



ANNUAL REPORT

OSA - THE PERFORMING AND MECHANICAL RIGHTS SOCIETY
OF COMPOSERS, AUTHORS AND PUBLISHERS

2004

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Dear Colleagues, allow me to review briefly the year 2004.

The most important criterion for assessing the OSA's performance is the amount of revenues received from granted licenses and the amount of expenses required. From this point of view, the year 2004 was good and successful. Collections reached nearly 540 million, representing an historical record, and OSA broke through 5 years of stagnation to increase its revenues. At the same time we succeeded in reducing expenses during the year, so we can be pleased with a fall in overhead expenses to 18,36%.

The Supervisory Board in 2004 took some basic steps to act more as a commercial enterprise. However, OSA is legally a civil association and, moreover, though its activities take into account cultural, civic and social aspects, its primary mission is its financial operations. OSA, for us represented persons, works with users on royalties and, subsequently, on their collection and distribution. We the represented pay for this service in the form of an administrative deduction.

The newly-elected OSA Supervisory Board for the first time in its history has defined economic indicators for the success of our protective society. These indicators were fulfilled by establishing financial objectives for OSA for the year 2004 in the same manner as in a typical for-profit enterprise. In setting financial targets we also set compensation guidelines for our managers and, in this context, closed new employment contracts with the members of our Management Board.

A major complication which OSA had to deal with was the new VAT law. Its unclear and often controversial formulations create difficulties for its application within OSA in its relations with users and represented persons. Nevertheless, our affiliated protective societies in Europe almost as a whole are payers of VAT, and OSA also eventually managed with this inconsistent law, under our particular circumstances.

A more serious external incident intervention was the parliamentary amendment to the Czech authors' law. The members of the Supervisory Board took all steps possible to reverse this legislative threat. We met with members of parliament, senators, journalists, president advisers; we wrote petitions, wrote and initiated newspaper articles; but unfortunately our opponent was stronger and the amendment was eventually approved. Let me thank on behalf of the Supervisory Board all those authors who signed the united petition and also all of them who have expressed their views publicly. Let me assure you that OSA is taking all steps to ensure an expeditious repeal of this amendment, including working closely with



other collection societies in the Czech Republic and with the European association of authors' organisations (GESAC). OSA will also actively participate in preparing a government amendment to the authors' law. But this is a long-distance run and we all have first to learn how to protect the rights to royalties of represented persons under the new conditions and try to compensate for this loss of revenue from hotel rooms from some other source.

At the turn of the year there was a change on the OSA captain's bridge. JUDr. Alexandra Wünschová was replaced as general manager and chief executive officer by Mgr. Jana Bářová and, following this, changes were made at the senior level of several departments. The Supervisory Board is confident that these steps will increase the quality of OSA's work, and despite the legislative difficulties which this amendment has placed before us, OSA will be able next year to draw nearer to its affiliate European societies by its results and as a consequence improve the position of its represented persons.

Prague, 11 March 2005



Roman Cejnar
Chairman, OSA Supervisory Board



Report from the Chief Executive on Activities and Management

The year 2004 was a quite unusual and special one for OSA.

The entry of the Czech Republic to the European Union (EU) had an impact on OSA's activities. A consequence of this event was the change of OSA's position in GESAC, the European authors' collective rights organisation, in whose sessions OSA had been only an observer. At the end of 2004, OSA was accepted as a regular member of this organisation, whose main activity is the advocacy of the collective interests of its member organisations before relevant bodies of the EU; the lobbying for the interests of these organisations; and the strengthening of cooperation among its members.

As the result of changes in the Czech law on valued added tax, dictated by EU legislation, OSA was required to pay such taxes effective 1 August 2004. OSA is required to pay these taxes on royalties collected on behalf of represented authors as well as from income resulting from administrative expenses deducted from such royalties for its activities. The Czech VAT law is not in perfect form and thus it was difficult to apply its regulations to OSA's activities. Another factor which complicated an already difficult situation was the fact that the amendment to the VAT law, which precipitated this change, was adopted during 2004 and became effective within a few months. As a result, OSA was unable to account properly for such changes, for example, in closing licensing agreements and in applying royalty schedules.

In the event, during the whole of 2004 Parliament debated an amendment to our author's law (Act No. 121/2000 Coll.), which despite our protests and those of other collective rights administrators, the Ministry of Culture and individual artists, was adopted in the beginning of February of 2005. We will feel the consequences of this amendment later this year, which why I will discuss it later.

Except for the aforementioned events, OSA provided for all the activities which it is required to perform. During 2004, we accepted 248 new authors and 2 new publishers. The number of represented rightholders as of 31 December 2004, was 5,034, of which 2,743 were living authors, 2,236 heirs of 1,366 deceased authors, and 55 music publishers.

OSA, a civil association, had, as of 31 December 2004, 598 members.

The majority of our members are composers and lyricists, namely 517 (of which 412 are composers and 105 are lyricists), followed by 19 music publishers and 62 heirs of distinguished authors of music.



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Total collections in 2004 reached 539,575,000 Kč, which was an increase of 23,818,000 Kč over 2003. The greatest increase came from uses licensed by the Broadcasting Rights Department, whose collections in 2004 were 188,180,000 Kč. Contributions by other departments were as follows: Public Performance Rights, 149,031,000 Kč; Mechanical Rights, 98,851,000 Kč; and Audiovisual, 6,891,000 Kč. More detailed information on the composition of collections is to be found in our Annual Report.

In the year 2004, **royalties distributed to domestic represented (physical and legal) persons totalled 298,156,000 Kč**, of which physical persons accounted for 159,912,000 Kč, music publishers based on agreements with authors accounted for 130,581,000 Kč, and other represented legal persons (The State Cultural Fund, The B. Martinů Trust, The L. Janáček Trust, The G. Klein Trust) accounted for 7,663,000 Kč. The volume of royalties distributed abroad was 106,441,000 Kč.

With respect to our collaboration with our foreign partners, I should mention that OSA received delegations from these authors' organizations: PRS/MCPS (Great Britain), SACEM/SDRM (France), and BMI (USA). The purpose of these visits was, in addition to exchanging information and experiences, to review OSA's activities and compliance with conditions of agreements in reciprocal contracts. Individual OSA staff participated in standing committees created by CISAC and BIEM. The standing technical committee of CISAC, which focuses on broadcasting and the use of works in new media, in which I personally participated, met last year in New York. This occasion also gave me the opportunity to visit ASCAP, the US protective society. Meeting with individual members of ASCAP was for me particularly inspiring and informative.

In October 2004, OSA was represented in CISAC's Annual Conference in Seoul by the Chairman and Chief Executive of its Supervisory and Management Boards, respectively. The assembly approved new statutes of CISAC, which effectively changed its organisational structure. This congress was followed by BIEM's General Assembly, where the problem of royalty fees for the distribution of recorded works on sound and video carriers and through the Internet and other nets was discussed in particular.

In closing, a few words about what we are expecting in 2005, particularly relating to the amendment to Czech authors' law, as mentioned above. This amendment introduces a new exception to the use of authors' works in accordance with authors' law which excludes the collection of royalty fees for the use of radio and television broadcasts in hotel rooms. For OSA, this new regulation means that



Report from the Chief Executive on Activities and Management

in 2005, we will not be able to collect from owners of hotels, pensions and other places of accommodation royalties of approximately 30 million Kč.

Replacing this loss will not be easy, because this amendment introduces new rules for collective administration; the effect of such rules will make more difficult the administration of authors' property rights, and the worst implications of this amendment will be in the area of live productions.

As the Chairman of our Supervisory Board has said, OSA will contest this amendment and will do everything to work for its repeal. In the meantime, we have to learn how to work under the conditions which this amendment has created, and at once change the manner of our work, not only in terms of our relationship with users but also with our members and represented persons. In this context, there will be a need, for example, to modernise the organisational structure of OSA by boosting our computer technology capabilities to improve our efficiency and our ability to communicate with users and represented persons through increased electronic means.

In the course of legislative hearings on the amendment, it was demonstrated that the awareness of politicians and of the general public of the concept of intellectual property and the social need for its protection is unfortunately extremely weak and that OSA's reputation is perceived unfavourably. I hope that we will be able to change this situation, because a better public and political awareness and, at the same time, a better reputation of OSA are two essential premises for increasing the protection of authors' works and thus increasing the royalty fees which we collect for the use of your works

Prague, 11 March 2005



Mgr. Jana Bárová
Chief Executive Officer - OSA



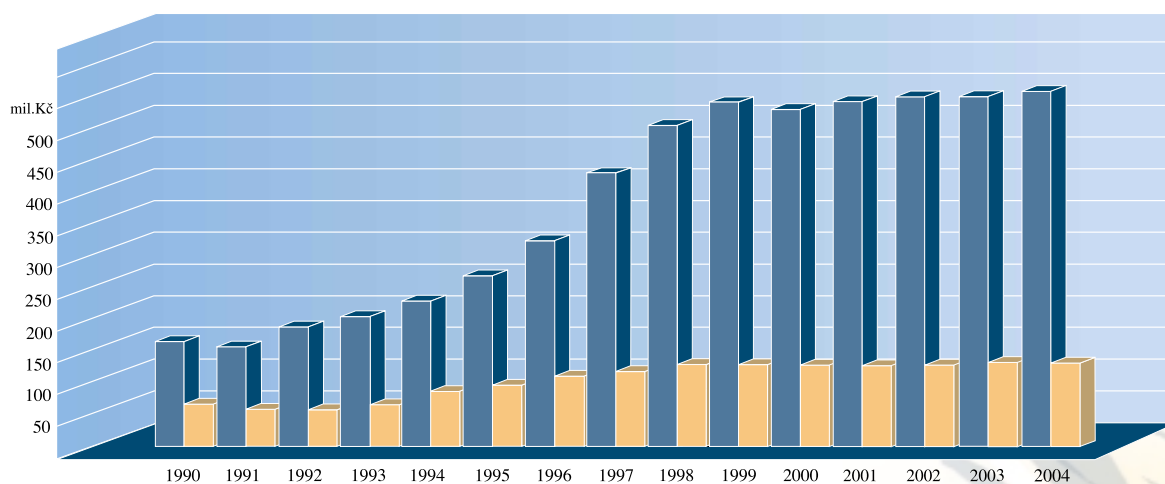
SUMMARY

(all amounts in thousands of CZK, exclusive of VAT)

Year	Total Collections	Total Expenses	Total Royalties Distributed
1997	392,593	72,735	265,633
1998	462,752	99,459	331,565
1999	505,417	99,584	392,589
2000	498,345	97,861	403,903
2001	506,216	95,898	362,243
2002	516,566	97,255	410,832
2003	515,757	99,260	426,297
2004	539,575	99,053	404,597
Difference 2004 - 2003	+23,818	-207	-21,700

financial results

EVOLUTION OF FINANCIAL RESULTS (in millions of CZK)



COLLECTIONS

(in thousands of CZK)

Type of collection	2001	2002	2003	2004	Difference 2004 - 2003
Public performance rights	121,644	137,267	144,676	149,031	+4,355
Broadcasting rights	162,015	163,970	169,700	188,180	+18,480
Mechanical rights	113,520	119,305	97,497	98,851	+1,354
Audiovisual rights	4,517	5,894	5,299	6,891	+1,592
Foreign royalties	90,572	78,727	88,714	90,781	+2,067
Other collections	13,948	11,403	9,871	5,841	-4,030
Total collections	506,216	516,566	515,757	539,575	+23,818

ROYALTIES DISTRIBUTED

(in thousands of CZK)

Recipients	Year 2004
Individuals represented by OSA Authors and Heirs	167,575
Individuals represented by OSA – Publishers	130,581
Foreign protective rights societies	106,441
TOTAL	404,597





THE OSA MUSIC FOUNDATION



The Administrative Board of The OSA Music Foundation has been comprised since 2003 of prominent members from the current music world, namely, the composer Milan Jira, also a prominent exponent of current Czech "chanson"; the music publisher Jaroslav Kohout; the composer and lyricist Martin Němec, co-creator of the band Precedens, who have worked for many years with the singer Bára Basiková; the composer and educator at Brno's JAMU, Professor Arnošt Parsch; and the well-known author and lyricist Ondřej Suchý. The Chairman of the Administrative Board of the Foundation is currently the music composer, educator and columnist Eduard Douša.

The spectrum of our non-commercial activities, including all genres of current Czech music which are subsidised by The OSA Music Foundation, is truly broad. For example, in the field of so-called serious music we supported the public performances of more than 300 compositions of current Czech authors in the context of individual concerts and also in the sphere of significant shows ("Dny soudobé hudby", "Třídenní", and many others). Further support was provided to the production of the CDs of 6 authors (mostly for important anniversaries). In the field of so-called popular music (brass music, folk, traditional, pop, rock, jazz, cabaret...), 18 original or interpretive CDs, nearly 60 major events, which for example included "Country and Folk" at Slavkov Castle, "Colours of Ostrava", "Šanson věc veřejná...", The Karel Velebný Summer Jazz Workshop, The Přerovský Jazz Festival, several amateur brass and traditional music festivals, and also today's prestigious multi-genre festival, "Nekonvenční žižkovský podzim Jiřího Hoška".

A very important area which the Foundation is closely following and supporting is musical events directed towards children and teenagers, whether organised by art schools of all levels and types or by other organisations where current Czech music is presented. Let me mention a few from the list of such projects, for example: the Rudolf Firkušný International Piano Competition at Brandýs nad Labem (award for best interpretation of piano works of current Czech authors); "Mladé pódium" in Karlovy Vary, which along with the International Film Festival is the most significant event of the summer cultural season in this spa town; "Mladá Smetanova Litomyš"; „Mozartiana luventus", and the international festival of young interpreters at Prague's Bertramka, for which the main organiser Comenius Praha regularly commissions new works from Czech authors for specific chamber groups, which are later performed by young musicians, often in the form of permanent audio recordings of Czech Radio. A similar event is a show of the youngest pianists which is arranged by V.P. Art Agency and which is highly regarded by the educational community and others.



The Foundation also supports performances of past Jewish authors – victims of Nazi concentration camps during World War II, as, for example, G. Klein, H. Krasa, E. Schulhoff and others, who are represented by OSA, and it has supported the publishing of several interesting books, namely, "Hudba přítelkyně" – the memoirs of Zdeněk Petr, an important composer of popular music and the author of the significant Czech musical "Sto dukátů za Juana" and the expert work of the musicologists Antonín Matzner and Jiří Pilka, "Česká filmová hudba".

I think, that even from this brief list it is clearly evident that OSA, through its Foundation, has supported a quite substantial number of quality non-commercial activities in the past two years, often helping to keep alive an important artistic endeavour ("Dny soudobé hudby") when state grants did not materialise and which was in danger of failing. If we were to trace these supportive activities from the point when the Foundation began, we would be able to show much higher, incomparable numbers. The significance and contributions of these activities for Czech music culture would indeed be multiplied dramatically.

I would like to take the opportunity to thank, in the name of the entire Administrative Board of The OSA Music Foundation, OSA's Supervisory Board for the support and attention they give the Foundation's activities, which contribute to a dignified public projection of OSA as a whole and help create a positive image in the same manner as do the foundations and foundation funds of foreign protective rights societies.

Prague, 11 March 2005



*Mgr. Eduard Douša, Ph. D.,
Chairman of the Administrative Board
The OSA Music Foundation*

