

# Annual Report

FINNISH COMPOSERS' COPYRIGHT SOCIETY TEOSTO

# 2012



# 85 years for the love of music

Early in 1928, Finland's future must have seemed just as turbulent and chaotic as it does now, 85 years later. Back then, Finland as an independent nation was only just approaching her teens, and Finnish artists were well conversant with the European cultural landscape. Recording technology arrived on our shores in the form of portable gramophones. The Finnish Broadcasting Company was just starting out, and the ten-member ensemble known as the Radio Orchestra – now the Finnish Radio Symphony Orchestra – was fresh out of the box.

FINLAND'S legislation already provided for protection of composers' rights to their works, but even Sibelius himself had to go to Germany to find an institution to safeguard those rights on his behalf. So it was that one fine day in March a "group of Finnish musicians and other interested parties" assembled at the Fazer concert agency on Kluuvikatu in Helsinki to set up a Finnish organisation to safeguard their interests in a changing world.

THE FINNISH COMPOSERS' COPYRIGHT AGENCY, Teosto, is now celebrating its 85th anniversary, and the world around it has not stopped changing. Technological innovations are constantly creating new ways of listening to music and to make money out of it. More music is being created and listened to than at any time in history, and finding and listening to music has never been so easy and affordable.

ACCORDINGLY, music is the target of passionate interests on the part of listeners, the music industry and legislators. At times even the rights of us music authors seem like a mere pawn in the game. International competition for authors' rights is escalating, and our self-governed system is being challenged from many directions.

TEOSTO is the oldest and strongest of Finland's copyright agencies and often has to bear the public brunt of responding to difficult issues concerning the creative sector as a whole. It is often forgotten that Teosto serves not only authors but users of music too, enabling users to use music so that authors receive fair compensation for that use. Indeed, our customer service and making the use of music simpler are objects of continuous development for us. In the near future, we will be working even more closely with Gramex, which represents performing artists and recording producers.

THROUGHOUT its history, Teosto has remained faithful to the ideals of its founders. We remain a non-profit organisation that collects royalties for performances of music and pays them out to rightholders. Transparency and efficiency form the cornerstone of our existence. We must be constantly prepared for change, anticipate the future and update our means for safeguarding the interests of music authors at home and abroad.

IT is important for the vitality of the entire creative sector that Teosto remains a strong operator. Teosto must remain strong for the simple reason that at the core of the music business is the music itself; musical works created by authors. This is the beginning and end of everything we do. When authors can fully focus on their creative activities, new music is created that helps revitalise Finnish culture. Facilitating the success of music authors not only contributes to a diverse and vibrant culture but also enriches Finland's creative economy. And let's face it, at this point in time we need success stories in the creative economy more desperately than ever.

**Kim Kuusi**

*Chairman of the Board of Directors*



Teosto's earliest employees in the 1930s.

JAKKE NIKKARINEN



Kim Kuusi, Chairman of the Board of Directors of Teosto.



The founding meeting of Teosto was convened by composer Lauri Ikonen.



Directories of musical compositions and authors in the 1960s.



Computer unit in 1988.

## What is Teosto?

- An organisation of music authors.
- A non-profit organisation founded in 1928 by composers and music publishers to administrate and protect their rights.
- Represents more than 27,000 Finnish and almost three million foreign composers, lyricists, arrangers and music publishers.

## Teosto's mission

- To enable successful professional music-making in Finland.
- To collect and distribute to music authors and music publishers performing rights royalties for public performances and recordings of their music.
- To promote and protect the rights of composers, lyricists, arrangers and music publishers.
- To sell and develop services for its customers' music use needs.
- To promote diversity in, awareness of and performances of Finnish music in Finland and on the export market.

## Teosto's customers

- Teosto is a link between two customer groups, music authors on the one hand and companies and communities that use music on the other.
- Music user customers include TV and radio broadcasters, organisers of concerts and other events, restaurants, and other companies and corporations that use background music in their business.

## Teosto's results in 2012

- Domestic sales revenue amounted to EUR 46.3 million, of which 86.6%, after deducting expenses, is distributed to composers, lyricists, arrangers and publishers.
- Teosto also paid out EUR 9,1 million in royalties received from its sister organisations and the Nordic mechanisation rights agency NCB to Finnish rightholders.
- In accordance with unanimous decisions by Teosto members, 6.7% of the domestic performing rights royalties collected (EUR 2.7 million) is used to promote Finnish music.

## Teosto's vision

Teosto is the most active and competent solution provider in the Finnish music market.

## Teosto's values

- For our customers, on behalf of music.
- We think creatively and resolve efficiently.
- We are responsible.
- We are enthusiastic, we succeed.

## Contents

2	FROM THE CHAIRMAN OF THE BOARD
6	REVIEW BY THE CEO
10	WORKING FOR THE MUSIC AUTHOR COMMUNITY
14	INCREASE IN DISTRIBUTION TO MUSIC AUTHORS
18	PUMPPU LAUNCHED BY TEOSTO
22	FLEXIBLE LICENSING THROUGH COOPERATION
26	REFORM OF THE COMPENSATION FOR PRIVATE COPYING POSTPONED
38	COMPOSITIONS PERFORMED MOST OFTEN IN 2011
30	EVENTS FROM 2012
34	GENERAL MEETING AND BOARD OF DIRECTORS
36	TEOSTO ADMINISTRATIVE PRINCIPLES
38	COMMITTEES AND WORKING GROUPS IN 2012-2013
40	WE ARE HERE FOR OUR CUSTOMERS
42	THE YEAR IN FIGURES: FINANCIAL STATEMENT

# Cooperation and new departures

THE YEAR 2012 WAS A YEAR OF COOPERATION AND NEW DEPARTURES AT TEOSTO: WE ENGAGED IN CONSOLIDATING COOPERATION WITHIN FINLAND AND AMONG THE NORDIC COUNTRIES AND ALSO INTRODUCED NEW WAYS OF WORKING TOGETHER AND CREATED SEVERAL NEW MUSIC LICENSING SERVICES.

Consumer use of music is increasingly shifting to digital channels. Teosto's aim is to be involved in developing a well-functioning digital market and providing consumer with new legal ways of enjoying music.

At the moment, there are 15 streaming and download services licensed by Teosto, and the number is growing. Spotify, Deezer and Rdio will probably be joined by YouTube in 2013.

“Teosto will take active measures to promote the use of Finnish music.”

**INDEED**, the online market was one of our strongest growth areas in 2012. Royalties for music use online collected by Teosto and NCB in Finland amounted to EUR 4.2 million. Total royalties collected by Teosto in Finland amounted to EUR 46.3 million in the year under review, 2.1% more than in 2011.

Teosto is a non-profit organisation, and accordingly the royalties collected are paid out, minus expenses, directly to the composers, lyricists, arrangers and music publishers. Teosto is one of the most efficient copyright organisations in Europe. In 2012, our cost percentage was 13.4%.

**ONE** of the themes dominating debate at the European level in the year under review was the Proposed Directive on collective management of copyright and related rights and multi-territorial licensing.

The European Commission aims to encourage organisations to make their operations more transparent and more efficient. Transparency of information in the music business is a key element in the Finnish – and more generally the Nordic – copyright culture, and it is gratifying to note that the Commission is paying attention to such matters. We believe that the transparent operating practices of Nordic copyright organisations may serve as a general European model.

**AS** for the second aim of the Directive, multi-territorial licensing of musical works for online use, reg-

ulation must be specifically designed so as to ensure equal and non-discriminatory access to market by small organisations and the repertoire they represent.

**MARKET** access must be simple and non-discriminatory; it is by no means self-evident that Finnish music has a strong status even on the domestic market. In 2012, less Finnish music was played on Finnish radio and TV than in the previous year. Accordingly, in the current year

Teosto will take active measures to promote the use of Finnish music at home and on the export market.

The basic task of Teosto is to enable successful professional music-making in Finland. We implement this task in many different ways.

**IN** autumn 2012, Teosto and Gramex, which represents performing artists and recording producers, jointly set up the Finnish Music Foundation to promote and support diversity in Finnish music and professional creative, performing, publishing and producing activities. The Finnish Music Foundation subsumed the functions of the Finnish Performing Music Promotion Centre (ESEK) and the Foundation for the Promotion of Finnish Music (LUSES), which were both dissolved.

Teosto and Gramex donated EUR 1 million as seed capital for the Foundation. Teosto also donated Villa Vikan in the town of Raasepori to the Foundation for use as an artists' residence. This donation ensures that Villa Vikan, rich in heritage, will continue to be used for cultural purposes, providing a facility for composers, lyricists and arrangers to work in. Villa Vikan is now open to performing artists as well.

**WE** are improving our performance event processing and accounting systems in cooperation with Koda in Denmark and Tono in Norway. The most significant reform from the perspective of music authors

- Distributions to authors and publishers increased.
- Closer cooperation with Koda in Denmark and Tono in Norway was initiated.
- We licensed new digital services.
- We launched Pumppu, a joint project in the music sector.
- We promoted the vitality and diversity of Finnish music.
- We were involved in the founding of the Finnish Music Foundation.



and publishers will be that our online service account printouts will improve. In the future, rightholders will also be able to access the performance events database themselves to find out how their royalties were accumulated.

We are also improving our online services for user customers to enable them to monitor their license products and invoicing themselves. The first customers to benefit from this new service are restaurants, dance venues and other event organisers.

**LEVERAGING** the potential of digital media, we have explored new areas for instance by becoming the first copyright society in the world to try out automatic live music recognition with BMAT, a Spanish technology enterprise, at the Provinssirock festival in 2012. The results were promising, and we are pursuing this development. The benefits of new music recognition technologies to music authors will be gained in the form of automatic, cost-effective and quick collecting of performance royalties and their distribution to authors.

In 2012, Teosto and other operators in the music sector launched Pumppu, a project intended to increase the number of successful Finnish music makers, to facilitate entry to international markets and to help authors to network.

**TEOSTO** has been promoting music exports and the vitality and diversity of Finnish music for decades. Now, our aim is to engage in a more systematic and goal-oriented approach to the entire career of a music maker, starting with adolescents and ending up with international successes. We believe that pathways to becoming a music author and to international success may be found through systematic efforts and cooperation.

**THE CURRENT YEAR** will mark a milestone in the history of Teosto, as we will be moving from Lauttasaari to new premises. Our office building, completed 40 years ago, would have required a substantial renovation costing several millions of euros in order to keep it in working order. Selling it was the only realistic option. The Teosto office will be relocating to rented premises, and the capital gains from the sale of the building – about EUR 7 million – will be paid in its entirety into the Teosto Fund, set up by unanimous decision at the Teosto General Meeting in 2010. This Fund will help us better support Finnish music authors.

**TEOSTO** has been fulfilling its basic task for 85 years. The world around us has fragmented in the course of the decades, and today music is used in an incredible number of ways. Copyright royalties also come in fragments from all over the place. Amidst this transition, operators like Teosto are more important than ever. Our task is to collect the royalties payable for the use of music and to pay them out to music authors and publishers.

**THIS** is what we will continue to do at Teosto. For the love of music.

Katri Sipilä  
CEO



SUM-TUULI KANKANPÄÄ

”Everything I have done  
in my life can of course be  
heard in my music.”

Milla Viljamaa, Teostory 2/2012

**MILLA VILJAMAA** is an accomplished keyboard player with a folk music background. In recent years, she has toured the world with chamber orchestras, but she has also appeared on the stage. She plays with several bands in addition to her solo projects. The 2012 Teosto Prize was awarded to the works featured on Milla Viljamaa’s album *Minne*.

# Working for the music author community

THE PURPOSE OF THE SAFEGUARDING OF INTERESTS UNDERTAKEN BY TEOSTO IS TO REINFORCE THE POLITICAL AND LEGISLATIVE FOUNDATION FOR THE SUCCESS OF FINNISH MUSIC AUTHORS. SMALL LANGUAGES AND CULTURES NEED LOOKING AFTER.

In 2012, Teosto aimed to contribute to rapid implementation of the targets of the Government Programme concerning the creative sector. The voice of the creative sector was reflected in the Government Programme of the Government of Prime Minister Jyrki Katainen, which includes the following targets:

1. Support will be provided for cultural entrepreneurship and the generation of jobs within the creative sectors.
2. Marketing skills within cultural exports and the creative sectors will be promoted.
3. The system of fair compensation for private copying will be revised to secure the financial prerequisites for the activities within the sector under the circumstances of rapid technological development.
4. Illegal use of creative material will be restricted by means of dissemination of information and by developing legislation and more effective implementation thereof.
5. In order to improve the status of people involved in the creative sectors, the need to reform employment, social security and tax legislation will be looked into cross-sectorally.
6. The importance of the creative sectors will grow as new business opportunities open up. Efforts will be made to encourage this activity by increasing financial contributions and recognising the special characteristics of the sector.

Realising the growth potential of the creative sectors requires ensuring incentives for creative work and the full leveraging of the potential of creative individuals. Teosto is convinced that improving incentives for creative work will add growth potential for new innovations.

## The voice of authors in Europe

The European Union wields considerable influence over issues important for Finnish authors. Decision-

making in the European Union is becoming of increasing importance for Teosto's domain as well as our future challenges and opportunities. Therefore Teosto seeks to propound its views and opinions actively in Brussels too. Teosto undertakes EU-level lobbying through its own activities and through GESAC, the European Grouping of Societies of Authors and Composers.

Teosto aims to increase its social influence towards EU institutions and to anticipate future EU legislation. Successful lobbying at the EU level requires agility and rapid responses but also careful long-term anticipation and goal planning. In the year under review, Teosto employees had meetings with several MEPs, representatives of the Commission and officials at Finland's EU Representation.

One of the themes dominating debate at the European level in the year under review was the Proposed Directive on collective management of copyright and related rights and multi-territorial licensing, published by the European Commission on 11 July 2012. The key aim of the Directive is to create a common copyright administration network at the EU level to guarantee efficiency, transparency and responsibility in the operations of copyright agencies. This would contribute to attainment of the second goal of the Directive, the promotion of a digital internal market through simpler multi-territorial licensing of musical works for online use. The Commission proposes, among other things, EU-level legislation to govern copyright organisations.

Teosto has pointed out that the transparent operating practices of Nordic copyright organisations may serve as a general European model. Teosto considers that multi-territorial regulation of online rights to musical works may have a favourable effect on market development and on the status of small organisations and the repertoire they represent. However, this requires such regulation to be indicative in nature, leaving room for market-driven development. It is also important to ensure that the end result is not an online market dominated by a handful of large European operators but that the active presence of small copyright agencies on the multi-territorial market is both possible and safeguarded.

The European Commission, aiming to boost the in-



The attraction and charm of Finnish music was discussed at Suomi Areena in Pori by Tuomo Prättälä, Teosto Board Chairman Kim Kuusi, Iiro Rantala and long-standing Pori Jazz press officer Mikko Peltola.

ternal market, intends to expand the domain of copyright organisations to a European level. Towards the end of 2012, the Commission initiated a broader debate on the promotion of the digital internal market and on the updating of copyright issues at the EU level. This process, known as Licences for Europe, involves a broad-based discussion between European interest groups during 2013. Here, too, a good example of a practice already in place is not far: Teosto is involved in the NCB-Hub co-operation of Nordic copyright organisations, the purpose of which is to respond to the demand for copyright licenses covering more than one

country in the Nordic and Baltic countries.

While the overall trend in copyright administration is towards large units and economies of scale, we must ensure that the status of small languages and cultures is not undermined. This could happen if the operating potential of national copyright services is compromised. Copyright organisations are an integral part of local cultural production ecosystems, and the services they provide to rightholders and users of copyright materials are close to the customer. It is in the interests of Finnish customers and Finnish culture that this is not compromised.

## Efficiency through research findings

Teosto undertakes research in three areas: research cooperation with customers, interest groups and enterprises; market research; and processing and leveraging of data collected in Teosto's own operations. In the year under review, research focused on new technologies, technology pilots and customer cooperation.

In 2012, Teosto became the first copyright society in the world to pilot a study concerning automatic recognition of live music. The pilot project was conducted with BMAT, a Spanish technology company, at the Provinssirock festival. Further development is being done in a club environment in the DJ pilot launched in December 2012. These pilots form part of Teosto's new technology research project, aimed at improv-

ing the copyright system. BMAT was also a partner in the extensive pilot study on music recognition technology for radio and TV in 2012.

A large research project on background music was completed at the end of 2012. This project involved conducting two surveys among enterprises and consumers who use background music and a pilot study conducted with a department store chain and a background music service provider to investigate the impact of music and advertising on sales. The findings from this research project will be leveraged to develop services for Teosto's background music customers.

In summer 2012, Teosto conducted a study on rehearsal facilities in Helsinki together with the Helsinki City Museum and the Finnish Jazz & Pop

Archive. The purpose of the study was to find out whether there are enough rehearsal rooms available for bands and what their development needs are. The rehearsal room study is ongoing and will be expanded to cover the entire country.

Teosto also conducted studies on the income structure of music author customers and on the taxation and entrepreneurial activities of music authors. Implementation of Teosto customer satisfaction and image studies was launched towards the end of the year under review; these are continuing in early 2013.

The live music statistics project begun in 2011 continued, including for instance a pilot project conducted jointly with a prominent music user customer.



HARRI NURMINEN

HARRI NURMINEN

JOUNI PORSÄNGER



### Copyright royalties considered beneficial for Finnish culture

According to the copyright barometer commissioned by the creative workers' and entrepreneurs' association Lyhty, Finns have become slightly more critical of copyright organisations and royalties. Nevertheless, 76% of respondents considered that copyright royalties are beneficial for Finnish culture. Also, 78% considered that paying copyright royalties supports continuity in the creative arts, and 68% of respondents agreed partly or wholly with the statement that copyright royalties represent significant additional income for artists.

#### Notes from the copyright barometer

- Respondents considered that the duties of copyright organisations include collecting copyright royalties on behalf of artists (67%), combating sales of pirate copies (59%) and granting performing licenses for creative works.
- 12% considered that it is legal to download music that has been posted online without permission.
- 8% of respondents considered it acceptable to purchase a pirate copy of a CD, computer game or film.
- 10% of respondents aged 15 to 24 approved of the distribution of music or films online without permission.
- 33% reported that they themselves or a family member had bought music, films or computer games at a legitimate online shop. In 2011, the figure was 39%.
- Teosto is the best-known copyright organisation. Teosto was spontaneously named by 41% of respondents, ahead of Gramex (13%) and Kopiosto (4%).



HARRI NURMINEN

Top left: Music author Wimme Saari and Member of Parliament Simo Rundgren at a Cultural Ambassador meeting in Rovaniemi. Large photo: Lyricist Sana Mustonen and Member of Parliament Aino-Kaisa Pekonen met at the Cultural Ambassadors' working lunch in Hämeenlinna. Left: Composer Jarmo Sermilä is Cultural Ambassador to Member of Parliament Johannes Koskinen. Right: Cultural Ambassadors Jare 'Cheek' Tiihonen and Sipe Santapukki with Member of Parliament Timo Heinonen.



### Music authors have a direct link to decision-makers

The Cultural Ambassador project launched by Teosto in 2009 was continued in 2012. The project has led to a better understanding among both music authors and decision-makers of each other's work and objectives.

Teosto organised working lunches for Cultural Ambassadors and Members of Parliament in Kotka, Rovaniemi and Hämeenlinna. Additionally, individual pairs of Cultural Ambassadors and Members of Parliament held private meetings to discuss issues important for music authors.

Teosto conducted a survey among

the Cultural Ambassadors in the autumn. The purpose was to explore how frequently music authors and decision-makers had met, which issues had emerged as the most important at these meetings, and whether the project should be developed in any particular direction.

The feedback received through the survey was overwhelmingly positive. "When we manage to agree on a meeting and to get people to listen to each other, the greatest obstacle has already been overcome," wrote one of the Cultural Ambassadors in response to the question

about development ideas. It was also suggested that Members of Parliament should be given a better idea of what music professionals do, that small-scale coffee concerts should be held and that the Cultural Ambassadors should have a Facebook group.

"Even just keeping actively in touch helps make Members of Parliament aware of what it is that we do," wrote one of the respondents. Teosto is leveraging the results of the survey in its operations and is also comparing notes with corresponding programmes in Australia, Croatia and Hungary.



# Increase in distribution to music authors

TEOSTO DISTRIBUTES THE COPYRIGHT ROYALTIES IT COLLECTS TO ITS RIGHTHOLDER CUSTOMERS. IN THE YEAR UNDER REVIEW, EUR 22.5 MILLION WAS DISTRIBUTED TO MUSIC AUTHORS AND PUBLISHERS.

Teosto collects royalties for the use of music from music user customers and distributes those royalties to music authors, i.e. composers, lyricists, arrangers and their heirs, and to music publishers. The basic task of Teosto is to enable successful professional music-making in Finland. Teosto achieves its purpose by effectively representing the rights of music authors and by promoting their operating potential in many ways.

In 2012, Teosto collected EUR 46.3 million in royalties for music use in Finland, of which, after deducting expenses, EUR 40.0 million (86.6%) was designated for distribution to rightholders. Teosto's cost percentage was 13.4%, which means that Teosto is still one of the most cost-effective copyright organisations in the world.

In 2012, Teosto distributed a total of EUR 46.8 million in performance and mechanisation royalties to its rightholder customers. This was EUR 2.3 million more than in the previous year. Of the total, EUR 22.5

million was paid to Finnish music authors, while the remaining EUR 24.3 million was paid through Teosto's sister organisations to foreign music authors and publishers.

The majority (82.9%) of the copyright royalties from performances are distributed to music authors, the remaining 17.1% going to music publishers.

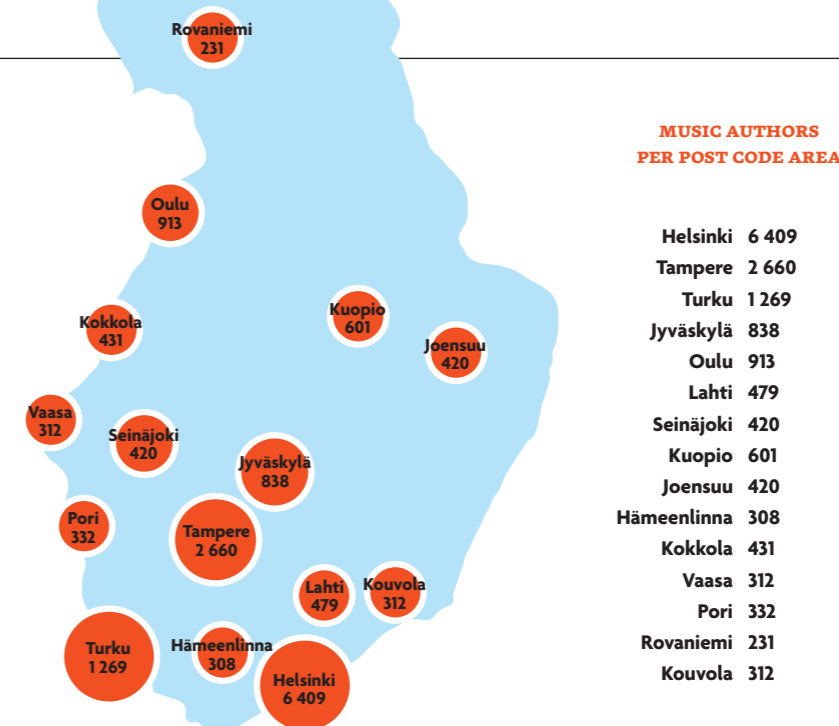
Payments are made in respect to works that have been performed in public, or released on a recording, or borrowed from a public library. In 2012, 10,043 Finnish rightholders (music authors, music publishers and estates) received copyright royalty payments. More than 8,642 of these are music authors, and about 800 of them were paid more than EUR 5,000 by Teosto in the course of the year under review.

Teosto also paid out royalties received from its sister organisations and the Nordic mechanisation rights agency NCB\* to Finnish rightholders. These royalties amounted to EUR 9.1 million in 2012.

\* The NCB (Nordisk Copyright Bureau) is a consortium formed by the Nordic copyright organisations Koda, Stef, Stim, Teosto and Tono to handle mechanical rights. It is based in Copenhagen. The NCB collects and distributes mechanical royalties to music authors and publishers represented by Teosto whose works are recorded in sound carriers, in films or in ads.

## Music is made all around Finland

At the end of 2012, Teosto had 26,933 music author and publisher customers, of whom more than one third live in the Helsinki metropolitan area: about 6,400 in Helsinki itself, about 1,300 in Espoo and about 880 in Vantaa. Concentrations of music authors may also be found in other university cities.



## More and more music author customers are young women

In 2012, 816 new music authors and 18 new publishers joined Teosto. At the end of the year, Teosto had 26,933 rightholder customers, of which 680 were publishers.

The majority of these are men, but the percentage of women is growing: of the new customers who joined in 2012, 33% are women. In all, women account for about 18% of Teosto's rightholder customers.

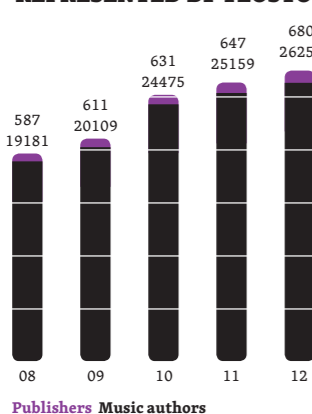
In 2012, the average age of new Teosto customers was 33 years. The youngest was aged 6, and the oldest was aged 85. During the year, Teosto acquired 22 new

customers under the age of 18. The average age of all Teosto customers in 2012 was 44 years.

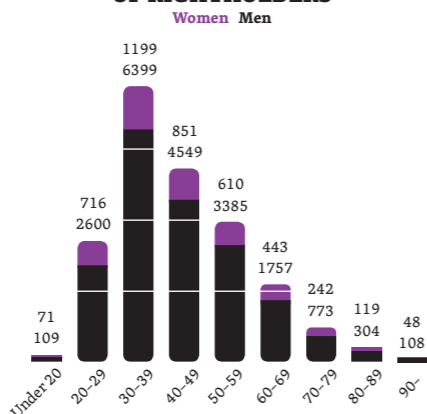
There is a heavy concentration of rightholder customers in the Helsinki metropolitan area, about one third of the total number. The percentages are even higher when we look at distribution: the Helsinki metropolitan area receives 66% of the royalty distribution, followed by Tampere and Turku at 9% and 5%, respectively.

In 2012, 259 of Teosto's music author customers were located abroad, nearly one third of these in Sweden.

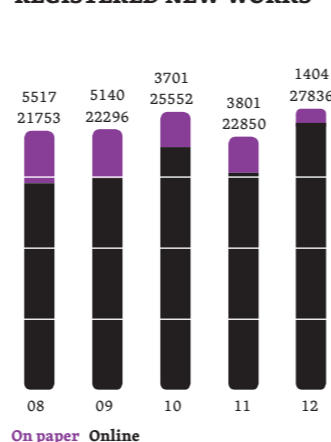
### RIGHTHOLDERS REPRESENTED BY TEOSTO



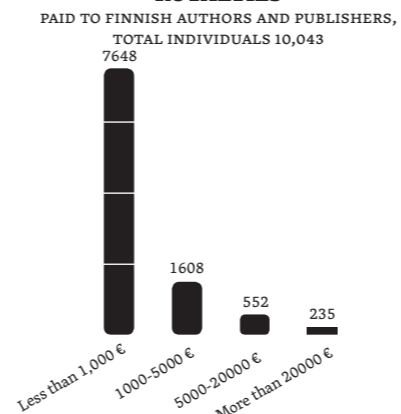
### AGE AND GENDER STRUCTURE OF RIGHTHOLDERS



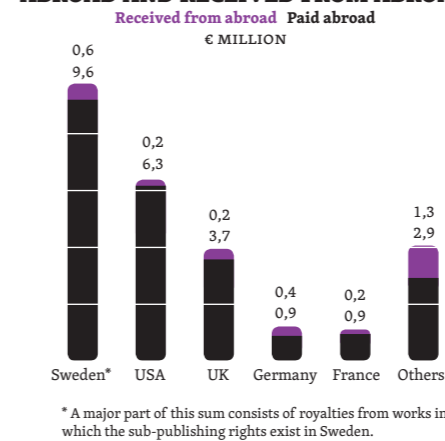
### REGISTERED NEW WORKS



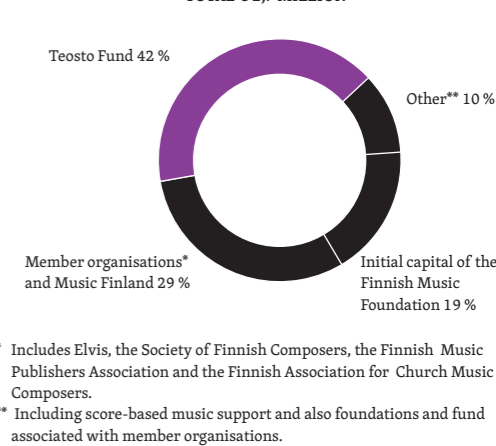
### PERFORMING AND MECHANICAL REPRODUCTION RIGHTS ROYALTIES



### PERFORMING RIGHT ROYALTIES PAID ABROAD AND RECEIVED FROM ABROAD



### PROMOTION OF FINNISH MUSIC





### Teosto focuses online

The online revolution is increasingly changing the music business. The proliferation of distribution channels has profoundly affected how people create and use music, removing the constraints of place and time. The rapid development of the online world and its establishment as part of our everyday lives mean that online services are increasingly required.

Accordingly, Teosto is actively pursuing a policy of development of online services. The Teosto website was overhauled in 2012, and during 2013 the focus will be on improving the user-friendliness of the online service for rightholders based on feedback from authors and performers. The first stage of online services for user customers, the electronic event details notification service for restaurants and dance venues, was launched on 7 January 2013.

During 2013, the online service for user customers will be expanded and augmented to better respond to customer needs. As of autumn 2013, individual event organisers may also enter the details for their events online. As the service improves, customers will be able to browse the data they have entered on a monthly basis, to receive invoices and to maintain their customer information.

A new service channel was introduced on the Teosto website in December 2012. Known as 'Teoston Teuvo', this involves a virtual customer service assistant to whom questions may be put through a chat window. Teuvo answers questions in real time during the opening hours of the Teosto customer service.

Online registration of new works has gained rapidly in popularity in recent years. In 2012, more than 29,000 new works were registered with Teosto, some 95% of them through our online service. Because the overwhelming majority of our customers use the online service and because the manual processing

of work notifications is a considerable drain on resources, Teosto decided at its Annual General Autumn Meeting to discontinue processing of hardcopy work notifications on paper as of 1 May 2013.

Teosto has extended its online presence to the social media with the opening of a Twitter account and an enhanced presence on Facebook. By participating in new networks and channels, Teosto seeks to support the community of music authors and to serve its interest groups more transparently and more quickly. The key aim here is to identify, create and offer content consistent with the needs and interests of our interest groups.

### Meetings with music authors around the country

Teosto has been developing personal contacts with rightholder customers; in 2012, Teosto held seven meetings for rightholders around the country. These meetings with local music authors and publishers were held in Lappeenranta, Lahti, Rovaniemi, Oulu, Turku, Pori and Tampere.

The meetings involved discussions and sharing information about current issues in the work and everyday lives of the authors, such as royalty payments from abroad and work notifications. This series of events will be continued in 2013.

### Promotion of Finnish music

In accordance with unanimous decisions by Teosto members, a percentage of the performing rights royalties collected each year is used for promoting Finnish music. In 2012, this amounted to 6.7% of the performing rights royalties collected, or EUR 2.7 million.

The Teosto Fund, set up to secure the continuity of non-profit and promotional operations, began operations as an active investor in early 2012. A retained

## Campaigning for performance notifications

Teosto and the Guild of Light Music Composers and Authors in Finland (Elvis) conducted a campaign to encourage bands and performers performing other people's music and agencies selling performances to submit performance notifications. The purpose of the Ilmoita biisit (Notify your songs) was to prompt performers to submit notifications concerning their performances.

Teosto only pays out royalties to music author for live performances for which a performance notification has been submitted. Therefore performance notifications are an invaluable tool for Teosto, as they are used as the basis to determine how the royalties paid to composers, lyricists and arrangers are allocated.

A Facebook page was set up for

the Ilmoita biisit campaign to provide further information about how to submit notifications and how important it is. The campaign also involved personal visits to agencies to distribute campaign brochures, among other things. Brochures were also widely distributed to music authors and performers at various events and meetings.

portion of national funds was used to build up the initial capital of the Fund, EUR 1.1 million in 2012. Capital gains from the sale of apartments owned by Teosto amounting to EUR 0.6 million were also transferred to the Fund. At the end of the year, the Fund capital amounted to EUR 6.4 million. In 2013, capital gains from the sale of the building housing the current Teosto offices will also be transferred to the Fund; this will amount to about EUR 7 million.

The annual funds for music promotion are used by Teosto for instance to support its member organisations – the Society of Finnish Composers, the Guild of Light Music Composers and Authors in Finland (Elvis) and the Finnish Music Publishers Association – funds and foundations associated with them and the Music Finland association.

Music Finland was created through a merger of the functions of the Finnish Music Information Centre (FIMIC) and Music Export Finland (Musex) in 2011; the new association began operations in 2012.

### Teosto and Gramex set up the Finnish Music Foundation

In June 2012, Teosto and Gramex set up a new foundation to promote Finnish music. The purpose of the Finnish Music Foundation is to promote and support a wide range of Finnish music and its professional creating, performing, publishing and producing.

For this purpose, the Foundation may award grants and otherwise promote or financially support music-related events, the production of music recordings, the publishing of music, exports, training and R&D. The Foundation may also organise artist residencies.

Gramex and Teosto each contributed EUR 500,000 as startup capital, making the Foundation's total initial capital EUR 1 million. In December 2012, the Teosto General Meeting decided to donate Villa Vikan to the Foundation for use as an artists' residence. The Villa will be turned over to the Foundation in 2013.

## The most active music makers live on music

It is possible to earn a living in Finland by just being a music author, but most composers, lyricists and arrangers cannot make a large enough income from music alone. The music authors most likely to succeed in this are those who actively seek contacts, create musical works for others to perform or get a lot of radio play for their works.

Of the 180 music authors who responded to an online survey conducted by Teosto in June 2012, more than half said that income from Teosto royalties is a significant source of income (47%) or

their principal source of income (8%). The median of royalties paid by Teosto to these respondents in 2011 was EUR 3,000, and the average was EUR 9,445.

Composing-related income from commission fees, publishing, music for the stage or advertising music, among other things, had been gained by 107 of the respondents in addition to royalties paid by Teosto. Performing music had earned an income for 119 respondents. The median of income from performing music was EUR 6,000, and the average was

EUR 11,252. Respondents were concerned about substantial differences in income from one year to the next; no fewer than 71% reported that their music-related income varied greatly on an annual basis.

About one third of the respondents (37%) was in a permanent employment relationship in 2011 aside from being a composer, lyricist or arranger, and more than half (54%) had been doing short-term or freelance jobs. About one in four respondents had jobs that had nothing to do with music.

## Nordic cooperation

In order to be able to distribute royalties to music authors and publishers, Teosto must have the details of the works performed, their performances and their authors, and also a practical accounting system. The works documentation, performance notification and accounting system must function smoothly so that payouts can be made quickly and efficiently.

For the past 15 years, Teosto has had access to the Nordic works database Nord-Doc, to which details of new works and publishing agreements entered by music authors and publishers in the Teosto online service are transferred in batches once a day. Teosto uses the Nordic Nord-Dis accounting system for distributions.

Teosto's Swedish sister organisation Stim has been working with PRS for Music in the UK since 2007 to build a database of ICE works and publishing agreements; Stim will be giving up Nord-Doc during the current year.

Koda in Denmark and Tono in Norway have been collaborating for some years to integrate their accounting, performance notification and online service systems. Teosto joined this collaboration in 2012. The organisations will introduce a shared reporting and accounting system and cooperate to reform their works databases.

In 2012, the local units of the NCB were shut down, customer services were centrally located to the NCB headquarters in Copenhagen, and the organisation's online services were im-

proved. Nevertheless, Finnish customers will continue to be provided service in Finnish.

During the year under review, the NCB and PRS for Music in the UK set up a joint venture named NMP to process mechanical reproduction royalties and online usage data for physical sound carriers and for radio and TV broadcasts. The NMP will also involve system cooperation and administration of Central European Licensing (CEL) agreements. The aim of this cooperation is to enhance operations through economies of scale and to develop services to offer to other European organisations.



# Pumppu launched by Teosto

PUMPPU IS A PROJECT THAT BRINGS TOGETHER THE ENTIRE MUSIC BUSINESS AND RELATED INTEREST GROUPS, IMPROVING FINNISH MUSIC'S POTENTIAL FOR SUCCESS BY DEVELOPING THE OPERATING POTENTIAL OF MUSIC AUTHORS

**P**umppu is a comprehensive, long-term development plan for the music business. It is a practical operating model intended to forge a shared vision among operators in the field concerning the key development needs of the sector, and then to put that vision into practice. The main goal of the project is to gain an overall understanding of measures already being taken and projects already being run in the field and to identify needs for launching new projects.

**THERE** are more than 50 operators and parties in the music sector participating in Pumppu that influence the success of music authors: record labels, publishers, music users, local authorities, representatives of the education sector and central government, music organisations – and of course music authors themselves. The parties involved share the aim of creating pathways to success for Finnish music authors.

**THE PROJECT** aims to remove obstacles to development in the sector and to create and share good practices. The objective is to enable a growth in the number of people playing music, ensure a high standard of operations in the educational field producing music professionals, and support music authors in their rise to domestic and international success.

**PUMPPU** was launched with an inaugural workshop in September 2012, following which the first sub-projects and working groups were started up.

**THE PUMPPU** project has explored topics such as the role of music making in basic education. A broad base of amateur musicians and music as a hobby has been identified as the foundation of guiding and fostering those with the desire and the potential to become professional musicians. Music is a potential growth area in the creative sector besides being a source of mental wellbeing. Indeed, making music together in a social setting is a good way to prevent the social exclusion of young people and to foster learning of teamwork skills.

**SYSTEMATIC** and goal-oriented cooperation among Finnish operators in the music business will help professional music authors to find their way towards domestic and international success. One of the Pumppu sub-projects is exploring how the music business can best facilitate the the international success of Finnish music.

**PUMPPU** is governed by a steering group whose members are Finnish opinion leaders. The project coordinator began work in December 2012. New pilots and sub-projects will be added to the project in 2013.



## Steering group

The members of the steering group of the Pumppu project are (left to right): Ilkka Juva, Director of Communications at Veikkaus, the national lottery company; Eija Kauppinen, Counsellor of Education, National Board of Education; Kari Paananen, Deputy CEO of Teosto; Kim Kuusi, Chairman of the Board of Directors of Teosto; Kimmo Aulake, Special Advisor, Ministry of Education and Culture; Wemppa Koivumäki, CEO, Sony Music; Tom Frisk, Publishing Manager, Kaiku Songs; Tuomas Auvinen, Dean of the Sibelius Academy; Sami Alho, project manager at SeAmk; composer Tuomas Kantelinen; Tero Ojanperä, director of the Vision+ fund; Tuomo

Tähtinen, Executive Director of Music Finland; Katri Sipilä, CEO of Teosto; Mikko Pietinen, Pumppu project coordinator; and Timo Heino, Director, Unit for Public Diplomacy, Ministry for Foreign Affairs. Not pictured are the following: Erkki Välimäki, Director of Development, Town of Seinäjoki; Mikael Jungner, Member of Parliament; Markku Pyykkönen, Executive Director of Joensuu popmuusikot; Risto E.J. Penttilä, CEO of the Central Chamber of Commerce; Ville Vilén, Director, Creative Content, Finnish Broadcasting Company; and Heli Uusimaa, senior news producer, MTV3.



Pumppu was launched with an inaugural workshop in September 2012. Objectives for the project are here being discussed by: Raija Vahasalo, Member of Parliament; Pekka Sipilä from the Finnish Music Publishers Association; and music mogul Epe Helenius.

“The Finnish creative industry is very influential, but can only continue to be influential if it works towards shared goals, doing things in cooperation. This is my hope for the project launched by Teosto - a shared agenda and vision.”  
Mikael Jungner, Member of Parliament

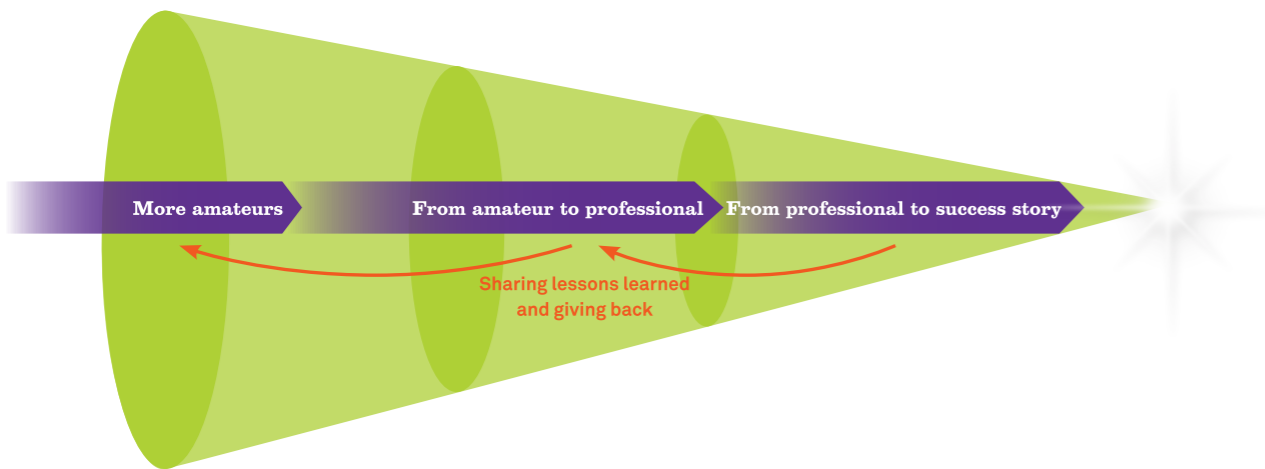
“As a record label, we work with music professionals. In order for these professionals to be born, we need a strong base of amateurs: lots of people playing music as a hobby, resulting in music authors and success stories in which we, too, can participate.”  
Jarkko Nordlund, CEO, Universal Music Group

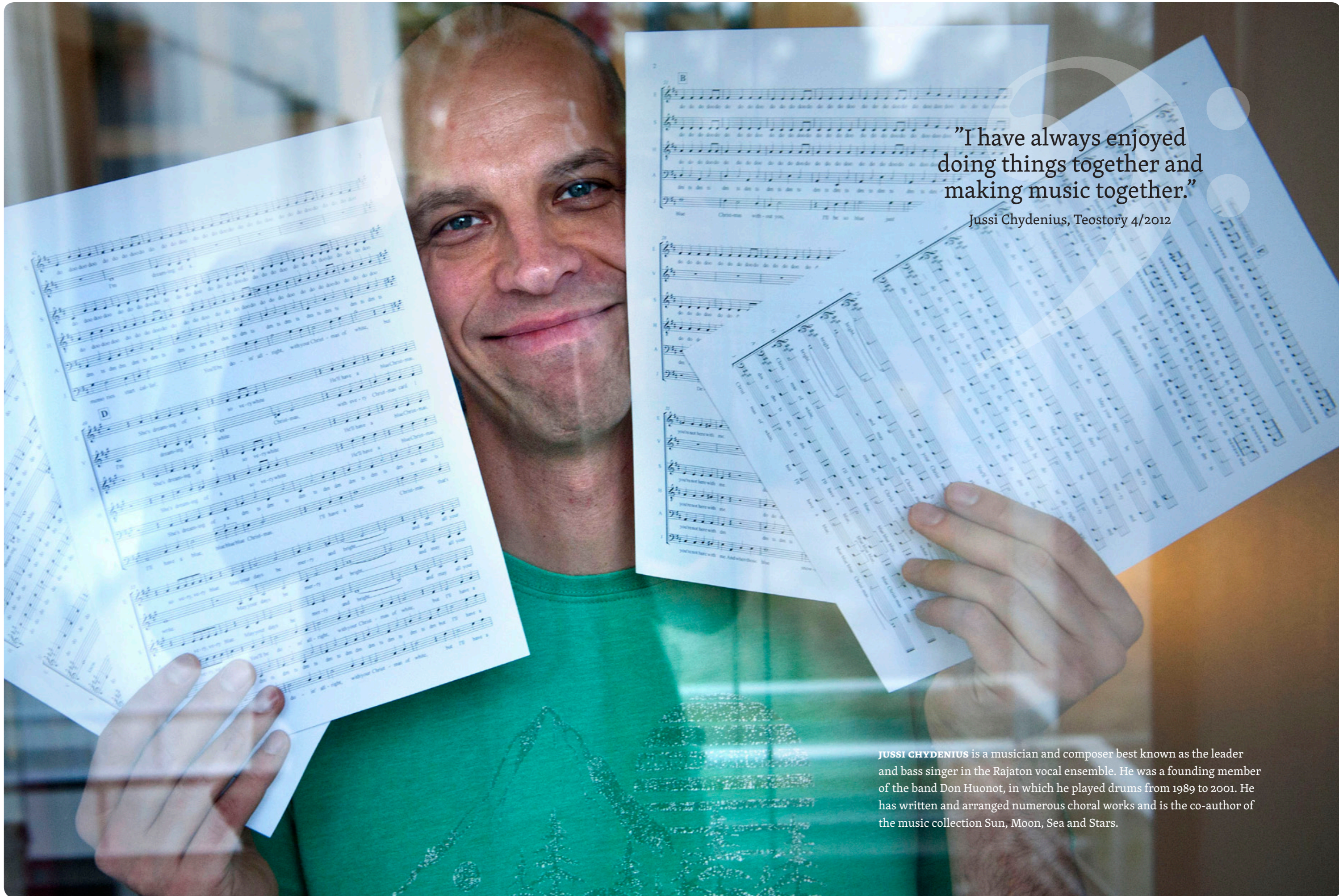
“In addition to the distribution of Veikkaus lottery funds and the development of new business openings, it is very important for us to find new ways to develop and improve the opportunities of children and young people to play music as a hobby.”  
Tapio Imporanta, relations planner, Veikkaus

“I am interested in the development of the conditions for children and young people to play music and making music as attractive a hobby as possible.”  
Jukka Immonen, composer, producer

## Guidelines to follow for Pumppu participants

1. I will actively lay down a path of success for Finnish music authors.
2. With my actions, I will seek to eliminate obstacles and strengthen the working parts in this path to success.
3. I will assess activities as a whole, both within and outside my own area of responsibility.
4. Results are what matter: the most important thing is for Finnish music to achieve more success.
5. I will actively share and seek information on music business operations.
6. I will increase the visibility of music making.
7. I will actively seek out partners in order to gain new perspectives.





“I have always enjoyed doing things together and making music together.”

Jussi Chydenius, Teostory 4/2012

**JUSSI CHYDENIUS** is a musician and composer best known as the leader and bass singer in the Rajaton vocal ensemble. He was a founding member of the band Don Huonot, in which he played drums from 1989 to 2001. He has written and arranged numerous choral works and is the co-author of the music collection Sun, Moon, Sea and Stars.

# Flexible licensing through cooperation

TEOSTO ENGAGES IN ACTIVE AND CLOSE COOPERATION WITH OTHER OPERATORS IN THE MUSIC SECTOR IN ORDER TO MAKE THE LICENSING OF MUSIC IT REPRESENTS QUICKER, EASIER AND MORE FLEXIBLE AND IN ORDER TO INCREASE THE PERCENTAGE OF FINNISH MUSIC PERFORMED.

In 2012, Teosto collected EUR 47.8 million in performing rights royalties in Finland, 5.4% more than in the previous year. EUR 1.5 million in doubtful debt was deducted from the total in the annual accounts. This sum derives from the period of dispute concerning the tariff reform for the hotel and restaurant sector between 2006 and 2011.

Music mechanisation royalties paid by the Nordic Copyright Bureau NCB\* to Finnish composers, lyricists and music publishers increased by 20.7%, to EUR 5.6 million. This total includes a non-recurring item of EUR 1.0 million related to online usage.

Some 63.9%, or EUR 29.6 million, of the royalties collected by Teosto in Finland came from the use of music on TV, on radio and on the Internet.

The royalties paid by TV stations for music use increased on the previous year.

Royalties paid by radio stations remained stable overall, although the percentage of music on commercially funded stations decreased somewhat as the percentage of talk programming increased.

The turnover of the online services of commercial TV stations ('catch-up' services or online TV) increased substantially during the year under review, which naturally also increased the amount of royalties collected.

Teosto is engaged in continuous dialogue with various operators in electronic media in order to stay in touch with changes on the market and to respond to those changes with music use solutions that cater to the multimedia needs of customers.

## A concert summer like never before

EUR 5.1 million in royalties was collected for concerts and other events. In 2012, there were three large stadium concerts: Madonna and Bruce Springsteen performed at the Olympic Stadium in Helsinki and the Red Hot Chili Peppers at Ratina Stadium in Tampere. Major outdoor concerts were also held in Kalasatama and on Hietaniemi Beach in Helsinki.

Generally speaking, the larger summer festivals

did not perform as well financially as they had done in the previous years, but some small and medium-size events did better than expected. The summer of 2012 also featured a number of completely new festivals, the largest of them being the Weekend Festival held at Luukki in Espoo.

Copyright royalties collected by Teosto from rock clubs, dance venues and other smaller venues featuring live music decreased somewhat, even though the collecting and processing of event information was more comprehensive than before. This decrease is explained by the product and tariff reform agreed upon by Teosto and the Finnish Hospitality Association (MaRa), which entered into force on 1 January 2012.

In spring 2012, Teosto convened the Live forum, a gathering of representatives of event organisers intended to improve the operating potential for live music performances now and in the future. This fo-

## Largest events in 2012 by ticket sales

1. **Madonna**, Helsinki Olympic Stadium (Live Nation)
2. **Sonisphere**, Helsinki Kalasatama (Live Nation)
3. **Pori Jazz**, Pori Kirjurinluoto (Pori Jazz)
4. **Bruce Springsteen**, Helsinki Olympic Stadium (Live Nation)
5. **Ruisrock**, Turku Ruissalo (Vantaan festivaalit)
6. **Flow**, Helsinki SuviLahti (Flow Festival)
7. **Red Hot Chili Peppers**, Tampere Ratina Stadium (Live Nation)
8. **Provinssirock**, Seinäjoki Törnävänsaari (Selmu ry)
9. **Lady GAGA**, Helsinki Hartwall Areena (Live Nation) \*
10. **Ilosaarirock**, Joensuu Laulurinne (Joensuun Pop-muusikot ry)

\* Two concerts. (Event organisers given in parentheses.)



MARKUS KORPI-HALLILA

The performers at Ilosaarirock in Joensuu included Children of Bodom.

rum will discuss for instance the current situation and needs for revision in the licences for the use of live music. The Live forum will continue to meet during 2013.

## Use of background music increased

Background music played in corporate premises, restaurants and vehicles is a significant source of income for Teosto rightholders. Efforts are made to ensure that the fees paid by individual users of background music are reasonable by taking into account the significance of the music to the music user's business

when pricing the licence.

The royalties collected for the use of background music in customer premises in 2012 amounted to about EUR 7.7 million, an increase of 4% on 2011. The largest growth was recorded in the music used for exercise activities: both the number of such venues and the amount of music they use increased.

The number of new background music user agreements was also increased in the 'Restaurant' area and in the 'Retail and similar locations' area. This growth was achieved through a systematic focus on personal customer contacts in the field and in the Teosto cus-

## Teosto and MaRa agree on pricing of music in restaurants

On 26 March 2012, Teosto and the Finnish Hospitality Association (MaRa) signed an agreement on the copyright royalty tariff for live music, mechanically reproduced dance music and karaoke in the hotel and restaurant sector from 2012. This ended the pricing dispute that had been going on since 2006. Negotiations to resolve compensation payable for the period of the dispute (2006 to

2011) will be undergone in 2013.

Customers were informed of the content and application of the new agreement and of the tariff and terms and conditions of use of the new licences for live music (ELMU) and for mechanically reproduced dance music and karaoke (MEKA) in customer newsletters sent out in spring and autumn 2012. Some of

the new ELMU and MEKA licence products include the monthly notification obligation that was introduced as of 1 January 2013. A new, easy-to-use online service for notification and invoicing of event information was built in summer and autumn 2012, and this will be further developed during 2013. The online service and its functions will be further developed in 2013.

\* The NCB (Nordisk Copyright Bureau) is a consortium formed by the Nordic copyright organisations Koda, Stef, Stim, Teosto and Tono to handle mechanisation rights. It is based in Copenhagen. The NCB collects and distributes mechanisation royalties to music authors and publishers represented by Teosto whose works are recorded in sound carriers, in films or in ads.

**DIGITAL SERVICE PROVIDERS LICENSED BY TEOSTO AS AT 31 DECEMBER 2012**

**Download & streaming**

- Spotify
- 7 Digital
- iTunes Music Store
- X-Box Music
- Beatport
- Sony Music Unlimited
- rara.com
- Music Station v.2
- Grey Brain
- One Digit
- Rdio
- Deezer
- Levykauppa ÄX
- Nettikaraoke
- Securycast
- Netanttila.com
- MTV3 Store Download
- NRJ Kauppa

**Ringtones**

- Elisa
- iTunes
- Mobile G Host
- Nokia Corporation/Nokia
- Securycast
- Sony Mobile Communications
- Zed

tomter service. Sales promotion was also stepped up particularly in the form of direct marketing by phone.

**Upward trend in online royalties**

Teosto and NCB jointly provide licences for music use in international digital music services and in online music stores administered by Finnish operators. NCB is responsible for reporting and invoicing, and it pays Teosto the percentage of royalties collected that is due to repertoire represented by Teosto.

In 2012, Teosto and NCB collected a total of EUR 4.2 million in performance and mechanical royalties for online use, of which EUR 1.9 million was distributed to Finnish rightholders. Because the amounts collected and distributed in 2012 include a non-recurring item of almost EUR 1 million, the figures are not comparable with those for previous years.

The year 2012 was significant for the market position of digital music. For the first time ever, digital sales compensated for the decrease in sales of physical sound carriers. Sales of physical sound carriers decreased by 7.5%, but sales in digital services increased by no less than 35%.

**Flexible solutions through cooperation**

Teosto engages in active and close cooperation with other operators on the music market to promote broad-based and diverse use of music. This includes talks with record labels, media producers, publishers and other copyright organisations. Teosto has engaged in closer cooperation particularly with Gramex and the Finnish Music Publishers Association with a view to improving the status of music represented by Teosto by facilitating faster and easier licensing of music for music users, in some cases on the one-stop-shop principle.

Teosto underwent negotiations with several digital service providers with the aim of ensuring rightholders reasonable compensation for the use of their works online. Negotiations with YouTube went well, and it is expected that an agreement for a service localised for Finland will be signed during 2013. In addition to direct one-on-one negotiations, Teosto participated actively in joint Nordic online licensing activities through the NCB-Hub.\*

Development of new services and business models was continued with service providers and other copyright organisations with a view to increasing the offering on the market and thereby to facilitate healthy competition.

AV content provided to consumers by Finnish telecom operators constitutes an important licensing area. During the year under review, Teosto continued to engage in close cooperation with telecom operators in order to resolve outstanding issues in content service licensing. The licence products for video-on-demand services, inter alia, were revised during 2012.

Teosto was also in talks to include the rights of music publishers, musicians and recording producers in its Online Licence product. The Online Licence product is intended for enterprises, organisations and private individuals that use music on their websites. Expanding the range of rights covered by the agreement would make it easier for music users to obtain licences.

The pilot project exploring the potential for commercialising data collected by Teosto, undertaken jointly with a significant national player in the hotel and restaurant sector, was completed. The project findings were considered so useful that similar projects will be proposed to other music user customers in the near future.

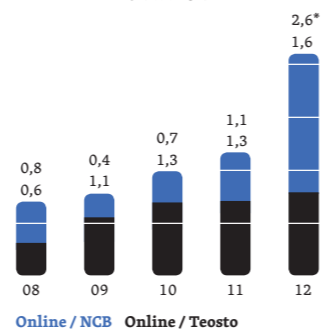
\* The NCB-Hub is a consortium of Nordic and Baltic copyright organisations intended to ensure access by multinational online services to several markets through a single negotiation procedure.

**DISTRIBUTION OF RECORDING MARKET IN FINLAND IN 2012**



\* Growth in 2012: downloads +12%, streaming +57%, digital market +35%.

**ONLINE REVENUE € MILLION**



\* Including a non-recurring item of about € 1 million.



The Nightwish gig at the Provinssirock festival was part of the research pilot conducted by Teosto and BMAT, a Spanish technology company, to investigate automatic recognition of musical performances.

**Sufficiency of repertoire is important**

Having a sufficiently broad portfolio of rights to represent, or repertoire, is the cornerstone of Teosto's business. Repertoire fragmentation and the general complication of licensing procedures require us to be

better aware than ever of the value of the rights we represent and their potential for use in various music services both in Finland and on the international market.

**Focus on increasing the rate of domestic origin**

Teosto explored the backgrounds of trends in music use and talked to decision-makers and other operators in the music business about how to increase the percentage of Finnish music performed. Promoting the use of Finnish music continues to be a focus area for Teosto in 2013.

**RATE OF DOMESTIC ORIGIN OF ROYALTIES COLLECTED BY TEOSTO IN 2012**

	ROYALTIES COLLECTED € MILLION	Increase in royalties collected 2011-2012	Rate of domestic origin of distributions (NOTE: Indicative estimate)
Events*	6,4	- 14,6 %	c. 66 %
Background music	10,4	+ 4,7 %	c. 46 %
YLE radio and TV	11,7	+ 1,4 %	c. 35 %
Commercial TV	13,3	+ 10,3 %	c. 14 %
Commercial radio	3,0	- 1,6 %	c. 37 %
Online (Teosto + NCB)	4,2	+ 75 %	c. 40 %

\* EUR 1.5 million in doubtful debt was deducted from the total.

# Reform of the compensation for private copying postponed

IN A DECREE ADOPTED IN 2012, THE GOVERNMENT KEPT THE RANGE OF DEVICES COVERED BY THE COMPENSATION CHARGE THE SAME AS BEFORE.

THE AMOUNT OF THE COMPENSATION CHARGE WAS REVISED WITH REGARD TO RECORDING DIGITAL RECEIVERS AND EXTERNAL HARD DRIVES.

In 2012, Teosto collected EUR 7.1 million in compensation for private copying, an increase of EUR 0.5 million on 2011. This moderate growth derived from an increase in the compensation charge payable on digital receivers and external hard drives.

Sales of tapes and discs to which the compensation for private copying applies continued to decline. Sales of MP3 players also continued to decline, by one fourth.

THE GOVERNMENT'S ministerial working group on education policy decided at the end of 2011 that a reform of the system of compensation for private copying will be prepared during 2012. The intention was to introduce the revised system as of the beginning of 2013. The purpose of the reform is to secure the financial potential of the creative sector under circumstances of rapid technological development.

The reform of the system of compensation for private copying entered in the Government Programme was prepared at the Ministry of Education and Culture during 2012. In March, the Ministry brought in Markus Leikola as a solution negotiator, and a steering group with representatives from the Government parties was convened to prepare the reform.

In May, Markus Leikola submitted his proposal for reforming the system of compensation for private copying to Paavo Arhinmäki, Minister of Culture and Sport. Leikola proposed a tripartite model to broaden the fee base for the compensation charge and to reduce the charge per individual device considerably.

TEOSTO, Nokia, IFPI Finland and Sanoma Entertainment also submitted a proposal for development of the compensation charge in May. They proposed that a private copying charge levied together with the YLE charge should be added alongside the current device-specific charge, which could then be phased out.

The matter was shelved in August 2012 along with Markus Leikola's proposal. Preparation of the reform will be continued in 2013 with a view to having the new system of compensation for private copying in place in 2014.

TEOSTO remains open to discussion about new kinds of models for this system. However, Teosto feels that a successful reform requires a new system that is broad-based enough and will ensure sufficient revenue for music authors. This will have a direct impact on the vitality of Finnish culture and the incentives of the creative economy.

## THE MINISTRY OF EDUCATION'S 2012 DECISION ON THE ALLOCATION OF REVENUE RECEIVED IN 2011 AS COMPENSATION FOR PRIVATE COPYING

Direct compensation to rightholders :	EUR
Distributing organisation	
Kopioosto	1 346 961,62
Gramex	917 816,74
Teosto	870 034,03
Tuotos	201 515,03
<b>Total</b>	<b>3 336 327,42</b>

Funds to be used for common purposes	EUR
Promotion Centre of Audiovisual Culture (AVEK)	1 275 000,00
Foundation for the Promotion of Finnish Music (LUSES)	305 000,00
Finnish Music Promotion Centre (ESEK)	324 000,00
ESEK / LUSES *	273 000,00
Finnish Copyright Society	64 500,00
Copyright Information and Anti-Piracy Centre in Finland (CIPAC)	183 000,00
Promotion Centre for Literary Arts	55 000,00
Promotion Centre of Visual Arts (VISEK)	18 000,00
Finnish Association for the Deaf	3 700,00
Total	2 501 200,00
To be decided by the Ministry of Education later	140 801,57
<b>Grand total</b>	<b>5 978 328,99</b>

\* Includes common audiovisual funds of LUSES and ESEK

## What is the compensation for private copying?

It is legal for consumers to copy copyright-protected works for their own personal use. This is an exception to the general principle enshrined in copyright law whereby authors have the exclusive right to decide on the use of their works. Therefore rightholders are paid compensation

which is collected in the form of a levy added to the price of copying devices.

In Finland, the compensation for private copying covers devices in or on which copyrighted works can be stored and which are used for private copying to a significant extent. The Minis-

try of Education and Culture decides on an annual basis how the revenue from the compensation for private copying is to be divided. Some of the revenue is distributed directly to music authors, while a portion is reserved for common purposes such as funding cultural centres and foundations.

## Research data on compensation for private copying

In spring 2012, Taloustutkimus Oy conducted two surveys to investigate the overall volume of legal private copying and the use of external hard disks.

Finns had legally copied files for private use in 2011. Typically, music is copied from original CDs (33%) and video from TV broadcasts (69%).

The most commonly used platforms for copying music or video material in Finland are computers, USB memory sticks and mobile phones. A private computer is owned by 3.7 million

Finns, a memory stick by 3.2 million and a mobile phone capable of playing music files by more than 2.5 million. The devices most commonly used for copying music to are MP3 players, mobile phones and computers; video is most commonly copied to recording digital TV receivers and computers.

## Compensation for private copying in international context

The European Commission appointed Antonio Vitorino to investigate problems in the system of compensation for private copying at the European level. Vitorino's report is scheduled for publication in early 2013. On 5 December 2012, the Commission adopted a policy whereby a Directive on compensation for private copying will not be enacted during the current Commis-

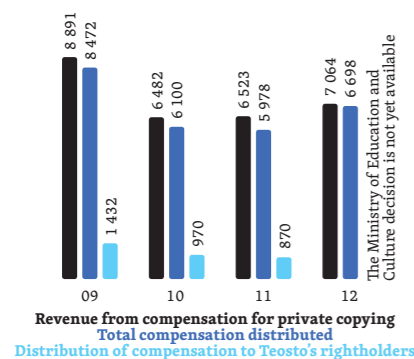
sion's term of office. This means that legislative proposals will not be forthcoming until 2015.

At the beginning of 2012, Spain introduced provisions converting the compensation for private copying to a central government budget appropriation. As a result, the total amount of the compensation plummeted. Spanish rightholders and the European Grouping of Socie-

ties of Authors and Composers (GESAC) have appealed the matter to the European Commission. In Sweden and the Netherlands, the system of compensation for private copying was extended by adding to the list of devices subject to the compensation charge in autumn 2012.

### REVENUE AND DISTRIBUTION FROM THE COMPENSATION FOR PRIVATE COPYING

1000 €



### NUMBER OF RECORDING DEVICES SOLD

	Sales 2012	Sales 2011	Change
External hard disk	158 000	149 000	6 %
Video recorder / recording digital receiver	116 000	112 000	4 %
Audio recorder	76 000	102 000	-25 %
CD-R	2 631 000	3 460 000	-24 %
DVD	1 794 000	2 340 000	-23 %
Blu-ray	9 500	9 500	0 %
C cassette	44 000	58 000	-24 %
VHS	15 000	25 000	-40 %

# Most played: Missä muruseni on and Duran Duran

IN 2011 AS IN EARLIER YEARS, FINNISH MUSIC WAS IN THE MAJORITY IN PERFORMANCES BY LIVE ORCHESTRAS AT DANCE VENUES AND RESTAURANTS.

**A**t dance venues, music written by Finnish composers, lyricists and arrangers accounted for 81% of the repertoire performed, compared with 73% at concerts and 63% at festivals. Finnish music accounted for 40% of the music played on YLE radio channels and 31% of the music played on commercial radio. On TV, Finnish music only accounted for 16% of all music.

**NEVERTHELESS**, Finnish hits were the most frequently played pieces on radio, and an exceptional number of Finnish hits made it to the Top 10 lists

## LIVE MUSIC

- 1. Paratiisi**  
music Rauli Somerjoki, lyrics Rauli Somerjoki and Arja Tiainen, arr. Jani Uhlenius
- 2. Ikkunaprinsessa (Glendora)**  
music and lyrics Ray Stanley, Finnish lyrics Saukki, publ. Emi Music Publishing, Warner/Chappell Music Finland, Edition Wilhelm Hansen
- 3. Keinu kanssani (Quien sera)**  
music and lyrics Pablo Rosas Rodriguez, Finnish lyrics Ulla Sand, publ. Peermusic
- 4. Kulkurin iltatahti**  
music Toivo Kärki under the pseudonym Martti Ounamo, lyrics Reino Helismaa under the pseudonym Orvokki Itä, publ. Warner/Chappell Music Finland \*
- 5. Se jokin sinulla on (You've Got What I Like)**  
music and lyrics Gerard Marsden, Leslie Maguire, Les Chadwick and Frederick Marsden, Finnish lyrics Juha Vainio, publ. Universal
- 6. Satumaa**  
music and lyrics Unto Mononen, publ. Warner/Chappell Music Finland
- 7. Kaksi kolpakkoa neiti**  
music and lyrics Martti Maja, publ. Warner/Chappell Music Finland
- 8. Oikeesti**  
music Kaisa Ranta-Toivonen, lyrics Sinikka Svärd, arr. Aku Toivonen, publ. Finlanders Productions
- 9. Get On**  
music and lyrics Henry Aaltonen, Pekka Järvinen and Christer Häkkinen, publ. Warner/Chappell Music Finland
- 10. Jätkän humppa**  
music Paavo Melander, lyrics Tupa-Uuno, publ. Warner/Chappell Music Finland

\* The estates of Toivo Kärki and Reino Helismaa have declared that it is their wish that the pseudonyms of these two well-known music makers be revealed.

of commercial radio. Of the ten most frequently played pieces on the national YLE radio channels, eight were Finnish.

**THESE** figures are based on music performance notifications submitted to Teosto by event organisers, radio and TV companies, and performers. It is on the basis of these notifications that Teosto pays Finnish and foreign composers, lyricists, arrangers and music publishers royalties for the use of their works. Teosto paid out the performing rights royalties from performances in 2011 to rightholders in 2011 and 2012. Statistics on performances in 2012 will be completed in summer 2013.

## FINNISH COMPOSITIONS MOST PERFORMED ABROAD, BY ROYALTIES COLLECTED

- 1. Violin Concerto**  
music Jean Sibelius, publ. Robert Lienau
- 2. Symphony no. 2**  
music Jean Sibelius, publ. Breitkopf & Härtel
- 3. In the Shadows**  
music Lauri Ylönen, Eero Heinonen, Aki-Markus Hakala and Pauli Rantasalmi, lyrics Lauri Ylönen, publ. Boneless-Skeletor Oy, Immobiliare
- 4. Symphony no. 5**  
music Jean Sibelius, publ. Edition Wilhelm Hansen
- 5. Arn - Tempelriddaren (film music)**  
music Tuomas Kantelinen
- 6. Finlandia**  
music Jean Sibelius, publ. Breitkopf & Härtel
- 7. Symphony no. 1**  
music Jean Sibelius, publ. Breitkopf & Härtel
- 8. Lemminkäinen Suite**  
music Jean Sibelius, publ. Breitkopf & Härtel
- 9. Symphony no. 7**  
music Jean Sibelius, publ. Edition Wilhelm Hansen
- 10. Karelia Suite**  
music Jean Sibelius, publ. Breitkopf & Härtel
- 11. Mongol (film music)**  
music Tuomas Kantelinen
- 12. Sandstorm (original mix)**  
music Ville Virtanen, arr. Jaakko Salovaara and Ville Virtanen, publ. MGB Music Publishing Finland
- 13. News in 59.45**  
music Teemu Airam
- 14. I Don't Dance**  
music and lyrics Jukka Immonen and Samu Haber, publ. BMG Chrysalis Scandinavia, Sony/ATV Music Publ.
- 15. Symphony no. 6**  
music Jean Sibelius, publ. Edition Wilhelm Hansen



## COMMERCIAL RADIO

- 1. Duran Duran**  
music and lyrics Teemu Brunila, arr. Jukka Immonen, publ. B Publishing
- 2. Missä muruseni on**  
music and lyrics Jukka Immonen, Jenni Vartiainen and Mariska, publ. Air Chrysalis Scandinavia
- 3. Mä annan sut pois**  
music Lasse Kurki, lyrics Laura Närhi, arr. Matti Mikkola, publ. HMC Publishing
- 4. Tuntematon potilas**  
music and lyrics Janne Rintala and Olli Saks, arr. Olli Saks, publ. HMC, P5ymusic Finland
- 5. Maailman toisella puolen**  
music Rauli Eskolin and Leo Hakanen, lyrics Leo Hakanen, Jarmo Mykkänen and Elisa Tiilikainen, arr. Rauli Eskolin, Erno Laitinen and Leo Hakanen, publ. Inkfish, Warner/Chappell Music Finland
- 6. Grenade**  
music and lyrics P. Lawrence, A. Levine, C. Kelly, C. Brown, A. Wyatt and P. Hernandez, publ. Bug Music Scandinavia, Fintage Publ., Warner/Chappell Music Scandinavia, Emi Music Publ. Scandinavia
- 7. Ei mitään hätää**  
music and lyrics Hanna Pakarinen and Markus Koskinen, arr. Markus Koskinen and Kalle Tornainen
- 8. Hollywood Hills**  
music and lyrics Samu Haber, publ. Sony/ATV Music Publ. Scandinavia
- 9. Tämä on totta**  
music and lyrics Matti Mikkola and DJ Street Kobra, lyrics Anna-Leena Härkönen and Laura Närhi, publ. HMC, Universal
- 10. Heavy**  
music Eero Heinonen, Aki-Markus Hakala, Lauri Ylönen and Pauli Rantasalmi, lyrics Lauri Ylönen, publ. Boneless-Skeletor, Grotto Entertainment, Art Slow, On The Beat

Laura Närhi

## YLE RADIO CHANNELS

- 1. Vanha nainen hunningolla**  
music Erin Anttila, lyrics Erin Anttila and John Päijänne, arr. Vesa Anttila, publ. Kaiku Songs, Warner/Chappell Music Finland
- 2. Set Fire To The Rain**  
music and lyrics A. Adkins, F. Thorneycroft Smith, publ. Air Chrysalis Scandinavia, Universal
- 3. Da Da Dam**  
music and lyrics Axel Ehnström, arr. Axel Ehnström, Leri Leskinen, publ. Music Works Helsinki, HMC
- 4. Maailman toisella puolen**  
music Rauli Eskolin and Leo Hakanen, lyrics Leo Hakanen, Jarmo Mykkänen and Elisa Tiilikainen, arr. Rauli Eskolin, Erno Laitinen and Leo Hakanen, publ. Inkfish, Warner/Chappell Music Finland
- 5. Sokea piste**  
music Marco Oey, lyrics Jarmo Lampela and Maco Oey, arr. Sakari Tiikkaja, Maco Oey and Janne Saks
- 6. Tynny tuuleni**  
music Niina Hartikainen and Laura Madekivi, lyrics Tiina Paaso, arr. Aku Toivonen, Niina Hartikainen and Laura Madekivi
- 7. Missä muruseni on**  
music and lyrics Jukka Immonen, Jenni Vartiainen and Mariska, publ. Air Chrysalis Scandinavia
- 8. The Lazy Song**  
music and lyrics P. Lawrence, K. Warsame, P. Hernandez and A. Levine, publ. BMG Chrysalis Scandinavia/Bug, Sony/ATV Music Publ. Scandinavia, Emi Music Publishing Scandinavia, Warner/Chappell Music Scandinavia
- 9. Unten kaivo**  
music Hanna Marsh, lyrics Hanna Marsh and Jari Uutela, arr. Aki Väkevä
- 10. Silkkii**  
music Kari Hulkkonen, Seppo Salmi, Pasi Viljanen, Tommi Tikkanen, Antti Lauronen and Jori Hulkkonen, lyrics Jukka Rousu, arr. Tommi Tikkanen



Nominees for 2012 Teosto Prize

## Ninth Teosto Prize awarded

**Milla Viljamaa's** works on the album *Minne* were awarded the 2012 Teosto Prize of EUR 25,000. The prize ceremony was held at Musiikkitalo in Helsinki on 12 April. The purpose of the prize is to recognise bold, original

and innovative works of music. It is awarded annually to 1–4 works or collections of works.



## Musamaraton

**The Musamaraton** (Music marathon) organised by Teosto was run in connection with the Finlandia Marathon in Jyväskylä on 8 September. Nearly 100 music author and music user customers of Teosto participated, including Jouni Hynynen from the band Kotiteollisuus. Teosto organises the event to support the wellbeing and coping of music authors.

## Rapporteur of the Year to Yö and Live Nation

For the third time now, music authors and publishers awarded the Rapporteur of the Year prizes to music users who had distinguished themselves in submitting performance reports. The prize went to the band Yö and to Live Nation Finland.



Accepting the prize were Olli Lindholm (left) and Mikko Kangasjärvi (right) from Yö and Mikko Haapala (centre) from Live Nation.



## Kullervo Linna Prize for performers of dance music

**Popular** singer Paula Koivuniemi and musician, singer and orchestra conductor Pertti Juhani (Pepe) Kovanen and his Korsuorkesteri were awarded the 2012 Kullervo Linna Prize at Teosto. The prize is EUR 4,200. On the same occasion, dance venue host Sari Tamminen was awarded the Ilpo

Hakasalo Prize. The Kullervo Linna Prize has been awarded since 1989. It is paid out of the copyright royalties bequeathed by the late composer and conductor Kullervo Linna.

## Am I writing Finnish music? Am I playing Finnish music?

**The Teosto** spring seminar on 23 May brought together music authors, researchers and music users to discuss the vitality of Finnish music. Teosto published statistical information on how much Finns listen to Finnish music and what consumers think of the importance of Finnish music.



**The seminar panel** discussed how people select the music for radio, TV, films and events. Pictured on the panel are, from the left: **Aleksi Bardy** from Helsinki-Filmi; **Pete Eklund** from Moshfish Helsinki; **Janne Nieminen**, communications manager of Pori Jazz; and **Ville Vilén**, Director, Creative Content, Finnish Broadcasting Company.



**The Teosto** autumn seminar on 22 November focused on the funding of music. Tanu-Matti Tuominen, founder of and partner in the Vision+ fund, talked about music as an investment. A review of cash flows in the music business was also published at the seminar.

”I set goals for myself. I write songs slowly but with good quality. I never just jot anything down at random; I edit my own work before I even start writing.”

Mirel Wagner, Teostory 1/2012

**MIREL WAGNER** released her début album in 2011 to enthusiastic critical acclaim in Finland, and in 2012 the album and her live performances attracted positive attention abroad too.

# General Meeting and Board of Directors

THE SUPREME DECISION-MAKING BODY IN TEOSTO IS THE ANNUAL GENERAL MEETING, AT WHICH EACH ORDINARY MEMBER HAS ONE VOTE. THE CHAIRMAN AND MEMBERS OF THE BOARD OF DIRECTORS ARE ELECTED AT THE GENERAL MEETING.

Two General Meetings are held each year. A music author or publisher who is a customer of Teosto may apply for Teosto membership. Right-holder customers and members differ from one another only in the respect that members may participate in decision-making in Teosto. At the end of the year under review, Teosto had 687 ordinary members, of whom 645 were music authors and 42 were music publishers.

DAY-TO-DAY matters and administration at Teosto are managed by the Board of Directors,

whose chairman and members are elected by the General Meeting. The Board has one member from each group of music authors (popular and contemporary music composers and lyricists), one member representing all authors, and two members representing music publishers. Half of the members of the Board of Directors are up for re-election each year.

IN 2012, the Annual General Spring Meeting was held on 18 April and the Annual General Autumn Meeting on 12 December. The Annual General Spring Meeting re-elected com-

poser Mikko Heiniö and Ari Nieminen to the Board of Directors and elected composer Juha Tikka as the music author representative to the Board. The term of office of all three will expire at the Annual General Spring Meeting of 2014. As Tom Frisk had resigned from the Board of Directors, Tommi Tuomainen was elected to replace him as the other representative of music publishers for a term of office that will expire at the Annual General Spring Meeting of 2013.

THERE were 96 and 70 members present at the Spring and Autumn Meetings, respectively. The Board of Directors met 15 times during the year.



The Teosto Board of Directors invited Mikael Jungner, Member of Parliament and Tero Ojanperä, founder of the Vision+ fund, to become expert advisors to the Board for the terms of office 2012-2013 and 2013-2014.

## BOARD OF DIRECTORS, 18 APRIL 2012 TO 17 APRIL 2013



**KIM KUUSI**  
Chairman, composer

“Without music, life would be a mistake.”  
(Friedrich Nietzsche)



**MIKKO HEINIÖ**  
Deputy chairman, composer

“Work as if you were to live forever, but love as if you were to die tomorrow.” (Seneca)



**ARI NIEMINEN**  
Member, publisher

“Upholding diversity in Finnish musical culture is the key to future success stories.”



**JUHA TIKKA**  
Member, composer

“Most problems just require a bit of arranging to solve.”



**TOMMI TUOMAINEN**  
Member, publisher

“If you think everyone else is wrong, first question your own truth.”



**TIMO TYRVÄINEN**  
Member, lyricist

“Vibrant Finnish music is a life force for the gnarly Finnish people.”

# Teosto administrative principles

TRANSPARENCY AND EFFICIENCY FORM THE CORNERSTONE OF OUR EXISTENCE. SUPREME DECISION-MAKING POWER IN TEOSTO RESTS WITH THE MEMBERS OF THE ASSOCIATION.

## Ordinary members of the association

Any of the following who has been a customer of the association for at least four years and who has received distributions pursuant to its statutes for at least two distribution periods is eligible for ordinary membership of the association: composer, arranger, lyricist, author or music publisher. The Board of Directors can call a person who has rendered outstandingly valuable service to the association as an honorary member.

Acquired membership rights are maintained. Ordinary membership enters into force once the Board of Directors has approved the membership application. Ordinary membership ceases on the death of a private person, in the event of dissolution of an organisation or foundation, or when an ordinary member resigns or is expelled from the association.

## General Meeting

Supreme decision-making power in Teosto rests with the members of the association at General Meetings. Each ordinary member has one vote at the General Meeting of the association. A private person who is an ordinary member and is present at a General Meeting may represent another, absent ordinary member by proxy. The invitation to a General Meeting shall be sent to members by the Board of Directors three weeks before the meeting, or in the case of an Extraordinary General Meeting 10 days before the meeting. The meeting documents shall be made available in the online service no later than one week before the meeting.

The Annual General Spring Meeting first elects the Chairman of the Board of Directors and then the other Members of the Board of Directors from the ordinary members of the association. The Board of Directors annually elects a Deputy Chairman from among its Members.

## Board of Directors

The Board of Directors of the association represents the association, manages the association's general activities contributing to music creation, manages the association's assets and its finances, appoints and dismisses the CEO of the association, and supervises the association's office.

The Board of Directors consists of a Chairman and five other Members. One Member of the Board of Directors represents composers or arrangers of popular music, one represents composers or arrangers of contemporary music, one represents lyric writers or authors, and two represent music publishers. Moreover, one Member of the Board of Directors must be a music author. A 'music author' refers to a composer, arranger, lyric writer or author.

The Board of Directors may sell, exchange and mortgage the property of the Association. The term of office of a Member of the Board of Directors is two years. The working routines of the Board of Directors are specified in detail in the Board of Directors work regulations. The Members of the Board of Directors are paid a flat annual fee determined by the General Meeting for their services. The Members and Chairmen of the Board of Directors are paid no other remuneration. The Board of Directors decides on the remuneration of the office personnel. The Board of Directors has two outside expert advisors.

## Teosto office

The Teosto office is managed by the CEO. The Teosto management team consists of CEO Katri Sipilä, Deputy CEO Kari Paananen, Harri Ahokas, Jani Jalonen, Petri Kauste, Martti Kivistö, Tomi Korhonen and Risto Salminen.

## Audit

According to the statutes of the association, an accounting company approved by the Central Chamber of Commerce is the auditor. The Board of Directors proposes a candidate for election as auditor to the General Meeting. The actions and services of the auditor are evaluated regularly.

The auditor submits an auditor's report as specified by law to the members of Teosto in connection with the financial statements of the association. The auditor also reports regularly to the Teosto Board of Directors. Teosto's auditor is KPMG Oy, with Heidi Vierros, Authorised Public Accountant, as principal auditor. Ms Vierros has been Teosto's principal auditor since 2002.



Service Advisor Leif Sällström presented the revised Teosto online service to music authors at meetings for rightholders.



Teosto regularly organises meetings for rightholders to discuss items of interest and current issues. More than 60 music authors attended the briefing in Tampere in August.



## Eco-efficient Teosto

Teosto has had a Green Office agreement with WWF Finland since 2009. This agreement involves Teosto committing to creating a practically oriented environmental system and to abiding by the WWF's Green Office criteria.

In the evaluation process for granting the Green Office emblem, Teosto submits its environmental programme and environmental review to the WWF. In 2012, Teosto submitted its report to the WWF in February, and a Teosto representative

attended reporting training at the WWF office.

During 2012, the Teosto Green Office team held a flea market where Teosto employees could book stalls. Any items left unsold were donated to the Emmaus flea market. Glass and metal recycling was also initiated at the Teosto premises.

In addition to the Green Office programme, Teosto participated in the national energy conservation

week and in the 'kilometre race' organised by the Finnish Red Cross to raise money for health projects in Africa by cycling. Two talks on wellbeing at work were organised in cooperation with Jukka Harju during the year.



# Committees and working groups in 2012–2013

COMMITTEES AND WORKING GROUPS PREPARE OPERATING PRINCIPLES, PLAN PROJECTS AND SUBMIT PROPOSALS TO THE BOARD OF DIRECTORS. THEIR MEMBERS ARE TEOSTO RIGHTHOLDERS AND REPRESENTATIVES OF INTEREST GROUPS.

**THE PRIVATE COPYING COMMITTEE** monitors developments in the equipment used for copying and in consumer markets, international developments in the regulations concerning the compensation for private copying, and the practical arrangements for paying the compensation in different countries. It also monitors developments in the volume of copying and in the equipment and techniques used for copying, and operates as a communication link between copyright organisations that and importers of equipment.

In 2012, copyright organisations were represented on the Committee by Martti Kivistö, Turo Pekari, Katri Sipilä (chairman) and Olli Valkama (secretary) from Teosto; Lauri Kaira and Hannu Marttila from Gramex; Kirsi Niittyinperä from Tuotos; and Pekka Rislakki from Kopioisto. Other members were Riitta Raatikainen from the Association of Electronics Wholesalers; Minna Jokinen from Nokia plc; Riikka Tähtivuori from the Confederation of Finnish Industries EK; and Michaela Ramm-Schmidt from the Federation of Finnish Technology Industries. The Consumer Agency representative was Hertta Hartikainen, and the National Consumer Research Centre representative was Petteri Repo. The Ministry of Education and Culture was represented by Jorma Waldén.

**THE REPERTOIRE COMMITTEE** discusses questions concerning the classification of works, defines the shares payable to arrangers of works that are in the public domain, and issues statements to rightholders concerning issues of moral rights, the exceeding of work thresholds and issues related to plagiarism. The Committee will continue to grade works to the extent required by Nordic distribution practice as long as such grading is necessary. The chairman of the Committee is Reijo Kekkonen. The secretary and repertoire expert is Jennah Vainio. The Committee members are Timo Forsström, Yrjö Hjelt (from 13 June), Carita Holmström, Tommi Lindell (until 13 June), Jussi Liski and Olli Virtaperko, and the deputy members were Yrjö Hjelt (for Liski and Lindell, until 13 June), Sanni Orasmaa (for Hjelt and Liski, from 13 June), Lauri Kilpiö (for Holmström and Virtaperko) and Ari Nieminen (for Kekkonen and Forsström).

**THE ONLINE COMMITTEE** monitors trends in the online market and submits proposals to the Board of Di-

rectors as necessary. The Committee includes author and publisher representatives Antti Auvinen, Janne Louhivuori, Eero Lupari, Pekka Sipilä and Tommi Tuomainen (chair) and Teosto administrative representatives Lumi Vesala (secretary) and Jani Jalonen.

**THE REPORTING COMMITTEE** discusses current issues concerning the reporting of performances and makes recommendations to the Board of Directors for the development of reporting. In 2012, the chairman of the Committee was Eija Hinkkala, the secretary was Piia Keskimaa, and the members were Timo Forsström (from 13 June), Marja Kortelainen (from 13 June), Lauri Kilpiö, Saara Närhi (until 13 June), Päivi Ojanperä (until 13 June) and Ville Mäkinen.

**THE ARBITRATION COMMITTEE** discusses cases where rightholders are of the opinion that the terms of a publishing agreement have not been observed. The committee is chaired by Mikko Huuskonen, with Susanna Otsola as secretary until 13 June and Juho Kaitamaa as secretary from 13 June, and as members Janne Louhivuori (until 13 June), Tommi Läntinen (from 13 June), Harri Suilamo and Pekka Sipilä.

**THE COMMISSION GRANT COMMITTEE** distributes funds intended to promote newly-commissioned Finnish score music primarily to those musicians, groups, choirs, orchestras and other communities that do not receive any significant amount of public support. The members of the Committee are Raine Ampuja (chairman), Yrjö Hjelt, Jukka Isopuro, Reijo Kekkonen and Harri Vuori. The secretary is Jennah Vainio.

**THE DISTRIBUTION AND DIVISION RULES COMMITTEE** prepares calculations of distributable royalties and updates the distribution and division rules. The Committee also ensures that the distribution and division rules are transparent and ensure equitable treatment of works. In 2012, the Committee chairman was Martti Heikkilä and the members were Kaija Kärkinen (from 13 June), Janne Louhivuori (until 13 June), Pekka Sipilä, Aku Toivonen (from 13 June), Tapio Tuomela and Tommi Tuomainen. Deputy members were Heikki Elo, Ari Nieminen and Riikka Talvitie. The Teosto administrative representatives on the Committee are



MAARTI KYTCHARU

The Teosto Commission Grant Committee awarded a grant of EUR 2,750 to pianist Paavali Jumppanen for commissioning a work for piano and electronics from composer Perttu Haapanen (pictured) in 2012.

Marja Isokangas, Petri Kauste, Piia Keskimaa (secretary) and Ville Mäkinen (presenter).

**THE PURPOSE OF THE FUTURE WORKING GROUP** is to monitor changes in Teosto's operating environment and local and international regulation applying to our field. The Working Group submits suggestions and proposals to the Teosto Board of Directors in addition to drafting future scenarios with the aid of which Teosto aims to respond proactively to emerging situations, market changes and regulation. In 2012, the Working Group members were Tom Frisk (until 13 June), Kim Kuusi (chairman), Martti Kivistö, Kari Paananen, Tero Ojanperä (from 13 June), Katri Sipilä, Ano Sirppiniemi (secretary), Tommi Tuomainen (from 13 June) and Timo Tyrväinen.

**THE ELECTION COMMITTEE** is a body that according to section 15 of the Teosto statutes the Board of Directors shall appoint by the end of the calendar year preceding the related Annual General Spring Meeting. The purpose of the Election Committee for the purpose of submitting candidates for Chairman and Members of the Board of Directors to the Meeting. These submissions are not binding upon the Annual General Spring Meeting. The term of office of the members of the Election Committee expires at the Annual General Spring Meeting. In 2012, the Board of Directors appointed Annu Mikkonen (chairman), Eija Hinkkala, Tommi Läntinen, Antti Lehtinen, Reijo Kekkonen and Antti Auvinen to the Election Committee.

**THE SUPERVISION WORKING GROUP** discusses problems associated with incorrect performance or work registrations. In 2012, the Committee members were

Janne Louhivuori (chairman, until 13 June), Juho Kaitamaa (secretary), Kirsi-Marja Forsberg, Marja Kortelainen (from 13 June), Juhani Leinonen, Harri Suilamo, Aku Toivonen (from 13 June) and Tommi Tuomainen (until 13 June).

**THE SOCIAL RELATIONS WORKING GROUP** surveys and plans social responsibility projects necessary for Teosto, and tests and carries out lobbying ideas. In 2012, the members were Kim Kuusi, Susanna Perämaa (secretary, until 13 June), Riikka Railimo (secretary, from 1 August), Mikko Heiniö, Mikael Jungner (from 13 June), Kari Paananen (from 1 November), Tomi Korhonen, Martti Kivistö and Katri Sipilä.

**THE PURPOSE OF THE CO-OPERATION FORUM** is to enhance communication of information between the Board of Directors of Teosto, member organisations and members and to help utilise the expertise of member organisations in the operations of Teosto. The Co-operation Forum in 2012 consisted of the Board of Directors and also Martti Kivistö, Kari Paananen, Risto Salminen and Katri Sipilä from Teosto; Eija Hinkkala (until 31 August), Kaija Kärkinen (from 13 June), Janne Louhivuori (until 13 June) and Aku Toivonen (from 1 September) from Elvis; Antti Auvinen (from 1 September), Annu Mikkonen (until 31 August) and Tapio Tuomela from the Society of Finnish Composers; and Tom Frisk (from 13 June), Pekka Sipilä and Tommi Tuomainen (until 13 June) from the Finnish Music Publishers Association. The deputy members were Antti Auvinen (until 31 August), Antti Lehtinen (from 13 June), Eero Lupari and Annu Mikkonen (from 1 September).

# We are here for our customers

TEOSTO'S VISION IS TO BE THE MOST ACTIVE AND COMPETENT SOLUTION PROVIDER IN THE FINNISH MUSIC MARKET. THIS VISION SETS THE BAR HIGH FOR OUR PERSONNEL.

**T**eosto is involved in developing a functioning music market, flexible ways of using and licensing music and new, legal ways of enjoying music. We aim to ensure the vitality of Finnish culture and to improve the operating potential of music authors.

**THE ORGANISATION** of Teosto underwent considerable change in 2012. We aim to respond both to our customers' changing needs and to rapid changes in our sector.

**TEOSTO** was reorganised as of 1 August 2012. The purpose of the reform was to promote the Teosto vision and efficiency in the organisation in a shifting market situation and in an international operating environment. Another purpose of the new organisation model was to reinforce goal-oriented and performance-oriented operations and to homogenise core processes and functions.

**FOR** our customers, the reorganisation will begin to be apparent in 2013 for instance in the form of a joint customer service for music author customers and music user customers, of renewed and new service products, and of network service development.

**COMPETITION** between copyright organisations for rightholder customers and music user customers is tightening. In order to prosper in this ever more difficult competition situation, we must leverage our competence to the full, develop new competence and engage in international cooperation.

**IN** 2012, Teosto entered cooperation with Koda in Denmark and Tono in Norway. The goal is to introduce new practices and cooperation models that can gain us a competitive advantage with regard to other organisations. Project work competence is crucial for personnel competence development: it is what will



KIRSI-MARIA FORSBERG

Groupwork on the workplace community activity day: painting for change.

enable us to live up to our customer promise of efficient and innovative operations.

**CHANGES** are also in store for the physical workplace environment of our personnel. The Annual General Autumn Meeting of 2012 passed the motion of selling the Teosto office building in Lauttasaari in Helsinki. This means that Teosto will be moving out of its present offices to rented premises during 2013.

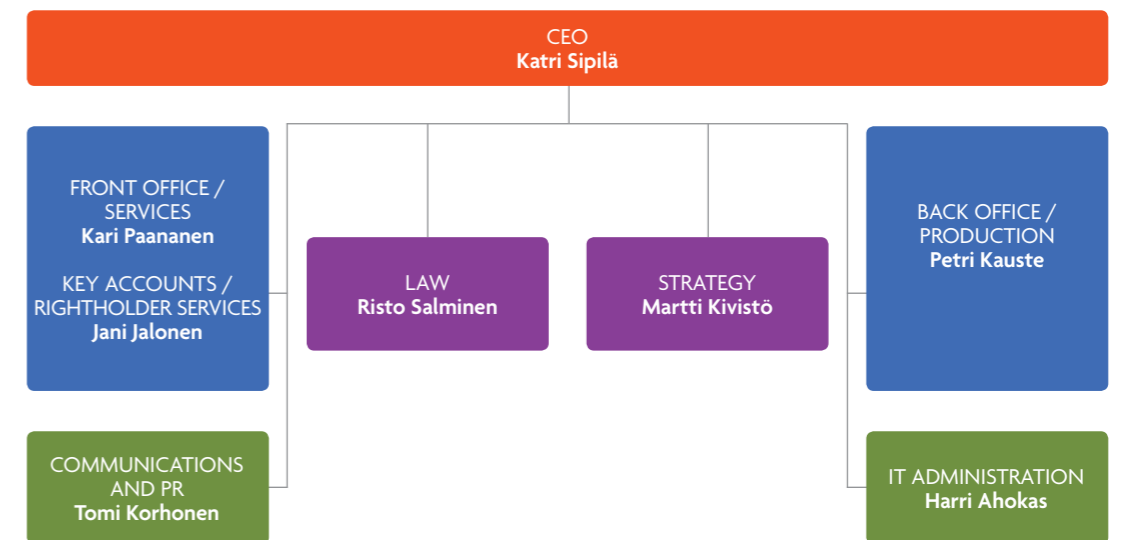
**AT** the end of 2012, Teosto had a total of 93 salaried employees. This represents a slight increase on the previous year, mostly due to a need for new expertise and substitutions. This includes the Private Copying Unit. Personnel consisted of 57% women and 43% men. The average age of employees at the end of the year under review was 44.4 years, and they had been with Teosto for 12.4 years on average. The average length of an employment relationship decreased because of normal turnover and also because of new recruitment. Of all employees, 26% have been with Teosto for less than five years.



SUVI-TUULI KANKANPÄÄ

The Teosto management team consists of Harri Ahokas, Risto Salminen, Petri Kauste, Kari Paananen, Katri Sipilä, Martti Kivistö, Tomi Korhonen and Jani Jalonen.

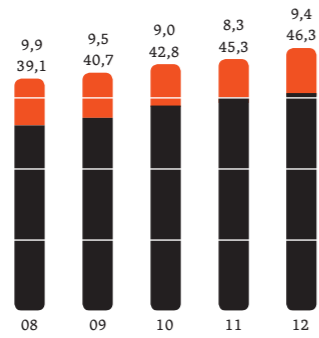
## TEOSTO ORGANISATION FROM AUGUST 1, 2012



The purpose of the reorganisation at Teosto was to promote attainment of our vision. In 2012, Teosto employed some 90 persons.

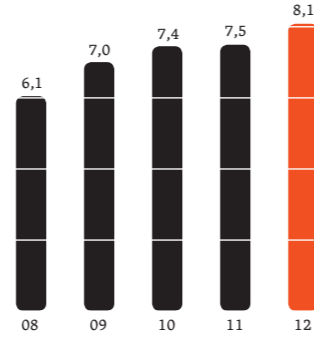
INCOME STATEMENT

INCOME  
(€ MILLION)

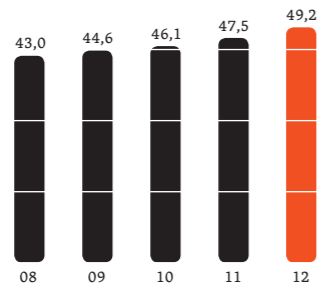


Royalties from other organisations  
Royalties collected by Teosto

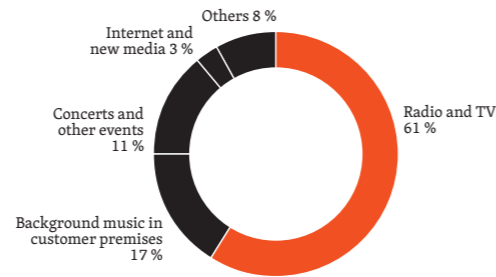
OPERATING COSTS  
(€ MILLION)



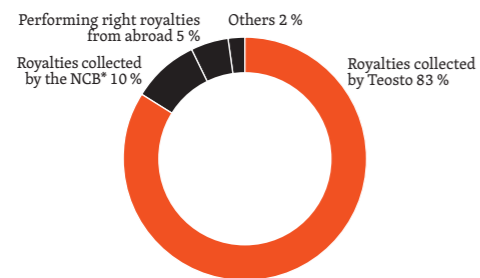
TOTAL DISTRIBUTION  
TO RIGHTHOLDERS  
(€ MILLION)



ROYALTIES COLLECTED BY TEOSTO  
TOTAL € 46,3 MILLION

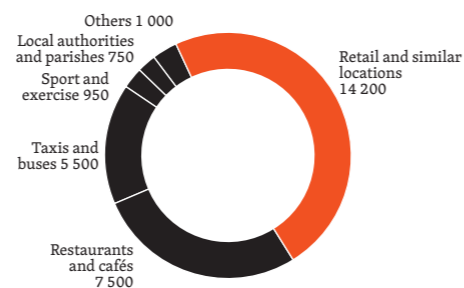


PERFORMING AND MECHANICAL  
REPRODUCTION RIGHTS ROYALTIES  
TOTAL € 55,6 MILLION



\* Distributions to Finnish rightholders

CUSTOMERS USING BACKGROUND  
MUSIC IN 2012  
TOTAL 29 950



	1.1. - 31.12.2012	1.1. - 31.12.2011
<b>DAY-TO-DAY OPERATIONS</b>		
<b>Income</b>		
Royalties collected by Teosto	46,250,071.73	45,304,812.30
Royalties from other organisations	9,052,999.43	8,018,496.18
Remuneration for public lending	335,385.50	306,714.57
Compensation for private copying	7,064,265.16	6,522,901.91
Other income	138,150.00	120,000.00
	<b>62,840,871.82</b>	<b>60,272,924.96</b>
<b>Costs</b>		
Personnel costs	-5,716,362.93	-5,644,038.79
Depreciation	-326,516.82	-253,673.29
Other costs	-4,146,837.66	-3,623,170.56
	-10,189,717.41	-9,520,882.64
	<b>52,651,154.41</b>	<b>50,752,042.32</b>
<b>FUNDRAISING</b>		
Membership fees	87,081.30	78,791.87
	<b>52,738,235.71</b>	<b>50,830,834.19</b>
<b>INVESTMENTS AND FINANCING</b>		
Income	2,443,810.62	3,397,615.56
Costs	-197,466.08	-733,739.42
	<b>2,246,344.54</b>	<b>2,663,876.14</b>
<b>Transfer for distribution to rightholders</b>	-53,250,964.24	-50,876,866.00
<b>Changes to the self-financed reserve</b>	-1,733,616.01	-2,617,844.33
<b>SURPLUS/DEFICIT FOR THE FINANCIAL YEAR</b>	<b>0.00</b>	<b>0.00</b>

**BALANCE SHEET**

ASSETS	31.12.2012	31.12.2011
<b>NON-CURRENT ASSETS</b>		
<b>Intangible assets</b>		
Intangible rights	2,135.99	2,135.99
Other capitalised long-term assets	411,613.64	204,663.88
	<b>413,749.63</b>	<b>206,799.87</b>
<b>Tangible assets</b>		
Land and water	18,916.68	18,916.68
Buildings and constructions	177,247.60	184,632.92
Machinery and equipment	521,927.42	502,091.50
	<b>718,091.70</b>	<b>705,641.10</b>
<b>Investments</b>		
Shares and similar rights of ownership	13,851,818.84	13,024,884.61
	<b>13,851,818.84</b>	<b>13,024,884.61</b>
<b>TOTAL NON-CURRENT ASSETS</b>	<b>14,983,660.17</b>	<b>13,937,325.58</b>
<b>ASSETS IN THE SELF-FINANCED RESERVE</b>		
Cash in hand and at the bank	4,134,936.38	4,637,793.25
Shares and similar rights of ownership	2,236,472.88	0.00
	<b>6,371,409.26</b>	<b>4,637,793.25</b>
<b>CURRENT ASSETS</b>		
<b>Receivables</b>		
Trade receivables	5,453,506.85	7,625,723.26
Loan receivables	14,227.29	38,918.27
Prepayments and accrued income	785,341.32	657,946.95
	<b>6,253,075.46</b>	<b>8,322,588.48</b>
<b>Financial securities</b>		
Shares	9,953,390.41	4,517,215.69
Cash in hand and at the bank	25,297,841.29	27,940,106.43
<b>TOTAL CURRENT ASSETS</b>	<b>41,504,307.16</b>	<b>40,779,910.60</b>
<b>TOTAL ASSETS</b>	<b>62,859,376.59</b>	<b>59,355,029.43</b>

**BALANCE SHEET**

LIABILITIES	31.12.2012	31.12.2011
<b>EQUITY</b>		
<b>Self-financed reserve</b>		
Teosto Fund	6,371,409.26	4,637,793.25
<b>Surplus/deficit for the financial year</b>	0.00	0.00
<b>Total capital and reserves</b>	<b>6,371,409.26</b>	<b>4,637,793.25</b>
<b>DEBTS</b>		
<b>Trade debts</b>		
	322,967.19	270,016.11
<b>Other debts</b>		
	6,219,509.61	6,093,599.17
<b>Accruals and deferred income</b>		
	1,582,510.10	1,425,069.50
<b>Distribution funds to rightholders</b>		
	48,362,980.43	46,928,551.40
<b>Total debts</b>	<b>56,487,967.33</b>	<b>54,717,236.18</b>
<b>TOTAL LIABILITIES</b>	<b>62,859,376.59</b>	<b>59,355,029.43</b>

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING PRINCIPLES

Entering performing right and mechanical reproduction royalty revenue as income

The Teosto income statement includes copyright royalties collected by Teosto from music user customers and copyright royalties paid to Teosto by other organisations. The royalties collected by Teosto are mainly performing right royalties. Teosto has transferred the administration of mechanical reproduction rights to the Nordisk Copyright Bureau (NCB), a joint Nordic agency. The Teosto income statement includes mechanical reproduction right royalties paid to Finnish rightholders by the NCB through Teosto on the one hand and collected by Teosto from music user customers on behalf of the NCB on the other. The main principle is that the income statement shows all cash flow from copyright royalties through Teosto, whether collected by Teosto from music user customers or paid to Teosto by another organisation.

Valuation and depreciation of tangible and intangible assets

Capital assets are stated at cost. Depreciation on buildings, machinery and equipment is calculated using the declining balance method, while depreciation on capitalised long-term expenditure is calculated on a straight-line basis. The following long-term depreciation periods have been applied:

Computer software	5 years
Other capitalised long-term assets	10 years
Buildings	4 %
Machinery and equipment	25 %

Valuation of investment assets

Securities and other investment assets are valued at cost or at market value on the date of the annual accounts, whichever is lower.

Consolidated financial statements

Consolidated financial statements have not been prepared because the operations of Kiinteistö Oy Lauttasalmi, Teosto's subsidiary, had no material effect on the group's financial performance or financial position. Kiinteistö Oy Lauttasalmi is a mutual real estate company that covers its annual maintenance and financing costs through maintenance charges paid by Teosto. The real estate company is thus not intended to make either a profit or a loss. The equity of the real estate company is EUR 506,728.07.

INCOME STATEMENT BY ACTIVITY

Teosto issues licenses for the performance of music to users of music and distributes collected royalties to right holders. By mandate of the Finnish Ministry of Education and Culture, Teosto also collects the compensation for private copying on behalf of entitled rightholders.

Costs associated with each specific function are allocated internally according to function. When calculating the proportion of general costs to be allocated to each sector, actual expenditure has been observed as closely as possible.

ROYALTIES COLLECTED BY TEOSTO	2012	2011
Operating income	46,250,071.73	45,304,812.30
Operating costs	-7,894,857.51	-7,329,094.92
Fundraising	87,081.30	78,791.87
Investments and financing (excl. self-financed reserve)	1,460,388.19	1,185,978.93
Other income	138,150.00	120,000.00
<b>Net income to rightholders</b>	<b>40,040,833.71</b>	<b>39,360,488.18</b>
Percentage of operating income	86.6,%	86.9,%
<b>Promotion of Finnish music (national funds)</b>		
Used towards promotion of Finnish music	1,567,249.88	1,325,471.64
Transfer to Teosto Fund	1,111,947.27	1,308,089.38
<b>Total</b>	<b>2,679,197.15</b>	<b>2,633,561.02</b>
Percentage of performing right royalty income in Finland	6.7,%	6.7,%
<b>Transfer for distribution to rightholders</b>	<b>37,361,636.56</b>	<b>36,726,927.16</b>
<b>ROYALTIES RECEIVED FROM OTHERS</b>		
Royalties from other organisations	9,052,999.43	8,018,496.18
Remuneration for public lending	335,385.50	306,714.57
Accounting costs	-186,082.66	-153,600.90
<b>Transfer for distribution to rightholders</b>	<b>9,202,302.27</b>	<b>8,171,609.85</b>
<b>PRIVATE COPYING COMPENSATION</b>		
Operating income	7,064,265.16	6,522,901.91
Operating costs	-541,527.36	-712,715.18
Investments and financing	164,287.61	168,142.26
<b>Transfer for distribution to rightholders</b>	<b>6,687,025.41</b>	<b>5,978,328.99</b>
<b>Total transfer for distribution to rightholders</b>	<b>53,250,964.24</b>	<b>50,876,866.00</b>

2 NOTES TO THE INCOME STATEMENTS

ROYALTIES COLLECTED BY TEOSTO

Performing rights	2012	2011
Radio and television	27,587,796.56	26,237,208.57
Background music in customer premises	7,694,648.11	7,367,660.72
Concerts and other events	5,067,428.36	6,421,840.48
Internet and new media	1,531,677.30	1,320,926.35
Films and stage	1,189,120.23	931,934.07
Local authorities and parishes	922,664.65	889,087.96
Sport and exercise	872,686.96	768,545.81
Transport vehicles	582,703.45	592,095.07
Others	352,066.17	345,283.46
	<b>45,800,791.79</b>	<b>44,874,582.49</b>

EUR 1.5 million in doubtful debt was deducted under 'Concerts and other events'. This sum derives from the period of dispute concerning the tariff reform for the hotel and restaurant sector between 2006 and 2011.

Mechanical reproduction rights

Radio and television	426,132.38	409,593.06
Internet and new media	23,147.56	20,636.75
	<b>449,279.94</b>	<b>430,229.81</b>

Total royalties collected by Teosto

	<b>46,250,071.73</b>	<b>45,304,812.30</b>
--	----------------------	----------------------

ROYALTIES FROM OTHER ORGANISATIONS

Performing rights

Sweden	578,450.93	501,875.55
Germany	375,187.15	409,052.07
France	240,464.70	186,287.62
UK	224,200.72	324,293.15
Netherlands	204,909.48	129,383.35
USA	160,282.47	171,074.46
Denmark	151,818.98	144,180.70
Norway	146,687.12	137,910.41
Japan	110,699.03	76,442.75
Others	683,241.58	768,053.87

Income from foreign performances of Finnish music	2,875,942.16	2,848,553.93
---	--------------	--------------

Others	1,009,828.81	628,595.26
--------	--------------	------------

Total performing rights

	<b>3,885,770.97</b>	<b>3,477,149.19</b>
--	---------------------	---------------------

MECHANICAL REPRODUCTION RIGHTS

Income from mechanical reproductions of Finnish music (NCB)	5,027,409.94	4,417,575.86
Others	139,818.55	123,771.17
	<b>5,167,228.49</b>	<b>4,541,347.03</b>

Total royalties from other organisations

	<b>9,052,999.46</b>	<b>8,018,496.22</b>
--	---------------------	---------------------

REMUNERATION FOR PUBLIC LENDING

Remuneration paid by the government to authors for lending of works from public libraries.	<b>335,385.50</b>	<b>306,714.57</b>
--	-------------------	-------------------

COMPENSATION FOR PRIVATE COPYING

	2012	2011
Copyright fee incorporated in the retail price of devices used for private copying	<b>7,064,265.16</b>	<b>6,522,901.91</b>

OTHER INCOME

Services for Fimic and Musex	138,150.00	120,000.00
	<b>138,150.00</b>	<b>120,000.00</b>

DEPRECIATION

Other capitalised long-term assets	156,237.39	89,698.12
Buildings	7,385.32	7,693.04
Machinery and equipment	162,894.11	156,282.13
	<b>326,516.82</b>	<b>253,673.29</b>

AUDITORS' FEES

Auditing fees	21,683.50	17,283.94
Counselling on taxes	2,130.25	8,208.47
Other services	100.00	145.33
	<b>23,913.75</b>	<b>25,637.74</b>

INVESTMENTS AND FINANCING

Income

Interest	421,665.92	358,049.98
Dividends	15,183.69	15,906.05
Rents	20,755.92	54,866.92
Sales profit	1,581,047.76	2,966,883.68
Restoration of value decrease	405,157.33	1,908.93
	<b>2,443,810.62</b>	<b>3,397,615.56</b>

Costs

Charges	-16,134.35	-26,776.80
Sales loss	-143,356.05	-247,530.02
Value decrease	-17,497.74	-410,334.17
Other costs	-20,477.94	-49,098.43
	<b>-197,466.08</b>	<b>-733,739.42</b>

Total for investments and financing

	<b>2,246,344.54</b>	<b>2,663,876.14</b>
--	---------------------	---------------------

TRANSFER FOR DISTRIBUTION TO Rightholders

Performing right royalties collected by Teosto	36,978,591.21	36,360,199.94
Mechanical reproduction right royalties collected by Teosto	383,045.32	366,727.18
Performing right royalties from other organisations	3,754,199.64	3,372,785.43
Mechanical reproduction right royalties from other organisations	5,146,255.71	4,522,781.35
Remuneration for public lending	301,846.95	276,043.11
Compensation for private copying (Min. of Ed. & Culture)	6,687,025.41	5,978,328.99
	<b>53,250,964.24</b>	<b>50,876,866.00</b>

Ministry of Education and Culture decision on the distribution of the compensation for private copying from the previous year to Teosto rightholders

	870,034.03	968,310.70
Accounting costs	-43,501.70	-48,415.53

Distribution to rightholders

	<b>826,532.33</b>	<b>919,895.17</b>
--	-------------------	-------------------

3 NOTES TO THE BALANCE SHEET, ASSETS

CHANGES IN INTANGIBLE AND TANGIBLE ASSETS	2012	2011
<b>Other capitalised long-term assets</b>		
Acquisition cost at 1 Jan.	595,407.56	603,846.66
Accumulated depreciation	-390,743.68	-334,769.66
Balance at 1 Jan.	204,663.88	269,077.00
Increases during the financial year	363,187.15	25,285.00
Depreciation during the financial year	-156,237.39	-89,698.12
<b>Book value at 31 Dec</b>	<b>411,613.64</b>	<b>204,663.88</b>
<b>Buildings and constructions</b>		
Balance at 1 Jan.	184,632.92	192,325.96
Depreciation during the financial year	-7,385.32	-7,693.04
<b>Book value at 31 Dec</b>	<b>177,247.60</b>	<b>184,632.92</b>
<b>Machinery and equipment</b>		
Balance at 1 Jan	502,091.50	546,529.54
Increases during the financial year	253,025.89	121,485.09
Reductions during the financial year	-70,295.86	-9,641.00
Depreciation during the financial year	-162,894.11	-156,282.13
<b>Book value at 31 Dec</b>	<b>521,927.42</b>	<b>502,091.50</b>
<b>SHARES AND SIMILAR RIGHTS OF OWNERSHIP</b>		
<b>Shares in group companies</b>	<b>21,776.98</b>	<b>21,776.98</b>
<b>Publicly traded shares and similar rights of ownership</b>		
Total market value	14,892,890.90	13,061,203.58
<b>Equivalent book value</b>	<b>13,520,595.49</b>	<b>12,587,415.79</b>
Difference	1,372,295.4	473,787.79
<b>Other shares and similar rights of ownership</b>	<b>309,446.37</b>	<b>415,691.84</b>
<b>Total shares and similar rights of ownership</b>	<b>13,851,818.84</b>	<b>13,024,884.61</b>
<b>ASSETS IN THE SELF-FINANCED RESERVE</b>		
<b>Publicly traded shares and similar rights of ownership</b>		
Total market value	2 373 626.21	0,00
<b>Equivalent book value</b>	<b>2,236,472.88</b>	<b>0.00</b>
Difference	137,153.33	0.00
<b>Total shares and similar rights of ownership</b>	<b>2,236,472.88</b>	<b>0.00</b>
<b>TRADE RECEIVABLES</b>		
Royalties collected by Teosto	4,565,873.16	6,827,742.73
Compensation for private copying	887,633.69	797,980.53
	<b>5,453,506.85</b>	<b>7,625,723.26</b>
<b>LOAN RECEIVABLES</b>		
Long-term receivables from group companies	0.00	30,000.00
Others	14,227.29	8,918.27
	<b>14,227.29</b>	<b>38,918.27</b>
<b>PREPAYMENTS AND ACCRUED INCOME</b>		
Performing right royalties	589,012.87	235,761.64
Others	196,328.45	422,185.31
	<b>785,341.32</b>	<b>657,946.95</b>

4 NOTES TO THE BALANCE SHEET, LIABILITIES

CHANGES TO THE CAPITAL OF THE SELF-FINANCED RESERVE	2012	2011
Capital of the Teosto Fund at 1 Jan	4,637,793.25	2,019,948.92
Revenue from investments and financing	71,224.21	27,692.01
Other transfers to the Fund	1,662,391.80	2,590,152.32
<b>Capital of the Teosto Fund at 31 Dec</b>	<b>6,371,409.26</b>	<b>4,637,793.25</b>
<b>OTHER DEBTS</b>		
Foreign copyright organisations	2,684,935.06	2,724,109.82
Finnish rightholders	1,331,954.25	1,276,931.96
Withholding tax	1,513,143.44	1,297,192.06
VAT	535,980.99	678,648.95
Others	153,495.87	116,716.38
	<b>6,219,509.61</b>	<b>6,093,599.17</b>
<b>ACCRUALS AND DEFERRED INCOME</b>		
Holiday pay	768,025.44	721,140.43
Promotion of Finnish music	195,000.00	195,000.00
Others	619,484.66	508,929.07
	<b>1,582,510.10</b>	<b>1,425,069.50</b>
<b>DISTRIBUTION FUNDS TO Rightholders</b>		
Performing right royalties	38,926,150.32	38,224,871.50
Mechanical reproduction royalties	501,891.09	471,932.67
Compensation for private copying	8,934,939.02	8,231,747.24
	<b>48,362,980.43</b>	<b>46,928,551.41</b>

5 SECURITIES AND CONTINGENT LIABILITIES

LEASING LIABILITIES	2012	2011
Payments outstanding in connection with leasing agreements		
Payments to be made in the next financial period	36,462.74	31,972.26
To be paid later	57,651.30	3,519.14
	<b>94,114.04</b>	<b>35,491.40</b>
<b>Total security and contingent liabilities</b>	<b>94,114.04</b>	<b>35,491.40</b>

6 NOTES ON PERSONNEL

AVERAGE NUMBER OF PERSONNEL	2012	2011
Teosto	79	81
Compensation for private copying	5	5
	<b>84</b>	<b>86</b>
<b>PERSONNEL COSTS</b>		
Salaries	4,342,707.37	4,389,766.00
Fees	212,930.05	175,603.05
Pension costs	919,080.31	831,213.25
Other personnel costs	241,645.20	247,456.49
	<b>5,716,362.93</b>	<b>5,644,038.79</b>
<b>BOARD OF DIRECTORS</b>		
Fees paid to Board members	105,407.50	105,740.00

The retirement age of the CEO, deputy CEO and their deputies has been agreed at 60 years.

7 OWNERSHIP IN OTHER COMPANIES

Name	Domicile	Ownership	Equity	Profit/loss
Kiinteistö Oy Lauttasalmi	Helsinki	100%	506,728.07	3,253.21

PROPOSAL FOR DISTRIBUTION TO RIGHTHOLDERS

The Board of Directors proposes that the total amount of EUR 55,522,326.95 be distributed for 2012.

THE DISTRIBUTION SUM IS MADE UP AS FOLLOWS	2012	2011
Performing right royalties collected by Teosto	36,978,591.21	36,360,199.94
Mechanical reproduction right royalties collected by Teosto	383,045.32	366,727.18
Performing right royalties from other organisations	3,754,199.64	3,372,785.43
Mechanical reproduction right royalties from other organisations	5,146,255.71	4,522,781.35
Remuneration for public lending	301,846.95	276,043.11
Compensation for private copying (Min. of Ed. & Culture)	6,687,025.41	5,978,328.99
	<b>53,250,964.24</b>	<b>50,876,866.00</b>
Distribution reserves from previous years	1,444,830.38	1,494,753.48
Compensation for private copying from the previous year to Teosto's rightholders	826,532.33	919,895.17
	<b>2,271,362.71</b>	<b>2,414,648.65</b>
<b>Total distribution to rightholders</b>	<b>55,522,326.95</b>	<b>53,291,514.65</b>

SIGNATURES TO THE ANNUAL REPORT AND FINANCIAL STATEMENTS

Helsinki, 13 March 2013

**Kim Kuusi**  
Chairman of the Board of Directors

**Katri Sipilä**  
CEO

**Mikko Heiniö**

**Ari Nieminen**

**Juha Tikka**

**Tommi Tuomainen**

**Timo Tyrväinen**

An auditor's report has been submitted on the audit conducted on this date.

Helsinki

**KPMG Oy Ab**  
**Heidi Vierros**  
Authorised Public Accountant

**AUDITOR'S REPORT**

**TO THE MEMBERS OF THE FINNISH COMPOSERS' COPYRIGHT SOCIETY TEOSTO**

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Finnish Composers' Copyright Society Teosto for the year ended 31 December, 2012. The financial statements comprise the balance sheet, the income statement and notes to the financial statements.

**RESPONSIBILITY OF THE BOARD OF DIRECTORS**

The Board of Directors is responsible for the preparation of financial statements and report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and shall see to it that the accounts of the association are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

**AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on the financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors and the Managing Director are guilty of an act or negligence which may result in liability in damages towards the association or have violated the Associations Act or the articles of association of the association.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the association's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

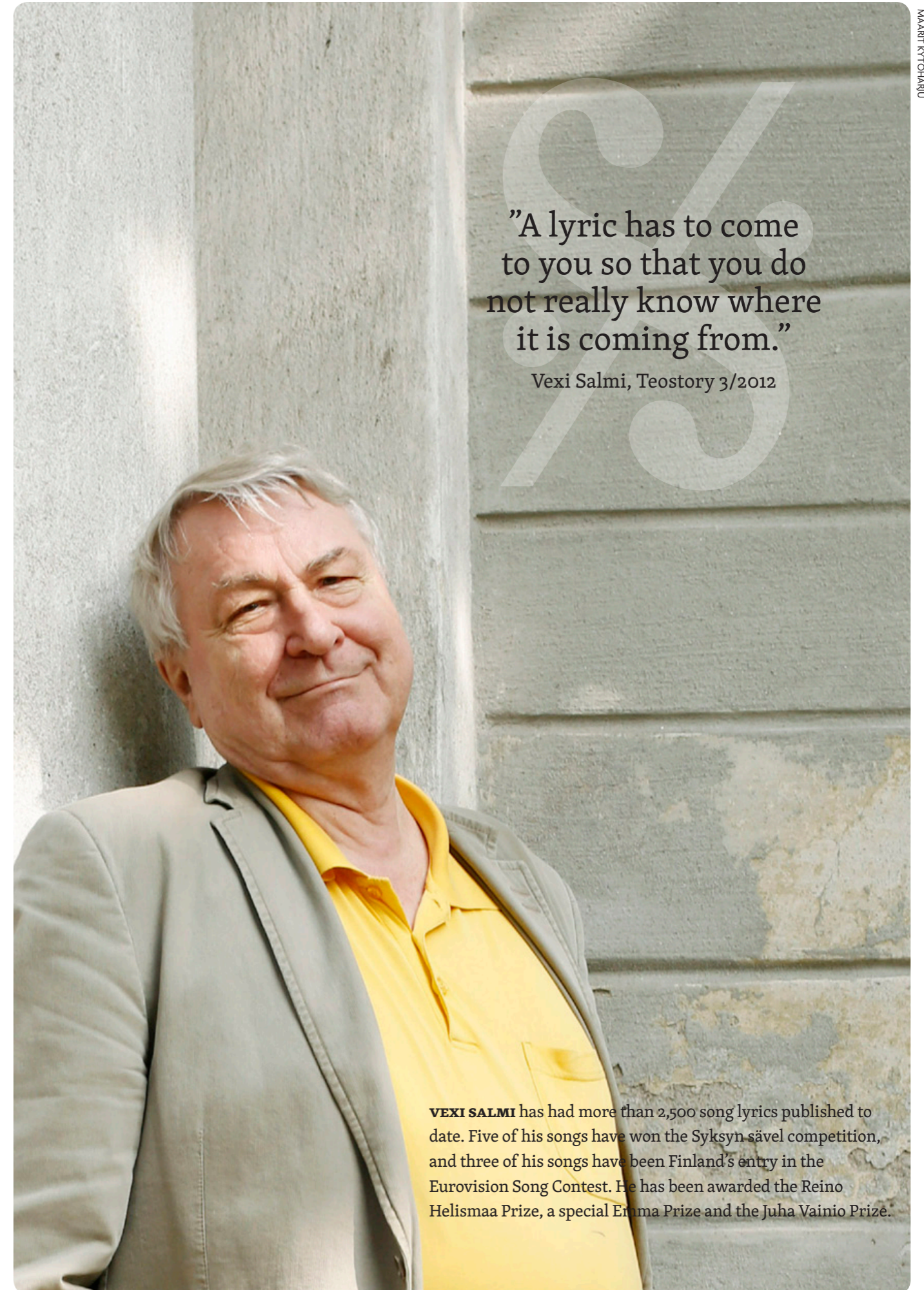
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**OPINION**

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of the financial performance and financial position of the association in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

*Helsinki 26 March 2013*

**KPMG OY AB**  
**Heidi Vierros**  
 Authorised Public Accountant



"A lyric has to come to you so that you do not really know where it is coming from."

Vexi Salmi, Teostory 3/2012

**VEXI SALMI** has had more than 2,500 song lyrics published to date. Five of his songs have won the Syksyn sävel competition, and three of his songs have been Finland's entry in the Eurovision Song Contest. He has been awarded the Reino Helismaa Prize, a special Emma Prize and the Juha Vainio Prize.

**Finnish Composers' Copyright Society Teosto**

Lauttasaarentie 1, FI-00200 Helsinki  
Tel. + 358 9 681 011 • fax +358 9 677 134  
teosto@teosto.fi • www.teosto.fi