

S T E F

**The Performing Rights
Society in Iceland**

Annual Report 2016
(English translation)

S.T.E.F.
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101 Reykjavík

STEF

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Society in Iceland**

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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 2016, 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 2016 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.

Kópavogi, 19. may 2017.

Deloitte ehf.

Einar Hafliði Einarsson
State Authorized Public Accountant

We, the appointed auditors of STEF's general meeting, have reviewed this Annual report of 2016. It is our opinion that it is in conformity to the organizations act and suggest that it will be approved.

Reykjavík, 19. may 2017

Eyjólfur Kristjánsson

Tryggvi M. Baldvinsson

THE BOARD OF DIRECTORS AND MANAGER CONFIRMATION

We the board of directors and manager of STEF hereby confirm STEF's Annual Report 2016.

Reykjavík, 19. maí 2017.

Board members:

Jakob Frimann Magnússon

Kjartan Ólafsson

Atli Heimir Sveinsson

Þórunn Gréta Sigurðardóttir

Bragi V. Skúlason

Ólafur Arnalds

Sigurður Flosason

Framkvæmdastjóri:

Guðrún Björk Bjarnadóttir

Income statement 2016

	2016	2015
Operating income		
Performance licences, domestic income	451.484.909	440.814.347
Performance licences, foreign income	99.324.844	78.710.139
Mechanical rights	76.703.969	66.441.269
Other revenue	15.475.969	13.938.197
Music Fund's income	29.588.761	24.393.359
	<u>672.578.452</u>	<u>624.297.311</u>
Operating expenditure		
Personnel cost	93.788.564	82.362.428
Other operating cost	34.786.881	38.357.101
	<u>128.575.445</u>	<u>120.719.529</u>
Net revenue, operating revenue less operating cost	544.003.007	503.577.782
Charge for losses on receivables	17.983.944	1.476.999
Pension- and retirement payments	3.385.274	4.793.359
Depreciations and charged operational assets	6.006.543	4.070.062
	<u>516.627.246</u>	<u>493.237.362</u>
Finance revenue and (-expense)		
Interest revenue.....	13.943.291	12.139.135
Interes expense.....	(990.584)	(963.643)
	<u>12.952.707</u>	<u>11.175.492</u>
Net income for the year	<u>529.579.953</u>	<u>504.412.854</u>

Balance sheet

	31.12.2016	31.12.2015
Assets		
Fixed assets		
Fixed tangible assets		
Real estate	96.800.000	91.500.000
Fixtures and equipment	6.256.000	4.881.000
	<u>103.056.000</u>	<u>96.381.000</u>
Investments		
Bonds, investment funds	69.131.424	68.398.145
Long term receivables	6.231.725	6.242.583
	<u>75.363.149</u>	<u>74.640.728</u>
	Fixed assets	Fixed assets
	<u>178.419.149</u>	<u>171.021.728</u>
Current assets		
Current receivables		
Accounts receivables	235.941.728	236.227.743
Other receivables and prepayments	33.449.800	19.752.503
Current maturities of long-term receivables	0	0
	<u>269.391.528</u>	<u>255.980.246</u>
Cash		
Bank deposits	215.769.869	153.819.585
	<u>215.769.869</u>	<u>153.819.585</u>
	Current assets	Current assets
	<u>485.161.397</u>	<u>409.799.831</u>
	Total assets	Total assets
	<u>663.580.546</u>	<u>580.821.559</u>

31st December 2016

Equity capital and liabilities

	31.12.2016	31.12.2015
Equity		
Undistributed revenue and reserves		
Revaluation reserve	97.269.322	90.594.322
Reserves	46.361.570	45.454.570
Undistributed revenue	304.935.469	300.707.132
	<u>448.566.361</u>	<u>436.756.024</u>
Restricted equity of STEF's Music-Funds		
Music-Fund I	754.721	664.752
Music-Fund II	2.839.479	(876.243)
Music-Fund III	1.946.820	466.675
Music-Fund IV	8.014.887	6.033.767
Music-fund V	(70.000)	(670.000)
	<u>13.485.907</u>	<u>5.618.951</u>
Total equity capital	<u>462.052.268</u>	<u>442.374.975</u>
Liabilities		
Long-term liabilities and obligations		
Memorial-Fund	1.903.774	3.218.254
Pension obligation	5.500.000	5.700.000
	<u>7.403.774</u>	<u>8.918.254</u>
Short-term liabilities		
Unpaid distribution.....	179.411.923	100.447.589
Other liabilities.....	11.212.581	25.780.741
Pension obligation.....	3.500.000	3.300.000
	<u>194.124.504</u>	<u>129.528.330</u>
Liabilities	<u>201.528.278</u>	<u>138.446.584</u>
Total equity and liabilities	<u><u>663.580.546</u></u>	<u><u>580.821.559</u></u>