

S T E F

Financial Statements 2023 (a translation in English, short version)

STEF
kt. 620269-5739
Laufásvegi 40
101 Reykjavík

STEF

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Contents

The board's and manger's report.....	Page	2
Auditors report.....	"	3
Income statement.....	"	4
Balance sheet	"	5

THE BOARD OF DIRECTORS AND MANAGING DIRECTORS CONFIRMATION

We the board of directors and managing director of STEF hereby confirm STEF's Annual Report 2023.

Reykjavík, 7. maí 2024.

Board members:

Bragi Valdimar Skúlason

Hallur Ingólfsson

Páll Ragnar Pálsson

Sigurður Flosason

Eyþór Gunnarsson

Sigríður Thorlacius

Þuríður Jónsdóttir

Managing director:

Guðrún Björk Bjarnadóttir

INDEPENDENT AUDITOR'S REPORT

To the board of directors and members of STEF

Opinion

We have audited the financial statements of STEF for the year ended December 31, 2023 which comprise, the statement of comprehensive income, the statement of financial position, the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of STEF as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with the Icelandic Financial Statement Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of STEF in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our ethical responsibilities in accordance with the code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Responsibilities of the Board of Directors and the CEO for the Financial Statements

The Board of Directors and the CEO are responsible for the preparation and fair presentation of the financial statements in accordance with the Icelandic Financial Statement Act, and for such internal control as the Board of Directors and the CEO determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the CEO are responsible for assessing STEF's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors and the CEO either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of STEF's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Kópavogi, 7. maí 2024.

Deloitte ehf.

Einar Hafliði Einarsson
State Authorized Public Accountant

We, the appointed auditors of STEF's general meeting, have reviewed this Annual report of 2023. It is our opinion that it is in conformity to the organizations act and suggest that it will be approved.

Reykjavík, 7. maí 2024

Eyjólfur Kristjánsson

Tryggvi M. Baldvinsson

Income statement 2023

	2023	2022
Operating income		
Performance licences, domestic income	732.481.011	628.394.475
Performance licences, foreign income	192.959.402	104.709.405
Mechanical rights	200.715.973	197.636.150
Other revenue	60.004.799	103.628.269
Music Fund's income	38.788.795	42.255.609
	<u>1.224.949.980</u>	<u>1.076.623.908</u>
Operating expenditure		
Personnel cost	(160.472.710)	(148.332.144)
Other operating cost	(58.648.608)	(58.497.974)
Charge for losses on receivables	(11.423.143)	(12.766.095)
	<u>994.405.519</u>	<u>857.027.695</u>
Net revenue before financial income	994.405.519	857.027.695
Finance revenue and (-expense)		
Net interest revenue.....	41.406.124	11.480.425
	<u>41.406.124</u>	<u>11.480.425</u>
Net income for the year	<u>1.035.811.643</u>	<u>868.508.120</u>

Balance sheet 31. December 2023

Assets

	31.12.2023	31.12.2022
Fixed assets		
Real estate	188.960.000	165.000.000
Fixtures and equipment	6.256.000	6.256.000
Bonds, investment funds	129.123.007	123.897.245
Long term receivables	2.919.033	3.676.809
Fixed assets	<u>327.258.040</u>	<u>298.830.054</u>
Current assets		
Accounts receivables	354.378.147	259.973.942
Other receivables and prepayments	40.177.961	14.187.698
Bank deposits	690.002.603	685.655.675
Current assets	<u>1.084.558.711</u>	<u>959.817.315</u>
Total assets	<u><u>1.411.816.751</u></u>	<u><u>1.258.647.369</u></u>

Equity capital and liabilities

	31.12.2023	31.12.2022
Equity		
Revaluation reserve	145.717.378	121.757.378
Reserves	101.485.570	101.420.570
Undistributed revenue	771.318.450	675.934.488
Music funds	5.231.745	10.486.440
Total equity	<u>1.023.753.143</u>	<u>909.598.876</u>
Liabilities		
Unpaid distribution.....	362.986.700	279.505.566
Other liabilities.....	25.076.908	69.542.927
	<u>388.063.608</u>	<u>349.048.493</u>
Liabilities	<u>388.063.608</u>	<u>349.048.493</u>
Total equity and liabilities	<u><u>1.411.816.751</u></u>	<u><u>1.258.647.369</u></u>