

# Free-to-end user audiovisual content

## Pricelist for performing rights royalties

Valid from January 2017, last revised April 1st 2018.

### Free-to-end user audiovisual content

The performing rights royalty for services providing free-to-end user audiovisual content is determined as a percentage of AV service provider's revenue subject to royalty. The royalty shall however be greater than the minimum payment mentioned below. The royalty percentage of an AV service is determined on the basis of the share of music within its contents. The price covers both linear broadcasts and VOD services. This price list does not apply to services only containing music or music videos.

### Determining performing rights royalty

The amount of the royalty is calculated based on the AV service provider's total revenue\* as follows:

Total revenue - deductible items = revenue subject to royalty

Revenue subject to royalty x royalty percentage = performing rights royalty

\* A more detailed specification of total revenue and of revenue subject to royalty is given on page 2 of this price list.

### Determining the share of music of a TV company or a TV channel

For TV companies, the share of music may be determined as the TV company itself chooses, either company- or channel-specifically. The royalty percentage is specified in autumn of every year, based on the share of music of the previous full calendar year

The share of music is determined on the basis of the amount of music in the broadcast content and the total broadcasting time. If the TV company is able to report accurate viewing information, the share of music can also be determined on the basis of the viewed content if so chosen by the TV company.

The share of music is calculated based on actual programming and trailers. Advertising, teleshopping, chat or call-in shows and the news feed among others are not taken into account in the calculation of the share of music. Calculation of the share of music includes the music that is represented by Teosto at any give time and that is covered by extended collective licence.

### Estimated share of music of a TV company or a TV channel

When the share of music of a new TV channel or an AV service of a TV company is not known yet, the share of music is estimated based on the content profile of the TV channel or service or by using a similar TV channel or service as reference.

If the music information reported to Teosto is incomplete to such extent that less than 60% of it can be processed, the share of music will be estimated for the content that cannot be otherwise considered due to insufficient information. The estimate will be based on the share of music broadcast by the same TV channel or service in the previous year. When estimating the share of music in the programmes the shares of music as set forth in Finnpanel classification are considered.

### Determining the share of music of other AV services

The share of music of an AV service is determined based on the amount of music in the content provided in the service or the profile of the content provided in the service.

When a TV company or TV channel reports music information to Teosto, the share of music and the corresponding royalty percentage is calculated from the more precise table. If the share of music is over 55%, the royalty percentage will not increase any further.

Royalty percentage	Share of music in content					
	10-20%	20-30%	30-40%	40-50%	50-60%	60-90%
1%	2%	3%	4%	4.5%	5%	5%

### More precise share of music, max %

0	2.5	5	7.5	10	12.5	15	17.5	20	22.5	25	27.5	30	32.5	35	37.5	40	45	50	55	60
0	0.25	0.5	0.75	1	1.25	1.50	1.75	2.0	2.25	2.50	2.75	3.0	3.25	3.50	3.75	4.0	4.25	4.5	4.75	5.0

### More precise royalty percentage, %

#### Minimum payment of a TV channel

The channel's share of music	max 30%	max 50%	max 90%
Price EUR/household/month	0.0017 €	0.0047 €	0.0060 €

Royalty is calculated from the pre-VAT total revenue. If the royalty based on total revenue is less than minimum payment, minimum payment is applicable but no less than EUR 250. The amount of value-added tax at the time of calculation in accordance with the valid tax legislation is added to the final calculation. Application of this price list requires a specific agreement with Teosto about the use of music in AV content.

The price list is intended for broadcaster companies and AV services operating in Finland.

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### Determining the minimum payment of a TV channel

The minimum payment is based on the share of the music of the TV channel. If a company has several TV channels, the minimum payment is calculated for each TV channel separately. The payment equals the price in EUR as determined on the basis of the share of music multiplied by the number of the households receiving the TV channel in question.

The minimum payment for other AV services (including the AV services of a TV company) is agreed separately with each service, and it depends on the amount of music available in the service, the number of users and features of the service.

### Initial discount for a new channel

An initial discount is granted to a new channel as follows:

- 50% of the total sum of the minimum royalty or turnover-based royalty for the first year of operations
- 25% of the total sum of the minimum royalty or turnover-based royalty for the second year of operations

### Determining the performing rights royalty

**Total revenue** refers to the turnover or similar revenue of an audiovisual service provider that is agreed upon separately with the provider as part of the agreement.

#### Total revenue includes the following examples of revenues

- Advertising revenues
- Revenues from sponsoring of broadcasting and programme cooperation relating to broadcasting activities, including cooperation on content and product placement
- Barter revenues
- Programming time sales
- Revenues from shopping programmes and other filler content
- Subsidies towards TV operations defined separately in the agreement (valid from April 1, 2018)
- Donations and bequests intended towards TV operations (valid from April 1, 2018)

#### Total revenue does not include the following examples of revenues

- Revenues from product and commodity sales
- Revenues from the sale of services (e.g. studio and production services)
- Revenues from re-selling of programming or programming rights
- Revenues from sponsorship of programming production

**Revenue subject to royalty** is calculated by subtracting the deductible amounts from total revenue.

#### Amounts to be deducted from total revenue

- Value-added tax
- Credit losses relating to total revenue.
- Yearly, volume and cash discounts given to media agencies.

Recouped credit losses are added to the total revenue.

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