



# Annual Report 2015



**SOZA**

SLOVAK PERFORMING  
AND MECHANICAL  
RIGHTS SOCIETY

[www.sozs.sk](http://www.sozs.sk)



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# Protecting rights



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

# SOZA

## Slovak Performing and Mechanical Rights Society

SOZA – Slovak Performing and Mechanical Rights Society is a collective rights management organisation of authors of musical works and their heirs and publishers. SOZA has been managing copyrights to musical works since 1. 1. 1998, as provided in the authorisations granted by Slovak Culture Ministry number 1/1998 and 1/2004. As a collective rights management organisation (as per Section 144 and foll. and Section 65 and foll. of the Copyright Act), we license rights to use musical works to the users and we collect and distribute royalties among the entitled rightsholders.

SOZA is a legal entity, organised as a non-profit association pursuant to Act No. 83/1990 Coll. to advocate the interests of authors and composers of musical works who, as holders of economic rights to the works, manage their interests through the bodies they elected.

Based on representation agreements with holders of copyright to musical compositions, SOZA manages the economic rights of local authors and publishers.

Thanks to reciprocal agreements on mutual representation concluded with partner collective rights management organisations abroad, SOZA also represents foreign rightsholders in Slovakia and affiliated organisations represent our domestic rightsholders in foreign countries.

### What Music Licences can SOZA issue?

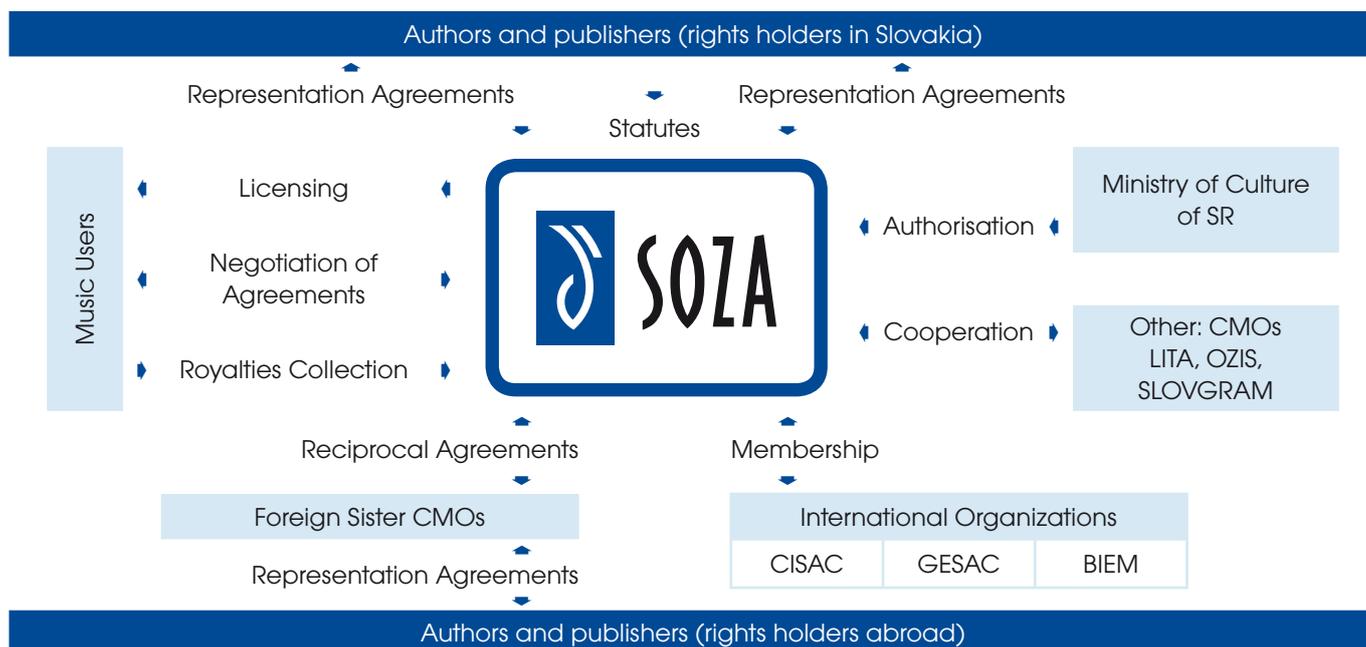
SOZA can licence the following use of musical works:

- ∩ public non-theatrical performances,
- ∩ 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. For the complete Annual Activity Statement of the Board presented to the General Meeting (28. 5. 2014), see p. 16.

### BOARD

Elected for the term 2012 – 2016

Matúš Jakabčič, Chairman  
 Lubomír Burgr, Vice-Chairman  
 Ondrej Demo  
 Rastislav Dubovský  
 Miroslav Dudík  
 Juraj Hatrík/since 2015 Ľuboš Bernáth  
 Peter Horák, A-TEMPO VERLAG SLOVAKIA  
 Adam Hudec  
 Richard Jajcay  
 Katarína Jarušková, HUDOBNÝ FOND  
 Lucia Jurgová, STUDIO LUX  
 Miroslav Juríka  
 Pavol Jursa/since 2015 Miroslav Žbirka  
 Jela Kersenbaum, MUSICA  
 Slavomír Kopec, OPUS  
 Daniel Matej  
 Martin Nedvěd, ŠTÚDIO FONTÁNA/  
 since 2015 Jan Nedvěd, ŠTÚDIO FONTÁNA  
 Ján Štrasser

## Supervisory Committee

As a standing chief audit body of SOZA, this committee has a general supervisory role (its authorities include overseeing all activities and other components of the organisation). It has 7 members appointed by the General Meeting. In its report submitted to the General Meeting (8.6.2016), the Supervisory Committee concluded that since the last General Meeting it has been convened seven times. In addition to the committee acting as a supervisory authority, its members were active



Matúš Jakabčič



Lubomír Burgr



Ondrej Demo



Rastislav Dubovský



Miroslav Dudík



Ľuboš Bernáth



Jan Nedvěd



Peter Horák



Adam Hudec



Richard Jajcay



Katarína Jarušková



Lucia Jurgová



Miroslav Juríka



Jela Kersenbaum



Slavomír Kopec



Daniel Matej



Ján Štrasser



Miroslav Žbirka

both individually and in groups (attending the sessions of SOZA's Board and Financial Subcommittee, Board of Social and Cultural Fund, Distribution Rules Working Group and the Working Group for public music productions, scheduled quarterly audits of the cash register, earnings and expense receipts).

### SUPERVISORY COMMITTEE

Elected for the term 2012 – 2016

Anikó Dušíková, Chairwoman  
Stanislav Hochel  
Marián Brezáni  
Martin Čorej  
Ľibor Kolinský  
Ján Jamriška  
Tomáš Zubák

In its sessions, the Supervisory Committee addressed the following topics:

- ⌘ 2015 billing,
- ⌘ marketing and strategic targets set by the new management headed by Mgr. Anton Popovič, General Manager, who attended two Supervisory Board sessions,
- ⌘ policy and use of funds from SOZA's Social and Cultural Fund, in particular contributions made as part of the fund's cultural programs,
- ⌘ methodology and process of audits carried out to maximise efficiency and transparency of the audit findings,
- ⌘ supervision of processing foreign royalties.

Based on scheduled audits of accounting documents and SOZA's management the Supervisory Committee concluded that funds were used in compliance with the earmarked purposes.

### Classification Committee

The Classification Committee is a special-purpose body elected to classify published musical works into respective categories as specified in SOZA Distribution Rules. It has 5 members elected by the General Meeting.

The Classification Committee stated in its report to the General



Meeting (dated 8. 6. 2016) that it registered and classified 4 430 works. 671 musical works were classified in the category of classical music, 267 works were added in the category folklore music and 102 works to the brass music category. As for popular music, 2 728 compositions were added; in special functions' music 646 works were added and 16 compositions were classified as experimental music.

### CLASSIFICATION COMMITTEE

Elected for the term 2014 – 2018

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

### Arbitration Committee

This Committee serves as a conciliation body in disputes relating to the exercise of membership rights and duties, i.e. it considers cases that are related to the economic rights of SOZA members and that have been brought by individual members and against SOZA. The Committee has 5 members who are elected by the

General Meeting from among authors whose moral status and experience guarantee that they will deliver fair judgements in disputed matters.

In 2015, as the body having jurisdiction, the Committee received three dispute resolution applications.

### ARBITRATION COMMITTEE

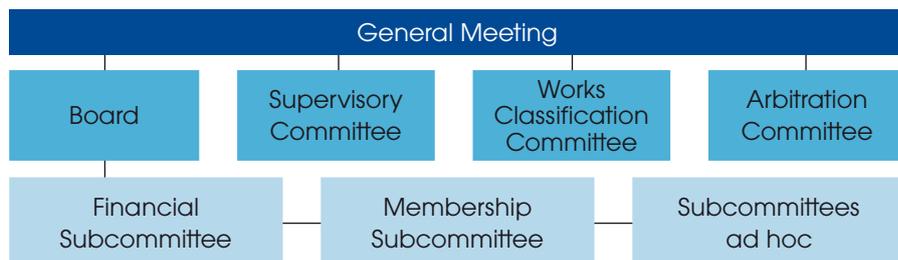
Elected for the term 2014 – 2018

Egon Krák  
Dobromila Baloghová  
Martin Gašpar  
Zuzana Homolová  
Tomáš Janovic  
Peter Lipa

### Panel of Members of Elected Bodies

The members of all four elected bodies represent the Panel, which has decision-making authority with respect to essential issues: changes to the Distribution Rules and the Information Access Regulation, nominations of candidates from a pool of individual members and admitting individual members to all elected bodies. The Panel also endorses Board decisions on changes of the General Manager and discusses Board's decisions on new memberships.

### Structure of the Elected Bodies



# Protecting rights



of more than  
2 000 local authors  
and publishers

# SOZA Membership

We currently manage the economic rights of 2523 local composers, songwriters, producers and music publishers from all walks of music arts. The organisation represents authors and publishers who signed their membership agreements – first as holders of provisional membership and later, once the requirements of SOZA Board have been fulfilled, as members of the SOZA civil society. Provisional members are represented both locally and abroad the same way regular

members are. As opposed to regular members, provisional membership does not entitle its holder to voting at SOZA's AGMs.

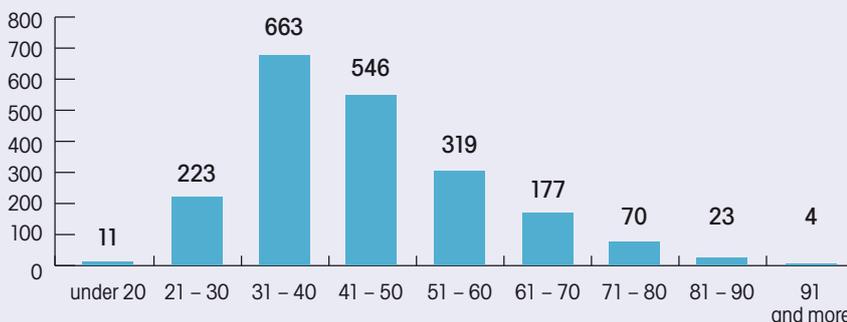
## SOZA protects copyright for the term of author's life plus an additional seventy years

Under the Copyright Act, SOZA protects copyright to works for the entire term of the copyright, i.e. 70 years after the author's death. The organisation now manages rights of 319 deceased authors.

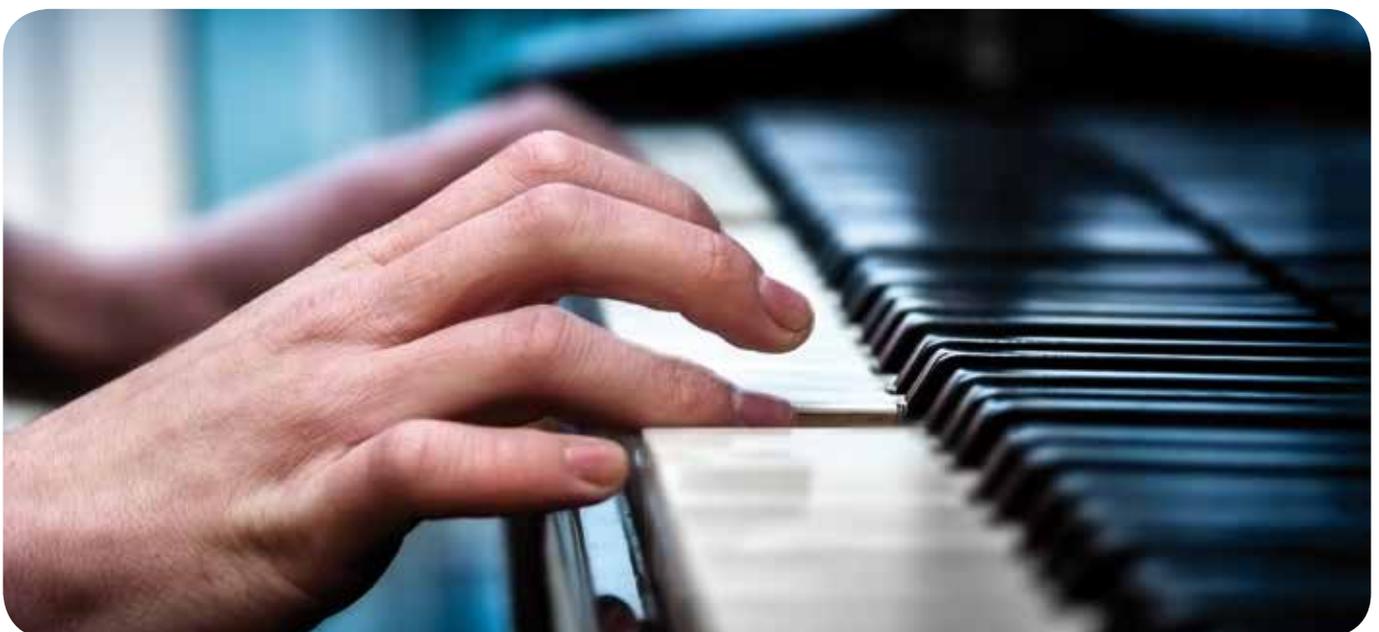
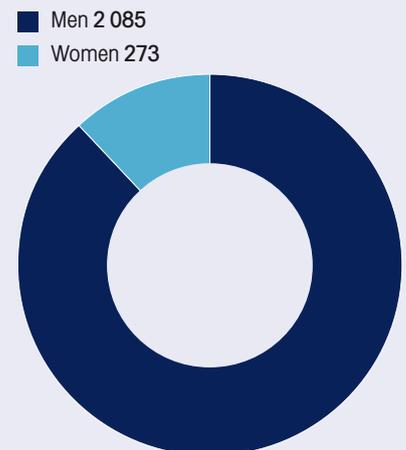
## SOZA membership extends across all age categories

Our youngest male author is 19 and the youngest female author is 21 years old. Our oldest male author is 96 and our oldest female author is 92. Our biggest age group is comprised of members and provisional members between 31 to 40 years old, accounting for 33 % of all authors we represent.

Age structure of authors represented by SOZA in 2015



Female - Male ratio in SOZA membership in 2015



# SOZA as Part of the International Copyrights Protection System

SOZA is part of international network of societies dedicated to copyright protection:

**CISAC** – International Confederation of Societies of Authors and Composers. It has a worldwide network, representing in excess of 3 million authors and publishers in all areas of arts (music, drama and literature, audio-visual, graphical and visual arts). SOZA has been a member since 1970.

**BIEM** – international organisation representing mechanical rights societies. Mechanical rights are rights to mechanically record and reproduce musical works. SOZA joined this organisation in 1973.

**GESAC** – European organization grouping authors' collective management societies and operating in the states of the European Union, Norway and Switzerland to represent authors in the field of musical, graphical, literary and dramatic arts, audio-visual works and the publishers of musical compositions. SOZA has been a member since 2005.

Membership in these international societies qualified SOZA to participate in the development of the international collective copyright protection system. Members of SOZA's management regularly attend important meetings and participate in the train-

ings and seminars organised by GESAC and CISAC, which provide them with an invaluable source of information about the European and global developments and experience in international decision-making.

**Based on 104 international representation agreements with 67 international partner organisations.** SOZA protects copyrights of foreign authors in Slovakia just as it does protect the rights of local holders. Under these agreements copyrights of Slovak musical authors are in return protected worldwide in countries where copyright protection is available.

**List of Societies That Concluded Representation Agreements with SOZA and Overview of 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 Island, 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, Virgin Islands, Puerto Rico
AUSTRO MECHANA	Austria	Austria
BMI	United States of America	United States of America, Puerto Rico
BUMA/STEMRA	The Netherlands	The Netherlands, Sint Maarten, Curaçao, Indonesia, Surinam
CASH	Hong Kong	Hong Kong
EAU	Estonia	Estonia
FILSCAP	Philippines	Philippines
GCA	Georgia	Georgia
GEMA	Germany	Germany
HARRY FOX AGENCY	United States of America	United States of America

HDS ZAMP	Croatia	Croatia
IMRO	Ireland	Ireland
JASRAC	Japan	Japan
KAZAK	Kazakhstan	Kazakhstan
KODA	Denmark	Denmark
KOMCA	Republic of Korea	Republic of Korea
LATGA-A	Lithuania	Lithuania
MACP	Malaysia	Malaysia
MCPS	United Kingdom of Great Britain and Northern Ireland	Commonwealth (except Canada), Ireland, Republic of South Africa
MCSC	People's Republic of China	China
MESAM	Turkey	Turkey
MSG	Turkey	Turkey
MUSICAUTOR	Bulgaria	Bulgaria
NCB	Denmark	Denmark, Norway, Sweden, Finland, Iceland, Lithuania, Estonia, Latvia
NCIP	Belarus	Belarus
OSA	Czech Republic	Czech Republic
PRS for Music	United Kingdom of Great Britain and Northern Ireland	United Kingdom of Great Britain and Northern Ireland, Commonwealth (except Canada and Hong Kong)
RAO	Russia	Russia
SABAM	Belgium	Belgium, Zaire, Rwanda, Burundi
SACEM/SDRM	France	France, Martinique, Guadeloupe, Guyana, Reunion, Comoro Islands, Somalia, Polynesia, New Caledonia, Saint - Pierre and Miquelon, Algeria and Sahara, Mauretania, Niger, Ivory Coast, Burkina Faso, Benin, Senegal, Mali, Chad, Central African Republic, Congo, Gabon, Togo, Cameroon, Guinea, Tunis, Morocco, Lebanon, Egypt, Monaco, Andorra, Syria, Luxembourg, Turkey, Madagascar, Djibouti, Gambia, Zaire
SACM	Mexico	Mexico
SADAIC	Argentina	Argentina
SAMRO	South Africa	Republic of South Africa, Namibia, Botswana, Lesotho, Swaziland
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, Libya, Somalia
SOCAN	Canada	Canada
SOCINPRO	Brazil	Brazil
SODRAC	Canada	Canada
SOKOJ	Yugoslavia	Yugoslavia
SPA	Portugal	Portugal, Madeira, Azores, Angola, Mozambique, Guinea, Cape Verde, São Tomé and Príncipe, Macao, Timor
SQN	Bosnia and Herzegovina	Bosnia and Herzegovina
STEF	Iceland	Iceland
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
ZAMP	Macedonia	Macedonia

# SOZA Awards 2014



# CENY SOZA

## 2014 SOZA Awards Winners



SOZA Award – Composer of Most Performed Musical Compositions  
[Ivan Tásler](#)

SOZA Award – Lyricist of Most Performed Musical Compositions  
[Kamil Peteraj](#)

SOZA Award – Most Performed Musical Composition  
[KEĎ SME SAMI](#) – music composed by: [Peter Dudák](#), [Martin Žúži](#) (HEX)

SOZA Award – Best-Selling Audio Recording by Slovak Authors  
[MORUŠA BIELA](#) – [Jana Kirschner](#); (P) [Slnko Records](#)

SOZA Award – Best-Selling Audio-Visual Recording by Slovak Authors  
[HLASY](#); DVD – [Richard Müller & Fragile](#); (P) [Universal Music, s.r.o.](#)

SOZA Award – Largest Share of Domestic Repertoire Broadcasted  
[Rádio Modra](#)



International Performance of Slovak Compositions Award  
*(awarded to authors for representing Slovakia by broadcasting a large number of Slovak musical compositions outside the territory of Slovakia)*  
[Adam Hudec](#)

Entry in the Golden Chronicle of SOZA  
*(awarded in memoriam to authors who greatly contributed to the development of Slovak musical culture)*  
[Tadeáš Salva](#) (1937 – 1995)  
[Ján Berky Mrenica](#) (1939 – 2008)

Lifetime Achievement Award  
*(awarded for lifetime achievement)*  
[Kamil Peteraj](#)



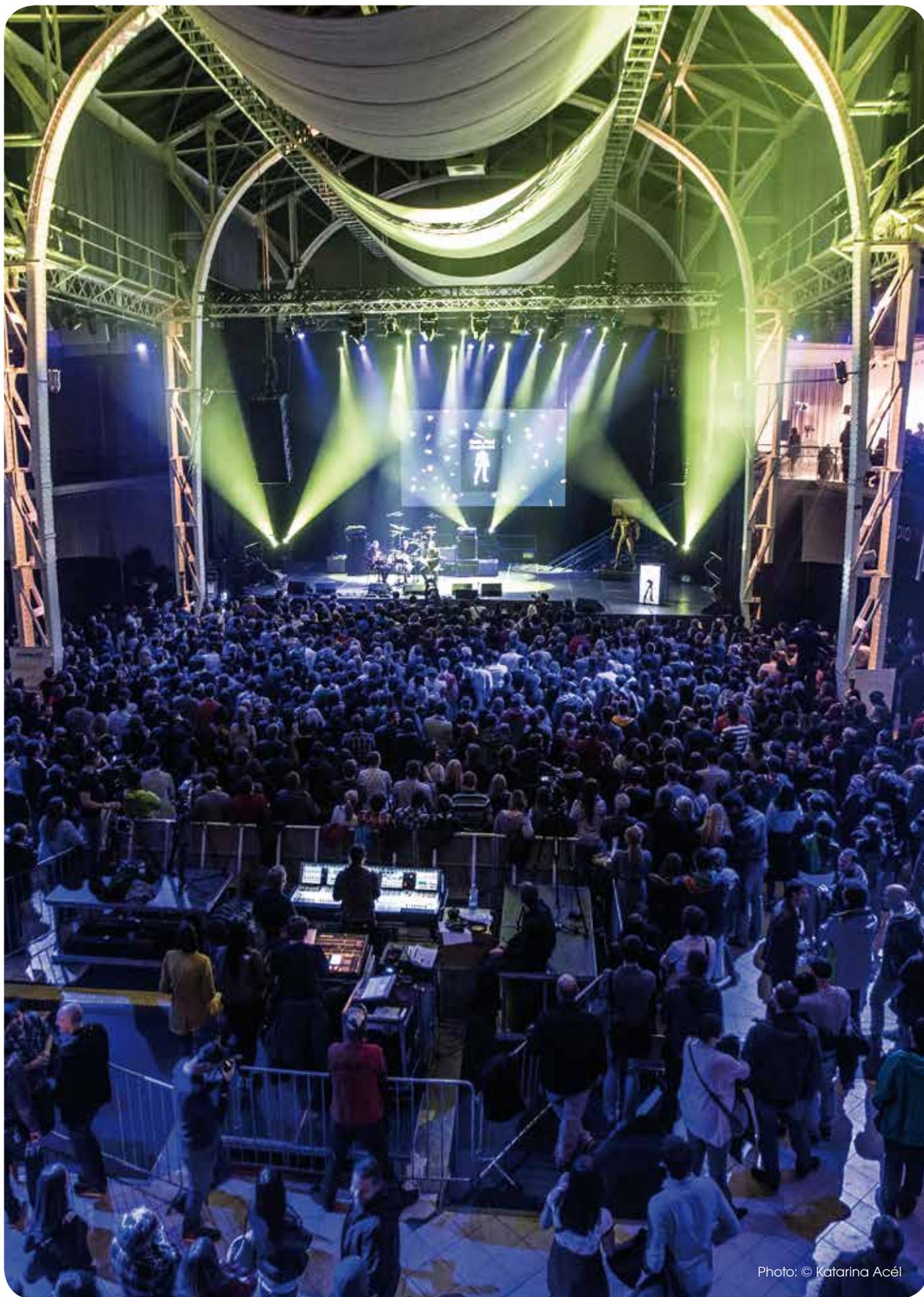
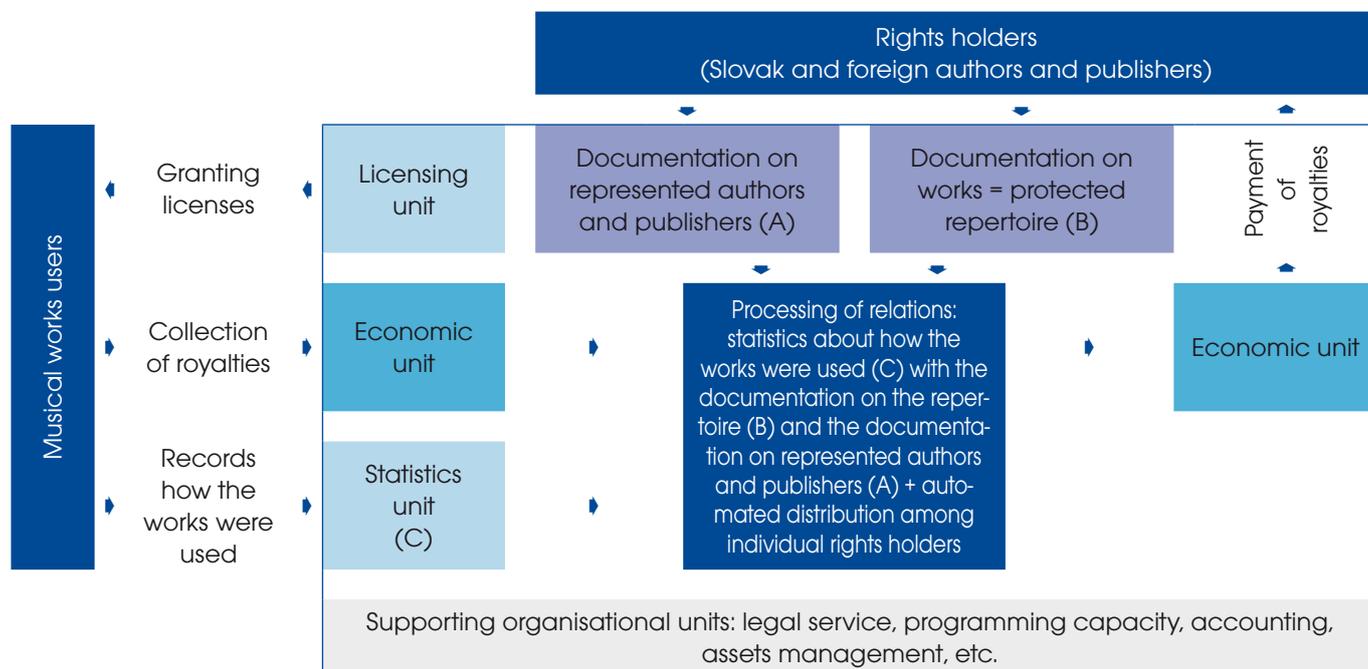


Photo: © Katarina Acél

# How Do We Operate



## Social and Cultural Fund SOZA

SOZA's Social and Cultural Fund is established as a standard redistribution fund on the basis of reciprocal agreements SOZA concluded with its foreign affiliates operating in the field of collective management organisations. The fund's monies are used for social and cultural purposes and are deducted from foreign royalties paid under the reciprocal agreements between SOZA and its foreign affiliates.

Applications for contributions and proposals on how to use the allocated funds are presented for the Board's approval and are administrated by the Social and Cultural Fund Council. The Council of six members is appointed by the Board from among its members for a term of 2 years. Members of the Supervisory Board are also entitled to attend the Council sessions

and they have advisory votes. The use of the means from the Social and Cultural Fund is approved by the Board.

### Members of the Council of the Social and Cultural Fund

Lubomír Burgr  
Adam Hudec  
Matúš Jakabčic  
Miroslav Jurika  
Daniel Matej  
Ján Štrasser

Ctibor Kolínsky (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

(8 June 2016)

In terms of copyright protection, 2015 and 2016 represented historical milestones critical for both development and functioning of the Slovak collective rights organisations.

The new Copyright Act is the product of major input and intense participation of SOZA's representatives, who were part of the Recodification Committee and the working groups organised by the body supervising the legislative process – Ministry of Culture of the Slovak Republic.

All these endeavours and cooperation between the parties involved resulted in the passing of Act No. 185/2015 Coll. Copyright Act. The new act cements the position of the collective rights management organisations with respect to users and facilitates intensified protection of copyright and related rights of their holders, improves the legislative framework and copyright enforceability.

The new act was passed by the

Slovak National Council on 1.7.2015 and came into effect on 1. 1. 2016.

The new Copyright Act requires the collective rights organisations to ensure a higher degree of transparency when it comes to funds disposal vis á vis both rightsholders and users and refines the framework for supervising collective rights management.

In 2015, SOZA's Legal and Licensing Departments faced a daunting task of preparing a blueprint for ad-



justing all the necessary processes, agreements, documents and strategy in the aftermath of the new rights and obligations introduced by the Copyright Act. This challenge resulted in increased work load, the need to identify and perform a myriad of partial and interlinked tasks with implication for the entire SOZA organisation. In this connection, both the staff and partners of SOZA required training in the implementation and ramifications of the new legislation. We are confident in saying that SOZA has done an outstanding job and may serve as a positive example of how to manage collective rights in Slovakia. On behalf of SOZA's Board, I would therefore like to extend my gratitude to the management for this achievement as well as for taking an active role in the drafting of the new legislation.

The efforts to strengthen the position and acceptance of SOZA within the media and cultural environment culminated in the November SOZA Awards ceremony, which was broadcast by the national TV (Dvojka RTVS) and received quite a few mentions in electronic and printed media.

In January, SOZA partnered with the representative of Dutch EU Presidency to host a significant cultural event – the opening concert held to celebrate the Dutch Presidency – held in the Opera of the Slovak National Theatre. The concert presented orchestral works by Slovak and Dutch composers listened to by many representatives of state institutions, foreign publishing houses and the representative of the partnership organisation Buma/Stemra.

Through the funding benefit schemes, in 2015 the Social and Cultural Fund extended several subsidies totalling 41 250 € to support 60 projects (festivals, concerts, publishing events) and the activities of associations aiding musical works composers.

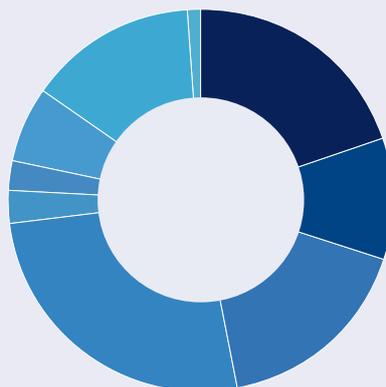
## 2015 FINANCIAL RESULTS

### Revenues

In 2015, SOZA collected an unprecedented amount in revenues – 10 223 265.54 €, which translates into an increase of 1 076 794.52 € or

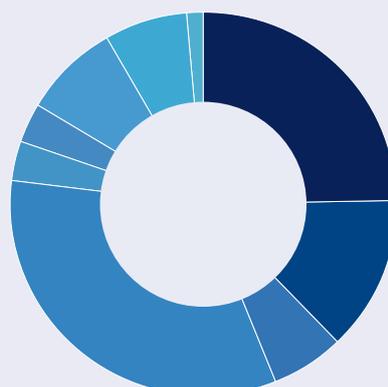
### SOZA income including joint collections in 2015

- TV broadcasts 19,86 %
- Radio broadcasts 10,28 %
- Cable retransmission 16,90 %
- Public music performances 26,15 %
- Online 2,77 %
- Sale of rec. media (mechanical rights) 2,50 %
- Royalties from abroad 6,45 %
- Remunerations for blank media and rec. dev. 14,11 %
- Other income, lease included 1 %



### SOZA's income excluding the share of partner societies in 2015

- TV broadcasts 24,98 %
- Radio broadcasts 12,93 %
- Cable retransmission 6,21 %
- Public music performances 32,89 %
- Online 3,48 %
- Sale of rec. media (mechanical rights) 3,15 %
- Royalties from abroad 8,11 %
- Remunerations for blank media and rec. dev. 7,00 %
- Other income, lease included 1,24 %



11.8 % compared to 2014. **Royalty revenue** collected by SOZA excluding the income of partner organisations participating in joint royalty collections equalled 8 127 413.87 €, up by 590 071.16 € or 7.8 % as opposed to 2014. The combined value of assets consisting of tangible, intangible and financial assets was 10 331 545.02 €, a decrease of 33 959.37 € compared to 2014.

It should be noted that the 2015 targets were set based on the expected income due under the rights management agreements entered into with users, allowing for the anticipated payment discipline developments. Compared to previous year, the 2015 overall income targets were set significantly lower on account of the estimated setting off of private copying compensations (ISNA).

Total revenues from the use of musical works in television and radio broadcast climbed by 182 693.92 € compared to previous year. This positive development may be attributed mostly to SOZA's successful efforts in re-negotiating higher royalties with the largest TV broadcasters.

The royalties collected for the use of musical works in private radio broadcast were up by 55 086.21 € compared to 2014, translating into a 13.7 % increase.

This positive development reflects the methodical efforts of SOZA's management with respect to managing agreements and receivables portfolios, active communication and amicable settlement and successful collection of due amounts.

Again, it should be mentioned that the independent radio broadcast royalties are a source of SOZA's revenues that is difficult to predict considering the licensing model of the share the revenue has in the broadcaster's total annual earnings. Revenues of private broadcasters rely heavily on other circumstances, such as the overall economic market situation and the potential investments into advertising, which represent the core of radio broadcasters' income.

SOZA's 2015 revenues for cable retransmission were € 727 479.12 – down by € 27 124.09 or 1.5 % compared to the year before. The cable

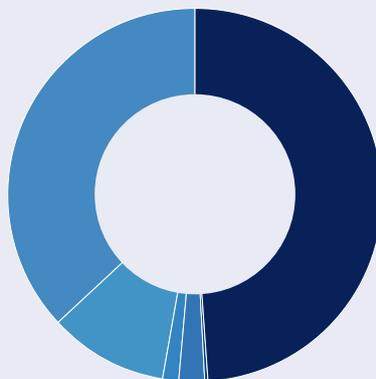
retransmission income generated in 2013, 2014 and 2015 were highly specific, as after years of litigations and negotiations regarding the shape of the relations with the APKT and SAKT associations, 2012 and 2013, respectively, saw the execution of new types of agreements and the settlement of overdue receivables. Although the income had a positive impact on overall revenues, they did not faithfully reflect the organisation's cash flow. 2016 is expected to witness the signing of completely new licensing agreements with cable operators, which will help stabilising the market position and better reflect the actual annual amount collected in this segment of royalties' collections.

Revenues from the use of musical works collectively referred to as **public music performance** were up by € 140 052.08 compared to last year, grossing € 2 673 393.52 with an increase by 5.5 %, lead by a 9.81 % in technical equipment and 10.7 % in the amounts collected from productions. There is no doubt that this development should be considered a success in an environment where users are persistently reluctant to pay royalties, where people complain about the invoices we issue and us being obliged to respond to the complaints, where organisers send in incomplete licence agreement forms, events pretend to only play "folk" music and where the attacks, be it by phone or in writing, against the Licence Department staff have not subsided. These negative developments in user behaviour, in particular with respect to music productions, have greatly contributed to the way the new Copyright Act No. 185/2015 looks, especially Section 168, which is expected to result in a reduction of next-year's income mainly in the area of **public cultural events** and the use of non-copyrighted folk music. It must be said that the current narrative of Section 168 was incorporated into the new legislation despite the fact that SOZA's representatives had repeatedly tabled detailed arguments advising the Ministry of Culture and the Slovak National Council of the risks it carries.

As part of the legal actions initiat-

### Distribution of royalties and remunerations to Slovak rights holders in 2015

- Public performing rights 49 %
- For other collective rights management org. 37 %
- For those not represented on contractual basis 0,2 %
- From abroad 11 %
- Mechanical rights 2 %
- Complaints 1 %

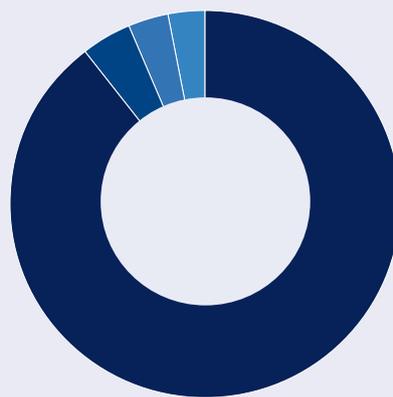


ed to collect overdue receivables through our legal representatives Havel, Holásek & Partner s.r.o., by 30 April 2016 we referred 3480 individual royalty invoices for collection. These invoices translated into 1156 lawsuits and 649 enforcement actions.

Thanks to the cooperation with Havel, Holásek & Partners s. r. o., in 2015 SOZA managed to collect € 58 109.33; considering the solid track record of this cooperation, we hope to bring in further payments from users using copyrighted works without licence.

### Royalties paid to domestic authors and publishers in 2015

- less than 2 649 €
- from 2 649,01 € to 5 298 €
- from 5 298,01 € – € to 10 596 €
- more than 10 596 €



Royalties collected in 2015 for the **online use of music grew by 23.8 %**, totalling € 283 387.66. Similarly as previous year, this surge is attributable to the agreements with service providers MusicJet, Deezer, Spotify, iTunes, YouTube, Google Play and Rdio and the growing popularity of these services among the general public. In addition to the funds obtained from these services, another factor greatly contributing to the success rate of royalties collection was **regular monitoring of the obligations these providers have with respect to SOZA**, i.e. proper and timely payment of invoices and active search of new Internet music users.

**Royalties from recorded media** (called mechanical rights) fell by € 17 959.79. That said, this drop of 6.5 % in sales of audio and audio-visual media is less than the average sales drop throughout Europe. Royalties for using our music abroad were up by € 34 098.29, with revenues from Czech Republic's OSA going up by € 29 556.26.

In 2015, represented by its joint collection body ISNA, SOZA received payments for the sales of blank media and equipment for recording media for private purposes on behalf of four Slovak rights management companies – Slovgram, LITA, OZIS and SOZA. Compared to 2014, total private copying remuneration paid on imports of blank media and devices were up by € 741 506.51 or 105.8 % and are mainly attributable to the unprecedented success of SOZA's endeavours, which resulted in the settlement of major obligations in the area of compensations in hundreds of thousands.

In 2015, the efforts of SOZA's management finally yielded results with respect to the process of recodification of the copyright laws, as they succeeded in pushing through new legislation benefitting the authors and other rightsholders. The **survey of agency FOCUS**, which revealed critical data on the use of devices earmarked for making copies of musical works for private purposes, greatly contributed to this success. This area is expected to generate further income increases in future.

Other extraordinary earnings were

down by € 30 993.72, which translates into a reduction by 23.6 %. This may be attributable in particular to low deposit interest rates and **lower income from unjust enrichment, specifically amounts invoiced for events** that proved to be organised without a licence.

Similarly as in 2014, in the reference year SOZA hired and trained new inspectors to ensure better coverage throughout its jurisdiction. The inspector job is a very demanding one, which translates into a high rate of fluctuation of field workers. It is a very specific job demanding individuals with mental prowess and strong personality, who are persistent and capable of withstanding attacks on the one hand and persuading users of the benefits of signing a contract with SOZA on the other hand.

In 2015, inspectors carried out 4 932 audits resulting in invoices totalling € 222,000, of which € 190,000 in royalties already paid.

#### Expenses

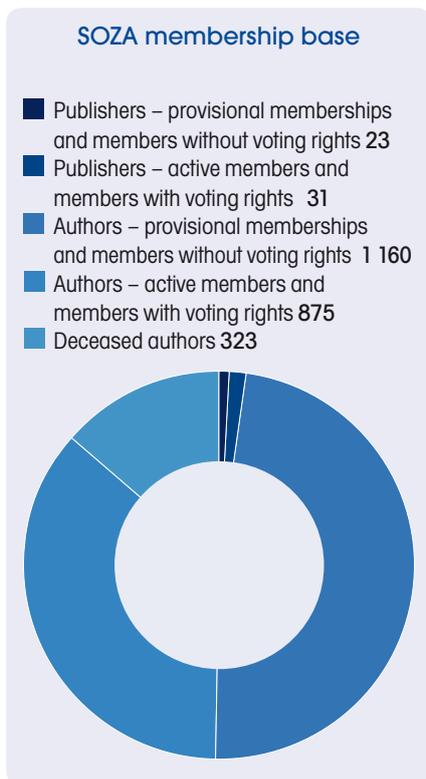
Total operating costs in 2015 amounted to € 2 409 022.04, which accounts for a year-to-year increase by € 130 469.22. Of that, personnel expenses were up by € 42 645.90, with material costs increasing by € 112 691.75 mostly in provisions for replacing obsolete servers.

**Other expenses**, including fees for memberships in international organisations, remunerations to members of SOZA committees, expenses associated with the annual general meetings and marketing outlays fell by € 24 868.43.

The profile of expenses fully reflected the overall economic development in 2015 when the **share of expenses** in income corresponded to **23.56 %**, which is **1.28 % less than in 2014**. In terms of international organisations, this share is compliant with the CISAC recommendations. Nevertheless, it should be noted that this rather considerable reduction in operating costs is attributable to a non-recurring settlement and payments of a significant portion of past and overdue receivables.

#### INTERNAL RELATIONS

In 2015, SOZA's membership base



had once again grown, counting 2 552 represented rightsholders as at 30.4.2016.

<b>Authors – members</b>	<b>585</b>
<b>Provisional members</b>	<b>943</b>
Members with voting rights	291
Members without voting rights	217
<b>Publishers – members</b>	<b>16</b>
<b>Provisional members</b>	<b>19</b>
Members with voting rights	15
Members without voting rights	4
<b>Heirs – members with voting rights</b>	<b>94</b>
Members without voting rights	2
Other heirs	366

The ISpA information system was launched in April 2014 and its use by rightsholders is steadily growing.

Compared to the year before when the system was used by 237 authors and publishers, it currently registers 423 authors and publishers.

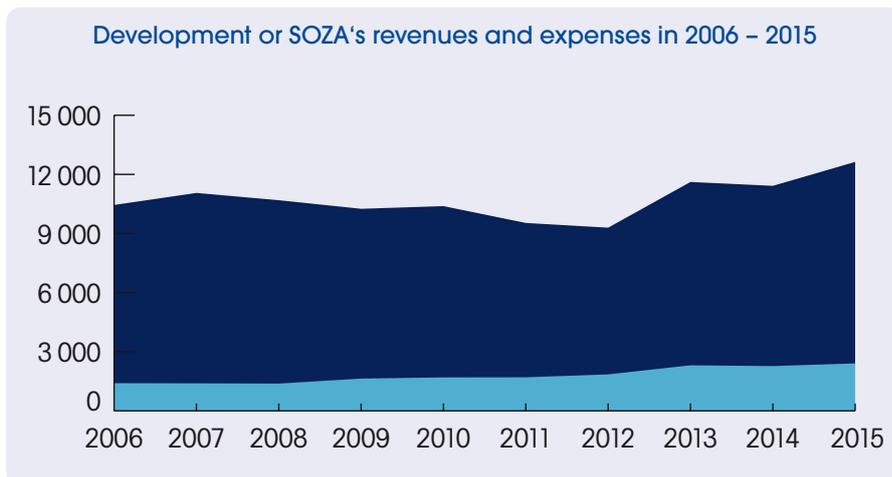
The ISpA system underwent a major overhaul as it also needs to accommodate the use by heirs, who do not have a unique international IPI number. The system infrastructure was extended by a new section called "Documents" designed to publish documents only reserved for rightsholders.

On 16.12.2015, having obtained consent of the Panel of members of elected bodies, SOZA's Board approved the new Distribution Rules, which introduce sweeping changes to the royalties distribution system. The changes reflect the provisions of the new Copyright Act and the strictly regulated obligations of the collective rights management organisation, such as the obligation to provide a precise calculation of royalties with respect to the department of collective rights management, but also the intent of SOZA's Board to refine the calculation of royalties due for the different types of uses of artistic works in public.

It is necessary to note that the new Distribution Rules apply to royalties received after 1.1.2016; therefore, the real consequences of this new setup for SOZA's economic results will be felt in 2017.

Moreover, the changes also affected the guidance issued to help interpret the Distribution Rules and the Complaint Procedure.

As a consequence, two new documents were drafted: *Special rules for using unidentified remuneration and Rules for collecting, distributing*



and paying out royalties. There is a partial overlap between these two and the applicable sections of the old Distribution Rules in terms of the topics they address, but considering the new Copyright Act, it was felt as necessary that the two be separate documents.

All the new documents are available at [www.soza.sk](http://www.soza.sk), section "Documents".

In addition to MusicJet, other online services have emerged, specifically YouTube and Spotify – the royalties for most played music will be distributed shortly.

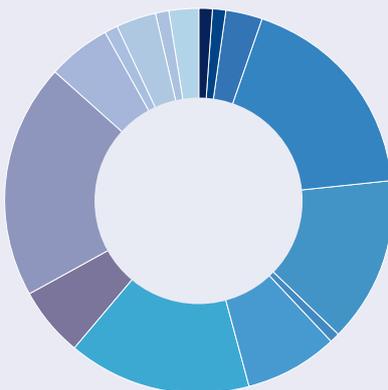
In the course of last year, SOZA representatives took an active part in shaping the new Copyright Act as members of the recodification committee and working groups, closely cooperating with the sponsor of the legislation – Ministry of Culture of the Slovak Republic, to transpose the applicable EU legal acts.

The transposed legislation included:

- ∩ Directive 2009/24/EC of the European Parliament and of the Council of 23 April 2009 on the legal protection of computer programs (codified version) (Official Journal of the EU L 111, 5.5.2009)
- ∩ Directive 2012/28/EU of the European Parliament and of the Council of 25 October 2012 on certain permitted uses of orphan works (Official Journal of the EU L 299, 27.10.2012)
- ∩ Directive 2014/26/EU of the European Parliament and of the Council of 26 February 2014 on collective management of copyright and related rights and multi-territorial licensing of rights in musical works for online use

### Royalties distributed to foreign societies in 2015

AKM 1,27 %	Other societies less than 1 % 5,89 %
APRA 1,18 %	PRS 19,67 %
ARTISJUS 2,85 %	SACEM 5,38 %
ASCAP 18,19 %	SESAC 1,04 %
BMI 13,81 %	SIAE 3,21 %
BUMA 1,01 %	SOCAN 1,21 %
GEMA 7,77 %	STIM 2,35 %
OSA 15,18 %	



in the internal market (Official Journal of the EU L 84, 20.3.2014)

In relation to the changes introduced by the new Copyright Act which were directed not only inwards, within the collective rights management organisation, but also outwards, with respect to users and rightsholders, SOZA needed to prepare for and approve a myriad of changes and make adjustments. For this purpose, the SOZA Board set up a large working group to accommodate the new legislation; the group was composed of SOZA body representatives and SOZA members who are not members of any of its

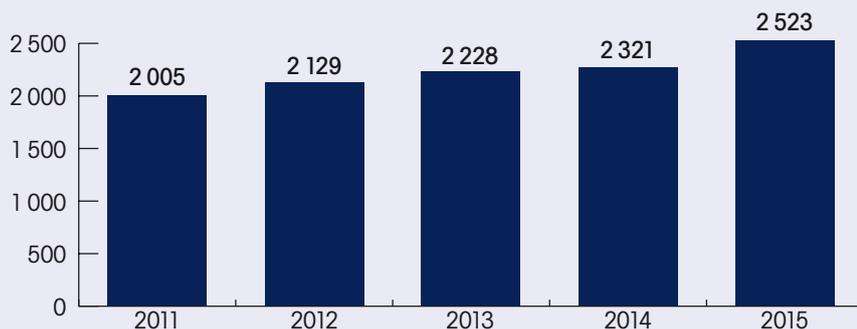
elected bodies but have a considerable track record in the collective management of rights and are experienced in SOZA's dealings, and management representatives in charge of these issues (in particular Legal Department and other staff). The working group drafted several regulations, analyses, and memoranda. Based on the recommendations of the working group, the competent SOZA bodies (Board, Panel, and General Meeting) adopted the following changes:

- ∩ changes in the structure of the collective rights management organisation and SOZA bylaws,
- ∩ changes in several internal regulations (such as rules of procedure of the General Meeting, Complaint Code, Distribution Rules, Voting Procedure of the General Meeting, Information Access Regulation),
- ∩ new tariffs,
- ∩ other new regulations – SOZA Regulation of the handling of complaints and resolution of disputes, Regulation of the audits performed by the Supervisory Board,
- ∩ new representation agreements for rightsholders,
- ∩ individual rules (Rules of collection and payment of income from collective rights management, Rules of claiming effectively incurred costs for the collective rights management service, Rules of collective appreciation of income from collective rights management and Rules of risk management in income appreciation solely in the interest of rightsholders offering adequate security, liquidity and income diversification, Special rules of application of licensing fees, private copying remuneration and additional royalties collected by SOZA without the possibility of identifying or finding the entitled rightsholders and royalties compensation).

Legal Department:

- ∩ contributed to the drafting of documents used for training SOZA inspectors,

### The growth of number of rights holders represented on the contractual basis in the period of 2011 – 2015



- ∩ prepared a presentation on the new Copyright Act, which was presented to SOZA members and employees at the extraordinary General Meeting,
- ∩ prepared several analyses, opinions and memoranda, which served as basis for the working groups drafting internal regulations,
- ∩ attended working group sessions (new Copyright Act & Distribution Rules),
- ∩ dealt with the agenda regarding implications of the New Copyright Act for data protection (disclaimer regarding the rights of data subjects, expression of interest to be represented by a collective rights management organisation), legal advice on cloud computing (digitalisation require by the new Copyright Act),
- ∩ prepare a list of topics/documents that require redrafting following the passing of the new Copyright Act.

In addition to the above achievements, the Legal Department partic-

ipated in the digitalisation process:

- ∩ helped drafting the account agreement and contributed to managing the drafting of the agreement (coordinated and negotiated with other departments – IT, Licensing),
- ∩ prepared analyses dealing with the consequences of the Act on Free Access to Information for collective licensing agreements as part of digitalisation.

In the course of the year, SOZA's Legal Department made intense efforts to continue with the process of finding a solution for addressing the use of musical works without rightsholders' consent and the enforcement of outstanding royalties for using musical works or licenses under collective license agreements, both in and out of court.

#### INTERNATIONAL RELATIONS

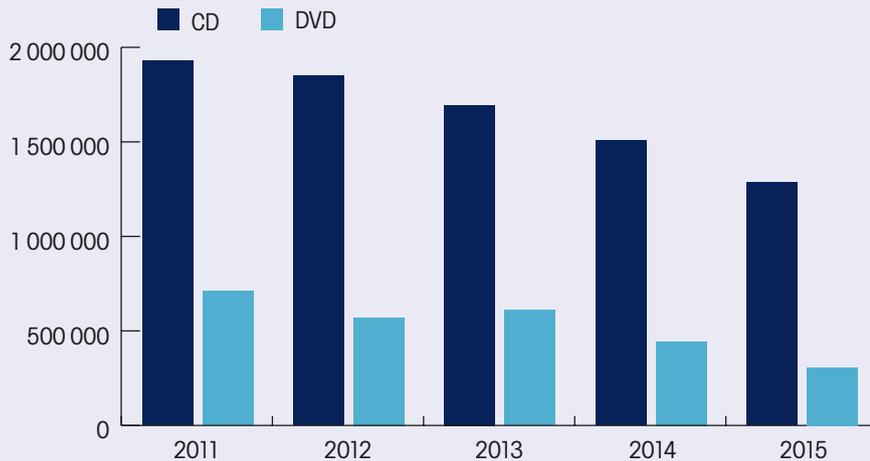
International cooperation between SOZA and foreign partner organisations saw an expansion last year to include rights management agreements with authors and publishers

organised in the Brazilian SOCINPRO and the American AMRA. All in all, SOZA is now party to 104 treaties and partners with 67 foreign organisations to represent the interests of foreign authors in Slovakia just as it does defend the rights of local musical creators abroad in all countries affording rightsholders copyright protection.

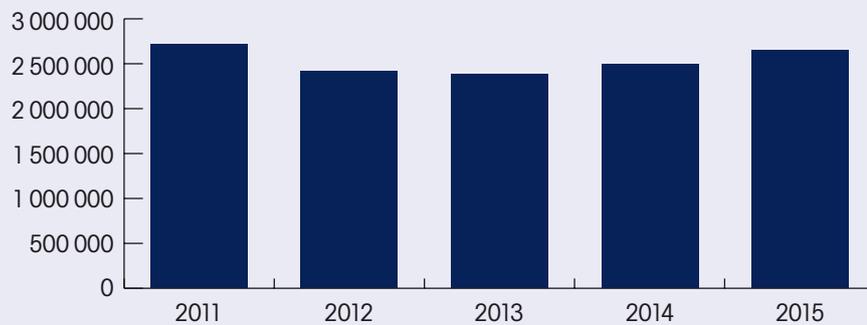
**In 2015, Slovakia became the first EU member state to transpose the European Directive** on collective management of copyright and related rights and multi-territorial licensing of rights in musical works for online use in the internal market ("Directive") in the form of the new Copyright Act. The purpose of the new legislation is to harmonise the rules of all collective rights management organisations operating within the EU, improve their efficiency, increase transparency vis á vis rightsholders and users and to create a framework for supervision of collective management. Being the first European collective rights management organisation, SOZA had to adapt its operations as of 1 January 2016 to



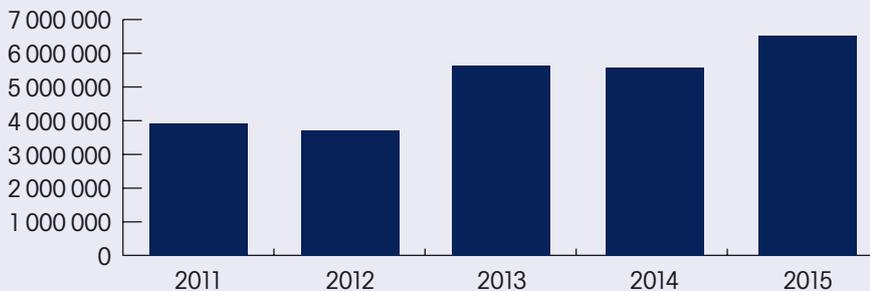
The number of licensed CDs and DVDs in the period of 2011 – 2015



Revenues generated by Musical Performances in 2011 – 2015



Revenues generated by Broadcasting, Retransmission and Online Services



SOZA income and expenses development in the period of 2011 – 2015



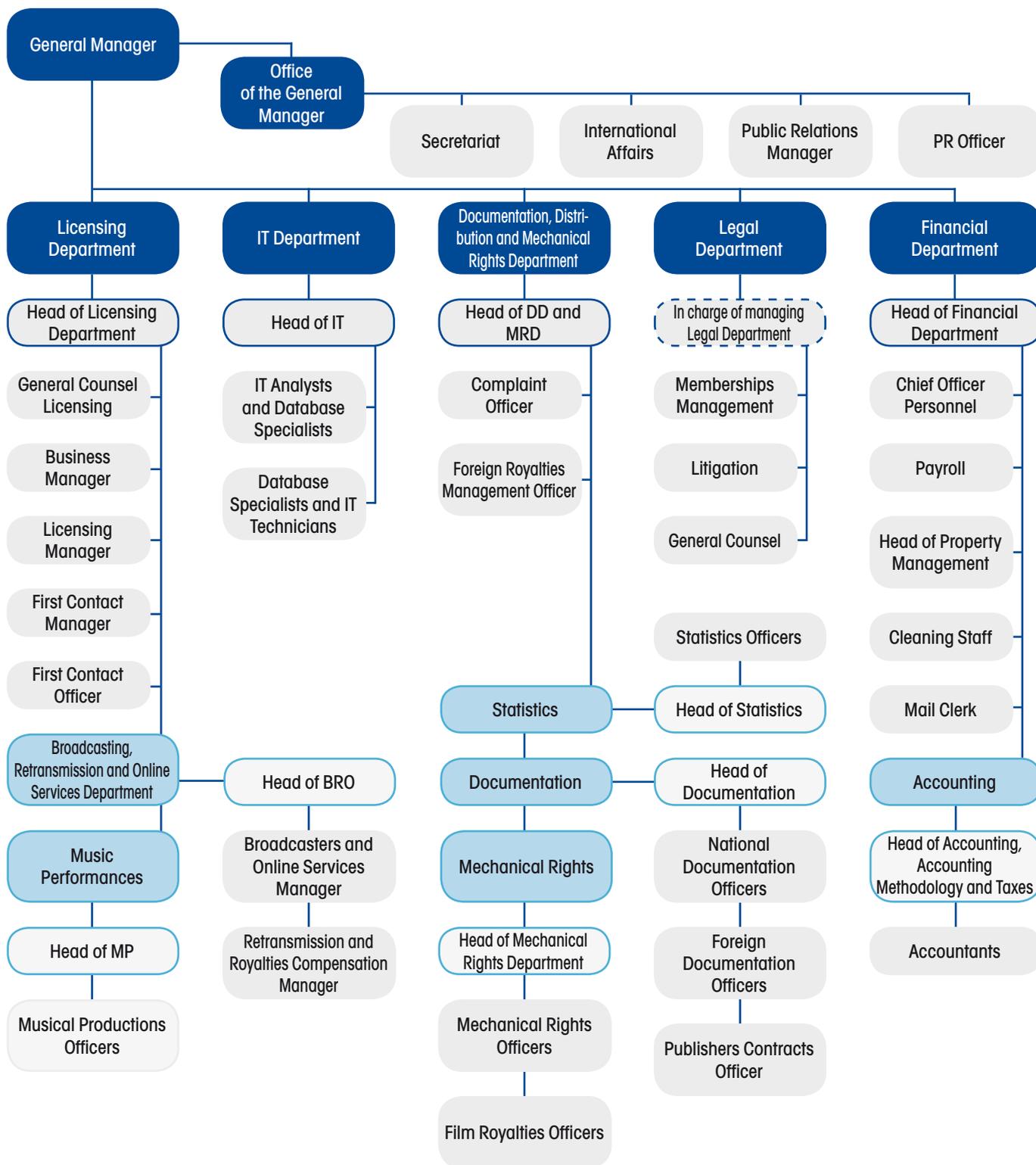
conform to the new legislation, be it with respect to representing rightsholders or users. In the General Meeting of GESAC dated 19.11.2015, SOZA, specifically its Foreign Relations Department, outlined the know-how, the successes and the challenges it encountered during the putting the Directive into day-to-day practice.

As part of the scheduled meetings of legal experts of the GESAC members, SOZA contributed to the drafting of the international study titled *Measuring the transfer of value in the online environment*, which was aimed at highlighting the disproportion of the share authors have in the profit generated by online distributors of creative content, which is nowadays pocketed mainly by multinational Internet corporations, to the detriment of rightsholders. The overhaul of the copyright rules planned as part of the Digital Single Market strategy presented by the European Commission in 2015 should entail amendments to the applicable EU directives to make sure that technical providers actively making creative content available to Internet and mobile network users can no longer exploit the legislative copyright loopholes to evade or minimise royalties payment. These include in particular services such as YouTube, Facebook, Dailymotion, Ulož.to and other, as they generate high margins on the provision of access to copyrighted works without directing adequate or zero remuneration to the rightsholders and authors of such works.

Apart from keeping in touch via daily correspondence with partner organisations responsible for collective rights management, SOZA staff attended the most important work meetings organised by international organisations such as CISAC, GESAC and BIEM and by partner societies Artisjus, Buma/Stemra and HDS ZAMP. At home, we had the pleasure to welcome representative of the American BMI.

# Organisational Structure

SOZA – 2015



# SOZA Financial Report 2015

Balance Sheet in EUR		As at 31. 12. 2015	
		Assets	Liabilities
<b>Non-current assets</b>			
013	Software	923,395.46	
018	Other non-current intangible fixed assets	30,870.77	
021	Buildings	842,879.82	
022	Individual movable assets and sets of movable assets	290,671.73	
023	Vehicles	38,826.88	
028, 029	Low-value non-current tangible assets	140,021.72	
031	Land	21,307.18	
041	Acquired non-current intangible assets	25,000.00	
073	Software provisions	-736,062.88	
078	Provisions for low-value non-current intangible assets	-30,870.77	
081	Building provisions	-473,002.89	
082	Provisions for individual movable assets	-237,431.92	
083	Vehicle provisions	-27,397.71	
088, 089	Provisions for low-value and other non-current tangible assets	-140,021.72	
<b>Current assets and accruals</b>			
112	Inventory	73.49	
311 – 314	Trade receivables	2,220,150.74	
315	Other trade receivables	92,678.39	
335, 378	Receivables from shareholders, members and associations	5,777.94	
211 – 213	Cash and valuables	10,101.70	
221, 261	Bank accounts	7,315,098.88	
381	Prepaid expenses	23,220.77	
391	Receivables provisions	-19,566.03	
<b>Equity</b>			
411	Share capital		534,157.88
412	Provisions created under special regulation		1,499,731.36
<b>Debts and deferrals</b>			
323	Short-term provisions		211,738.16
472	Social fund liabilities		1,388.91
321 – 326	Trade liabilities		7,735,675.69
331 – 333	Liabilities to employees		154,013.60
336	Social security liabilities		89,069.87
341 – 345	Tax liabilities		41,415.26
379	Other liabilities		93,496.85
231	Short-term bank loans		123.38
383	Accrued expenses		2,144.00
384	Deferred income		10,553.30
428	Profit/loss from previous years		-57,786.71
	Profit/loss		0.00
<b>Total assets/liabilities</b>		<b>10,315,721.55</b>	<b>10,315,721.55</b>

## Income Statement

As at 31. 12. 2015

Expenses

Revenues

501, 502	Consumption of materials and energies	40,573.42	
511 – 518	Services	417,968.95	
521	Payroll	1,307,661.42	
524	Statutory insurance	441,146.54	
527, 528	Social security	49,642.72	
532 – 538	Taxes and dues	13,848.08	
543	Receivables written off	4,336.62	
549	Other expenses	6,931.08	
551	Depreciation of tangible and intangible assets	160,911.73	
556	Creation of funds	104,817.88	
562	Contributions to other accounting units	20,618.76	
591	Income tax	560.93	
602	Revenues from selling services		90,219.91
641 – 649	Other revenues		2,473,172.59
655	Revenues from short-term financial assets		1,991.18
664	Membership fees		8,906.93
545/645	FX differences	5,411.49	139.01
<b>Total expenses/revenues</b>		<b>2,574,429.62</b>	<b>2,574,429.62</b>

Profit/loss

0.00

0.00



# Auditor's Report

## 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 2015, 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 audítorskými 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 audítorských dokazov 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 audítor berie do úvahy interné kontroly relevantné pre zostavenie účtovnej závierky účtovnej jednotky, ktorá poskytuje pravdivý a verný obraz, aby mohol vypracovať audítorské 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 audítorské 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 2015 a výsledku jej hospodárenia za rok končiaci sa k uvedenému dátumu v súlade so zákonom o účtovníctve.

Bratislava, 27. jún 2016

  
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