

ZAPRAF

Annual Report
2015



ANNUAL REPORT

2015



ASSOCIATION FOR PROTECTION, COLLECTION AND DISTRIBUTION OF PHONOGRAM PRODUCERS' RIGHTS - ZAPRAF

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ACTIVITY CODE: ACTIVITIES OF OTHER MEMBERSHIP ORGANIZATIONS, NEM (91330)

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IDENTIFICATION NUMBER: 1150006

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PRESIDENT: ŽELIMIR BABOGREDAC

DIRECTOR: MAJA VIDMAR



ORGANIZATIONAL STRUCTURE OF ZAPRAF

1. GENERAL ASSEMBLY THE ZAPRAF GENERAL ASSEMBLY CONSISTS OF 16 MEMBERS.

2. MANAGING BOARD THE ZAPRAF MANAGING BOARD CONSISTS OF 7 REGULAR MEMBERS.

PRESIDENT OF THE MANAGING BOARD: ŽELIMIR BABOGREDAC, CROATIA RECORDS

**VICE-PRESIDENT OF THE
MANAGING BOARD:** BRANKO KOMLJENIĆ, MENART

REGULAR MEMBERS OF THE MB:

- CROATIA RECORDS
- MENART
- DANCING BEAR
- AQUARIUS RECORDS
- DALLAS RECORDS
- SCARDONA
- HIT RECORDS

3. DIRECTOR MAJA VIDMAR

4. SUPERVISORY BOARD MIRJANA MATIĆ, CANTUS
ZRINKO TUTIĆ, TUTICO
ŠIMA JOVANOVAČ, MULTI MUSIC MEDIA

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INTRODUCTORY REMARKS BY THE ZAPRAF PRESIDENT

ŽELIMIR BABOGREDAC



Another year of ZAPRAF's successful mission to protect the rights of phonogram producers is behind us. A lot of new things have happened in this dynamic period. We have faced many challenges and furthered our activities on all fields.

It is my pleasure to present you with the newest edition of the Annual Report of the Association for Protection, Collection and Distribution of Phonogram Producers' Rights (ZAPRAF). In order to improve transparency for our members who do not speak Croatian, we have once more published the report in two languages (Croatian and English). The mission of this Report is to contribute to the transparency of our Association's work, in particular towards its members and providers of power of attorney.

We have entered this year with a change at the helm of the organisation. After years of successfully managing the Association's legal affairs, Ms Maja Vidmar was promoted to Director on 1 January 2016. We are confident that this change will bring new impetus to the organisation and that the Association's actions will continue to be successful in the upcoming period.

In 2016 we made significant progress in terms of cooperation with key partners. We are in constant talks with the Croatian Radiotelevision (HRT), working on the completion of the delivery of ZAPRAF's digital database. We have also signed a cooperation agreement with HURIN (Croatian Association of Radio Stations and Newspapers), with the goal of advancing mutual interests in promoting national music and achieving its greater representation in the media. On this topic we have also started talks with the Ministry of Culture, as well as other key institutions and related organisations.

When it comes to international affairs, we have opened many topics, held bilateral meetings and shared many experiences with

organisations from other countries. Through participation in a number of conferences, we have actively joined the discussion about issues in Europe and globally that are important for the music industry and the protection of copyright and related rights. We held meetings with the Croatian MEP's, who are regularly updated on all topics around which we could benefit from their assistance in the EU Parliament.

In addition to all of these activities, and many others of which you will learn in the pages of this report, it is important to state that this was yet another year in which ZAPRAF managed to achieve revenue growth. With the help of our own IT department, for the first time we were able to distribute funds based on data we collected and processed on our own.

Seeing all of this, we are looking forward to the upcoming years which will undoubtedly hold new improvements of our business practices, to the satisfaction of our members and power of attorney holders.

INTRODUCTORY REMARKS BY THE ZAPRAF DIRECTOR

MAJA VIDMAR



The past year was very eventful for ZAPRAF, given that we implemented changes not only in the key operational tasks, but also in the organisational structure of the Association.

I believe that we have successfully fulfilled our mission in 2015. In our work, we were guided by principles of transparency, efficiency, and good customs and rules proposed by the International Federation of the Phonographic Industry (IFPI), whose member we have been for many years.

Looking at the financial results, 2015 was a very successful year for ZAPRAF: the trend of increase in the amount of collected fees continued, as well as the trend of further decline in costs.

Thus, in 2015 a total of HRK 27,932,063.02 plus VAT was raised. The increase in the amount

of compensation distributed to right holders in respect to 2014 amounts to 1,351,067.63 HRK (5% increase).

The largest increase in remuneration was recorded in nominal terms for exploitation of rights of public performance and shows in the amount of HRK 508,620.40, while the biggest percentage jump was in rights for dubbing, by 30%.

Office costs declined further compared to the previous year, and now amount to 12.69%.

When it comes to fee repartitioning, it is important to point out that for the first time, the repartition was carried out by ZAPRAF's own IT department. It was based on independent data collected from the users of the items of protection (mainly radio and television broadcasters).

In addition to the above, we have made significant progress in presenting the reports on the used recordings.

We have continued with our practice of good resource management by introducing a new model of monthly payment of advance fees to right holders, and by distribution of collected fees as soon as possible.

We will continue focusing on improving the quality of our work and services to users and providers of power of attorney.

Much of our efforts in the upcoming period will therefore be directed precisely towards collaboration with our users in terms of unifying the form for submission of data on the use of phonograms.

One of the goals is certainly the signing of a new, multi-year agreement on exercising rights with collective organizations HDS ZAMP and HUZIP, as well as full implementation of the collective management of rights (ie. CRM Directive) in internal documents and in the business operations of ZAPRAF.

In this challenging time, the stability and the financial results of the Association are highly dependent on teamwork. I would like to thank the members of ZAPRAF's Assembly, the Managing Board, our co-workers in the IT and accounting department, and to my colleagues in the office. Thank you all for your hard work and professionalism.

I believe that our experience will help us be even more successful in our future tasks and that we will contribute to further growth of our Association, to the satisfaction of all our providers of power of attorney, right holders of phonogram producers.

ZAPRAF'S ACTIVITIES BETWEEN TWO ANNUAL MEETINGS

REGULAR ANNUAL MEETING OF THE ZAPRAF GENERAL ASSEMBLY

ZAPRAF's regular annual Assembly was held on Tuesday, 21 June 2016. Since the last regular Assembly, an extraordinary Assembly was also held in December 2015. The main reason the extraordinary Assembly was held is the adoption of the financial plan for the upcoming period in accordance with obligations arising from the Law on Financial Operations and Accounting of Non-profit Organisations and the Law on Associations.

In accordance with the Statute, Maja Vidmar submitted to the General Assembly the following: a report on ZAPRAF's operation between the two General Assembly meetings, the work plan, the financial plan and business priorities for the next period.

It has been emphasized that ZAPRAF's income rose by 3.82% in the past year, i.e. for a nominal amount of HRK 1,007,219.19. kn.

The Director also presented a report on the Association's activities in the past year, of which the highlights are the following: an increase in the number of advance payments to right holders, the workings of the new ZAPRAF base, the establishment of an independent IT service for the collection and distribution of fees, the organization of IFPI's regional conference, the beginning of cooperation and talks with HRT, HURIN, Ministry of Culture, and Croatian MEP's, as well as many other activities which are planned to continue in the coming period.

Mandates for members of the Managing Board were announced, based on the insight into the signature list of present delegates and presented powers of attorney, and according to the data on the number of votes and the order of the members which was decided by the Managing board on its session held on 9 June 2016.

Pursuant to Article 13 of ZAPRAF's Statute, the General Assembly appointed the members of the Managing Board for the forthcoming period in the following order: **Croatia Records, Menart, Dancing Bear, Aquarius Records, Dallas Records, Scardona te Hit Records.**

Based on the provisions of ZAPRAF's Statute, Želimir Babogredac was elected as President, and Branko Komljenović as vice-president of ZAPRAF.

The ZAPRAF Assembly recognised the need for certain amendments to the Statute with the aim of successful realisation of activities of the Association and implemented improved criteria for participation in the working bodies of ZAPRAF, all with the goal of achieving better representation for members that contribute and advance its workings.

Based on the following, the ZAPRAF Assembly adopted the amendments to the Statute with the necessary majority.

Šima Jovanovac, member of the Supervisory Board, presented the report of the Committee on ZAPRAF's activities, which was based on the documentation referred to in the report of the Supervisory Board, with a report from the auditing company PIR and conclusion of the inspection of the State Intellectual Property Office.

Based on the conducted inspection, it was found that the bodies of the Association worked in accordance with the Statute and other internal documents, and in the interest of all providers of power of attorney.

On the basis of the result of a secret ballot, **Mirjana Matić, Zrinko Tutić and Šima Jovanovac were appointed as members of the Supervisory Board.**

THE FOLLOWING ISSUES WERE ESTABLISHED AS PRIORITIES FOR THE NEXT YEAR:

- the complete implementation of ZAPRAF's new database;
- maintenance of stable income;
- start of negotiations with HDS ZAMP and HUZIP related to signing the new tripartite Agreement;
- the design of procedures for fee collection for new forms of phonogram exploitation and collection of fees from rights that have not been collected before;
- continuing negotiations with HRT regarding creation of the information system and unified form for the submission of data on the usage of phonograms;
- start of active cooperation with other relevant associations in the Republic of Croatia;
- assistance with the establishment of collective organisations and systems of collective protection in the region and the like;

MANAGING BOARD ACTIVITIES

In the previous mandate the Managing Board of ZAPRAF held a total of 16 sessions in the period between 10 June 2015 and 21 June 2016.

In this period, representatives of record companies – members of the Managing Board were:

CROATIA RECORDS

Želimir Babogredac,
President of the Managing Board

MENART

Branko Komljenović,
Vice-president of the Managing Board

DANCING BEAR

Silvije Varga

AQUARIUS RECORDS

Boris Horvat

DALLAS RECORDS

Danko Stefanović

SCARDONA

Branko Paić

HIT RECORDS

Kristina Krajna

UNIVERSAL MUSIC CROATIA

kao pridruženi član

HIGHLIGHTS

Dialogue initiated with the Croatian Radiotelevision

ZAPRAF and the Croatian Radiotelevision (HRT) have had a successful cooperation for a number of years, which was based, among other things, also on the tripartite agreement signed in 2012 between HUZIP and ZAPRAF as collective rights management associations

and HRT as the user. Considering the significance of HRT as the public broadcaster of television and radio, ZAPRAF initiated a series of meetings with the goal of improving the amount of music that was broadcast in the media space of the national broadcaster.

The goal of these intense talks was to find new ideas for programs that would result in a higher representation of music in the program of HRT, which would stimulate the development of the music industry as a whole on the territory of the Republic of Croatia.

It is also important to mention the ongoing process of providing HRT with ZAPRAF's complete digital database, which would give HRT all the necessary data on phonograms. There are also ongoing talks regarding the delivery of new phonograms to HRT directly from ZAPRAF's database automatically after registration to the database.

ZAPRAF and HURIN sign a collaboration agreement

Having recognized a common strategic interest in promoting music, and interest in joint approach to the public, ZAPRAF and HURIN (Croatian Association of Radio Stations and Newspapers) have signed an Agreement on Cooperation. The signing took place during the annual Days of Electronic Media. The intention of the Agreement is to enable the best possible cooperation between the creators of music and radio broadcasters, members of HURIN, with the aim of achieving a comprehensive and high-quality development of mutual relations.

ZAPRAF and HURIN have with this Agreement agreed on the realization of future cooperation that includes mutual support of projects, and special attention will be devoted to creation of joint projects aimed at the promotion of the entire music industry in Croatia.

Number of advance payment of rights holders increased

The Management Board of ZAPRAF has reached a decision to increase the number of advance payments to right holders in the year 2015.

Thus a total of six advance payments were made before the final allocation of fees. The six advance payments were distributed to right holders which have achieved a right to more than HRK 100,000.00 of license fees (which increased the number of eligible right holders from 4 to 6, while two advance payments were given to right holders which have achieved the right to more than HRK 40,000.00 of license fees. This decision is in line with IFPI's Code of Conduct which proposes that right holders promptly and repeatedly receive compensation based on the exploitation of their rights.

Also, in the period between February and May 2016, subsequent and extraordinary payments were delivered to all right holders which participated in the distribution in 2012, 2013, and 2014.

In accordance with the existing good practice, the Board has decided that the increase in the number of advance payments to right holders should continue also in 2016, and that these should be paid on a monthly basis, thus continuing the policy of good asset management, and payment of collected fees as soon as possible.

ZAPRAF's upgraded database now shows real-time data from Airplay

All providers of power of attorney can now see a new way of recording and displaying Airplay, i.e. data on the used phonograms which have been submitted by radio and television stations. One of the significant advantages of the new Airplay display mode is that right holders have real-time insight into all submitted data, segmented by radio and television stations. Based on this data, all providers of power of attorney can react immediately in case of any ambiguities, requests and inquiries related to their phonograms.

The database was additionally upgraded and now has more precise navigation and provides brief explanations for all categories in the database menu.

SUPERVISORY BOARD REPORT

In keeping with the ZAPRAF Statute, during the regular session of the Supervisory Board held 16 June 2016, members of the Supervisory Board elected Mirjana Matic as President of the Supervisory Board, which marked the beginning of work of the Supervisory Board for the year.

The Supervisory Board consisting of Mirjana Matic (president), Šima Jovanovac and Zrinko Tutić, in accordance with the Statute from 16 December 2015 and the Regulations on the Protection of the rights of phonogram producers and the distribution of fees collected for the usage of phonograms, observed the implementations of the Statute and other Acts and decisions made by ZAPRAF and reviewed material and financial operations of 2015.

The Supervisory Board reviewed the minutes of 16 Managing Board sessions held since the last General Assembly meeting, and established that the decisions adopted by the Managing Board were in line with the Association's Statute and the above mentioned Act.

By reviewing all the necessary documentation, the Supervisory Board concluded that the Managing Board and the Director acted in keeping with the Statute and in the interest of the Association, that they adopted all necessary decisions with full respect for relevant legislation and EU directives, and that financial reports were realistic and objective.

INTERNATIONAL COOPERATION AND BILATERAL AGREEMENTS

Signing of the IFPI Framework Agreement on regulating rights for so called catch-up services

In early 2016 ZAPRAF joined the Framework IFPI Reciprocal Agreement on the regulation of rights of so-called catch-up services. This Agreement licences rights for later viewing of programs that have already been aired by broadcasters. The intention of the contractual provisions is related to cross-border licensing of content that would be available through the so-called catch-up services - within 30 days, on a nonexclusive basis, via streaming or podcast.

The Agreement entered into force in November 2015 and represents a framework agreement for collective organisations, IFPI members. By signing the contract ZAPRAF expanded the scope of rights which were previously licensed.

Representatives of ZAPRAF regularly participate in IFPI collective organisations' meetings

In 2016, ZAPRAF representatives took part in two IFPI PRC meetings that were held in London and Geneva. As pointed out by the IFPI, the importance of these meetings, among other things, lies in recognising that collective rights are extremely important today and that it is essential for all organisations to follow global trends, rules of procedure and guidelines for good practice of collection and distribution of fees.

As for the financial results of collective organisations in 2015 at the global level, compared to 2014 there was an increase of 8% revenue raised based on the exploitation rights of phonogram producers.

Croatia in this respect achieved remarkable results by being third in terms of revenue raised in comparison to GDP per capita, just behind Denmark and Norway.

ZAPRAF representatives hold meetings with Members of the European Parliament

Representatives of ZAPRAF and the Croatian Phonographic Association participated in the National Group Director's Meeting which was held in Brussels in March, and organised by the International Federation of the Phonographic Industry (IFPI).

The meeting included discussions on the latest happenings in European legislation and harmonisation of views of representatives of the music industry in Europe. A common opinion was adopted regarding IFPI comments pertaining to legislative change at the EU level which leads in the direction of a single digital market.

An overview of the priorities for the upcoming period and national priorities of Member States was made. Special attention was paid to the anti-piracy activity of the IFPI, which is focused on the delisting of illegal sharing, downloading and streaming websites.

The second part of the conference was reserved for the so-called lobbying day when country representatives hold meetings with their MEP's in the European Parliament for the purpose of communicating the key points of the industry. Croatian representatives have held meetings with MEP's Tonino Picula, Marijana Petir, Ruža Tomašić, Andrej Plenković and advisers to MEP Davor Stier and MEP Biljana Borzan.

ZAPRAF representatives participate in an anti-piracy summit in London

Representatives of ZAPRAF and the Croatian Phonographic Association participated in September in IFPI's anti-piracy seminar in London. IFPI Director General Frances Moore pointed out some key facts related to illegally download content from the Internet. Among other things, it was pointed out that currently more than 30% of users in the world are illegally downloading music. At the global level, stream ripping presents a much bigger problem than the older practice of downloading files to a computer. YouTube is still the most widely used service for listening and downloading music (more than 1 billion people use YouTube), and is also the source of the biggest problem currently facing the world music industry - the so-called Value Gap.

In spite of the above mentioned challenges, it was pointed out that the music industry has finally started to show signs of growth, both in revenue and in the awareness of users who are increasingly starting to use legal services.

On this occasion important conversations were conducted in order to further cooperation with IFPI when it comes to developing an anti-piracy department and increasing activities in this regard.

The 8th Regional Collective Organisations' Phonogram Producers Conference

The 8th Regional Collective Organisations' Phonogram Producers Conference was held on 27 October 2016 in Ljubljana. The conference was organised by the IFPI (International Federation of the Phonographic Industry) and the Institute IPF (Slovenian association that protects the rights of performers and phonogram producers), and in collaboration

with ZAPRAF. The goal of the conference was to foster cooperation and exchange experiences between collection societies, state intellectual property offices, and other government bodies in the region.

Similar to previous years, the conference covered legislative and operational issues which associations face in the region.

ZAPRAF's Director Maja Vidmar presented ZAPRAF's results in the previous period and ZAPRAF's good practices in the implementation of IFPI's MLCs Code of Conduct..

In addition to representatives from Croatia and the hosts from Slovenia, the conference was also attended by representatives of organisations from Serbia, Macedonia, Albania, and the newly formed Association Phonogram from Bosnia and Herzegovina. All organisations presented their results and the challenges they face, and welcomed the holding of such conferences with the aim of improving the system of collective protection in the region.

ZAPRAF and PPL exchange first funds

In 2014, ZAPRAF signed a bilateral agreement with the British collective society Phonographic Performance Limited (PPL). This year was the first in which all necessary conditions for the mutual benefit payments were created. Consequently, the associations exchanged fees collected on the basis of usage of the protected repertoire belonging to organisations and right holders.

The purpose of these bilateral agreements is to facilitate the collection of fees belonging to phonogram producers and their distribution to right holders, as well as cooperation in overcoming the difficulties faced by members when their rights are exploited in the territory of the other contracting party.

Sharing resources is a step forward in establishing current and good future relations between the two organisations, and a good example of successful cooperation and implementation of bilateral agreements as such.

ZAPRAF representatives hold a series of bilateral meetings

ZAPRAF representatives held during 2015 and 2016 a series of bilateral meetings with OFPS, Serbian collective society for protection of the rights of phonogram producers and with Institute IPF, the Slovenian collective society. ZAPRAF's iPlayed system for monitoring broadcast recordings was presented during these meetings, which ZAPRAF uses as a control system of Croatian radio and TV broadcasting.

It is also important to mention the first official visit to ZAPRAF of the newly established organisation for the collective management of rights of phonogram producers 'Phonogram' in Bosnia and Herzegovina. During the meeting, ZAPRAF Director Maja Vidmar presented ZAPRAF's business model and provided support and overall assistance for the establishment of a quality system in Bosnia and Herzegovina.

FINANCIAL REPORT FOR 2015

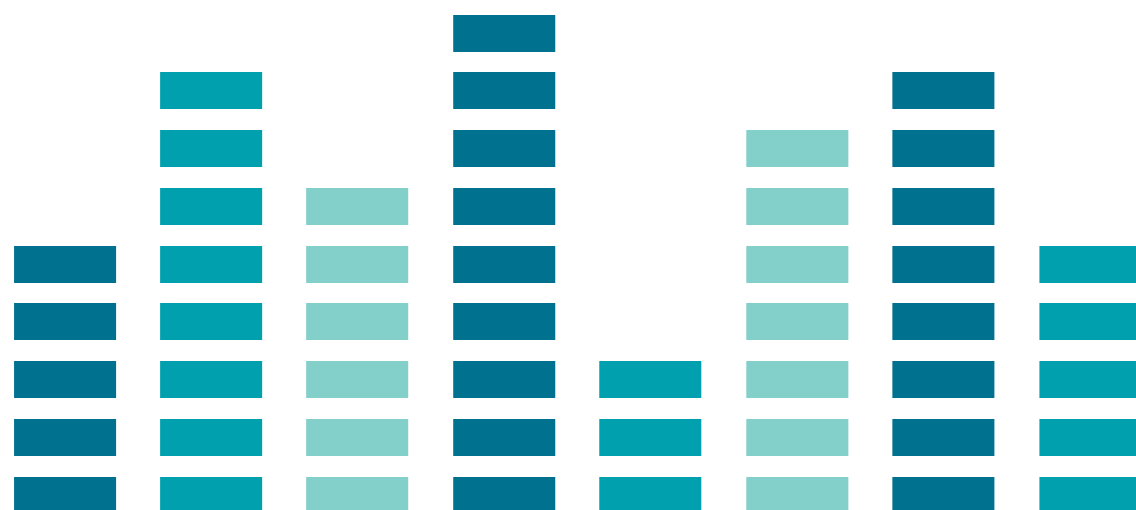
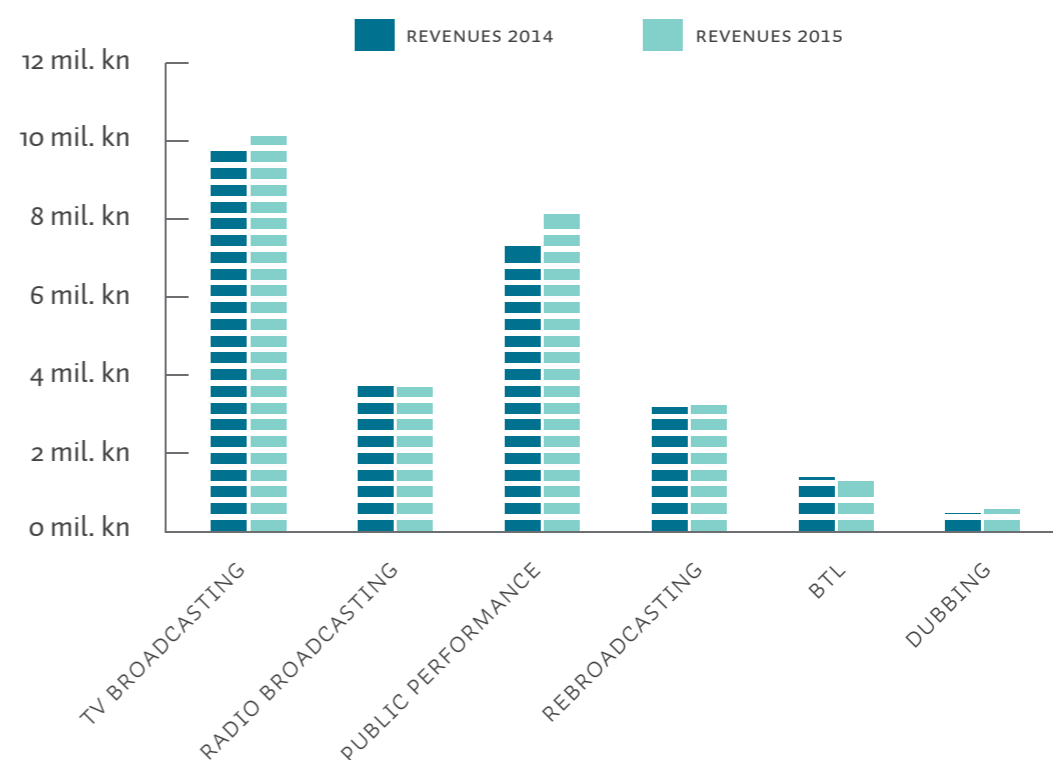
In 2015, ZAPRAF managed to raise its total of collected fees in comparison with 2014 by 3.82%, while the means for distribution increased by 5%.

This continues the positive growth of business results, both in terms of users of collected fees and the distribution of fees to right holders.

Collected Fees

A total of HRK 27.383.693,65 was collected in the distribution year 2015.

	2014.	2015.	RAZLIKA	RAZLIKA U %	UDIO 2015.
TELEVISION STATIONS	HRK 9.719.295,53	HRK 10.100.320,70	HRK 381.025,17	3,92%	36,88%
RADIO STATIONS	HRK 3.866.035,54	HRK 3.848.884,13	HRK -17.151,42	-0,44%	14,06%
PUBLIC PERFORMANCE AND SHOWS	HRK 7.643.143,04	HRK 8.151.763,44	HRK 508.620,40	6,65%	29,77%
CABLE RETRANSMISION	HRK 3.208.359,63	HRK 3.315.090,06	HRK 106.730,43	3,33%	12,11%
BTL	HRK 1.409.264,43	HRK 1.279.528,65	HRK -129.735,78	-9,21%	4,67%
DUBBING	HRK 530.376,30	HRK 688.106,68	HRK 157.730,38	29,74%	2,51%
TOTAL	HRK 26.376.474,46	HRK 27.383.693,65	HRK 1.007.219,19	3,82%	100%

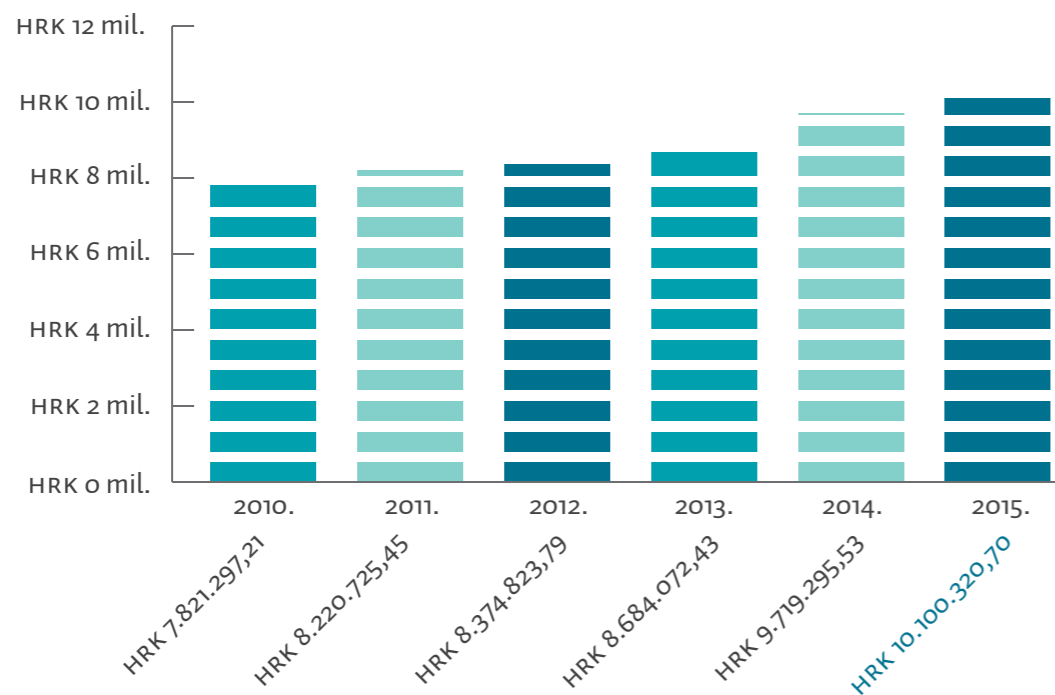


Broadcasting

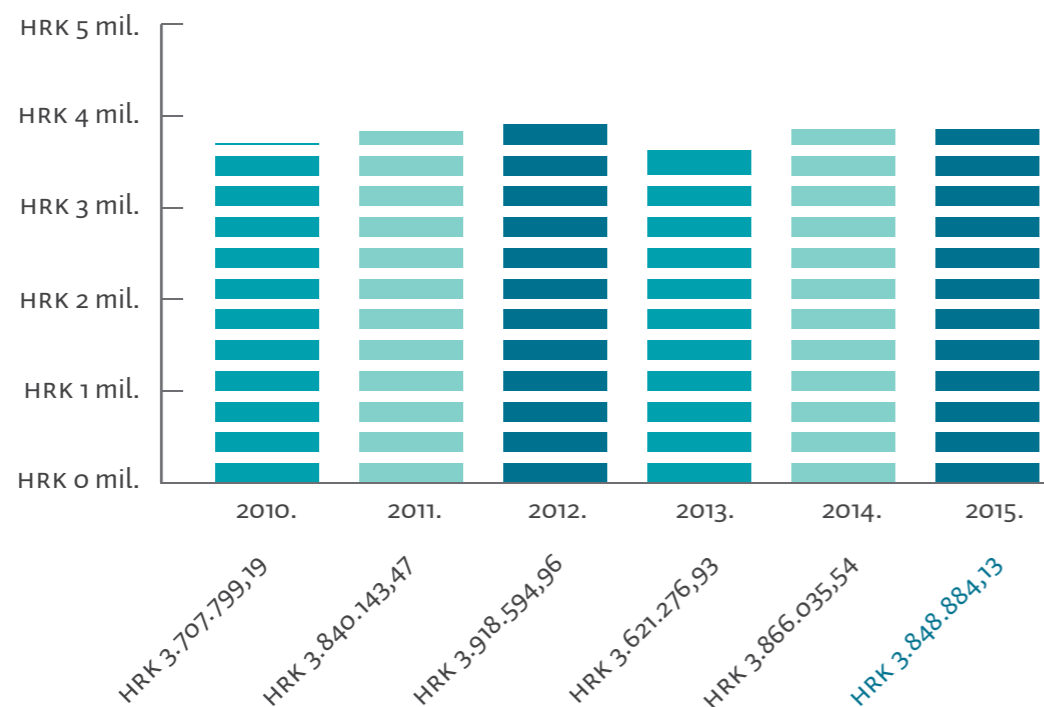
A total of HRK 13,949,204.83 was collected for broadcasting, and this category includes agreements on use of phonogram producers' rights in television and radio broadcasts.

In comparison with 2014, the collected fees increased by HRK 363,873.75 (3%).

TV BROADCASTING



RADIO BROADCASTING



Rebroadcasting (cable retransmission)

In 2015, HRK 3,315,090.06 was collected for rebroadcasting (cable retransmission), which is an increase of 3.33% over 2014.

REBROADCASTING (CABLE RETRANSMISSION)

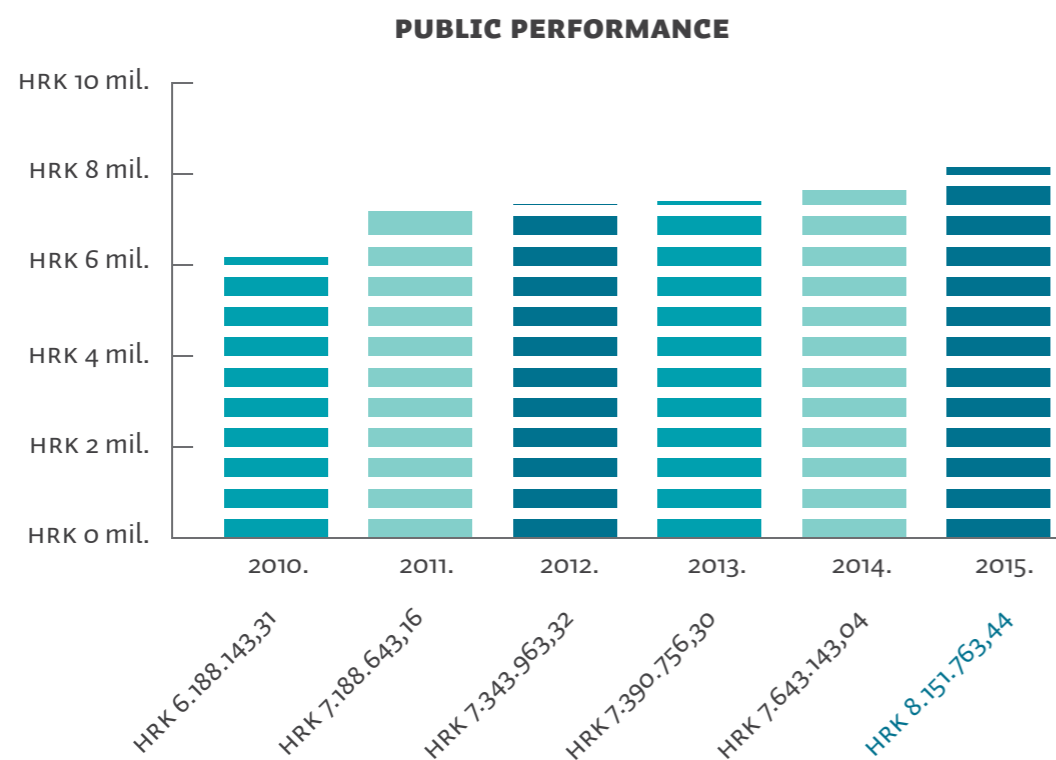


Public performance

In 2015 a total of HRK 8,151,763.44 in fees was collected for public performance, which presents an increase in the amount of 6,65%.

In this category, ZAPRAF also started collecting fees from entertainment events, which amounted to a total collected sum of HRK 110,000.00.

This is also the category of rights of users which has seen the largest increase in revenue due to a contract with HDS ZAMP (about half a million HRK increase compared to last year).

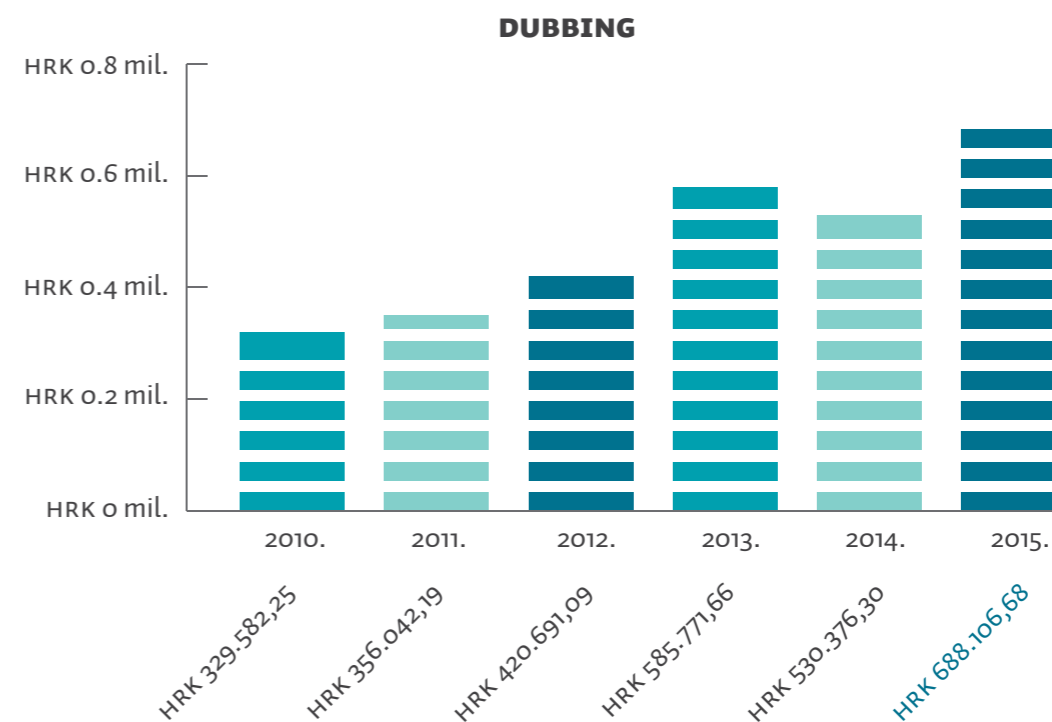


Fee for phonogram reproduction for private or other personal use (Blank-Tape Levy)

In 2015, a total of HRK 1,827,898.07 was collected in fees for phonogram reproduction for private or other personal use. Of this amount, and in line with the legal requirement, ZAPRAF earmarked a sum of 548,369.42 kn (30%) for stimulating appropriate artistic creativity and cultural diversity. In comparison to the previous year, in 2015 the amount of fees collected for these rights decreased by 0.15%.

Mechanical reproduction rights (dubbing)

The fees collected under this category included fees for rights used by DJs, juke boxes and digital archives at radio and television stations. In 2015, a total of HRK 688,106.68 was collected for mechanical reproduction rights. In comparison to 2014, this was an increase in revenue by 29,74%.



DISTRIBUTION OF FEES FOR REPARTITION YEAR 2015

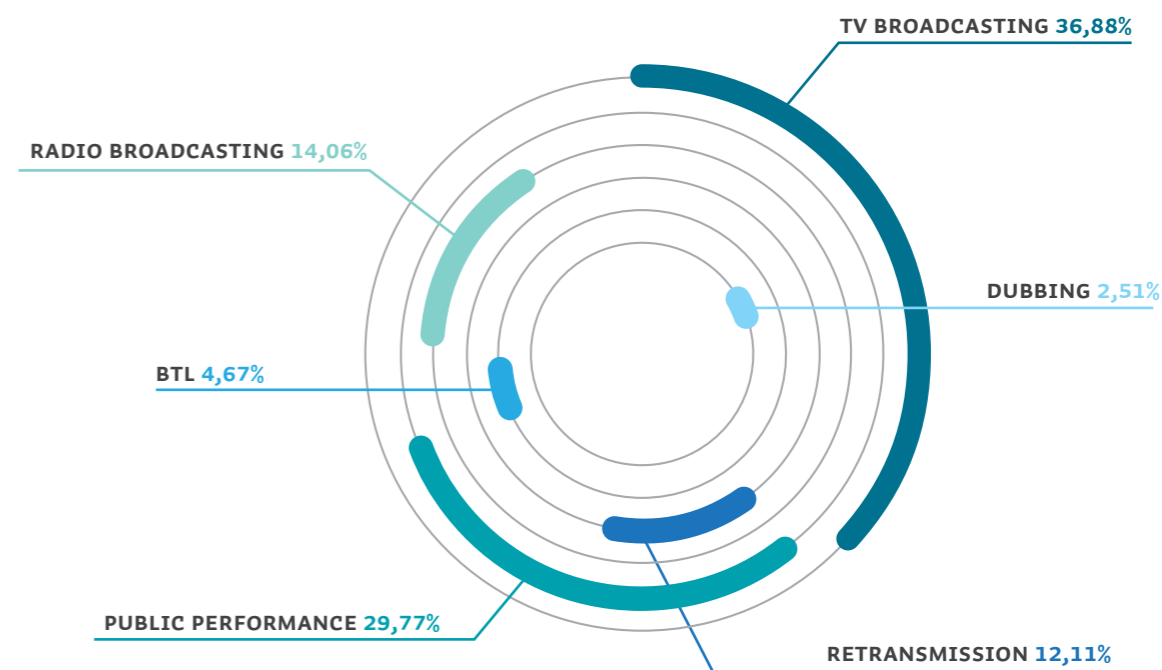
In June 2016 right holders received the final payment for repartition year 2015. The distribution of fees was for the first time based on data from radio and TV stations collected by the Association itself, i.e. its IT department for data collection and processing which the Association founded in mid 2015.

In the last repartition year, the amount for payment was increased by 5%, i.e. in the amount of HRK 1,351,067.63.

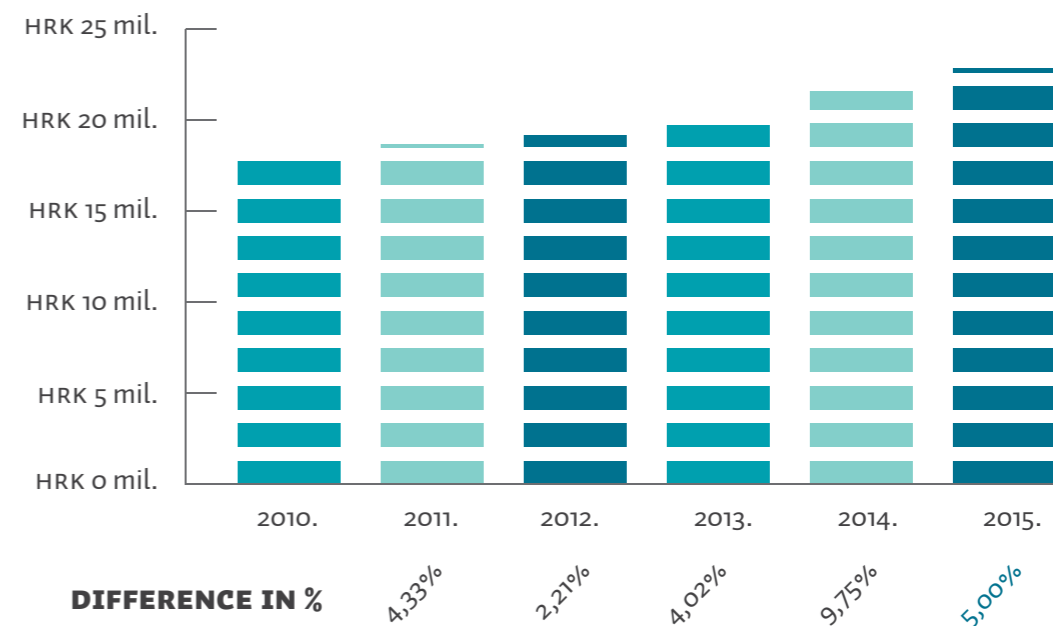
Likewise, prior to the final distribution of fees for 2015, six (6) advance payments were made to right holders entitled to more than HRK 100,000.00 in fees, and two (2) advance payments to right holders entitled to more than HRK 40,000.00 in fees.

TYPE OF RIGHT	COLLECTED	COSTS 12,69%	FOR DISTRIBUTION
TELEVISION STATIONS	HRK 10.100.320,70	HRK 1.282.078,32	HRK 8.818.242,37
RADIO STATIONS	HRK 3.848.884,13	HRK 488.555,86	HRK 3.360.328,26
PUBLIC PERFORMANCE AND SHOWS	HRK 8.151.763,44	HRK 1.034.739,34	HRK 7.117.024,10
CABLE RETRANSMISSION	HRK 3.315.090,06	HRK 420.799,03	HRK 2.894.291,03
BTL	HRK 1.279.528,65	HRK 162.416,22	HRK 1.117.112,43
DUBBING	HRK 688.106,68	HRK 87.344,42	HRK 600.762,26
TOTAL	HRK 27.383.693,65	HRK 3.475.933,20	HRK 23.907.760,45

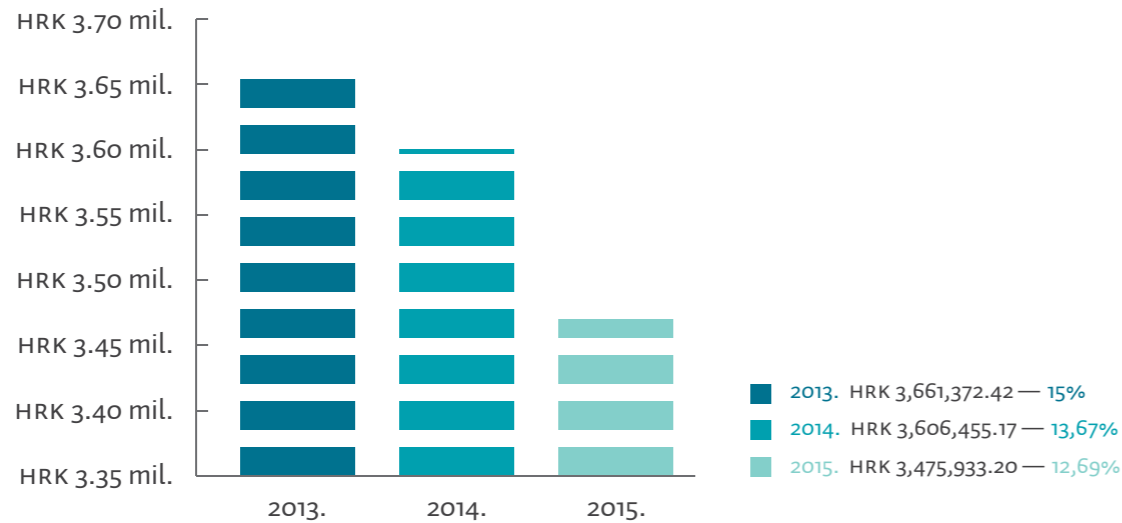
SHARE IN FEE DISTRIBUTION



FEE DISTRIBUTION



OFFICE COSTS



BTL fund

For the purpose of the Fund for Stimulating Artistic Creativity and Cultural Diversity (the so-called BTL fund), and in accordance with legal provisions, ZAPRAF earmarked a total of HRK 548,369.00, a 30% of total fees ZAPRAF collects for the right of reproduction for private and other personal uses.

The purpose of the Fund is to support and promote Croatian music industry, most notably publishing industry, manifestations, stimulations to record labels participating in music awards, and for festivals that publish an album with music from the festival. The tender for receiving grants from the BTL Fund was published on ZAPRAF's website in the period from 10 March to 10 April 2016 and a total of 39 submissions were received.

A commission appointed by the Managing Board (consisting of Kristina Krajna, Anita Glavaš and Maja Vidmar) reviewed individual submissions to make sure they satisfy

the conditions in the tender, that they were received before the deadline, contain all necessary data and satisfy the conditions for receiving funding.

The decision on the allocation of funds from the BTL Fund was made by the ZAPRAF's Managing Board at a session held on 19 April 2016.

Each successful applicant signed a contract which, among other provisions, also stipulates that the applicant will submit all relevant documentation following the completion of the project.

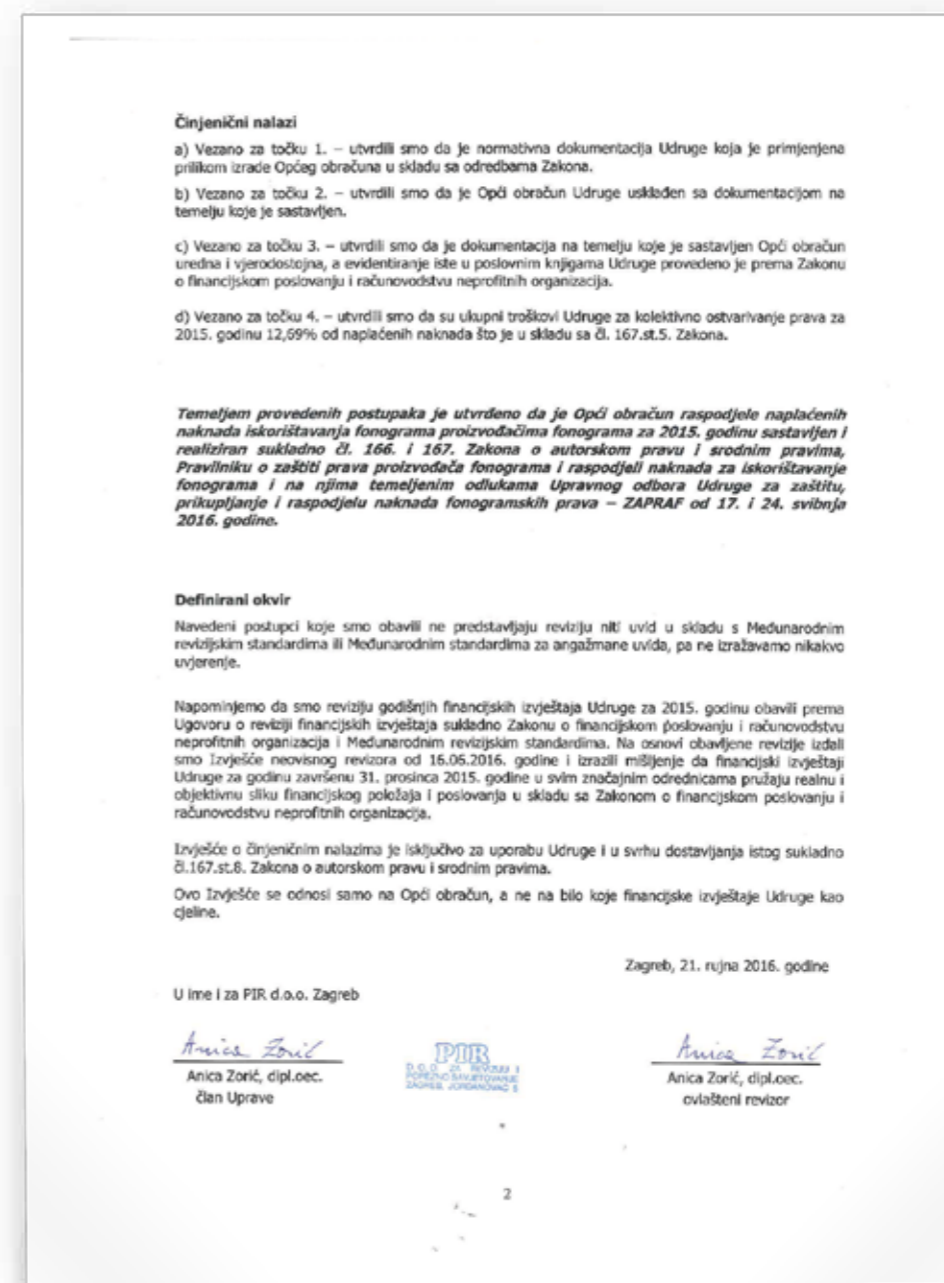
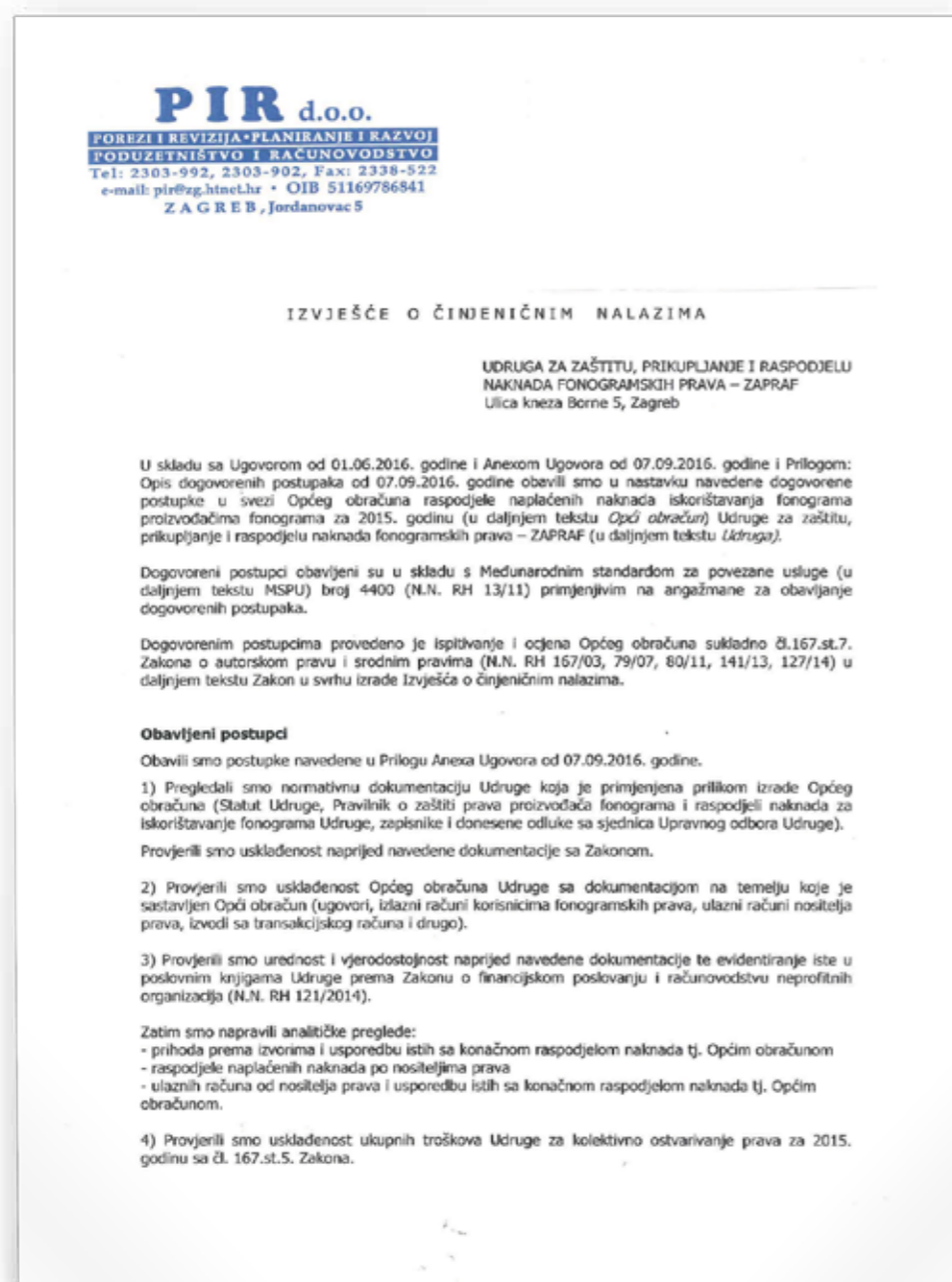
PROJECTS

ACOUSTIC CONCERTS IN DALLAS SHOP RIJEKA
MUZIKA.HR DATABASE
CEDETERIJA
CHANSONFEST 2016
CMC FESTIVAL 2016
DETOUR - "ACOUSTIC 10"
ETHNOAMBIENT SALONA 2016 FESTIVAL
TWO NEW ALBUMS - "KANAT OD MORA"
DATABASE AND SALES PLATFORM - HIT RECORDS
SARA RENAR - "TIŠINA"
MASSIMO - BIOGRAPHY + DVD
MRLEE & IVANESKY LIVE AT ZKM-U - CD/DVD
UPGRADE OF THE CROCO-DEAL DIGITAL SYSTEM
NAŠA BILA ŠTORIJA
THREE ALBUMS - BRUNO MIČETIĆ TRIO, DENIS RAZZ I IZET MEDOŠEVIĆ
ORGANISATION OF RECORD LABEL FAIRS IN TWO SMALLER CROATIAN CITIES (MARS MUSIC)
"DALLAS MUSIC SHOP" WEB SHOP
DEVELOPMENT OF SOFTWARE AND PROGRAMMING APPLICATIONS - MENART
TOMISLAV GOLUBAN'S 8TH ALBUM
STIMULATIONS FOR PARTICIPATION IN MUSIC AWARDS
VELIKA ROCK EKSPLOZIJA #9
8TH CROATIAN BLUES CHALLENGE

AUDIT REPORT AND INSPECTION SUPERVISION

In September, The State Intellectual Property Office of the Republic of Croatia performed the regular annual supervision of ZAPRAF's operations. An independent revisory firm Pir d.o.o. also performed a financial revision of ZAPRAF's operations.

It has been estimated that ZAPRAF acted in accordance with the business standards of collective organisations and in the interest of protection, fee collection and distribution to right holders.



OTHER ACTIVITIES

Meeting with the Ministry of Culture

A meeting was held between ZAPRAF, the Croatian Phonographic Association and representatives of the Ministry of Culture. The participants discussed ways to implement the regulations of the Law on Electronic Media and the appropriate representation of Croatian music in media. The meeting also discussed the importance of cultural and creative industries for the Croatian economy and the importance of the music industry as part of the same. Also, discussions were held about legal provisions that are directly or indirectly related to the music industry in Croatia and about ways that ensure their proper implementation, with a focus on the contribution of the Ministry of Culture

Meetings with radio stations continued

At the beginning of the year, ZAPRAF and the Croatian Phonographic Association (HDU) initiated talks with radio stations with the goal of improving cooperation and finding ways to improve business operations. After meetings held with radio stations in Zagreb, talks were also had with Split-based radio stations including, among others, Radio Dalmacija, HR Split and Jadranski radio.

Following a series of constructive meetings, the representatives agreed to activities which will be implemented in collaboration with radio stations. Similar talks will be continued with radio stations from all regions of Croatia.

Croatian record labels donate means for the reconstruction of the Vukovar Water Tower

The Delegation of ZAPRAF and the Croatian Phonographic Association presented the Mayor of Vukovar Ivan Penava with a donation for the reconstruction of the Vukovar Water Tower.

“We decided to contribute to the faster recovery of the Water Tower, the symbol of defense of entire Croatia, and we hope that we will soon meet at its opening”, said the President of ZAPRAF Želimir Babogredac. The President also added that the members of the Association wanted to be a part of this joint action that shows the humanity of Croatian people.

Mayor Penava thanked all ZAPRAF and HDU members on their generous donation and said that the very fact that record labels agreed to visit Vukovar in such large numbers to submit their donation is truly an expression of togetherness, which is the core value propagated by the project.

ZAPRAF participates in the Stop Counterfeit and Piracy campaign

The national campaign on the risks of buying counterfeit and pirated products over the Internet called “Do not buy a cat in a bag!” (“Do not buy a pig in a poke”) was presented on 23 February at a press conference held in the premises of the State Intellectual Property Office. The campaign is organised by relevant government bodies and organisations that participate in the mechanism of coordination of the implementation of intellectual property rights.

The campaign aims to raise citizen awareness about pirated and counterfeit products that are sold on the Internet as original products, to introduce citizens to all legal, financial and health risks, possible harmful consequences of such purchases and to inform them how to protect themselves from buying such products.

The campaign was jointly initiated and organised by the State Intellectual Property Office, the Customs Administration of the Ministry of Finance, the Ministry of Interior, Ministry of Economy - European Consumer Center Croatia, HALMED, and associations of holders of intellectual property rights HDS ZAMP, BOA, APAW, ZAPRAF, HUZIP and other institutions included in the national coordination of the implementation of intellectual property rights.

The launch of the Month of Creative Industries

The Month of Creative Industries was launched on 18 May 2016 with a special performance by Gibonni and Matija Dedić in the Blagoje Bersa Music Academy in Zagreb.

The two skilled musicians held an extraordinary concert in front of numerous guests, representatives of state and local governments, businessmen, and participants in the

local cultural and creative industries. The mission of the Month is to present the potential of Croatian creatives and their work.

The event was organised by the Croatian Composers Society (HDS ZAMP) with help from HGU, HUZIP and the Croatian Phonographic Association, which provided all guests with copies of the current two best-selling albums in Croatia, Gibonni and Oliver's “Familija” and Matija Dedić's “Matija svira Arsena”.

The Croatian creative industry generates more than HRK 15 billion in annual revenue, which amounts to HRK 6.3 billion gross value added. The industry makes for 2.3 percent of Croatia's GDP and employs 42,000 people, a 3 percent share in total employment.

The “Croatian music in media” panel held

The “Croatian (popular) music in media” panel was held in June in Vodice. The panelists included the vice-president of ZAPRAF and HDU Branko Komljenović, President of Croatian Association of Radio Stations and Newspapers (HURIN) Robert Veseljak, Director of Split Festival Tomislav Mrduljaš, journalist and radio editor Zlatko Turkalj, artist Željko Bebek and a guest from the region Aleksandar Gajović, the Editor of the Belgrade “Ilustrovana politika” newspaper.

Noting that Croatian pop music has always been one of Croatia's strongest musical assets and export products in all countries of the region, the question of its status today was raised. The panelists focused on the fact that music in Croatia, and pop music the most, is the preference for the majority of the audience, which is a fact supported with research.

The panelists agreed that local music is not sufficiently represented in the media and how it is now very difficult to get space to promote good music, especially new artists.

‘I’m not saying that it used to be easy, but it’s certainly getting harder to get space in the media to air a song enough times so that people recognise it and it possibly becomes a hit. It is somewhat easier for older, more established names, but this is a difficult time for young musicians. The important thing is that we should give space to quality music and give it promotional opportunities so that we can create new names and new songs that the audience will love’, said Željko Bebek.

The panelists agreed that quality is crucial, and that joint work and synergy from all participants in the music industry, authors, artists and record labels and media, especially radio and television, is needed in order to bring good local music to the audience.

ZAPRAF and HDU sign letters of support for reducing the Value Gap

The Members of the European Parliament launched an initiative related to the issue of the so-called value Gap - disparities in revenue that platforms like YouTube earn in relation to the fees they pay out to right holders.

The aim of the initiative is to send a strong message from the European Parliament as soon as possible about the importance of establishing a more equitable system of revenue allocation in the music industry, which, like other creative industries, participates in the European GDP with a significant share.

ZAPRAF and Croatian Phonographic Association fully support this initiative and have contacted EU Parliamentarians on this subject and invited them to support the initiative with their signature. The associations also invited many Croatian artists to sign the initiative, who have by doing so joined nearly a thousand artists around the world who have supported this initiative.

Croatian record labels celebrate Record Store Day

The Croatian record labels celebrated the Record Store Day in CD shops throughout the country on 16 April. Under the patronage of Croatian Phonographic Association and support from ZAPRAF, the day dedicated to vinyl records was celebrated with special music editions, discounts, events and concerts. Matija Dedić and Davor Gobac supported the Record Store Day as ambassadors.

Record Store Day is a worldwide event happening every third Saturday in April. Thanks to music lovers and vinyl editions which are experiencing a comeback in terms of popularity and sales, this was the ninth consecutive year of celebrating the event. If the trends from recent years continue, further growth of vinyl popularity is expected. In Croatia alone, vinyl record sales increased by 39.5 percent in 2015 compared to 2014.

Tango most broadcast single in 2015

According to data collected from radio and television stations, single ‘Tango’ by Vatra was the most aired song in Croatia in 2015. ZAPRAF’s service collected and processed all the information submitted by the users, which indicated that editors broadcasted Vatra’s hit single the most in 2015. The second most-aired single is Neno Belan & Fiumens with ‘Jer je pjesma dio nas’, followed by King’s ‘Years Years’, Tony Cetinski’s ‘Krik’ and ‘Uptown Funk’ by Mark Ronson feat. Bruno Mars.



TOP 10 MOST BROADCAST CROATIAN SINGLES IN 2015

TANGO	VATRA	DALLAS RECORDS
JER JE PJESMA DIO NAS	NENO BELAN & FIUMENS	DALLAS RECORDS
KRIK	TONY CETINSKI	AQUARIUS RECORDS
MOJE ZLATO	PETAR GRAŠO	TONIKA
1 DAN LJUBAVI	MASSIMO	AQUARIUS RECORDS
ZALUTALI POGLED	TOMISLAV BRALIĆ & KLAPA INTRADE	SCARDONA
ILUZIONIST	NATALI DIZDAR	AGAPA
TVOJ GLAS	NENO BELAN & MAJA POSAVEC	DALLAS RECORDS
NEBO NA MOJOJ STRANI	PRAVILA IGRE	HIT RECORDS
ISPOD NEKOG DRUGOG NEBA	MASSIMO	AQUARIUS RECORDS



TOP 10 MOST BROADCAST FOREIGN SINGLES IN 2015

KING	YEARS AND YEARS	UNIVERSAL MUSIC CROATIA / UNIVERSAL MUSIC GROUP
UPTOWN FUNK	MARK RONSON FT. BRUNO MARS	MENART / SONY MUSIC ENTERTAINMENT
THINKING OUT LOUD	ED SHEERAN	DANCING BEAR / WARNER MUSIC GROUP
SUGAR	MAROON 5	UNIVERSAL MUSIC CROATIA / UNIVERSAL MUSIC GROUP
ARE YOU WITH ME	LOST FREQUENCIES	UNIVERSAL MUSIC CROATIA / UNIVERSAL MUSIC GROUP
TAKE ME TO CHURCH	HOZIER	UNIVERSAL MUSIC CROATIA / UNIVERSAL MUSIC GROUP
ALL ABOUT THAT BASS	MEGHAN TRAINOR	MENART / SONY MUSIC ENTERTAINMENT
THE CHAMBER	LENNY KRAVITZ	UNIVERSAL MUSIC CROATIA / UNIVERSAL MUSIC GROUP
COOL KIDS	ECHOSMITH	DANCING BEAR / WARNER MUSIC GROUP
BUDAPEST	GEORGE EZRA	MENART / SONY MUSIC ENTERTAINMENT

ZAPOSLLENICI



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2016.

