

S T E F

**The Performing Rights
Society in Iceland**

Annual Report 2011
(English translation)

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STEF

**The Performing Rights
Society in Iceland**

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Contents

The board's and manger's report	Page	2
Auditors report.....	"	3
Income statement.....	"	4
Balance sheet	"	5 - 6

THE BOARD OF DIRECTORS AND MANAGER CONFIRMATION

We the board of directors and manager of STEF hereby confirm STEF's Annual Report 2010.

Reykjavík, 10. maí 2012.

Board members:

Kjartan Ólafsson

Jakob Frimann Magnússon

Aðalsteinn Ásberg Sigurðsson

Áskell Másson

Sigurður Flosason

Óttarr Ó. Proppé

Hildigunnur Rúnarsdóttir

Manager:

Guðrún Björk Bjarnadóttir

AUDITOR'S REPORT

To the board of directors and members of STEF

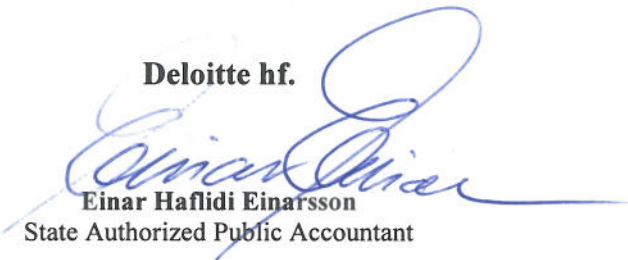
We have audited the accompanying balance sheet of STEF as of December 31st 2011, and the related statement of income for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Iceland. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position of STEF as of December 31st 2011 and of the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles in Iceland applied on a consistent basis.

Reykjavík, 10. may 2012.

Deloitte hf.


Einar Hafliði Einarsson
State Authorized Public Accountant

Income statement 2011

	2011	2010
Operating income		
Performance licences, domestic income	362.495.310	336.608.312
Performance licences, foreign income	68.465.897	47.156.117
Mechanical rights	68.099.031	105.113.189
Other revenue	6.226.217	5.549.287
Music Fund's II - V, income	33.486.773	37.087.383
	<u>538.773.228</u>	<u>531.514.288</u>
Operating expenditure		
Personnel cost	69.204.930	53.306.308
Direct debt collection cost	15.593.375	21.927.058
Other operating cost	30.792.745	28.448.092
	<u>115.591.050</u>	<u>103.681.458</u>
Net revenue, operating revenue less operating cost	423.182.178	427.832.830
Charge for losses on receivables	(2.402.445)	4.200.000
Pension- and retirement payments	11.677.470	2.383.056
Depreciations and charged operational assets	4.551.405	6.041.372
	<u>409.355.748</u>	<u>415.208.402</u>
Finance revenue and (-expense)		
Interest revenue.....	8.500.129	13.520.585
Interes expense.....	(4.419.614)	(1.790.929)
	<u>4.080.515</u>	<u>11.729.656</u>
Net income for the year	<u>413.436.263</u>	<u>426.938.058</u>

Balance sheet

	31.12.2011	31.12.2010
Assets		
Fixed assets		
Fixed tangible assets		
Real estate	67.300.000	59.200.000
Fixtures and equipment	4.462.000	4.157.000
	<u>71.762.000</u>	<u>63.357.000</u>
Investments		
Bonds, investment funds	35.232.687	33.371.948
Long term receivables	6.746.565	6.612.990
Restricted bank deposits	0	71.213.801
	<u>41.979.252</u>	<u>111.198.739</u>
	Fixed assets	Fixed assets
	<u>113.741.252</u>	<u>174.555.739</u>
Current assets		
Current receivables		
Accounts receivables	136.609.481	106.319.589
Other receivables and prepayments	7.086.601	7.488.983
Current maturities of long-term receivables	470.800	433.639
	<u>144.166.882</u>	<u>114.242.211</u>
Cash		
Bank deposits	92.200.072	85.816.883
	<u>92.200.072</u>	<u>85.816.883</u>
	Current assets	Current assets
	<u>236.366.954</u>	<u>200.059.094</u>
	Total assets	Total assets
	<u>350.108.206</u>	<u>374.614.833</u>

31st December 2011

Equity capital and liabilities

	31.12.2011	31.12.2010
Equity		
Undistributed revenue and reserves		
Revaluation reserve	65.975.322	57.570.322
Reserves	16.459.880	17.489.880
Undistributed revenue	168.869.037	107.191.001
	<u>251.304.239</u>	<u>182.251.203</u>
Restricted equity of STEF's Music-Funds		
Music-Fund I	30.884	5.741.580
Music-Fund II	745.950	12.316.909
Music-Fund III	3.122.845	23.275.805
Music-Fund IV	2.746.832	1.903.373
Music-fund V	830.000	650.000
	<u>7.476.511</u>	<u>43.887.667</u>
Total equity capital	<u>258.780.750</u>	<u>226.138.870</u>
Liabilities		
Long-term liabilities and obligations		
Memorial-Fund	9.218.290	9.530.125
Pension obligation	6.600.000	8.600.000
Long-term debt in foreign currency	0	0
	<u>15.818.290</u>	<u>18.130.125</u>
Short-term liabilities		
Current maturities of long-term liabilities.....	0	50.962.736
Unpaid distribution.....	57.116.267	66.184.109
Other liabilities.....	15.992.899	10.798.993
Pension obligation.....	2.400.000	2.400.000
	<u>75.509.166</u>	<u>130.345.838</u>
Liabilities	<u>91.327.456</u>	<u>148.475.963</u>
Total equity and liabilities	<u>350.108.206</u>	<u>374.614.833</u>