITA, OZIS and SLOVGRAM, provided SOZA with the necessary authorisation for cable retransmission operators' licensing, including for works managed by all of these societies.

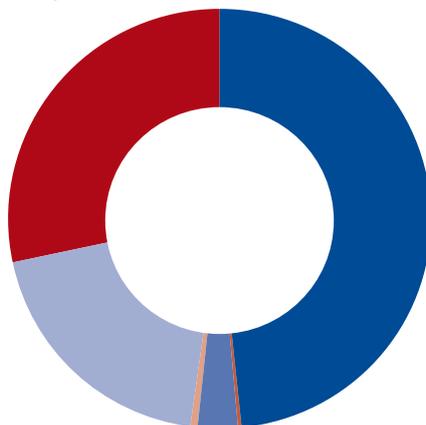
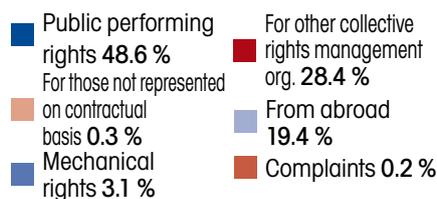
Revenue for live music and public performance fell by € 12,750.00 to a total of € 2,473,050.92 in 2013. This 0.51 percent fall in royalties collected for music use in cinemas, amounted to € 64,896.62, was out of SOZA's control as it relied mostly on the number of visitors and commercial success of the featured films.

Revenue from live music and public performance increased by 19 percent and continued to grow, regardless of the attempts to raise doubts about SOZA's authority for rights management of authors of musical works in the media back in 2012.

The following are some of the typical hinderances to SOZA's role and conduct:

- ⌋ many consumers ignore their legal obligation to obtain music licence;
- ⌋ bringing an action for copyright infringement often results in the person liable resorting to verbal abuse of our employees, unnecessary and irrelevant correspondence requests and threats of misinforming the media;
- ⌋ SOZA has been advised by the the Ministry of Culture of the Slovak Republic that it cannot not refuse

Distribution of royalties and remunerations to Slovak rights holders in 2013



any licensing agreements, due to any incorrect details submitted in the draft proposal, often the cause behind lower royalties collected.

- ⌋ False public performance listings, stating only royalty-free folk music works.

Hence the 19 percent increase in revenue barely came close to reflect the number of music works used in all live and public performances last year. Without the necessary legislative changes in this area, any future improvements will remain unattainable.

In an attempt to protect the rights of as many musical works as possible, SOZA plans to strengthen proportionally also its ranks of inspectors and business representatives. All the changes are currently in planning stages, we expect the first results within the next two years.

Revenue from the SOZA's Cash Collectors SK project in 2013 were € 17,600.35. For collections of SOZA's legal actions, our legal representative at Havel, Holásek & Partners s.r.o., filed for action and recovery of 1,404 invoices, resulting in 481 lawsuits and 199 debt collection enforcement orders, to date -16 April 2014.

Revenue collected in 2013 for these legal actions amounted to a total of € 43,159.50, and is predicted

to continue to generate more revenue for copyright infringements in future.

Internet royalties collected in 2013 increased by 72.7 percent, with a total revenue of € 148,377.46. Increase was a result of new agreements in place with music service providers Music Jet, Deezer, Spotify, iTunes, Google play and others. Regular monitoring of these services, improvements in royalties collection efficiency timely payment receipts, in conjunction with identification of new digital service providers, all contributed to delivering this significant increase in internet royalties collect by SOZA that year.

Royalties from recorded media (aka mechanical rights) fell by € 19,553.74 and revenue from international royalties collection increased by € 26,638.75.

SOZA also collected private copying remuneration, jointly representing four of the rights management societies in the Slovak Republic, i.e. Slovgram, LITA, OZIS and SOZA. Revenue from the private copying sector fell by 5.35 percent in 2013. All the factors instrumental in this decline, such as refusals to pay for blank media and devices, is being negotiated with distributors' business representatives. Sufficient supervision of distributors is presently hindered by legislative inadequacies in the Slovak Republic. Despite all of SOZA's legislative changes efforts reflected in the Copyright Act amendments, Statistical Bureau of the Slovak Republic refused to release to SOZA any of the key data necessary for exercising and enforcement of such rights, particularly in the fields of new technologies and mobile devices classifications.

Other SOZA income fell by 39.17 percent in 2013, mainly due to a decline in revenue for unjust enrichment claims of SOZA.

SOZA's future collections depends on a turn towards securing new sources of income, as the more traditional sources of revenue, such as the TV and radio broadcasts, private copying levies, mechanical rights licensing, are being replaced by new media and technologies. SOZA will therefore focus on internet revenue



and aim to increase royalties collections with the assistance of its expanded network of inspectors and business representatives.

EXPENSES

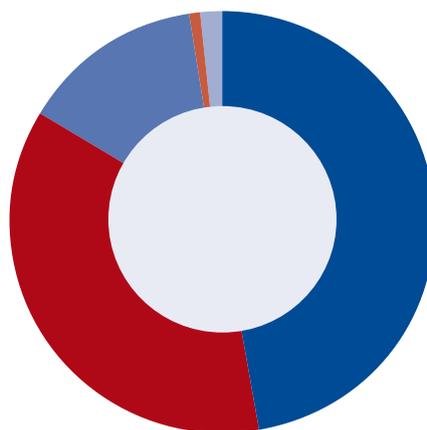
Total operating costs of SOZA in 2013 amounted to € 2,311,986.39, which equated to an increase of € 460,719.55 in 2012. Personnel expenses fell by 0.3 percent, all the welfare payments, audit costs and inspector wages included. Construction works and development of our office building in Tekovska street forced SOZA's asset management costs up by 38 percent, costing € 27,367 more. Other expenses, which include the international societies' member fees, remuneration for committee members, expenses for the AGM and marketing costs, fell proportionally by a total of € 12,907.73. Our cost/income ratio fell by 0.02 percent in 2013, corresponding to the present economic market trends. Our final figure of 24.85 percent is considered satisfactory in the operating expenditures of small to medium sized societies context.

II. Internal Relations

Our Membership base continued to grown in 2013; the following is our membership breakdown, as of 29 April 2014:

SOZA membership as of 29 April 2014

- Authors candidates 1,058
- Authors members 808
- Deceased authors 310
- Publishers members 31
- Publishers candidates 21



Authors

SOZA members	808
provisional members	1,058
deceased authors	310

Publishers

SOZA members	31
provisional members	21

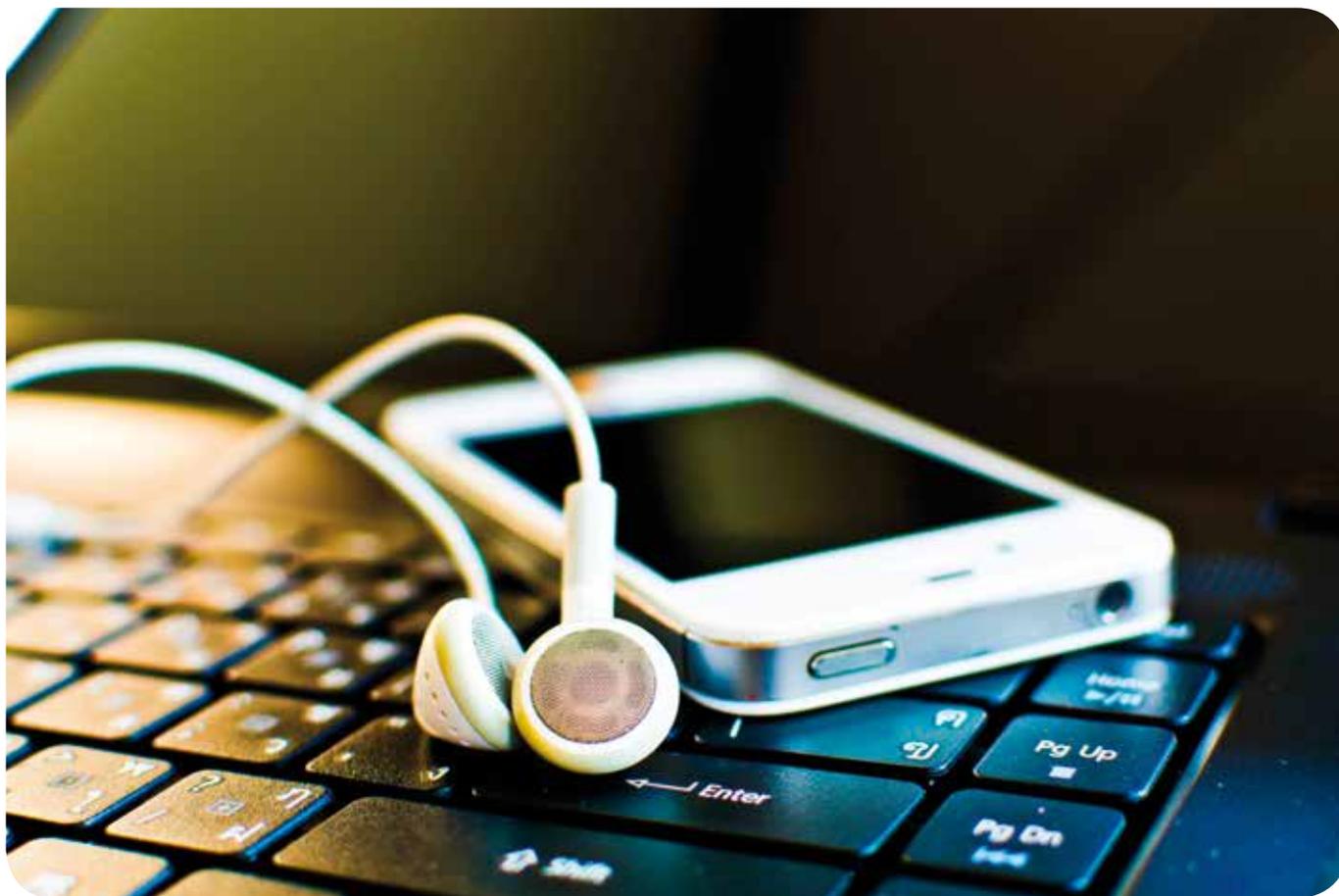
Total number of rights management agreements 2,228

SOZA's Legal department underwent major restructuring in 2013, which included also a few personnel changes, for the purpose of delivering the best possible legal assistance to SOZA's Governing Bodies and its committees' members.

Long-term weak points of SOZA's legal assistance were identified and significant improvements facilitating the use of electronic technologies have been implemented.

Our legal department is to evaluate also SOZA's operations and business processes and produce recommendations for public relations's efficiency.

Cooperation of the Legal department with SOZA's Licensing department and other relevant governing bodies of SOZA, yielded proposed



changes to our Distribution Rules, having a significant effect on introducing our new inspectors/business representatives conception. Integration of copyright protection tools within SOZA operations was the other positively affected area.

We have opened a new chapter, of advanced rights protection, with the large-scale broadcasting community. To that effect, SOZA began to renegotiate their past agreements with RTVS, national radio and television broadcaster.

Licensing and mechanical rights management for UNIVERSAL still continue under the same terms, despite their collective rights management society change - from the Belgian SABAM to the French SACEM.

Copyright protection and anti-pirate initiatives of SOZA resulted in numerous appointments with representatives of prestigious Slovak law firms with the perspective of future cooperation in case of the most significant infringements; notably we entered into affiliation agreement with the Czech local IFPI group, an organisation dedicated among

other things to internet copyright infringement prevention.

Royalties from abroad were distributed to all authors on time, in the first quarter of this year and in April we successfully launched the long-awaited feature of ISPA portal - an electronic submission for new musical works. ISPA is SOZA's online system for declaration of musical works that ensures a high standard of communication between SOZA and all its members. A better access to all registered works, outline of related royalties' transactions and other improvements facilitate and speed up the proper administration of musical works.

SOZA funded a total of 82 cultural projects (festivals, concerts, releases) since September 2013, by means of the Social and Cultural Fund. Projects funded by SOZA received very positive feedback and greatly aided our public relations efforts. Many of the projects, such as the Waves Festival, Radio Head Awards, Svetové dni novej hudby, festival NEXT an Nová slovenská hudba, Concerts of the Quasars Ensemble, chamber concerts - Neznáma hudba /Unknown

Music/, received a massive response from the public.

Another successful presentation of SOZA in the public eye were the 2013 SOZA Awards Ceremony, for the works produced in 2011 to 2012, presented at the Theatre Arena in November 2013.

SOZA's intellectual property, copyright, and collective rights management awareness initiatives expanded to workshops for the Police department, media professionals and by inciting public dialogue via electronic and printed media content publishing.

III. International Relations

SOZA included two new territories to its affiliated countries, agreements with the *Azerbaijan Authors Society (AAS)* and *Vietnam Centre for Protection of Music Copyright (VCP-MC)* came into effect on 1 January 2014. From then on, all royalties for use of musical works by SOZA authors are collected by the respective societies, from these territories.

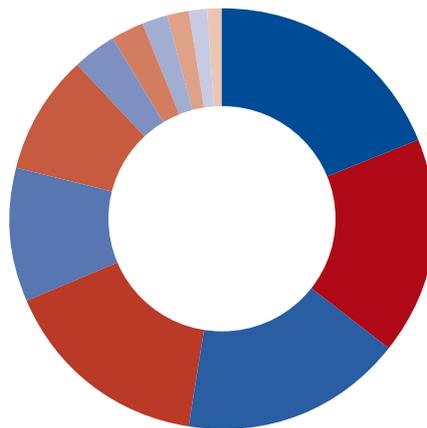
The European Union has adopted Directive 2014/26/EU on collective

rights management and multi-territorial licensing of rights in musical works for online uses on 4 February 2014. In full support of its aim of creating better functioning collective rights management as a result of EU-wide standards, we will continue to consult with the Ministry of Culture of the Slovak Republic on the correct transposition of the provisions of the Directive into national law by the transposition date of 10 April 2016.

We took an active part in Public Consultation on the review of the EU copyright rules, at the beginning of this year. In reply to this questionnaire, we pointed out the present dangers of misleading and inaccurate outcomes, resulting from contributions from a wide range of respondents. With the support of our affiliated societies, we have started an online petition request to support and sustain musical works and cultural development in future European markets.

Royalties distributed to foreign societies in 2013

■ ASCAP 19 %	■ SIAE 4 %
■ BMI 17 %	■ STIM 3 %
■ PRS 17 %	■ ARTISJUS 2 %
■ OSA 16 %	■ SOCAN 2 %
■ other 11 %	■ AKM 2 %
■ GEMA 9 %	■ SESAC 1 %



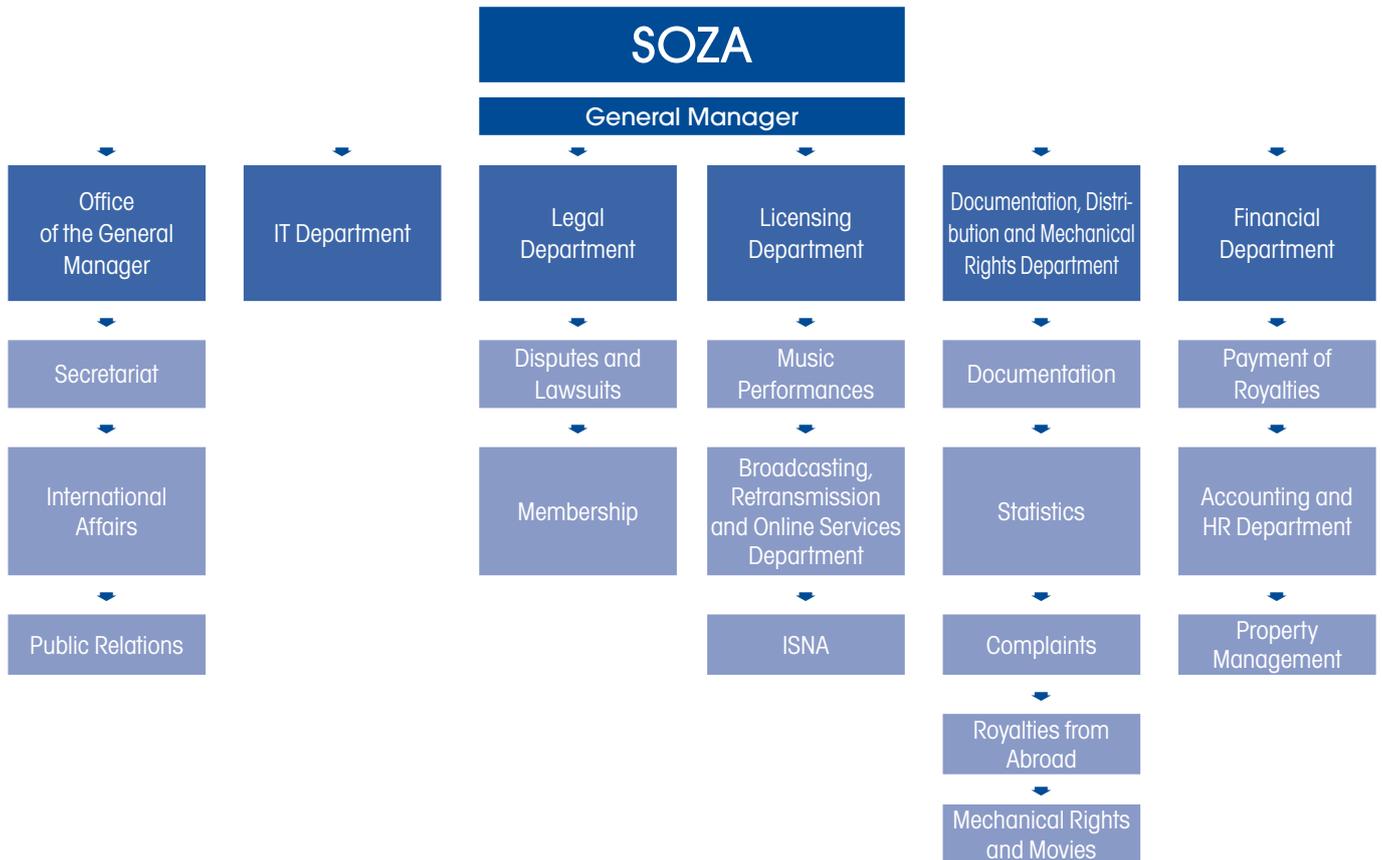
Apart from keeping in touch via daily correspondence with our affiliated societies, our administration team attended events organised by CISAC, GESAC and BIEM last year. At home, we had the pleasure of hosting representatives of BMI, OSA and PRS for Music societies.

Ladies and gentlemen, thank you for your attention.

Report presented by:
Matúš Jakabčič
Chairman of the Board



SOZA Organisational Structure



Documentation Department

8 447,165 musical works were registered and processed as of 31 December 2013.

Mechanical Rights Department

8 1,720,000 CDs and 620,000 DVDs licensed in 2013.

8 Working copy licences for DJs increased by 4.4 % on 2012.

Public Performances Department

8 38,673 registered users of musical works in public, 32,218 invoices issued, 12,991 payment reminders. Revenue of € 2,406,781 collected for public performance of musical works.

8 83 jukeboxes operators registered. 1,087 license stamps issued. Total revenue of € 109,249.

Broadcasting, Retransmission and Online Services Department

registered:

8 8 agreements concluded with TV broadcasters;

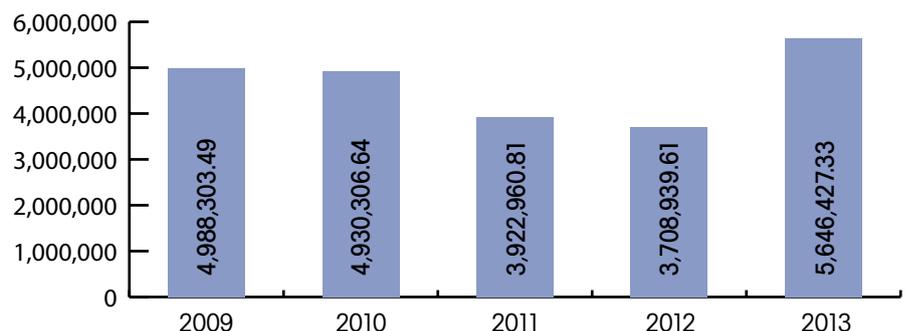
8 23 agreements concluded with radio broadcasters;

8 54 agreements concluded with providers of info-channels;

8 174 agreements concluded with TV cable distribution operators;

8 158 agreements concluded with web site and web services operators;

Income generated on the Broadcasting, Retransmission and Online Services Department



48 registered producers and importers of blank media and devices.

Legal Department

In 2013 the Legal Department filed 14 suits at courts due to unpaid royalties by DJs, audio records producers, TV and radio broadcasting operators, as well as cable retransmission and web site operators. Decrease in number of filed suits at courts was caused by the fact, that the Law Office Havel, Holásek & Partners s. r. o. took over part of the legal agenda regarding the enforcement of unpaid royalties.

In cases of involuntary execution of feasible decisions adopted by the courts by the users, the Department was forced to file proposals to initiate the execution of property; the number of executions reached almost 20 in 2013;

In cases of criminal proceedings and offence proceedings, the Department dealt with 113 cases of illegal use of musical works at public events (concerts, dancing parties) and illegal copies.

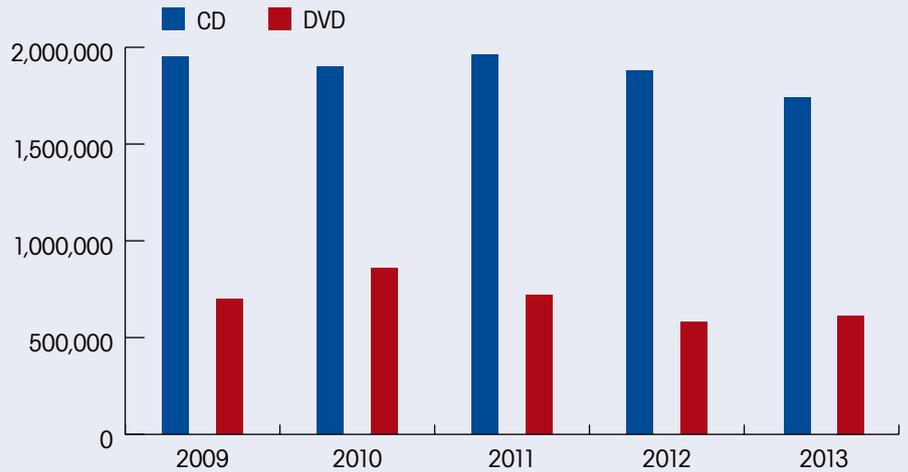
Cooperation of SOZA with the international Law Office Havel, Holásek & Partners s. r. o. and the cash company CASH COLLECTORS SK s. r. o.

The cooperation project with the company CASH COLLECTORS SK s. r. o., though closed in 2013, generated an income of SOZA related to identification activities within the CC project amounted to € 17,600.35.

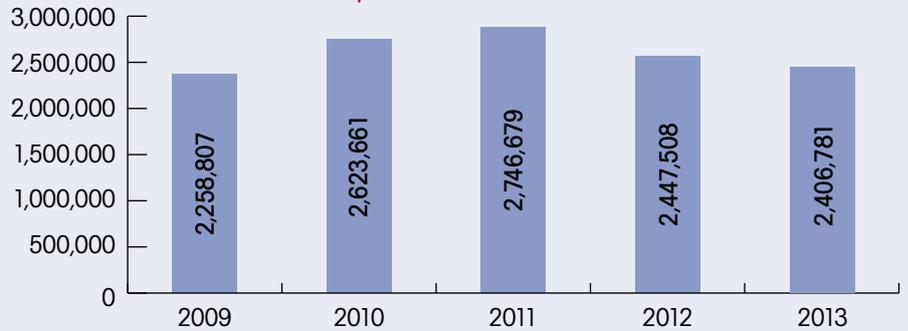
The project of judicial receivables enforcement with the help of the Law Office Havel, Holásek & Partners s. r. o.:

- 1,404 individual invoices enforcing the royalties were transferred;
- 481 suits and 199 execution proceedings were filed at courts;
- it generated an income of € 43,159.50 to SOZA.

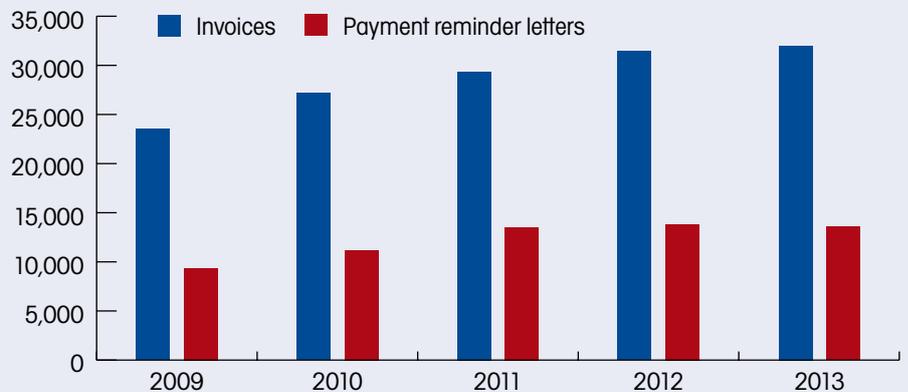
The number of licensed CDs and DVDs in the period of 2009 – 2013



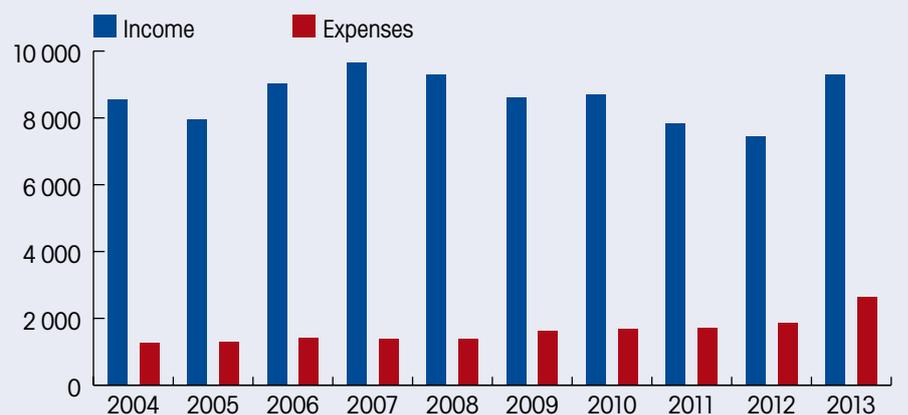
The number of invoices and payment reminder letters in the period of 2009 – 2013



SOZA income and expenses development in the period of 2009 – 2013



SOZA income and expenses development in the period of 2004 – 2013



BALANCE SHEET		as of 31 December 2013	
		Assets	Liabilities
Fixed assets			
013	Software	760,012.27	
018	Other intangible fixed assets	34,666.30	
041	Purchase of new intangible assets	0.00	
073	Adjustment to software	-611,255.15	
078	Adjustment to other intangible assets	-34,666.30	
031	Land	21,307.18	
021	Buildings	831,428.82	
022	Machinery, furniture and equipment	327,284.98	
023	Vehicles	38,826.88	
028+029	Other tangible fixed assets	125,825.70	
042	New tangible fixed assets	3,141.00	
081	Adjustments to buildings	-415,379.89	
082	Adjustments to machinery, furniture and equipment	-233,141.91	
083	Adjustments to vehicles	-10,168.00	
088+089	Adjustments to other tangible fixed assets	-125,825.70	
Current assets			
112	Material in stock	11.04	
311-314	Trade receivables	1,594,991.95	
315	Other receivables	80,498.99	
341	Tax payable	45,956.98	
335+378	Different receivables	5,829.12	
211+213	Cash and cash equivalents	13,647.48	
221+261	Bank accounts	6,759,953.53	
251	Debt securities	0.00	
381	Deferred charges	13,451.40	
385	Accrued receipts	230,733.36	
Equity			
411	Registered capital		534,157.88
Other sources of coverage			
412	Funds created under special regulation		1,309,015.29
323	Short-term provisions		415,991.39
472	Social fund		1,936.42
321-325	Trade payables		6,907,579.18
331+333	Due to employees		118,356.56
336	Social security payables		74,197.95
341-345	Tax payables		28,682.57
379	Other accounts payable		124,371.19
231	Current bank loans		17.30
383	Deferred expenses		0.00
384	Accrued receipts, membership fees		611.01
TOTAL ASSETS		9,457,130.03	
428	Performance result subject to approval		-57,786.71
431	Profit and loss account		0.00
	Profit/Loss		0.00
TOTAL LIABILITIES			9,457,130.03

Profit and Loss Statement in thousands EUR

as of 31 December 2013

Expenses

Revenues

501+502	Material and utilities consumption	75,126.75	
511....518	Services	316,611.89	
521	Payroll	1,201,898.50	
524	Social insurance	393,721.83	
527+528	Social security	41,933.49	
532+538	Taxes, fees, other expenses and costs	4,274.39	
543	Writing off receivables	7,977.08	
547	Special expenses	953.16	
548	Shortages and losses	23.51	
549	Other expenses	7,866.78	
551	Depreciation of assets	175,024.37	
556	Funds formation	131,954.30	
562	Benefits paid	25,769.57	
591	Income tax	19,991.92	
602	Sales		243,493.14
641-649	Other revenues		2,047,830.39
651	Revenue from sales tangible and intangible assets		4,725.00
655	Sales of trading securities		103,584.00
663+664	Members fees income		8,411.99
545/645	Exchange rate differential	5,293.35	376.37
TOTAL EXPENSES		2,408,420.89	
Retained earnings		0.00	
TOTAL REVENUES			2,408,420.89
	Turnover	2,408,420.89	2,408,420.89



SPRÁVA NEZÁVISLÉHO AUDÍTORA
pre vedenie a orgány občianskeho združenia Slovenský ochranný zväz autorský pre práva k hudobným dielam

Uskutočnili sme audit priloženej účtovnej závierky občianskeho združenia Slovenský ochranný zväz autorský pre práva k hudobným dielam, ktorá obsahuje súvahu k 31. decembru 2013, výkaz ziskov a strát a poznámky za rok končiaci k tomuto dátumu, ako aj prehľad významných účtovných zásad a účtovných metód a ďalších vysvetľujúcich poznámok.

Zodpovednosť štatutárneho orgánu za účtovnú závierku

Štatutárny orgán združenia je zodpovedný za zostavenie tejto účtovnej závierky, a objektívnu prezentáciu tejto účtovnej závierky, ktorá poskytuje pravdivý a verný obraz v súlade so Zákonom o účtovníctve č. 431/2002 Z.z. v znení neskorších predpisov (ďalej len „zákon o účtovníctve“), a za interné kontroly, ktoré štatutárny orgán považuje za potrebné pre zostavenie účtovnej závierky, ktorá neobsahuje významné nesprávnosti, či už v dôsledku podvodu alebo chyby.

Zodpovednosť audítora

Našou zodpovednosťou je vyjadriť názor na túto účtovnú závierku na základe nášho auditu. Audit sme uskutočnili v súlade s Medzinárodnými auditorskými štandardmi. Podľa týchto štandardov máme dodržiavať etické požiadavky, naplánovať a vykonať audit tak, aby sme získali primerané uistenie, že účtovná závierka neobsahuje významné nesprávnosti.

Súčasťou auditu je uskutočnenie postupov na získanie auditorských dôkazov o sumach a údajoch vykázaných v účtovnej závierke. Zvolené postupy závisia od úsudku audítora, vrátane posúdenia rizík významnej nesprávnosti v účtovnej závierke, či už v dôsledku podvodu alebo chyby. Pri posudzovaní tohto rizika audítora berie do úvahy interné kontroly relevantné pre zostavenie účtovnej závierky účtovnej jednotky, ktorá poskytuje pravdivý a verný obraz, aby mohol vypracovať auditorské postupy vhodné za daných okolností, nie však na účely vyjadrenia názoru na účinnosť interných kontrol účtovnej jednotky. Audit ďalej zahŕňa zhodnotenie vhodnosti použitých účtovných zásad a účtovných metód a primeranosti účtovných odhadov uskutočnených štatutárnym orgánom spoločnosti, ako aj vyhodnotenie prezentácie účtovnej závierky.

Sme presvedčení, že auditorské dôkazy, ktoré sme získali, poskytujú dostatočné a vhodné východisko pre náš názor.

Názor

Podľa nášho názoru účtovná závierka poskytuje pravdivý a verný obraz finančnej situácie občianskeho združenia Slovenský ochranný zväz autorský pre práva k hudobným dielam k 31. decembru 2013 a výsledku jej hospodárenia za rok končiaci sa k uvedenému dátumu v súlade so zákonom o účtovníctve.

Bratislava, 27. máj 2014


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konateľ komplementára
licencia UDVA č. 328
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Ing. Marián Zápražný
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licencia SKAU č. 583
Búdková 32, 811 04 Bratislava

The financial statements of the civil association Slovak Performing and Mechanical Rights Society (Slovenský ochranný zväz autorský pre práva k hudobným dielam) as of December 31, 2013 were audited on May 27, 2014. Ing. Marián Zápražný, the Responsible Auditor of the company Z+M k.s. expressed his opinion on these financial statements:

In our opinion, the financial statements truly represent the financial situation of the Slovak Performing and Mechanical Rights Society (Slovenský ochranný zväz autorský pre práva k hudobným dielam) for the year ended 31 December 2013 and the results of the profit and loss statement for the year ended 31 December 2013 comply with the standards prescribed by the Slovak Accounting Act.

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