Our mission is to protect and increase the value of the music of producers’ and performing artists’ rights, to ensure maximum return on their creative efforts and to maintain high technological standards of accuracy, transparency and efficiency.
2016
in numbers
Total amounts distributed in 2016: 3,512,635 BGN for 2014 and 3,608,696 BGN for 2015

Recordings with distributed remuneration

Performers with distributed remuneration

Producers with distributed remuneration

Radio Licensing revenue increase in 2016

Retransmission Licensing revenue increase in 2016

TV Licensing revenue increase in 2016

Licensing – total revenue increase in 2016
EXECUTIVE DIRECTOR’s STATEMENT

Dear Members, I am delighted to share with you the achievements of PROPHON for 2016 - a very dynamic year in which the Society was able to achieve a number of successful operations and initiatives and to handle quite a few challenges.

In particular, we are proud of the fact that 2 annual distributions have been performed only within a period of 9 months. PROPHON reported a significant increase in revenue at each one of the three key sources – Broadcasting, Retransmission and Public Performance.

In accordance to the international practices for collective management of copyright and related rights, we maintain high efficiency and continuous optimization of our processes. Facing the dynamic changes in the music industry environment makes us seek new ways to find solutions on a day-to-day basis in order to be able to keep up with the trends of the digital environment and to meet the expectations of Bulgarian and international organizations, producers and performing artists.

Areas of focus in 2016

Fast and efficient distribution

In 2016 PROPHON has performed 2 annual distributions for 2014 and 2015 within a period of 9 months. This was made possible due to the fact our business efforts have been focused exclusively on achieving the goal we have set, as well as on the strong commitment of the employees and
the technologically renewed infrastructure of the Society. The successful mix of these elements helped to process twice as many reports of users and to perform distribution of over 7 million BGN in terms of remuneration to over 60,000 performers and producers. PROPHON has been able to meet the international requirements and standards as well as to perform distribution within 9 months following the reporting period.

The success encouraged us to look for further opportunities, to improve the efficiency by exploring new software solutions in the field of management of neighboring rights and databases. We’ve worked in close collaboration with global organizations where a strong concentration of knowledge and experience is available.

The next challenge will be to proceed with distribution not once, but two or even three times a year, which will ensure timely payment of the remunerations collected.

**17% Revenue growth**

PROPHON’s total revenue from users for 2016 amounts to 5.3 million BGN, which reports 17% increase compared to 2015.

The growth is exciting because it means that our members’ music is being used more and that we are able to evaluate it and deliver back the money where they belong – to those who invest in music.

PROPHON protects and manages the rights of performers and producers and operates as a non-profit organization, which means that all revenue derived from music are returned directly to the holders of neighboring rights, and the Society deducts only administrative costs.

**Implementation of best international practices in the management and administration of rights**

During this year PROPHON has implemented a double-claim procedure which has been already used for successful resolution of several cases in this regard.

In 2016, the Society speeds up internal processes of administration of rights and registration of repertoires and catalogs, and thus, declared its readiness to meet the international standards of exchanging information and data.
**Active cooperation with similar companies and organizations**

During the last year we have continued our active cooperation with IFPI.
At the annual meeting of IFPI’s members in London, PROPHON has presented the achievements in the field of TV licensing, as well as its vision for the market development and further activities. PROPHON makes upgrades on the current software for distribution in order to exchange data in IPD (International Performers database) of SCAPR. The aim is to get identification with a unique ID number (IPN) to each performing artist and to use it in the process of exchange of information between the collective management organizations (CMO’s)

**Social responsibility**

PROPHON joined the “Manager for one day” initiative by “Junior Achievement Bulgaria”. We are convinced that our sustainability depends on the young people’s talent and the development of their skills and knowledge in the field of intellectual property.
In 2016 we received by University of National and World Economy, Sofia recognition for long-term partnership, “Creative industries and intellectual property” department, with which we have run a successful internship program. The idea is to incite the interest of students with regard to the management and with regard to more in-depth study of the matter of neighboring rights in the music industry. Such partnerships may result in potential already trained future employees for PROPHON.
I would like to thank all the members of the Management Board and the entire team for their hard work, commitment and support over the past year.
For a period of 19 years we have been maintaining sustainable and beneficial partnership between right holders’ producer and performance and users of music. We believe we have built a solid foundation that we shall further develop in 2017.

**Sophia Shtereva**
**Executive Director**
**PROPHON**
Bodies of the Society

General Assembly

Management Board

“Producer interest” quota
Category producers by volume:
Virginia Records Ltd. – Stanislava Armoutlieva
Universal Bulgaria Ltd. – Stanislav Zahariev
Orpheus Music Ltd. – Kiril Velichkov

Category producers by choice:
Gega New Ltd. – Juliana Marinova

“Performing artists” quota
Emil Dimitrov Jr.

“Balanced interest” quota
Rosen Stoev (DJ Rossko)
Supervisory Board
Mega Musica Ltd. – Dora Hempler
Music Clinic Records – Plamen Ivanov
Danail Milev

Executive Director

Administration
PROPHON
PROPHON’s activities

01. Music licensing for Broadcasting, Public performance, Cable transmission, Retransmission and other kinds of use of sound recordings and musical audio-visual works

02. Collecting the remunerations

03. Distributing remunerations

04. Payment of remunerations
## FINANCIAL INDICATORS

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Radio Broadcasting</td>
<td>1 388 173</td>
<td>1 084 359</td>
<td>28%</td>
</tr>
<tr>
<td>TV Broadcasting</td>
<td>2 663 620</td>
<td>2 226 127</td>
<td>20%</td>
</tr>
<tr>
<td>Web Broadcasting</td>
<td>29 296</td>
<td>29 407</td>
<td>0%</td>
</tr>
<tr>
<td>Retransmission</td>
<td>284 617</td>
<td>227 389</td>
<td>25%</td>
</tr>
<tr>
<td>Public performance</td>
<td>935 556</td>
<td>961 353</td>
<td>-3%</td>
</tr>
<tr>
<td>Total revenue licensing</td>
<td>5 301 262</td>
<td>4 528 635</td>
<td>17%</td>
</tr>
<tr>
<td>Administrative revenue</td>
<td>54 236</td>
<td>107 747</td>
<td>-50%</td>
</tr>
<tr>
<td>Total revenue</td>
<td>5 355 499</td>
<td>4 636 382</td>
<td>16%</td>
</tr>
<tr>
<td>Administrative cost</td>
<td>854 627</td>
<td>839 183</td>
<td>2%</td>
</tr>
<tr>
<td>Total administrative cost</td>
<td>854 627</td>
<td>839 183</td>
<td>2%</td>
</tr>
<tr>
<td>Administrative cost (%)</td>
<td>16.1%</td>
<td>19.6%</td>
<td></td>
</tr>
<tr>
<td>Allocation for a fund supporting the Activities of the Performing Artist</td>
<td>70 000</td>
<td>70 000</td>
<td></td>
</tr>
<tr>
<td>Allocation for fund supporting anti-piracy organization</td>
<td>70 000</td>
<td>70 000</td>
<td></td>
</tr>
</tbody>
</table>
5,3

m

distributable revenue

17%

increase
Revenue sources

2 annual distributions in 2016:

For 2014

For 2015

57,5m minutes
Airplay

More than
60 000
producers and
performers

More than
265 000
audio and video
recordings

2014 1,11
2015 1,11
2,2m BGN

2014 1,74
2015 1,84
3,6m BGN

2014 0,007
2015 0,010
0,02m BGN

2014 0,51
2015 0,47
1,0m BGN

2014 0,13
2015 0,17
0,3m BGN

2014 1,74
2015 1,84
3,6m BGN

2014 0,007
2015 0,010
0,02m BGN

2014 0,51
2015 0,47
1,0m BGN

2014 0,13
2015 0,17
0,3m BGN

2014 1,11
2015 1,11
2,2m BGN

More than
60 000
producers and
performers

More than
265 000
audio and video
recordings

57,5m
minutes
Airplay
Distribution

We dedicate our efforts to maximize the remunerations we distribute to our members and right holders, based on high standards for accuracy and efficiency in processing. We initiate the projects with an optimal balance between investment and real benefits to the members. Our key priorities are:

Transparency

We create opportunity for the right holders to participate personally in the activities of PROPHON through a special interface. That allows the right holder to manage its own repertoire, to access information regarding the usage of its work, and to deal with all the documents relating to the payment of relevant amounts.

Precision

We distribute remunerations by implementing the most modern and transparent possible approach, based on per track / per second principle of actual use. We provide representativeness of data achieved through comparison with reports from monitoring agencies.

Efficiency

Automating processes in order to reduce our workload. We implement new and modern practices for neighboring rights administration and establish relations with international organizations providing access to global databases with repertoire.
According to the preliminary plan PROPHON has renew almost all of its technological equipment. The results are an implementation of a new and secure server space and innovation of more than 85% of employees’ devices.

The innovation allows us not only to meet the demands of our digital reality, but also to improve the working processes. It provides us with the comfort to implement our plans for the next few years related to the development of a specialized interface dedicated to right holders, performing data exchange with international databases and timely administration of music content users.
An overall growth in broadcast licensing revenue of 22% during 2016. This was mainly achieved by revenue increase of 28% in the radio sector and 20% in the TV broadcasting. The result came despite the negative trend of right holders to license content free of charge to music medias.

Another challenge PROPHON has faced during the last year was the transfer companies’ licenses of one media group to a new entity remaining the accumulated significant debts of the previous owner still outstanding. This highlights a new market trend, with an example from the beginning of 2017, where players are taking advantage from the gaps in the Bulgarian legislation.

In the long run PROPHON has signed agreements with the major media groups in the country that will provide stable and smooth revenue growth for the upcoming years. It is important to remark that in 2016 we managed to reach an agreement with the Bulgarian National Radio, avoiding a potential conflict between the media and the Society.

During the same year PROPHON has focused its activity to enlarge radio and television market coverage in the country, mostly by building relationships with the smallest regional media, that usually remains out of the scope of the main efforts.

We maintain stable, but low revenues from webcasting. The main reason for that is the specific aspects of the Bulgarian market. Unlike other European countries, we are still far from the booming development of online media.

PROPHON will work hard to update the Tariff for broadcasting of legally protected repertoire with the Association of Private Bulgarian Broadcasters (ABRO) to reflect the economic reality and ensure a long-term growth strategy.

The monitoring services we use, and the software improvements we are currently working on, will enable us to verify the media reports proportion from radio and TV operators, which will allow us to achieve more accurate reporting of usage and revenue distribution.
### Radio Broadcasting

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>1,388,173</td>
<td><strong>28%</strong></td>
</tr>
<tr>
<td>2015</td>
<td>1,084,359</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of licenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>67</td>
</tr>
<tr>
<td>2015</td>
<td>64</td>
</tr>
</tbody>
</table>

### TV Broadcasting

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>2,663,620</td>
<td><strong>20%</strong></td>
</tr>
<tr>
<td>2015</td>
<td>2,226,127</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of licenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>46</td>
</tr>
<tr>
<td>2015</td>
<td>39</td>
</tr>
</tbody>
</table>

### Webcasting

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>29,296</td>
<td><strong>0%</strong></td>
</tr>
<tr>
<td>2015</td>
<td>29,407</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of licenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>18</td>
</tr>
<tr>
<td>2015</td>
<td>15</td>
</tr>
</tbody>
</table>
The current structure of PROPHON’s Tariff for retransmission is based on grouping users by “number of subscribers” with certain fixed levels where the highest threshold amounts is capped at 300k subscribers. Such an approach becomes irrelevant due to the continuous trend of consolidation in the telecommunications market. This provoke us to look for an amendment of the Tariff for retransmission. In 2016 we have held several meetings with the representative Association of Cable Communications Operators (BACCO), but at this stage no final agreement has been yet reached.

In 2017 we keep maintaining efforts to adopt a new methodology of calculation, and to establish a remuneration based on the unit price per a subscriber. Thus we will ensure strong and prospective business environment.
In the last year PROPHON has kept working actively for the Development of Public performance sector. One of the goals was to avoid the impact of unpaid remunerations by users, which became a frequent issue in recent years. As a result, the Society has not only stopped, but even managed to reverse the trend and was able to collect significant portion of overdue receivables.

We restored contractual relations with a significant number of major commercial chains. This is one of the main factors that led to 18% of an increase over the previous year in the number of active contracts with users.

For the period we licensed public performance to more than 800 entities, with over 4,000 public performance unique users.

We see opportunity to improve our performance in the sector by developing relations and interaction with controlling authorities regarding the identification of illegal use.
Corporate social responsibility

A recognition from University of National and World Economy

PROPHON received recognition for its long-standing partnership with the University of National and World Economy during the opening ceremony of the two-day national seminar on “Copyright in the Digital Era”, organized by the Department of “Creative industries and intellectual property”. The reason for organizing the forum was the 25th anniversary of foundation of the department.

The Society maintains beneficial partnership with the University implementing a successful internship program and aims to spread knowledge regarding the creation, protection and management of intellectual property. During the forum PROPHON expressed its desire to participate actively in promoting the topic and to work towards increasing the knowledge in collective rights management.
Благодарствено писмо

по повод 25 години от създаването на катедра „Творчески индустрии и интелектуална собственост“ на

g-жа София Щерева

изпълнителен директор на сдружение ПРОФОН

С благодарност за професионалния и експертния принос в практикопроизводната част от образователната дейност на катедра „Творчески индустрии и интелектуална собственост“ и развитието на студентите във водещи специалисти по интелектуална собственост и творчески индустрии в страната и в чужбина.

Доц. д-р Влада Борисова

руководител катедра

Гл. ас. д-р Николай Крушков

научен секретар
Ivanina Stankeva from the Technical High School “Nikola Vaptsarov” in Samokov and Yosif Ruzhin, a student at “D. A. Tsenov” Academy of Economics in Svishtov, took over management of PROPHON on November, 17th. Both of them became Executive Directors of the Society for a day. This happened during the initiative “Manager for a day” organized by “Junior Achievement Bulgaria” for the 15th consecutive year.

PROPHON joined the campaign willing to inspire and to provoke the young people’s interest in the music industry rights management. Participants got aware of the monitoring system for recognizing musical repertoire, with weekly charts preparation and also with the principles of distribution of remunerations.
“One of our most significant efforts is to give young people an opportunity to develop their skills in the management of neighboring right in music. As soon as intellectual property become acknowledged in Bulgaria, those who create and invest in music, will have more chances to be successful.”

Sophia Shtereva
Executive Director
In 2016 PROPHON took active part in workshops organized by the Ministry of Culture for the preparation of a draft of Collective Management of copyright and neighboring rights law. The new legislation has to transpose the requirements of Directive 2014/26 / EC of the European Parliament and the Council on collective management of copyright and neighboring rights and multi-territorial licensing of rights in musical works for online use in the internal market to be implemented. The new law was not intended to introduce preferential conditions for CMO (collective management organizations); on the contrary, even more strict requirements for control and monitoring of the activities of CMO ensuring legal and transparent activities of these organizations. Furthermore, according to the Directive requirements, the possibility of private companies to perform activities of managing collective rights was also stipulated. Our desire was that among with the other requirements of the Directive, in the law to be determined clear obligations for the users of reporting their use of protected content.
covered by intellectual property right, which would support the process of collection, distribution and payment of remuneration.

Unfortunately, the approval of the proposed Law of collective management of copyright and related rights (LCMCRR) was blocked on legal grounds by the Parliamentary Legal Affairs Committee, although the project was approved by all right holders’ organizations, users and administration departments participating in the working group, including CPC (Commission for protection of competition), National Revenue Agency (NRA), CEM (Council of electronic media), as well as the Parliamentary Media Committee. It should be highlighted that April 2016 was the final deadline for implementation of the EU unified rules for collective management in our legislation, based on Directive 2014/26/EU.

We believe that Bulgarian legislation should respond to the current problems in the sector. Current legislation gaps obstruct our activity to protect effectively the rights and interests of our members and those of Bulgarian music industry in general.
2017 Objectives

01 Recognition and awareness of PROPHON:
The development of a broader recognition of PROPHON by music users to provide authority and prestige in the field of intellectual property and to enhance the impact of the Society. We hope that our members could become ambassadors for the ideas and objectives of the Society regarding the protection of intellectual property and we believe that PROPHON is an organization which takes care for their interests in the best possible manner.

02 Promoting sustainable institutional Relations:
Our priority is to engage the regulatory authorities, governmental institutions and European structures in positive cooperation to make sure that we achieve the best result for the members of PROPHON and that we create a sustainable environment for development.

03 Strategic Partnerships:
Sharing ideas, methods and best practices in the field of management of collective rights with international organizations such as IFPI and SCAPR, as well as with other related international organizations to obtain higher effectiveness of processes and technological development.
Negotiations with the Association of Private Bulgarian Broadcasters (ABBRO):
Implementation of a new tariff for broadcasting of legally protected repertoire so as to provide equitable remuneration with long-term growth strategy that is consistent with the economic reality.

Implementation of an amended tariff in the Retransmission sector:
Amendment and implementation of a new tariff for Retransmission that affects the changes in the telecom services market in Bulgaria and not to violate the principle of equal treatment with regard to users of the same category.
2016 TOP 10 Airplay Chart

01
Feel
Mahmut Orhan Feat. Sena Sener

02
Don’t Be So Shy
(Filatov & Karas Remix)
Imany

03
Be The One
Dua Lipa

04
Cheap Thrills
Sia

05
The Violin Song
Monoir / Osaka

Annual report 2016
The annual chart for 2016 is provided by the Spanish agency BMAT.

1. **Ocean Drive**
   - Duke Dumont
   - Position: 06

2. **MHM MHM**
   - Manuel Riva & Eneli
   - Position: 07

3. **BonBon**
   - Era Istrefi
   - Position: 08

4. **Sorry**
   - Justin Bieber
   - Position: 09

5. **California**
   - Mario Joy
   - Position: 10
2016 TOP 10 BG Airplay Chart

1. K’vo ne chu
   DARA

2. If Love Was A Crime
   (Eurovision 2016 - Bulgaria)
   Poli Genova

3. Dali tova lliubov e
   Krisko

4. Da izbqgame
   Nevena Peykova ft. Steven Achikor

5. Setaabrat
   Pavell & Venci Venc’
The annual chart for 2016 is provided by the Spanish agency BMAT.

- **I'm The Queen** by Gery-Nikol, position 06
- **Ne ti li stiga** by Mihaela Marinova, position 07
- **24/7** by Plamen & Ivo, position 08
- **Maski Dolu (Extended Club Version)** by Deep Zone Project, position 09
- **Drama Queen** by Grafa, position 10
PROPHON: THE POWER OF MUSIC