

STEF

Report of Managing Director and Board

**Presented to the Annual General Meeting of STEF
May 16, 2015**

Address of the Managing Director

Dear colleagues.

On reading the annual report of the society, I was filled with pride over the amount of work accomplished by the Board and employees of the society during this past operating year. The operations of the society have been successful, by and large, and yet another year we see an increase in income. This time, it is particularly noteworthy to see a growth in income due to an increase in the performance of works by STEF members abroad. This development is worth celebrating. The honor of this increased income is all due to the members of STEF, although some part of it is presumably due to the great emphasis that the employees of STEF have placed, in relation to this income stream, on enlightening the members on the importance of ensuring the return of playlists for live performance of their music to the societies in question. STEF has, to an increased extent, taken on the role of delivering these playlists to the right recipients. A great deal of work has also been done within STEF to instruct the members of the society on the possibilities of further promotion of their music abroad with the aid of ÚTÓN (Iceland Music Export); the making of agreements with publishers, or partnership agreements with music directors. For this purpose STEF has held a number of workshops with foreign publishers and music directors where connections are made between STEF members and these parties and we have already a few examples of direct results of this work.

As before, it is a matter of concern how vulnerable the society is to fluctuations in operations of our biggest clients. The income from RÚV stays the same year after year, despite an increased use of material, as e.g. on the internet. STEF's income from 365 Media ehf. has decreased as is evident in the financial statement of the society. I am quite concerned by this.

The income STEF receives from IHM due to blank tapes continues to decrease and this source of income has in fact come to nothing. This is because regulations have not been updated on the appliances and equipment that should be charged because of private copying in accordance with technical changes. There were hopes that the Minister of Culture and Education would introduce a bill this year that would change this, but they came to nothing.

The income STEF receives from streaming services have, on the other hand, evidently increased considerably and mostly because of income from the streaming service Spotify which has supplied quite a powerful group of subscribers here in Iceland. The inconsiderable share that comes to STEF, however, i.e. only about 5%, is however a matter of some concern. The reason is

how little Icelandic music is played on the streaming service in Iceland. Evidently, a great deal of work awaits Icelandic authors, performers and publishers, as well as their member societies.

Reykjavík, May 10, 2015

A handwritten signature in black ink, reading "Guðrún Björk Bjarnadóttir". The signature is written in a cursive, flowing style.

Guðrún Björk Bjarnadóttir

The following is an account of the major events in the operations of STEF during the operating year, from the Annual General Meeting, which was held on May 24, 2014, until the Annual General Meeting on May 16, 2015.

1. The Board of STEF and Board Meetings.

Board Members of STEF during the past operating year were: Kjartan Ólafsson, Chairman, Jakob Frímann Magnússon, Vice-Chairman, Áskell Másson, Öttarr Ó. Proppé, Sigurður Flosason, Atli Heimir Sveinsson, and Aðalsteinn Ásberg Sigurðsson.

A total of seven Board Meetings were held during the operating year. According to the resolutions of STEF and former customs, the meetings were attended, in addition to the above mentioned Board Members, by the undersigned, Guðrún Björk Bjarnadóttir, Managing Director and Jenný Davíðsdóttir, Office Manager.

An open meeting was held for the members of STEF and others interested in the matter on June 3, 2014 and the meeting was attended by 7 people.

2. General Operation

Matters of Personnel

The STEF office employees in the operating year were Guðrún Björk Bjarnadóttir, Managing Director, Jenný Davíðsdóttir, Office Manager, Hrafnkell Pálmarsson, Marketing- and Collection Manager, Guðrún Ásdís Lárusdóttir, Collection Representative, Magnús Guðmundsson, Recorder, Sigríður Guðjónsdóttir, Cashier, Brynja Guðmundsdóttir, Recorder, and Guðný Rósa Gísladóttir, Accountant. Due to the maternity leave of Brynja Guðmundsdóttir, a new employee, Hrannar Ingimundarson, was hired in her place in March 2015. Including the Managing Director, there are currently 8 employees at STEF on a permanent basis, whereof one is a part time employee.

Apart from these permanent employees of STEF, two university students worked part time jobs at the office, Bjarney Gísladóttir, who mostly worked in recordings regarding concerts, and the law student, Stefán B. Stefánsson who worked as an assistant in the collection department. On the average, they worked for half a day per week. The office has furthermore enlisted the assistance of outsourcing, if need be, for the supervision of restaurants.

Lawsuit against former Marketing and Collection Manager

As revealed in the preceding Annual Reports, a disagreement arose with Gunnar Stefánsson, the former Marketing and Collection Manager, who stopped working for STEF on December 31, 2012, in accordance with his employment termination agreement. Consequently Gunnar requested payments for a list of STEF clients, for whom he had handled collection, and which he delivered to the office of STEF upon his employment termination. After unsuccessful negotiations, Gunnar proceeded against STEF at the

District Court. A verdict was rendered in the case on December 4, 2014 where the claims of STEF were approved. Gunnar has appealed the case to the Supreme Court. Ástráður Haraldsson, Barrister, handles the case on behalf of STEF.

Assistance to Individual Authors

As usually the office of STEF annually assists a considerable number of authors. Several requests were made for assistance regarding contracts on record release, contracts with publishers, contracts with film producers, and even with agents. It is also fairly common for individual authors to receive assistance regarding possible breaches of moral rights, as e.g. regards unauthorized change of lyrics and the use of songs in commercials without the appropriate consent of the authors. This is a fairly considerable part of the daily operations of the society.

Agreements with Sister Societies

Reciprocal agreements have been signed with the sister societies of STEF in Ukraine and in Peru. Reciprocal agreements have also been made with the sister societies of STEF in Bulgaria and Macau.

Housing Repair Projects

In the summer of 2014 the parquet floors on the ground floor and in the cellar were polished and varnished. A handrail was installed in the yard to prevent people from falling down the stairs there.

Travel Fund's Capital Reinforced

At its meeting in August 2014, the Board of STEF decided to supply additional money to the STEF Travel Fund and thus reinforce its capital for being able to distribute annual grants amounting to ISK 3 million. At that point in time, it was clear that without additional money, grants from the fund would have to be reduced considerably, as its capital had been depleted for some time. An amount of ISK 15 million was deposited into the fund.

Work Group on European Issues

In 2014, the Board appointed a special work group on European Issues. The group has started and already held a few meetings. The members of the work group are Aðalsteinn Ásberg Sigurðsson, Hafdís Bjarnadóttir and Óttarr Proppé. The group is intended to make a proposition on the society's policy regarding the implementation of the EU Directive on copyright collection societies, with reference to the authorities as well as to internal matters, concerning the possible organizational changes that need to be made of the society in accordance with the Directive.

Committee on TÍ and FTT Agreement Revision

In March 2015, the Board decided to appoint a special committee consisting of three persons, along with the Managing Director, in order to revise the content of the agreement from 2009 between FTT (The Icelandic Society of Authors & Composers) and TÍ (The Society of Icelandic Composers). FTT appointed Sigurður Flosason as a member of this committee and the Board appointed Óttarr Proppé as a representative of non-committee members. Karólína Eiríksdóttir was furthermore appointed on behalf of TÍ.

Grant Distribution

On September 25, 2014, grants were ceremonially distributed for the first time from the Nótñasjóður and Hljóðritasjóður Funds of STEF. Of the 27 grantees, 25 attended the event and everyone agreed that it had been a great success. The grantees mentioned that such events contributed both to strengthening compassion as well as contact networks, in addition to offering opportunities of discussing the various issues of importance with the people working at STEF.

Workshops in Collaboration with ÚTÓN

In accordance with the decision made by the Board of STEF to continue assisting authors to promote their work more efficiently abroad, workshops were held on November 4 -5, 2014 in collaboration with ÚTÓN. In this connection, two music publishers came to Iceland, one from Denmark and the other from Norway, as well as two U.S. music supervisors. A total of four workshops were held and all very well received, both by the participants as well as by the foreign lecturers. The demand was such that there was not room enough for all who wished to attend.

A workshop was also held with publisher Tim Brooke from Faber Music in U.K. at the beginning of 2015 which was also very successful.

RoadMap Workshop

A workshop with STEF employees was held on August 27 last year where an analysis was made on the interested parties of STEF. Subsequently, RoadMap made a report for the society which addressed a number of issues concerning social responsibilities, in a wide sense of the words.

Survey among Members

A survey was sent out in January 2015 to all the members of STEF who have given their e-mail address to the society. The objective of the survey was to gather information on the attitude of the members to STEF and especially the services the society offers to its members. There were also questions on the various issues related to the future strategy of the society. The company RoadMap assisted STEF in the making and processing of the survey. The conclusions of the survey can be summarized as, on the one hand, revealing a great deal of satisfaction with the services supplied by the office among the members who have sought it, but also that the members lack considerable knowledge of the basic activities of the society. It is an important message to the Board and employees to keep up their intensive educational activities among the members.

Resolution on VAT

The Board of STEF released a resolution on a pending increase in value-added tax on the sale of music in a letter dated October 14, 2014.

Adoption of the ICE Database

The inevitability for the society to adopt a new database for distribution is evident, in view of the fact that the Nord-Doc database of NCB will be shut down in the year 2015 and will be replaced by the ICE databased owned by STIM and PRS. Preparations have been going on for the adoption here in Iceland this year. It is a prerequisite for STEF that

the database be able to use Icelandic letters. It is still unclear what the access to the database will cost STEF, but it can be assumed that it will be considerably more than what it has cost STEF to run its own database. The adoption will be made in steps and the data of STEF will not be compromised.

Eurosonic

In accordance with the decision of the Board, STEF sponsored the attendance of Icelandic groups at Eurosonic in Groningen in the Netherlands which was held in the middle of January. This time, Iceland was a special focus country at Eurosonic and 19 groups went to play at the festival. STEF was a general sponsor of ÚTÓN in the participation in this project and it was then the idea that STEF would take part in holding a special reception for the publishers and others. After it appeared that relatively few publishers were registered at the festival, it was decided that instead of STEF holding a special reception, the money STEF had intended for that project would be put into sponsoring a common reception held by ÚTÓN, the Ministry of Culture and Education and STEF that took place in the evening of January 15 in the town hall of Groningen City. STEF emphasized that publishers would be specially invited to the reception. The groups that attended were also contacted and they were offered assistance in getting in contact with the publishers who attended the festival. The publishers were also sent a special mail where they were told that specific Icelandic groups that would be present were looking for publishers. The invitation card that was sent in connection with the reception is included. The festival was attended by the Mayor, the Minister of Culture and Education and the Minister of Industry and Innovation and it was of no less importance to use the opportunity to discuss with them the support to Icelandic music.

Culture Night

On Culture Night in August 2014, STEF held an event for the first time in the back yard of STEF at Laufásvegur 40, entitled STEFnumót (*Rendezvous*) with Songwriters. The performers were Jónas Sigurðsson, Gunnar Þórðarson, Lay Low and Ragnheiður Gröndal. In short, this event went beyond expectations and the yard was packed in. The event will hopefully be held annually in future.

Visit from STIM Chairman

Kjell-Åke Hamren, Chairman of STIM, was invited to Iceland in connection with Dark Music Days 2015. He is the artistic conductor of a new music festival for modern music in Stockholm. At the same time, this visit offered an opportunity to strengthen the bonds of friendship with STIM.

Visit from Kasper Halkier from KODA

Kasper Halkier, the Head of the on-line division of KODA, came and held a lecture for the Board of STEF on October 3, 2014. Later that same day, he held a lecture for interested parties and collaborators of STEF where he discussed the authorization of music on the internet, as well as the future of music on the internet.

Visit from Robbert Baruch from Buma Stemra

Robbert Baruch, Managing Director of Buma Stemra, came for a visit and held a lecture for the Board of STEF on March 23, 2015. Later that day he held a lecture for interested parties and collaborators of STEF where he discussed topical issues regarding copyright within the EU.

PRS Foundation Project – Women who Perform their own Music

A sister society in the U.K. are operating a special foundation called PRS Foundation, that works at music related projects. This foundation made contact with STEF and requested the participation of Iceland in the collaboration of four countries, the United Kingdom, Estonia, Sweden and Iceland, where the emphasis would be placed on promoting women from these countries who perform their own music. An Icelandic committee base has been made on the project which consists of a representative of Airwaves, Harpa Concert Hall, STEF and KÍTÓN and their main project is to consider financial opportunities in addition to organizing the participation of Icelandic women in the project.

STEF Medal of Honor

Gunnar Þórðarson was ceremonially awarded the STEF Medal of Honor at his anniversary concert in Harpa Concert Hall, on March 29, 2015.

Langspilið – STEF Award

On May 11, 2015, STEF gave one of its members a special award for the first time in the history of the society. This award is given for a noteworthy and outstanding success as a songwriter in the past year. The intention is to give this award annually hereafter. This award is named after the Icelandic string instrument, langspil. Jón Sigurðson, born in 1973 from Þingeyri, made the prize object of maple and mahogany. The award was given to Ólafur Arnalds. Ólafur has had great success lately and he is a worthy recipient of the first Langspil of STEF.

3. Interaction with Clients

It is quite common for authors to receive assistance in making agreements with publishers. It is the belief of STEF that most of the agreements that STEF receives for perusal are unacceptable for the authors. There is evidently great danger that STEF lose big right holders to foreign right holder societies because of provisions in these agreements. This urges us to instruct our members still further in making agreements with publishers. An agent from the U.S. right holder society, SESAC, attended Airwaves and since then STEF has received a few withdrawals from authors as they intend to go to SESAC. but also the whole world apart from Iceland. This also indicates clearly that the competition for talented people between right holder societies is constantly increasing.

4. Marketing

In the operating year, we continued our project of promoting the society and its operations externally. Thus, the various groups visited STEF and received an introduction of the society. Students came to Hljóðheimar for production etc. on August 10, 2014 and then again in October and learned about the operations of STEF.

KÍTÓN (the Association of Female Musicians in Iceland) women also came for a visit to STEF during the year which was their third visit.

According to custom, students at the composition and performing department of the Iceland Academy of the Arts and students in copyright at Reykjavik University also came for a visit. Winners and then later other participants of Music Experiments were also invited for a visit and this arena has proved to be successful for reaching younger authors.

STEF also participated in the Innovation Forum of Reykjavík University on May 23, 2014. STEF was offered space and labels at the stall of the Icelandic Patent Office for which STEF is very grateful. STEF furthermore held one micro lecture on the occasion of the Innovation Forum.

On September 19, 2014, a symposium was held on copyright on behalf of the Icelandic Academy of the Arts, at which the Managing Director was a member of the panel, along with the Chairman of the Representatives, as well as one Board Member of STEF. The symposium was well attended and discussions were lively.

Member Visits

The project of inviting active authors for a talk on the operations of STEF has been continued and it is the belief of the Managing Director that this time is well spent, as there is great need of instructing the members of STEF on the procedure of our operations. In the operating year, upwards of 30 members or groups came for such visits which have been very successful. This appears to be the only realistic way to present instruction to the members of STEF who do not seem overly keen to attend instructive meetings or courses. Thus, from the beginning of this project, 60 authors or groups have accepted such an invitation from STEF.

Facebook Page

We have seen that the Facebook page of STEF, which was released last year, is to no less extent than the website of STEF an important tool to communicate information on the operations of STEF and copyright issues to the members of the society. In the operating year, the number of friends of the page increased from 1389 to 1888.

Electronic Newsletter

An electronic newsletter for the members of STEF was released in January 2015 with the main news of issues concerning the society.

5. Interaction with Clients

365 Media ehf.

Owing to overdue payments to STEF, the society was forced to write off part of the company's debt to the society. The impact of this is clearly visible in the financial statement of the society.

Concert Venues

A partnership agreement was made with Hljómahöllin in the year. The agreement both extends to musical performances in the museum, and also to Hljómahöllin handling the collection for events in the auditorium of Hljómahöllin. Agreements have also been made with the concert venues Húrra, Mengi and Gamlabíó on public performances in these halls.

Composite License for Synchronization

An agreement was made in the year between STEF and SFH (the Association of Performers and Producers) on behalf of performers and producers on giving one composite license for a specific and limited synchronization of film material as well as its public performance. With a composite license the process of authorization is greatly simplified to the advantage of the producers of film material. This composite license however only extends to very limited use and works. Further information on this can be found on the STEF website.

Revision of National Church Payments

Negotiations have begun with the national church on the revision of its payments regarding public performance of music during services and other church activities. These negotiations are held in continuation of a meeting which STEF had with the Bishop last year.

Streaming Services

A new agreement with Tónlist.is was signed and their payments will increase incrementally in accordance with agreements with other streaming services up to 12%. This change has taken a long time which is largely due to the fact that the company was sold from D3 to 365 in the middle of the negotiation process.

An agreement was signed with the streaming service GooglePlay on operations in Iceland in the year.

An agreement was signed with the streaming service ATMO Select ehf. (previously Gogoyoko) on agreement changes as the company does no longer offer streaming services and is entirely on the company market. There have also been discussions recently with Aurora Stream on making a comparable agreement on streaming on the company market.

Grand Rights

After STEF received a message from abroad stating that an Icelandic amateur theatre had put up musicals without the authorization of grand right holders, in addition to having released CDs without authorization, the Board of STEF decided to take up an educational campaign on grand rights. Letters were sent to the Icelandic Theatre Association, Association of Upper Secondary Schools, Association of Upper Secondary School Leaders and Association of Upper Secondary School Students, where attention is brought to when the authorization of grand right holders regarding musicals is needed.

6. Copyright Issues

In June 2014, a report was published of a focus group, under the auspice of the Ministry of Culture and Education, on an analysis of hindrances in the way of streaming services, in addition to propositions. The main conclusions of this report were that the VAT of the sale of movies on the internet be lowered from 25.5% to 7%. The same would apply to the sale of ordered film material in accordance with taxes on license fees. Thus, the distribution of sound- and film material with new technology would all be taxed with the same percentage. Domestic production shall be supported and thereby the supply of digital cultural material in Icelandic. Consideration shall be paid to how the culture of small states and the position of small speech communities can be best supported in the wake of globalization and technological advance. Instruction and education on copyright must be reinforced, especially with regard to the youngest generation, through the educational system. Special attention shall be given to hindrances and possible solutions for small market areas in connection with purchase agreements on copyright material during the Icelandic chairmanship year in the Nordic collaboration.

The intellectual property policy of the government is under construction on behalf of the Ministry of Industry and Innovation which will include a chapter on copyright policy.

In the operating year, the following bills were presented to Parliament regarding copyright issues. It is, however, unclear at this point whether they will be passed during this Parliament:

- a. Comprehensive re-examination of the 1st chapter in addition to provisions on contractual encumbrances.
- b. Prolonged duration of protection regarding sound recordings according to EU Directive.
- c. Orphan works according to EU Directive.

7. Measures Against Illegal Use of Music on the Internet

A sentence was given in the case of STEF, against the telecommunication companies Vodafone and Hringdu, on October 14, 2014. A copy is enclosed with this report. The sentence stipulates that the District Magistrate issue a writ of injunction to the open access to specific websites (Deildu.net and Pirate Bay), where a great amount of copyright protected material is distributed without authorization. The sentence was not appealed to the Supreme Court. Comparable cases of Tal and 365 ended with a court settlement on November 19, 2014 where they consented to precedents in the cases of Vodafone and Hringdu. A comparable case against Síminn was going through a rehearing process due to a procedural error when the verdicts of the District Court were delivered and afterwards a new injunction request was made against Síminn and an injunction was also filed against Síminn on November 9. An injunction was also filed against Nova on November 19, but in that case it was agreed that there was no need for a special ratification case before the District Court. In continuation, an appeal was sent to other parties operating telecommunication nets in the country, urging them to follow these examples. Upon the conclusion of these cases, negotiations with the biggest telecommunication companies were started on the best way to execute the injunction. These negotiations have not been concluded.

8. Interaction with the Authorities

In August 2014, STEF wrote a letter to the Ministry of Culture and Education requesting discussions with the ministry on payment for music in movies that are shown in schools. For a number of years it has been customary that composers and songwriters have not received any fees for these shows, although such shows do not come under the exemption permit of the Copyright Act for educational work. No answers have been received from the ministry.

No answers have either been received regarding the letter STEF wrote in May 2014, where discussions were requested in connection with solutions with regard to the unauthorized lending of works of songwriters in libraries which has been customary for tens of years. In this respect, the songwriters have not had equal rights to writers in general and it is a matter of surprise that for all these years this practice has been unrebuked. It is important that this issue be solved before the libraries start online lending of films or sound recordings.

9. NCB

In light of developments over the last few years in less sale of CDs and less flow of income, NCB has been aware for some time of the necessity of making changes of NCB. The first step in these changes has already been taken with the establishment of NMP which, with the participation of PRS for Music, has become a powerful party in back processing, both for on-line and off-line data. The next step was to start examining thoroughly the operational conditions of NCB and at the same time try to eliminate the

uncertainty that has prevailed regarding the future of the society. The conclusion of this examination was that the Board of NCB approved a special five year plan. At the same time, the member societies approved the present existence of NCB during that period of time. This resolution was based on the revelation that specific cost saving measures and fee changes would enable the operations of NCB to be stable for the next two years. The realization of the NCB synchronization project and NCB plans, to start authorization accordingly in the autumn of 2015, was furthermore approved.

The Board has also approved a new system of management which will be presented to the next general meeting of NCB. It involves the Board being reduced from 15 members to 5, which means one from each country. This is done because of the splitting of NCB into two societies (NCB and NMP) and the decreased income of NCB. It is thus up to the member societies whether they appoint a Managing Director, author or publisher as their representative in the Board of NCB. On the other hand, the weight of the general meeting of NCB will be increased to the effect that 15 people have the right to attend. At the same time, each member society is expected to pay the expenses of the parties they send to the general meeting of the society.

In the financial statement of NCB, which was approved by the Board, the annual accounts of the year 2014 show a loss of a little less than DKK 5 million which is, nevertheless, 7% better than expected results.

As regards NCB collections in Iceland in the year 2014, it amounted to DKK 3.026, or ISK 60.3 million. In comparison, the collections of NCB in they year 2013 amounted to DKK 2.860 or ISK 58.99 million. This is an increase in the collecting of on-line income (which amounted to about ISK 16.4 million) which counterbalances the decrease in traditional release.

NMP's work for Buma Stemra is going well and there are negotiations going on about collaboration in back processing for an off-line release that will go through GEMA.

On December 7, NCB will be 100 years old and modest celebrations are expected in that connection. This date will presumably also be used to hold a housewarming party for NCB which will be moving into less expensive lodgings this year.

New Managing Director of NCB

Karsten Dyrberg, Managing Director, left office in August 2014 to become the new Managing Director of STIM. Subsequently, Håkan Hildingsson was hired Managing Director of NCB, first temporarily, then permanently. Håkan was previously one of the key employees of NCB.

Visit from Henning Jacobsen

Henning Jacobsen from NCB in Copenhagen, Head of the Supervisory Department, came to Iceland at the beginning of July last year and stayed for a few days in the country. He met most of the DVD producers and went over their accounts. He emphasized that all producers should have agreements with NCB. The information gathered in this visit is being followed up.

Efficiency in NCB Operations in Iceland

In connection with these great changes within NCB, STEF decided also to examine the efficiency in being a member of NCB. The conclusion of this examination was roughly that STEF could not offer comparable services in the country for the same money as NCB does. At the same time, the services of NMP have become important to STEF as a back production party of on-line agreements, e.g. for Spotify and tonlist.is.

This is in accordance with the analysis that the Board of NCB made on the future of NCB where one of the things under consideration was the potential efficiency of moving the operations to member societies. According to the report that was introduced to the Board, there would be little economy in such measures and in fact it would only be involved in cost cutting regarding the top management of NCB. It would take about 6-12 months to train new employees in each country. Additionally, every supervisory department, according to the estimate of NCB, would have to consist of at least two employees to be able to support and consult with one another.

10. IHM

The income of STEF from IHM regarding private copying is not what it was, and in fact it can be said that this source of income does not exist anymore. It can thus be argued that the prerequisites for authorizing free private copying for the public no longer exist. It can also be maintained that the present situation is a breach of the state's commitment to institute European Directives on a fair fee to right holders, if such an authorization for private copying exists in the law. In spite of a great deal of work on behalf of both Samtónn and the Ministry of Culture and Education, a bill to change this part of the Copyright Act was not presented at the spring session of the Parliament. The main obstruction involved the cost analysis of the Ministry of Finance. We hope that the bill will be presented at the next parliamentary session.

A sentence was given in the case of MBV ehf. against IHM regarding refunds on June 27, 2014 at the District Court. The sentence rejected all the requests of MBV ehf. and acquitted IHM. The sentence was then appealed and unfortunately the case was lost at the Supreme Court.

IHM Cable, a commercial agent of UBOI in Iceland who collects in connection with their broadcasting, has been more successful. After discussions with SAF (The Icelandic Travel Agency Association) on collaboration in connection with the institution of the payment of hotels for cable broadcasting, the conclusion was that SAF would present information on the obligation to pay its members and contribute to the changes that are necessary in this environment in the country, in accordance with what is customary abroad. IHM Cable has made an agreement with both Skjárinn and Streaming Media ehf. on selling access to these stations to hotels, as these parties have systems that enable the hotels to access their TV signals. IHM Cable has furthermore made an agreement with Thor Telecom on offering these stations to the public.

10. FJÖLÍS

On the arena of FJÖLÍS, SÍTÓN, the Icelandic Music Publishers Association, made a request on a 50/50 share of the publishers in the income that has been collected for the copying of music sheets, as well as requesting that SÍTÓN have the entire publisher share. This request was made on the grounds that music book publishers would thus be equal to music publishers in the Nordic countries. As music book publishing only consists of music sheets, the two are not comparable and therefore the request was rejected. An agreement was not reached between the member societies on income distribution, so that finally a request was made that FJÖLÍS would make a proposition to that effect, based on the information at hand. That proposition was presented and approved in December by all the representatives in the Board of FJÖLÍS. SÍTÓN put forward a reservation on its approval that an investigation be made on photocopying as soon as possible and the income of the member societies be corrected in accordance with the conclusion of the investigation. The proposition of FJÖLÍS allowed for the publisher's share of the income be estimated a 25% share. It is divided between three parties, SÍTÓN, FÍBÚT and STEF where the publishers of music books have shares in all three societies. The part of STEF in that share is 37.5% or 67.4% of the total share. It was furthermore decided that the share of ÍTM in the publisher's share would go to STEF which continues to enable ÍTM to apply for grants in the Music Sheet Fund of STEF.

Meetings have been held with headmasters of music schools to review the prerequisites for the evaluation of agreements with music schools. As it is, headmasters wish to examine the scope and nature of copying in music schools. According to the agreements of FJÖLÍS, the Icelandic Association of Local Authorities shall take part in a decision on making investigations and division of costs in case of music schools that are run by the municipalities. A letter to this effect has been sent to the Association and the Ministry of Culture and Education is also examining the possibilities of taking over the agreements with music schools and paying for them in the future.

A revision is also being made on the making of new contracts with the Icelandic Association of Mixed Choirs. A investigation is being made on the scope and classification of copied material in the work of the choirs with the purpose of correcting the prerequisites for older agreements. A revision is also being made on the agreement with the Consistory with regard to the copying of music sheets and other material, especially in the work of church choirs.

11. Samtónn

The Day of Icelandic Music was celebrated, according to custom, on December 5, 2014 with a sing-along in Harpa Concert Hall where the "Little Bird" award of Samtónn was also given to the media personality who has excelled in promoting Icelandic music. This time the award was given to two men who both host the radio program "The Year Is" on Radio Channel 2, Gunnlaugur Jónsson and Ásgeir Eypórsson.

The Icelandic Music Awards

The ceremonial presentation of the Icelandic Music Awards, which was in part directly broadcast, took place in Harpa Concert Hall.

Recording Fund

Samtónn has started preparations for the establishment of the State Recording Fund which would have a similar objective and be of a similar type as Kvikmyndasjóður (The Icelandic Film Centre). When the ideas of Samtón are fully formed they will be presented to the Minister of Industry and Innovation, as well as to the Minister of Culture and Education.

Repayment of Recording Release Cost

A bill is in the making under the auspice of the Ministry of Industry and Innovation where a reimbursement from the State Treasury is expected with regard to music recordings that take place in Iceland, up to a specific limit for each record or individual song. Samtónn has contributed to this procedure.

13. Finances

The performing rights revenue of STEF in the year amounted to ISK 609.311.719, which amounts to a 5.5% increase in income between years. Thereof, the domestic performing rights revenue amounted to ISK 397.000.765. That amount was however 4% higher last year, but the decrease mostly stems from the decrease in income from one of the biggest clients of STEF, 365 Media ehf. On the other hand, there was an 80% increase in the revenue of STEF from abroad between years which amounted to ISK 92.800.985, in the year. It should however be mentioned that this source of income has fluctuated greatly between years in the recent past. There was, furthermore, considerable increase in income regarding streaming services on the internet in the year, as it went from ISK 8.286.887 to ISK 17.516.518 and the difference is chiefly due to increased income from the streaming service Spotify which has steadily increased its group of clients in the country. The operating costs of STEF, apart from financial expenses, amounted to ISK 112.580.714 which is a 2.3% increase between years that must be considered acceptable, as the society had to pay some legal costs due to the above-mentioned lawsuits with the former Marketing and Collection Manager of the society. As a ratio of the total revenue, the operating costs amounted to 18.5% and this is the third year in a row that this ratio decreases between years.

With regard to the finances of STEF, a reference is made to the Financial Statement of the society for further information.

14. Distribution

The distribution of copyright fees in the year 2014 amounted to a total of ISK 423.560.885 which is a 14% increase from last year. The chief factors contributing to this increase are higher distributions regarding foreign performance of the works of STEF

members. The distribution to domestic right holders amounted to a total of ISK 261.025.292.

The above-mentioned figures do not include the distribution to right holders from the funds of STEF, Nótñasjóður, Hljóðritasjóður, Ferðasjóður, Tónskáldaskjóður 365 and Tónskáldasjóður Rásar 2 that all distribute individually according to applications. The total distribution from these funds amounted to ISK 29.031.000. Furthermore, the Tónskáldasjóður RÚV Fund, which is in the possession of RÚV, distributed ISK 12.765.000 in the year 2014. If the distributions from these funds are included, the total distribution of STEF in the year amounted to ISK 461.899.975, which is a 16% increase from last year. The contribution of STEF to Menningarsjóður, The Culture Fund, which contributes working capital to FTT and TÍ is yet to be mentioned.