

ANNUAL REPORT
STICHTING STEMRA
2018

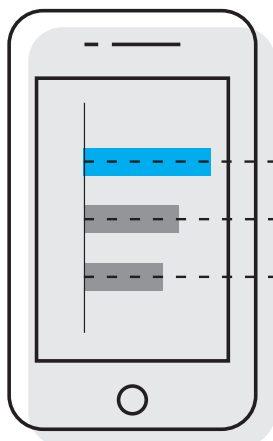
buma•stemra

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KEY FIGURES OF STEMRA

COLLECTION BY STEMRA (x EUR 1,000)



32,399 | 2018

36,291 | 2017

33,895 | 2016

NUMBER OF FTES



2018

STEMRA

14.2

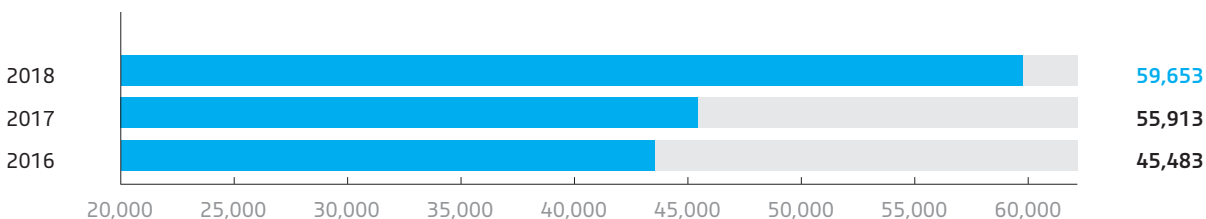
2017

14.2

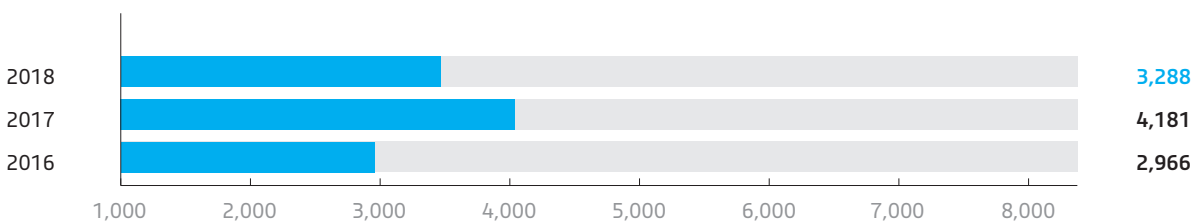
2016

15.2

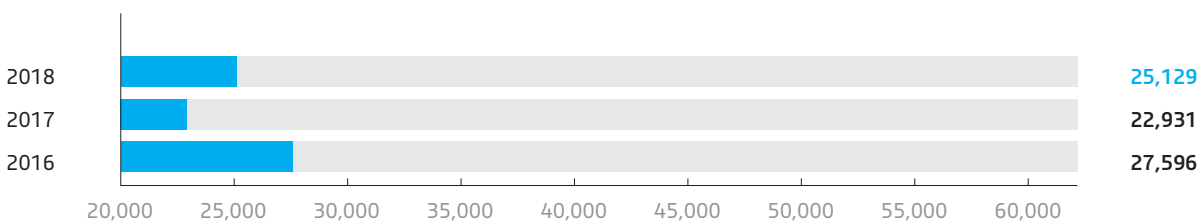
COPYRIGHT ROYALTIES TO BE DISTRIBUTED (x EUR 1,000)



MANAGEMENT COSTS (x EUR 1,000)



DISTRIBUTIONS (x EUR 1,000)



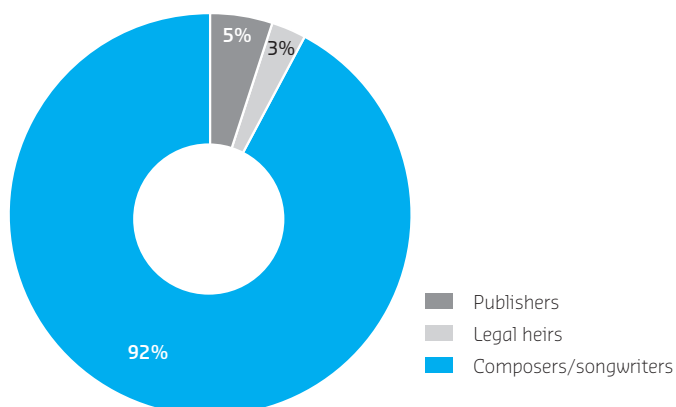
KEY FIGURES						
(x EUR 1,000)	2018	2017	2016	2015	2014	2013
COPYRIGHT ROYALTIES RECEIVED/RECEIVABLE						
Phono-mechanical rights BIEM / Central Licensing	5,610	6,058	6,192	6,169	6,895	8,119
PIEB (custom pressing) / Special Licensing	3,869	4,935	4,922	4,919	5,564	5,366
Radio & TV	6,579	5,819	6,970	6,046	5,692	5,419
Online	5,347	5,339	4,596	3,793	3,134	2,635
Private Copying / Public Lending Rights	5,312	10,198	6,213	13,414	4,631	1,479
Reprographic rights	-	115	-81	341	1,006	436
Music use in the Netherlands	26,718	32,464	28,813	34,682	26,922	23,454
Music use abroad	5,681	3,827	5,082	4,581	4,788	4,870
Total	32,399	36,291	33,894	39,263	31,710	28,324
DISTRIBUTIONS						
Rights owners	22,448	20,809	24,993	27,307	19,526	24,447
CMOs Abroad	2,681	2,122	2,603	3,363	2,387	2,989
	25,129	22,931	27,596	30,670	21,913	27,436
Administration fee withheld upon distribution	3,510	2,930	3,961	4,755	3,144	3,828
Total	28,639	25,861	31,557	35,425	25,043	31,264
COPYRIGHT ROYALTIES TO BE DISTRIBUTED						
Copyright royalties to be distributed at end of financial year	59,653	55,913	45,483	43,145	39,321	32,654
OPERATING STATEMENT						
Administration fee withheld upon distribution	3,510	2,930	3,961	4,755	3,144	3,828
Other income	847	803	782	729	690	667
Total income	4,357	3,733	4,744	5,484	3,834	4,495
Management costs	-3,288	-4,181	-2,966	-5,921	-6,585	-6,578
Total expenses	-3,288	-4,181	-2,966	-5,921	-6,585	-6,578
BALANCE OF TOTAL INCOME AND EXPENSES	1,069	-448	1,777	-437	-2,751	-2,083
Financial income and expenses	17	-25	60	308	409	531
Available for appropriated reserve	1,087	-473	1,837	-129	-2,342	-1,552

KEY FIGURES						
(x EUR 1,000)	2018	2017	2016	2015	2014	2013
Actual cost percentage withheld for the Dutch industry: BIEM	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%
Actual cost percentage withheld for Foreign Central Licensing	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%
Actual cost percentage withheld for Background music / Audio-visual education and Corporate productions	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Actual cost percentage withheld for Radio & TV	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Actual cost percentage withheld for Audio Visuals TV / Cinema	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%
Actual cost percentage withheld for Audio Visuals Commercials	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Actual cost percentage withheld for Private Copying / Public Lending Rights	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Actual cost percentage withheld for Online	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Actual cost percentage withheld for Abroad	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Actual cost percentage withheld for PIEB / Home video / Imports / Reprographic rights	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Average actual percentage withheld (administration fees as a percentage of distribution)	14.0%	12.8%	14.4%	13.4%	12.6%	12.2%
Management costs (gross) as a percentage of total copyright royalties received/receivable	10.2%	11.5%	8.8%	15.1%	20.8%	23.2%
Management costs (gross) as a percentage of total distributed copyright royalties	13.1%	16.2%	9.4%	16.7%	26.3%	21.0%
Annual change in operating costs	-21.3%	41.0%	-49.9%	-10.1%	0.1%	4.5%
Derived consumer price index	1.7%	1.4%	0.3%	0.6%	1.0%	2.5%
Number of affiliates and participants	28,223	26,937	25,364	24,092	23,012	21,999
Number of invoiced licensees	1,248	1,200	1,500	2,600	2,600	2,500
Number of employees in FTEs	14.2	14.2	15.2	14.7	16.6	17.3

Members and affiliates in 2018

Composers/songwriters	25,850
Publishers	1,468
Legal heirs	905

TOTAL **28,223**



—1. BOARD REPORT

1. BOARD REPORT

1.1 EXPLANATION BY THE BOARD

INTRODUCTION

Stemra achieved good financial results in 2018, both in the area of collection and in the distribution of copyright royalties. With the exception of a few one-off items, the management costs were kept well under control. Collection levels increased in nearly all market segments.

This Board report discusses in more detail the achieved financial results, important events and market developments, and the mission we are committed to as Stemra.

FINANCIAL RESULTS

Income came to EUR 32.4 million in 2018, down by 11% compared to the year before (2017: 36.3 million). The growth of income in 2018 was mainly attributable to the market segments Radio & TV (RTV), Online and Abroad. Income from the Private Copying / Public Lending Rights segment decreased compared to previous years.

The distributions made by Stemra increased by 10% in 2018 compared to 2017. In 2018, a total amount of EUR 25.1 million was distributed, compared to EUR 22.9 million in 2017.

The management costs decreased to 3.3 million, a 21% reduction compared to 2017, when the management costs amounted to EUR 4.2 million.

As such, the costs stayed below the norm of 15% set by the Dutch government under the Collective Management Organisations for Copyright and Neighbouring Rights (Supervision and Dispute Resolution) Act ('Supervision Act'). The management costs as a percentage of the collection for 2018 came to 10.2%.

The management costs for 2018 as a percentage of the distribution came to 13.1%. The development of the costs stayed within the set norm, which is based on the consumer price index (which rose by 1.7%).

A detailed analysis of how the financial results were achieved can be found in section 1.2 of this report. This section also discusses in more detail the investment results achieved in the past year.

GOVERNANCE MODEL UP TO 22 JUNE 2018

Up to 22 June 2018, Stemra's governance model consisted of a Board and Management. Under this model, the managerial responsibility under the Articles of Association rested with the Board, which consisted of 12 representatives of members and affiliates of Buma and Stemra and one independent Chairman of the Board. Under this model, the Board supervised the Management, focusing on the execution of the policy. The Management consisted of one director under the Articles of Association and two titular directors.

The aforementioned Board met six times (up to 22 June 2018). The Audit Committee, whose members were appointed from among the Board, met two times in this period. In addition, there were two meetings of the Operational Management Committee and one meeting of the Investment Committee in 2018 up to 22 June.

In this period, the Board paid a lot of attention to the preparations for the introduction of the new governance model. These preparations included: approving the member profiles for the Supervisory Board and the Council of Rights Owners, approving the amendments of the Articles of Association and the rules for the new governance bodies, setting up the appointment committee for the selection of the nominated Chairman of the Supervisory Board and setting up the appointment advisory committee for the selection and recommendations for the appointment of the members of the Supervisory Board and the Council of Rights Owners.

In addition, the activities of the Board in this period included:

- adopting the budget for 2018;
- discussing the interim financial reports;
- deciding to engage Mazars Accountants for the audit of the financial statements 2017 with effect from the financial year 2018;
- discussing the ruling of the Integrity Committee of 4 April 2018 and formulating a response to this ruling to the professional associations and the Dutch Copyright Supervisory Board (CvTA);
- deciding to make the recommendation to the General Members' Meeting to appoint the Chief Executive as the Chairman of the Board (for an indefinite period) under the new governance model with effect from 22 June 2018; and
- focusing on the preparations for the General Members' Meeting to be held in October 2018.

NEW GOVERNANCE MODEL SINCE 22 JUNE 2018

The governance model has been updated to bring it in line with the European Collective Rights Management Directive (Directive 2014/26 EU of 26 February 2014). The new governance model became effective on 22 June 2018. This new governance model is comprised of a two-member Board under the Articles of Association according to the collegial model, a Supervisory Board and a Council of Rights Owners.

This means that the managerial, supervisory and advisory roles and responsibilities are now more clearly allocated than under the previous hybrid model.

Stemra is supervised by an external supervisory authority, the Dutch Copyright Supervisory Board (CvTA). In the context of this external supervision, the Board regularly consults with the CvTA on the basis of the Supervision Agenda.

At the General Members' Meeting on 29 October 2018, it was decided to expand the Supervisory Board of Stemra by adding a ninth, independent member with a finance/IT profile. In addition, two new members were appointed to the Supervisory Board: Jolanda Messerschmidt and Ruud Hopstaken. Furthermore, this meeting

approved the interim appointment of Cees van Steijn as acting CEO and Siebe van Elsloo as acting CFO. They are both Board members under the Articles of Association and together form the two-member Board. Their appointment as permanent Board members has been put on the agenda for the next regular Members' Meeting.

The Members' Meeting on 29 October marked the end of a turbulent period. At this meeting, the Supervisory Board and the Management explained the report of the Investigation Committee (the Smits/Winter Committee) in detail and discussed it with the Members' Meeting. The recommendations made by the Investigation Committee to improve the supervision by increasing the number of independent members of the Supervisory Board, expanding the Audit Committee, and appointing a second Board member under the Articles of Association, have been fully adopted and implemented. The appointment of two new Board members under the Articles of Association (for the period of one year) followed the decision made by Wim van Limpt at the Members' Meeting on 29 October to resign his duties as Chairman and member of the Board.

In the second half of 2018, the Board had two meetings with the Council of Rights Owners. From 2019, the Board will have around six regular meetings per year with the Council of Rights Owners (excluding the meetings of the Distribution Committee). In 2018, the Board discussed various issues with the Council of Rights Owners, including with respect to the distribution and the review agenda, the Budget for 2019 and the Action Plan of the Board. In addition, the Board informed the Council of Rights Owners about developments in the area of RTV and Online.

The events at Stemra in 2017 and 2018 placed great demands on our members, employees, Works Council, Board and Supervisory Board, as well as our other stakeholders. Thanks to the efforts of all parties involved, we have laid the basis for the energetic implementation of the transition to a transparent and accessible organisation. This will be done partly on the basis of the Action Plan drawn up by the Board, which has been coordinated with the Supervisory Board, the Council of Rights Owners and the Works Council. The Board is convinced that the intense exchange of views has helped us to turn the page on what has been a turbulent period for many people.

ADDED VALUE

This world around us has been changing for some time. Internationalisation and technology are two key drivers of this change. To remain effective and efficient in the future, Stemra will keep focusing on working closely together with our foreign sister societies and relevant technology partners. Our challenge continues to be to tailor our operations to the needs of the members of Stemra. Operating effectively and continuously proving our added value are crucial. We aim to do this in an environment characterised by maximum transparency, both within our organisation and in our external communications.

The mission of Stemra is, and will continue to be, to protect the interests of our members and to ensure that they receive a fair remuneration for the use of their works. By acting as a strong collective of rights owners, with a clear focus on added value, Stemra can continue to work on protecting their work and ensuring a fair remuneration for the use of copyright, even though there is some pressure on the willingness to pay among some of the licensees of this music copyright.

Major platforms, known as Digital Service Providers, are currently in the process of expanding their business models. These large platforms are omnipresent and are a permanent disruptive factor. A world without these platforms has become unimaginable, even to affiliates of Stemra. Achieving our mission of protecting the interests of our members as best as possible and ensuring a fair remuneration for the use of their work requires that Stemra keeps innovating to respond to these developments. This calls for specialised financial and legal expertise.

MARKET DEVELOPMENTS

Competition is increasing, which is a positive development. Competition contributes to a culture of continuous improvement. That includes improving our proposition to members and affiliates in the areas of service and efficiency. It is a given that we now operate in a broad playing field with multiple market partners. Particularly in the online market, where borders are increasingly fading, we are seeing increasing competition. In the context of flexible management, rights owners are able to join collective management organisations (CMOs) of their choice for certain usage categories and countries.

In certain market segments, we are seeing market parties that are effectively direct competitors in an area that is one of Stemra's core tasks: administering repertoire. These initiatives, which involve offering rights including the related repertoire (i.e. repertoire that is not managed by Stemra), fill a need in the market. As a result, new licensing models will emerge within Stemra for the use of music in certain market segments.

In recent years, we have seen a general trend of (online) repertoire being offered in a fragmented way. This often makes it difficult for new licensees to launch international initiatives. Therefore, Stemra is examining how we can contribute to a more aggregated offering of repertoire by means of (international) partnerships and/or by creating new licensing models. These models need to be geared to the needs of licensees as well as those of the rights owners.

In a world full of innovations, new value chains are emerging, often driven by technological developments and new solutions. Stemra recognises the need to experiment with such innovations so that we can adjust our services in good time, enabling us to continue to provide added value to our members. We carefully assess whether such innovations will retain their value in the future.

For example, we are looking at innovations like alternative validation methods for metadata. By utilising the *crowd* (i.e. our members) and continuously creating insight into data to facilitate this validation, we can improve quality and consequently reduce the lead time of processes. This should ultimately lead to a more efficient collection and distribution.

Blockchain technology appears to be a very suitable for this. In collaboration with various parties, we will look into what opportunities this offers and what risks it entails. As the options for on-site identification of music are becoming increasingly advanced, Stemra is looking into whether new technologies can also be used in market segments where this was previously too costly. The aim of all this is to enable even more accurate and faster payments to rights owners.

One of the core tasks of Stemra is to issue licences in the various market segments where musical works are used. Below we describe

the developments and challenges in a number of these market segments.

ONLINE

In terms of turnover, this market segment is controlled by a number of major Digital Service Providers (DSPs) like Apple, YouTube and Spotify. Stemra has managed to issue European licences to most of the largest DSPs. The online market segment is pre-eminently a segment where we compete with our sister societies. In this market segment, we now only license the repertoire that is registered with us directly or licensed at the Pan-European level. For licensed DSPs, we must always specify exactly which repertoire is represented by us. For this reason, it is increasingly important that our members register their works with us adequately and correctly, so that we can submit the correct claim with the relevant DSP in good time.

In addition to administering repertoire, CMOs like Stemra constantly advocate the preservation of copyright. In this context, Stemra is taking steps to challenge the European 'safe harbour' legislation. This legislation increasingly enables DSPs to hide behind the fact that they classify themselves as mere conduits that have no responsibility for ensuring any payment for the use of copyrighted content. A positive development in this context is the EU's adoption of the Copyright Directive, which includes a new Article 17 stating that market parties who distribute user-generated content have an obligation towards the owners of the content. This strengthens the negotiating position of CMOs like Stemra. It will soon be decided in what form this Article 17 will be revised and ratified in Europe and then implemented in national legislation.

TV

Income from the TV market is under pressure due to the growth of Video on Demand (VOD) services in the online market segment. The use of these services, including Netflix and Videoland, is steadily growing, which is reflected in Stemra's annual figures. This is due to the fact that the total screen viewing time of consumers (online and linear) is no longer increasing. This means that the growth of VOD is eating into the viewing time for linear TV. This decline of linear TV started several years ago and is affecting the size of the market for TV ads. Arguments have been presented to try to slow down this decline, most of all those citing research findings showing the greater effectiveness of TV ads compared to online advertising. Nonetheless, we expect that the pressure on income from TV ads will persist.

With respect to *the public networks*, the Dutch government has indicated that fundamental changes in the public broadcasting system are needed. As a result, it is very likely that income from TV ads on the public networks will decrease, which poses a major risk for Stemra.

The *commercial TV companies* are anticipating this transformation of TV networks into media companies by widening their focus from linear TV to multiple platforms. Their ultimate goal continues to be to reach consumers with content and thus create a lock-in in their ecosystem. To this end, they use revenue models based on ad income, as well as those based on subscription systems (both of which are platform-independent). Stemra will adjust its services to this trend by offering licences on a platform-independent basis where possible.

In addition, there is pressure on our collective licensing models, which offer convenience at an affordable price and in which we don't attribute a different value to music. If differentiation is going to be applied to collective licensing, a logical adjustment would be to also differentiate in terms of the value of music in such cases. The challenge for Stemra will then be to continue to offer the licensees convenience, while also ensuring that the rights owners affiliated to Stemra receive a fair price for the use of their music.

MECHANICAL ENTERTAINMENT

In 2018, the more traditional market segments administered by Stemra, such as mechanical sound carriers, saw a further upswing in the use of vinyl and other such carriers, like cassette tapes. However, these continue to be niche markets in the overall market for music consumption.

BACKGROUND MUSIC

We are seeing a shift in the services which suppliers of background music provide to their clients, such as shops and stores, and restaurants and bars. Instead of exclusively supplying hardware for instore music, new international suppliers of corporate DSP services, such as Soundtrack Your Brand, are focusing more on the application options offered by streaming services.

PRIVATE COPYING

The revenues Stemra receives from the Private Copying Foundation (Stichting Thuiskopie) have fluctuated in recent years, particularly as a result of supplementary payments received under the out-of-court settlement of the dispute with the Dutch State. The rates established for devices by the Foundation for Private Copying Fees Negotiations (Stichting Onderhandeligen Thuiskopievergoedingen (SONT)) will ensure a regular revenue stream in the coming years.

ABROAD

Stemra's income from abroad largely depends on the non-online markets. Here, Stemra is obviously dependent on the success of its managed repertoire abroad. So it's good to see that Dutch repertoire continues to be successful beyond our borders.

ICT, FINANCE AND LEGAL AFFAIRS

Properly functioning ICT systems are critical to the effectiveness of Stemra's operations.

In 2018, Stemra paid a lot of attention to its IT infrastructure in order to safeguard its continuity as a business. The replacement of old hardware, a key component of our IT infrastructure, has led to more stability and a better performance (and will lead to cost savings from 2019). Measures taken to create a clearer IT management structure have contributed to the stability and controllability.

Furthermore, the procedures with regard to data processing have been brought in line with the laws and regulations in the area of privacy and data protection (such as the GDPR).

The huge increase in data volumes and the developments in the area of big data and artificial intelligence will place heavy demands on ICT systems in the coming years. To be able to keep processing the exponentially increasing data volumes, Stemra has made the replacement of the current system one of its top IT priorities.

The Investigation Committee has found that our financial departments are too dependent on temporary staff members. This creates the risk that too much knowledge is lost when there is a high level of turnover among these (temporary) staff members. In 2018, we put in place a new structure for our financial departments and we hired new employees under permanent contracts.

As the legal department became understaffed in 2018 due to prolonged sickness absence and high staff turnover, we are now prioritising its reinforcement, with the further elaboration of compliance being one of the top priorities. After all, the administration of copyrights is Stemra's core activity and requires that we have high-quality in-house legal expertise.

OUTLOOK

Stemra is not an isolated entity. When the world around us changes, this also affects our operations, the further implementation of our strategy and our results. The world around us is undeniably changing. In terms of the economy, this is fed by the uncertainties around Brexit, the threat of trade wars, declining consumer confidence and the slowdown of economic growth. On the other hand, there are also positive signs, such as the low unemployment levels in the economies that are relevant to us. Against this background, we have to be cautious in making predictions about the future.

In this context, we have started the dialogue about the strategic reorientation of Stemra. This dialogue is taking place with a broad group of stakeholders, and will in the course of 2019 lead to clarity about the general strategy to be followed.

In April 2019, the decision-making process in the EU on the Directive on Copyright in the Digital Single Market was completed. A key component of this Directive are the provisions in Article 17 (which was Article 13 in the draft Directive) addressing the 'value gap'. The Directive makes an important contribution to safe-

guarding copyright on the internet, specifically on user-upload platforms. In addition, the decision-making process on the Online Broadcasting Directive has been completed; this Directive governs publications where multiple parties are involved. The Dutch government has until the first half of 2021 to implement these Directives into Dutch law.

We expect that the collection level for Stemra in 2019 will be slightly below the level achieved in 2018. However, it should be noted, that despite our proactive collection policy, Stemra is dependent on when licensees or foreign sister societies pay royalties to Stemra. Consequently, around the end of the financial year, royalties may be recognised earlier or later than expected.

The management costs are expected to decrease slightly compared to the previous year as a result of improved efficiency, strict cost control and the absence of one-off costs.

IN CONCLUSION

We are very grateful to the employees of Stemra, who have continued to do their jobs, even when the world around Stemra went through turbulent times. Together, we have ensured that Stemra can present good financial results for 2018. We look forward to continuing our work, together with our employees, the Supervisory Board, the Council of Rights Owners and all our other stakeholders, to achieve Stemra's mission of protecting the interests of our members as best as possible and ensuring a fair remuneration for the use of their work.

Hoofddorp, 23 May 2019

The Board:

Cees van Steijn, acting CFO
Siebe van Elsloo, acting CFO

1.2 FINANCIAL RESULTS, MARKET DEVELOPMENTS AND OUTLOOK

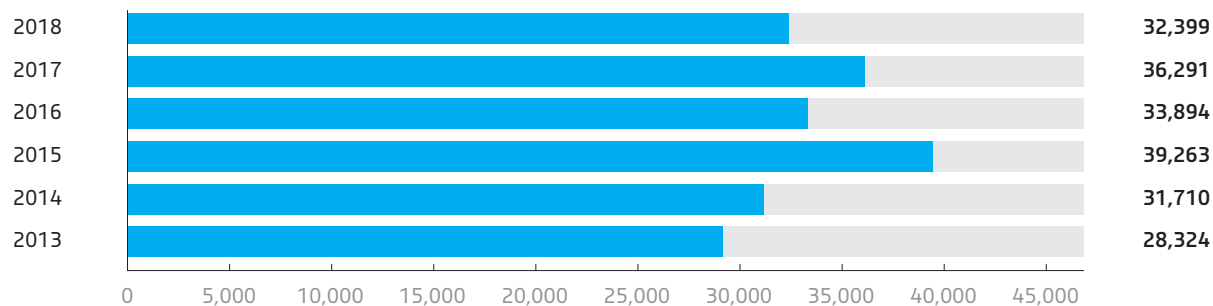
1.2.1 COPYRIGHT ROYALTIES RECEIVED/RECEIVABLE

STEMRA

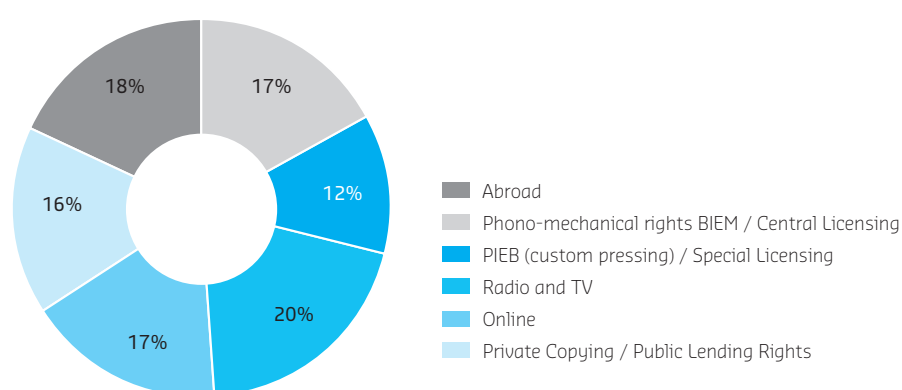
The copyright royalties were received from the following categories:

(x EUR 1,000)	2018	2017
Phono-mechanical rights BIEM / Central Licensing	5,610	6,058
PIEB (custom pressing) / Special Licensing	3,869	4,935
Radio & TV	6,579	5,819
Online	5,347	5,339
Private Copying / Public Lending Rights	5,312	10,197
Reprographic rights	-	115
Abroad	5,681	3,827
TOTAL STEMRA	32,399	36,291

DEVELOPMENT OF COLLECTION (x EUR 1,000)



COMPOSITION OF COLLECTION



Stemra's collection of rights revenues decreased by EUR 3.9 million in 2018 compared to 2017. This decrease was mainly attributable to a significant decrease in the Private Copying royalties in 2018 by EUR 4.9 million, due to a declining market for Private Copying.

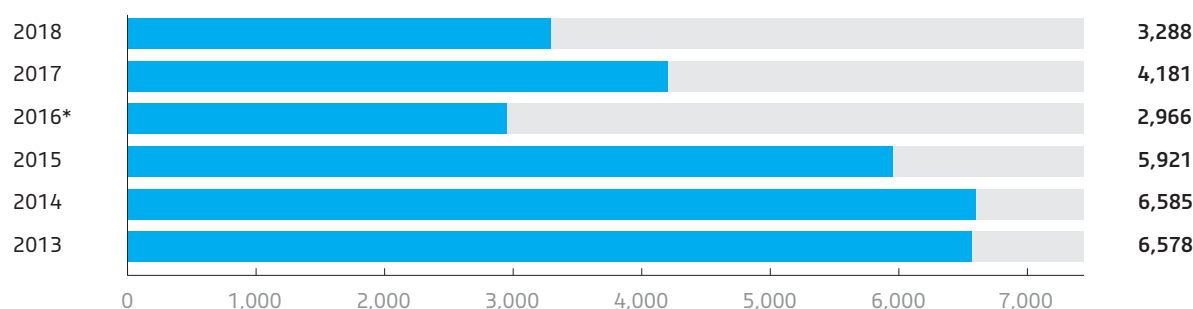
The rights revenue collection for the categories Phono-mechanical rights BIEM/ Central licensing and PIEB (custom pressing) / Special Licensing decreased in 2018 compared to 2017. This was due to a shrinking market for mechanical rights, particularly for CDs. The rights revenue collection for Radio and TV increased by EUR 0.8 million. This increase was caused by the recognition in 2018 of additional income relating to the usage year 2017.

Although the download market declined, the collection level for Online nonetheless remained stable. This was due to the strong increase in the streaming market in 2018 and the allocation to Stemra of 25% of the streaming revenues.

The collection from abroad decreased by EUR 1.9 million due to the settlement with foreign sister societies of several disputes about rights. In 2018, Stemra received revenues relating to several usage years as a result of this settlement.

1.2.2 OPERATING COSTS

DEVELOPMENT OF OPERATING COSTS (x EUR 1,000)



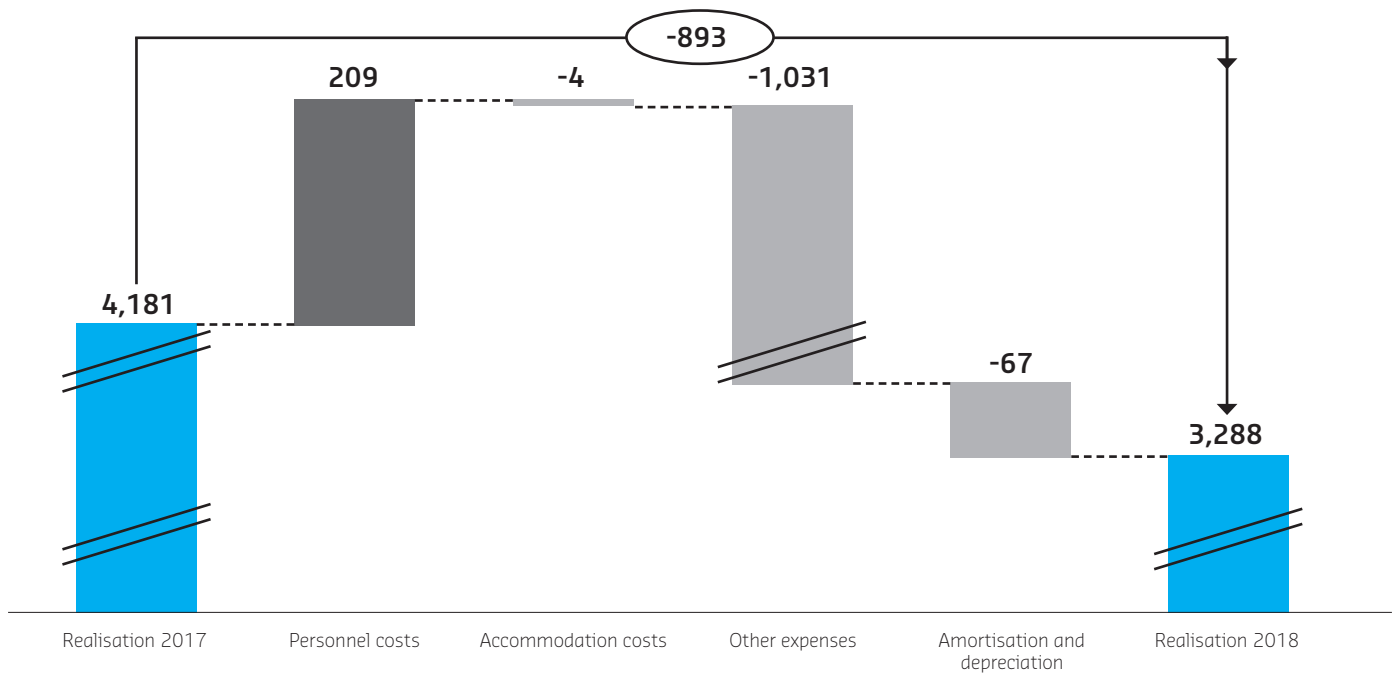
*) The allocation of costs between Buma and Stemra was adjusted in 2016. As a result, the costs at Stemra have decreased since 2016.

Stemra's expenses can be specified as follows:

(x EUR 1,000)	Realisation 2018	Realisation 2017
Personnel costs	1,846	1,637
Accommodation costs	83	87
Amortisation and depreciation	20	87
Other expenses	1,339	2,370
TOTAL STEMRA	3,288	4,181

The costs decreased by EUR 0.9 million in 2018 compared to 2017. This was mainly due to a decrease in the other expenses by EUR 1.0 million because there was no recurrence of the one-off costs charged on by Buma in 2017, as well as lower amortisation and depreciation.

The changes per category of costs are shown in the table below.



Although the number of FTEs remained stable, the personnel costs nonetheless increased in 2018 compared to the previous year, mainly due to the indexation of the salaries. In addition, there was a one-off increase in the charged on personnel costs as a result of (foreseen) severance packages. The other expenses decreased by EUR 1.0 million, mainly due the absence of a recurrence of the

one-off costs incurred in 2017. The amortisation and depreciation charges were lower in 2018 than in 2017 because they were only recognised for a limited number of months in 2018, whereas in 2017 amortisation and depreciation were charged to the operating statement for the entire year.

1.2.3 COVERAGE OF THE OPERATING COSTS

COVERAGE OF THE OPERATING COSTS

(x EUR 1,000)

	2018	2017
TOTAL EXPENSES	3,288	4,181
(1) Entrance and annual fees	848	803
(2) Other income	3,510	2,930
Interest income/expenses and similar income	17	-25
Coverage of costs from income	4,375	3,708
ADDITION TO / WITHDRAWAL FROM THE APPROPRIATED RESERVE	1,087	-473

Stemra uses a fixed administration fee and does not apply a variable administration fee. If the fixed administration fee plus other income exceeds the costs of Stemra, the surplus is added to the appropriated reserve. If the fixed administration fee plus other income is lower than the operating costs, an amount is withdrawn from the appropriated reserve.

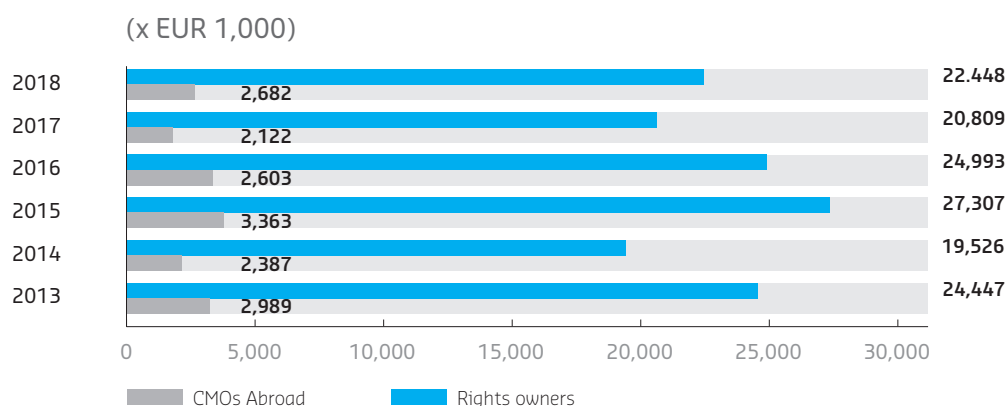
In 2018, EUR 1.1 million was added to the appropriated reserve. This addition was the result of a lower cost level combined with higher administration fees, due to a catching up in the distribution of cable fees for previous years, as well as increased distributions for Online.

1.2.4 FINANCIAL INCOME AND EXPENSES

Stemra does not invest its cash and cash equivalents but keeps it in various demand deposit accounts. As the interest received on these

deposits continued to be nil in 2018 due to the current low interest rates, the financial income of Stemra came to less than EUR 0.1 million.

1.2.5 DISTRIBUTIONS



In 2018, Stemra distributed EUR 25.1 million to rights owners and organisations with which it has a reciprocal contract; this is EUR 2.2 million more than in 2017. This increase was due to higher distributions for Online, which were only partly offset by the decrease in the distributions relating to music use abroad (which were exceptionally high in 2017 due to a catching up in the recognition of royalties for previous years).

1.2.6 COST NORM

Since the introduction of the Supervision Act in July 2013, the government has imposed three cost norms for collective management organisations. If these cost norms are exceeded, the reasons for this must be explained. These cost norms are deemed to have been exceeded if:

- The (gross) management costs in the year to which the annual report pertains exceed 15% of the amount that was collected in that year (the collection/royalties);
- The (gross) management costs in the year to which the annual report pertains exceed 15% of the amount that was distributed in that year (the distribution);
- The increase in management costs in the year to which the annual report pertains compared to the management costs in the previous year exceeds the increase in the consumer price index for the year to which the annual report pertains.

In conjunction with Section 1(1)(a-c) of the Decree implementing the Collective Management Organisations for Copyright and Neighbouring Rights (Supervision and Dispute Resolution) Act:
<http://wetten.overheid.nl/BWBR0033622/2016-12-21>

COST PERCENTAGES

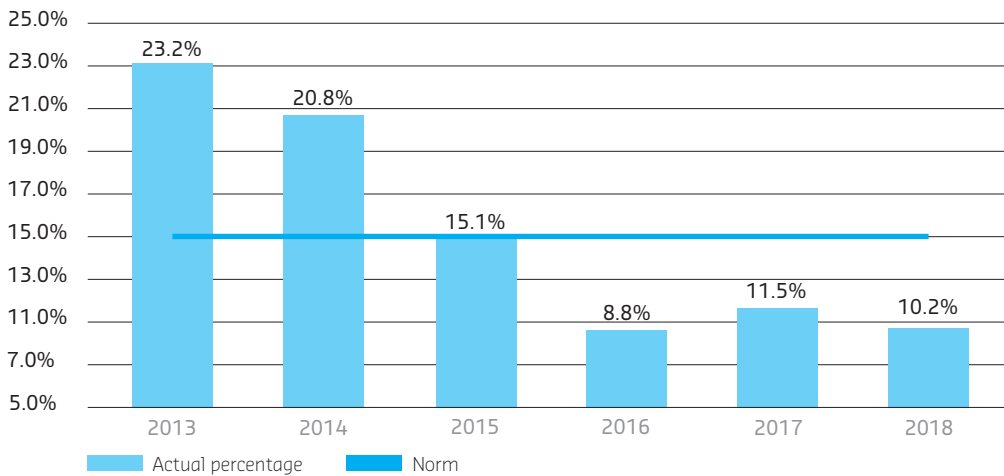
(x EUR 1,000)

	2018	2017
Collection by Stemra	32,399	36,291
Distribution by Stemra (gross)	25,129	22,931
Costs of Stemra	3,288	4,181
Costs of Stemra as % of the collection (gross)	10.2%	11.5%
Costs of Stemra as % of the distribution (gross) *	13.1%	16.2%
Changes in costs of Stemra compared to previous year	-21.3%	40.9%
Average actual percentage withheld by Stemra (net) **	14.0%	12.8%

* As Stemra applies a system of settlement of the administration fee upon collection, the distributed royalties presented in the financial statements concern the net distribution. In order to determine the costs as a percentage of the distribution, the corresponding balance of the administration fee to be withheld in the year of collection (that of the previous year) and the administration fee upon distribution are added to the distributed royalties.

** The cost percentage that is actually charged to the rights owners is lower than the gross management costs for which the norms of the CvTA have been set. This is because predefined fixed withholding percentages are applied for certain collection categories, and also because a lower amount in costs is charged to rights owners thanks to the offsetting of costs against (financial) income.

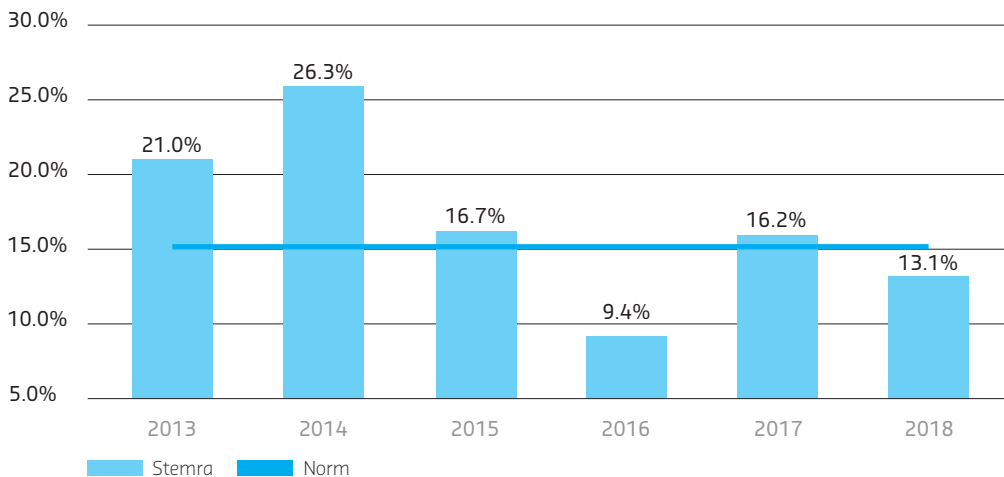
COSTS AS PERCENTAGE OF THE COLLECTION



With a percentage of 10.2%, Stemra complies with the norm. Due to the system of fixed administration fees, the amount Stemra

actually charges to rights owners comes to 14.0%, which complies with the cost percentage norm.

COSTS AS PERCENTAGE OF THE DISTRIBUTION



With an actual percentage of 13.1%, Stemra also complies with the norm that specifies that the costs may not exceed 15% of the distributed amount. Due to the system of fixed administration fees, the amount Stemra actually charges to rights owners comes to 14.0%, which complies with the cost percentage norm.

1.2.7 ASSESSMENT OF FINANCIAL POSITION AND LIQUIDITY POSITION

As Stemra is a foundation, its equity consists mainly of (appropriated) reserves. The calculation of the solvency ratio based on equity divided by loan capital does not have any direct meaning, as the balance sheet of Stemra mainly presents the activities that Stemra performs for its rights owners.

The liquidity ratio indicates to what extent the debts can be serviced in the short term from the cash and cash equivalents and receivables. On this basis, the liquidity ratio for Stemra is 0.92, which means that Stemra can fulfil its obligations in the short term.

1.2.8 CASH FLOWS AND FINANCING REQUIREMENT

As Stemra distributes most of the copyright royalties received in the year after their receipt, and a large part of the copyright royalties is received at the beginning of the year, Stemra has no need for external financing. The above system leads to a 'base stock' of copyright royalties to be distributed, which can be used to finance the current expenses, as well as the investments.

The key cash flows for Stemra are the copyright royalties received and distributed during the year, as well as the operating expenses.

1.2.9 RISK MANAGEMENT

As a collective management organisation, Stemra performs a social task: the management of the copyright of its affiliated rights owners, as well as the management of music use.

RISK APPETITE

Like other organisations, Stemra is exposed to various risks. As befits a collective management organisation (CMO), Stemra acts very prudently in the performance of the tasks entrusted to it. The risk appetite in the performance of these activities is low.

In December 2016, the Board of Stemra endorsed the Dutch Governance Code for the cultural sector. This code provides guidelines on, for example, good governance, supervision and accountability in the cultural sector, conflicts of interest and risk management. This code forms the framework within which Stemra has set up its strategic, tactical and operational risk management.

Risks are managed by means of the planning & control cycle. This cycle involves the annual updating of the strategic objectives and their translation into annual plans, the annual determination of the financial budget based on the annual budget, and the periodical reporting of the progress and state of affairs on the basis of financial and non-financial information. The monthly Business Review Meetings of the Board with the various business units, in which the progress and quality of the activities are thoroughly discussed, are an important part of the planning & control cycle. In addition, these risks are periodically discussed with the Audit Committee.

Stemra is exposed to a number of risks, which break down into strategic risks, compliance risks, operational risks and financial risks. This section gives a brief, non-exhaustive overview of the risks and how they are managed by our organisation.

Strategic risks

At the strategic level, Stemra is faced with changing markets as a result of fast technological developments and the digitisation of the music industry. The emergence in recent years of digital service providers is a good example of this. The aim of our strategic risk management is to identify, monitor and manage the key risks Stemra is exposed to.

In 2018, it was decided to start a strategic reorientation process with the support of an external adviser. This process will start in 2019 and should be completed midway through the year. In addition, Stemra closely monitors the technological developments that are relevant to our organisation. Where possible, we anticipate the new opportunities offered by technology. For instance, together with Sena we have developed a proof of concept for a blockchain application that can assist with the allocation of unidentified works.

Compliance risks

Stemra is subject to a range of legislation and regulations, including the Supervision Act, Part 9 of Book 2 of the Netherlands Civil Code, the Dutch Governance Code for the cultural sector, CMO guidelines and international agreements made under the auspices of the CISAC. We have implemented a privacy impact analysis in order to ensure that we comply with the General Data Protection Regulation (GDPR), which became effective in May 2018.

We have also improved our financial statements process through the implementation of special financial reporting software. As a result, we now comply with the legislation and regulations with regard to the financial statements and the transparency report.

In 2018, we implemented the Supervisory Board model. As a result, the managerial, supervisory and advisory roles and responsibilities are now more clearly allocated than under the previous (hybrid)

governance model. In 2018, Stemra again received the quality mark for CMOs, meaning that we continue to comply with the CMO quality mark criteria.

The collection, distribution and underlying financial processes take place based on agreed procedures and are subject to regulations (such as the Distribution Rules).

Operational risks

The key operational risk is the risk of disruption to the timely and comprehensive distribution of copyright royalties. The operational risks also include the risk of disruption to the timely and comprehensive collection of royalties from licensees. As IT plays a crucial role in these processes, these risks are to a significant extent related to the operating effectiveness of IT systems. To make the key operational risks transparent, Stemra has set up 'InControl', which is a risk management and control system for the business processes. This system is regularly assessed by the Internal Audit department.

Assessment of the design and operating effectiveness of the internal control

Stemra has an Internal Audit department. The Internal Audit department assesses the quality of procedures and the internal control of internal business processes on the basis of an annually adopted audit, and forms an objective opinion on the quality of the controls with regard to the primary and supporting business processes, including governance, risk management and internal control measures. In 2018, the first steps were taken to improve the effectiveness of the deployment of Internal Audit through an approach based on risk analysis. The Internal Audit department reports hierarchically to the CFO and has a direct reporting line to the CEO and to the Audit Committee of the Supervisory Board. The Supervisory Board discusses the progress made on the audit plan adopted for the relevant year and the performance of the audits with Internal Audit at least once a year.

Financial risks

Stemra considers its key financial risks to be fraud risk, liquidity risk, currency and interest rate risk and share price risk.

A financial budget is drawn up annually. The progress made is reported to the Board on a monthly basis and then discussed in Business Review Meetings with the various business units. The Board makes the final decisions, sets budgets and monitors the progress and quality.

The fraud risk is mitigated through a proactive, structured and focused approach in which the Internal Audit department plays a key role. In addition, various measures are in place to manage fraud risks, such as segregations of duties and authorisation matrices. These measures apply to actions that create obligations (including purchasing), payment transactions and contract management.

Information security

Information security relates to all IT resources and processes. For Stemra, guaranteeing availability, integrity and confidentiality is crucial. To this end, a General IT Control Framework for the IT-related processes has been adopted. In 2018, we completed the implementation of a number of systematic measures to improve the management of the risks associated with data processing. This included accommodating the data processing activities at two external locations, which has improved the recovery options, as well as preparing for the migration to new hardware, and taking measures

to ensure the system continues to perform at a satisfactory level. In 2018, we also reviewed and, where necessary, tightened up our measures with regard to data protection, in light of the fact that the GDPR came into effect in the past year.

Insurance

Our organisation has an insurance portfolio of effectively insurable risks that cannot be prevented by internal control measures. This portfolio includes a third-party liability insurance policy, supervisory board and management board liability insurance policy, computer insurance policy, and group business travel and accident insurance policy. The portfolio is managed centrally and periodically assessed in collaboration with an external insurance adviser.

Tax matters

Stemra operates exclusively in the Netherlands and is subject to the Dutch tax regime. Discussions are taking place with the Dutch Tax and Customs Administration about the applicability of corporation tax and the introduction of Horizontal Monitoring from 2019. These talks are expected to be concluded in the course of 2019.

1.3 VOI@E QUALITY MARK DISTRIBUTION AUDIT

In the context of the triennial VOI@E Quality Mark Distribution Audit for collective management organisations, the Distribution Rules and Board decisions about the distribution by Stemra were continuously reviewed in 2018. This review was performed by the Board in various Board and committee meetings, including on the basis of advice issued by the Council of Members and the Council of Rights Owners, respectively. The outcomes of this review included:

1. TEXT TV

Based on the advice of the Management, the Board has decided to continue the current scheme (valuation of Text TV in line with the National Public Radio (EN) distribution category for another year), and to ascertain during that period whether the underlying issue (prime time vs. non-prime time) needs to be reconsidered (decision of 24 January 2018).

2. NO COPYRIGHT THRESHOLD FOR COMMENTS

The policy of applying a copyright threshold of EUR 50 for copyrighting a work was communicated to the rights owners in the newsletter of 7 January 2016. On 14 February 2018, the Board decided to maintain the policy of applying no threshold for handling comments for works that have not yet been copyrighted.

3. DISTRIBUTION BY STEMRA FOR AUDIO VISUALS RELATED TO PRIVATE COPYING

Based on advice from the Council of Rights Owners endorsing this, the Board decided on 11 October 2018 to develop a new system for the distribution by Stemra for Audio Visuals related to Private Copying with effect from 2017. Because copying has changed over time and a shift is noticeable towards new sources (online), while the currently measured use of older (physical) sources is still relevant, the Board has decided to develop new distribution bases through a phased approach. The introduction of the new distribution bases is subject to the condition subsequent that this is not rejected by the General Members' Meeting on 12 June 2019 and/or the CvTA.

4. DISTRIBUTION REVIEW CALENDAR 2019

On 12 December 2018, the Board and the Council of Rights Owners adopted the distribution review calendar 2019 (list of scheduled distribution topics to be addressed).

In addition, on 22 May 2018, the General Members' Meeting approved the amendment to the Distribution Rules to bring them in line with the Supervision Act. This amendment is included in the August 2018 edition of the Articles of Association and Rules: https://www.bumastemra.nl/wp-content/uploads/2018/08/BUM16651_Statutenboek-NL_2018_03-def.pdf.

1.4 PROVISIONS OF THE ARTICLES OF ASSOCIATION REGARDING THE SUPERVISORY BOARD AND THE BOARD

The Supervisory Board of the Foundation consists of nine persons. Only natural persons may be appointed as a member of the Supervisory Board. Six persons are appointed in the manner referred to in Article 17, paragraph 3, under a and b. Three independent persons, including the independent Chairman of the Supervisory Board, are appointed by the members in accordance with Article 17, paragraph 2. A member of the Supervisory Board of the Association must also be a member of the Supervisory Board of Buma.

A. Four composers/songwriters, who are members or who are composers/songwriters at a company that is a member, which composers/songwriters are elected by the members/affiliates who are composers/songwriters, including:

- composers of serious music
- composers/songwriters of entertainment music
- composers of media music
- songwriters

B. Two persons who are participant publishers (Article 8, paragraph 1) or hold a managerial position in a publishing company that is a participant (Article 9, paragraph 1), and who are elected by the members/ affiliates who are publishers.

C. Three independent persons, including one independent Chairman, as referred to in Article 13, paragraph 2.

The Board consists of at least two Board members, one of which is the Chairman and one of which is the Financial Director. Board members may only be natural persons who are not a member or participant of the Association and who do not sit on the Supervisory Board of the Association. Board members are appointed and dismissed by the Members' Meeting on the recommendation of the Supervisory Board. On the recommendation of the Supervisory Board, the Members' Meeting appoints one of the Board members as Chairman and one of the Board members as Financial Director. The complete provisions of the Articles of Association regarding the Supervisory Board are contained in Article 13 through to Article 19 of the Articles of Association of Stemra.

The complete provisions of the Articles of Association regarding the Board are contained in Article 21 through to Article 24 of the Articles of Association of Stemra.

1.5 TRANSPARENCY REPORT

Section	Description	Part of the annual report	Page number
Section 2			
2a	Cash flow statement	Cash flow statement	32
2b	Information about refusals to grant a licence on the basis of Article 2l(3) of the Supervision Act;		19
2c	A description of the legal and governance structure of the collective management organisation;	Explanation by the Board	7
2d	Information on entities directly or indirectly owned or controlled, wholly or in part, by the collective management organisation;	Notes to the financial statements	33
2e	Information on the total amount of remuneration paid in the past financial year to the persons referred to in Section 2e(3) and Section 2f of the Supervision Act, and on other benefits granted to them;	Notes to the financial statements, Remuneration of the Board, Council of Members and Management	47
2f	The financial data referred to in Section 3 of the Transparency Report (Collective Rights Management Directive) Decree	See Section 3	
2g	A special report on the use of amounts withheld for the purposes of social, cultural and educational services, including the information referred to in Section 3 of the aforementioned Decree	See Section 3	
Section 3			
3a	Financial information on rights revenue per category of rights managed and per type of use, including information on the income arising from the investment of rights revenue and the use of this income;	Operating statement, coverage of the operating costs, notes to the financial statements	11, 13, 40
3b	Financial information on the costs of rights management and other services provided to rights owners by the collective management organisation, including a full description of at least the following items:		
	1. All operating costs and financial costs, with a breakdown per category of rights managed and, in the case of indirect costs that cannot be attributed to one or more categories of rights, an explanation of the method used for the allocation of these indirect costs;	Operating statement, coverage of the operating costs, notes to the financial statements	12, 13, 31
	2. Operating costs and financial costs, with a breakdown per category of rights managed and, in the case of indirect costs that cannot be attributed to one or more categories of rights, an explanation of the method used for the allocation of these indirect costs, to the extent that these costs relate to the rights management, including the management costs which were deducted from or offset against rights revenue or income arising from the investment of rights revenue in accordance with Section 2g(4) and Section 2h(1-3) of the Supervision Act;	Operating statement, coverage of the operating costs, notes to the financial statements	12, 13, 31
	3. Operating costs and financial costs for services other than rights management, including social, cultural and educational services;		N/A
	4. Funds used to cover costs;	Coverage of the operating costs	13
	5. Amounts that were withheld from rights revenue, with a breakdown per category of rights managed and per type of use, and the purpose of the withholding;	Notes to the financial statements, coverage of the operating costs	13
	6. The percentages which the costs of the rights management and other services provided by the collective management organisation to rights owners represent compared to the rights revenue in the relevant financial year, per category of rights managed, and, in the case of indirect costs that cannot be attributed to one or more categories of rights, an explanation of the method used for the allocation of these indirect costs;	Key figures of Stemra	5
3c	Financial information on the amounts due to rights owners with a full description of at least the following items:		
	1. The total amount attributed to rights owners, with a breakdown per category of rights managed and per type of use;	Notes to the financial statements, copyright royalties to be distributed	4
	2. The total amount paid to rights owners, with a breakdown per category of rights managed and per type of use;	Key figures of Stemra	4, 38 - 42
	3. The frequency of the payments, with a breakdown per category of rights managed and per type of use;		19
	4. The total amount collected but not yet allocated to rights owners, with a breakdown per category of rights managed and per type of use, and indicating in which the financial year these amounts were collected;	Notes to the financial statements, copyright royalties to be distributed	38 - 42
	5. The total amount allocated to but not yet distributed among rights owners, with a breakdown per category of rights managed and per type of use, and specification of the financial year in which these amounts were collected;	Notes to the financial statements, copyright royalties to be distributed	38 - 42

Section	Description	Part of the annual report	Page number
	6.If a collective management organisation has not carried out the distribution and payment within the period laid down in Section 2i(3) of the Supervision Act: the reasons for the delay;	Notes to the financial statements, copyright royalties to be distributed	38 - 42
	7.The total balance of undistributed amounts, with an explanation of the use of these amounts;	Notes to the financial statements, copyright royalties to be distributed	38 - 42
3d	Information on the financial relationship with other collective management organisations, with a description of at least the following items:		
	1. Amounts received from other collective management organisations and amounts paid to other collective management organisations, with a breakdown per category of rights managed, per type of use and per organisation;	Key figures of Stemra	4
	2. Management costs and other withholdings from the rights revenue due to other collective management organisations, with a breakdown per category of rights, per type of use and per organisation;	Key figures of Stemra	4
	3. Management costs and other withholdings from the rights revenue paid by other collective management organisations, with a breakdown per category of rights and per organisation;	Key figures of Stemra	4
	4. Amounts distributed directly to rights owners originating from other collective management organisations, with a breakdown per category of rights and per organisation.	Key figures of Stemra	4
Section 4			
4a	The amounts withheld in the financial year for the purposes of social, cultural and educational services, with a breakdown per type of purpose and, for each type of purpose, with a breakdown per category of rights managed and per type of use;	Notes to the financial statements	N/A
4b	An explanation of the use of those amounts, with a breakdown per type of purpose including the costs of managing amounts withheld to fund social, cultural and educational services and of the separate amounts used for social, cultural and educational services.	Notes to the financial statements	N/A

1.5.1 INFORMATION ABOUT REFUSAL TO GRANT A LICENCE

Anyone who plays music belonging to the repertoire administered by Stemra must obtain prior permission for this from Stemra. Provided that certain standard conditions are met, including the payment of a fee, Stemra grants this permission in the form of a licence. Stemra does not refuse to grant licences. However, Stemra does have the option of suspending its permission if certain contractual obligations, including payment of the fee due, are not met.

If music is published or about to be published without the necessary permission, Stemra exercises its right of prohibition.

1.5.2 DISTRIBUTION FREQUENCY

The table below shows the distribution frequency per type of use within Stemra.

	Q1	Q2	Q3	Q4
Phono-mechanical rights BIEM / Central Licensing		X		X
PIEB (custom pressing) / Special Licensing		X		X
Radio & TV				X
Online	X	X	X	X
Private Copying / Public Lending Rights*				
Abroad	X	X	X	X
Abroad	X	X	X	X

* Will be distributed as soon as possible. This depends in part on the receipt of royalties and the decision-making on the distribution method

1.5.3 COMMENTS AND COMPLAINTS

Stemra regards the number of comments and complaints we receive as a measure of how well we have succeeded in identifying copyrighted work and carrying out the subsequent allocation and distribution. By reducing the distribution failure rate, we can ensure that there are fewer unresolved comments and hence fewer complaints. In the reporting year 2018, Stemra received one complaint, which was resolved in mid-2018.

—2. SUPERVISORY BOARD REPORT

2. SUPERVISORY BOARD REPORT

2.1 REPORT OF THE SUPERVISORY BOARD OF STEMRA

2.1.1 INTRODUCTION AND CONTEXT

2018 was in all respects a transitional year for Stemra. The transition to a new structure included the shift from the old governance model to the new Supervisory Board model, and from a Board with a single Director to a two-member Board with two newly appointed acting Board members, and the replacement of the Members' Meeting by the Council of Rights Owners. During this period of transition, the Supervisory Board closely supervised the (acting) Board member(s) in close communication with the latter.

The general context in which Stemra operated in 2018 is described in the Board report. This context included the follow-up given to the recommendations of the Investigation Committee (Smits/Winter Committee), which conducted its investigation on behalf of the Dutch Copyright Supervisory Board (CvTA). For the Supervisory Board of Stemra, one of the key concerns in its supervision was that the recommendations from this investigation were followed up in 2018, so as to ensure that Stemra can also make a fresh start in terms of its internal supervision. For the current Board, this investigation marks the conclusion of a turbulent period.

In addition to covering the Board's usual reporting to the Supervisory Board on its meetings and decisions, this Supervisory Board report discusses the following in more detail: the new governance structure (new governance and supervision model), the report of the Investigation Committee, the external supervision by the CvTA, the Supervision Agenda, the recruitment and appointment of the acting Board members and the extra General Members' Meeting on 29 October 2018.

In its supervision, the Supervisory Board always keeps in mind that Stemra has been set up by and for its members. The Stemra organisation needs to serve this mission and be aware that the rights and royalties of our members and affiliates are our core concern. This awareness is the guiding principle for the Supervisory Board and we strive to implement this in the working method, decision-making and recommendations, and want to render ourselves accountable about this. The Supervisory Board also sees this awareness among the acting Board members and, to the extent the Supervisory Board can assess this, among the employees.

The Supervisory Board would like to thank the employees and the interim members of the Board of Stemra for their exceptional work and dedication and their contributions towards achieving the mission of Stemra. In this period of transition, they managed to surpass the collection and distribution targets set for 2018 and to stay calm.

2.1.2 NEW GOVERNANCE AND SUPERVISORY BOARD MODEL

Since mid-2018, Stemra applies the Supervisory Board model set out in Dutch Governance Code for the cultural sector, and more specifically the Supervisory Board model of VOI@E.

This new governance structure was adopted by the General Members' Meeting of Vereniging Buma and the Meeting of Affiliates of Stemra (hereinafter jointly referred to as the 'General Members' Meeting') on 22 May 2018 by approving the amendment to the Articles of

Association. This General Members' Meeting also appointed the members of the Supervisory Board, consisting of six members appointed on the recommendation of the affiliated professional associations and one independent Chairman. The membership of the Supervisory Board was completed at the General Members' Meeting on 29 October 2018 through the appointment of its two independent members.

On 22 May 2018, no advice had yet been received from the Works Council regarding the change in the governance structure. For this reason, the General Members' Meeting voted to change the governance structure on the condition that this change would be endorsed by the advice from the Works Council.

On 31 May 2018, the Works Council issued its advice, endorsing the change on the condition that the report of the Investigation Committee would not give rise to any findings cautioning against this change. Thereupon, the former Board decided to implement the new governance structure, with the promise to the Works Council that it can rest assured that the findings and recommendations of the Investigation Committee would be thoroughly and carefully followed up, and the Works Council would be involved in this process. On 22 June 2018, the supervision of the Board of Stemra by the Supervisory Board was effectuated.

Stemra's governance structure includes the following bodies: the General Members' Meeting, the Council of Rights Owners, the Board, the Supervisory Board and the Works Council. As the professional associations have the right to nominate members of the Supervisory Board, these associations are also involved in the governance of Stemra. The authorities vested in these bodies are described in the Articles of Association and the Rules. Stemra's policy is decided and its success is assessed within this structure.

This structure is not only new to Stemra, but also gives rise to considerable complexity due to the involvement of a large number of people in the various bodies. Consequently, the effectiveness of this structure depends not only on the rules, but also on how everyone involved works together and how the various bodies use their powers.

In this new structure, the Supervisory Board also supervises the interaction between the Council of Rights Owners and the Board. A key aspect of this interaction is that the Board involves the Council of Rights Owners in an adequate and timely manner in the topics that concern the Council, and that the Board provides sufficient information to the Council and incorporates input from the Council in its decision-making in a way that is visible to the Council of Rights Owners and the Supervisory Board.

In its report, the Board has also included the issues that were discussed with the Council of Rights Owners.

Stemra is supervised by the CvTA. In addition to the Board, the Supervisory Board also periodically consults with the CvTA on the basis of the Supervision Agenda.

2.1.3 SUPERVISION AND REPORT OF THE INVESTIGATION COMMITTEE

On 18 September 2018, the report of the Investigation Committee was published on Stemra's website. In 2018, the supervision focused in

large part on the significance of this report for the Board and the supervision of Stemra, in addition to the general supervision aspects. In a series of meetings, the CvTA and the Supervisory Board translated the interpretation of the report of the Investigation Committee into internal and external supervision, each within the scope of its own roles and responsibilities. To this end, at least five meetings were held with at least five members of the Supervisory Board and the CvTA. In addition, the Supervisory Board held special meetings, both by telephone and in person, exclusively devoted to the Investigation Committee's draft and final report on its investigation and all related matters.

The Supervisory Board has translated the report's significance to the internal supervision based in the context of the general supervision and has incorporated this in its own Supervision Agenda. This Supervision Agenda has been posted on Stemra's website.

Based on this Supervision Agenda, a second Board member, the acting CFO, was appointed in 2018 (see below under 6), and the Audit Committee was reinforced through the nomination of two independent Supervisory Board members with a finance/ICT/data profile.

The Board translated the Supervision Agenda into its Action Plan in 2018. The Supervisory Board supervises the implementation of this plan.

The Supervisory Board has involved the key stakeholders, the Works Council and the Council of Rights Owners in the internal supervision. The Supervisory Board and the Works Council discussed the internal supervision and the report of the Investigation Committee, also in the context of the condition which the Works Council had set for its positive advice on the change in governance. The results of this meeting have been translated into the Supervision Agenda. A concrete example of this is the evaluation of the redesign of the structure of Stemra on the basis of indicators that must be established in consultation with the Works Council. Another concrete example is the reinforcement of the role of the Works Council and of the Council of Rights Owners through education.

Prior to the publication of the report of the Review Committee, the Supervisory Board was given access to it under embargo. Following the publication of the report, the Supervisory Board discussed the consequences of the report for the internal supervision and the Supervision Agenda with the Council of Rights Owners.

The Board and the Supervisory Board invited the chairmen of the professional associations to take part in discussions about the report of the Investigation Committee. Almost all professional associations accepted this invitation.

On 18 September 2018, the report of the Investigation Committee and the Supervision Agenda were posted on Stemra's website.

2.1.4 SUPERVISORY BOARD

In the notes to the report of the Supervisory Board, an overview is provided of the dates of the meetings of the Supervisory Board and the subjects discussed and decisions made by the Supervisory Board.

The Supervisory Board has appointed three committees: the Audit Committee, the Stakeholders Committee and the Remuneration Committee. These committees have the task to explore and prepare subjects so as to enable a more detailed discussion of dilemmas within the Supervisory Board.

Below in this report, an overview is provided of the dates of the meetings of the committees and the subjects discussed in the committees.

The Supervisory Board discussed the status of the organisation of Stemra with the Board in the lead-up to their written reporting. The quality of the financial, ICT and legal functions was discussed and explained through presentations by managers. This not only provided the Supervisory Board with information about the content, but also gave the Supervisory Board an impression of the people who are responsible for managing these functions.

The Board informed the Supervisory Board that the financial function was reinforced in the course of 2018. This was also confirmed by the auditor.

With respect to the IT structure and function and the risks associated with the current IT systems, the Board is acutely aware of the need to replace these. The systems are reliable at present, but due to various factors, including the exponential increase in data, it cannot be guaranteed that they are future-proof. The Board and the Supervisory Board recognise that the context of Stemra's new strategy affects the decision-making on a new ICT structure. Accordingly, in the course of 2019 a decision will be made on the rearrangement and replacement of (elements in) the ICT structure.

The Supervisory Board and the Board continuously discuss the accuracy, volume, sources and speed of collection of copyrights, and obviously also the accuracy, volume and speed of distribution of copyrights. In addition, the size and purpose of the investment portfolio was discussed in relation to the speed and frequency of distributions of copyright royalties.

Stemra's new strategy is a top priority. The Board communicated the process to develop this strategy, the involvement of all stakeholders and the schedule for this. This process will start in the first quarter of 2019.

In the meetings, no issues were discussed that led to a conflict of interest for the members of the Supervisory Board.

MEMBERSHIP OF COMMITTEES

Audit Committee

1. Mr R. Hopstaken
2. Ms J. Messerschmidt
3. Mr M. Swemle
4. Mr N. Walboomers

Remuneration Committee

1. Ms J. Messerschmidt
2. Ms J. de Zwaan
3. Mr A. Molema
4. Mr R. van Vliet

Stakeholders Committee

1. Ms J. de Zwaan
2. Mr A. Fiumara
3. Mr R. Hopstaken
4. Mr R. Meister
5. Mr R. van Vliet

2.1.5 INTERACTION BETWEEN SUPERVISORY BOARD AND COUNCIL OF RIGHTS OWNERS

The Supervisory Board met three times with (a delegation of) the Council of Rights Owners in 2018. At these meetings, the report of the Investigation Committee and the profiles and nomination of the acting Board members were discussed.

2.1.6 INTERACTION BETWEEN COUNCIL OF RIGHTS OWNERS AND WORKS COUNCIL

In 2018, the Supervisory Board met six times with the Works Council and also had a number of non-plenary discussions with the Works Council. These included four plenary meetings about the draft and final report of the Investigation Committee, two meetings with a delegation of the Works Council in the context of Section 24(1) of the Works Councils Act, and several non-plenary discussions about the recruitment and selection of the acting Board members.

2.1.7 EMPLOYER ROLE: APPOINTMENT OF TWO ACTING BOARD MEMBERS

On the occasion of the publication of this report, the Chairman of the Board, Mr Wim van Limpt, announced that he was resigning his position of Chairman and member of the Board of Stemra as of 29 October and that he would be leaving Stemra as of 31 December 2018.

The Supervisory Board collectively participated in the recruitment and selection of the acting Board members. Based on the profiles, it was decided to appoint Mr Siebe van Elsloo, who already served as acting Financial Director since 20 May 2018, as acting CFO. Based on the profile, and with the assistance of an executive search firm, Mr Cees van Steijn was recruited as acting CEO.

These acting Board members will have the task to restore calm within and around Stemra and to restore confidence in Stemra. To this end, they will need to translate the Supervision Agenda into policy and implement this policy, besides the day-to-day management of Stemra.

The Board members have done their utmost to rise to this challenge from their first day of work at Stemra. First of all by directing the operations of Stemra, and also, based on the Action Plan, by making a start with drawing up the strategy, analysing Stemra's core functions and evaluating the structure.

2.1.8 GENERAL MEMBERS' MEETING

The Board convened an extra General Members' Meeting, which was held on 29 October 2018. In addition to the standard subjects, such as the minutes for the previous meeting, the agenda for this General Members' Meeting included:

- Announcement by the Chairman of the Supervisory Board that Mr van Limpt had decided to resign his position as Chairman and member of the Board after this meeting. As a result, the Supervisory Board was faced with the situation where, pursuant to the Articles of Association, two vacancies on the Board needed to be filled.
- Discussion of report of the Investigation Committee; this covered the following:
 - * report of the Investigation Committee
 - * Supervision Agenda
 - * opinion of the Works Council
 - * questions from ten participants about Buma/Stemra reports
- Introduction to Council of Rights Owners;
- Transparency report, including financial statements Stemra 2017;
- Adoption of and feedback on social and cultural policy;
- Amendment to Articles of Association and Rules (addition of third independent member to the Supervisory Board; proposal by ten members to make the financial statements available to the General

Members' Meeting at least two weeks in advance in future; adoption of E-Voting Rules);

- Appointment of two independent members of the Board.

The General Members' Meeting adopted the following motions: The General Members' Meeting of 29 October 2018:

- consented to the interim appointment by the Supervisory Board, pursuant to its authority thereto (under Article 21.10 of the Articles of Association), of Mr Cees van Steijn as the first Board member (Chairman of the Board) and Mr Siebe van Elsloo as the second Board member (Financial Director) of Stemra;
- requested not to convene an extra Members' Meeting to decide on the permanent filling of the interim vacancies that have arisen, but to put this on the agenda for the next regular annual meeting for 2019 (Articles 21.10 and 21.2 of the Articles of Association);
- approved the financial statements 2017 of Buma and the financial statements 2017 of Stemra;
- granted discharge from liability to the Board and Management of both Buma and Stemra;
- approved the proposals with regard to the Articles of Association and Rules; and.
- appointed Mr Ruud Hopstaken and Ms Jolanda Messerschmidt as independent members of the Supervisory Board.

In the lead-up to the General Members' Meeting, the Board and the Supervisory Board organised informal evening events to enable the members and affiliates to obtain information in connection with this upcoming meeting. Although the turnout was very low, the Board and the Supervisory Board are committed to organising these informal evening events ahead of each General Members' Meeting.

2.1.9 FINANCIAL ANNUAL REPORT AND APPROVAL BY THE SUPERVISORY BOARD

The draft annual report 2018 was discussed with the Audit Committee on 9 May 2019 and with the full Supervisory Board on 23 May 2019, both times in the presence of the auditor. The auditor's management letter was discussed with the Audit Committee on 14 March 2019, also in the presence of the auditor.

2.1.10 EDUCATION AND SELF-ASSESSMENT

In 2018, the Supervisory Board participated in education activities together with the Board, the Council of Rights Owners and the Works Council. On 13 November 2018, under the guidance of an external facilitator, the Council of Rights Owners, the Board, the Works Council and the Supervisory Board worked on their understanding of the different roles of the various bodies and on formulating shared principles, with regard to allocating roles and sticking to defined roles, for example.

In the same context, nearly all members of these bodies participated in the educational event of VOI@E on 25 September 2018.

In 2019, based on the experiences gained in 2018/2019, the Council of Rights Owners, the Board, the Works Council and the Supervisory Board will again organise a joint education programme to improve the effectiveness of the governance structure.

The Supervisory Board did not perform a self-assessment in 2018. In 2019 – within one year of the appointment of the full Supervisory Board – the Supervisory Board will assess its own performance under the guidance of an external facilitator.

2.1.11. RETIREMENT SCHEDULE

In early 2019, the Supervisory Board adopted a retirement schedule that provides for the phased appointment and retirement of its members.

2.2 OTHER POSITIONS OF MEMBERS OF THE SUPERVISORY BOARD, COUNCIL OF RIGHTS OWNERS AND BOARD UNDER THE ARTICLES OF ASSOCIATION

OTHER POSITIONS/OCCUPATIONS OF MEMBERS OF THE SUPERVISORY BOARD

Ms Josephine de Zwaan	Paid	Supervisory Board member of Fairphone B.V. (chairman) Supervisory Board member of Stichting Cito (chairman) Supervisory Board member of Stichting Vilans (vice-chairman) Supervisory Board member of Stichting Hogeschool Leiden (vice-chairman) Board member of Stichting Administratiekantoor Aandelen Triodos Bank N.V. (chairman)
	Unpaid	Board member of Stichting Academeia Advisory Board member of New Board Program Nijenrode
Mr Anthony Fiumara	Paid	Composer Composition lecturer at Fontys School of the Arts Music journalist Partner at De Merkcultuur Board member of Stichting Brein
	Unpaid	Board member of ASKO Schönberg Board member of Stichting Temko Board member of Amstel Music Award Board member of Stichting Nieuw Geneco
Mr Ruud Hopstaken	Paid	Supervisory Board member of Central Agency for Reception of Asylum Seekers (COA) Supervisory Board member of Arthrogen BV
	Unpaid	Supervisory Board member of PharmAccess Group Amsterdam Treasurer of Stichting JDRF
Mr Rene Meister	Paid	Composer / arranger Owner of BEAR studio Producer Music compiler Performing artist
	Unpaid	Founder of BEAR project
Ms Jolanda Messerschmidt	Paid	Director/owner of TB&E Advice BV Supervisory Board member of BMW Finance NV Supervisory Board member of BMW International Investments BV External adviser at Align Matters
	Unpaid	Treasurer of Benoordenhout residents' association
Mr Arriën Molema	Paid	Songwriter / composer / producer Guitarist and business manager at Room Eleven Vice-chairman of BAM! Member of visitation committee of Utrecht municipality for Cultural Memorandum
	Unpaid	Executive Committee member of CIAM
Mr Marc Swemle	Paid	Director/owner of VaVaVoom! Music Company since 1996 Director/owner of Swemle Media Holding B.V. since 2001
	Unpaid	Board member of BCMM since 2012

OTHER POSITIONS/OCCUPATIONS OF MEMBERS OF THE SUPERVISORY BOARD

Mr Raymond van Vliet	Paid	Director/Major Shareholder of Cloud 9 Music Holding
	Unpaid	Vice-chairman of Nederlandse Muziek Uitgevers Vereniging (NMUV)
Mr Niels Walboomers	Paid	Managing director of Sony/ATV Music Publishing Benelux Director/Major Shareholder of Walboomers Publishing BV Director of EMI Music Publishing Benelux from 18 February 2015 Director/Major Shareholder of Nelis Holding BV Board member of Cliq Digital AG Board member of Donemus
	Unpaid	Board member of Nederlandse Muziek Uitgevers Vereniging Board member of BMPA (Belgium Music Public Association)

All members of the Supervisory Board of Stichting Stemra must also be a member of the Supervisory Board of Vereniging Buma

OTHER POSITIONS/OCCUPATIONS OF MEMBERS OF THE COUNCIL OF RIGHTS OWNERS

Mark Bremer	Paid	Managing Director of Universal Music Publishing Benelux
	Unpaid	Chairman of Nederlandse Muziek Uitgevers Vereniging (NMUV)
Iason Chronis	Paid	Composer / producer / DJ Owner of Animal Language recordings Events organiser
	Unpaid	Board member of Popauteurs.nl Board member of DDJF Member of Popcoalitie
Ben van den Dungen	Paid	Performing artist Composer Lecturer at Rotterdams Conservatorium Codarts Producer at Jwajazz Producer at Musica Extrema
	Unpaid	Board member of Stichting Wereldmuziek in Nederland
Hans Everling	Paid	Composer / producer Director/owner of SOB Audio Imaging BV Production Director at Mail Voice Netherlands Director/owner of Haramitsu Holding BV
	Unpaid	Vice-chairman of BCMM
Monique Krüs	Paid	Composer / producer Soprano / voice coach
	Unpaid	Board member of Nieuw Geneco
Wim Kwakman	Paid	Music publisher of Pennies From Heaven BV Director/Major Shareholder of Pennies From Heaven BV
	Unpaid	Board member of Nederlandse Muziek Uitgevers Vereniging (NMUV)
Davo van Peursen	Paid	Managing Director and Director/Major Shareholder of Donemus Publishing BV Board secretary at Stichting Donemus Beheer
	Unpaid	Member of Programme Board at Omroep Rijswijk Chairman of Vereniging van Muziekhandelaren en -uitgevers in Nederland (VMN) since June 2017

OTHER POSITIONS/OCCUPATIONS OF MEMBERS OF THE COUNCIL OF RIGHTS OWNERS

Aafke Romeijn	Paid	Composer, producer and performing musician Writer and journalist Treasurer of BAM! Affiliate of ECSA Artistic leader at Stichting Babi Pangang Producties
Martijn Schimmer	Paid	Director/owner of TFS Media Group Director/owner of Schimmer Music Productions Director/owner of Online Cookie Collective BV Director/owner of Talents for Brands B.V. Director/owner of Track Media Music Publishing Director/owner of SMP Copyrights BV
Koen Vergouwen	Paid	Director/Major Shareholder of Tierolff Muziekcentrale BV
	Unpaid	Vice-chairman of VMN
Johan van der Voet	Paid	Songwriter / composer / producer Director/owner of Soundgram Post Production since 1996
	Unpaid	Director/owner of Studio Soundgram & Soundgram Publishing since 2014 Guest lecturer at various Colleges
Rita Zipora Verbrugge	Paid	Performing musician and songwriter Moderator/presenter at music events Secretary and Board member of BAM! Choir conductor Chairman of POPnI Member of Music committee of Amsterdam Arts Council Member of Monitoring committee of Council for Culture
	Unpaid	Affiliate of Popcoalitie

All members of the Council of Rights Owners of Stichting Stemra must also be a member of the Council of Rights Owners of Vereniging Buma.

OTHER POSITIONS/OCCUPATIONS OF MEMBERS OF THE BOARD UNDER THE ARTICLES OF ASSOCIATION

Cees van Steijn	Paid	Non-executive director of Stak Bouwstate
	Unpaid	Advisory Board member of Boer & Croon Corporate Finance Board member of Stichting Buma Beleggingsfonds Board member of Stichting Stemra Beleggingsfonds Board member of Stichting SCAN
Siebe van Elsloo	Paid	Member of Supervisory Board of Centraal Instituut voor Toetsontwikkeling (Cito) Chairman of Audit Committee of Cito Member of Supervisory Board of EYE Chairman of Audit Committee of EYE
	Unpaid	Treasurer of Stichting 1877 Treasurer of Stichting de Groene Beheer Board member of Stichting Buma Beleggingsfonds Board member of Stichting Stemra Beleggingsfonds Board member of Vereniging VOI©E Secretary/Treasurer of Stichting SCAN
Wim van Limpt	Unpaid	Chairman of the Board of Stichting Buma Beleggingsfonds (until 7 November 2018) Chairman of the Board of Stichting Stemra Beleggingsfonds (until 7 November 2018) Board member of Stichting SCAN (until 29 October 2018) Board member of Stichting Brein Vice-chairman of Vereniging VOI©E (until 2 October 2018) Board member of Stichting Buma/Stemra Projecten Board member of FastTrack Board member of Stichting Beheer Rechten Fingerprinting Database

All members of the Board of Stichting Stemra must also be a member of the Board of Vereniging Buma.

—3. APPROVAL ON THE **FINANCIAL** **STATEMENTS**

3. APPROVAL ON THE FINANCIAL STATEMENTS

After having audited the financial statements of Stichting Stemra, Mazars N.V. has issued an unqualified auditor's report in respect of the financial statements. We propose to adopt the financial statements 2018 of Stemra in accordance with Article 27, paragraph 7, of the Articles of Association and to grant discharge from liability to the members of the Board in respect of the performance of their duties in the financial year 2018.

Hoofddorp, 23 May 2019

SUPERVISORY BOARD

Ms Josephine de Zwaan	Chairman
Mr Anthony Fiumara	Member of the Supervisory Board
Mr Ruud Hopstaken	Member of the Supervisory Board
Ms Jolanda Messerschmidt	Member of the Supervisory Board
Mr Rene Meister	Member of the Supervisory Board
Mr Arriën Molema	Member of the Supervisory Board
Mr Marc Swemle	Member of the Supervisory Board
Mr Raymond van Vliet	Member of the Supervisory Board
Mr Niels Walboomers	Member of the Supervisory Board

BOARD

Mr Cees van Steijn	Acting Chief Financial Officer
Mr Siebe van Elsloo	Acting Chief Executive Officer

—4. FINANCIAL STATEMENTS

4.1 BALANCE SHEET AS AT 31 DECEMBER 2018

After appropriation of the result

(x EUR 1,000)

	31/12/2018	31/12/2017
ASSETS		
FIXED ASSETS		
Tangible fixed assets (1)	-	20
CURRENT ASSETS		
Receivables		
Accounts receivable (2)	1,387	2,556
Taxes and social security contributions	1,145	958
Other receivables (3)	3,791	1,111
Prepayments and accrued income (4)	12	2,161
	6,335	6,786
Cash and cash equivalents (5)	70,577	65,120
TOTAL ASSETS	76,912	71,926

	31/12/2018	31/12/2017
LIABILITIES		
Equity (6)		
Foundation capital	1	1
Continuity reserve	5,760	5,760
Appropriated reserve	6,201	5,114
	11,962	10,875
Provisions (7)	76	338
Non-current liabilities (8)	50	-
Current liabilities		
Copyright royalties to be distributed (9)	59,653	55,914
Accounts payable	580	218
Taxes and social security contributions	26	25
Other liabilities (10)	305	228
Accruals and deferred income (11)	4,260	4,328
	64,824	60,713
TOTAL LIABILITIES	76,912	71,926

4.2 OPERATING STATEMENT FOR 2018

(x EUR 1,000)	2018	2017
INCOME		
Entrance and annual fees	848	804
Administration fee withheld upon distribution	3,510	2,929
Total income	4,358	3,733
EXPENSES		
Personnel costs (12)	1,846	1,637
Amortisation and depreciation	20	87
Accommodation costs	83	87
General costs (13)	1,339	2,370
Total expenses	3,288	4,181
Balance of financial income and expenses	1,070	-448
Interest income and similar income	17	-
Interest expenses and similar expenses	-	-25
Financial income and expenses	17	-25
Result before taxes	1,087	-473
Taxes (14)	-	-
Result after taxes	1,087	-473
Appropriation of the result	2018	2017
Addition to / withdrawal from:		
- Continuity reserve	-	-
- Appropriated reserve	1,087	-473
	1,087	-473

4.3 CASH FLOW STATEMENT FOR 2018

(x EUR 1,000)	2018	2017
Balance of total income and expenses	1,070	-448
Adjustments for:		
Amortisation and depreciation	20	87
Changes in provisions	-262	299
Changes in operating capital	821	-803
	579	-417
CASH FLOW FROM OPERATIONS	1,649	-865
Interest received	17	-
Changes in copyright royalties to be distributed	3,741	10,429
Interest paid	-	-25
Non-current liabilities	50	-
	3,808	10,404
NET CASH FLOW	5,457	9,539
Change in cash and cash equivalents		
Balance as at start of financial year	65,120	55,581
Investments during financial year	5,457	9,539
Balance as at end of financial year	70,577	65,120

4.4 NOTES TO THE FINANCIAL STATEMENTS

INFORMATION ABOUT THE LEGAL ENTITY

Business address and trade register number

Stichting Stemra, having its registered office in Amstelveen and its head office at Saturnusstraat 42-62, 2132 HB in Hoofddorp, is registered with the Chamber of Commerce in Amsterdam under file number 40530934.

GENERAL INFORMATION

Key activities of the legal entity

The objective of Stichting Stemra (hereinafter also 'Stemra') is to promote both the tangible and intangible interests of composers and songwriters and their successors in title and of publishers and publishing companies as a non-profit institution. Stemra stands for Stichting tot Exploitatie van Mechanische Reproductierechten voor Auteurs (Foundation for Administration of Mechanical Reproduction Rights for Composers and Songwriters).

Continuity of the activities

These financial statements have been prepared based on the going concern assumption. These financial statements concern the financial year 2018, which ended at the balance sheet date of 31 December 2018.

Comparative figures

In order to provide better insight into the copyright royalties still to be distributed, part of this item, which was presented under 'Royalties still in progress' in 2017, is presented under 'Royalties accrued in previous years' in 2018. This concerns an addition from the release of copyright royalty reserves. To facilitate the comparability of these figures, the comparative figures for 2017 have been adjusted (reclassification of EUR 1.3 million from 'Royalties still in progress' to 'Royalties accrued in previous years').

Information about group structure

The financial statements of Stichting Stemra are its company financial statements. In accordance with the prevailing laws and regulations, there is no group relationship with related organisations, except with Stichting Stemra Beleggingsfonds.

Stichting Stemra Beleggingsfonds

Stichting Stemra Beleggingsfonds (SBF) is an investment fund in the form of a foundation, which was established to facilitate Stichting Stemra's investment policy. The Board of SBF is identical to Board of Stichting Stemra. SBF invests for the account and risk of Stichting Stemra. In order to enable SBF to perform the required management tasks, the legal ownership of the investments rests with SBF; the beneficial ownership of the investments rests with Stichting Stemra. As the size of the SBF is of negligible significance in relation to Stemra's total financial statements, it has not been consolidated. During the years 2015 through to 2018, Stichting Stemra did not hold any investments.

Although Vereniging Buma and Stichting Stemra collaborate in one staffing organisation, there is no intragroup relationship between them, as they are not part of the same economic entity under the relevant statutory provisions, because of the strict segregation between Vereniging Buma and Stichting Stemra.

Information about estimates

In the preparation of the financial statements, the Board uses estimates and assumptions when applying the accounting policies and determining the reported amounts for assets, liabilities, income and expenses. The estimates and underlying assumptions are based on past experience and various other factors which are considered to be reasonable given the circumstances, and which are assessed periodically. Actual results may differ from these estimates. Changes in estimates are recognised in the period affected by the change.

In the view of the Board, the following changes in accounting policies are the most critical to the presentation of the financial position and require estimates and assumptions:

- Valuation of receivables;
- Actuarially determined provisions, such as the provision for the annual allowances scheme;
- Claims by licensees and/or rights owners related to the collection and distribution of copyright royalties.

BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

Applied accounting standards

The financial statements have been prepared in accordance with Part 9 of Book 2 of the Netherlands Civil Code, as required by Section 2q(3) of the Collective Management Organisations for Copyright and Neighbouring Rights (Supervision and Dispute Resolution) Act ('Supervision Act'). In addition, the applicable quality mark criteria of VOI@E (Association of Organisations that Collectively Administer Intellectual Property) have been taken into account.

Unless stated otherwise in the explanation of the accounting policies, assets and liabilities are stated at historical cost. An asset is recognised in the balance sheet when it is probable that the future economic benefits will flow to the organisation and the asset can be measured reliably.

A liability is recognised in the balance sheet when it is probable that its settlement will result in an outflow of resources embodying economic benefits and the amount at which the settlement will take place can be measured reliably.

An asset or liability recognised in the balance sheet remains on the balance sheet when a transaction (with respect to the asset or liability) does not lead to a significant change in the economic substance with respect to the asset or liability. An asset or liability is no longer recognised in the balance sheet when a transaction results in all or substantially all rights to economic benefits and all or substantially all risks associated with the asset or liability being transferred to a third party or being lost. Income is recognised in the operating statement when an increase in economic potential associated with an increase in an asset or a decrease in a liability has arisen that can be measured reliably. Expenses are recognised when a decrease in economic potential related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Income and expenses are allocated to the period to which they relate. The functional currency of Stichting Stemra is the euro. Unless stated otherwise, all amounts are rounded to thousands of euros.

Conversion of amounts in foreign currency

Transactions denominated in foreign currency are converted into euros at the exchange rate applicable at the transaction date.

Monetary assets and Liabilities in foreign currency are converted into euros on the balance sheet date at the exchange rate applicable at this date. Exchange rate differences arising from the settlement of monetary items, or arising from the conversion of monetary items into foreign currency, are recognised in the operating statement in the period in which they arise.

Non-monetary assets and liabilities in foreign currency that are recognised at historical cost are converted into euros at the exchange rate applicable at the transaction date. The exchange rate differences arising from the conversion are recognised in the operating statement.

Leases

The organisation can enter into financial and operational lease contracts. A lease agreement where all or substantially all the risks and rewards associated with the ownership of the leased asset are transferred to the lessee qualifies as a financial lease. All other lease agreements classify as operational leases. The classification of a lease is determined based on the economic substance of the transaction, not its legal form.

Operational leases

If the organisation acts as the lessee in an operational lease, the leased asset is not recognised. Fees received as an incentive to conclude an agreement are recognised as a reduction in the lease costs over the lease period. Lease payments and fees in respect of operational leases are debited and credited respectively to the operating statement using the straight-line method over the lease period, unless a different allocation system is more representative of the pattern of the benefits to be derived from the use of the leased asset.

Pension plans

Stichting Stemra offers its employees a career average pension plan. This pension plan is administered by Stichting Bedrijfs-takpensioenfondsvoor de Media, PNO (the industry-wide pension fund for the media sector). The pension contributions payable for the financial year are recognised as costs. A liability is recognised for unpaid pension contributions as at balance sheet date. As the liabilities in respect of the pension contributions have short terms, they are stated at their nominal value. The risks in connection with wage developments, price indexation and the investment returns on the pension plan assets could lead to future adjustments in the annual contributions to the pension fund. In the event of a shortfall at the industry-wide pension fund, Stichting Stemra is not obliged to pay additional contributions other than higher future pension contributions.

Financial instruments

Financial instruments comprise primary instruments (receivables, securities, cash and cash equivalents and liabilities). Financial instruments are initially recognised at fair value, with the directly attributable transaction costs being included in the initial recognition. If, however, financial instruments are subsequently measured at fair value with changes in value being recognised in the operating statement, the directly attributable transaction costs are recognised

directly in the operating statement upon initial recognition.

After their initial recognition, financial instruments are measured as follows:

- Receivables are measured at amortised cost using the effective interest rate method, less any provisions deemed necessary for the risk of uncollectibility. These provisions are determined based on individual assessments of the receivables;
- Cash and cash equivalents are stated at nominal value. If cash and cash equivalents are not at the free disposal of Stemra, this is taken into account in their valuation. Cash and cash equivalents denominated in foreign currency are converted into the functional currency at the balance sheet date at the exchange rate applicable on that date. Please also refer to the pricing principles for foreign currency transactions;
- liabilities are measured at amortised cost using the effective interest rate method. The effective interest is recognised directly in the operating statement. The repayment obligations for the non-current liabilities for the coming year are recognised under current liabilities.

Stemra does not hold a trading portfolio and does not have any derivative financial instruments.

PRINCIPLES FOR THE VALUATION OF ASSETS AND LIABILITIES

Tangible fixed assets

Tangible fixed assets are stated at cost of acquisition or manufacture less cumulative depreciation and impairment. Depreciation charges are calculated as a percentage of the cost of acquisition cost or manufacture using the straight-line method based on the estimated useful life. Advance payments on tangible fixed assets and assets under construction are not depreciated. Tangible fixed assets are assessed at each balance date for indications that these assets are subject to impairment. If such indications are present, the recoverable amount of the asset is estimated. The recoverable amount is the higher of the value in use and the net realisable value. When the carrying amount of an asset is higher than the recoverable amount, an impairment loss is recognised for the difference between the carrying amount and the recoverable amount.

The estimated useful life is as follows:

- hardware / computer equipment 3 - 5 years

Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost, less any provisions deemed necessary for the risk of uncollectibility. These provisions are determined based on individual assessments of the receivables.

Cash and cash equivalents

Cash and cash equivalents are stated at nominal value. If cash and cash equivalents are not at the free disposal of Stemra, this is taken into account in their valuation.

Continuity reserve

One of the aims of the continuity reserve is to ensure the continuity of the performance of the activities and the fulfilment of obligations to third parties, also with regard to the distribution of copyright royalties that still have to be distributed according to the financial statements.

Appropriated reserve

Because of the system of fixed administration fees to cover the costs, an operating result is expected each year. The operating result is recognised in the appropriated reserve.

Provisions

A provision is recognised in the balance sheet for a legal or constructive obligation arising from a past event, when it is probable that an outflow of funds will be required for the settlement of this obligation, and the amount of the obligation can be estimated reliably. Provisions are measured at the present value of the expenditure expected to be required to settle the obligation.

Provision for long-service awards

The provision for future long-service awards is the provision for future long-service awards to active employees with a permanent employment contract. The provision concerns the estimated amount of the future long-service awards. The calculation is based on the commitments made, employee retention rates and ages.

Non-current and current liabilities

Liabilities are initially recognised at fair value and subsequently measured at amortised cost.

Copyright royalties

Stemra recognises a receivable in respect of copyright royalties when the amount can be determined reliably, it is probable that it will flow to Stemra, and it is enforceable as at balance sheet date. Copyright royalties received from other, mainly international, Collective Management Organisations (CMOs) are generally recognised on a cash basis, as the amount cannot be determined reliably at an earlier time. Copyright royalties are recognised in the balance sheet in the item 'Copyright royalties to be distributed'. The Distribution Rules set out the rules for the distribution and payment of music copyright royalties received by Stemra to the participants and other stakeholders. The Distribution Rules are reviewed by the Board every three years.

As part of the distribution process, reserves are formed for, among other things:

- works for which Stemra has insufficient information to be able to distribute royalties, for example because information on rights owners, copyright details or cue sheets for films, series or commercials is missing;
- works for which the cumulative collection is lower than the threshold for distribution (non-distributed items);
- claims in respect of comments with regard to the distribution (also in view of the indemnification that Stemra provides to the paying licensee*). The reserve is based on historical data regarding claims paid out per distribution section for comments that were deemed to be justified, and amounts to no more than 2%.

* In the agreements that Stemra concludes with the licensee, Stemra indemnifies the licensee against claims of rights owners affiliated directly or via sister societies. Furthermore, we refer to Section 26 a-c of the Copyright Act, which sets out the provisions for mandatory collective management.

Reserves are periodically reviewed and distributed when the necessary information has been added or, in the case of a non-distributed item, when the threshold for distribution has been attained. Reserves that have not distributed within three calendar years after the year of collection are divided proportionally over the various distribution sections and distributed via the regular distribution in the fourth

calendar year after collection (in accordance with the Supervision Act). For works that are claimed by multiple rights owners (contradictory claims), no distribution takes place until it is clear who the rights owner is. A longer reserve period may be used for royalties received from sister societies for which insufficient information has been received to be able to distribute them.

PRINCIPLES FOR DETERMINING THE RESULT

Administration fee

The administration fee is recognised as income in the operating statement. Upon distribution to rights owners, a percentage of the collected copyright royalties is withheld and recognised in the year of distribution as income in the operating statement under 'Administration fee withheld'.

Taxes

Taxes comprise the current income tax payable or recoverable for the reporting period. The taxes are recognised in the operating statement. Current tax comprises the expected tax payable or recoverable in respect of the taxable profit for the financial year, calculated on the basis of tax rates enacted as at balance sheet date. In an advance tax ruling valid until 31 December 2017, which has been extended by one year, the Dutch Tax and Customs Administration has determined that Stichting Stemra is subject to corporation tax. Deductible foreign withholding taxes and Dutch dividend tax may be deducted up to a maximum equal to the amount of tax due under this advance tax ruling. Consequently, no corporation tax is due for the financial year 2018.

Stemra is in discussions with the Dutch Tax and Customs Administration about the tax qualification of the entities.

Financial income and expenses

Interest income and expenses are recognised in the period to which they relate.

PRINCIPLES FOR THE PREPARATION OF THE CASH FLOW STATEMENT

The cash flow statement has been prepared using the indirect method. Interest received is presented as cash flow from operating activities.

In the presentation of the cash flow statement, the copyright royalties received on behalf of the rights owners and the distributions made to rights owners are not recognised in the cash flow statement. The cash flows associated with the copyright royalties to be distributed by Stemra are disclosed separately.

NOTES TO THE SPECIFIC ITEMS OF THE BALANCE SHEET

(1) TANGIBLE FIXED ASSETS

The changes in tangible fixed assets are as follows:

(x EUR 1,000)	Machinery and equipment
Balance as at 1 January 2018	
Cost of acquisition/manufacture	673
Cumulative depreciation	-653
Carrying amount as at 1 January 2018	20
Changes	
Depreciation	-20
Total changes	-20
Balance as at 31 December 2018	
Cost of acquisition/manufacture	673
Cumulative depreciation	-673
Carrying amount as at 31 January 2018	-

(2) RECEIVABLES

(x EUR 1,000)	31/12/2018	31/12/2017
Accounts receivable	1,402	2,583
Provision for uncollectible amounts	-15	-27
	1,387	2,556

The accounts receivable include an amount of EUR 0.4 million (2017: EUR 0.6 million) with a term of more than one year. All the other receivables have an expected term of less than one year. The carrying amount of the recognised receivables corresponds to their fair value, given the short-term nature of the receivables. Provisions for uncollectible amounts have been recognised where necessary.

The provision for uncollectible amounts is deducted from the carrying amount of the receivables. As at year-end 2018, the total provision for uncollectible amounts amounted to EUR 15 thousand (2017: EUR 27 thousand).

(3) OTHER RECEIVABLES

(x EUR 1,000)	31/12/2018	31/12/2017
Buma current account	1,742	697
Stemra affiliates	2,049	414
	3,791	1,111

The other receivables have a term of less than one year. The amount receivable from the Stemra affiliates concerns advance payments on Private Copying royalties for the period 2013-2014.

(4) PREPAYMENTS AND ACCRUED INCOME

(x EUR 1,000)	31/12/2018	31/12/2017
Prepayments and accrued income	12	2,161

The prepayments and accrued income have a term of less than one year. The balances presented in the balance sheet as at 31 December 2017 included an amount that was expected to be received from Stichting de ThuisKopie in relation to previous years, and which was indeed received in 2018.

(5) CASH AND CASH EQUIVALENTS

(x EUR 1,000)	31/12/2018	31/12/2017
Cash and cash equivalents	70,577	65,120

The cash and cash equivalents are at the free disposal of Stemra. The cash and cash equivalents consist entirely of cash held at Dutch system banks.

LIABILITIES

(6) RESERVES

(x EUR 1,000)	Foundation capital	Continuity reserve	Appropriated reserve	Total
Balance as at 1 January 2018	1	5,760	5,114	10,875
Change arising from distribution of the result	-	-	1,087	1,087
Balance as at 31 December 2018	1	5,760	6,201	11,962

Pursuant to Article 27, paragraph 6, of the Articles of Association of Stichting Stemra, the financial statements are adopted by the General Members' Meeting. The Board has proposed to the General Members' Meeting to add the surplus of EUR 1.1 million to the appropriated reserve. The appropriation of the result is included in the financial statements.

(7) PROVISIONS

(x EUR 1,000)	31/12/2018	31/12/2017
Other provisions	42	300
Provision for long-service awards	34	38
	76	338

OTHER PROVISIONS

In 2018, a provision was recognised for several legal claims for which a reliable estimate can be made of the financial consequences. In 2017, a provision was recognised for expenditure expected to be incurred in 2018 in connection with the further investigation conducted by the CvTA in response to the reports issued by BDO and Nauta Dutilh on 2016 and previous years.

PROVISION FOR LONG-SERVICE AWARDS

(x EUR 1,000)	2018	2017
Balance as at 1 January	38	39
Interest payment	1	1
Distribution	-5	-2
Balance as at 31 December	34	38

This provision concerns future long-service awards to employees, and is largely long term.

(8) NON-CURRENT LIABILITIES

(x EUR 1,000)	31/12/2018	31/12/2017
Pension liability	50	-

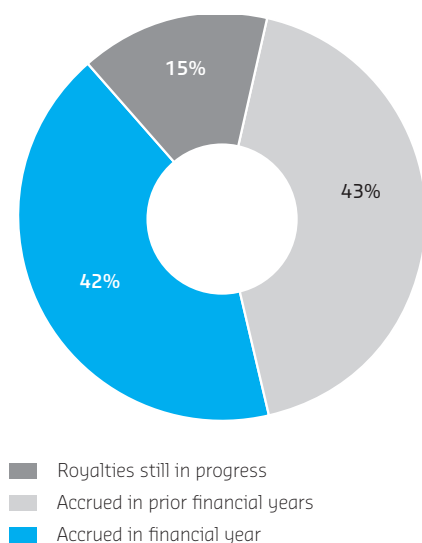
(9) CURRENT LIABILITIES**COPYRIGHT ROYALTIES TO BE DISTRIBUTED**

Changes in the royalties to be distributed in the financial year were as follows:

(x EUR 1,000)	2018	2017
Balance as at 1 January 2018	55,913	45,483
Collection		
Music use in the Netherlands	26,720	32,464
CMOs Abroad	5,681	3,827
	32,401	36,291
Distributions to:		
Directly affiliated rights owners	-22,470	-20,809
CMOs Abroad	-2,682	-2,122
Distributions	-25,151	-22,931
Administration fee withheld upon distribution	-3,510	-2,930
Withholdings	-3,510	-2,930
Balance as at 31 December	59,653	55,913

On balance, the copyright royalties to be distributed increased by EUR 3.7 million compared to the previous year. The changes are explained in more detail in the sections below.

COMPOSITION OF COPYRIGHT ROYALTIES TO BE DISTRIBUTED FOR 2018



The royalties to be distributed as at balance sheet date can be specified as follows:

(x EUR 1,000)	2018	2017
1. Accrued in financial year	24,954	27,014
2. Royalties still in progress due to:		
- As yet unallocable royalties	5,292	6,269
- Rome rule	405	303
- Contradictory claims	2,609	2,464
- Claim differences	514	600
Total royalties still in progress	8,821	9,636
3. Accrued in prior financial years	25,878	19,262
Total as at 31 December	59,653	55,912

The balance of the royalties to be distributed can be divided into three categories. These categories indicate in which phase of the distribution process the royalties are.

The first category concerns the royalties accrued in the financial year. These royalties became available for distribution in the financial year, and were partly already distributed in 2018.

The second category concerns the royalties for which the distribution process could not be completed. Stemra is committed to ensuring the fair distribution of the collected royalties. The collected royalties must be allocated to the correct rights owners. Sometimes, it is not yet possible to distribute royalties to the correct rights owners, for example because the registration of the copyrights is incomplete, or because there is disagreement between the rights owners on the distribution of the copyright to their works.

The third category concerns royalties accrued in previous years that cannot yet be distributed to the correct rights owners.

The following sections provide further information on each category.

1. ACCRUED IN FINANCIAL YEAR (EUR 25.0 MILLION)

The composition of the copyright royalties that became available for distribution during the financial year is as follows:

(x EUR 1,000)	2018	2017
Revenue from copyright royalties	32,399	36,291
Addition from release of copyright royalty reserves	4,153	4,469
Distributed in financial year *	-11,597	-13,745
Became available during the year for distribution	24,954	27,014

* This distribution partly consists of royalties accrued in previous years.

The increase in accrued royalties in the financial year was due to the fact that the distributions made in the same year decreased. In addition, the collection level decreased, particularly for Private Copying. Furthermore, a release from the copyright royalty reserves of EUR 4.1 million was added to the amount available for distribution (2017: EUR 4.5 million); this concerns reserves for which the (statutory) reserve period has expired.

In order to provide better insight into the copyright royalties still to be distributed, part of this item, which was presented under 'Royalties still in progress' in 2017, is presented under 'Royalties accrued in previous years' in 2018. This concerns an addition from the release of copyright royalty reserves. To facilitate the comparability of these figures, the comparative figures for 2017 have been adjusted (reclassification of EUR 1.3 million from 'Royalties still in progress' to 'Royalties accrued in previous years').

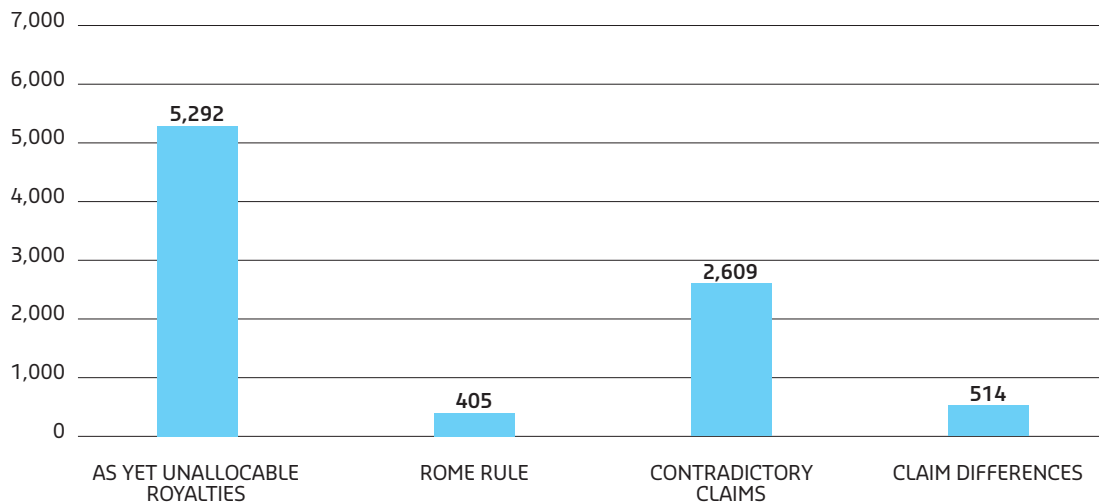
The copyright royalties were received from the following categories:

(x EUR 1,000)	2018	2017
Phono-mechanical rights BIEM / Central Licensing	5,610	6,058
PIEB (custom pressing) / Special Licensing	3,869	4,935
Radio & TV	6,579	5,819
Online	5,347	5,339
Private Copying / Public Lending Rights	5,312	10,197
Reprographic rights	-	115
Abroad	5,681	3,827
Total	32,399	36,291

2. ROYALTIES STILL IN PROGRESS (€EUR 8.8 MILLION)

Royalties still in progress concern royalties for which the distribution process could not yet be completed. This section explains the composition of this category of royalties in more detail.

Composition of royalties still in progress (x EUR 1,000)



There can be various reasons why royalties are included in the category 'Royalties still in progress'. This is explained in the sections below.

As yet unallocable royalties (EUR 5.3 million)

If data is missing or there is uncertainty about the received data, the use of music cannot be allocated to the correct rights owner.

There can be three reasons for this:

- No detailed data is available about broadcasts or this data is incomplete, which means no or only incomplete information about the musical works used.
- No copyright data is available or this data has not yet been fully processed, which means no active copyright is available that can serve as a basis for the distribution. This data is submitted by the rights owner but is not always correct or complete;
- Assessment of royalties received from abroad. After receiving royalties and the associated use from the sister societies, Stemra checks the distribution of these royalties as specified by the sister society. Any anomalies must be examined. The royalties are distributed after the necessary checks have been completed.

Rome rule (EUR 0.4 million)

This concerns a reserve that is recognised if some of the rights owners are not fully identifiable. The unidentifiable portion is distributed or reserved depending on the identifiable portion. This depends on the origin of the identified rights owners. If the majority of the known rights owners are affiliates of Stemra, the unidentified portion is reserved. If the majority of the known rights owners are affiliated to another society, the amount is distributed to the relevant society. In this way, Stemra also receives Rome rule amounts from other societies for unknown rights owners.

Contradictory claims (EUR 2.6 million)

These amounts relate to copyrights for which the rights owners are still discussing how these rights should be distributed.

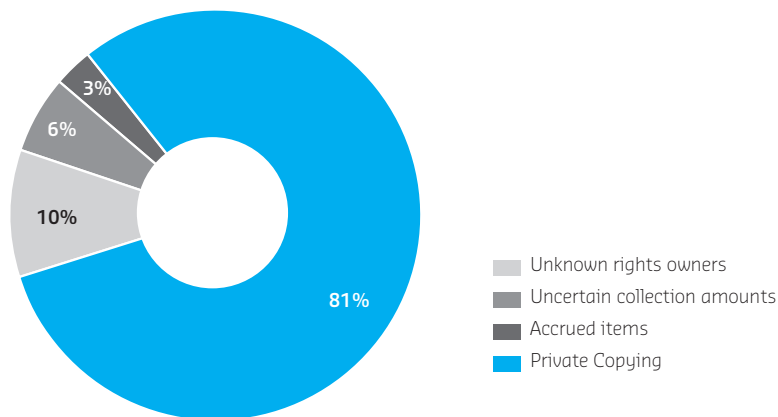
Claim differences (EUR 0.5 million)

This item concerns reserves for claims against record companies submitted by Stemra where the estimates of the claim amounts were initially too high.

3. ACCRUED IN PREVIOUS YEARS (EUR 25.9 MILLION)

In addition to the amounts accrued in the financial year and the royalties still in progress, there are also royalties that cannot yet be distributed due to other reasons. The graph below shows the distribution of these royalties.

COMPOSITION OF ROYALTIES ACCRUED IN PREVIOUS YEARS



Private Copying (EUR 21.1 million)

These royalties cannot yet be distributed because discussions are still ongoing about the distribution of these royalties among rights owners.

'Unknown rights owners' and 'Information still to be verified' respectively (EUR 2.5 million)

The royalties recognised under this item concern royalties for which the rights owners to which the royalties must be distributed have not yet been identified, or for which the information submitted by the sister societies is still to be verified. When the rights owners can be identified or the information submitted by sister societies can be processed, these royalties are paid out. This item partly concerns royalties for which the manual verification process could not be completed in time. It is expected that the processing of these royalties will be completed in 2019, so that they can be distributed.

Uncertain collection amounts (EUR 1.6 million)

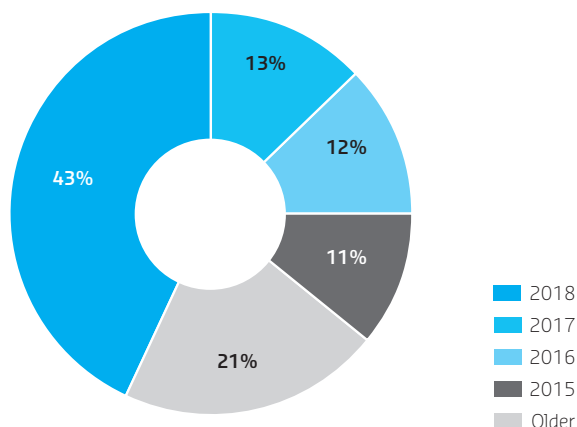
Regarding these amounts, there is uncertainty about the completeness of the collected amounts. As long as there is uncertainty about the completeness of the collection, these royalties are not distributed.

Accrued items (EUR 0.7 million)

This concerns royalties which became available for distribution late in 2018 and which could therefore not be processed in 2018. It is expected that these royalties will be distributed in 2019.

4. AGE OF COPYRIGHT ROYALTIES TO BE DISTRIBUTED

COMPOSITION OF ROYALTIES ACCRUED IN PREVIOUS YEARS



(9) DISTRIBUTABLE COPYRIGHT ROYALTIES BY ANNUAL TRANCHE

(x EUR 1,000)	Total	2018	2017	2016	2015	Older
Accrued in financial year	24,954	24,954	-	-	-	-
Royalties still in progress due to:						
- As yet unallocable royalties	5,292	527	1,937	1,484	1,345	-
- Rome rule	405	31	87	79	90	118
- Contradictory claims	2,609	55	220	198	86	2,051
- Claim differences	514	51	118	172	173	-
Accrued in prior financial years	25,878		5,165	5,073	5,143	10,498
Total as at 31 December	59,653	25,619	7,527	7,005	6,837	12,666

Part of the copyright royalties to be distributed has a long-term character.

If royalties cannot be distributed upon the first attempt in the year of collection, they are taken to the item 'Royalties still in progress'. For these royalties, Stemra has the obligation during a period of three years to identify the rightful owner of these royalties and to distribute them. If Stemra is unable to do so, these royalties are distributed through the distribution of undistributed royalties. An exception to this rule applies to contradictory claims.

In addition to the contradictory claims reserve of EUR 2.1 million, the reserve for the collection for years prior to 2015 mainly consists of royalties received from sister societies for which the information required for a correct distribution is not yet available. Furthermore, EUR 10.5 million was recognised in relation to prior financial years.

The royalties accrued in previous years are expected to be distributed in 2019. This depends, however, on the timely submission of data by third parties to Stemra.

(10) OTHER LIABILITIES

(x EUR 1,000)	31/12/2018	31/12/2017
Stemra affiliates and participants	296	225
Foreign sister societies	9	3
Total as at 31 December	305	228

The other liabilities have a term of less than one year.

(11) ACCRUALS AND DEFERRED INCOME

(x EUR 1,000)	31/12/2018	31/12/2017
Invoices to be paid	93	77
Other	848	572
Holiday allowance and annual leave	88	66
To be settled with industry and custom pressers	236	246
Dutch industry advance payments	2,995	3,367
Total as at 31 December	4,260	4,328

'Dutch industry advance payments' include the invoiced advance payments on reproduction rights that have yet to be paid by the Dutch industry for the periods until year-end 2018. Advance payments are offset against the final payment.

The accruals and deferred income have a term of less than one year.

FINANCIAL INSTRUMENTS

Stemra's most important financial instruments concern cash and cash equivalents (91% of the balance sheet total; 2017: 91%). The cash and cash equivalents mainly concern royalties that cannot yet be distributed to the rights owners. The cash and cash equivalents consist of cash held at Dutch system banks. The other financial instruments included under the assets are receivables (9% of the balance sheet total; 2017 9%), which are measured at amortised cost. Receivables are generally non-interest-bearing. The interest received on cash and cash equivalents is marginal. The maximum credit risk with regard to receivables and cash and cash equivalents equals the carrying amount. There is no concentration of the credit risk. The financial liabilities represent 84% of the balance sheet total (2017: 84%). The main component of this are the copyright royalties to be distributed (78% of the balance sheet total; 2017: 78%). These are measured at cost. The financial liabilities are non-interest-bearing. The fair value of all the financial instruments approximates the carrying amount. There are no financial instruments with a carrying amount exceeding the fair value. Stemra did not have any derivative financial instruments as at year-end, and does not apply hedge accounting.

OFF-BALANCE SHEET ASSETS AND LIABILITIES

Long-term liabilities

As at 31 December, the off-balance sheet liabilities had the following terms:

(x EUR 1,000)	2018	2017
Joint contracts with Stichting Stemra		
Less than 1 year	1,617	1,399
Between 1 and 5 years	158	1,106
	1,775	2,505
Contracts entered into independently		
Less than 1 year	56	57
Between 1 and 5 years	211	212
Longer than 5 years	225	278
	492	547
Total as at 31 December	2,267	3,052

The allocation of costs between Buma and Stemra for each liability is specified in the notes. The obligations regarding the rent and leasing have been entered into by Buma; costs are charged on for this to Stemra.

The long-term liabilities in the table above concern lease costs, rental costs and costs for outsourcing activities.

Leasing and software

The operational lease costs for printers, lease cars and software have been entered into by Buma and are allocated between Buma and Stemra on the basis of 90%/10%. The costs are recognised over the lease period in the operating statement using the straight-line method. With respect to the obligation to Buma, the liability with a term of less than one year amounts to EUR 14.2 thousand (2017: EUR 32.2 thousand) and those with a term of between one and five years amount to EUR 10.2 thousand (2017: EUR 54.2 thousand).

Rent

The financial obligation in respect of the accommodation in the previous premises in Hoofddorp ran until 31 December 2017. On 1 January 2018, a new rental obligation was entered into for a period of ten years. The rental obligation has been entered into by Buma. The (annual) rental obligation is allocated between Buma and Stemra on the basis of 90%/10%. The total rental obligation to Buma for the remaining term of the contract amounts to EUR 0.5 million (2017: EUR 0.5 million).

Outsourcing of activities – ICE Copyright

Vereniging Buma and Stichting Stemra have jointly entered into the obligation to outsource their musical works database to ICE for a period of five years (as from March 2015). The remaining financial liability resulting from this amounts to EUR 0.7 million (2017: EUR 1.3 million.). The costs of ICE are allocated between Buma and Stemra on the basis of 90%/10%.

Outsourcing of activities – ICE Online

Vereniging Buma and Stichting Stemra have jointly entered into the obligation to outsource the processing of online music use to ICE for a period of five years (as from March 2015). The remaining financial liability resulting from this amounts to EUR 0.2 million (2017: EUR 0.4 million). These costs are allocated between Buma and Stemra on the basis of 90% / 10%.

Accenture

Vereniging Buma and Stichting Stemra have jointly entered into the contractual obligation to outsource part of the back-office activities to Accenture until the end of December 2019. Part (the first quarter) of these liabilities has been prepaid and has been recognised by Vereniging Buma in its prepayments and accrued income. The remainder represents a liability of EUR 0.7 million.

A second part is a liability that is not included in the balance sheet. This concerns improvement projects that Accenture performs annually. This liability concerns only the first quarter of 2019 and amounts to EUR 0.2 million.

Long-term rights

(x EUR 1,000)

	2018	2017
Less than 1 year	-	288
Between 1 and 5 years	-	161
Total as at 31 December	-	449

PNO Media

Until 2018, Stemra had a right to a deposit account at PNO Media, which was reported off-balance sheet. This right could be used to finance the pension costs in excess of the cap of 15% of the integral wage bill, to the extent that the deposit at PNO media, which was earmarked for this purpose, was sufficient to fund this. In 2018, it was agreed with PNO Media to transfer the remaining amount in the deposit account to Stemra. As this transfer was effected in 2018, PNO Media no longer has an obligation to Stemra in respect of this deposit account, and Stemra therefore no longer has to report an off-balance sheet right.

Through the transfer of the deposit account and Stemra's receipt of the remaining amount from the deposit account, the obligation of PNO Media to finance the pension costs in excess of the cap of 15% of the integral wage bill, to the extent that the deposit is sufficient to fund this, has also been transferred to Stemra.

The relevant liability breaks down into a current portion (financing of pension costs in excess of cap of 15% of integral wage bill within one year) and a non-current portion (financing of pension costs in excess of cap of 15% of integral wage bill after one year).

Claims

A number of claims have been lodged against Stichting Stemra which it disputes, as well as a number of claims for which an outflow of funds is expected. A provision has been recognised for the claims for which an outflow of cash is expected that can be estimated reliably. Although the outcome of these disputes cannot be predicted with certainty, it is assumed – also based on legal advice – that these disputes will not have a significant negative effect on the reported financial position of Stemra.

RELATED PARTIES

The following parties are considered to be related parties of Stichting Stemra: Vereniging Buma, Stichting Sociaal Fonds Buma, Stichting Service Centrum Auteurs- en Naburige rechten (Service Centre for Copyright and Neighbouring Rights) and the Management under the Articles of Association, Supervisory Board members and the Council of Rights Owners and the Board of Vereniging Buma and Stichting Stemra. For more information on the remuneration of the Supervisory Board members, the members of the Council of Rights Owners, the Board members and the Management under the Articles of Association, see under 'Personnel costs'. Normal transactions relating to the administration of copyrights involving Supervisory Board members or members of the Council of Rights Owners, or involving related parties of Supervisory Board members or members of the Council of Rights Owners, are not explicitly disclosed in the financial statements.

Any distributions of copyright royalties to Supervisory Board members and members of the Council of Members, or to related parties of Supervisory Board members or members of the Council of Members, have been calculated in the same manner as the distributions to all members and have been paid out in accordance with the normal procedures within Stemra. Due to the close relationships within the sector, Supervisory Board members and members of the Council of Members can also be related parties as customers of Stemra, such as through a music-related service that Stemra uses. Transactions with these parties are carried out at arm's length and under conditions that are no different from the conditions that would have been agreed with other parties.

With a view to transparency, the copyright royalties distributed to members of the Supervisory Board and their companies must be disclosed with effect from the financial year 2017. This concerns copyright royalties which Supervisory Board members have received as an individual or through legal entities in which they have a majority interest. For reasons of privacy, only the categories into which the royalties received fall are disclosed.

The copyright royalties received fall into the following categories:

THE COPYRIGHT ROYALTIES RECEIVED FALL INTO THE FOLLOWING CATEGORIES:

No distribution	A
Between 0 and 15,000	B
Between 15,000 and 50,000	C
Between 50,000 and 100,000	D
Between 100,000 and 500,000	E
More than 500,000	F

The Supervisory Board members and the Board members have the following financial interests:

NAME	POSITION	STEMRA
Ms Josephine de Zwaan	Chairman of the Supervisory Board	A
Mr Anthony Fiumara	Member of the Supervisory Board	B
Mr Ruud Hopstaken	Member of the Supervisory Board	A
Mr Rene Meister	Member of the Supervisory Board	B
Ms Jolanda Messerschmidt	Member of the Supervisory Board	A
Mr Arriën Molema	Member of the Supervisory Board	B
Mr Marc Swemle	Member of the Supervisory Board	E
Mr Raymond van Vliet	Member of the Supervisory Board	A
Mr Niels Walboomers	Member of the Supervisory Board	B
Mr Cees van Steijn	Board member	A
Mr Siebe van Elsloo	Board member	A
Mr Wim van Limpt	Board member	A

Subsequent events

No significant events relating to the financial statements 2018 occurred after the balance sheet date.

NOTES TO THE OPERATING STATEMENT

(12) PERSONNEL COSTS	2018	2017
Salaries	777	757
Social security contributions	135	123
Pension costs	75	75
Other personnel costs	38	20
	1,025	975
Allocated by third parties	821	662
	1,846	1,637

As at 31 December 2018, the industry-wide pension fund (Stichting Bedrijfstakpensioenfonds voor de Media PNO) had a funding ratio of 106.0% (31 December 2017: 102.0%). The average number of FTEs remained stable in 2018 compared to 2017. During the financial year 2018, the average number of employees converted into FTEs was 14.2 (2017: 14.2 FTEs). As shown in the table below, the workforce can be divided into the following personnel categories.

	2018	2017
Legal Affairs	1.0	0.3
General Affairs	1.0	1.9
Front office	5.0	5.0
Back office	7.2	7.0
Total	14.2	14.2

REMUNERATION OF THE BOARD, COUNCIL OF MEMBERS, COUNCIL OF RIGHTS OWNERS AND MANAGEMENT UNDER THE ARTICLES OF ASSOCIATION

Under the Supervision Act, which came into force on 1 July 2013, a number of paragraphs in the Public and Semi-Public Sector Senior Officials (Standard Remuneration) Act (WNT) have been declared applicable to collective management organisations (CMOs). Vereniging Buma and Stichting Stemra work together in one staffing organisation under one Board (and following the transition to the new supervision model also one Supervisory Board), one Council of Members (and following the transition to the new supervision model also one Council of Rights Owners) and one Management. The agreements with the Management, the Board, the Council of Members and the Council of Rights Owners have been entered into by Vereniging Buma and Stichting Stemra jointly. The total remuneration of the senior officials of Vereniging Buma is specified in the tables below in accordance with Section 4.1 of the WNT 2018, where relevant. However, 50% of the costs for the Board, the Council of Rights Owners and the Supervisory Board is recognised in the financial statements of Vereniging Buma and 50% in those of Stichting Stemra. The remuneration of the Management is recognised in the financial statements of Buma and Stemra respectively on the basis of 90% / 10%.

1. REMUNERATION OF SENIOR OFFICIALS

1A. SENIOR MANAGEMENT OFFICIALS WITH AN EMPLOYMENT CONTRACT, AS WELL THOSE WHO HAVE SERVED WITHOUT AN EMPLOYMENT CONTRACT FOR 13 MONTHS OR MORE.

The remuneration per individual for 2018 – as defined in the Supervision Act – can be specified as follows (in EUR)*:

Name	Position	Employed	Total remuneration plus taxable expense allowance 2017	Post-contract benefits	Total WNT remuneration 2018	WNT maximum 2018	Total WNT remuneration 2017	WNT maximum 2017
Senior official with an employment contract								
W.H.L van Limpt	CEO**	1 Jan - 31 Dec 100%	174,445	14,552	188,997	189,000	181,000	181,000

* This concerns the total remuneration received from Buma/Stemra.

** The employment contract was terminated as of 31 December 2018. Mr van Limpt served as CEO on a full-time basis throughout the year.

The remuneration per individual for 2018 – as defined in the Supervision Act – can be specified as follows (in EUR)*:

Name	Position	Employed	Total WNT remuneration 2018	WNT maximum 2018
Senior official without an employment contract				
S.H. van Elsloo	Acting CFO**	1 Nov - 31 Dec 100%	29,007	31,586

* This concerns the total remuneration received from Buma/Stemra; the Board member does not have an employment contract.

** S.H. van Elsloo held the position of titular director / acting CFO until 28 October 2018 and was appointed as Board member / acting CFO with effect from 29 October 2018. He did not have an employment contract for the whole of 2018.

The remuneration per individual for 2018 – as defined in the Supervision Act – can be specified as follows (in EUR)*:

Name	Position	Employed	Remuneration 2018	Permitted maximum 2018	Remuneration 2017	Permitted maximum 2017
L.A.J.M. de Wit	Chairman of the Board	1 Jan - 22 June 40%	23,891	35,832	46,378	72,400
H.O. Westbroek	Board member	1 Jan - 22 June 20%	5,901	17,916	15,133	36,200
D. van Peursen	Board member	1 Jan - 22 June 20%	5,901	17,916	11,816	36,200
A.D.G. Fiumara	Board member	1 Jan - 22 June 20%	5,902	17,916	12,188	36,200
R. Meister	Board member	1 Jan - 22 June 20%	5,902	17,916	12,188	36,200
A.B. Molema	Vice-chairman of the Board **	1 Jan - 22 June 20%	8,530	17,916	14,618	36,200
P.L. Perquin	Board member	1 Jan - 22 June 20%	5,902	17,916	12,188	36,200
A.A.L. de Raaff	Board member	1 Jan - 22 June 20%	5,901	17,916	12,188	36,200
M. Schimmer	Board member	1 Jan - 22 June 20%	5,901	17,916	12,188	36,200
M. Swemle	Board member	1 Jan - 22 June 20%	5,901	17,916	12,188	36,200
R. van Vliet	Board member	1 Jan - 22 June 20%	5,901	17,916	12,188	36,200
J. van der Voet	Board member	1 Jan - 22 June 20%	5,901	17,916	12,188	36,200
N.M. Walboomers	Board member	1 Jan - 22 June 20%	5,893	17,916	12,188	36,200

* This concerns the total remuneration received from Buma/Stemra; these Board members do not have an employment contract.

** This Board member is the Vice-Chairman of the Board.

1B. SENIOR MANAGEMENT OFFICIALS WHO SERVED WITHOUT AN EMPLOYMENT CONTRACT IN THE CALENDAR MONTHS 1 UNTIL 12

The remuneration per individual for 2018 – as defined in the Supervision Act – can be specified as follows (in EUR)*:

Name	Position	Employed	Total WNT remuneration 2018	WNT maximum 2018	Total WNT remuneration 2017	WNT maximum 2017
Senior officials without an employment contract						
C.J.J. van Steijn	Acting CEO	29 Oct - 31 Dec 100%	55,328	75,900	-	-
S.H. van Elsloo	Acting CFO**	1 Jan - 31 Oct 100%	183,665	215,800	17,440	49,000

* This concerns the total remuneration received from Buma/Stemra; these Board members do not have an employment contract.

** S.H. van Elsloo held the position of titular director / acting CFO until 28 October 2018 and was appointed as Board member / acting CFO with effect from 29 October 2018. He did not have an employment contract for the whole of 2018.

1C. SENIOR SUPERVISORY OFFICIALS**REMUNERATION OF THE COUNCIL OF MEMBERS**

The remuneration per individual for 2018 – as defined in the Supervision Act – can be specified as follows (in EUR)*:

Name	Position	Employed	Remuneration 2018	WNT maximum 2018	Remuneration 2017	WNT maximum 2017
I.M. Chronis	Chairman of the Council of Members	1 Jan - 22 June	3,935	13,437	8,079	27,150
W. Kwakman	Vice-chairman and member of the Council of Members	1 Jan - 22 June	3,196	8,958	6,555	18,100
M.A. Bremer	Member of the Council of Members	1 Jan - 22 June	2,459	8,958	5,078	18,100
J.M.F. Everling	Member of the Council of Members	1 Jan - 22 June	2,459	8,958	5,078	18,100
M.T. Felis	Member of the Council of Members	1 Jan - 22 June	2,459	8,958	5,078	18,100
T. Kalksma	Member of the Council of Members	1 Jan - 22 June	2,442	8,958	5,078	18,100
K. Vergouwen	Member of the Council of Members	1 Jan - 22 June	2,465	8,958	4,923	18,100
M. Krüs	Member of the Council of Members	1 Jan - 22 June	2,459	8,958	5,078	18,100
B. van de Lisdonk	Member of the Council of Members	1 Jan - 22 June	2,459	8,958	5,078	18,100
B.N.A.D. van der Poel	Member of the Council of Members	1 Jan - 22 June	2,459	8,958	5,078	18,100
R. Zipora	Member of the Council of Members	1 Jan - 22 June	2,459	8,958	5,078	18,100
E. Severs	Member of the Council of Members	17 Jan - 22 June	2,230	8,130	-	-

* This concerns the total remuneration received from Buma/Stemra; these members of the Council of Members do not have an employment contract.

REMUNERATION OF THE COUNCIL OF RIGHTS OWNERS

The remuneration per individual for 2018 – as defined in the Supervision Act – can be specified as follows (in EUR)*:

Name	Position	Employed	Remuneration 2018	WNT maximum 2018
I.M. Chronis	Member of the Council of Rights Owners	23 June - 31 Dec	2,687	9,942
W. Kwakman	Member of the Council of Rights Owners	23 June - 31 Dec	2,687	9,942
M.A. Bremer	Member of the Council of Rights Owners	23 June - 31 Dec	2,687	9,942
J.M.F. Everling	Member of the Council of Rights Owners	23 June - 31 Dec	2,687	9,942
D.D. van den Dungen	Member of the Council of Rights Owners	23 June - 31 Dec	2,687	9,942
A. Romeijn	Vice-chairman of the Council of Rights Owners	23 June - 31 Dec	3,493	9,942
M. Schimmer	Member of the Council of Rights Owners	23 June - 31 Dec	2,687	9,942
M. Krüs	Member of the Council of Rights Owners	23 June - 31 Dec	2,687	9,942
D. van Peursen**	Chairman of the Council of Rights Owners	23 June - 31 Dec	3,841	12,091
K. Vergouwen	Member of the Council of Rights Owners	23 June - 31 Dec	2,687	9,942
R. Zipora***	Chairman of the Council of Rights Owners	23 June - 31 Dec	3,651	12,919
J. van der Voet	Member of the Council of Rights Owners	23 June - 31 Dec	2,687	9,942

* This concerns the total remuneration received from Buma/Stemra; these members of the Council of Members do not have an employment contract.

** D. van Peursen served as Vice-chairman from 23 June until 9 October 2018 and as Chairman from 11 October until 31 December 2018.

*** R. Zipora served as Chairman of the Council of Rights Owners from 23 June until 15 October 2018. R. Zipora served as a member of the Council of Rights Owners from 16 October until 31 December 2018.

REMUNERATION OF THE SUPERVISORY BOARD

The remuneration per individual for 2018 – as defined in the Supervision Act – can be specified as follows (in EUR)*:

Name	Position	Employed	Remuneration 2018	WNT maximum 2018
J. de Zwaan	Chairman of the Supervisory Board	22 May - 31 Dec	14,025	17,398
A. Fiumara	Member of the Supervisory Board	23 June - 31 Dec	9,766	9,942
R. Meister	Member of the Supervisory Board	23 June - 31 Dec	9,766	9,942
A.B. Molema	Vice-chairman of the Supervisory Board	23 June - 31 Dec	9,766	9,942
M. Swemle	Member of the Supervisory Board	23 June - 31 Dec	9,766	9,942
R. van Vliet	Member of the Supervisory Board	23 June - 31 Dec	9,766	9,942
N.M. Walboomers	Member of the Supervisory Board	23 June - 31 Dec	9,760	9,942
R.J.M. Hopstaken	Member of the Supervisory Board**	29 Oct - 31 Dec	3,314	3,314
J. Messerschmidt	Member of the Supervisory Board	29 Oct - 31 Dec	3,314	3,314

* This concerns the total remuneration received from Buma/Stemra; these members of the Supervisory Board do not have an employment contract.

** R.J.M. Hopstaken served as an adviser from 1 July until 28 October; he served as a member from 29 October until 31 December.

3. OTHER REPORTING OBLIGATIONS UNDER THE WNT

3A. REMUNERATION OF NON-SENIOR OFFICIALS

In 2018, Stemra made the transition from the previous governance model to a supervision model with a Board and a Supervisory Board. In this new system, the titular directors have no responsibility for the (day-to-day) management of the entire organisation and no decision-making powers in this respect, and this already applied in the lead-up to the new system. This means the titular directors did not serve as senior officials in 2018, and their remuneration is therefore disclosed under the category of non-senior officials. With regard to non-senior officials whose remuneration exceeds the WNT maximum, Vereniging Buma and Stichting Stemra have the policy to scale this back in accordance with the statutory transitional scheme until the WNT maximum is no longer exceeded.

The remuneration per individual for 2018 – as defined in the Supervision Act – can be specified as follows (in EUR)*:

Position	Employed	Total remuneration plus taxable expense allowance 2018	Post-contract benefits	Total WNT remuneration 2018	WNT maximum 2018	Total WNT remuneration 2017	WNT maximum 2017
Non-senior officials							
Titular director	1 Jan - 31 Dec 100%	243,972	37,230	281,202	189,000	291,282	181,000
Titular director **	1 Jan - 31 Dec 100%	195,471	28,348	223,820	189,000	221,458	181,000

* This concerns the total remuneration received from Buma/Stemra.

** Under the relevant contract, the titular director was entitled to a taxable travel expense allowance in connection with the return of a company lease car at the end of 2017. This was included in a supplementary payment in 2018. As a result, the remuneration paid in 2017 was EUR 1,222 higher than the amount presented in the financial statements 2017.

(13) GENERAL COSTS	2018	2017
Advisory fees	192	124
Contributions and other fees	61	51
Other expenses	14	15
	267	190
Charged-on general costs	1,072	2,180
	1,339	2,370

In 2017, there was a one-off increase in the general costs charged on by Buma. This concerned charged-on advisory fees. There were no research and development costs.

Financial income and expenses

Stemra holds its available revenues from royalties as cash, mostly in deposit accounts.

(14) TAXES

The Dutch Tax and Customs Administration has determined in an advance tax ruling that runs until 31 December 2017 that Stichting Stemra is subject to corporation tax. The advance tax ruling agreed with the Tax and Customs Administration dates from 6 November 2001 and was extended in May 2012 for a period of five years until 31 December 2016 and, in November 2016, extended for a period of one year until 31 December 2017. It was subsequently extended until December 2018. Stemra is in discussions with the Tax and Customs Administration about the tax qualification of the entities.

Signature

Hoofddorp, 23 May 2019

SUPERVISORY BOARD

Ms Josephine de Zwaan	Chairman
Mr Anthony Fiumara	Member of the Supervisory Board
Mr Ruud Hopstaken	Member of the Supervisory Board
Ms Jolanda Messerschmidt	Member of the Supervisory Board
Mr Rene Meister	Member of the Supervisory Board
Mr Arriën Molema	Member of the Supervisory Board
Mr Marc Swemle	Member of the Supervisory Board
Mr Raymond van Vliet	Member of the Supervisory Board
Mr Niels Walboomers	Member of the Supervisory Board

BOARD

Mr Siebe van Elsloo	Acting Chief Financial Officer
Mr Cees van Steijn	Acting Chief Executive Officer

—5. OTHER INFORMATION

INDEPENDENT AUDITOR'S REPORT

To the Affiliates of Stichting Stemra

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2018 INCLUDED IN THE ANNUAL REPORT

OUR OPINION

We have audited the financial statements 2018 of Stichting Stemra, based in Amstelveen.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Stichting Stemra as at 31 December 2018, and of its result for 2018 in accordance with Part 9 of Book 2 of the Dutch Civil Code and section 25a of the Collective Management Organisations for Copyright and Related Rights (Supervision and Disputes Settlement) Act (hereafter: 'Supervision Act').

The financial statements comprise:

1. the balance sheet as at 31 December 2018;
2. the operating statement for 2018; and
3. the notes comprising a summary of the accounting policies and other explanatory information.

BASIS FOR OUR OPINION

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing and the Supervision Act. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Stichting Stemra in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

COMPLIANCE WITH ANTI-CUMULATION PROVISION OF WNT HAS NOT BEEN AUDITED

With regard to the provisions in Section 25a of the Supervision Act, our audit did not include a review of whether any senior management official exceeded remuneration standards due to being employed at another institution which is subject to the Standards for Remuneration Act (WNT), nor did we review the accuracy and completeness of the disclosures required in this respect.

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- key figures of Stemra;
- Board report;
- supervisory Board report;
- approval on the financial statements;
- other information.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code;
- contains the information as required by sections 2b through to 3.d.4 of the 'Besluit transparantieverslag richtlijn collectief beheer'.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The board is responsible for the preparation of the other information, including the board report and supervisory board report, in accordance with Part 9 of Book 2 of the Dutch Civil Code, sections 2b through to till 3.d.4 of the 'Besluit transparantieverslag richtlijn collectief beheer' and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

RESPONSIBILITIES OF THE BOARD AND THE SUPERVISORY BOARD FOR THE FINANCIAL STATEMENTS

The board is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code and the Supervision Act. Furthermore, the board is responsible for such internal control as the board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the board is responsible for assessing the foundation's ability to continue as a going concern. Based on the financial reporting framework mentioned, the board should prepare the financial statements using the going concern basis of accounting unless the board either intends to liquidate the foundation or to cease operations, or has no realistic alternative but to do so.

The board should disclose events and circumstances that may cast significant doubt on the foundation's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.

OUR RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

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. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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;
- obtaining 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 the foundation's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board;
- concluding on the appropriateness of the board'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 foundation'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 a foundation to cease to continue as a going concern;

- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards

Amsterdam, 23 May 2019

Mazars N.V.

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MERKELIJKHEID

