



# Annual Report 2010



# Useful Internet links

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## Biem

**BUREAU INTERNATIONAL DES SOCIÉTÉS GÉRANT LES DROITS D'ENREGISTREMENT ET DE REPRODUCTION MÉCANIQUE**

International organization representing mechanical rights societies.

→ [www.biem.org](http://www.biem.org)

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## Cisac

**CONFÉDÉRATION INTERNATIONALE DES SOCIÉTÉS D'AUTEURS ET COMPOSITEURS**

The International Confederation of Societies of Authors and Composers. Teosto is a member of CISAC.

→ [www.cisac.org](http://www.cisac.org)

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## EMO

**EUROPEAN MUSIC OFFICE**

International non-profit organization that promotes the interests of the music sector within the European Union.

→ [www.emo.org](http://www.emo.org)

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## Fimic

**FINNISH MUSIC INFORMATION CENTRE**

→ [www.fimic.fi](http://www.fimic.fi)

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## Gesac

**EUROPEAN GROUPING OF SOCIETIES OF AUTHORS AND COMPOSERS.**

Cooperative body of copyright societies that promotes the sector's interests in the European Union.

→ [www.gesac.org](http://www.gesac.org)

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## Gramex

**COPYRIGHT SOCIETY OF PERFORMING ARTISTS AND PHONOGRAM PRODUCERS IN FINLAND.**

→ [www.gramex.fi](http://www.gramex.fi)

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## Compensation for Private Copying

**INFORMATION CONCERNING COMPENSATION FOR PRIVATE COPYING AND USE OF THE FUNDS COLLECTED.**

→ [www.hyvitysmaksu.fi](http://www.hyvitysmaksu.fi)

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## IPR University Center

The institute coordinates and promotes research into intellectual rights and corresponding education. Teosto is a member of the institute.

→ [www.iprinfo.com](http://www.iprinfo.com)

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## Kopioisto

Joint copyright society for authors, performers and publishers, which grants licences for the photocopying of works, the recording of radio and television programmes, and for the cable transmission of Finnish Broadcasting Company (YLE) programmes. Teosto is a member of Kopioisto.

→ [www.kopioisto.fi](http://www.kopioisto.fi)

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## Kuvasto

Copyright society of visual artists.

→ [www.kuvasto.fi](http://www.kuvasto.fi)

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## Lyhty

**THE CREATIVE WORKERS' AND COMPANIES' COOPERATION PROJECT LYHTY**

→ [www.kulttuuriuutiset.net](http://www.kulttuuriuutiset.net)

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## Music Export Finland ry

An organization that works to promote the export of popular music.

Teosto was one of the founding members.

→ [www.musex.fi](http://www.musex.fi)

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## NCB

**NORDISK COPYRIGHT BUREAU**

Joint Nordic mechanical copyright society.

→ [www.teosto.fi](http://www.teosto.fi), [www.ncb.dk](http://www.ncb.dk)

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## Finnish Ministry of Education and Culture

→ [www.minedu.fi](http://www.minedu.fi)

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## Sanasto

Copyright society of authors and translators.

→ [www.sanasto.fi](http://www.sanasto.fi)

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## Union of Finnish Writers

→ [www.suomenkirjailijaliitto.fi](http://www.suomenkirjailijaliitto.fi)

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## Finnish Music Publishers' Association

→ [www.musiikkikustantajat.fi](http://www.musiikkikustantajat.fi)

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## Society of Finnish Composers

→ [www.composers.fi](http://www.composers.fi)

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## Finnish Composers and Lyric Writers ELVIS Organization

→ [www.elvisry.fi](http://www.elvisry.fi)

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## Copyright Information and Anti-Piracy Centre in Finland, CIAPC

→ [www.antipiracy.fi](http://www.antipiracy.fi)

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## Teosto

Finnish Composers' Copyright Society

→ [www.teosto.fi](http://www.teosto.fi)

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## Tuotos

Copyright association for audiovisual producers in Finland

→ [www.tuotos.fi](http://www.tuotos.fi)

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## Wipo

**WORLD INTELLECTUAL PROPERTY ORGANIZATION**

→ [www.wipo.org](http://www.wipo.org)

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## IFPI

The Finnish National Group of the International Federation of the Phonographic Industry.

→ [www.ifpi.fi](http://www.ifpi.fi)

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## What is Teosto?

- An organization of music authors.
- A non-profit organization founded in 1928 by composers and music publishers to administrate and protect their rights.
- Represents more than 25,000 Finnish and some two million foreign composers, lyricists, arrangers and music publishers.

## Teosto's mission

- Teosto enables successful professional music-making in Finland.
- 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 collect and distribute to music authors and publishers performing rights royalties for public performances and recordings of their music.
- 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, organizers of concerts and other events, restaurants, orchestras, recording producers, new media companies and corporations that use background music in their business.

## Teosto's results in 2010

- Domestic sales revenue amounted to EUR 42.8 million, of which EUR 37.2 million (86.9%, after deducting expenses), was distributed to composers, lyricists and publishers.
- Royalties received from other organizations for distribution to Teosto rightholder customers amounted to EUR 8.4 million. This included EUR 5.1 million from Nordisk Copyright Bureau (NCB) for mechanization of Finnish music in recordings and films, and EUR 2.7 million from Teosto's sister organizations for performances of Finnish music abroad.
- In accordance with decision by Teosto members, 6.7% of the domestic performing rights royalties collected (EUR 2.5 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.

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# Review by the CEO

## For our customers, on behalf of music

Music and the other creative sectors have the potential to generate growth, employment and wellbeing in Finland in the future. To achieve this requires encouragement and fair play. The importance of this will be further highlighted as Teosto's operating environment continues to change and internationalize at an accelerating rate.

We at Teosto regularly take time to consider what the justifica-

tion is for our existence as a liaison between our two customer groups, 25,000 Finnish music authors and 30,000 music users – enterprises and organizations. What are the service and added value that we provide? Put simply, we enable professional Finnish music authors to prosper and provide flexible solutions for music users' needs.

What is equally important is to raise awareness among the general public, particularly young people, about why copyright is important. Authors retain the rights to their works even if today all the music in the world is only a single click away.

We would do well to remember this in our increasingly digital world.

Teosto policy is that Teosto should be the most active and competent solution provider in the Finnish music market. To achieve this, we must be thoroughly acquainted with trends and technologies in the sector and also have feelers out for future developments. This is why networking and cooperation are so important for us. Teosto employees must be experts in their field and capable of finding creative solutions in tune with the times. We are strengthening our customer-oriented approach and constantly improving our expertise. We must also be able genuinely to listen to our customers' needs, and thus we conduct studies among our customers through research and joint projects.

## New growth for Finland in the creative sectors?

The new Government that will take office after the general election in spring 2011 will have its work cut out in outlining Finland's future: our economy must be turned on to a growth path even though our traditional technology and industry cornerstones will not necessarily be producing any more new success stories. Innovations and creativity are means for generating employment and economic growth. Talk is not enough, however; we also need the courage to strike out in new directions and seek new ways of doing things.

Our Government Programme goals are about ways to increase encouragement for creative work. Key issues for authors include freedom of agreement, taxation and social security issues, and promoting legal online trade. Online piracy remains the largest single obstacle to the growth of the Internet economy. We



PHOTO: JUKKA NIKKARINEN

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also need broad-based cooperation to bring together the creative and the technological sectors and to coordinate public funding.

### On behalf of authors, at home and abroad

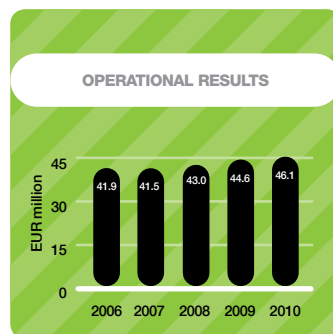
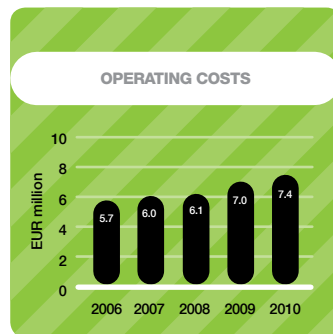
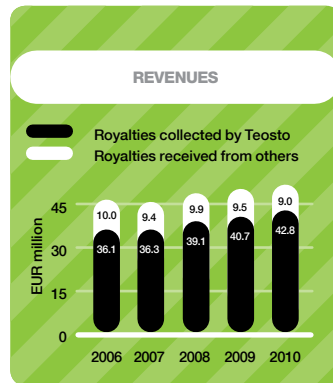
The European debate in the sector was dominated last year by the Communication on the Digital Strategy published by the European Commission in May. This set forth the collective administration of copyright as a key factor in the smooth running of the internal market and the availability of content. The European Commission intends to adopt a proposal during the current year for legislation on the collective administration of intellectual property rights. Discussions led by the Commission have also raised the idea of setting up a Global Repertoire Database.

Also, discussions among copyright organizations have focused on finding different models for closer cooperation and for making cross-border use of music easier. The Nordic copyright organizations already have extensive experience and evidence of smooth cooperation, for instance through the Nordisk Copyright Bureau NCB.

### Record number of music author customers join Teosto

Last year, a record number of music author customers joined Teosto – almost 4,400 – and collected royalties increased by more than EUR 2 million on the previous year.

Royalties collected by Teosto in



Finland amounted to EUR 42.8 million in the year under review, while overall Teosto revenue increased to EUR 51.8 million. Growth occurred primarily in commercial TV and the online market. In live music, revenue amounted to EUR 4.9 million, a decrease of about 4% on the previous year. Background music generated nearly EUR 10 million in royalties to Teosto rightholders, an increase of about 4% on the previous year.

Digital music consumption grew at a record pace in Finland last year; 2010 marked the final breakthrough of music streaming services. Last year, Teosto/NCB paid out its first ever Spotify royalties to rightholders.

Also in 2010, Teosto created an active presence for itself in the social

media. A MySpace profile page was introduced early in the year, and Teosto became a member of the most popular social media site, Facebook, in April. By the end of the year, Teosto had acquired 5,000 Facebook friends, and there has been a gratifying flow of praise, tips, talking points and criticism to our site.

The success of Finnish professional music makers is at the very heart of what we do. We are therefore thoroughly pleased to be highly commended by our music author customers. The results of our customer satisfaction survey show that nine out of ten respondents were pleased with the service provided by Teosto!

This is a good foundation to build on.

Katri Sipilä

Teosto

wants to be the most  
**active** and  
 competent

provider in the Finnish  
 music market.

# Giving voice to authors

**ACCORDING TO A SURVEY** circulated among music author customers of Teosto towards the end of the year, the principal task of the organization is seen as promoting the rights of music authors and publishers.



PHOTO: JAKKE NIKKARINEN  
 Music authors gathered to Teosto in the summer of 2010 to discuss about -amongst other issues- taxation.

**Tuomari Nurmio, Markus Nordenstreng and Kimmo Pohjonen** were part of a delegation that voiced their opinion about fair compensation at the Finnish parliament.

There will be a general election in Finland in 2011, and with a view to this Teosto drew up and published its goals for the next Government Programme.

Traditionally, Teosto has sought to safeguard the rights of rightholders by virtue of copyright legislation, which protects their rights, supports their livelihood and provides a strong foundation for Finnish culture and the creative economy.

In the 2010s, however, this is no longer enough. Teosto must also give voice to authors in contexts such as developing the information society, considering incentives for innovation and the creative economy, or enacting tax policy concerning artists.

## Creative work must be encouraged

Innovations emerge from the work and insights of creative, broad-minded

individuals and communities. In order for new ideas to emerge, the environment must be supportive and encouraging of creativity. One strong incentive is freedom of agreement, which guarantees authors the right to negotiate the use of their works and the right to be compensated for such use. This freedom should be upheld under all circumstances.

The basic task of Teosto is to enable successful professional music-making in Finland. Out of the music authors who responded to the Teosto survey, 46% declared that they receive their income principally from music.

This, too, supports the goal of increasing incentives for entrepreneurs, which Teosto entered as one of its Government Programme goals. According to a study conducted by Dr Tarja Cronberg and published in August 2010, only 18% of artists are entrepreneurs.

Obvious shortcomings exist, for



PHOTO: ANTTI MÄKI-KOIVISTO / LEHTIKUVA

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instance in tax legislation. One example is that it should be possible to pay collectively managed royalties to an author's business rather than to him/her as an individual. At the moment, this is not permitted; copyright royalties paid by a copyright society are always considered personal income.

## Influence of European Union growing

The European Union is also becoming increasingly influential from the perspective of Finnish music authors. Teosto has therefore explained its

policies not only to Finnish parliamentary parties but also to Finnish MEPs and members of the European Commission. A delegation that travelled to Brussels in October 2010 met with the Deputy Director General of the Information Society and Media Directorate-General, members of the cabinet of Commissioner Olli Rehn, and officials at Finland's EU representation.

Teosto considers that the European Commission should take swift and effective action to curb online piracy. Massive piracy in peer networks constitutes the single largest obstacle to the growth of the online economy.

It is difficult to defend piracy with a lack of legal availability: there are more than 1,000 online services in Europe alone that provide music or films legally.

Incentives for and the operating potential of the creative industries should be addressed at the EU level. However, even when considering the internal market we should remember that Europe is not a homogenous content market; language and culture are of huge importance. National and regional markets are thus highly significant.

Copyright administration is a vital part of the local culture support

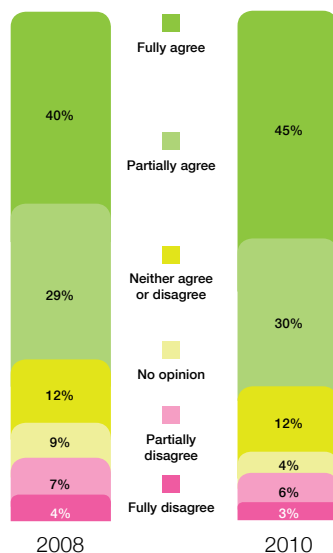
network, the purpose of which is not only to generate financial revenue but also to promote cultural diversity and vitality. According to the Treaty of Lisbon, the EU "shall respect its rich cultural and linguistic diversity, and shall ensure that Europe's cultural heritage is safeguarded and enhanced". Therefore the copyright policy of the EU cannot aim at achieving an EU-wide copyright administration system.

The future and operating potential of the creative industries will be discussed during the current year at Teosto seminars and elsewhere.

## POSITIVE TREND IN ATTITUDES TO COPYRIGHT

According to the copyright barometer produced by Taloustutkimus, public approval of copyright has increased over the past five years. Copyright royalties are now considered increasingly important for the success of Finnish culture. The copyright barometer has been produced since 2004.

"MUSIC AUTHORS AND ARTISTS SHOULD BE COMPENSATED IF THEIR MUSIC IS DOWNLOADED FROM THE INTERNET."



Seven out of ten Finns (72%) consider that what copyright organizations do is justified. Only 3% disagree with this, and this figure has halved since 2004.

Six out of ten (61%) feel that the current practice of collecting copyright royalties is appropriate, while 11% disagree.

Almost eight out of ten (79%) agree that the payment of copyright royalties facilitates future artistic activities.

### Online piracy causes considerable losses

According to studies on piracy, nine out of ten Finns know that it is illegal to download and distribute pirated files. A large majority of the population complies with the law, yet 16% of households download pirated files and 5% distribute them. Some 3% of households operate on a large scale, downloading more than 20 files per month.

Taloustutkimus estimates that Finns download more than 150 million illegal files every year. The financial losses caused by online piracy thus amount to about EUR 355 million per year.

Three out of four Finns condemn piracy in any shape or form.

## TEOSTO GOALS FOR THE GOVERNMENT PROGRAMME

### 1. CREATIVE INDUSTRIES AT THE SPEARHEAD OF INNOVATION

#### TEOSTO PROPOSES:

- The freedom of agreement of music authors and their sole right to control the use of their work under all circumstances should be supported, and the negotiating position of music authors should be reinforced if necessary through legislation.
- The innovation potential of creative industries and creators should be exploited extensively and without prejudice. This goal should be given strong support through development programmes, research projects and pilot projects.

### 2. APPROPRIATE INCENTIVES FOR CREATIVE ENTREPRENEURSHIP

#### TEOSTO PROPOSES:

- The potential for commercializing creative work should be increased by changing the tax legislation to enable copyright organizations to pay royalties to music authors' business enterprises.
- Entrepreneurship training customized for the creative industries should be increased.

- The social security of music authors should be improved so that copyright royalties contribute to social benefits in the same way as employment income.

### 3. CONVERT THE INTERNET INTO AN INTERNAL MARKET FOR THE CREATIVE ECONOMY

#### TEOSTO PROPOSES:

- Legislation should be enacted requiring telecommunications operators to deliver warning messages to those suspected of online piracy and to register suspected infringements; also, sufficiently severe sanctions should be enacted for neglecting such warnings.
- The rights of music authors to control the use and alteration of their works in social media services should be reinforced.

### 4. THE COMPETITIVE POTENTIAL OF THE CULTURAL SECTOR NEEDS IMPROVEMENT

#### TEOSTO PROPOSES:

- A culture and arts council directly subordinate to the Government should be set up to coordinate culture policy views and directions.

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You don't really become a  
professional musician  
until you  
have **a family.**

– Karri Miettinen, Teostory 4/2010

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# Music is desirable content

**IN 2010**, Teosto collected EUR 42.8 million in performing rights royalties in Finland, 5.2% more than in the previous year. At the same time, the operating costs of Teosto increased by about 6.7%.

Slightly over EUR 2.7 million was received from Teosto's sister organizations for performances of Finnish music abroad. This reflects how much Finnish music has been performed worldwide. The figure decreased by 10% on the previous year.

Teosto paves the way for future success stories and for Finnish music exports by supporting both the Finnish Music Information Centre FIMIC and Music Export Finland.

The mechanization rights of Teosto's rightholders are administered by Nordisk Copyright Bureau (NCB), which collects and distributes mechanization royalties to music authors and music publishers represented by Teosto whose works are in recordings, in films or in advertisements. Music mechanization royalties from the NCB to Finnish composers, lyricists and music publishers decreased by 8.7%, to EUR 5.1 million. The declining trend is primarily due to consumers purchasing fewer recordings than before.

## Added value for the customer

Teosto's vision for 2015 is: "Teosto is the most active and competent solution provider in the Finnish music market." Working towards this vision, Teosto launched several development projects in 2010 in order to embed a customer-oriented approach in all of the organization's operations. The purpose of Teosto is to promote extensive and diverse use of music.

Teosto seeks partnerships with those customers in whose business music plays an important role. Increasingly, Teosto manages small and medium-sized customers jointly with Gramex, providing a one-stop shop service for customers for obtaining a music licence from all rightholders. Teosto also engaged in phone sales of background music licences with good results.

## Commercial TV is a growth area

About 60% of the copyright royalties collected by Teosto, about EUR 26 million, came from the media sector, more specifically music use on the radio, on TV and online.

The most significant change compared to the previous year was that royalties from commercial TV

increased by about 14.3%. This growth was fuelled particularly by new advertising-funded TV channels. The market in commercial TV is fragmenting into increasingly smaller audiences, but overall, the use of music on TV is increasing.

Commercial radio, by contrast, has reduced its use of music as talk is filling a growing percentage of

programme time. Royalties collected by Teosto from commercial radio decreased by 3.4%, although advertising sales in radio increased by almost 5% in 2010.

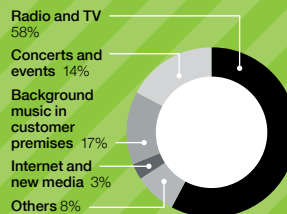
The largest individual Teosto customer is the Finnish Broadcasting Company (YLE). YLE uses music particularly on TV and in new online services, with whose developers Teosto has been in close cooperation for many years through various pilot projects. Teosto and YLE entered into a broad agreement for 2011 covering the use of music in five areas: radio, TV, online services, recording and concerts.

## Expertise for meeting online challenges

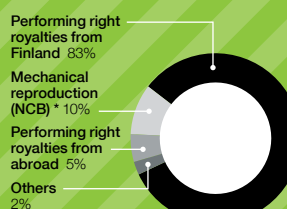
Finnish music authors and publishers receive compensation for the online use of their works through both Teosto and NCB. Last year, copyright royalties collected by Teosto for online licensing grew substantially, but there is a great deal of growth potential still on the market.

Teosto aims to understand its customers' business better and proactively offer music licensing solutions to support it. In 2010, a substantial effort was made to increase online competence among Teosto personnel. Telecommunications operators

### SOURCES OF DOMESTIC PERFORMING RIGHT ROYALTIES IN 2010 Total EUR 42.8 million



### TEOSTO REVENUE Total EUR 51.8 million



\* Distribution of mechanical reproduction rights to Finnish rightholders

PHOTO: MIKKO STIG / LEHTIKUVA



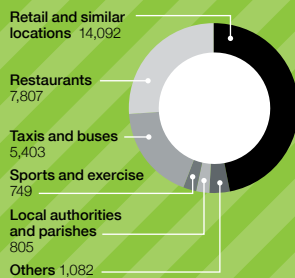
Chisu performed at Provinssirock in the summer 2010.



PHOTO: ARTTO TUJILMA

Chamber music has been played at Kuhmo since 1970. In 2010 Martti Rousi and Matilda Kärkkäinen were among the performers.

**CUSTOMERS USING BACKGROUND MUSIC IN 2010**  
Total number 29,938



**MUSIC REINFORCES CORPORATE BRAND**

Using music for corporate branding is a growing trend worldwide. In Britain, for instance, companies have started looking seriously at how to use music. Finnish companies, by contrast, are only just beginning to realize the potential of music for corporate branding.

In a survey conducted by Teosto among its customers, over half (51%) of the respondents considered background music to be a significant factor for their business. Restaurants in particular considered background music to be important: 27% of respondents in the restaurant sector considered background music 'very important' for their business.

Radio remains the most frequently used source of background music among Teosto customers. Of the respondents of the aforementioned survey, 73% said that radio was their principal source of background music; the most popular channels were Radio Nova, Radio Suomi, Iskelmä and NRJ Energy.

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were recognized as increasingly important content providers, and closer cooperation with them was introduced.

In consumer sales, the year 2010 marked a breakthrough in streaming services both in Finland and abroad. Spotify in particular grew in popularity in Finland. According to statistics compiled by IFPI, the digital music market grew by 88% in Finland in 2010 and now accounts for one fifth of all recording sales.

Music use on the Internet is huge, but so far rightholders have received

very little in royalties. Teosto aims to promote the introduction of new legal services online while guaranteeing rightholders reasonable compensation for the use of their works. In 2010, Teosto entered into an agreement on music use with Spotify, and in December Teosto/NCB paid out its first ever Spotify royalties to rightholders. Teosto also entered into negotiations concerning YouTube licensing, among other things.

### Dip in arena concert growth

The growth trend in concert and festival ticket revenue that had been going on for years peaked last year. Teosto collected about 11% less in royalties from major events than in 2009. This development is partly explained by the insolvency of a number of event organizers.

By contrast, copyright royalties collected by Teosto from rock clubs, dance venues and other smaller venues featuring live music increased by more than 7%. There was also a larger number of small events than in the previous year.

Altogether, live music generated some EUR 4.9 million in revenue, over 4% less than in 2009.

Background music played in corporate premises, restaurants and vehicles is a significant source of income for Teosto rightholders. The fee charged from individual background music users is small, but the aggregate effect is important for music authors and publishers. Background music generated nearly EUR 10 million in revenue, about 4% more than in 2009.

This is the

only

thing I have  
always wanted  
to do.

## NCB AND PRS FOR MUSIC ENTER INTO CLOSE COOPERATION

NCB, the Nordisk Copyright Bureau that manages music mechanization rights, entered into a major cooperation agreement with MCPS, the subsidiary of the British copyright society PRS for Music that likewise manages music mechanization rights.

The aim is for all data related to physical MCPS recordings such as CDs to be processed in the NCB systems by the end of 2011. NCB and MCPS are setting up a joint venture for providing comprehensive support services for music mechanization rights administration.

The MCPS connection will substantially improve the financial position and competitiveness of the NCB. In the future, the NCB will actively offer its support services to small and medium-sized European mechanization rights organizations.

NCB is owned by Nordic copyright societies, and also collects and pays out mechanical royalties on behalf of Teosto.

## LARGEST CONCERT EVENTS IN 2010 BY TICKET SALES

1. U2 Olympic stadium, Helsinki
2. Ruisrock Turku
3. Sonisphere Kirjurinluoto, Pori
4. Porijazz
5. AC/DC Ratina, Tampere
6. Provinssirock Seinäjoki
7. Lady Gaga Hartwall-Arena, Helsinki
8. Ilosaarirock Joensuu
9. Flow Festival Suvilahti, Helsinki
10. Green Day Kyläsaari, Helsinki

Iron Maiden  
performed at  
Sonisphere-festival  
in Pori.

10 |



You have to write music

every day.

Then the piece stays fresh in your mind, and you can achieve what I call

sustained  
inspiration.

– Kalevi Aho, Teostory 1/2010

# Record number of music authors join Teosto

**THE YEAR UNDER REVIEW** was a year of growth for Teosto. Music author customers in particular joined Teosto in record numbers: nearly 4,400 of them. In the previous year, some 900 music authors joined Teosto.

This sudden surge was due to a successful MySpace campaign, which encouraged no fewer than 3,700 composers, lyricists and arrangers to become Teosto customers. A campaign linked to the launch of the Teosto MySpace page offered music authors the opportunity, for a period of two months, to join Teosto through MySpace without paying the membership fee.

Apart from those who made use of the free offer, nearly 700 new customers joined at the normal EUR 122 membership fee. The number of new music publisher customers was also higher than for many years, 29 in all.

At the end of the year under review, Teosto represented 25,106 rightholders, 631 of them publishers.

Apparently Finnish music makers are heavily concentrated in the greater Helsinki area, as more than one third of Teosto's music author customers have a post code in Helsinki. Tampere and Turku combined had a population of about 3,500 music authors in 2010.

## Teosto is becoming younger

Not only is the number of Teosto customers mushrooming – Teosto is also becoming younger: at the end of the year under review, the average age of music author customers was just under 43 years. Compared with 2009, the average age went down by almost two years.

Out of those who joined in 2010, 251 were under the age of 20; in all, Teosto had almost 4,200 customers under the age of 30 at the end of the year under review, and more than 11,000 customers under the age of 40.

**MIKKO NEUVONEN** was inspired to join Teosto with an album on the way.

*"I would have joined anyway because of the album, but this campaign was a good thing. The main thing about music is making music."*



The majority of music authors continues to be men: there are just under 4,300 women among Teosto's music author customers.

In September, Music Export Finland organized a seminar entitled 'Women's Clinic' for discussing ways of helping women succeed better in music exports. Women music authors wished to draw the attention of decision-makers to the importance of equating copyright royalties with employment income as far as social security is concerned. This would enable mothers in creative occupations to receive maternity allowance based on their actual income.

Social security and pension matters were addressed more broadly in the Government Programme goals published by Teosto last autumn.

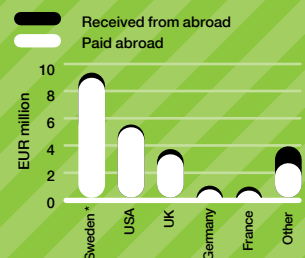
## Acclaimed expertise

A customer satisfaction survey was conducted among rightholders towards the end of the year, and the results were very clear: our customers are extremely satisfied with the work that Teosto does. Respondents considered the expertise and service attitude of Teosto personnel particularly important. Some 91% of the respondents said that they had been satisfied with the service they received when

they last contacted Teosto, and 88% of Teosto rightholders have a positive image of Teosto overall.

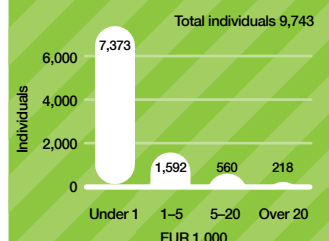
More than 29,300 new compositions were entered in Teosto's works register in 2010, a couple of thousand more than in the previous year.

### PERFORMING RIGHT ROYALTIES PAID ABROAD AND RECEIVED FROM ABROAD IN 2010



\* A major part of this sum consists of royalties from works in which the sub-publishing rights exist in Sweden.

### PERFORMING AND MECHANICAL REPRODUCTION RIGHT ROYALTIES PAID TO FINNISH AUTHORS AND PUBLISHERS IN 2010



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The majority of registrations (more than 87%) were made online. The online service has increased hugely in popularity compared with hard copy forms; only 3,700 registrations were submitted by mail in 2010.

The campaign attracted 1,700 new orchestra customers, and the number of orchestras regularly reporting their programmes increased substantially during the year under review. The majority of these reports are submitted online.

Since last June, royalty payments made by Teosto to VAT-liable publishers have been subject to VAT. Teosto complied with a decision previously made by the Central Tax Board whereby VAT-liable publishers must add VAT at the current rate to invoices on compensation for the use of music under copyright.

## Payments increased

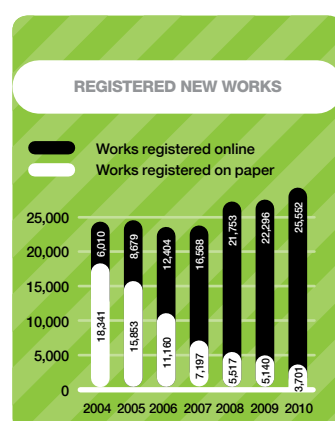
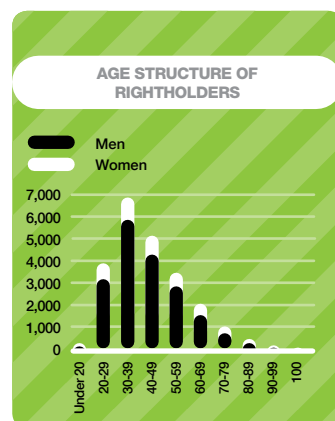
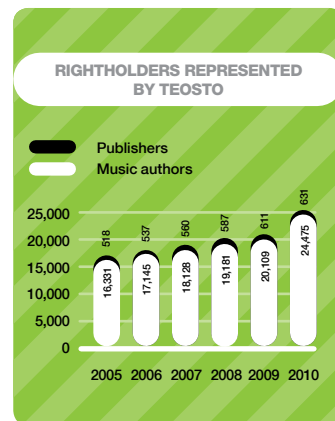
In 2010, Teosto distributed a total of EUR 43.1 million in performance and mechanization royalties to its rightholder customers. Of the total collected, EUR 21.4 million was paid to Finnish composers, lyricists, arrangers and music publishers. The remaining EUR 21.7 million was distributed by Teosto to foreign music authors and publishers via sister organizations.

Payments were made to 9,696 Finnish music authors.

In October 2010, rightholder customers were for the first time paid lending compensation, i.e. compensation for the lending of recordings and sheet music publications at public libraries. The lending compensation paid amounted to EUR 830,000, a retroactive compensation extending back to 2007.

In 2010, Teosto distributed EUR 37.2 million of the copyright royal-

ties collected in Finland (86.9%, after deducting expenses) to rightholder customers. Royalties collected in Finland were distributed to those Finnish and foreign composers, lyricists and music publishers whose music had been given public performances in Finland.



**ULLA PIISPANEN** joined Teosto as an arranger and has registered several arrangements of children's music.

"I might have joined at some later date in any case, but I heard about this free membership campaign from my own sons, who also joined. The campaign was a nice gesture."



PHOTO: MAARIT KYTÖHARJU

## TEOSTO JOINS THE SOCIAL MEDIA

In 2010, Teosto created an active presence for itself in the social media. A campaign was organized on MySpace.com offering free membership of Teosto. A profile page on the services and purpose of Teosto was launched at the same time. Teosto gained nearly 3,700 new music author customers through the campaign.

Teosto became a member of the most popular social media site, Facebook, in April. Two weeks later, 4,000 people liked Teosto, and by the end of the year Teosto had acquired almost 5,000 friends. The Teosto Facebook page is being visited with gratifying frequency.

New content has been introduced regularly on the Facebook page. In addition to Teosto news, there are links to Finnish and international music news and competitions aimed at music authors. Of particular interest were Teosto's 'cultural godparent' visits to the provinces and the collecting of names for a petition regarding fair compensation for private copying, submitted to Parliament.

Facebook and other social media services give Teosto a direct channel for interacting with all interest groups. They help us understand the work of music makers better and thereby better serve our customers.

Teosto has also been actively involved in developing the www.dwnld.fi website, launched in late November.

This website is a portal to online shops selling culture and entertainment products in digital form. Its purpose is to promote consumer sales of cultural content online. At the moment, the portal includes 46 points of sale and services, selling not only music but also books, films, TV shows and games.



# Teosto Fund for promoting music

PHOTO: JARI MO KATILA

**IN ACCORDANCE WITH** decision by Teosto members, a percentage of the performing rights royalties collected each year is used for promoting Finnish music. In 2010, this amounted to 6.7% of the performing rights royalties collected, or EUR 2.5 million.

These funds are used by Teosto for instance to support its member organizations, foundations and funds related to them, the Finnish Music Information Centre FIMIC and Music Export Finland. Teosto member organizations include the Society of Finnish Composers, the Guild of Light Music Composers and Authors in Finland (Elvis) and the Finnish Music Publishers Association.

In order to safeguard the ideological basis of Teosto operations and the continuity of actions to promote Finnish music, the General Meeting of Teosto decided in the autumn of 2010 to set up a fund to promote Finnish creative music, the Teosto Fund. Capital for the Fund will be collected over a period of five years, for example by setting aside a portion of the annual funds for music promotion.

The Finnish Music Information Centre FIMIC became an independent non-profit association in 2010, having previously been a unit of Teosto for 15 years. Teosto is represented on the Boards of Directors of both FIMIC and Musex.

In 2010 Finnish music took a visible stand at the Shanghai World fair and also in Japan. Turisas (upper picture) and Negative (lower picture) were both on stage at Suomi-day at the World fair.

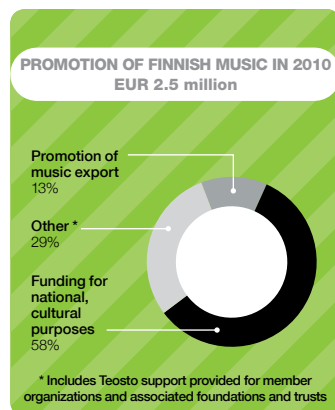
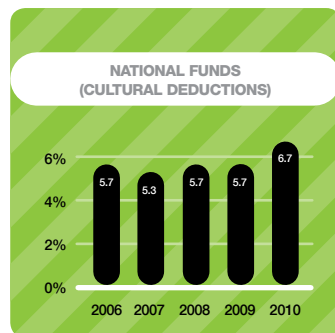


PHOTO: JARI JOENNIEMI

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# Compositions performed most often in 2009

**FINNISH MUSIC** is big at dance venues and in restaurants. Nearly 82% of the music played at dance venues in Finland in 2009 was by Finnish composers, lyricists and arrangers. Finnish music accounted for 64% of the music performed at festivals, 37% of the music played on national radio, and 35% of the music played on commercial radio.

Copyright royalties for these performances were paid to music authors in 2010.

## LIVE MUSIC (DANCE VENUES, RESTAURANTS, CONCERTS)

**1. Paratiisi**  
music and lyrics Martti Maja,  
publ. Warner/Chappell Music Finland

**2. Keinu kanssani (Quien sera)**  
music and lyrics Pablo Rosas Rodriguez,  
trans. Ulla Sand, publ. Peermusic

**3. Kaksi kolpakkoa neiti**  
music and lyrics Martti Maja,  
publ. Warner/Chappell Music Finland

**4. Ikkunaprinsessa (Glendora)**  
music and lyrics Ray Stanley, trans. Saukki,  
publ. Emi Music Publishing, Warner/Chappell Music Finland

**5. Jätjän humppa**  
music Paavo Melander, lyrics Tupa-Uuno,  
publ. Warner/Chappell Music Finland

**6. Ilta skanssissa**  
music and lyrics Georg Malmstén,  
publ. Säveltäjät ja Sanoittajat Elvis ry

**7. Satumaa**  
music and lyrics Unto Mononen,  
publ. Warner/Chappell Music Finland

**8. Äidin pikku poika (Lilla Olles låt)**  
music Martti Mårtens, lyrics Tapani Kansa,  
publ. Emi Music Publishing

**9. Se jokin sinulla on**  
music and lyrics Gerard Marsden, Leslie Maguire, Les Chadwick and Frederick Marsden,  
trans. Juha Vainio, publ. Universal

**10. Valot**  
music and lyrics Rauli Somerjoki,  
publ. Warner/Chappell Music Finland



Pessi Levanto

PHOTO: MILKA ALANEN



Haporadio

## YLE RADIO CHANNELS\*

**1. Rakkaus on hulluus**  
music Tomi Aholainen, lyrics Heikki Kerkelä

**2. Hold on Be Strong**  
music and lyrics Mira Craig

**3. Fairytale**  
music and lyrics Alexander Rybak, arr. Kim Bergseth, publ. Sony/ATV Music Publishing

**4. Suudellaan**  
music and lyrics Jarkko Suo, arr. Marko Anttila, Johanna Koivu, Kari Komi, Marko Latvala, Riku Mattila and Jarkko Suo

**5. C'est La Vie**  
music Lasse Kurki, lyrics Mariska,  
arr. Lasse Kurki, Jukka Immonen and Knipi

**6. Yhdessä yössä**  
music Pessi Levanto, lyrics Sami Keski-Vähälä, arr. Marko Timonen, Jarno Karjalainen, Jaakko Käriäinen and Pessi Levanto

**7. Poker Face**  
music and lyrics Stefani Germanotta and Nadir Khayat, publ. Sony/ATV Music Publishing

**8. Hilu hilu**  
music and lyrics DP, arr. Pekka Kähkönen and Petri Keinonen

**9. Lose Control**  
music Ari Lehtonen and Anna-Karima Holm, lyrics Ari Lehtonen, Anna-Karima Holm, Annie Kratz-Gutä and Marko Reijonen, publ. Phatplanet Productions, Crossfade Songs

**10. Is It True?**  
music and lyrics Christopher Neil, Tinatin Japaridze and Oskar Paul, publ. Bonnier Music Publishing, Sony/ATV Music Publishing, Kobalt Music Publishing

\*Includes the YLE Finnish and Swedish language radio stations Radio Suomi, YleX, Radio Vega and X3M. The playing times of the Radio Suomi nationwide broadcast and of the 20 local radio stations are counted together.

## COMMERCIAL RADIO STATIONS

**1. Sex on Fire**  
music and lyrics Matthew Followill, Ivan Followill, Jared Followill and Anthony Followill, publ. Bug Music Scandinavia (performed by Kings of Leon)

**2. Lautturi**  
music Jori Sjöroos, lyrics Paula Vesala, publ. Maailmanloppu Oy (PMMP)

**3. Light on**  
music and lyrics Brian Howes ja Christopher Cornell, publ. Sony/ATV Music Publishing, Emi Music Publishing Scandinavia (Cook)

**4. Puhu äänellä jonka kuulen**  
music and lyrics Aki Tykki, arr. Klaus Suominen, Mika Haapasalo, Juha Hirvonen, Jari Siivonen and Aki Tykki (Haporadio)

**5. Poker Face**  
music and lyrics Stefani Germanotta and Nadir Khayat, publ. Sony/ATV Music Publishing (Lady Gaga)

**6. Second Chance**  
music and lyrics Dave Bassett and Brent Smith, publ. Warner/Chappell Music Scandinavia, Emi Music Publishing Scandinavia (Shinedown)

**7. C'est La Vie**  
music Lasse Kurki, lyrics Mariska, arr. Lasse Kurki, Jukka Immonen and Knipi (Anna Puu)

**8. Anything Goes**  
music and lyrics Malcolm Young, Angus Young, publ. Air Chrysalis Scandinavia (AC/DC)

**9. Every Song I Hear Is...**  
music and lyrics Patric Sarin, Koop Arponen and Leri Leskinen, publ. Air Chrysalis Scandinavia (Koop Arponen)

**10. The Boy Does Nothing**  
music and lyrics Miranda Cooper, Brian Higgins, Carla Williams, Kieran Jones, Nick Coler, Jason Resch, Alesha Dixon and Timothy Powell, publ. Sony/ATV Music Publishing, Warner/Chappell Music Scandinavia (Girls Aloud)



Lasse Kurki

PHOTO: JAKKE NIIRAKARINEN

## COMPOSITIONS MOST PERFORMED ABROAD, BY ROYALTIES COLLECTED, IN 2009

- 1. Violin Concerto**  
music Jean Sibelius, publ. Robert Lienau
- 2. Symphony no. 2**  
music Jean Sibelius, publ. Breitkopf & Härtel
- 3. Symphony no. 1**  
music Jean Sibelius, publ. Breitkopf & Härtel
- 4. In the Shadows**  
music Lauri Ylönen, Eero Heinonen, Aki-Markus Hakala and Pauli Rantasalmi, lyrics Lauri Ylönen, publ. Boneless-Skeletor Oy, Immobiliare
- 5. Symphony no. 7**  
music Jean Sibelius, publ. Edition Wilhelm Hansen
- 6. Finlandia**  
music Jean Sibelius, publ. Breitkopf & Härtel
- 7. Symphony no. 5**  
music Jean Sibelius, publ. Edition Wilhelm Hansen
- 8. Lemminkäinen Suite**  
music Jean Sibelius, publ. Breitkopf & Härtel
- 9. Karelia Suite**  
music Jean Sibelius, publ. Breitkopf & Härtel
- 10. Arn – Tempelriddaren (film music)**  
music Tuomas Kantelinen

## FINNISH COMPOSITIONS MOST PERFORMED ABROAD, BY ROYALTIES COLLECTED, IN 2009 EXCLUDING COMPOSITIONS BY JEAN SIBELIUS

- 1. In the Shadows**  
music Lauri Ylönen, Eero Heinonen, Aki-Markus Hakala and Pauli Rantasalmi, lyrics Lauri Ylönen, publ. Boneless-Skeletor Oy, Immobiliare
- 2. Arn – Tempelriddaren (film music)**  
music Tuomas Kantelinen
- 3. Mongol (film music)**  
music Tuomas Kantelinen
- 4. I Don't Care**  
music Martin Max, Adam Gontier and Eicca Toppinen, publ. Harmageddon Publishing, Maratone and Emi Music Publishing Scandinavia
- 5. The King of Rock'n Roll**  
music and lyrics Mikko Lindström
- 6. Sandstorm**  
music Ville Virtanen, lyrics Jaakko Salovaara and Ville Virtanen, publ. MGB Music Publishing Finland
- 7. Join Me in Death**  
music and lyrics Ville Valo, arr. Mikko Lindström, Mika Karppinen, Mikko Paananen and Jussi-Mikko Salminen, publ. Heartagram, Emi Blackwood Music
- 8. Cantus Arcticus**  
music Einojuhani Rautavaara, publ. Fennica Gehrman (WCMF Serious Catalogue)
- 9. Arn2 - Riket på vägen's slut**  
music Tuomas Kantelinen
- 10. Living in a World Without You**  
music and lyrics Lauri Ylönen, Pauli Rantasalmi and Desmond Child, publ. Boneless-Skeletor Oy, Desmobile, Immobiliare, Kobalt Music Publishing

“

Once I had written a couple of songs with lyrics in English, I suddenly

realized

that I was

working on my

next  
album

– Anna Eriksson, Teostory 3/2010

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## Events from 2010

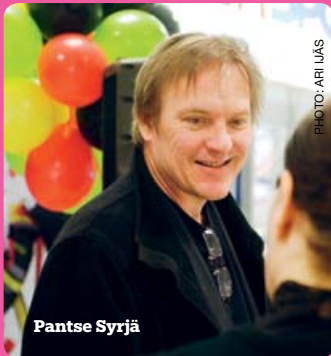


PHOTO: ARI LUAS

Pantse Syrjä



PHOTO: JONNA MONDIA

Arja Karhuvaara with  
Patric Sarin

PHOTO: JONNA MONDIA

Rakel Hiltunen and  
Petri LaaksonenGETTING TO KNOW  
THE MUSIC MAKERS

In the 'cultural godparent' project launched by Teosto in 2009, composers and lyricists aim to increase the awareness of decision-makers regarding the basic requirements of professional music-making. In this project, each current MP was assigned a music professional in his/her constituency as a 'cultural godparent'. These 'godparents' maintain contact with their respective MPs, and meetings are organized around the country. In 2010, 'godparents' and decision-makers met in Turku, Tampere, Oulu and Helsinki.



PHOTOS: ARI LUAS

MP Pia Viitanen and music  
authors in Tampere.

PHOTO: JAAKKE MIKKARINEN

MARIA LUND AND KARI TUOMISAARI RECEIVE  
KULLERVO LINNA PRIZE

The Kullervo Linna Foundation awarded its annual prize to performing artist Maria Lund and lyricist and composer Kari Tuomisaari for their merits in Finnish popular music. Both received EUR 4,200.

The Kullervo Linna Prize has been awarded since 1989. Composer, conductor and musician Kullervo Linna, who died in 1987, bequeathed his royalties from Teosto and other sources to a foundation which is to award prizes and grants to music authors and performing musicians. The purpose of the Foundation is to promote the creation and performance of schlager and dance music in Finland.

At the same time, the second Ilpo Hakasalo Prize of the Kullervo Linna Foundation was awarded to music scholar and author Juha Henriksson. This prize amounted to EUR 2,000. It is awarded in recognition of promoting Finnish popular music through journalism, research or authorship.



Audience at the Live Music Seminar.



Timo Cantell

## VIBES FROM LIVE MUSIC 2

In November, Teosto organized an interest group seminar under the title *Elämyksiä elävästä musiikista 2* ('Vibes from live music 2') to discuss current trends in live music performances. The speakers included Teosto CEO **Katri Sipilä**, Professor and Academy Fellow **Mika Pantzar**, head of research **Timo Cantell** and dance artist **Jorma Uotinen**. The concluding panel discussion involved executive director **Suvi Kallio** (Flow festival), managing director **Juhani Merimaa** (Tavastia), executive director **Markku Pyykkönen** (Illosaarirock), administrative director **Sari Rusanen** (Kuhmo Chamber Music Festival) and executive director **Kai Amberla** (Finnland Festivals).



Heikki Hellman

## CULTURE HAS INTRINSIC VALUE

The Teosto summer seminar in the Kiasma auditorium on 2 June addressed the role of culture and art. "Is art the icing on the cake or the yeast, a decoration or a fundamental force?" asked novelist **Virpi Hämeen-Anttila** in her talk. Composer **Olli Virtaperko** declared his grave concern for the status of art in today's Finland. He said there is a debate going on whether we as a society want creativity to find outlet principally in the leisure activities of enthusiastic amateurs or in the work of full-time professional artists. Journalist and docent **Heikki Hellman** talked about cultural journalism in his keynote speech.



Mika Pantzar



Olli Virtaperko



Virpi Hämeen-Anttila



Jorma Uotinen

## WWF GRANTS TEOSTO THE GREEN OFFICE LABEL

In June 2010, the World Wildlife Foundation granted Teosto and the Finnish Music Information Centre FIMIC the Green Office label in recognition of developing environmentally friendly practices.

The initiative to reduce the volume of traditional mail came from Teosto rightholder customers. Teosto aims at a continuous reduction in environmental loading and in the use of natural resources, while at the same time seeking to save on material and energy costs. Eco-efficiency is also cost-cutting, enabling more resources to be dedicated to supporting Finnish music makers.



PHOTO: JAAKKE NIKKARINEN

## MUSIC MAKERS NOMINATED RAPORTEURS OF THE YEAR

In April 2010, music makers awarded the first ever Rapporteur of the Year prizes to music users who had distinguished themselves in submitting performance reports. The performers' Rapporteur of the Year 2010 award went to **Charles Plogman**, who has been reporting the programme information from his gigs to Teosto with minute precision for many years. The organizers' Rapporteur of the Year 2010 award went to **Seinäjoen Elävän Musiikin Yhdistys Selmu ry**, which has never had to be sent a request to notify Teosto of ticket revenue and visitor numbers at its events. The purpose of the awards is to highlight performers and organizers who manage their Teosto reporting commendably.

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# Fair compensation revenue continued to plummet

**THE SHARP DECLINE** in revenue from fair compensation for private copying continued in the year under review. The revenue in 2010 was just over EUR 6 million, compared to just under EUR 9 million in 2009.

This trend has been constant for many years. Between 2008 and 2010, fair compensation revenue dropped from EUR 12 million to EUR 6 million.

The continued decrease was due to the fact that new devices were still not added to the coverage of the fair compensation in 2010. A large portion of the private copying of music and films is now performed using devices for which compensation is not charged.

Sales of practically all devices used for recording declined in the year under review. The only product group to show growth was Blu-Ray discs. Sales of blank CDs, for instance, slumped by one fourth and sales of DVDs by one fifth compared with 2009. These figures reflect the fact that private copying of music and films is today mostly performed using devices for which compensation is not charged.

Studies show that more than one million Finns have a combined total of more than 100 million pieces of music stored in their mobile phones, and more than half of those who own an external hard disk have stored music on it. About 18% of external hard disk users (i.e. 180,000 persons) have more than 500 music files stored. The platforms and devices most commonly used to store music and video files are internal hard disks, MP3 players, external hard disks and mobile phones.

These figures are based on studies commissioned by a joint committee of device retailers and the creative sector. This committee includes

representatives from Teosto; the copyright organizations Gramex, Kopiosto and Tuotos; the Ministry of Education and Culture; the Ministry of Transport and Communications; the Ministry of Employment and the Economy; Nokia plc; the Confederation of Finnish Industries (EK); the Association of Electronics Wholesalers; and the Consumer Agency.

The volume and extent of private copying has been widely studied: In 2008–2010, a total of 14 studies were commissioned from Taloustutkimus, Otantutkimus, Statistics Finland and Digium/Zapera.

Organizations representing authors attempted on several occasions in 2010 to appeal to the Government to update the range of devices covered by the fair compensation to better correspond to actual use. In December, a petition with 8,000 signatures calling for the fair compensation system to be updated was submitted to the parliamentary parties.

As a result, in December 2010 the Government adopted a Decree whereby the fair compensation would be extended to external hard disks from the beginning of 2011.

This decision means that the overall fair compensation revenue for

the current year will probably remain about the same as in 2010, halting the trend but not reversing it.

In Finland, Teosto collects the compensation for private copying on

behalf of the entire creative sector.

The current authorization for Teosto to perform this function is valid until the end of 2011.

## NUMBER OF RECORDING DEVICES SOLD

	Sales 2010	Sales 2009	Change
C-cassette	58,000	107,000	-46%
VHS	43,000	83,000	-48%
CD-R	4,750,000	6,318,000	-25%
DVD	3,000,000	3,714,000	-19%
Blu-ray	10,000	7,000	43%
Audio recorder	169,000	246,000	-31%
Video recorder / recording digital receiver	101,000	145,000	-30%

## THE MINISTRY OF EDUCATION AND CULTURE'S 2010 DECISION ON THE ALLOCATION OF REVENUE RECEIVED IN 2009 AS FAIR COMPENSATION FOR PRIVATE COPYING

Direct compensation to rightholders	EUR
<i>Distributing organization</i>	
Kopiosto	2,145,311.04
Gramex	1,516,168.55
Teosto	1,432,272.41
Tuotos	320,099.40
<b>Total</b>	<b>5,413,851.40</b>

### Funds to be used for common purposes

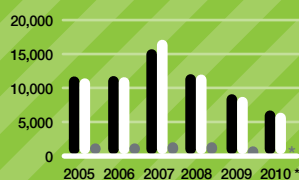
Promotion Center of Audiovisual Culture AVEK	2,050,000.00
Foundation for the Promotion of Finnish Music LUSES	519,000.00
Finnish Performing Music Promotion Centre ESEK	551,000.00
ESEK/LUSES*	457,000.00
Finnish Copyright Society	106,000.00
Copyright Information and Anti-Piracy Centre in Finland CIPAC	222,000.00
Promotion Centre for Literary Arts	93,000.00
Promotions Centre of Visual Arts VISEK	30,000.00
Finnish Association of the Deaf	6,000.00
<b>Total</b>	<b>4,034,000.00</b>

To be decided later by the Ministry of Education and Culture ..... 224,225.14  
**Grand total** ..... **9,672,076.54**

\*Includes common audiovisual funds of LUSES and ESEK

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

Revenue from fair compensation for private copying  
 Total fair compensation distributed  
 Distribution of fair compensation to Teosto's rightholders



\*The Ministry of Education and Culture decision for 2010 is not yet available



Georg Nummelin

## BOARD OF DIRECTORS, 15 APRIL 2010 TO 13 APRIL 2011

### Chairman

Georg Nummelin, lyricist

### Deputy chairman

Mikko Heiniö, composer

### Members

Heikki Elo, composer

Tom Frisk, publisher

Ari Nieminen, publisher

Timo Tyrväinen, composer



Mikko Heiniö



Heikki Elo



Tom Frisk



Ari Nieminen



Timo Tyrväinen

# General Meeting and Board of Directors

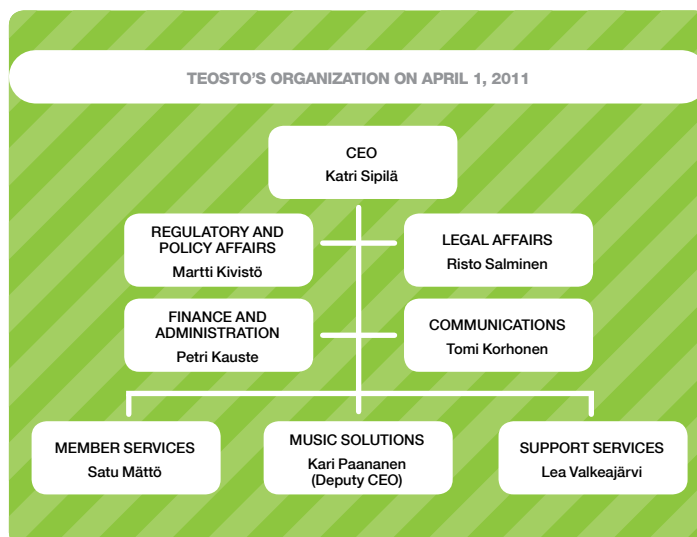
**THE SUPREME** decision-making body in Teosto is the General Meeting, at which each ordinary member has one vote. At the end of the year under review, Teosto had 675 ordinary members, of whom 41 were music publishers.

Two General Meetings are held each year. Day-to-day matters and administration 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 2010, the Statutory Spring Meeting was held on 14 April and the Statutory Autumn Meeting on 15 December. There were 179 and 59 members present, respectively.

The Board of Directors met 15 times during the year.



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## COMMITTEES AND WORKING GROUPS IN 2010–2011

**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. The Committee 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 organizations that distribute compensation payments to rightholders and the manufacturers and importers of equipment. Copyright organizations are represented on the Committee by Katri Sipilä (chair), Martti Kivistö (secretary), Turo Pekari and Olli Valkama from Teosto, Lauri Kaira and Hannu Marttila from Gramex, Kirsi Niitynperä from Kopiosto. The Association of Electronics Wholesalers also appoints representatives of equipment manufacturers and importers as appropriate; in 2010, these were Riitta Raatikainen from the Association of Electronics Wholesalers, Minna Jokinen from Nokia plc and Riikka Tähtivuori from the Confederation of Finnish Industries (EK). The Consumer Agency representative was Hertta Hartikainen, and government ministries were represented by Viveca Ställ and Jorma Walden from the Ministry of Education and Culture, Mikko Huuskonen from the Ministry of Employment and the Economy and Ismo Kosonen from the Ministry of Transport and Communications.

The Foundation for the Promotion of Finnish Music **LUSES BOARD** has seven members with deputies. The representatives selected by the Teosto Board of Directors for the 2009–2010 term are chairman Kari Helenius (deputy Sini Perho) and Tapio Tuomela (deputy Mikko Heiniö).

**THE REPERTOIRE COMMITTEE** discusses questions concerning the classification of works and defines the shares payable to arrangers of works that are in the public domain. The Committee issues statements to rightholders con-

cerning 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 Jan Mikael Vainio. The Committee members are Carita Holmström, Kim Kuusi, Tommi Lindell, Jussi Liski and Olli Virtaperko, and the deputy members are Yrjö Hjelt (Liski and Lindell), Ari Nieminen (Kekkonen and Kuusi) and Lauri Kilpiö (Holmström and Virtaperko). The Committee met six times during the year.

**THE ONLINE COMMITTEE** monitors trends in the online market and submits proposals to the Board of Directors 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 Olli Honkkila (secretary), Jani Jalonen and Satu Mättö. The Committee met five times.

**THE REPORTING COMMITTEE** discusses current issues concerning the reporting of performances and makes recommendations to the Board of Directors for the development of reporting. The Committee is chaired by Timo Forström, with Piia Keskimaa as secretary and Eija Hinkkala, Lauri Kilpiö, Saara Närhi and Ville Mäkinen as members. The Committee met four times.

**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 and Janne Louhivuori, Harri Suilamo and Pekka Sipilä as members. The committee did not meet in 2010.

**THE COMMISSION GRANT COMMITTEE** distributes funds intended to promote newly-commissioned Finnish score music primarily to those musi-

cians, groups, choirs, orchestras and other communities that do not receive any significant amount of public support. The members of the Committee are Raine Ampuja, Yrjö Hjelt, Jukka Isopuro, Reijo Kekkonen and Harri Vuori. The Committee secretary is Jan Mikael Vainio. The Committee met twice in 2010.

**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. The Committee is chaired by Martti Heikkilä, and its members are Heikki Elo, Janne Louhivuori, Annu Mikkonen, Pekka Sipilä and Tommi Tuomainen. The deputy members are Eija Hinkkala, Ari Nieminen and Tapio Tuomela. The Teosto administrative representatives on the Committee are Satu Mättö (secretary), Reijo Saari (presenter), Marja Isokangas and Petri Kauste. The Committee met 10 times in 2010.

The purpose of the **FUTURE WORKING GROUP** is to monitor changes in our 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. The members of the Working Group are Georg Nummelin (chair), Ano Sirpiniemi (secretary), Tom Frisk, Jari Muikku, Alex Nieminen, Katri Sipilä and Timo Tyrväinen. The Working Group met on two occasions.

The purpose of the **ELECTION COMMITTEE** is to make nominations for the Chairman of the Board and other members of the Board of Directors for elections at the Annual General Meeting in spring 2011. The chairman of the Committee was Gugli Kokljuschkin, and its members were Eija Hinkkala, Janne Louhivuori, Annu Mikkonen, Pekka Sipilä and Riikka Talvitie. The Committee met twice in 2010.

### THE SUPERVISION WORKING GROUP

discusses problems associated with incorrect performance or work registrations. The Working Group is chaired by Piia Keskimaa, with Sami Tenhunen as secretary and Kirsi-Marja Forsberg, Juhani Leinonen, Janne Louhivuori, Harri Suilamo and Tommi Tuomainen as members. The Working Group met twice in 2010.

### THE PUBLIC RELATIONS WORKING GROUP

surveys and plans public relations projects necessary for Teosto, and tests and carries out lobbying ideas. In 2010 the Working Group was chaired by Georg Nummelin, with Säde Tahvanainen as an expert contributor. The members were Mikko Heiniö, Mika Kauhanen (secretary), Tomi Korhonen, Martti Kivistö and Katri Sipilä. The Working Group met five times in 2010.

### THE PURPOSE OF THE COOPERATION

**FORUM** is to enhance communication of information between the Board of Directors of Teosto, member organizations and members and to help utilize the expertise of member organizations in the operations of Teosto. The Forum includes the Board of Directors of Teosto and also Katri Sipilä and Martti Kivistö from Teosto, Jutta Jaakkola from FIMIC, Eija Hinkkala and Janne Louhivuori from Elvis ry, Annu Mikkonen and Riikka Talvitie from the Society of Finnish Composers, and Pekka Sipilä and Tommi Tuomainen from the Finnish Music Publishers Association. The deputy members are Eero Lupari and Riikka Talvitie. The tax working group of the Cooperation Forum comprise Martti Heikkilä, Annu Mikkonen, Satu Mättö, Risto Salminen and Pekka Sipilä. The Forum meets twice a year.

The chairman of **THE BOARD OF DIRECTORS OF THE NORDISK COPYRIGHT BUREAU (NCB)**, which jointly administers Nordic music mechanization rights, is Katri Sipilä, the CEO of Teosto. Teosto is also represented on the Board of Directors of the NCB by Georg Nummelin and Tom Frisk.



# Teosto: enthusiasm and success

**THE FOCUS** in workplace community development in 2010 was on the notion of 'one Teosto'. Workplace goals included actions compliant with our values, especially enthusiasm and success.

The goals were selected on the basis of the personnel survey conducted in 2009: participation in job development, improving the community spirit, and developing working practices and in-house communication were highlighted as development points. Personal competence development and expertise improvement, and responsibility for performance and goals in one's own job were also mentioned. Development themes were explored further in the course of the year as each unit held a corporate retreat involving the unit personnel.

A workplace community day was held in September, featuring live music and teamwork. The purpose of

the workplace community day was to keep the entire personnel informed and their professional competence up to date regarding the operating environment and current phenomena, trends and changes in the music business.

## Expertise and reliability are our strengths

Investments in competence and expertise development paid off. The quality of Teosto customer service was studied through surveys of music user customers and rightholder customers. Some 91% of the rightholder customer respondents said that they had been satisfied with the service they received when they last contacted Teosto. The survey showed that Teosto key strengths include reliability and correctness, personnel expertise and service, and

active distribution of information on Teosto operations.

In the music user customer survey, reliability and service attitude emerged as key Teosto strengths. Fair compensation customers were particularly satisfied. The surveys were conducted by AddValue.

Teosto's vision for 2015 is: "Teosto is the most active and competent solution provider in the Finnish music market." This vision was translated into action at Teosto in 2010 and will continue to govern operations in the current year. Creativity and a customer-oriented approach will remain the guidelines for further development of the 'Customer's Teosto'.

Several development points were identified in autumn 2010 and subsequently translated into eight spearhead projects that will constitute development focus areas at Teosto in 2011. Implementation of these will require changes in operat-

**Co-operation was the key to success also at sheet-volleyball at Teosto's staff-day.**

ing practices for every employee, and the 'Customer's Teosto' coaching package was created to support and reinforce this change process.

Teosto employed 91 people in permanent positions at the end of the year, including the Private Copying Unit. The number of personnel decreased on the previous year for a number of reasons; for example, the Finnish Music Information Centre FIMIC, which had previously operated under Teosto, became an independent association from the beginning of 2010.

Personnel consisted of 59% women and 41% men. The average age of employees at the end of the year under review was 43.5 years, and they had been with Teosto for 12 years on average.

# FINANCIAL STATEMENTS 2010

## Income statement

	1.1.–31.12.2010	1.1.–31.12.2009
<b>Day-to-day operations</b>		
<b>Income</b>		
Royalties collected by Teosto	42,808,634.17	40,691,179.04
Royalties from other organizations	8,371,555.04	9,174,701.82
Remuneration for public lending	668,812.28	354,075.20
Compensation for private copying	6,487,112.90	8,895,301.27
Other income	120,000.00	237,963.50
	<b>58,456,114.39</b>	<b>59,353,220.83</b>
<b>Costs</b>		
Personnel costs	-5,667,693.47	-5,822,511.43
Depreciation	-284,288.81	-277,796.96
Other costs	-3,135,915.76	-3,776,251.54
	<b>-9,087,898.04</b>	<b>-9,876,559.93</b>
	<b>49,368,216.35</b>	<b>49,476,660.90</b>
<b>Fundraising</b>		
Membership fees	54,454.47	101,100.00
	<b>49,422,670.82</b>	<b>49,577,760.90</b>
<b>Investments and financing</b>		
Income	1,959,639.50	2,188,415.19
Costs	-252,066.97	-718,665.63
	<b>1,707,572.53</b>	<b>1,469,749.56</b>
	<b>51,130,243.35</b>	<b>51,047,510.46</b>
Transfer for distribution to rightholders	-49,688,186.89	-51,047,510.46
Changes to the self-financed reserve	-1,442,056.46	0.00
<b>Surplus/deficit for the financial year</b>	<b>0.00</b>	<b>0.00</b>

# Balance sheet

	31.12.2010	31.12.2009
<b>ASSETS</b>		
<b>Non-current assets</b>		
<b>Intangible assets</b>		
Intangible rights	2,135.99	2,135.99
Other capitalized long-term assets	269,077.00	310,602.03
	<b>271,212.99</b>	<b>312,738.02</b>
<b>Tangible assets</b>		
Land and water	18,916.68	18,916.68
Buildings and constructions	192,325.96	200,339.54
Machinery and equipment	546,529.54	505,306.15
	<b>757,772.18</b>	<b>724,562.37</b>
<b>Investments</b>		
Shares and similar rights of ownership	12,754,213.20	11,827,205.22
Other investments	334,018.07	334,018.07
	<b>13,088,231.27</b>	<b>12,161,223.29</b>
<b>Total non-current assets</b>	<b>14,117,216.44</b>	<b>13,198,523.68</b>
<b>Assets of self-financed reserve</b>		
Cash in hand and at the bank	2,019,948.92	0.00
<b>Current assets</b>		
<b>Receivables</b>		
Trade receivables	6,568,590.58	7,617,159.67
Loan receivables	48,467.19	50,397.19
Prepayments and accrued income	882,068.36	729,457.26
	<b>7,499,126.13</b>	<b>8,397,014.12</b>
<b>Financial securities</b>		
Shares	13,032,189.21	25,715,519.14
Cash in hand and at the bank	<b>18,779,404.13</b>	<b>9,284,654.22</b>
<b>Total current assets</b>	<b>39,310,719.47</b>	<b>43,397,187.48</b>
<b>Total assets</b>	<b>55,447,884.83</b>	<b>56,595,711.16</b>

	31.12.2010	31.12.2009
<b><u>LIABILITIES</u></b>		
<b>Capital and reserves</b>		
Revaluation reserve	0.00	14,496.84
<b>Self-financed reserve</b>		
Teosto Fund	2,019,948.92	0.00
<b>Other reserves</b>		
Legal reserve	0.00	39,094.25
Support reserve	0.00	55,798.21
	<b>0.00</b>	<b>94,892.46</b>
Surplus/deficit for the financial year	0.00	0.00
<b>Total capital and reserves</b>	<b>2,019,948.92</b>	<b>109,389.30</b>
<b>Debts</b>		
Trade debts	251,436.22	220,708.79
Other debts	5,797,787.64	6,144,528.40
Accruals and deferred income	1,386,083.38	1,972,394.64
Distribution funds to rightholders	45,992,628.67	48,148,690.03
<b>Total debts</b>	<b>53,427,935.91</b>	<b>56,486,321.86</b>
<b><u>Total liabilities</u></b>	<b>55,447,884.83</b>	<b>56,595,711.16</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 organizations. 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 organization.

### Valuation and depreciation of capital assets

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

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

### Undoing the revaluation reserve

The revaluation reserve has been undone, as it is no longer necessary.

### Setting up a self-financed reserve

The purpose of the Teosto Fund is to maintain and safeguard the continuity of financial support from Teosto for promoting Finnish creative musicians and their operating potential in a situation where the funding sources used for this promoting at the time when the reserve was set up decline or are withdrawn.

### 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 516,001.17.

# Income statement by activity

Teosto issues licenses for the performance of music, collects performing right royalties from users of music, and distributes royalties to rightholders. Teosto also used to run the Finnish Music Information Centre (FIMIC), which promotes Finnish music. As of 31 December 2009, FIMIC ceased to be part of Teosto and was incorporated as an independent non-profit association. 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.

	2010	2009
<b>Royalties collected by teosto</b>		
Operating income	42,808,634.17	40,691,179.04
Operating costs	-7,126,578.47	-6,679,906.50
Fundraising	54,454.47	101,100.00
Investments and financing	1,364,308.18	1,082,908.86
Other income	120,000.00	0.00
<b>Net income to rightholders</b>	<b>37,220,818.35</b>	<b>35,195,281.40</b>
Percentage of operating income	86.9 %	86.5 %
<b>Promotion of Finnish music (national funds)</b>		
Finnish Music Information Centre FIMIC	0.00	740,629.34
Transfer for the Teosto Fund	1,442,056.46	0.00
Other promotional costs decided by the Board	1,044,552.01	1,247,226.45
<b>Total</b>	<b>2,486,608.47</b>	<b>1,987,855.79</b>
Percentage of distribution of performing right royalty income in Finland	6.7 %	5.7 %
<b>Transfer for distribution to rightholders</b>	<b>34,734,209.88</b>	<b>33,207,425.61</b>
<b>Royalties received from others</b>		
Royalties from other organizations	8,371,555.04	9,174,701.82
Remuneration for public lending	668,812.28	354,075.20
Distribution costs	-186,880.80	-160,768.71
<b>Transfer for distribution to rightholders</b>	<b>8,853,486.52</b>	<b>9,368,008.31</b>
<b>Music Information Centre FIMIC</b>		
Operating income	0.00	157,963.50
Subsidies from the Ministry of Education and Culture	0.00	80,000.00
Operating costs	0.00	-978,592.84
<b>Net income (covered out of national funds)</b>	<b>0.00</b>	<b>-740,629.34</b>
<b>Compensation for private copying</b>		
Operating income	6,487,112.90	8,895,301.27
Operating costs	-729,886.76	-810,065.43
Investments and financing	343,264.35	386,840.70
<b>Transfer for distribution to rightholders.</b>	<b>6,100,490.49</b>	<b>8,472,076.54</b>
<b>Total transfer for distribution to rightholders.</b>	<b>49,688,186.89</b>	<b>51,047,510.46</b>

## 2/ Notes to the income statements

	2010	2009
<b>Royalties collected by Teosto</b>		
<b>Performing rights</b>		
Radio and television	24,190,933.39	22,638,705.87
Background music in customer premises	7,233,879.86	6,937,188.83
Concerts and other events	6,192,414.52	6,411,314.25
Internet and new media	1,280,697.98	748,553.27
Films and stage	888,738.53	742,016.83
Local authorities and parishes	866,001.27	814,745.37
Sport and exercise	742,919.01	684,843.86
Transport vehicles	576,187.90	589,012.49
Others	343,804.91	353,015.87
	<b>42,315,577.37</b>	<b>39,919,396.64</b>
<b>Mechanical reproduction rights</b>		
Radio and television	477,058.40	450,973.86
Internet and new media	15,998.40	320,808.54
	<b>493,056.80</b>	<b>771,782.40</b>
<b>Total royalties collected by Teosto</b>	<b>42,808,634.17</b>	<b>40,691,179.04</b>
<b>Royalties from other organizations</b>		
<b>Performing rights</b>		
Sweden	418,767.45	493,508.11
UK	363,000.85	375,408.10
Germany	341,672.09	368,958.48
France	218,564.40	243,632.18
USA	169,462.62	148,591.50
Denmark	156,554.05	190,872.68
Norway	137,015.70	200,777.21
Spain	130,509.22	162,759.57
Netherlands	94,669.90	125,416.02
Switzerland	83,896.58	80,915.92
Italy	64,880.19	85,472.82
Belgium	51,067.74	84,032.03
Others	505,362.77	492,644.48
<b>Income from foreign performances of Finnish music</b>	<b>2,735,423.56</b>	<b>3,052,989.10</b>
Others	523,591.29	540,701.25
<b>Total performing rights</b>	<b>3,259,014.85</b>	<b>3,593,690.35</b>
<b>Mechanical reproduction rights</b>		
Income from mechanical reproductions of Finnish music (NCB)	5,009,042.52	5,489,869.70
Others	103,497.67	91,141.76
	<b>5,112,540.19</b>	<b>5,581,011.46</b>
<b>Total royalties from other organizations</b>	<b>8,371,555.04</b>	<b>9,174,701.81</b>
<b>Remuneration for public lending</b>		
Compensation paid by the Finnish central government to authors for the lending of works from public libraries maintained by local authorities. In 2010 remuneration was paid exceptionally for two years.	<b>668,812.28</b>	<b>354,075.20</b>

	2010	2009
<b>Compensation for private copying</b>		
A copyright fee incorporated in the retail price of devices used for private copying.	6,487,112.90	8,895,301.27
<b>Other income</b>		
Income from the Finnish Music Information Centre FIMIC	0.00	237,963.50
Services to FIMIC	120,000.00	0.00
	<b>120,000.00</b>	<b>237,963.50</b>
<b>Depreciation</b>		
Other capitalized long-term assets	105,180.41	103,381.01
Buildings	8,013.58	8,347.48
Machinery and equipment	171,094.82	166,068.47
	<b>284,288.81</b>	<b>277,796.96</b>
<b>Auditors' fees</b>		
Auditing fees	16,290.00	16,791.50
Counselling on taxes	9,342.50	18,055.00
Other services	2,502.00	17,978.83
	<b>28,134.50</b>	<b>52,825.33</b>
<b>Investments and financing</b>		
<b>Income</b>		
Interest	261,339.79	368,037.39
Dividends	15,766.58	9,970.92
Rents	84,661.47	82,651.92
Sales profit	1,503,378.60	643,546.93
Restoration of value decrease	94,493.06	1,084,208.03
	<b>1,959,639.50</b>	<b>2,188,415.19</b>
<b>Costs</b>		
Charges	-29,618.74	-29,426.00
Sales loss	-135,415.88	-684,192.15
Value decrease	-28,250.42	0.00
Other costs	-58,781.93	-5,047.48
	<b>-252,066.97</b>	<b>-718,665.63</b>
<b>Total for investments and financing</b>	<b>1,707,572.53</b>	<b>1,469,749.56</b>
<b>Transfer for distribution to rightholders</b>		
Performing right royalties collected by Teosto	34,314,311.68	32,490,527.26
Mechanical reproduction right royalties collected by Teosto	419,898.20	716,898.37
Performing right royalties from other organizations	3,154,539.93	3,482,000.42
Mechanical reproduction right royalties from other organizations	5,097,015.54	5,567,340.20
Remuneration for public lending	601,931.05	318,667.68
Compensation for private copying to the Ministry of Education and Culture	6,100,490.49	8,472,076.54
	<b>49,688,186.89</b>	<b>51,047,510.46</b>
Ministry of Education and Culture decision on the distribution of the compensation for private copying from the previous year to Teosto rightholders	1,432,272.41	1,865,884.54
Distribution costs	-71,613.62	-93,294.23
<b>Distribution to rightholders</b>	<b>1,360,658.79</b>	<b>1,772,590.31</b>

# 3/ Notes to the balance sheet, assets

	2010	2009
<b>Changes in intangible and tangible assets</b>		
<b>Other capitalized long-term assets</b>		
Acquisition cost at 1 Jan	732,015.37	683,380.60
Accumulated depreciation	-421,413.34	-414,790.26
Balance at 1 Jan	310,602.03	268,590.34
Increases during the financial year	63,655.38	145,392.70
Depreciation during the financial year	-105,180.41	-103,381.01
<b>Book value at 31 Dec</b>	<b>269,077.00</b>	<b>310,602.03</b>
<b>Buildings and constructions</b>		
Balance at 1 Jan	200,339.54	208,687.02
Depreciation during the financial year	-8,013.58	-8,347.48
<b>Book value at 31 Dec</b>	<b>192,325.96</b>	<b>200,339.54</b>
<b>Machinery and equipment</b>		
Balance at 1 Jan	505,306.15	413,556.60
Increases during the financial year	227,318.21	283,962.41
Reductions during the financial year	-15,000.00	-26,144.39
Depreciation during the financial year	-171,094.82	-166,068.47
<b>Book value at 31 Dec</b>	<b>546,529.54</b>	<b>505,306.15</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	13,877,236.65	12,502,801.36
Equivalent book value	11,899,191.30	10,957,892.28
<b>Difference</b>	<b>1,978,045.35</b>	<b>1,544,909.08</b>
<b>Other shares and similar rights of ownership</b>	<b>833,244.92</b>	<b>847,535.96</b>
<b>Total shares and similar rights of ownership</b>	<b>12,754,213.20</b>	<b>11,827,205.22</b>
<b>Loan receivables</b>		
Long-term receivables from group companies	30,000.00	30,000.00
Others	18,467.19	20,397.19
	<b>48,467.19</b>	<b>50,397.19</b>
<b>Prepayments and accrued income</b>		
Performing right royalties	376,246.23	479,547.16
Others	505,822.13	249,910.10
	<b>882,068.36</b>	<b>729,457.26</b>

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## 4/ Notes to the balance sheet, liabilities

### Changes to the capital of the self-financed reserve

	2010	2009
Capital of the Teosto Fund at 1 Jan	0.00	0.00
Increases to capital	2,019,948.92	0.00
<b>Capital of the Teosto Fund at 31 Dec</b>	<b>2,019,948.92</b>	<b>0.00</b>

When the Teosto Fund was set up, assets were transferred to it from the legal reserve and support reserve as a balance sheet internal transfer (EUR 94,892.46), and from unused discretionary subsidies under prepayments and accrued income (EUR 483,000.00). Moreover, a total of EUR 1,442,056.46 was transferred to the Fund through the income statement.

### Other debts

Foreign copyright organizations	2,520,134.61	2,775,581.18
Finnish rightholders	1,234,996.82	1,022,426.60
Withholding tax	1,457,832.61	1,420,880.20
VAT	406,532.74	827,990.66
Others	178,290.86	97,649.76
	<b>5,797,787.64</b>	<b>6,144,528.40</b>
<b>Accruals and deferred income</b>		
Holiday pay	714,478.16	749,716.61
Promotion of Finnish music	195,000.00	678,000.00
Others	476,605.22	544,678.03
	<b>1,386,083.38</b>	<b>1,972,394.64</b>
<b>Distribution funds to rightholders</b>		
Performing right royalties	36,755,738.73	34,350,073.43
Mechanical reproduction royalties	507,871.22	749,525.97
Remuneration for public lending	297,191.05	529,677.36
Compensation for private copying	8,431,827.67	12,519,413.27
	<b>45,992,628.67</b>	<b>48,148,690.03</b>

## 5/ Securities and contingent liabilities

	2010	2009
<b>Leasing liabilities</b>		
Payments outstanding in connection with leasing agreements		
Payments to be made in the next financial period	57,177.14	55,017.02
To be paid later	36,042.15	75,389.58
	<b>93,219.29</b>	<b>130,406.60</b>
Commitments to invest in equity funds	117,203.78	117,203.78
The total capital of the investment fund has been insured.		
<b>Total security and contingent liabilities</b>	<b>210,423.07</b>	<b>247,610.38</b>

## 6/ Notes on personnel

	2010	2009
<b>Average number of personnel</b>		
Music licensing and distribution	85	81
Finnish Music Information Centre FIMIC	0	10
Compensation for private copying	5	6
	<b>90</b>	<b>97</b>
<b>Personnel costs</b>		
Salaries	4,361,625.79	4,544,140.40
Fees	201,335.11	230,400.60
Pension costs	866,386.00	820,682.18
Other personnel costs	238,346.57	227,288.25
	<b>5,667,693.47</b>	<b>5,822,511.43</b>
<b>Board of Directors</b>		
Fees paid to Board members	100,163.00	106,580.00
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%	516,001.17	-24,124.04

# Proposal for distribution to rightholders

	2010	2009
The Board of Directors proposes that the total amount of EUR 52,428,758.07 be distributed for 2010.		
<b>The distribution sum is made up as follows</b>		
Performing right royalties collected by Teosto	34,314,311.68	32,490,527.26
Mechanical reproduction right royalties collected by Teosto	419,898.20	716,898.37
Performing right royalties from other organizations	3,154,539.93	3,482,000.42
Mechanical reproduction right royalties from other organizations	5,097,015.54	5,567,340.20
Remuneration for public lending	601,931.05	318,667.68
Compensation for private copying (Min. of Ed. & Culture)	6,100,490.49	8,472,076.54
	<b>49,688,186.89</b>	<b>51,047,510.46</b>
Distribution reserves from previous years	1,379,912.39	1,252,121.75
Compensation for private copying from the previous year to Teosto's rightholders	1,360,658.79	1,772,590.31
	<b>2,740,571.18</b>	<b>3,024,712.06</b>
<b>Total distribution to rightholders</b>	<b>52,428,758.07</b>	<b>54,072,222.52</b>

## Signatures to the annual report and financial statements

Helsinki, 16 March 2011

**Georg Nummelin**  
Chairman of the Board of Directors

**Katri Sipilä**  
CEO

**Heikki Elo, Tom Frisk, Mikko Heiniö, Ari Nieminen, Timo Tyrväinen**

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

Helsinki  
**KPMG Oy Ab**

**Heidi Vierros**  
Authorized Public Accountant

# Auditor's report

## To the 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 the Finnish Composers' Copyright Society Teosto for the year ended 31 December, 2010. 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 18 March 2011

KPMG OY AB

Heidi Vierros

Authorized Public Accountant



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