

S T E F

**The Performing Rights
Society in Iceland**

Annual Report 2010
(English translation)

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STEF

The Performing Rights 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 2010.

Reykjavík, 6. maí 2011.

Board members:

Kjartan Ólafsson

Jakob Frímann Magnússon

Aðalsteinn Ásberg Sigurðsson

Áskell Músson

Sigurður Flosason

Óttarr Ó. Proppé

Porkell 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 2010, 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 2010 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, 6. may 2011.

Deloitte hf.

Einar Hafliði Einarsson
State Authorized Public Accountant

We, the appointed auditors of STEF´s general meeting, have reviewed this Annual report of 2010. It is our opinion that it is in conformity to the organizations act and suggest that it will be approved.

Reykjavík , 6. may 2011.

Eyjólfur Kristjánsson

Herbert H. Ágústsson

Income statement 2010

	2010	2009
Operating income		
Performance licences, domestic income	336.608.312	312.871.111
Performance licences, foreign income	47.156.117	95.116.510
Mechanical rights	105.113.189	70.892.153
Other revenue	5.549.287	5.230.172
Music Fund's II - V, income	37.087.383	33.514.587
	<u>531.514.288</u>	<u>517.624.533</u>
Operating expenditure		
Personnel cost	53.306.308	45.329.508
Direct debt collection cost	21.927.058	24.138.564
Other operating cost	25.156.131	20.045.123
Cost of special projects	3.291.961	2.900.599
	<u>103.681.458</u>	<u>92.413.794</u>
Net revenue, operating revenue less operating cost	427.832.830	425.210.739
Charge for losses on receivables	4.200.000	4.760.655
Pension liabilities payments	2.383.056	2.283.735
Depreciations and charged operational assets	6.041.372	1.374.372
	<u>415.208.402</u>	<u>416.791.977</u>
Finance revenue and (-expense)		
Interest revenue.....	13.520.585	16.551.799
Interes expense.....	(1.790.929)	(8.829.558)
	<u>11.729.656</u>	<u>7.722.241</u>
Net income for the year	426.938.058	424.514.218

Balance sheet

	31.12.2010	31.12.2009
Assets		
Fixed assets		
Fixed tangible assets		
Real estate	59.200.000	66.000.000
Fixtures and equipment	4.157.000	4.685.000
	<u>63.357.000</u>	<u>70.685.000</u>
Investments		
Bonds, investment funds	33.371.948	30.415.792
Long term receivables	6.612.990	7.157.852
Restricted bank deposits	71.213.801	70.222.240
	<u>111.198.739</u>	<u>107.795.884</u>
Fixed assets	<u>174.555.739</u>	<u>178.480.884</u>
Current assets		
Current receivables		
Accounts receivables	106.319.589	108.440.080
Other receivables and prepayments	7.488.983	7.204.192
Current maturities of long-term receivables	433.639	2.407.624
	<u>114.242.211</u>	<u>118.051.896</u>
Cash		
Bank deposits	85.816.883	100.397.526
	<u>85.816.883</u>	<u>100.397.526</u>
Current assets	<u>200.059.094</u>	<u>218.449.422</u>
Total assets	<u><u>374.614.833</u></u>	<u><u>396.930.306</u></u>

31st December 2010

Equity capital and liabilities

	31.12.2010	31.12.2009
Equity		
Undistributed revenue and reserves		
Revaluation reserve	57.570.322	64.898.322
Reserves	17.489.880	18.588.880
Undistributed revenue	107.191.001	105.059.082
	<u>182.251.203</u>	<u>188.546.284</u>
Restricted equity of STEF's Music-Funds		
Music-Fund I	5.741.580	5.270.896
Music-Fund II	12.316.909	15.549.084
Music-Fund III	23.275.805	31.876.113
Music-Fund IV	1.903.373	2.347.066
Music-fund V	650.000	600.000
	<u>43.887.667</u>	<u>55.643.159</u>
Total equity capital	<u>226.138.870</u>	<u>244.189.443</u>
Liabilities		
Long-term liabilities and obligations		
Memorial-Fund	9.530.125	9.204.324
Pension obligation	8.600.000	10.717.000
Long-term debt in foreign currency	0	52.252.029
	<u>18.130.125</u>	<u>72.173.353</u>
Short-term liabilities		
Current maturities of long-term liabilities.....	50.962.736	0
Unpaid distribution.....	66.184.109	64.017.760
Other liabilities.....	10.798.993	14.266.750
Pension obligation.....	2.400.000	2.283.000
	<u>130.345.838</u>	<u>80.567.510</u>
Liabilities	<u>148.475.963</u>	<u>152.740.863</u>
Total equity and liabilities	<u><u>374.614.833</u></u>	<u><u>396.930.306</u></u>

Mortgages and commitments