

MUSICAUTOR

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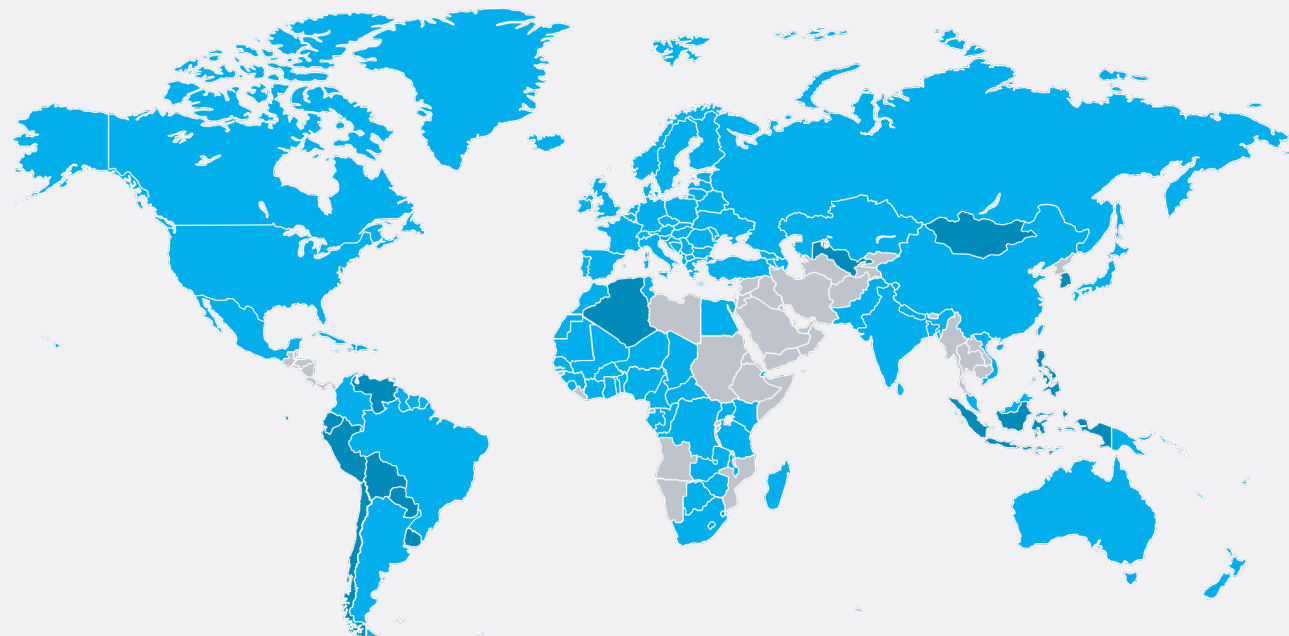
**ANNUAL REPORT
2015**



MUSICAUTOR
| www.musicautor.org |

is a non-profit organization for collective management of copyright of composers, authors of lyrics and music publishers.

Musicautor has more than 2 700 members. Through reciprocal contracts with foreign sister societies in nearly 100 countries, the organization offers almost the entire world repertoire of music for the Bulgarian market.



■ Sister societies with reciprocal contracts with Musicautor
 ■ Sister societies in negotiations for reciprocal contracts with Musicautor
 ■ Sister societies without reciprocal contracts with Musicautor

MUSICAUTOR IS MEMBER OF



International Confederation of Societies of Authors and Composers (CISAC)



International Bureau of Authors' Societies for Collective Management of Mechanical Rights and Reproduction (BIEM)

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The society was founded in 1992 r. and registered with the Register kept at the Ministry of Culture under No. 1 of 13th January 1994.

The society has not opened and registered any branches.

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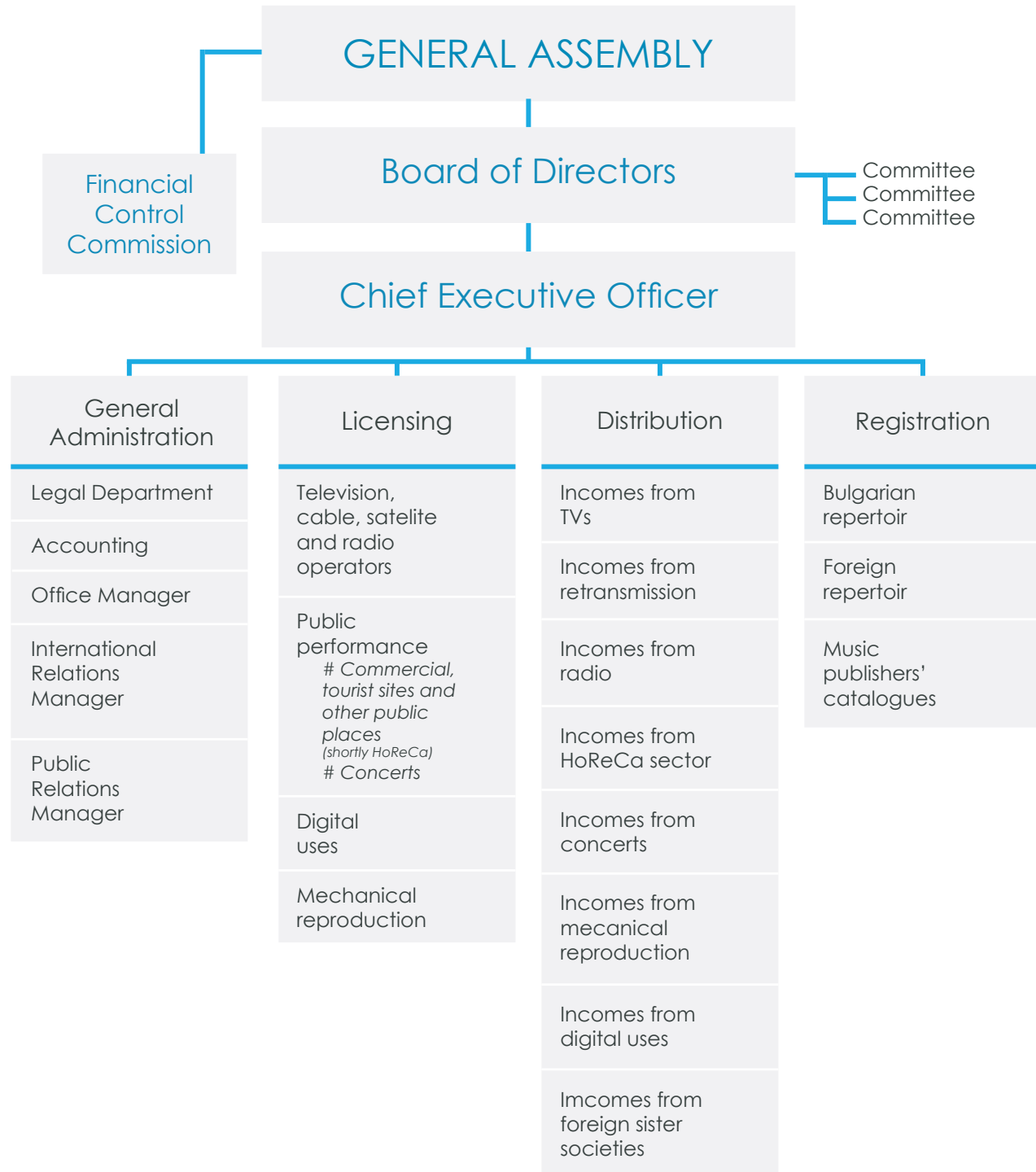
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MANAGEMENT

LICENSING

DOCUMENTATION AND DISTRIBUTION

SUPPORT AND DEVELOPMENT



Board of Directors

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 Vasil Gyurov - deputy chairman
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 Peter Delchev
 Peter Doundakov
 Virginia Publishing EOOD
 Shubert Music Publishing OOD

Financial control commission

Vassil Nikolov - chairman
 Doncho Genov
 Valery Grigorov

Chief Executive Officer

Ivan Dimitrov

Pursuant to Art. 37 of the company Statutes, Musicautor is represented by its chairman, the deputy chairmen and the CEO, together or separately.

Musicautor - mission

Musicautor promotes and protects authors with the implementation of innovative practices in order to increase the remuneration from the exploitation of their works. We believe that by meeting the current legal, licensing and technological standards in collective management of copyright we will be recognized as a reliable and trustworthy partner of authors, users and related international organizations. Our team is aware of and takes the responsibility through its operation to be a factor for sustainable integration, validation and implementation of copyright in the value system of Bulgarian society.



In 2015, Musicautor reported the highest income in its history - it amounted to 7 459 048 BGN. This financial result should not be viewed in isolation. The company continued to invest in the development of its human resources, expertise and technological capacity to overcome the accumulated problems and created a positive trend in the income of the authors and publishers.

The most serious annual growth was achieved through transmission. Despite the huge share of the informal economy in this sector, the new tariff and the agreement signed with the Bulgarian Association of Cable Communications Operators (BACCO) generated 1055% more income compared to that reported in 2014.

During the year, key agreements with the groups of BTV and Nova Television were agreed. They will provide an opportunity to focus on the problematic sectors related to concert activity, mechanical rights and radios in 2016.

The efforts for legislative changes aimed at facilitating the monitoring of the compliance with the Copyright and Related Rights Act (CRR) in the public performance of music and in respect of the empty information media continued even more intensively.

Musicautor initiated jointly with the Bulgarian Music Association (BMA) the campaign New Year for the Bulgarian Culture. The event was supported by the Ministry of Culture, Committee on Culture and Media, Sofia Municipality, International Confederation of Authors and Composers Societies (CISAC), Filmauthor, Artistauthor, Union of Bulgarian Composers, Bulgarian Book Association, Union of Bulgarian Artists and a number of Bulgarian authors and performers. Next step toward more serious and constructive debate on the intellectual property protection and promotion of the creative and cultural industries was made through the initiative.

The belief that these processes have already been launched and are irreversible motivated Musicautor to establish, in cooperation with its partner organisations, expert commission on preparation of draft legislation in the area of collective management of rights. The draft legislation is required in view of the forthcoming transposition of Directive 2014/26/EC on collective management of copyright and related rights and multi-territorial licensing of rights in musical works for online use in the internal market.

The companies involved in the collective management of rights were positioned by the

experts at such a high level for the first time. Serious factor which forms our expectations is the fact that the interests of our members will be reflected and protected by the new law as much as possible.

In addition, the successful interaction with CISAC in the recent years gave our country the chance to host in 2016 the meeting of the European Committee of CISAC in the city of Sofia. The conduct of such an authoritative forum is an expression of confidence and is a positive sign that the undertaken reforms and policy on transparency and development do not remain unnoticed by our international partners.

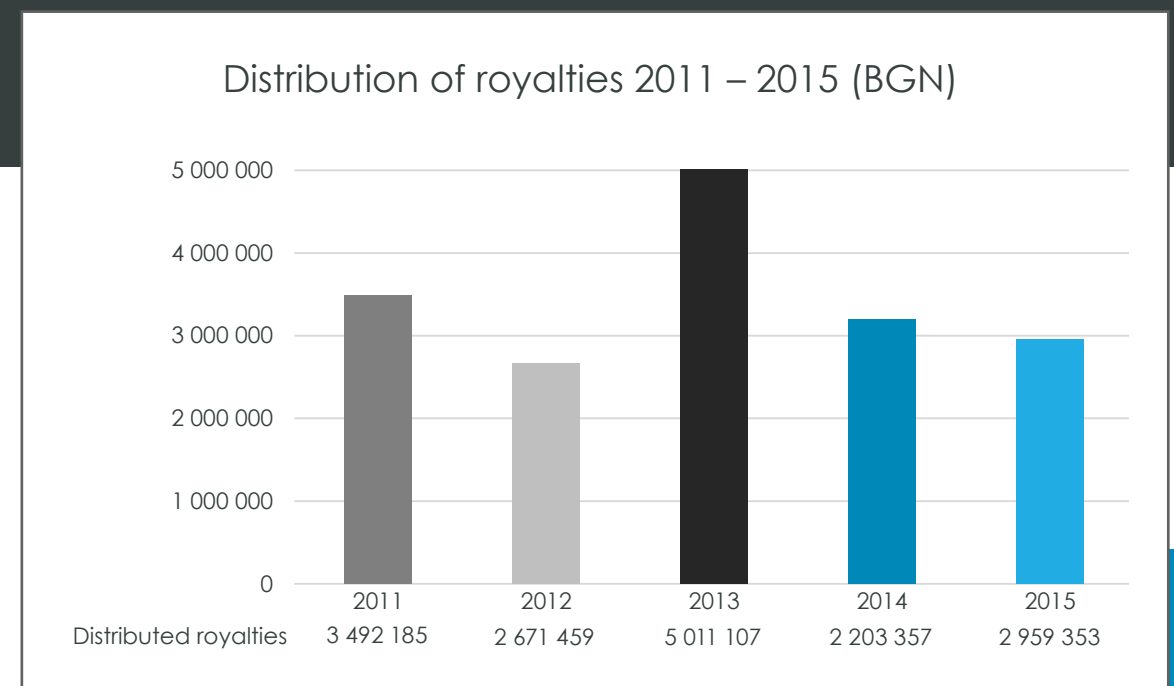
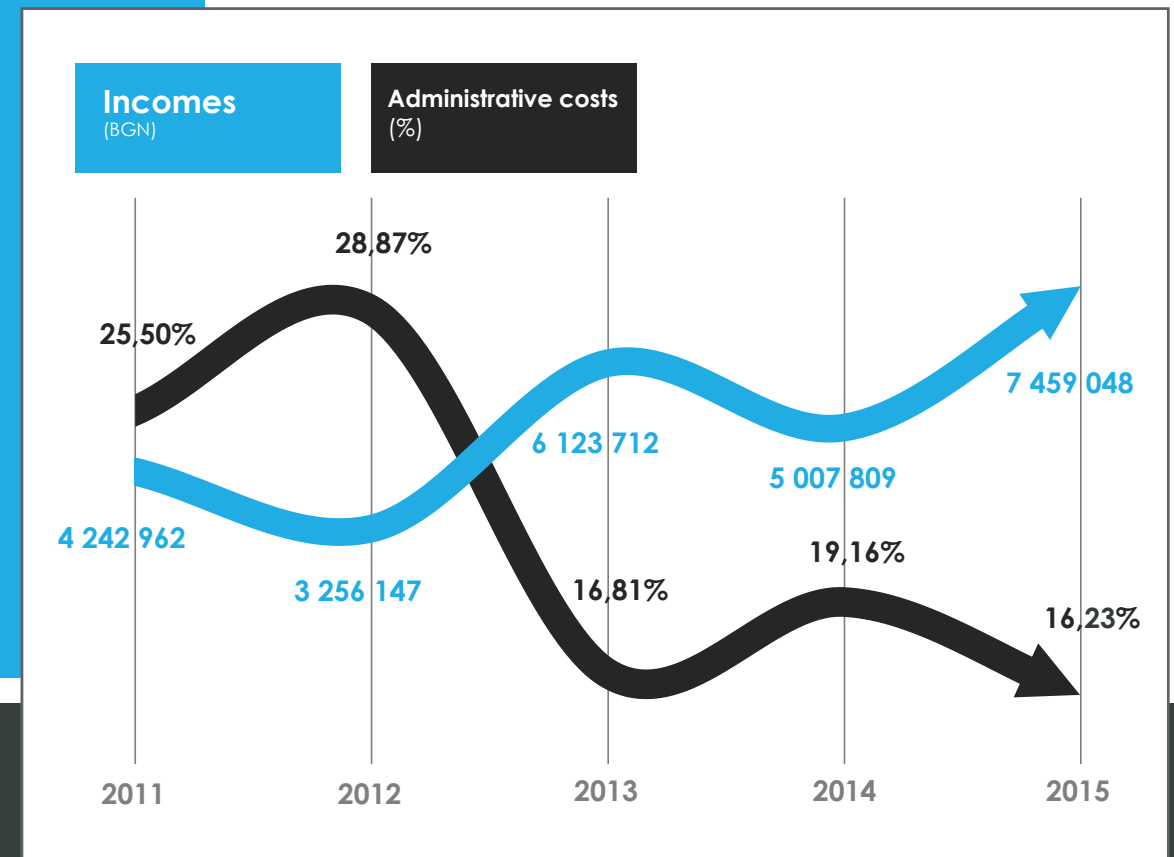
The society's efforts to provide services of a higher quality were proven by the conclusion of monitoring contract with the monitoring agency BMAT which is based in Spain. In so far as this company works with the leading world companies for collective management of rights, the interaction with it aims to set new performance standards for Musicautor.

During the year, the company managed to consolidate and adapt its network of associates engaged with licensing of public performance of music to that of Prophon. The mechanisms of interaction are based to a large extent on the model adopted by Musicautor. The common information platform is created entirely on the current system of Musicautor. This is a strategic move aimed at the future synergy which will facilitate the users and will save money of the rightholders.

The company generated its highest revenue from use of digital rights in the past year. The challenges in this area are enormous and place the company in a situation which requires from it to seek a technological solution for processing of the huge information massifs and for adapting its licenses to the large number of specific services.

The external environment continues to be unfavourable for realization of the copyrights. The main institution which monitors the respect of the rights is the Ministry of Culture. However, its activities in this area are still too passive. There is no adequate position on the extremely large number of violations in conducting concerts in the country. The debate on amendment of Art.26 of the CRR which working definition would increase significantly the income of the rightholders is currently interrupted. These are some of the challenges which will focus the efforts and policies of Musicautor in 2016.

Ivan Dimitrov
Chief Executive Officer



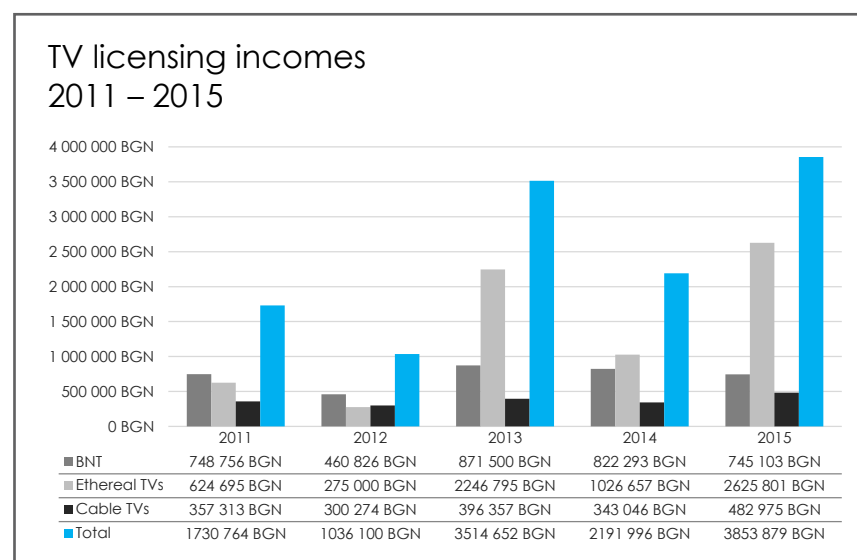
Incomes from copyright 2015

Types of users	Report 2015	% of the forecast	Royalties	For agents	Administrative costs
BNT	745 103	98,04%	596 082		149 021
BNR	487 768	106,04%	390 214		97 554
Private ethereal TVs	2 625 801	87,53%	2 100 641		525 160
Private cable TVs	482 975	120,74%	386 380		96 595
Retransmission	799 250	106,57%	719 325		79 925
Private radio stations	613 084	58,95%	490 467		122 617
HoReCa	1 017 229	84,77%	762 922	152 584	101 723
Concerts	189 605	47,40%	151 684		37 921
Mechanical rights	42 268	42,27%	35 928		6 340
Cinema	274	0,18%	233		41
Digital rights	166 360	118,83%	149 724		16 636
Currency	289 331	115,73%	260 398		28 933
Total	7 459 048	86%	6 043 998	152 584	1 262 466

*All amounts are in BGN without VAT

Administrative costs - 16,23%.

TELEVISION LICENSING



In 2015 a total sum of 3 853 879 BGN was collected from broadcasters.

The amount is a sum of the following incomes:

- Bulgarian National Television (BNT) - 745 103 BGN
- Private ethereal TVs - 2 625 801 BGN
- Private satellite and cable TVs – 482 975 BGN

Budget implementation (3 853 879 BGN for all TV) is 92,64%, as by items it includes:

- BNT - 98,04%
- Private ethereal TVs - 87,53%
- Private satellite and cable TVs - 120,74%

For comparison, in 2014 the amount collected was 2 191 966 BGN, the sum of 822 294 BGN (BNT), 1 026 657 BGN (private ethereal TVs) and 343 046 BGN (private satellite and cable TVs).

Compared to the previous year - 2014, there is a decline in sector revenues amounting to 75,81%.

Contracts

In 2015, existing contracts were 51. Six of them - for broadcast television (BNT, bTV, NOVA TV, Diema Family, BBT, TV7), the others - for cable/ satellite. Throughout the year 6 new contracts were signed, 4 of which - operatives.

In 2015, agreement with BTV was reached. It led to payment of the royalties due for the period 2009 - 2014 which were subject to long and difficult litigations. The relations with BTV Media Group and Nova Broadcasting Group were renegotiated. This ensures both security for the next few years and

increase in the royalties collected by the terrestrial televisions.

Problem areas

The case TV7. Due to the relation of the television with Corporate Commercial Bank it now has serious financial problems and has not paid royalties since 2013. The recovery of the company is largely considered as a political issue. We monitor the development of this issue in order to resolve the problem.

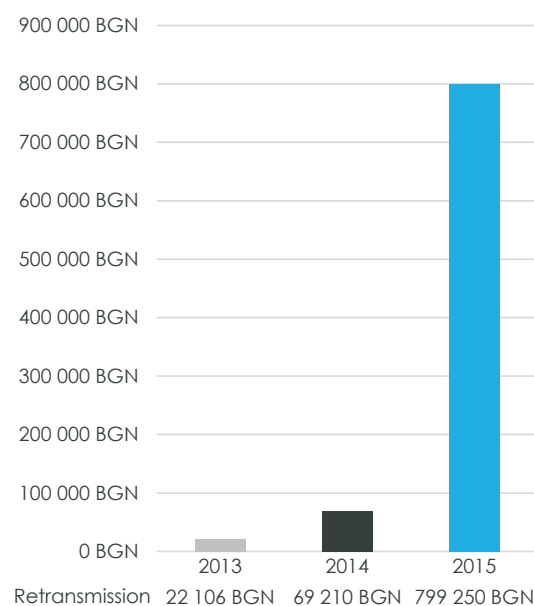
There was a delay in payment of outstanding wages of some private cable televisions. Except the case that Musicautor still bring against Evrokom Tzarevets, Evrokom National Cable Television (Botevgrad), DSTV, Canal 6 and Kolor TV, in 2015 was bring legal actions against Box TV and Agro TV.

Among the televisions that are in delay with current payments are: Press TV, Foton-K, Skat, The Voice, Magic TV, Alfa, TV Mix, TV Era, Kolor TV and Canal 6.

The inability to approve new tariff in cooperation with the representative organisation Association of Bulgarian Broadcasters (ABB) is still the main problem in the sector. To avoid the opportunity to frustrate the negotiations legal change which will determine clear deadlines for their completion must be made. The legislative initiatives of Musicautor will probably be reflected in the transposition of the directive on collective management of rights in 2016. Musicautor will follow the regulation referred to in Art.40f, para.14 of the CRR (see page 18) by the date of validation of the new tariff.

RETRANSMISSION

Retransmission licensing incomes 2013 – 2015



In 2014, 51 contracts with retransmission enterprises were concluded. The total amount of the concluded contracts is 245.

Revenues amounted to 799 250 BGN. For comparison - in 2014 revenues in this direction were 69 210 BGN. There is an increase by 730 040 BGN. Growth compared to the previous year is 1054,82%. Percentage performance against planned budget for 2015 is 106.57%.

In the beginning of 2015, software for enterprises which allows for precise database control was released. The programme fully automates the process of distribution and facilitates the communication with users. The companies which have concluded a contract with Musicautor have direct access to the system and can control through it the submission of information cards, can make changes in the broadcast programmes, can monitor the issue of accounting documents and can use the reports on the payments made and outstanding amounts.

The high share of the informal economy remains a challenge in the sector. This fact distorts the market conditions and competition in Bulgaria. This requires a decision at legislative level to be searched in cooperation with other stakeholders and organisations.

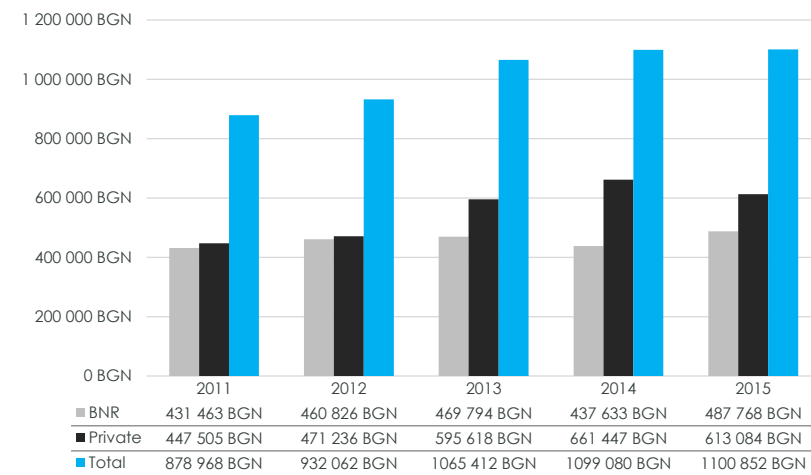
Contract for general licensing

The contract for general licensing was administrated by Musicautor for the period: 2006 - 2011. Parties thereto are AGICOA (the International Association of Film Producers), EBU (European Broadcasting Union) and VG-media (German collecting society which represents private broadcasting media) together with Bulgarian companies for the collective management of the rights of Musicautor, Filmautor and Theatreautor.

Although the contract was terminated in the end of 2015, an additional sum of 3 822 BGN was collected.

RADIO LICENSING

Radio licensing incomes 2011 – 2015



A trend to increasing the revenue of the large radio operators and groups is observed in the radio sector. Contrary to this, the number of small operators is reduced. The situation is the same in the municipal cable radio operators - large part of them terminate their activity.

In 2014, the sum of 1 100 852 BGN was collected that represents the sum of the revenues, generated by private broadcasting operators (incl. municipal), amounting to 613 084 BGN, and Bulgarian National Radio (BNR) – 487 768 BGN. For comparison - in 2014, the revenues were 1 099 080 BGN amount of 661 447 BGN (private + municipal operators) and 437 633 BGN (BNR).

Relative to the previous year, revenue growth of radio sector in 2015 is 0.16% (growth of 11.46 % for the BNR and decrease of 7.31% for private and municipal operators).

Six new contracts were concluded for this period. Four radio operator ceased activity and one contract was cancelled by a user.

The delay of payments by the users, including by the large radio groups, is a sustainable negative trend in the sector. Only the radio company C.Jay pays timely its liabilities. Late payments are made by BSS Media Group, Communicorp Group and Focus. In 2015, legal actions were taken against Balkan Broadcasting. Upon completion of the legal proceedings the radio group paid partially the amounts due for the past period. In 2015, a total amount of 175 771 BGN payable for previous years was collected.

Negotiations with ABB for approval of radio tariff

The entire 2015 was marked by attempts to negotiate tariff for the radio sector with ABB. This became necessary since at the end of 2014 the five-year framework agreement between the two parties and the individual contracts signed with users in the sector ended. In the summer of 2013, Musicautor sent an invitation to the Association on Initiation of Negotiations but the first meeting was held only in November 2014. In November 2015, Musicautor sent proposal for approval of tariff.

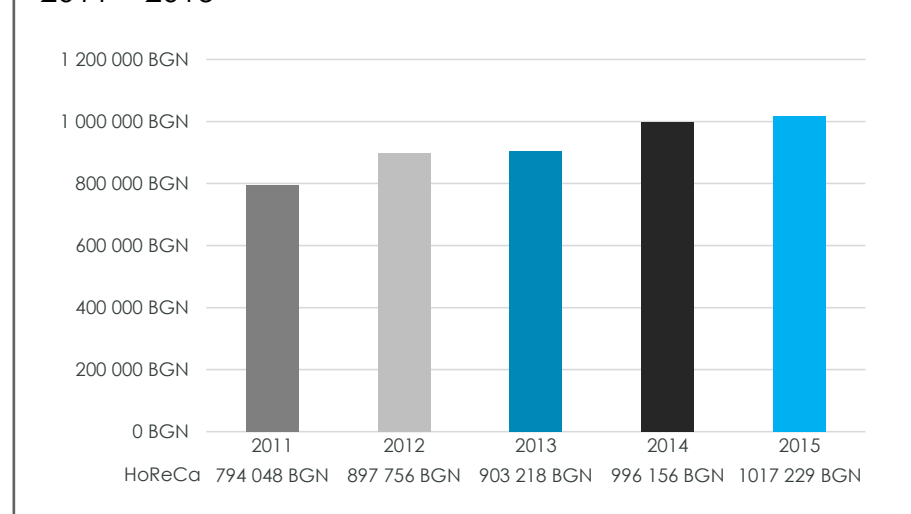
The Association, however, failed to send a formal response to the proposal by the end of the year. The lack of deadline for negotiation in the law and the repeated delays and postponement of the discussions led to inability on the part of Musicautor to negotiate a tariff. Thus, a significant part of the operators did not sign contracts throughout the calendar year. At the end of 2015, the rights of some users were settled. The lack of contracts had a strong negative effect on the revenue of Musicautor generated in the radio sector - only the amount of 120 462 BGN of the total amount of 1 100 852 BGN collected during the year referred to the current year. This is only 10.54%.

PUBLIC PERFORMANCE

HoReCa

(commercial, tourist sites and other public places)

HoReCa licensing incomes 2011 – 2015



Incomes in the sector in 2015 grew by 2% and amounted to 1 017 229 BGN, VAT excluded.

In 2015, the efforts of Musicautor were aimed at implementation of the strategic objectives on improving the company's position in the sector in the next few years. This required the introduction of new practices and development of the model to work with users in parallel with the implementation of the permanent objectives to increase the number of licensed sites and the number of collected royalties.

In the beginning of the year, close cooperation with the new team of Prophon was established. The cooperation is aimed at optimising the overall work, taking coordinated actions and creating the service „one stop shop“. During the year, the following activities were performed:

- a unified work model was developed;
- seminar to train the assistants where the networks of the two companies in the sector were completely unified was organised;
- new joint packages for communication with the users were prepared;
- the common webpage for submission of applications to the two companies was developed;
- work on a new common electronic platform for submission of applications and administration of contracts based on the current system of Musicautor began.

The market development and occurrence of new services required optimisation and development of the activity on supply of music licenses in the sector.

The organisation and conduct of tenders by the two mobile operators for selection of suppliers of music content which might provide them with the package service in addition to the rights granted through Musicautor and Prophon was considered as a unique event on the market.

This required the development of new model for distribution of licenses. It reflects the network status and operation of Musicautor and Prophon and offers solutions for development of new business models, opportunities and various channels for conclusion of contracts with users.

The model is based on clear rules for action and interaction of the new corporate intermediaries with the Public Performance Department, structures of interbranch organisations, specialised websites, advertising forms, etc.

These mechanisms work in the context of the now existing practices and rules and are aimed at attracting maximum number of users by making various proposals or by providing services which include also settlement of rights. The emphasis, however, continues to be placed on the development and strengthening of the own network. The model will be introduced in 2016.



Press conference at Musicautor presenting the agreement with BHRA (October, 5th 2015)

Pictured (left to right):
Irena Georgiva - Deputy Minister of Tourism,
Sofia Shtereva - Chief Executive Officer of Prophon,
Blagoy Ragin - Chairman of BHRA,
Ivan Dimitrov - Chief Executive Officer of Musicautor,
Boil Banov - Deputy Minister of Culture

New five-year agreement with Bulgarian Hotel and Restaurant Association (BHRA)

New five-year agreement with Bulgarian Hotel and Restaurant Association (BHRA) was signed and support for legislative changes was provided at the new negotiation round with BHRA which was held in 2015. This was required in view of the fact that this year, the term of the first five-year framework agreement signed with the interbranch organisation expired. The development of the partnership with BHRA for a new five-year period was crucial for the market development and revenue growth and the negotiations with the representative organisation of the users are mandatory if the tariffs are amended in accordance with the provisions of the CRRA.

A positive sign for regulation of the sector was the fact that the negotiations were conducted with the participation of representatives of the three parties - Musicautor, Prophon and BHRA. This led to approval of similar conditions and models for calculation of the royalties which should confirm the transparency of the tariffs and should facilitate the communication between the users and companies.

The parties demonstrated their understanding that the reduction of the tariff rates and improvement of the control of tourist and commercial sites will result in better collection of the royalties collected for public performance of music in Bulgaria. For this reason, BHRA stood firmly behind the proposals of Musicautor and Prophon for legal changes in this direction.

Activities and problems related to the monitoring on the compliance with CRRA

This year, Musicautor took again proactive position on the control activities carried out by the Ministry of Culture. Upon completion of the analyses, meetings with the relevant deputy minister on taking actions to improve the effectiveness of the inspections, on the one hand, and on the administrative and criminal proceedings, on the other hand, were organised.

This was aimed at changing the ratio between the insufficient number of final penal provisions and the number of inspections and unlicensed users. The schedule of the inspections was followed precisely in accordance with the developed plans and available resources. Inspections were conducted in both the main cities and resorts and in rarely visited regions, such as Lovech, Troyan, Oreshak, etc. New type of unannounced check of large users was initiated and carried out to clarify the repertoire used and settled rights. Notwithstanding the above, it can be concluded that the loss of preventive force in the inspections of the Ministry of Culture leads to ineffective control of the entire sector where over 100,000 sites operate.

In 2015, Musicautor continued to seek cooperation with the regional structures of Economic Police,

following the model of cooperation with Sofia Economic Police. Thus, based on alerts issued for some night clubs inspections in the region of Stara Zagora and Kazanluk were conducted.

The cases where users which had already signed contracts with the so-called European Agency for Protection of Performance and Producer Rights and Copyright (EAPPPRC) concluded new contracts with Musicautor increased. After the final decision of Supreme Administrative Court the registration of the agency was refused and it had to terminate its activities in the sector. Musicautor took all measures to normalise its activities on the market by notifying the users thereof, by issuing alerts to the Ministry of Culture for violations of the EAPPPRC and by raising explicitly the issue on the amounts collected by the agency in violation of the law and on their uncertain fate. For this purpose, the prosecution office was seized.

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PUBLIC PERFORMANCE

CONCERTS

...continued from p. 13

Actions taken in the sectors of cinema, theatre and transport

The efforts to regulate the cinema sector produced results at the end of the year. The proposals to amend the tariff prepared by Musicautor were approved and now the company will sign contracts with the major market participant - the chain Cinemas Arena, Cine Grand, and with the Bulgarian Association of Independent Film Exhibitors. The negotiations with the other major participant in the sector - Cinema City - which does not accept the invitations of Musicautor fall behind.

This year, Musicautor submitted for approval draft rules for determining the amount of royalties payable for use of music and related literary works included in the public performance of theatrical and other dramatic works. The Ministry of Culture issued an instruction for conduct of negotiations with the employer organisation in the sector - Bulgarian Association of the Employers in the Field of Culture (BAEFC) - which is also representative interbranch organisation within the meaning of Art.40f of the CRRA. Such negotiations were launched but they coincided with the competitions for appointment of new theatre managers. For this reason, meeting of the organisation governing body which should discuss this issue was not held. We hope that in the beginning of 2016 agreement with the theatres will be reached and the tariff will be validated.

During the year, the first discussions with the National Association of Bulgarian Road Carriers began. A number of meetings were held. A proposal for Framework Agreement and the beginning of the licensing process for the carriers were discussed at the meetings. This issue was placed on the agenda by the organisation governing body and will be further discussed in 2016.

In 2015 concerts sums collected amounted to 189 605 BGN, VAT excluded. The due amounts under contracts without submitted statements are approximately 94 545 BGN. There is a decrease of 35.55% compared of the previous year.

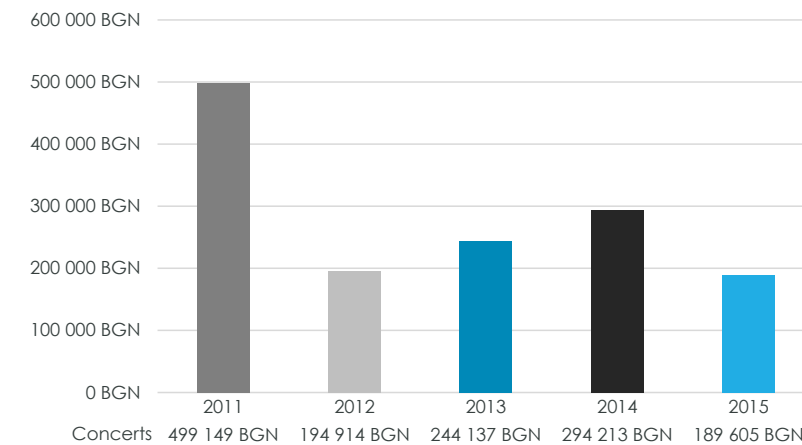
The revenue from small and medium-sized users has the same levels from the previous year but the number of licensed events raised up with 27%.

The concerts which is the most influential of the Musicautor revenues from concerts are organized by two big promoters – Sofia Music Enterprises AD and Karma Events EOOD (Balkan Entertainment). Sofia Music Enterprises AD has to pay authors rights for the period 2014-2015. It has partial payments for the concerts of Aerosmith, Iron Maiden и Dream Theater. Karma Events EOOD has to pay for the concerts of One Republic and the festival Spirit of Burgas 2015.

Through the licensed concerts in 2015 are the concerts of 2Cellos, Accept, Al Bano & Romina Power, Anastacia, Brit Floyd, Ceca, Chambao, Eros Ramazzotti, Future Heroes, Gregory Porter, Halloween, Judas Priest, Nigel Kennedy, OneRepublic, Red Hot Chili Peppers, Roxette, Slash, Whitesnake, Goran Bregovic, Enrique Iglesias, Lara Fabien, Lepa Brena, Slavi and Kuku bend, Soprano Turetzki, Julio Iglesias, The Godfather Live in Concert, 100 Years of Sinatra, Classic Date ABBA, I Love the 90's, Margi Hranova and Friends – The best songs of Bulgaria, Top 100 DJ's, DJ-partys of Cacao Beach, Junior Eurovision 2015, Like two drop of water; the tours of Lili Ivanova, Diana Express, Fondatzia, Legendite, Ruslan Mainov, The Voice; and the festivals Apolonia 2015, Varna Summer 2015, Jazz forum Stara Zagora 2015, Kavarna Rock 2015, The American Musique 2015, Ficosota Festival 2015, Plovdiv Jazz Fest 2015, Sounds of Ages 2015, Spirit of Burgas 2015, Solar Summer 2015.

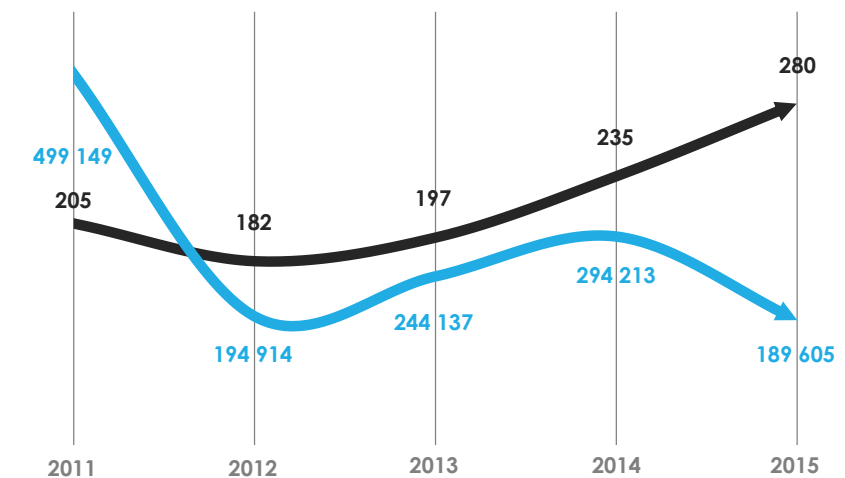
The hard work concerning concerts organized by the municipality started to bring good results in Varna, Burgas, Stara Zagora, Pazardzhik, Turgovishte, Blagoevgrad, Ruse, Sandanski, Gorna Oryahovitsa, Bansko and others.

Concerts licensing incomes 2011 – 2015



Income (BGN)

Licensed events



The position of Plovdiv Municipality which refused to sign a contract for several events proved to be absurd. This situation is unacceptable, as far as Plovdiv will present Bulgaria as European Capital of Culture in 2019. The role of the Ministry of Culture which is assigned the monitoring on the compliance with the CRRA by law was even more inconsistent.

However, the DJ-parties Solar Summer which take place every summer in Sunny Beach resort, the events associated with the election campaigns of the parties in 2015 and greater part of the events organised all the year round by advertising and event agencies involved in the development of new strategy for cooperation jointly with Musicautor were successfully licensed.

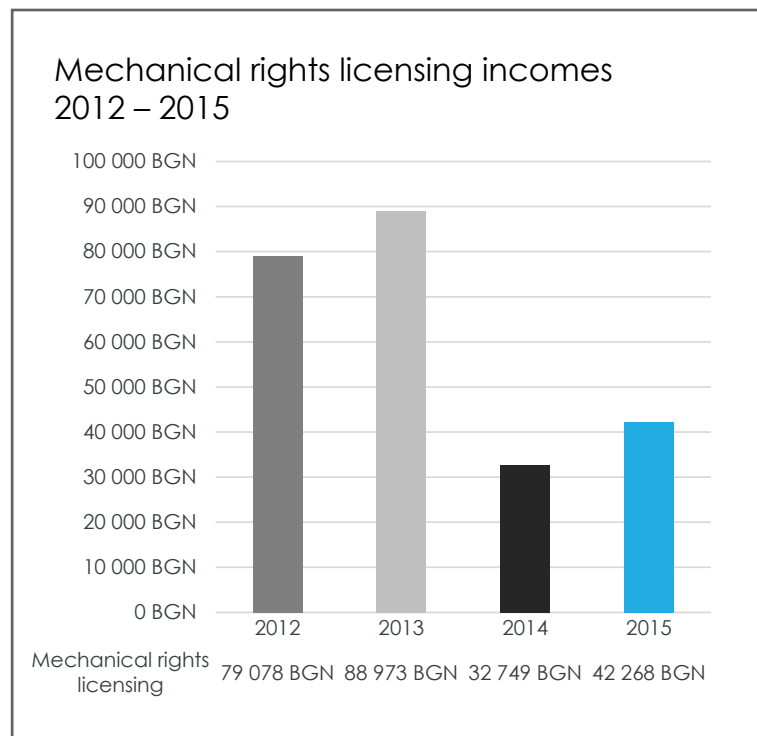
The interaction with foreign companies in connection with concert events of Bulgarian artists abroad was enhanced and the number of tours abroad increased. The timely exchange of information is often essential for

collection of royalties and in respect of the information on the works performed.

67 agreements, 35 of which framework ones, have been concluded from the beginning of the year. Currently, the database of Concert Licensing Department contains 361 agreements.

The activity on collection of royalties from the night clubs was expanded. Although Musicautor has entered into agreement with the bigger night clubs, some of them do not submit reports and setlists or state that they are not organisers but only rent the clubs. This, along with the fundamental problem - the declarations for waiver of rights - prevents to a large extent the market development.

MECHANICAL RIGHTS LICENSING



In 2015, 74 new contracts were signed for mechanical reproduction and distribution of works from the repertoire of Musicautor in the form of CD/ DVD and Vinyl. The total value of the contracts is 96 792 BGN, VAT excluded.

In 2015 collected amounts of mechanical reproduction amounted to 42 268 BGN, VAT excluded, and they include not only due remunerations under signed contracts in 2015, but wages under contracts from previous years.

Almost 63% of the revenues from mechanical licensing are from Li1 EOOD. The revenues in 2015 increased by 33.12% as compared with the previous year in spite of the compression in the sector.

Negotiations with BAMP

Negotiations with the Bulgarian Association of Music Producers (BAMP) continued this year. After amendments to the Copyright and Related Rights Act into force on March 25, 2011, nearly ten years of negotiations between Musicautor and the Bulgarian Association of Music Producers to conclude a local version of the standard agreement between BIEM and IFPI for mechanical reproduction and distribution of CD and cassettes were transformed into negotiations for tariff coordination.

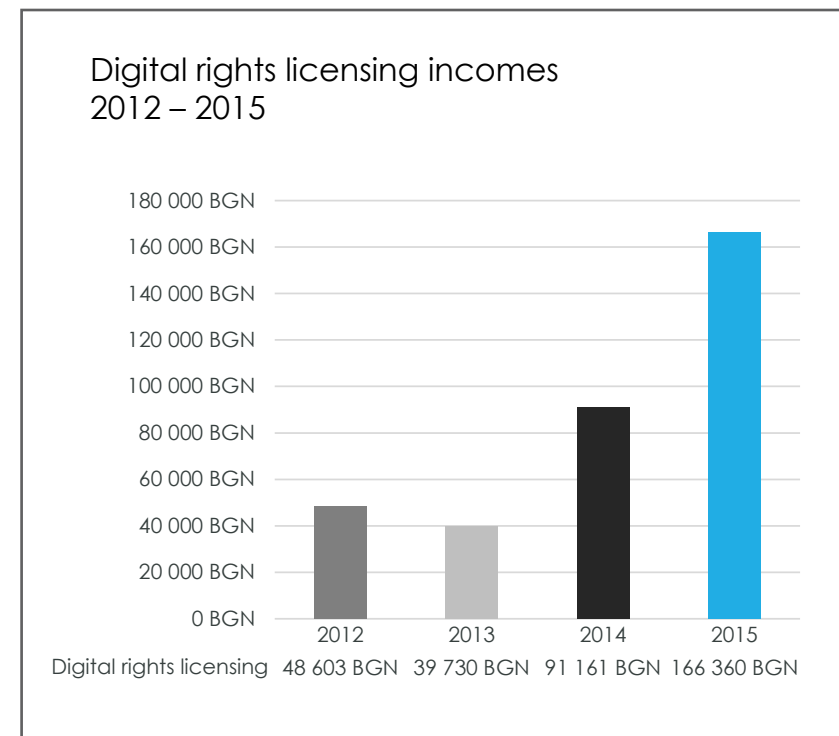
During the past year, several meetings between BAMP and Musicautor were held in connection with

the agreement of this tariff. It was agreed that the users should pay 9.009% on the CD wholesale price for reproduction of works on CD. Another percentage - 8.712% - will apply to the BAMP members based on an arrangement at international level signed between BIEM and IFPI in force from 1 January 2014.

Precisely because of the ongoing negotiations with BAMP, in 2015, Musicautor did not receive payments under contracts for collection of royalties concluded with BAMP members. The total value of the contracts signed is 28 011 BGN. These royalties are calculated based on the current tariff of Musicautor according to which the deductions for royalties are in the amount of 10% of the CD wholesale price. This amount will be reduced with a view to reducing the percentage of the royalties due to 9.009 % and to 8.712% respectively, with effect from 1 January 2014.

As part of the mechanical rights tariff, royalty rates for retail sale of CD and for reproduction of music works on other media will be also agreed.

DIGITAL RIGHTS LICENSING



In 2015, the royalties for use of digital rights amounted to 166 360 BGN. There is 82.49% growth in the revenue compared to that reported in the preceding 2014. This growth is due to the compensation of all late payments for mobile phone ringtones payable for 2013 and 2014, timely payment of the royalties payable for this type of use in 2015 and the payment of the guaranteed minimum amounts under contracts for use of YouTube and Google Play.

The royalties for mobile phone ringtones continue to be a major source of revenue in the sector. The amount collected for the use of such ringtones is 120 037 BGN and represents 72% of the entire digital revenue generated in 2015. The biggest supplier of mobile phone ringtones is Telenor Bulgaria OOD. In 2015, the company paid to Musicautor royalties due for 2013, 2014, and 2015 in the amount of 115 562 BGN. These royalties were timely distributed.

As regards the Internet radios, an amount of 5 511 BGN is collected which represents a growth of 170% compared to the previous year 2014. Contracts with two significant users - Bulgarian National Radio (Internet platform Binar with 6 own channels and 5 external ones) and Bulgaria ON AIR (Alpha radio which terminated the broadcasting at the end of 2014) were signed. Negotiations with the radio company C.Jay (BTV radio group) on Jazz FM Lounge were conducted. Finally, these negotiations were not finalised due to the termination of the radio broadcast. The biggest problem which the Internet radios face continues to be the lack of

applicable regulations and the inability to apply the administrative and penal policy of the Council for Electronic Media to impact the non-compliant users.

In 2015, the major challenge in the area of digital rights was the processing of the reports provided by the major digital platforms, such as Spotify, YouTube, Google Play, iTunes and Apple Music, for the following reasons:

- 1/ lack of software which can process the xml format in which Musicautor receives the reports on some digital services, such as iTunes Download, iTunes Cloud and Google Play. This format is a part of the internationally accepted DDEX standards which the platforms use to generate reports on the use of music on the Internet. The current distribution software of Musicautor (COSIS) does not allow the processing of such files.
- 2/ lack of database for the works performed at our territory on the Internet. In addition to the information on the authors and their shares, the database must contain ISRC codes (unique numbers of the works generated by the platforms) and other similar identifiers. Thus, only the works which Musicautor manages for the territory of Bulgaria (excluding the so-called „Excluded Repertoire“ which is licensed for the territory of Bulgaria directly by the major publishers and related companies, such as PRS, SACEM, GEMA, etc.) will be separated from the reports.

continued on p. 18 >>

DOCUMENTATION AND REGISTRATION

...continued from p. 17

The terms of reference of the new distribution software of Musicautor (see page 28) provides for module for processing of digital reports, including for work with DDEX formats. In this connection, the main efforts in 2015 were focused on developing a solution for processing of the large digital interim reports until the completion of the new software.

In the middle of 2015, the option for processing of the large digital reports of Musicautor by another company was explored. Extensive discussions with the related company from the Czech Republic OCA took place, and after the signing of a new contract for radio and television monitoring discussions with BMAT were held. In both cases, it became clear that if a company other than Musicautor is assigned the task to process the reports of the digital platforms, then it must have access to a database with updated information on the royalty shares, publishers, etc. The generation of such a database became a major priority for Musicautor in terms of the largest digital users, such as Spotify, YouTube, Google Play, iTunes and Apple Music.

Notwithstanding the foregoing, in 2015 three masterlists of YouTube (Editor's Note: the masterlist provides information on the entire musical repertoire streamed through YouTube on our territory) and one report of YouTube were processed. To process the latest masterlist of YouTube additional employees of Distribution Department were involved. This allowed the generation of database of about 9,000 works which Musicautor represented for the territory of Bulgaria at the end of 2015.

The work on the YouTube masterlists and the database with Musicautor works generated as a

result of this work provided an opportunity to analyse the reports for the years 2014 and 2015 of another large music streaming platform - Spotify. Based on these analyses, a proposal for distribution of the minimum amounts paid in 2014 and 2015 under the contract signed with Spotify was made. The proposal is subject to a vote by the General Meeting following the Distribution Rules of the society.

In 2015, contract for the new service of iTunes - Apple Music - which included streaming against payment of a subscription fee, Beats 1 live radio and the so-called Artist Content (component of the service created on the model of the social networks to promote artists and new works) was signed.

Streaming tariff

In 2015, the Supreme Administrative Court (SAC) gave final judgement on the amendments to the streaming tariff of Musicautor. The judgement of SAC was requested by the Association of Bulgarian Broadcasters (ABB), Bulgarian Association of Cable Communications Operators (BACCO), Nova Television, VBOX7 and BTV which appealed the order of the Deputy Minister of Culture. They claimed that no preliminary discussion with a representative organisation of the users within the meaning of the CRRR was held. According to the interpretation of the SAC, however, none of these organisations is considered as representative one regarding this type of service. The thesis of Musicautor which was involved as an interested party in the case was the same.

Regulation in the Copyright and Related Rights Act on the formation of royalty tariffs

Art. 40f, para. 14

The royalties will be negotiated and paid at their current rate by the date of approval of the new royalty rates and their amendments or supplements. If no amendments or supplements have been made, the royalties will be paid based on the agreement reached between the parties and will be transferred to an escrow account opened by them. The parties will dispose of the collected amounts in accordance with the approved royalty rates.

National repertoire

	2015	2014
Contracts with news members	119 Authors: 118 Publishers: 1	133 Authors: 132 Publishers: 1
Sent to IPI database	123	133
Registrations of new works of members	3 076	3 283
New registrations - total	7 138	9 042
Works, sent to WID/CIS-NET database	12 534	13 813

The reduction in the number of works transferred to the international database WID/CIS-NET is a consequence of a software problem arose in favor of Musicautor system that was resolved in 2015.

Foreign repertoire

	2015	2014
Incoming works from sub publishing repertoire /through CWR format/	1 406 179	1 294 734
New works registered in the database of Musicautor	36 040	44 165
Updated works in the database of Musicautor	105 048	151 120

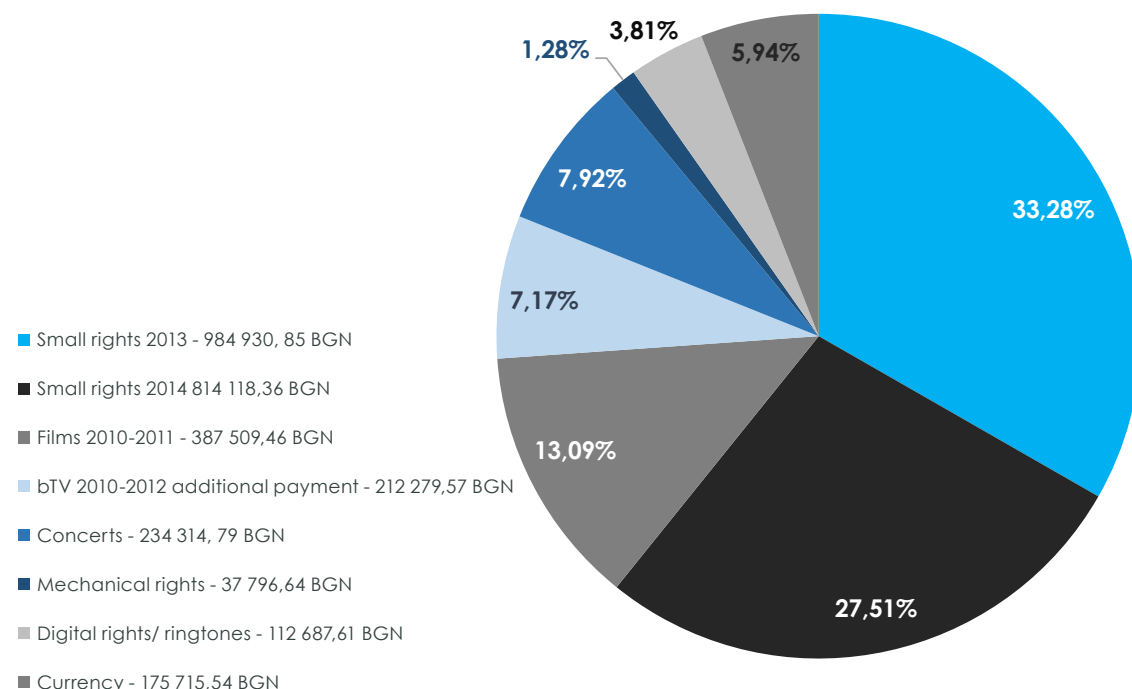
DISTRIBUTION 2015

	Number
Finalized distributions of sums on the territory of Republic of Bulgaria	145
Processed reports from users /within the mentioned above distributions/	314
Distributions to sister societies	86 societies
Finalized distributions of royalties for Bulgarian authors from foreign territories	111
Reports processed	384
Distributions from sister societies	27 societies
Distributed amount (NET amount, including dividends)	2 959 353 BGN

*All amounts are net sums, in Bulgarian leva (BGN)

Compared to 2014, in 2015 7.62% less royalties were distributed. The decline in total allocations due to the reduction in allocations for small rights.

Share of allocations to different categories of classes
Total distributed amount: 2 959 353 BGN



Distribution of the royalties for RTV-broadcasting and public performance collected on the territory of Bulgaria

The distributed royalties for radio and television (RTV) broadcasting and public performance are 14.23% lower than those reported in 2014. In 2015, the amount of 2 398 838 BGN was distributed.

Bulgarian Repertoire. The collected royalties for 2014 were promptly distributed. The amounts for the period 2010 - 2012 paid in addition by BTV were distributed as well.

Foreign Repertoire. The distributions BNR 2012, BNT 2013 and Private Radio Stations 2013 were finalised. The work on the distribution of royalties for foreign authors, subclass Private Terrestrial Televisions 2013 and subclass Cable Televisions 2013, was terminated in its final stage (calculation of the royalties), since in 2015, additional information on repertoire of Nova Broadcasting Group broadcast in 2013 was sent.

As regards the distributions of royalties for film music, Cable Television 2010 and BNT 2011 were finalised.

Due to the increased volume of processed reports and problems with the current software, in 2015 fewer distributions were finalised and the late payments of the distributed amounts due for performance of foreign repertoire were not overcome. In order to partially overcome the late payments, two more employees will be involved in radio and television distribution.

Concerts Distribution

In 2015, the distributed amount was 234 315 BGN which was 28.50% more than that distributed in 2014.

Mechanical Rights Distribution

During the reporting period, a portion of the amount received by Musicator under the agreement signed with BAMP in 2009 was distributed. In 2015, the distributed amount was 37 797 BGN.

Digital Rights Distribution

In 2015, the distribution of royalties for the use of ringtones for the years 2013 and 2014 and for the first half of 2015 was finalised. The amounts obtained from the use of digital rights were not distributed. The team's efforts were focused on the processing of reports of the YouTube mastarlist (see page 18) which ended successfully in November 2015. A significant number of works represented by Musicator and entered into the platform CMS system was identified.

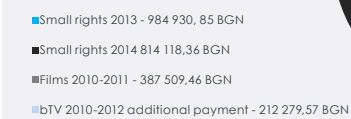
Thus, the main database of digital rights was created. This will ensure revenue from the major digital platforms licensed by Musicator.

The distributed amount is 112 688 BGN and is increased by 90.77% compared to that reported in 2014.

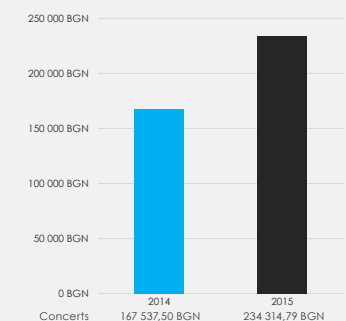
Distribution amounts for Bulgarian authors from foreign territories

During the past calendar year, the revenue generated from performance of the Bulgarian repertoire increased by 37.47% compared to that reported in 2014. The amount of 175 716 BGN was distributed.

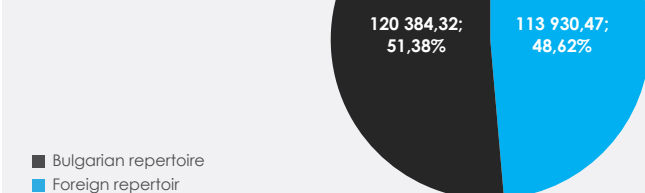
Distributed amount RTV 2015 2 398 838 BGN



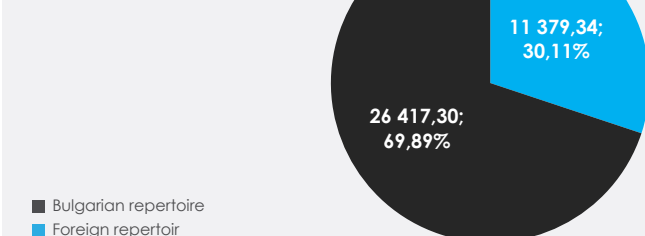
Distributed amount Concerts 2014 - 2015



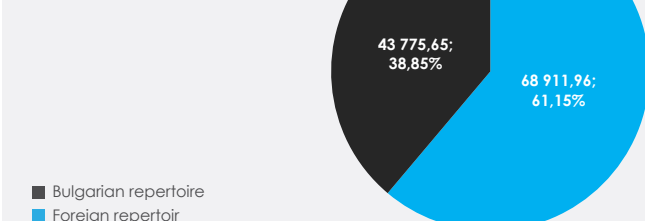
Distributed amount Concerts 2015 234 315 BGN



Distributed amount Mechanical rights 2015 37 797 BGN

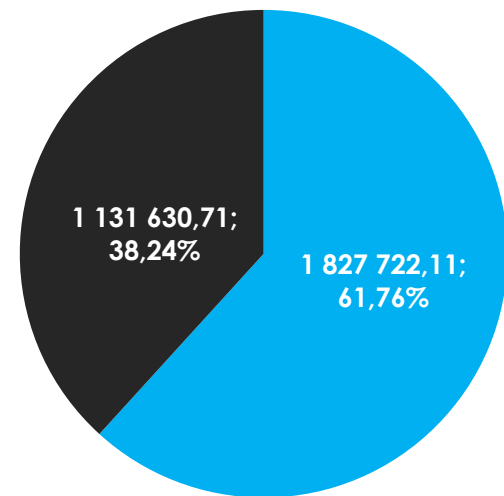


Distributed amount Digital rights/ringtones 2015 112 688 BGN



GRAPHIC ANALYSIS OF DISTRIBUTION

Ratio Bulgarian - foreign repertoire
Total distributed amount: 2 959 353 BGN



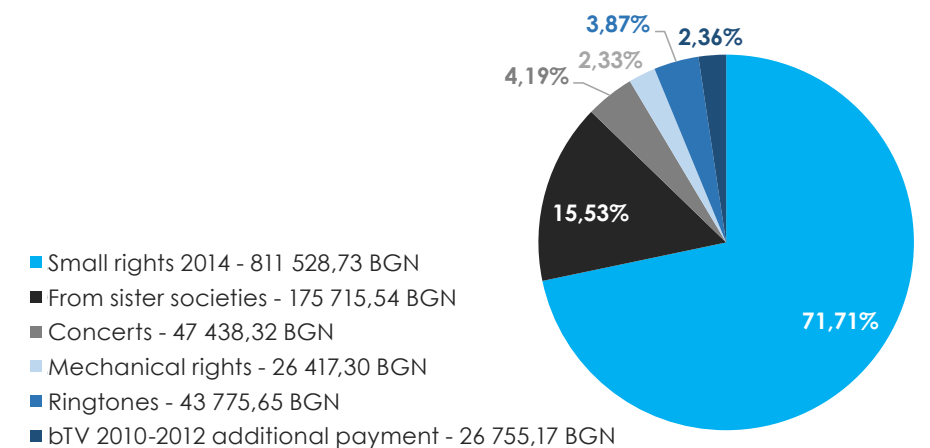
■ Bulgarian authors
■ Foreign authors

In the distribution of the encased amounts of different categories of users remains settled trend in the ratio Bulgarian - foreign repertoire.

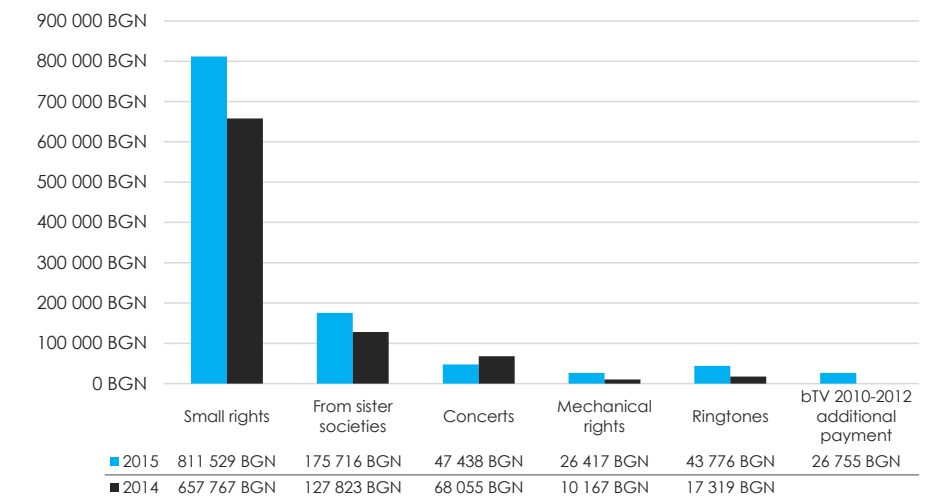
BULGARIAN REPERTOIRE

The distributed amount for Bulgarian repertoire is 1 131 631 BGN which is 22.14% more compared to 2014. This is due to an increase in the amount distributed for small and mechanical rights, ringtones, increase in the incomes for Bulgarian repertoire used abroad and the distribution of the additional payment from bTV for the period 2010 - 2012.

Distributed amounts in the different subclasses
Total distributed amount: **1 131 631 BGN**



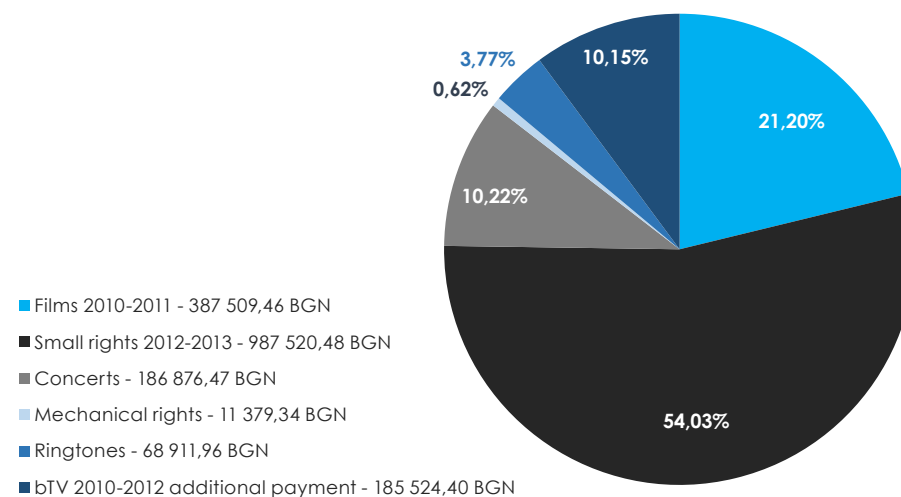
Distribution of Bulgarian repertoire 2014 - 2015



FOREIGN REPERTOIRE

A total amount of 1 827 722 BGN was distributed to foreign repertoire, which is 21.29% less compared to 2014. In result the amounts paid to foreign copyright holders and their sub-publishers on Bulgarian territory marked a significant decline.

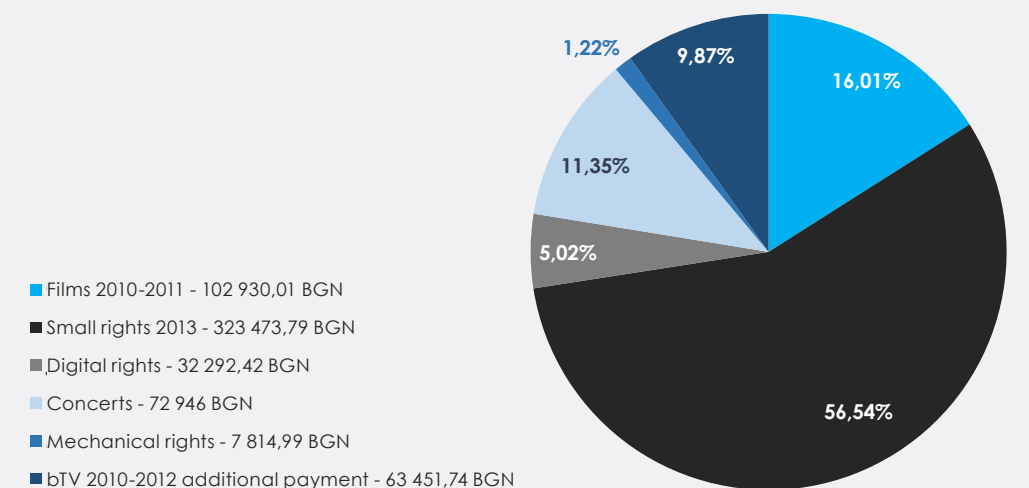
Distributed amounts in the different subclasses
Total distributed amount: **1 827 722 BGN**



■ Films 2010-2011 - 387 509,46 BGN
■ Small rights 2012-2013 - 987 520,48 BGN
■ Concerts - 186 876,47 BGN
■ Mechanical rights - 11 379,34 BGN
■ Ringtones - 68 911,96 BGN
■ bTV 2010-2012 additional payment - 185 524,40 BGN

SUB-PUBLISHERS

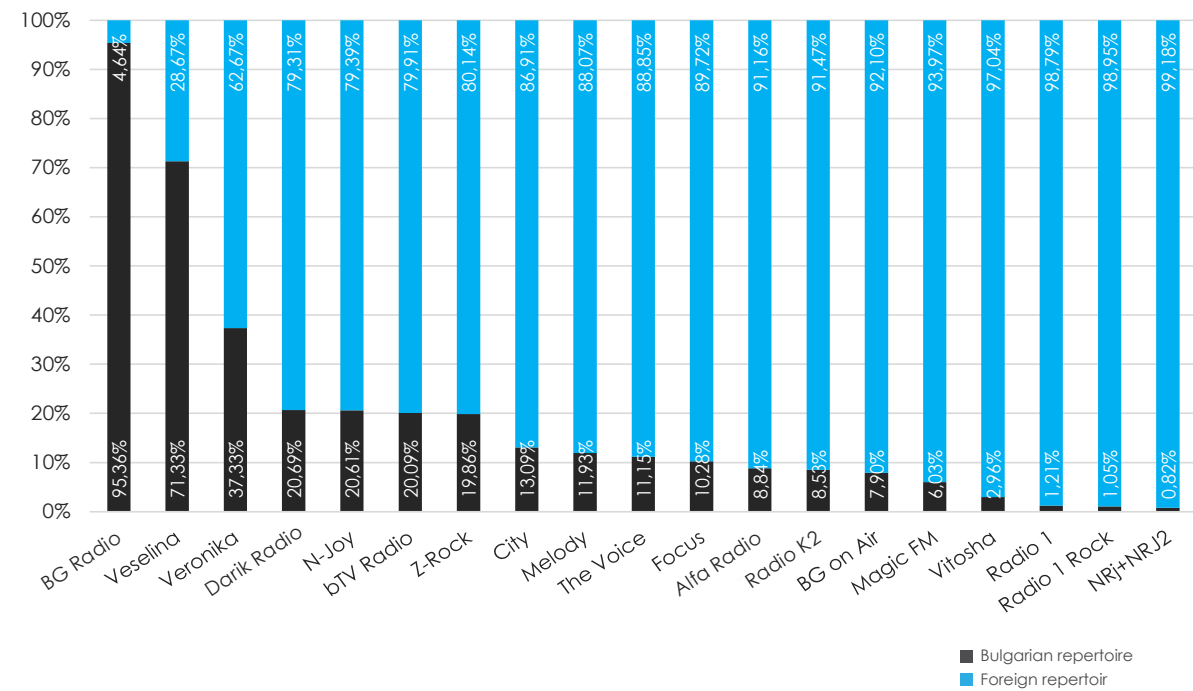
Distributed amounts in the different subclasses
Total distributed amount: **642 909 BGN**



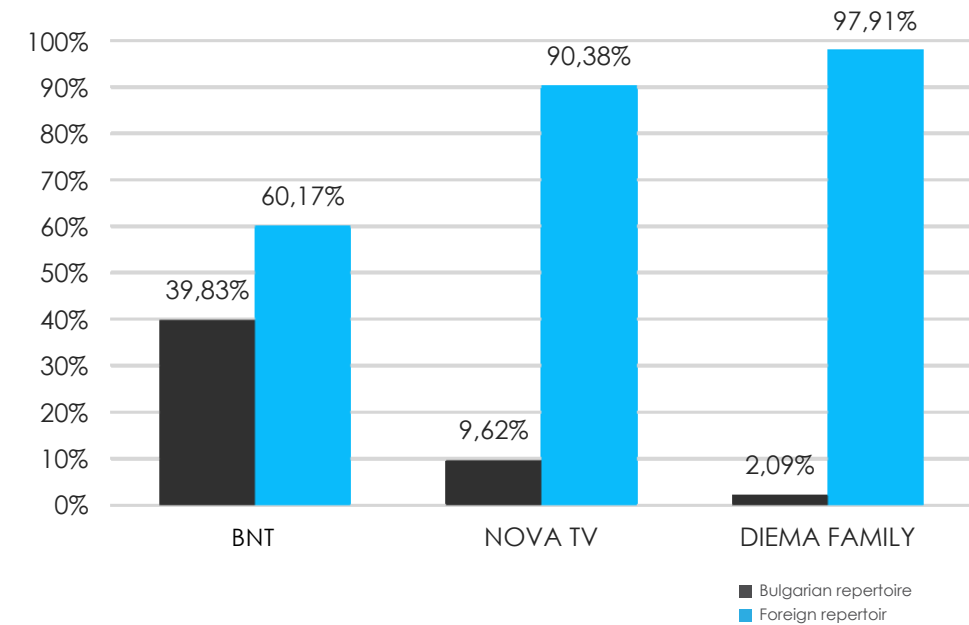
■ Films 2010-2011 - 102 930,01 BGN
■ Small rights 2013 - 323 473,79 BGN
■ Digital rights - 32 292,42 BGN
■ Concerts - 72 946 BGN
■ Mechanical rights - 7 814,99 BGN
■ bTV 2010-2012 additional payment - 63 451,74 BGN

RATIO IN BROADCASTING BULGARIAN AND FOREIGN REPERTOIRE IN THE RTV-SECTOR

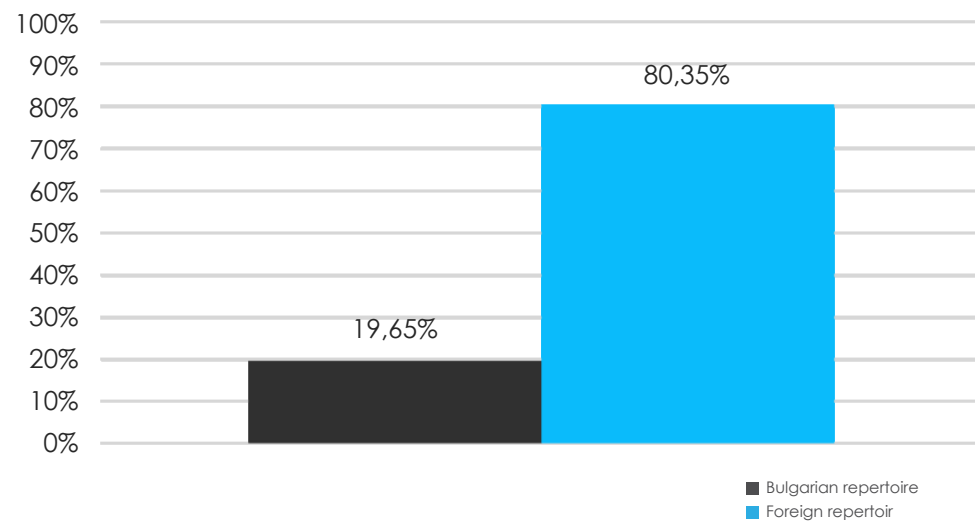
Private radio stations 2014



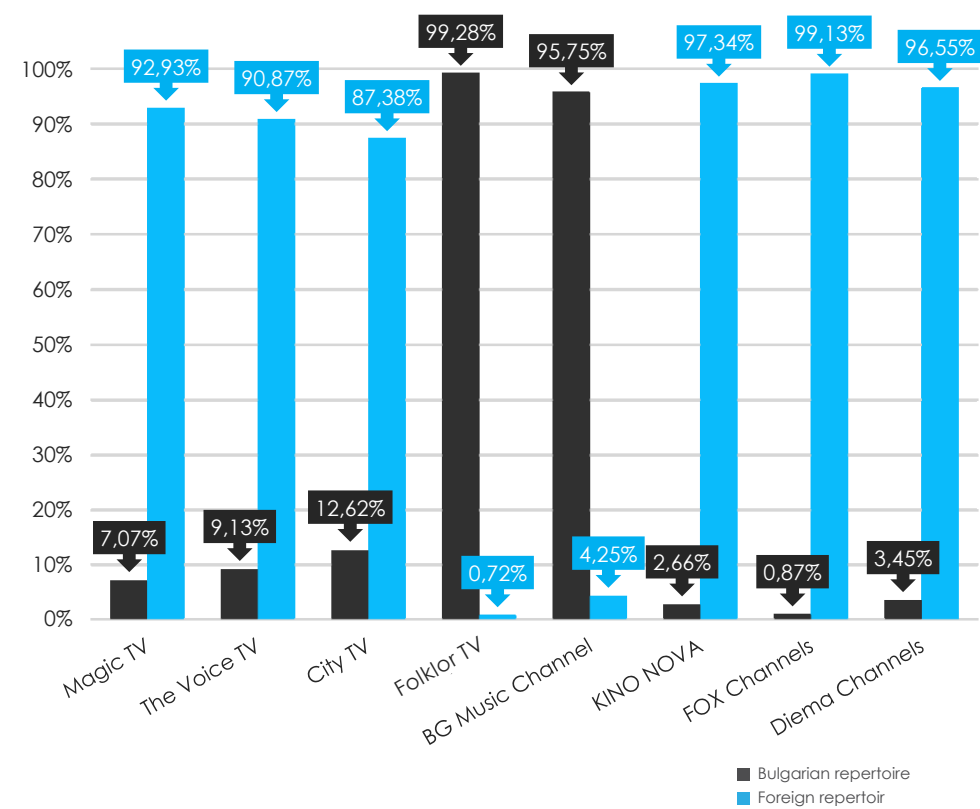
Ethereal TVs 2014



Average ratio Private radio stations 2014



Cable TVs 2014



Information about the society's funds - balances, incomes and expenses to 31.12.2015

No	Programs revenue and expenditure lines:	1. Social assistance to members of the society	2. Promotion and Development of Bulgarian cultural heritage	Total
I	Balance on 01.01.2015	112 763	758 258	871 021
II	Revenues 2015			
	Distribution Small Rights 2014	184 542	184 542	369 084
	Re-charging invoice for New Year for Bulgarian Culture Event		833	833
II	Total revenues:	184 542	185 375	369 917
III	Expenses:			
1	Amounts paid to members (anniversaries and social benefits)	12 740		12 740
2	Amounts paid to members (retirement age)	194 970		194 970
3	Amounts paid to members (promotion of works)		44 727,5	44 728
4	Amounts paid for Commission meetings			0
5	Amounts paid for New Year for Bulgarian Culture Event		5 056	5 056
6	Amounts paid for Sharing Music, Emotion, Culture Event		9 505	9 505
III	Total expenses:	207 710	59 289	266 999
IV	Balance on 31.12.2015 (I+II+III):	89 595	884 345	973 940

*All amounts are in Bulgarian levs (BGN)

REMEDIES ACTIONS

Interaction with the Council for Electronic Media (CEM)

In 2015, CEM implemented hesitant administrative and penal policy and treated unequally certain non-compliant users. The rights of large part of them remained unsettled, regardless of the efforts which Musicautor made to cover all users.

It is CEM administrative and penal policy that became a reason for holding of a number of meetings at an expert level between representatives of Musicautor and those of the regulator. At the same time, due to the interaction with CEM and its mediation progress in respect of the cable and satellite operators was undoubtedly made. This was a key factor for the increased revenue in the sector.

Interaction with the Ministry of Culture

For a consecutive year, one of the major difficulties which the association had in the performance of its activities was the refusal of the Ministry of Culture (MC) to strictly implement the functions assigned to it by law, namely to monitor the compliance with the Copyright and Related Rights Act (CRRA). It was exactly the opposite - in 2015, MC continued to implement its passive policy in respect of both the inspections for unauthorised use of music and the legislative changes in the copyright area.

Musicautor repeatedly attempted, in cooperation with other interbranch organisations, to assist the MC in optimisation of the inspectors' work and in particular - in the consolidation of the inspections made based on alerts issued by television broadcasters and collective rights management bodies. Ministry of Culture, however, did not pay attention to these attempts.

Moreover, despite the numerous signals and case studies, MC does not propose legislative changes and does not initiate discussions which give rise to the proper application of the CRRA. There are many examples - they concern the problems related mainly with the implementation of Art.26, Art.40f, Art.58, Art.98, etc.

The observations lead to the conclusion that the main obstacles to increase the efficiency of the work done by the MC are the lack of concept for reform of the Ministry and the existence of limited human, material and technological resources. However, the absence of a long term constructive state policy in the area is eloquent and unambiguous and the lack of concept and desire to implement such a policy has already become chronic.

Legislative initiative

The high-quality protection of the rightholders' interests cannot be guaranteed without improving the legal environment in which Musicautor performs its activities on collection and distribution of royalties.

For this reason, in 2015 the society continued to insist on the amendment of the CRRA and in particular - on the adoption of the proposals for amendment prepared by Musicautor which were made publicly available in 2013. As a result of the efforts made in 2015, Sofia Municipality supported the society proposals for amendment of the CRRA concerning the inspections on compliance with the CRRA conducted by the metropolitan inspectors. This proposal and the proposal of Musicautor for creating an obligation for the sites where concert events are held to contribute to the respect of the copyrights were supported by the Bulgarian Hotel and Restaurant Association (BHRA). Subsequently, the proposed amendments to the CRRA were submitted to the Ministry of Culture on behalf of Musicautor, BHRA and Prophon.

In 2015, the European Parliament and the Council adopted a key directive concerning the activities of the collective rights management bodies (Directive 2014/26/EC of 26 February 2014 on collective management of copyright and related rights and multi-territorial licensing of rights in musical works for online use in the internal market). Due to the need for transportation of this directive into the Bulgarian legislation, at the initiative of Musicautor and thanks to the vision of the relevant Deputy Minister of the Ministry of Culture working group was established. Representatives of Musicautor, other collective rights management bodies and independent experts took part in the group. The working group developed a draft legislation which was subjected to public debate and should be validated by the Bulgarian National Assembly in April 2016.

European committee of the International Confederation of Societies of Authors and Composers



SOFIA
April, 6-7th 2016



INTERNATIONAL COOPERATION

Participation in international forums

The participation in international forums and creation and maintenance of partnership relations with related foreign companies are fundamental for Musicautor. This is because the activity of some related companies is considered to be a benchmark for professional attitude and good practices.

Moreover, Musicautor maintains and develops partnership with its related organisations through participation of its representatives in the forums of the international organisations - CISAC and BIEM.

The opportunity given to Musicautor to host for the first time the annual meeting of CISAC European Committee which will be held in April 2016 in the city Sofia is a sign of confidence and successful integration of the society. In 2015, Musicautor set again the objective to extend the society repertoire through conclusion of mutual representation contracts with organisations performing similar activities abroad.

Reciprocal contracts

In 2015 Musicautor had the initiative to expand its repertoire by signing reciprocal contracts with foreign sister societies. Several contracts were finalized during the year:

- AMRA (USA) - public performance
- MRCSN (Nepal) - public performance
- PAM CG (Montenegro) - two contracts - public performance and mechanical rights
- SOCINPRO (Brazil) - public performance

The new distribution software will automate approximately 90 % of the processing operations related to the user reports and the process of royalty distribution itself.

The members of Musicautor will have access to the software and will be able to perform the following operations through their public profile:

- submission of information/registration of their works;
- verification whether their repertoire is properly registered in the database of the society;
- receipt of information on their royalties broken down by distributions;
- submission of application for membership;
- verification of their personal lot.

The solution for automated distribution of digital rights is an essential part of the development. This tool will enable the processing of the reports submitted by the digital users in much shorter time limits and the distribution of royalties.

There are no other analogues projects in Bulgaria. The project terms of reference reflects all modern trends in the development of copyright management, provides the members with online access to key information, optimises the activities and expenditure arising in connection with the distribution and provides a basis for collection of statistical information and accountability at a contemporary level.

The software development was released in September 2015. The software is scheduled to enter into service in April 2017.



The negative trends in respect of the Bulgarian society culture can be controlled only through strategic structural changes. Part of these changes should ensure that those who create cultural product will be entitled to equitable royalty for the use of their works. The creative industries generate 4.2% of the GDP of the European Union. This is why Bulgaria is interested in their maintenance and development.

To draw the attention of the politicians and responsible institutions in this direction at the beginning of 2015, Musicautor held the initiative New Year for the Bulgarian Culture jointly with Bulgarian Music Association (BMA). It was supported by the Ministry of Culture, Committee on Culture and Media, Sofia Municipality, International Confederation of Authors and Composers Societies (CISAC), Filmauthor, Artistauthor, Union of Bulgarian Composers, Bulgarian Book Association, Union of Bulgarian Artists and a number of Bulgarian authors and performers.

The message sent to the institutions was unambiguous - legal framework and infrastructure which will ensure the artists' works and adequate and equitable royalty for their use must be created.

Concert in front of the National Assembly which gathered dozens of authors, artists, supporters of the idea and friends was held within the initiative. The fact that the traffic in front of the National Assembly was suspended in a working day due to the concert shows that the actions are becoming more focussed and that the issue on protection of the intellectual property rights and promotion of the creative and cultural industries will be placed clearly on the agenda of the institutions. Musicautor thanks to BMA and all its partners and members who sang and supported the event.



IN MEMORIAM

In memory of colleagues and friends
with whom we parted in 2015

Alexander Todorov

Atanas Naumov

Bozhidar Petkov

Vasil Parvanov

Grisha Trifonov

Elka Nedkova

Ibro Lolov

Ivan Karachorov

Ivan Kirev

Peter Sofroniev

Rumen Sirakov

