

S T E F

**The Performing Rights
Society in Iceland**

Annual Report 2009
(English translation)

S.T.E.F.
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STEF

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Society in Iceland**

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THE BOARD OF DIRECTORS AND MANAGER CONFIRMATION

We the board of directors and manager of STEF hereby confirm STEF's Annual Report 2009.

Reykjavík, 12. maí 2010.

Board members:

Jakob Frimann Magnússon

Kjartan Ólafsson

Aðalsteinn Ásberg Sigurðsson

Áskell Másson

Sigurður Flosason

Óttarr Ó. Proppé

Þorkell Sigurbjörnsson

Manager:

Eiríkur Tómasson

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 2009, 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 2009 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, 12. may 2010.

Deloitte hf.

Einar Hafliði Einarsson
State Authorized Public Accountant

We, the appointed auditors of STEF's general meeting, have reviewed this Annual report of 2009. It is our opinion that it is in conformity to the organizations act and suggest that it will be approved.

Reykjavík, 12. may 2010.

Eyjólfur Kristjánsson

Herbert H. Ágústsson

Income statement 2009

	2009	2008
Operating income		
Performance licences	407.987.621	362.527.363
Mechanical rights	70.892.153	103.924.960
Other revenue	5.230.172	4.583.342
Music Fund's II - V, income	33.514.587	32.512.242
	<u>517.624.533</u>	<u>503.547.907</u>
Operating expenditure		
Personnel cost	45.329.508	43.368.505
Direct debt collection cost	24.138.564	20.525.102
Other operating cost	20.045.123	20.068.271
Cost of special projects	2.900.599	3.670.922
	<u>92.413.794</u>	<u>87.632.800</u>
Net revenue, operating revenue less operating cost	425.210.739	415.915.107
Charge for losses on receivables	4.760.655	7.042.073
Pension liabilities payments	2.283.735	3.962.004
Depreciations and charged operational assets	1.374.372	6.604.706
	<u>416.791.977</u>	<u>398.306.324</u>
Finance revenue and (-expense)		
Interest revenue.....	16.551.799	(7.945.241)
Interest expense.....	(8.829.558)	(1.428.960)
	<u>7.722.241</u>	<u>(9.374.201)</u>
Net income for the year	<u>424.514.218</u>	<u>388.932.123</u>

Balance sheet

Assets	31.12.2009	31.12.2008
Fixed assets		
Fixed tangible assets		
Real estate	66.000.000	56.000.000
Fixtures and equipment	4.685.000	4.981.000
	70.685.000	60.981.000
Investments		
Bonds, investment funds	30.415.792	22.403.293
Shares, investment funds	0	8.762.526
Long term receivables	7.157.852	7.294.717
Restricted bank deposits	70.222.240	63.759.666
	107.795.884	102.220.202
	Fixed assets	163.201.202
	178.480.884	
Current assets		
Current receivables		
Accounts receivables	108.440.080	101.906.888
Other receivables and prepayments	7.204.192	9.853.975
Current maturities of long-term receivables	2.407.624	1.863.157
	118.051.896	113.624.020
Cash		
Bank deposits	100.397.526	95.727.011
	100.397.526	95.727.011
	Current assets	209.351.031
	218.449.422	
	Total assets	372.552.233
	396.930.306	

31st December 2009

Equity capital and liabilities

	31.12.2009	31.12.2008
Equity		
Undistributed revenue and reserves		
Revaluation reserve	64.898.322	55.194.322
Reserves	18.588.880	20.888.880
Undistributed revenue	105.059.082	81.439.843
	<u>188.546.284</u>	<u>157.523.045</u>
Restricted equity of STEF's Music-Funds		
Music-Fund I	5.270.896	5.288.812
Music-Fund II	15.549.084	14.994.183
Music-Fund III	31.876.113	33.757.091
Music-Fund IV	2.347.066	1.428.722
Music-fund V	600.000	600.000
	<u>55.643.159</u>	<u>56.068.808</u>
Total equity capital	<u>244.189.443</u>	<u>213.591.853</u>
Liabilities		
Long-term liabilities and obligations		
Memorial-Fund	9.204.324	8.147.482
Pension obligation	10.717.000	12.768.000
Long-term debt in foreign currency	52.252.029	46.352.175
	<u>72.173.353</u>	<u>67.267.657</u>
Short-term liabilities		
Unpaid distribution.....	64.017.760	80.363.495
Other liabilities.....	14.266.750	9.097.228
Pension obligation.....	2.283.000	2.232.000
	<u>80.567.510</u>	<u>91.692.723</u>
Liabilities	<u>152.740.863</u>	<u>158.960.380</u>
Total equity and liabilities	<u>396.930.306</u>	<u>372.552.233</u>

Mortgages and commitments