

S T E F

**The Performing Rights
Society in Iceland**

Annual Report 2017
(English translation)

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STEF

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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 2017.

Reykjavík, 30. maí 2018.

Board members:

Jakob Frimann Magnússon

Kjartan Ólafsson

Gunnar A. Kristinsson

Þórunn Gréta Sigurðardóttir

Bragi V. Skúlason

Óttarr Proppé

Sigurður Flosason

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 2017, 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 2017 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, 30. may 2018.

Deloitte ehf.

Einar Hafliði Einarsson
State Authorized Public Accountant

We, the appointed auditors of STEF's general meeting, have reviewed this Annual report of 2017. It is our opinion that it is in conformity to the organizations act and suggest that it will be approved.

Reykjavík, 30. may 2018

Eyjólfur Kristjánsson

Finnur Torfi Stefánsson

Income statement 2017

	2017	2016
Operating income		
Performance licences, domestic income	517.399.645	451.484.909
Performance licences, foreign income	73.371.288	99.324.844
Mechanical rights	75.980.847	76.703.969
Other revenue	58.849.647	15.475.969
Music Fund's income	30.248.111	29.588.761
	<u>755.849.538</u>	<u>672.578.452</u>
Operating expenditure		
Personnel cost	91.133.310	93.788.564
Other operating cost	41.171.245	34.786.881
	<u>132.304.555</u>	<u>128.575.445</u>
Net revenue, operating revenue less operating cost	623.544.983	544.003.007
Charge for losses on receivables	13.433.152	17.983.944
Pension- and retirement payments	3.653.596	3.385.274
Depreciations and charged operational assets	4.583.612	6.006.543
	<u>601.874.623</u>	<u>516.627.246</u>
Finance revenue and (-expense)		
Interest revenue.....	9.816.567	13.943.291
Interes expense.....	(1.230.124)	(990.584)
	<u>8.586.443</u>	<u>12.952.707</u>
Net income for the year	<u>610.461.066</u>	<u>529.579.953</u>

Balance sheet

	31.12.2017	31.12.2016
Assets		
Fixed assets		
Fixed tangible assets		
Real estate	96.800.000	96.800.000
Fixtures and equipment	6.256.000	6.256.000
	<u>103.056.000</u>	<u>103.056.000</u>
Investments		
Bonds, investment funds	69.124.066	69.131.424
Long term receivables	5.925.337	6.231.725
	<u>75.049.403</u>	<u>75.363.149</u>
	Fixed assets <u>178.105.403</u>	<u>178.419.149</u>
Current assets		
Current receivables		
Accounts receivables	279.508.964	235.941.728
Other receivables and prepayments	17.578.865	33.449.800
	<u>297.087.829</u>	<u>269.391.528</u>
Cash		
Bank deposits	192.582.311	215.769.869
	<u>192.582.311</u>	<u>215.769.869</u>
	Current assets <u>489.670.140</u>	<u>485.161.397</u>
	Total assets <u><u>667.775.543</u></u>	<u><u>663.580.546</u></u>

31st December 2017

Equity capital and liabilities

	31.12.2017	31.12.2016
Equity		
Undistributed revenue and reserves		
Revaluation reserve	97.269.322	97.269.322
Reserves	47.753.570	46.361.570
Undistributed revenue	410.631.521	304.935.469
	<u>555.654.413</u>	<u>448.566.361</u>
Restricted equity of STEF's Music-Funds		
Music-Fund I	429.873	754.721
Music-Fund II	1.614.547	2.839.479
Music-Fund III	186.379	1.946.820
Music-Fund IV	0	8.014.887
Music-fund V	5.930.000	(70.000)
	<u>8.160.799</u>	<u>13.485.907</u>
Total equity capital	<u>563.815.212</u>	<u>462.052.268</u>
Liabilities		
Long-term liabilities and obligations		
Memorial-Fund	551.126	1.903.774
Pension obligation	5.300.000	5.500.000
	<u>5.851.126</u>	<u>7.403.774</u>
Short-term liabilities		
Unpaid distribution.....	50.980.789	179.411.923
Other liabilities.....	43.428.416	11.212.581
Pension obligation.....	3.700.000	3.500.000
	<u>98.109.205</u>	<u>194.124.504</u>
Liabilities	<u>103.960.331</u>	<u>201.528.278</u>
Total equity and liabilities	<u><u>667.775.543</u></u>	<u><u>663.580.546</u></u>

