

2014.

SUMMARY
ANNUAL
REPORT





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REPORT BY HDS ZAMP'S GENERAL MANAGER



photo: Dario Njavro

It is my pleasure to report that 2014 was a successful year for HDS ZAMP: the growth tendency of the remunerations collected continued, and at the same time the administrative costs of our organization continued to drop slightly. Both these facts resulted in greater benefits for HDS members: in 2014, HDS ZAMP has procured a distributable income of 77,83 million kunas, which is 7,47% more than for the previous year. I would like to emphasize that we have simultaneously lowered the administrative expenses for another year in a row, and they were 23,41% of gross income for 2014, which is 0,48% lower than in 2013. This is especially relevant given the fact that the volume of business activities was significantly higher than it had been before: more concerts, more works registered and processed per each concert, more media broadcasting and transmitting musical works, more users who, through music usage, improved their business activities, more income from abroad, and the income from digital music services was finally brought in.

HDS ZAMP has recorded and processed over 8,4 million instances of musical works exploitation in a variety of ways: from broadcasts to concert and live events' performances, involving 231.983 musical works, created by 105.938 domestic and international authors.

The growth in number of musical works is consequently followed by the growth in number of affiliated members: the **MEMBERSHIP DEPARTMENT** currently has over **9.000** members registered. Almost 500 new members signed up with HDS during 2014.

During the month of April, the „online personal profile“ service was activated, and all our members were sent their online user data for activating their web profiles on ZAMP's website. This service, enabling online works' registration, distribution statements' delivery and other useful facilities, encountered a warm reception by our members. First half-year of the service registered some 1.500 members actively using the service - it is expected that in time the number will grow further, especially among the younger members. Since its launch in april 2014, and until May 2015, web profile users registered **6.578** works.

We aim to encourage our members to use this service more actively in the future, since it will result in more accurate, efficient and faster data processing.

Our youngest members are still in the spotlight of our interest and efforts: during the entire 2014, the Communications and PR dept., along with the Membership dept. have organised „INTRO“ workshops, aimed to educate and inform our new young members.

PUBLIC PERFORMANCE SECTOR records a slight increase in the number of general users' facilities, as well as in the number of licensing agreements with general users and the catering sector.

At the beginning of the year, a new Annex to the Agreement with the Hotels' Association for 2014 was concluded, under the same terms as for the year 2013, while the activities on developing the new remuneration model and rates was continued.

The mid-2014 brought the successful conclusion to negotiations with the cinematographers' grouping of the Croatian Chamber of Economy: the new 5 year term Agreement was concluded: the remuneration model remains as it was, with the possibility of remuneration fees' correction in dependance of the general economic situation, i.e. growth or drop of the GDP.

At the beginning of the year, we engaged the Institute of Economics in Zagreb, to draft a study which would objectively assess the amount of remuneration for music exploitation in the catering sector. The results of the study clearly demonstrated that these remunerations in Croatia are, contrary to the situation as presented by the media and the objections by the users in this sector, among the lowest in Europe. The study raised quite an interest among the representatives of the media, and, indirectly, fewer negative feedback instances by the caterers and their umbrella associations.

OVER
9000
MEMBERS

ONLINE
REGISTERED
6578
WORKS



Aiming to improve relations with the users, we ordered a survey on the level of satisfaction of the caterers with HDS ZAMP's activities. Its results were more positive for HDS ZAMP than expected: more than 1000 caterers throughout the country rated their business relationship with HDS ZAMP with a solid B.

We also welcomed onboard Mr. Miroslav Folnegović Hulec (until recently, the president of the Croatian Association of catering services at the Croatian Chamber of Economy) mid-year. He is now our consultant for the customers' relations. The field and administrative staff has also attended a specialized communications training.

Since autumn 2014, we are hosting monthly workshops with the licensees, informing them of our activities, familiarizing them with the benefits music can bring to their businesses, taking note of their suggestions, as well as their objections. In 2014, we organized these workshops in Koprivnica, Čakovec and Karlovac – the continental part of Croatia, mostly for the owners of catering facilities, such as bars, cafés and restaurants.

The domain of live music events and concerts recorded a 10% increase of the events' lists of performed works (setlists) delivered to HDS ZAMP when compared to 2013, and more than 80% increase when compared to 2012. The number of concerts of serious music was also increased. The negotiations with the Concert promoters' grouping of the Croatian Chamber of Economy were started at the end of 2014, having as a goal the improvement of the current Agreement.

In the field of mechanical reproduction (and copying) of music for jukebox devices, we are continuing our cooperation with their association. The number of registered jukebox devices is in decline, as the facilities' owners lose interest in investing in new devices.

The number of DJ licenses, both yearly and daily types, has grown for 30%. The individual objections made by DJs were all addressed efficiently, with our effort to improve the licensing terms, although the licensing model and remuneration rates were not changed. At the invitation of the DJs gathered around the EMI Institute, we participated at the Zagreb DJ Conference. We have once again repeated our opinion that having one umbrella DJ association would be beneficial both to DJs and to HDS ZAMP and its members.

Main event in 2014 for **MEDIA AND NEW TECHNOLOGY DEPARTMENT** was the signing of contracts with digital music services (Google Play Music, Rdio, YouTube, along with Deezer). Data filtering and distribution to authors from these sources is planned for September 2015.

New, three-year contract was also signed with Croatian Radio Television (HRT) – it is the continuation of existing deal on same principles and legal basis for the last twenty years. In the meantime, HRT expanded its broadcast to additional channels, Internet and „on demand“ services. Since the contract was somewhat controverted by the public, Institute of Economics in Zagreb conducted a study which showed that the amount paid by HRT is 20% to 45% lower than the European average, depending on methodology of comparison.

Income from local TV and radio are stagnating – economic crisis affected that sector resulting in closure of some of the stations. In 2015, contract is renewed with 15 cable operators with 600 000 subscribers in Croatia.

Negotiations between Croatian Composers' Society and Croatian Discographers' Union are in progress – the goal is modernization and adjustment of contracts according to world standards (IFPI, BIEM).

New category, tablet devices, is added to BTL sector with some groups of products being unified (memory cards, memory sticks, removable hard drives...).



COMMUNICATIONS AND PR DEPARTMENT had an active year – along with workshops for members and licensees, in April 2014 we initiated the campaign „Authors make the world a better place“. It included a web page, social network, TV, radio, print and Internet advertising as well as live concerts in the city of Split. With great number of music authors, we welcomed participation of film directors, writers and other creators as well.

„Playlist for Slavonia“ gathered public interest with participation of music authors donating their royalties for the benefit of people affected in floods in Slavonia. HDS ZAMP initially donated 150 000 kunas to Red Cross in Croatia, while royalties for the 1st half of 2014 amounted to 103 000 kunas. In the 2nd half of 2014, the amount of 155 000 kunas is generously increased by composer Srđan Dedić who donated 30 000 kunas – all in all, „Playlist for Slavonia“ donated 440 000 kunas! The sum was transferred to Croatian Red Cross and HDS ZAMP would like to thank all the authors who showed solidarity and gave up their royalties for a year. The act was also important for discussing collective rights system, with media and public treating it benevolently.

In November 2014, HDS ZAMP was the key organizer of the 2nd edition of International Authors Creative Conference (IACC) in the Museum of Contemporary Arts in Zagreb. The conference became a useful tool for promotion of intellectual property and copyright with a great number of authors and musicians attending the presentations and discussions.

In 2015, HDS ZAMP is also planning an extensive communication with the general public, as well as institutions. The communication will be based on 4 main topics:

- 1. Intellectual property is vitally important for economic growth.**
- 2. Stronger protection of IP and copyright enables return of investments for the authors.**
- 3. We need stronger political support to creative industries such as music!**
- 4. Reducing illegal business on the Internet is necessary for the development of music as an industry and well being of musicians**

HDS ZAMP became a member of Croatian Employers' Association and Croatian Cluster in Creative and Cultural Industries. The activities of cluster consisting of informing political and general public of music as an important part of creative industry and economy driver, would be visible during 2015.

Nenad Marčec
General Manager
HDS ZAMP

FINANCIAL RESULTS IN 2014

	A	B	C	D	E	F	G	H
COLLECTED IN 2014 - KN	COLLECTED IN TOTAL	EXPENSES	EXPENSES %	FOR DISTRIBUTION (A-B)	DEDUCTIONS FOR SOCIAL AND CULTURAL PURPOSES	DEDUCTIONS %	NET FOR DISTRIBUTION (D-E)	%
PUBLIC PERFORMANCE RIGHTS								
Radio stations	16,056,638.25	3,855,268.88	24.01%	12,201,369.27	1,220,136.94	10.00%	10,981,232.43	68.39%
Television stations	23,838,194.66	5,496,196.28	23.06%	18,341,998.38	1,834,199.84	10.00%	16,507,798.54	69.25%
Cable retransmission	13,050,278.48	2,324,809.51	17.81%	10,725,468.97	1,072,546.90	10.00%	9,652,922.07	73.97%
Concerts	7,985,064.90	1,437,311.68	18.00%	6,547,753.22	0.00	0.00%	6,547,753.22	82.00%
Hotels, clubs, caterers, transporters, etc.	32,932,197.69	9,714,998.31	29.50%	23,217,199.38	2,321,719.94	10.00%	20,895,479.44	63.45%
Live music	4,708,051.51	1,398,766.67	29.71%	3,309,284.84	330,928.48	10.00%	2,978,356.36	63.26%
TOTAL PUBLIC PERFORMANCE RIGHTS	98,570,425.49	24,227,351.33	24.58%	74,343,074.16	6,779,532.09	9.12%	67,563,542.07	68.54%
MECHANICAL REPRODUCTION RIGHTS								
Discography	1,634,151.08	294,147.19	18.00%	1,340,003.89	0.00	0.00%	1,340,003.89	82.00%
Private copying	3,121,294.38	577,439.46	18.50%	2,543,854.92	763,156.48	30.00%	1,780,698.44	57.05%
TOTAL MECHANICAL REPRODUCTION RIGHTS	4,755,445.46	871,586.65	18.33%	3,883,858.81	763,156.48	19.65%	3,120,702.33	65.62%
ONLINE AND DIGITAL								
DSPs	627,880.55	125,576.11	20.00%	502,304.44	0.00	0.00%	502,304.44	80.00%
MPRT	61,258.61	11,026.55	18.00%	50,232.06	0.00	0.00%	50,232.06	82.00%
MP3 juke-boxes	439,471.59	87,894.32	20.00%	351,577.27	0.00	0.00%	351,577.27	80.00%
DJs	371,990.66	74,398.13	20.00%	297,592.53	29,759.25	10.00%	267,833.28	72.00%
Other (dig. archives, recorders, portals, etc.)	372,513.07	74,502.61	20.00%	298,010.46	0.00	0.00%	298,010.46	80.00%
TOTAL ONLINE AND DIGITAL	1,873,114.48	373,397.72	19.93%	1,499,716.76	29,759.25	1.98%	1,469,957.51	78.48%
GRAND AND SYNCHRONIZATION RIGHTS								
TOTAL	0.00	0.00	0.00%	0.00	0.00	0.00%	0.00	0.00%
INTERNATIONAL								
Revenue from abroad	6,316,944.83	631,694.48	10.00%	5,685,250.35	0.00	0.00%	5,685,250.35	90.00%
TOTAL	111,515,930.26	26,104,030.18	23.41%	85,411,900.08	7,572,447.82	8.87%	77,839,452.25	69.80%



REMUNERATIONS BY RIGHTS - 2014

PUBLIC PERFORMANCE	88,39%	COMPARED TO 2013	5,64%	
MECHANICAL REPRODUCTION	4,26%	COMPARED TO 2013	10,07%	
ONLINE AND DIGITAL	1,70%	COMPARED TO 2013	8,97%	
INTERNATIONAL INCOME	5,66%	COMPARED TO 2013	20,83%	
TOTAL 2014.	100%	COMPARED TO 2013	6,63%	

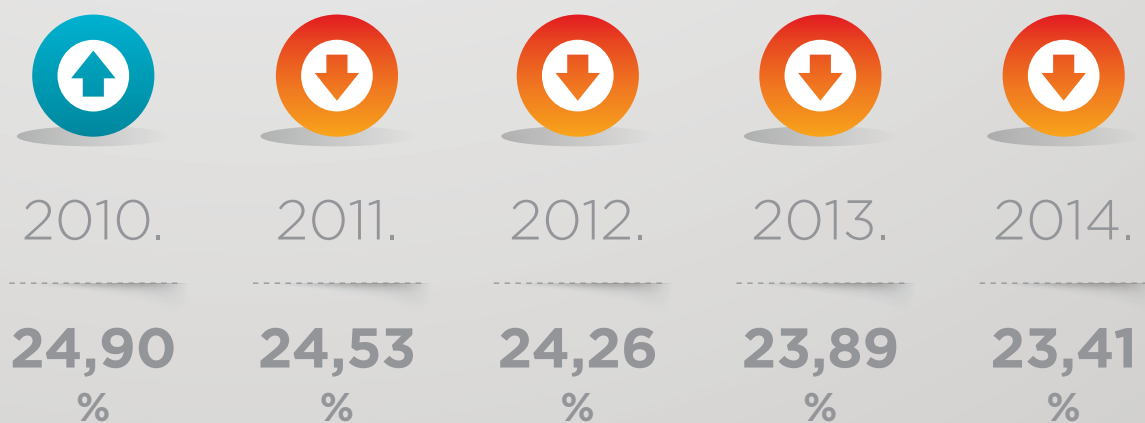
TOTAL REMUNERATION COLLECTED - 2014.

NET DISTRIBUTABLE INCOME	69,8%	COMPARED TO 2013	7,47%	
ADMINISTRATIVE COSTS	23,41%	COMPARED TO 2013	0,48%	
SOCIAL AND CULTURAL DEDUCTIONS	6,79%	COMPARED TO 2013	0,06%	

TOTAL REMUNERATION COLLECTED - LAST 5 YEARS.



ADMINISTRATION COSTS IN % OF GROSS INCOME COLLECTED - LAST 5 YEARS



REVENUE FROM ABROAD

TOP 5 SOCIETIES | COUNTRIES PER TOTAL ROYALTIES FOR 2889 HDS MEMBERS



A LIST OF SISTER SOCIETIES

SOCIETY	COUNTRY	SOCIETY	COUNTRY
AAS	Azerbaijan	OSA	Czech Republic
ABRAMUS	Brasil	PAM CG	Montenegro
ACUM	Israel	PRS for music	United Kingdom
AEPI	Greece	RAO	Russian Federation
AKKA - LAA	Latvia	SABAM	Belgium
AKM	Austria	SACEM	France
ALBAUTOR	Albania	SACM	Mexico
AMCOS	Australia	SADAIC	Argentina
APRA	Australia	SAMRO	JAR
ARTISJUS	Hungary	SAS	Georgia
ASCAP	USA	SAYCO	Colombia
AsDAC	Moldova	SAZAS	Slovenia
AUME	Austria	SDRM	France
NCIP	Belarus	SESAC	USA
BMI	USA	SGAE	Spain
BUMA	Netherlands	SIAE	Italy
CASH	Hong Kong	SINE QUA NON	Bosnia and Herzegovina
EAU	Estonia	SOCAN	Canada
GEMA	Germany	SODRAC	Canada
HFA	USA	SOKOJ	Serbia
IMRO	Ireland	SOZA	Slovakia
JASRAC	Japan	SPA	Portugal
KODA	Denmark	STEF	Island
KOMCA	Republic of Korea	STEMRA	Netherlands
LATGA	Lithuania	STIM	Sweden
MACP	Malaysia	SUISA	Switzerland
MCPS	United Kingdom	TEOSTO	Finland
MCSC	China	TONO	Norway
MESAM	Turkey	UACRR	Ukraine
MSG	Turkey	UCMR ADA	Romania
MUSICAUTOR	Bulgaria	ZAIS	Poland
MUST	Taiwan, Chinese Taipei	ZAMP MAKEDONIJA	Macedonia
NCB	Scandinavia		



GESAC MEMBERSHIP

In May 2014., Croatian Composer's Society became a member of European Grouping of Societies of Authors and Composer (GESAC). Situated in Bruxelles, GESAC's primary goal is lobbying for creators and their societies in various EU institutions. GESAC contributed to drafting of the CRM Directive continues to participate in current European debates concerning the status and future of copyright.


TOP 10 WORKS BY CROATIAN AUTHORS ACCORDING TO THE NUMBER OF BROADCASTS IN 2014:

TITLE	AUTHOR	PERFORMER
1 TANGO	I. DEČAK/I. DEČAK/I. DEČAK, I. CELIO-CEGA, R. KELEMEN, M.R. KASUMOVIĆ, T.F. ŠUŠAK	VATRA
2 SUZE NAM STALE NA PUT	P. MARTINJAK	MASSIMO
3 ČUVAJ ME	A. ŠERIĆ/A. ŠERIĆ/A. ŠERIĆ, T.F. ŠUŠAK	PAVEL
4 DONNA	S. PARADIŠ ŠPARKA, D. GOBAC/N. KEPESKI/PSIHOMODO POP, S. SEKULOVIC	PSIHOMODO POP
5 MALENA	H. MEDANIĆ, T. ČUBEK/T. ČUBEK/H. MEDANIĆ, R. MODLIC, T. ČUBEK, T. KRALJ, S. SEKULOVIC	GRETTA FEAT. GEBY
6 TAMNI SLAPOVI	J. HOURA/J.HOURA, I. PRAJO/ T. FILEŠ	PRLJAVO KAZALIŠTE
7 BEJBI	D. GOBAC	PSIHOMODO POP
8 GRIJEH	D. ŠARAN/D. ŠARAN/Đ. PERVAN	NATALI DIZDAR
9 SAMO DA ZNAŠ	H. HASANEFENDIĆ/H. HASANEFENDIĆ/PARNI VALJAK	PARNI VALJAK
10 ANĐELA, ANĐELE	N. BELAN	NENO BELAN

TOP 10 WORKS BY FOREIGN AUTHORS ACCORDING TO THE NUMBER OF BROADCASTS IN 2014:

TITLE	AUTHOR	PERFORMER
1 HAPPY	P. WILLIAMS	PHARRELL WILLIAMS
2 CAN'T REMEMBER TO FORGET YOU	E. HASSLE, T. HULL, D. LEDINSKY, J. HILL, I. RIPOLL SHAKIRA, R. FENTY	SHAKIRA FEAT. RIHANNA
3 RATHER BE	J. PATTERSON, J. NAPES, N. MARSHALL, G. CHATTO	CLEAN BANDIT FEAT. JESS GLYNNE
4 STOLEN DANCE	C. REHBEIN	MILKY CHANCE
5 THE MONSTER	B. FRYZEL, M. MATHERS, J. BELLION, B. REXHA, A. KLEINSTUB, M. ATHANASIOU, R. FENTY	EMINEM FEAT. RIHANNA
6 ORDINARY LOVE	D. EVANS, B. BURTON, L. MULLEN, A. CLAYTON, P. HEWSON	U2
7 COUNTING STARS	R. TEDDER	ONEREPUBLIC
8 ADDICTED TO YOU	T. BERGLING, J. KRAJCIK, M. DAVIS, A. POURNOURI	AVICII
9 LOVE NEVER FELT SO GOOD	M. JACKSON, P. ANKA	JUSTIN TIMBERLAKE & MICHAEL JACKSON
10 LOVE ME AGAIN	S. BOOKER, J. NEWMAN	JOHN NEWMAN

REmira

d.o.o. za reviziju

Mrazovićeva 9, ZAGREB, phone/fax: 01/48-16-856

HDS – Croatian Composers' Society
Berislavićeva 9, Zagreb

Services:

- auditing
- accounting
- financial analysis
- tax consultancy

Attn. of Mr. Nenad Marčec

Zagreb, 27 May 2015

Re.: Audit Report Summary of the factual findings in connection with the General Statement of Funds Distribution to Right Holders in the period from 1 January 2014 to 31 December 2014

As requested by you, below please find a summary of the factual findings in connection with the audit of the General Statement of Funds Distribution to Right Holders for 2014 as follows:

1. Pursuant to the Agreement dated 15 March 2015, we have performed the agreed procedures in connection with the examination of the General Statement of Funds Distribution to Right Holders for 2014.
2. Our engagement was completed in accordance with the International Standard on Related Services MSPU 4400 applicable to engagements to perform agreed-upon.
3. The agreed-upon pertained to:
 - a) examining and assessing segments of Society's financial statements included in the General Statement of Funds Distribution to Right Holders for the period from 1 January 2014 to 31 December 2014.
 - b) issuing audit reports on established facts including an opinion on whether the collected fees are allocated in accordance with the distribution rules and provisions of the Copyright and Related Rights Act (Official Gazette 167/03, 79/07, 80/11, 141/13 and 127/14) and whether the total costs for the collective entitlement were incurred in an amount permitted under Article 167, paragraph 5 of the Act.
4. On completion of the auditing procedures, we established as follows:
 - a) Regarding point 3a), we were assured that the records used to calculate the rights to distribution to authors were proper and based on authentic documentation and may as such be used to prepare the General Statement of Royalties for 2014.

- b) Regarding point 3b), we were assured that the requirements under Article 167, paragraphs 5 and 7 of the Copyright and Related Rights Act have been met, as follows:

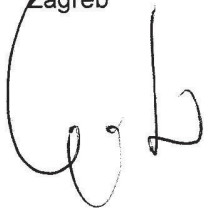
(b1) In connection with Article 167, paragraph 5 of the Copyright and Related Rights Act (Official Gazette 167/03, 79/07, 80/11, 141/13 and 127/14), we were assured that the Society's costs for the collective entitlement amount to **22.42%**, i.e. they do not exceed the legally permitted level of 30% of collected fees.

(b2) In connection with the provisions of Article 167, paragraph 7 of the Copyright and Related Rights Act (Official Gazette 167/03, 79/07, 80/11, 141/13 and 127/14) and a review of the General Statement of Royalties for 2014, adopted by the Presidency of Croatian Composers' Society on 26 May 2015, in our opinion, the collected fees are distributed to right holders in accordance with the distribution rules defined by Society's normative documents, and the Resolution to Accept the General Statement of Royalties for 2014 of 26 May 2015 was based on the Rules for the Entitlement to Copyrights and the provisions of the Law.

Zagreb, 27 May 2015

Auditing firm:

Remira d.o.o.
Mrazovićeve 9
Zagreb

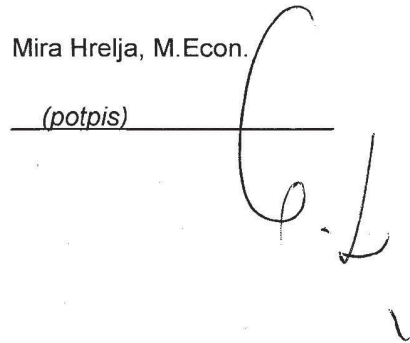


"REmira"
d.o.o. za reviziju
ZAGREB, Mrazović

Auditors:

Mira Hrelja, M.Econ.

(potpis)



THE END OF THE TRANSLATION

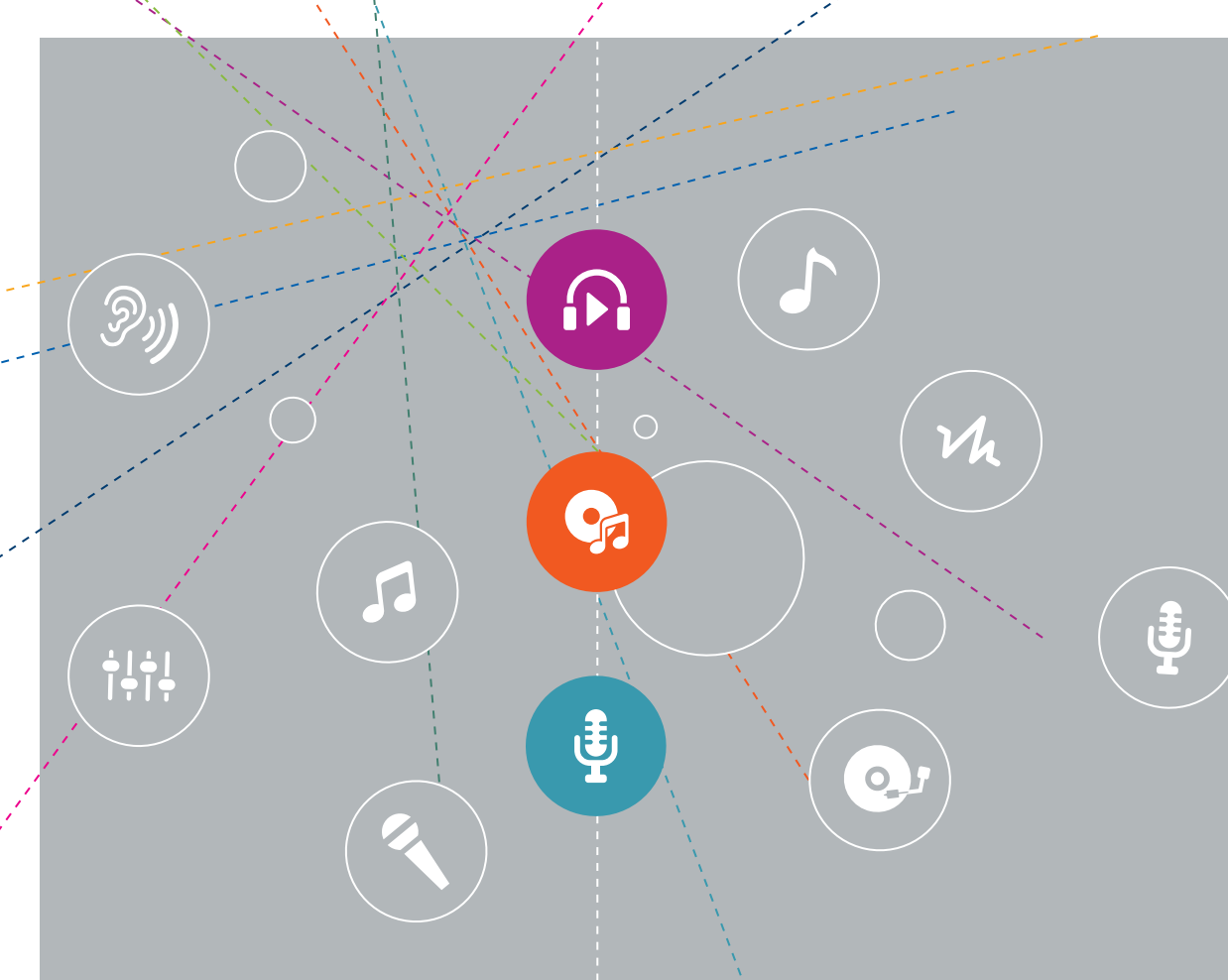
Hereby I, **MARKO KALLAY**, Attorney-at-Law from Zagreb, sworn-in-court interpreter of English and German, do hereby declare and certify that the above translation fully corresponds to its original rendered in the Croatian language. Appointed thereto by the decision of the County Court, File No. 4 Su-1079/09 of September 1st, 2009.

Translation issued under File No.: OV-HE-108-07-15

Zagreb, 9 July 2015

Signature: Marko Kallay, *dipl. jur.*





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RENTAL OF MUSICAL MATERIAL

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