

S T E F

**The Performing Rights
Society in Iceland**

Annual Report 2015
(English translation)

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101 Reykjavík

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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 2015.

Reykjavík, 6. maí 2016.

Board members:

Kjartan Ólafsson

Jakob Frímann Magnússon

Atli Heimir Sveinsson

Þórunn Gréta Sigurðardóttir

Bragi V. Skúlason

Óttarr Ó. Proppé

Aðalsteinn Ásberg Sigurðsson

Framkvæmdastjóri:

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 2015, 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 2015 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 2016.

Deloitte hf.

Einar Hafliði Einarsson
State Authorized Public Accountant

We, the appointed auditors of STEF's general meeting, have reviewed this Annual report of 2015. It is our opinion that it is in conformity to the organizations act and suggest that it will be approved.

Reykjavík, 6. may 2016

Eyjólfur Kristjánsson

Tryggvi M. Baldvinsson

Income statement 2015

	2015	2014
Operating income		
Performance licences, domestic income	440.814.347	397.900.765
Performance licences, foreign income	78.710.139	92.800.985
Mechanical rights	66.441.269	78.712.073
Other revenue	13.938.197	14.450.743
Music Fund's income	24.393.359	25.447.153
	<u>624.297.311</u>	<u>609.311.719</u>
Operating expenditure		
Personnel cost	82.362.428	74.545.852
Other operating cost	38.357.101	38.034.862
	<u>120.719.529</u>	<u>112.580.714</u>
Net revenue, operating revenue less operating cost	503.577.782	496.731.005
Charge for losses on receivables	1.476.999	12.806.214
Pension- and retirement payments	4.793.359	2.759.148
Depreciations and charged operational assets	4.070.062	2.617.521
	<u>493.237.362</u>	<u>478.548.122</u>
Finance revenue and (-expense)		
Interest revenue	12.139.135	9.794.692
Interes expense	(963.643)	(1.023.399)
	<u>11.175.492</u>	<u>8.771.293</u>
Net income for the year	<u>504.412.854</u>	<u>487.319.415</u>

Balance sheet

	31.12.2015	31.12.2014
Assets		
Fixed assets		
Fixed tangible assets		
Real estate	91.500.000	82.400.000
Fixtures and equipment	4.881.000	3.658.000
	<u>96.381.000</u>	<u>86.058.000</u>
Investments		
Bonds, investment funds	68.398.145	66.168.121
Long term receivables	6.242.583	6.459.016
	<u>74.640.728</u>	<u>72.627.137</u>
Fixed assets	<u>171.021.728</u>	<u>158.685.137</u>
Current assets		
Current receivables		
Accounts receivables	241.194.569	219.914.505
Other receivables and prepayments	14.785.677	11.743.247
Current maturities of long-term receivables	0	0
	<u>255.980.246</u>	<u>231.657.752</u>
Cash		
Bank deposits	153.819.585	123.978.990
	<u>153.819.585</u>	<u>123.978.990</u>
Current assets	<u>409.799.831</u>	<u>355.636.742</u>
Total assets	<u><u>580.821.559</u></u>	<u><u>514.321.879</u></u>

31st December 2015

Equity capital and liabilities

	31.12.2015	31.12.2014
Equity		
Undistributed revenue and reserves		
Revaluation reserve	90.594.322	80.271.322
Reserves	45.454.570	44.022.570
Undistributed revenue	300.707.132	275.526.545
	<u>436.756.024</u>	<u>399.820.437</u>
Restricted equity of STEF's Music-Funds		
Music-Fund I	664.752	1.267.380
Music-Fund II	(876.243)	666.139
Music-Fund III	466.675	1.127.989
Music-Fund IV	6.033.767	4.837.061
Music-fund V	(670.000)	30.000
	<u>5.618.951</u>	<u>7.928.569</u>
Total equity capital	<u>442.374.975</u>	<u>407.749.006</u>
Liabilities		
Long-term liabilities and obligations		
Memorial-Fund	3.218.254	4.467.961
Pension obligation	5.700.000	6.200.000
	<u>8.918.254</u>	<u>10.667.961</u>
Short-term liabilities		
Unpaid distribution.....	114.180.438	74.655.580
Other liabilities.....	12.047.892	18.449.332
Pension obligation.....	3.300.000	2.800.000
	<u>129.528.330</u>	<u>95.904.912</u>
Liabilities	<u>138.446.584</u>	<u>106.572.873</u>
Total equity and liabilities	<u>580.821.559</u>	<u>514.321.879</u>