

ANNUAL REPORT
VERENIGING BUMA
2018

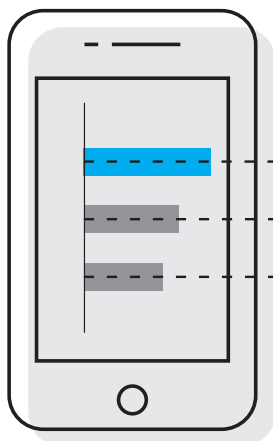
buma·stemra

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KEY FIGURES OF BUMA

COLLECTION BY BUMA (X EUR 1,000)



180,963 | 2018

172,411 | 2017

170,982 | 2016

NUMBER OF FTES



2018

2017

2016

BUMA

OUTSOURCING

122.8

26.5

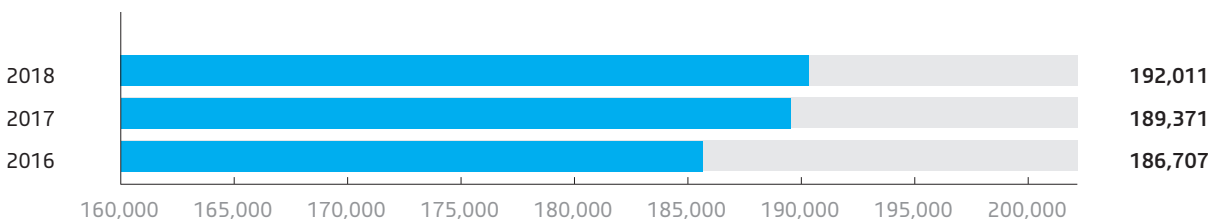
141.3

48.2

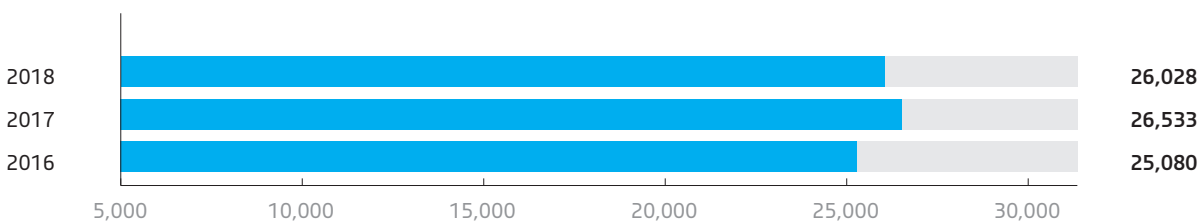
146.8

62.2

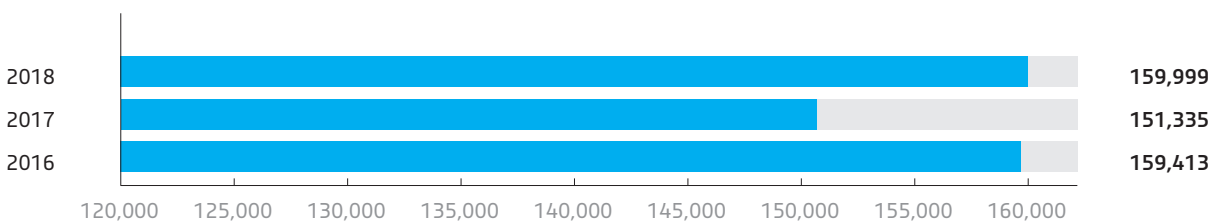
COPYRIGHT ROYALTIES TO BE DISTRIBUTED (x EUR 1,000)



MANAGEMENT COSTS (x EUR 1,000)



DISTRIBUTIONS (x EUR 1,000)



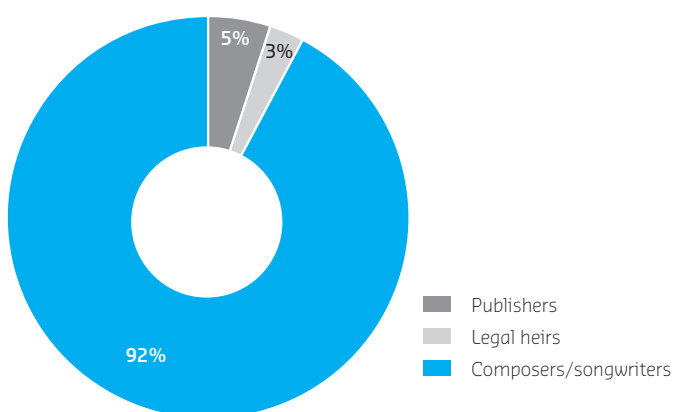
KEY FIGURES	2018	2017	2016	2015	2014	2013
(x EUR 1,000)						
COPYRIGHT ROYALTIES RECEIVED/RECEIVABLE						
Radio, TV and Network Providers	71,430	68,177	70,393	67,297	71,774	69,098
Live performances	34,065	30,698	29,799	27,146	24,130	23,380
Restaurants and bars	14,891	14,294	15,074	14,554	13,469	13,559
Work spaces	17,171	17,392	17,183	17,399	16,828	16,732
Shops and stores	13,234	13,509	13,179	13,436	12,317	12,494
Online	13,681	13,618	10,128	8,415	5,656	3,092
Music use in the Netherlands	164,471	157,688	155,756	148,247	144,174	138,355
Music use abroad	16,492	14,723	15,226	16,444	14,155	13,846
Total	180,963	172,411	170,982	164,691	158,329	152,201
DISTRIBUTIONS						
Rights owners	87,262	84,348	91,332	80,086	75,779	77,503
CMOs Abroad	57,855	53,503	54,535	53,657	49,757	50,943
Addition to Fund for Social and Cultural Purposes	10,456	9,896	10,368	10,201	10,184	10,098
	155,573	147,747	156,232	143,946	135,720	138,544
Administration fee withheld upon distribution	4,426	3,589	3,181	2,840	2,413	2,339
Total	159,999	151,335	159,413	146,786	138,133	140,883
COPYRIGHT ROYALTIES TO BE DISTRIBUTED						
Copyright royalties to be distributed at end of financial year	192,011	189,371	186,707	190,060	183,224	173,865
Fund for Social and Cultural Purposes						
Disbursements in financial year	10,587	9,704	11,863	11,581	12,376	12,631
Funds available at end of financial year	4,766	4,897	2,572	4,067	5,447	7,639
OPERATING STATEMENT						
Balance of administration fee to be withheld in the year of collection	18,323	18,411	14,917	11,069	10,837	8,326
Administration fee withheld upon distribution	4,426	3,589	3,181	2,840	2,413	2,339
Other income	885	868	842	791	791	862
Total income	23,634	22,868	18,940	14,700	14,041	11,527
Management costs	-26,028	-26,533	-25,080	-21,237	-20,878	-20,989
Total expenses	-26,028	-26,533	-25,080	-21,237	-20,878	-20,989
BALANCE OF TOTAL INCOME AND EXPENSES	-2,394	-3,665	-6,140	-6,537	-6,837	-9,462
Financial income and expenses	-7,793	10,523	8,371	1,169	11,521	10,827
Available for appropriated reserve	-10,187	6,858	2,231	-5,368	4,684	1,365

KEY FIGURES	2018	2017	2016	2015	2014	2013
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 Foreign Network Providers	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Actual cost percentage withheld for Other categories.	12.2%	12.8%	10.2%	7.9%	7.8%	6.2%
Average actual percentage withheld (administration fees as a percentage of collection)	12.6%	12.8%	10.6%	8.4%	8.4%	7.0%
Management costs (gross) as a percentage of total royalties received/receivable	14.4%	15.4%	14.7%	12.9%	13.2%	13.8%
Management costs (gross) as a percentage of total copyright royalties distributed (including administration fees withheld)	14.6%	16.0%	14.7%	13.5%	14.3%	14.0%
Annual change in operating costs	-1.9%	5.8%	18.1%	1.7%	-0.5%	4.5%
Derived consumer price index	1.7%	1.4%	0.3%	0.6%	1.0%	2.5%
Number of members and participants	29,761	28,386	26,531	25,151	23,951	22,850
Number of invoiced licensees	108,495	109,200	107,500	103,000	106,000	114,000
Number of employees in FTEs*	122.8	141,3	146.8	151.0	160.3	163.2

* The employees also work on behalf of Stemra.

Members and affiliates in 2018

Composers/songwriters	27,393
Publishers	1,457
Legal heirs	911
TOTAL	29,761



LIVE PERFORMANCES

More than 90,000 live performances were licensed.

SHOPS AND STORES, RESTAURANTS AND BARS AND WORK SPACES

155,000 locations were licensed.

ONLINE

In total, more than 1,100 websites and apps were licensed.

Distributions were made for 26.6 million downloads.

Distributions were made for 16.9 billion streams.

RTV

In total, 247 licences were concluded.

Distributions were made for 1.4 billion seconds.

—1. BOARD REPORT

1. BOARD REPORT

1.1 EXPLANATION BY THE BOARD

INTRODUCTION

Buma 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.

However, the financial results presented in this annual report include a false note, as our investments turned a loss in 2018. This was due to the developments in the global stock markets.

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

FINANCIAL RESULTS

Income came to EUR 181.0 million in 2018, up by 5% compared to the year before (2017: EUR 172.4 million) and increasing for the fifth year in a row. The growth of income in 2018 was mainly attributable to the market segments Radio & TV (RTV), Live performances, Online and Abroad. Income from the General licences (Restaurants and bars, Work spaces and Shops and stores) segment remained stable compared to previous years.

The distributions made by Buma increased by 3% in 2018 compared to 2017. In 2018, a total amount of EUR 155.6 million was distributed, compared to EUR 151.3 million in 2017. The distributions reached the highest level in the past 5 years in 2018.

The management costs decreased to 26.0 million, a 1.9% reduction compared to 2017, when the management costs amounted to EUR 26.5 million.

As such, the costs remained 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 for 2018 as a percentage of the collection came to 14.4%. The management costs for 2018 as a percentage of the distribution came to 14.6%. The development of the costs (which fell by 1.9%) remained 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, Buma's governance model consisted of a Board and Management. According to 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 implementation 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 amendments to the Articles of Association and 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 (including the additions to Buma Cultuur and Sociaal Fonds Buma);
- discussing the interim financial reports;
- deciding to engage Mazars Accountants for the audit of the financial statements with effect from the financial year 2017;
- 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 comprises 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.

Buma 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 Buma 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 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 Buma 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

The 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, Buma 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 Buma. 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 Buma 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,

Buma 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 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 members of Buma. 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 Buma 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, which 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 Buma's core tasks: administering repertoire. These initiatives, which involve offering rights including the related repertoire (i.e. repertoire that is not managed by Buma), fill a need in the market. As a result, new licensing models will emerge within Buma 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. This has prompted Buma to examine 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. Buma 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 subsequently reduce the lead time of processes. This should ultimately lead to a more efficient collection and distribution.

Blockchain technology appears to be 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, Buma 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 Buma 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. Buma 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, but 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 Buma constantly advocate the preservation of copyright. In this context, Buma 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 Buma. 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 Buma'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 Buma.

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). Buma will adjust its services to this trend by offering licences on a network-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 Buma will then be to continue to offer the licensees convenience, while also ensuring that the rights owners affiliated with Buma receive a fair price for the use of their music.

OUTDOOR ENTERTAINMENT

The outlook for this market segment continues to be favourable. Since the beginning of this century, we have witnessed the growth of the experience economy. In many cases, ownership is no longer important. Having access to music is now more important than owning it and experiencing it together, at events for example, is an increasingly important component of the total spending on music. Thanks to the spending power of consumers, combined with the good infrastructure in the Netherlands and the right business spirit, the events market continues to grow. However, as competition in the outdoor entertainment market is intense, only high-quality events survive in the longer run. For Buma, this means that we need to 'stay on the ball'. Here, too, we use innovative technological developments. Buma has, for instance, gained experience with data web crawling to identify new events. In the near future, Buma wants to supplement such techniques with the option to use machine learning to make vast quantities of gathered data useable.

BACKGROUND MUSIC

We are seeing a shift in the services which suppliers of background music provide to their clients, such as shops, 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.

PUBLIC USE

Overall, we are seeing a stabilisation in the market segment for *public use*, such as shops and stores, restaurant and bars, and work spaces.

Looking more closely at the various subsegments within public use, the following differences are visible.

Shops and stores: In this subsegment, it is clear to everyone that the street scene is changing. Shops and chain stores are disappearing, often leaving voids in shopping areas. Overall, retail is growing, but this growth is generated by online shops, not physical retail outlets. An exception to this are pop-up stores, which are a growing trend. However, these pop-up stores mostly generate lower income.

The decline in physical shops also leads to a reduction in income. It is therefore crucial to improve efficiency by working together. When it comes to marketing, Buma has a partnership with Sena (under the umbrella of the Service Centre for Copyright and Neighbouring Rights (SCAN)).

Restaurants and bars: We saw an increase in this market segment in 2018. Our turnover has recovered to pre-recession levels.

Work spaces: This market segment continues to experience slight growth. Thanks to the aforementioned partnership with Sena, we can operate more efficiently, which has had a positive impact on the number of licences we have concluded.

It is also worth pointing out that Buma, Sena and Videma have reached agreement with the Dutch employers' and business

organisations, VNO/NCW and MKB Nederland, for the public use segment. This concerns a negotiating protocol that sets out how we deal with the various sector organisations. The fee scheme for sector organisations has been revised and this scheme has been renewed for a period of five years.

ABROAD

Buma's income from abroad largely depends on the non-online markets. Given that Buma is obviously dependent on the success of its managed repertoire abroad, it is 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 Buma's operations.

In 2018, Buma paid a lot of attention to its IT infrastructure in order to safeguard its business continuity. 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 also 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, Buma 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, which involves 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 Buma's core activity and requires that we have high-quality in-house legal expertise.

OUTLOOK

Buma 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, particularly when it comes to investment results.

In this context, we have started the dialogue about the strategic reorientation of Buma. 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 is Article 17 (which was Article 13 in the draft Directive) addressing the 'value gap'. The Directive makes an important contribution to safeguarding 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 in Dutch law.

We expect that the collection level for Buma in 2019 will be slightly below the level achieved in 2018. It should be noted, however, that despite our proactive collection policy, Buma is dependent on when licensees or foreign sister societies pay royalties to Buma.

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.

The financial result, consisting mainly of the results on the investments, is uncertain, perhaps even more uncertain than ever. For these reasons, we cannot make any statements about the future outlook for Buma. However, we should note that our strategy for the investment portfolio is to invest in a risk-averse manner, focused mainly on retaining value.

IN CONCLUSION

We are very grateful to the staff of Buma, who have continued to do their jobs, even when the world around Buma went through turbulent times. Together we have ensured that Buma can present good financial results for 2018.

We look forward to continuing our work, together with our staff, the Supervisory Board, the Council of Rights Owners and all our other stakeholders, to achieve Buma'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

BUMA

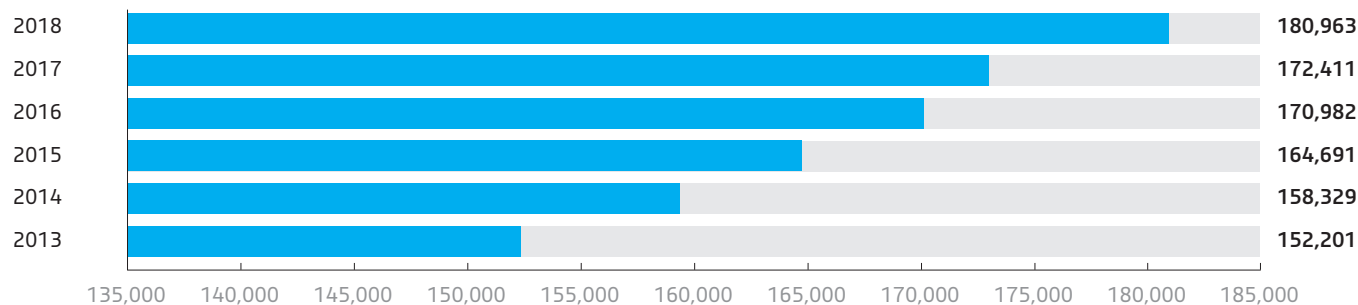
The copyright royalties were received from the following categories:

(x EUR 1,000)

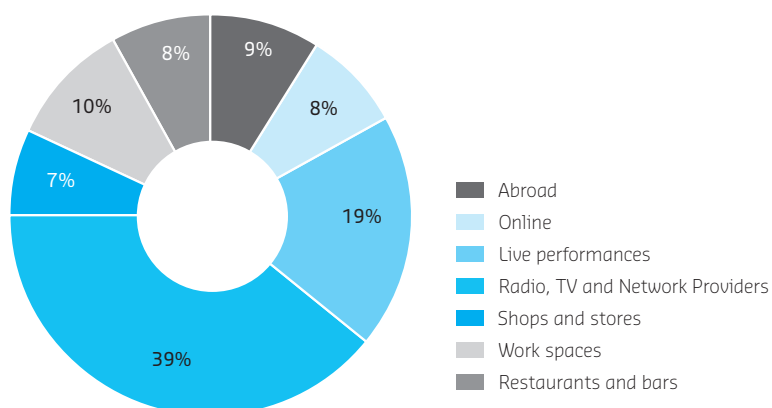
	Realisation 2018	Realisation 2017
Restaurants and bars	14,891	14,294
Work spaces	17,171	17,392
Shops and stores	13,234	13,509
TOTAL GENERAL LICENCES BUMA	45,296	45,195
Radio, TV and Network Providers	71,430	68,177
Live performances	34,065	30,698
Online	13,681	13,618
Abroad	16,492	14,723
TOTAL BUMA	180,963	172,411

DEVELOPMENT OF COLLECTION

(x EUR 1,000)



COMPOSITION OF COLLECTION



Buma achieved a collection of EUR 181.0 million in 2018, which is EUR 8.5 million higher than in 2017. We collected higher royalties in nearly all categories.

The collection level for the general licences achieved in 2018 was nearly identical to the level in 2017. Within the general licences, a shift is visible from work spaces / shops and stores to restaurants and bars. The reason for this is that shops and stores are increasingly making way for restaurants and bars. In addition, we are seeing a trend towards playing less music in work spaces.

The increase for Radio and TV was mainly due to the recognition in 2018 of additional income received from a number of large market parties relating to royalties for 2017.

As in previous years, the royalties received by Buma from the live performances market again increased in 2018. A large part of this increase in royalties was due to the increase in the number of music

festivals, as well as the extension of these festivals into multi-day events. The improved submission of setlists and playlists also means that Buma has better insight into smaller performances and therefore realises more licences. The number of theatre and cinema visitors in 2017 turned out to be higher than estimated. A subsequent settlement was effected in respect of this in 2018.

The increase in royalties from the online market was primarily due to the strong increase in online subscription services. This includes both the music streaming services and the Video On Demand services. Royalties from downloads decreased in 2018 compared to 2017, but this drop is more than offset by the increase in the streaming segment.

The royalties from shops and stores and work spaces increased in 2018 compared to 2017. This increase was achieved thanks to the settlement of disputes about royalties at sister societies. As a result of this, Buma received royalties relating to multiple years in 2018.

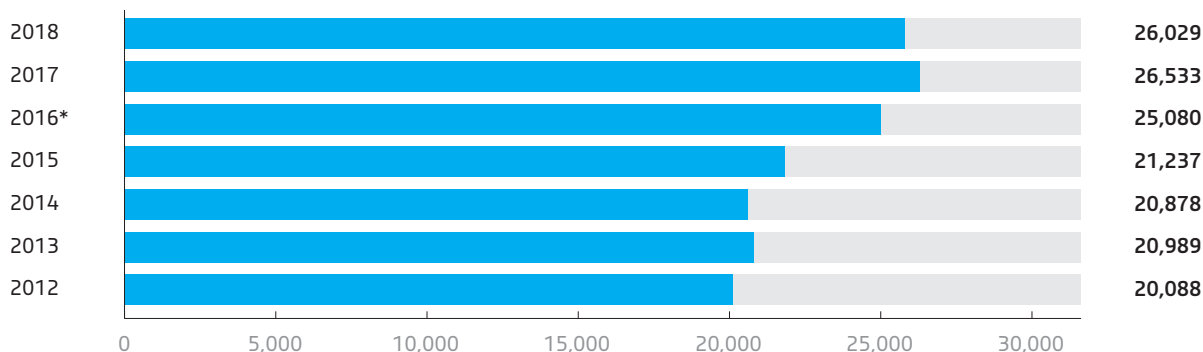
1.2.2 OPERATING COSTS

Buma's expenses can be specified as follows:

(x EUR 1,000)

	Realisation 2018	Realisation 2017
Personnel costs	11,703	10,782
Accommodation costs	745	787
Amortisation and depreciation	1,522	1,405
Other expenses	12,059	13,559
TOTAL BUMA	26,029	26,533

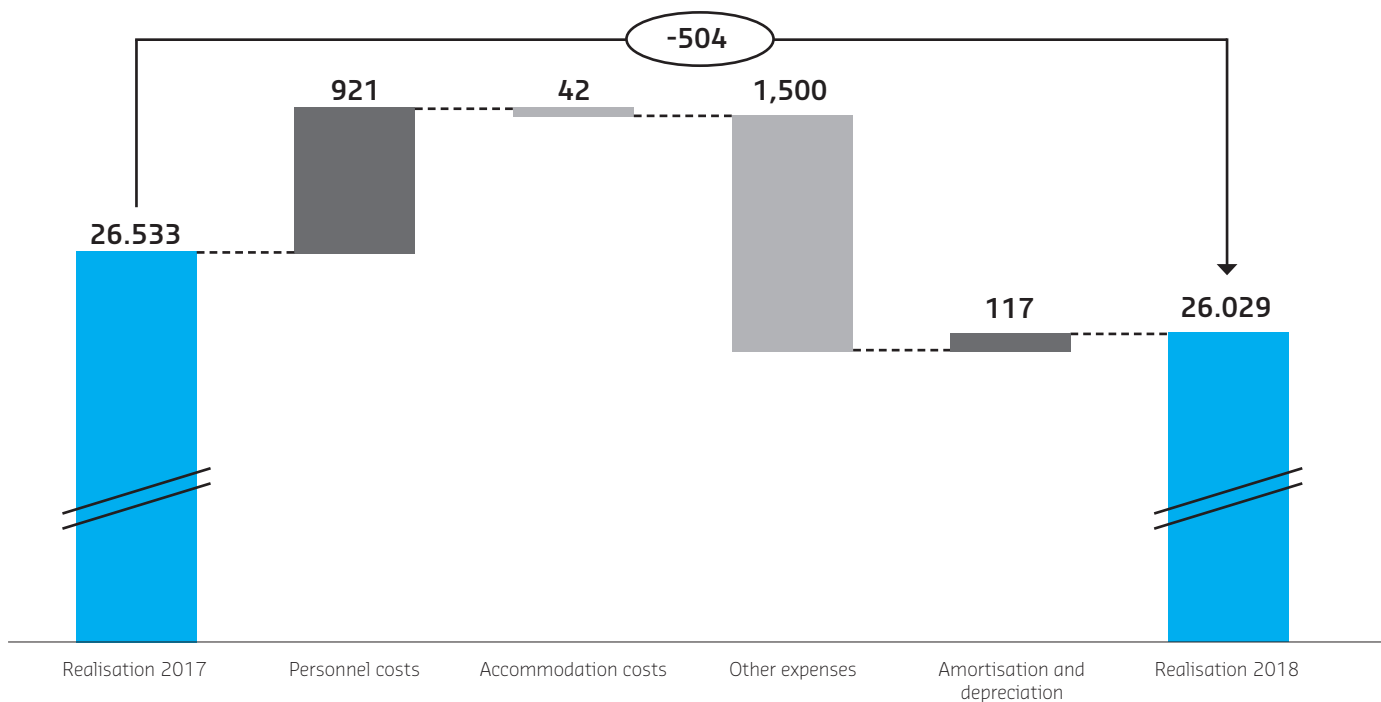
DEVELOPMENT OF MANAGEMENT COSTS (x EUR 1,000)



* The costs at Buma have increased since 2016 due to an adjustment in 2016 of the allocation of the costs between Buma and Stemra.

The costs decreased by EUR 0.5 million in 2018 compared to 2017. This net decrease was mainly the result of lower other expenses, due to the absence of a recurrence of the one-off costs incurred in 2017 (EUR 1.5 million), which was partly offset by a one-off increase in personnel costs (EUR 0.9 million).

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



The personnel costs increased in 2018 due to a number of (foreseen) severance packages. These costs were partly offset by a permanent reduction in the number of FTEs compared to 2017. The average number of FTEs at Buma, which stood at 141.3 FTEs in 2017, decreased to 122.7 FTEs in 2018.

As there was no recurrence of the one-off costs incurred in 2017, the other expenses decreased by EUR 1.5 million in 2018. Amortisation and depreciation increased by EUR 0.1 million compared to the previous year due to recognition of depreciation on the investment relating to the relocation to our new premises.

1.2.3 COVERAGE OF THE OPERATING COSTS

The costs of Buma are covered from six sources of income:

1. entrance fees and annual fees;
2. other income;
3. normative return on investments
4. balance of other financial income and expenses;
5. fixed administration fees on the collection from the categories Online (15%), Abroad (5%) and Foreign Network Providers (10%); and
6. the remaining costs are divided into all categories of rights, with the exception of Online, Abroad and Foreign Network Providers.

COVERAGE OF THE OPERATING COSTS

(x EUR 1,000)

	2018	2017
TOTAL EXPENSES	-26,029	-26,533
TOTAL COVERAGE		
(1) Entrance and annual fees	853	803
(2) Other income	32	65
(3) Administration fee withheld upon distribution	4,426	3,589
Coverage of costs from income	5,311	4,457
(4) Normative return	2,804	4,253
(5) Balance of other financial income and expenses	-410	-588
Coverage from normative return and other financial income	2,394	3,665
(6) Variable administration fee for other categories of rights	18,324	18,412
TOTAL COVERAGE	26,029	26,533

The administration fee withheld upon distribution was EUR 0.8 million higher than in 2017. This was due to an increase in the distribution for Online. The decrease in the normative return by EUR 1.4 million was partly offset by the decrease in financial expenses (EUR 0.2 million). Combined with lower management costs (EUR 0.5 million), these developments resulted in a decrease in the variable administration fee by EUR 0.1 million compared to 2017.

1.2.4 FINANCIAL INCOME AND EXPENSES

Investment policy

Since the 1990s, the royalties that cannot yet be distributed to the rights owners are invested. The aim is to earn a return in a responsible manner to partly cover the operating costs. The return earned on this investment is eventually passed on to the rights owners by charging lower administration fees against the copyright royalties to be distributed. The most important prerequisite is that the risk profile of the securities portfolio is limited. In recent years, the investment profile, with 25% equities and 75% fixed-income equities, has been moderately defensive. Vereniging Buma has placed the investments with Stichting Buma Beleggingsfonds (BBF).

The composition of investments can be presented as follows:

	SAA 2018	Low-risk market conditions	High-risk market conditions
Cash and cash equivalents	0%	0% - 10%	0% - 25%
Equities	25%	20% - 30%	0% - 30%
Fixed-income securities	75%	70% - 80%	70% - 100%

In 2018, the fixed-income portfolio had a strategic weighting of approximately 75%, comprising government bonds with a credit rating of AA or higher and an average term of approximately 5 years (12%), a fund investing in emerging market government bonds (15%), two corporate bond funds (35%) and a mortgage fund (13%). In 2018, the equities (shares) portfolio had a weighting of around 25% and was invested through an equity fund in a portfolio with a global spread. The criteria for corporate social responsibility according to the United Nations Global Compact are applied for this. The entire investment portfolio largely consists of directly marketable securities and/or funds. The bulk of the investment portfolio is held in euros. Apart from the emerging markets, where investments are not in euros or where there is no hedging to the euro within the relevant investment fund, the largest non-euro positions are hedged by means of 3-month forward exchange contracts. Because of the wide spread and the limited position in shares, the risk profile of the investment portfolio as a whole is relatively low.

Buma also uses a number of deposit facilities at a reputable Dutch bank.

Vereniging Buma uses the investment income to cover (part of) the operating costs. Because the results from investments can fluctuate

The Board has established the core of the investment policy based on an Asset Liability Management (ALM) study. This study was conducted with the support of a specialised firm in 2014. The basic principle is having a relatively low risk profile with a limited downward risk and a relatively attractive (expected) return. The ALM study produced a norm in accordance with which, under normal market conditions, between 20 and 30% is invested in equities and between 70 and 80% in fixed-income equities. Under more volatile market conditions, the bandwidth lies between 0% and 30% for equities and between 70% and 100% for fixed-income securities.

considerably from year to year, a normative return on investments is applied in advance each year. This normative return is determined based on the advice of a financial adviser, which in turn is based on the advice of the government's Parameters Committee.

If the investment income exceeds the normative return, the difference is added to the appropriated reserve. If it is lower than the normative return, the difference is withdrawn from the appropriated reserve, to the extent that this reserve is sufficient. The normative return system ensures consistency in the (partial) coverage of the operating costs. This means that, in years with high investment income (higher than the normative return), a buffer is created in an appropriated reserve that can be used in years with lower investment income (lower than the normative return).

Investment result

In 2018, the investment portfolio achieved a result of EUR -7.4 million. Compared to 2017, the result on the investment portfolio decreased by EUR 18.5 million. In 2018, Buma achieved a return of -4.4% on its investment portfolio, compared to a return of +5.9% in 2017. As the investment income was lower than the normative return, an amount of EUR -10.2 million had to be withdrawn from the appropriated reserve.

CHANGES IN APPROPRIATED RESERVE

(x EUR 1,000)

	2018	2017
Income from securities and changes in value	-7,383	11,111
Less: Normative return	2,804	4,253
ADDITION TO / WITHDRAWAL FROM APPROPRIATED RESERVE	-10,187	6,858

Below a brief description is given of the development of the results on the investments in relevant markets in 2018.

The negative return was mainly due to the investments in shares (-9.6%) and those in emerging market debt (-7.7%). The main underlying reasons for this were political uncertainties, including the US-China trade war and Brexit, and the risk of weakening growth in China.

2018 was a volatile year, in stark contrast to the previous years, which were characterised by strong growth and low inflation. The US economy showed the best performance thanks to an acceleration of growth, with a real GDP growth rate in 2018 of around 3%.

In Europe, growth slowed from 2.5% in 2017 to just shy of 2% in 2018. Although somewhat disappointing given the strong momentum in 2017, generally speaking this was still a solid and above-potential growth rate.

Trade wars and Brexit uncertainties formed a constant worry for market participants in 2018 and triggered a significant downturn in all stock markets Worldwide, shares fell by 11.2% in the past year; the poorest performance in years. In this volatile environment, the US

stock market fared the least poorly (-6.2%), while European shares (-13.2%) and emerging markets (-14.6%) both recorded disappointing results. The main reason for this was the growth of US profits in an US economy benefiting from the stimulus provided by budgetary expansion. Emerging markets experienced a very difficult year due to trade tensions.

Government bonds outperformed high-risk investments in 2018. European government bonds recorded an average return of 1.0%. By contrast, corporate bonds recorded the poorest performance since 2008; due to the low interest rates in Europe, the value of corporate bonds fell by 1.3%. Emerging market debt bonds performed poorly in 2018, recording a negative return of -7%.

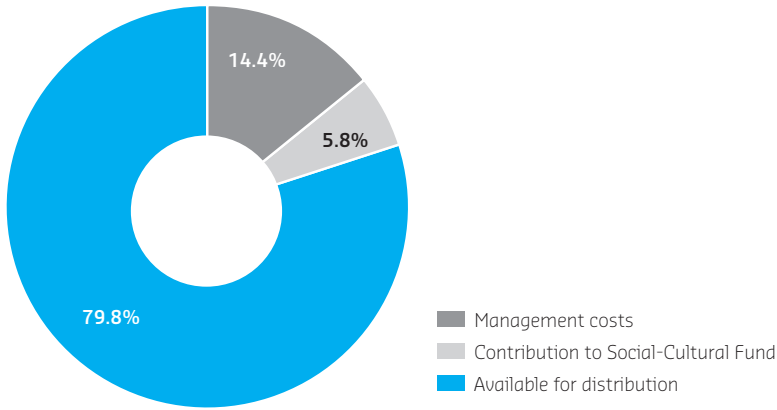
Through an investment fund, Buma invests in Dutch home mortgages. Investments in these mortgages provide an attractive interest income that is around 1.5% to 1.75% above market rates. The return for the year 2018 was approximately 2.4%, consisting mainly of (mortgage) interest received in the fund.

Our outlook for 2019 is moderately positive. We expect moderate growth in the US and Europe and a limited decrease in growth in China.

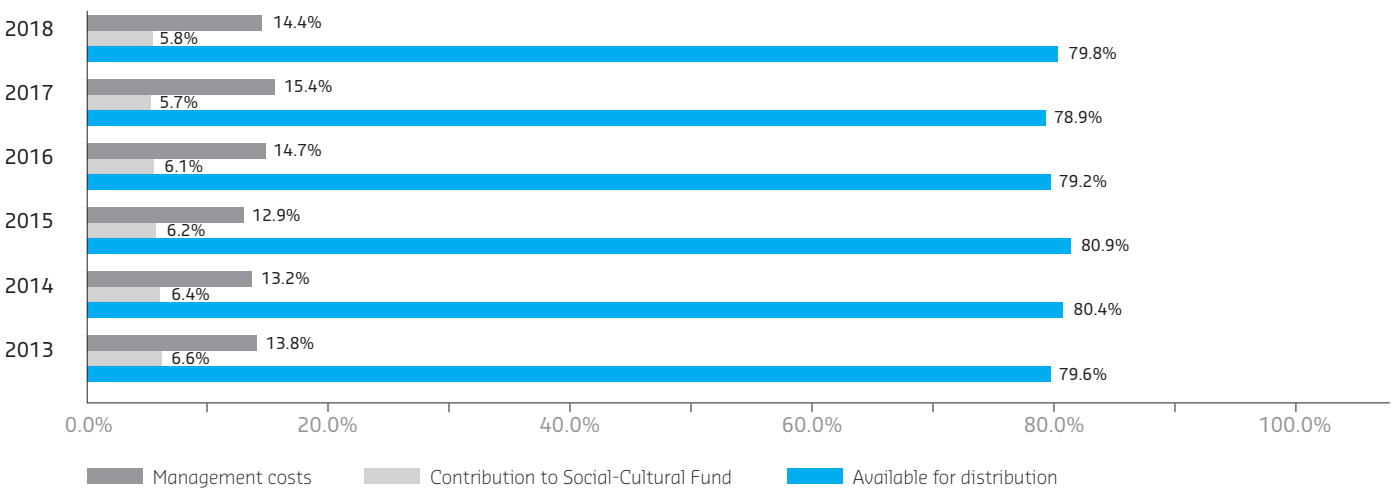
1.2.5 USE OF COLLECTED COPYRIGHT ROYALTIES

The collected copyright royalties are made available for distribution in their entirety after the deduction of costs to cover the operational costs and the annual addition to the Social-Cultural Fund. The graph below shows the distribution of the collected royalties. It should be taken into account that the allocation key for the joint costs between Buma and Stemra has changed from 75/25 to 90/10 starting from 2016.

DISTRIBUTION OF ROYALTIES COLLECTED IN 2018

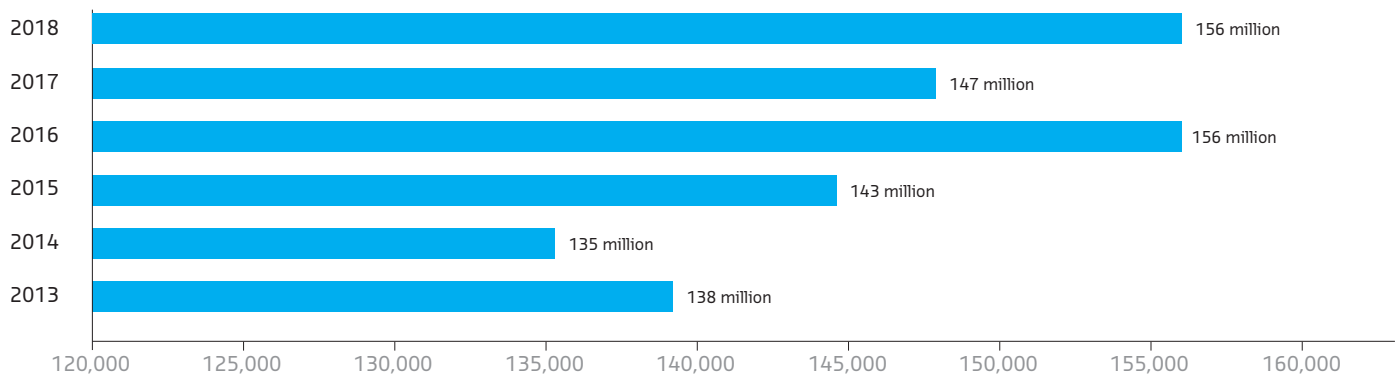


This distribution has shown a stable trend in recent years.

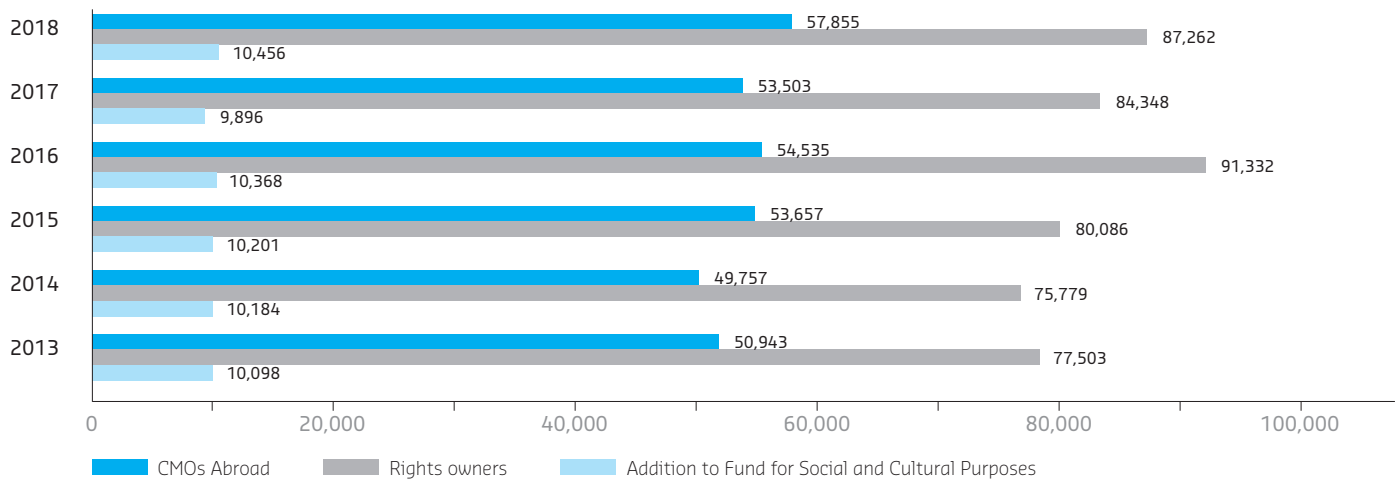


1.2.6 DISTRIBUTIONS

CHANGES IN DISTRIBUTIONS TOTAL



CHANGES IN DISTRIBUTIONS (x EUR 1,000)



In 2018, Buma distributed EUR 155.6 million to rights owners and organisations with which it has a reciprocal contract. Despite a 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), overall the distributions made by Buma increased by EUR 7.8 million compared to 2017. This was due to an increase in Online and a number of one-off distributions. For example, distributions in Buma's General Rights category relating to resolved disputes contributed to this increase.

1.2.7 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

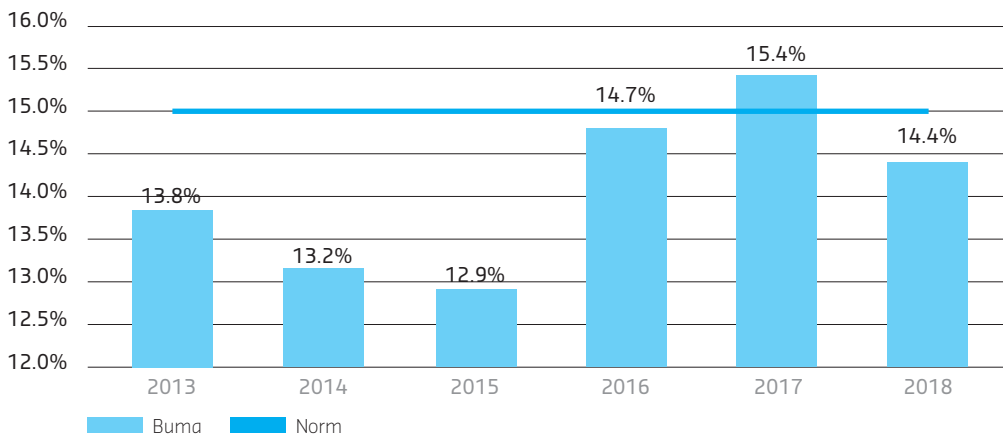
(x EUR 1,000)

	2018	2017
Collection by Buma	180,963	172,411
Distribution by Buma	155,573	147,747
Costs of Buma	26,028	26,533
Costs of Buma as % of the collection (gross)	14.4%	15.4%
Costs of Buma as % of the distribution (gross)*	14.6%	16.0%
Changes in costs of Buma compared to previous year	-1.9%	5.8%
Average actual percentage withheld by Buma (net)**	12.6%	12.8%

* As Buma 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.

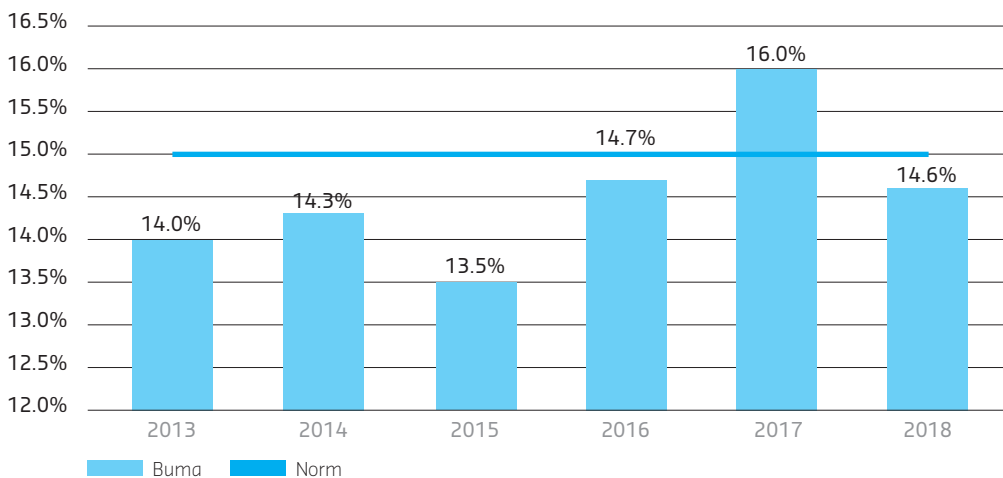
** The cost percentage that is actually charged to the rights owners is lower than the gross management costs for which the norms of the CvTA have been set. This is because predefined fixed withholding percentages are applied to certain collection categories, and also because a lower amount in costs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

MANAGEMENT COSTS (GROSS) AS A PERCENTAGE OF TOTAL ROYALTIES



In 2018, Buma's cost percentage came to 14.4%, meaning that we complied with the norm that costs as a rule may not exceed 15% of the collection.

MANAGEMENT COSTS AS A PERCENTAGE OF THE DISTRIBUTION



Buma also complied with the norm that costs may not exceed 15% of the distributed amount.

INCREASE IN COSTS COMPARED TO THE CPI

The table shows that the costs of Buma increased by 1.9% (EUR 0.5 million) compared to 2017. Buma therefore complied with this norm.

1.2.8 ASSESSMENT OF FINANCIAL POSITION AND LIQUIDITY POSITION

Buma's 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 Buma mainly presents the activities that Buma performs for its rights owners.

The liquidity ratio indicates the extent to which the debts can be serviced in the short term from the cash and cash equivalents and receivables. For a representative calculation of the liquidity ratio, Buma's investment portfolio is added to the cash and cash equivalents, because this investment portfolio is in direct relation to the copyright royalties to be distributed and because the investment portfolio is kept highly liquid. On this basis, the liquidity ratio for Buma is 1.04, which means that Buma can fulfil its obligations in the short term.

1.2.9 CASH FLOWS AND THE FINANCING REQUIREMENT

As Buma 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, Buma 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 Buma are the copyright royalties received and distributed during the year, as well as the operating expenses. Furthermore, purchases and sales are made for the investment portfolio.

1.2.10 RISK MANAGEMENT

As a collective management organisation, Buma 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, Buma is exposed to various risks. As befits a collective management organisation (CMO), Buma 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 Buma 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 Buma 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.

Buma 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, Buma 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 Buma 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, Buma 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

Buma 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 laws and regulations with regard to the financial statements and the transparency report.

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

In 2018, Buma 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, a significant portion of these risks are related to the operating effectiveness of IT systems. To make the key operational risks transparent, Buma 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

Buma 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

Buma 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 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. In the area of investments, management duties are strictly segregated from custody and administration duties. The custody and administration are performed by Kas Bank, an external party. Kas Bank has an ISA 3402 (type I and type II) certificate.

There is a lead time between collection and distribution. During this time, the resulting cash is invested in a risk-averse manner in order to optimise the value of the cash. Each month, the cash flow and the expected cash position are forecast through a liquidity forecast. In principle, exchange rate fluctuations and interest rate changes do not affect the financial results of our organisation. Generally, cash inflows and outflows are denominated in euros. The investment fund, however, has positions in currencies other than the euro. The policy is to limit the impact of exchange rate fluctuations as much as possible. Where there are positions due to the absence of a natural hedge of transactions or items in other currencies, the organisation uses financial instruments. In the past year, a Treasury Charter was drawn up that describes in a transparent manner how the investment and currency risks are controlled.

INFORMATION SECURITY

Information security relates to all IT resources and processes. For Buma, 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

Buma 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 Distribution Audit for the VOI@E Quality Mark for collective management organisations, the Distribution Rules and Board decisions about the distribution by Buma were continuously reviewed in 2018. This review was performed by the Board in various Board and committee meetings, partly 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. TAILOR-MADE SCHEME FOR SURCHARGE SERIOUS FOR BRASS BANDS AND WIND ORCHESTRAS (HF)

The Board has followed the advice of the Council of Members and set up a tailor-made scheme for the payment of the Surcharge Serious to a group of rights owners in the brass bands and wind orchestras (HF) section (decision of 24 January 2018). This tailor-made scheme is based on the criteria applied in the transitional scheme resulting from the decision on the collection from theatres (the 'Schouw' decision) made on 17 June 2015.

2. ADJUSTMENT OF 'SCHOUW' TRANSITIONAL SCHEME

On 17 June 2015, the Board made the decision to adopt a transitional scheme, in line with the advice of the Distribution Streams Committee dated 8 June 2015. On 26 February 2018, the New Association of Dutch Composers (Nieuw Geneco) sent a letter with the subject "Criteria For Schouw Transitional Scheme Set Too Tightly". In this letter, the Management of Buma/Stemra was asked to "look again at a suitable 'setting' for the third criterion at the operational level". Based on the advice of the Management, the Board decided to expand the 'Schouw' transitional scheme, as a result of which more rights owners qualified for compensation (decision of 24 January 2018).

3. 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).

4. WARM-UP MUSIC

Based on advice of the Management, the Board has decided to continue the current approach for dance events, meaning that – in contrast to large concerts – no distinction is made for warm-up/cool-down music. This decision may be reconsidered if a situation of excessive use of warm-up/cool-down music occurs (decision of 24 January 2018).

5. 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 Management decided to maintain the policy of applying no threshold for handling comments for works that have not yet been copyrighted.

6. DANCE REPERTOIRE

The Management has decided to follow the advice of the Council of Rights Owners received on 11 October 2018 regarding the adjustment to the Dance reference repertoire (Dance Music (AD) distribution category). With effect from the next General Rights distribution (for the usage year 2018, to be distributed in September 2019), distribution category AD will be distributed in accordance with this advice (email from Board to Council of Rights Owners dated 22 October 2018).

7. SERIOUS MUSIC FRONT-OFFICE REVIEW COMMITTEE

The Board supports the final report of the Serious Music Front-Office Review Committee dated 30 March 2018, in which the Board is advised (based on the draft of 11 June 2016) to 1) support the Committee's plan, including approaching the Council for Culture and the Ministry, and 2) commit itself in principle to: a) participating on behalf of Buma in exploratory discussions and b) acting as administrator of the resulting schemes with respect to the administration and distribution of new cash flows. This report is a signal from all professional associations of authors and all professional associations of publishers. The plan of the Committee includes the idea to start a dialogue with the Council for Culture in order to work together on resolving the 'value gap', which is especially strongly felt in the serious music sector, between the millions in government grants for music and the negligible share that goes to composers.

8. 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).

9. MUSIC USE IN ROMAN-CATHOLIC CHURCH SERVICES

This item concerns the repertoire that is used for payments for music use in Roman Catholic church services. From the repertoire analyses, it has emerged that the music use in the year 2017 – as cited in the prayer books used – is largely identical to the current reference repertoire for the Roman Catholic Church Music distribution category. Replacing this repertoire, such as by means of an annual update based on the prayer books, would significantly increase the gathering and processing costs, without leading to a significantly better distribution of the available royalties. The current reference repertoire will be maintained. The Roman-Catholic landscape will be analysed again in the next review to be carried out in three years' time.

10. 'SCHOUW' DECISION

In June 2015, the Board decided that the method for establishing the amount available for the Other Concert Music (CS) music category (mostly consisting of jazz) was outdated and needed to be adjusted. As part of the implementation of the 'Schouw' decision with respect to Buma's General Rights distribution for 2016 (distribution made in September 2017), the amount available for CS for the usage years 2016 and after will decrease substantially. Furthermore, an examination of the statements received in the usage years 2013 through to 2015 has shown that CS performances mainly take place in restaurants and bars and at general events (this is also true for performances in the Live Entertainment (AL) distribution category), and collection also takes place in the same way. Accordingly, it has been proposed to make the

distribution method for CS identical to the method used for AL. That means that the amount per performance (around EUR 24) established annually for AL will also be made available for CS. This not only meets the aim of having a 1-to-1 distribution, but also ensures that a (more) realistic amount is made available, given the observed declining trend in the number of performances in CS. However, as CS will remain a separate category, it will still be possible to charge the Surcharge Serious for this music. Following various consultations in 2016 and 2017, the Council of Members and the Board support this adjustment to the distribution method for CS proposed by the organisation.

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 Association 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 Stemra.

- 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 Buma. 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 Buma.

1.5 TRANSPARENCY REPORT

Section	Description	Part of the annual report	Page number
Section 2			
2a	Cash flow statement	Cash flow statement	37
2b	Information about refusals to grant a licence on the basis of Article 21(3) of the Supervision Act;		23
2c	A description of the legal and governance structure of the collective management organisation;	Explanation by the Board	7-10
2d	Information on entities directly or indirectly owned or controlled, wholly or in part, by the collective management organisation;	Notes to the financial statements	38
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	61-64
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, 14, 51
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, 36
	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, 36
	3. Operating costs and financial costs for services other than rights management, including social, cultural and educational services;	Notes to the financial statements	47-48
	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 Buma	4
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	49-54
	2. The total amount paid to rights owners, with a breakdown per category of rights managed and per type of use;	Key figures of Buma	4
	3. The frequency of the payments, with a breakdown per category of rights managed and per type of use;		23
	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	49-54
	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	49-54

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	49-54
	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	49-54
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 Buma	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 Buma	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 Buma	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 Buma	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	52
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	52

1.5.1 INFORMATION ABOUT REFUSAL TO GRANT A LICENCE

Anyone who plays music belonging to the repertoire administered by Buma must obtain prior permission for this from Buma. Provided that certain standard conditions are met, including the payment of a fee, Buma grants this permission in the form of a licence. Buma does not refuse to grant licences. However, Buma 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, Buma exercises its right of prohibition.

	Q1	Q2	Q3	Q4
Restaurants and bars			X	
Work spaces			X	
Shops and stores			X	
Radio, TV and Network Providers			X	
Live performances			X	
Online	X	X	X	X
Abroad	X	X	X	X

1.5.2 DISTRIBUTION FREQUENCY

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

1.5.3 COMMENTS AND COMPLAINTS

Buma regards the number of comments and complaints we receive as a measure of the extent to which we have succeeded in identifying copyrighted work and making 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, Buma received three complaints, two of which were resolved in mid-2018. The remaining complaint was resolved in early 2019.

—2. SUPERVISORY **BOARD REPORT**

2. SUPERVISORY BOARD REPORT

2.1 REPORT OF THE SUPERVISORY BOARD OF BUMA

INTRODUCTION AND CONTEXT

2018 was in all respects a transitional year for Buma. 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 Buma 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 Buma, 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 Buma/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 Buma has been set up by and for its members. The Buma/Stemra organisation needs to serve this mission and be aware that the rights and royalties of our members and affiliates are our key 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 that the Supervisory Board can assess this, among staff.

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

NEW GOVERNANCE AND SUPERVISORY BOARD MODEL

Since mid-2018, Buma/Stemra applies the Supervisory Board model set out in the 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 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 government structure. For this reason, the General Members' Meeting voted to change the governance structure on condition that this change be endorsed by the advice from the Works Council.

On 31 May 2018, the Works Council issued its advice, endorsing the change on condition that the report of the Investigation Committee 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 followed up thoroughly and carefully, and the Works Council would be involved in this process. On 22 June 2018, the supervision of the Board of Buma by the Supervisory Board was effectuated.

Buma'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 Buma. The authorities vested in these bodies are described in the Articles of Association and the Rules. Buma's policy is decided and its success assessed within this structure.

This structure is not only new to Buma, 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.

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

SUPERVISION AND REPORT OF THE INVESTIGATION COMMITTEE

On 18 September 2018, the report of the Investigation Committee was published on Buma's website. In 2018, the supervision focused in large part on the significance of this report for the Board and the supervision of Buma, 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, fully 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 Buma'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 expanded through the nomination of two independent Supervisory Board member with a finance/IT 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, including 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 being the evaluation of the redesign of the structure of Buma 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 Buma's website.

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.

In the notes to 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 Buma/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 Buma'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.

Buma'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

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.

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.

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 Buma as of 29 October and that he would be leaving Buma 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 Buma and to restore confidence in Buma. To this end, they will need to translate the Supervision Agenda into policy and implement this policy, besides the day-to-day management of Buma.

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

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 reports
- Introduction to Council of Rights Owners;
- Transparency report, including financial statements Buma 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 Buma;
- 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 item 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.

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.

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 organise another 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.

RETIREMENT SCHEDULE

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

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 Chairman of the Board of Stichting Register Code Sociale Ondernemingen
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 Stichting Temko Board member of Amstel Music Award Board member of Stichting Asta Nielsen 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 Founder of BEAR project
Ms Jolanda Messerschmidt RA	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 of Room Eleven Vice-chairman of BAM! Member of Review Committee of Utrecht Municipality for Cultural Memorandum
	Unpaid	Board 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 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/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 Vereniging Buma must also be a member of the Supervisory Board of Stichting Stemra.

OTHER POSITIONS/PROFESSION 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)

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

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
<hr/>		
Aafke Romeijn	Paid	Composer, producer and performing musician Writer and journalist Treasurer of BAM! Affiliate of ECSA Artistic leader at Stichting Babi Pangang Producties
<hr/>		
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
<hr/>		
Koen Vergouwen	Paid	Director/Major Shareholder of Tierolff Muziekcentrale BV
	Unpaid	Vice-chairman of VMN
<hr/>		
Johan van der Voet	Paid	Songwriter/composer/producer Director/owner of Soundgram Post Production since 1996 Director/owner of Studio Soundgram & Soundgram Publishing since 2014 Guest lecturer at various Colleges
<hr/>		
Rita Zipora Verbrugge	Paid	Performing musician and songwriter Moderator/presenter at music events Secretary and Board member of BAM! Choir conductor Chairman of POPnl 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 Vereniging Buma must also be a member of the Council of Rights Owners of Stichting Stemra.

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 Supervisory Board of Vereniging Buma are or have also been members of the Supervisory Board of Stichting Stemra.

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

3. APPROVAL ON THE CONSOLIDATED FINANCIAL STATEMENTS

After having audited the financial statements of Vereniging Buma, 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 Buma 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 Siebe van Elsloo	Acting Chief Financial Officer
Mr Cees van Steijn	Acting Chief Executive Officer

— CONSOLIDATED FINANCIAL STATEMENTS

4.1 CONSOLIDATED 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		
Intangible fixed assets (1)	3,598	3,937
Tangible fixed assets (2)	2,499	2,403
CURRENT ASSETS		
Receivables		
Accounts receivable (3)	9,586	16,199
Other receivables (4)	613	1,309
Taxes and social security contributions	1,669	1,073
Prepayments and accrued income (5)	2,003	6,825
	13,871	25,406
Securities (6)	161,657	167,265
Cash and cash equivalents (7)	58,269	51,296
TOTAL ASSETS	239,894	250,307

(x EUR 1,000)

	31/12/2018	31/12/2017
LIABILITIES		
Reserves (8)		
Continuity reserve	1,855	1,855
Appropriated reserve	13,430	23,617
	15,285	25,472
Provisions (9)	7,755	8,279
Non-current liabilities (10)	5,216	4,897
Current liabilities		
Copyright royalties to be distributed (11)	192,011	189,371
Accounts payable	1,626	6,365
Taxes and social security contributions	367	283
Other liabilities (12)	14,680	13,265
Accruals and deferred income (13)	2,954	2,375
	211,638	211,659
TOTAL LIABILITIES	239,894	250,307

4.2 CONSOLIDATED OPERATING STATEMENT FOR 2018

(x EUR 1,000)	2018	2017
INCOME (14)		
Administration fee withheld upon distribution	4,426	3,589
Administration fee withheld in the year of collection	18,323	18,412
Contributions and registration fees	853	803
Other income	32	64
Total income	23,634	22,868
EXPENSES		
Personnel costs (15)	11,702	10,782
Amortisation and depreciation	1,521	1,405
Accommodation costs	770	786
Other expenses (16)	12,035	13,561
Total operating expenses	26,028	26,534
Balance of financial income and expenses	-2,394	-3,666
Interest income and expenses	833	1,138
Income from securities and changes in value (17)	-8,216	9,974
Interest expenses and similar expenses	-410	-588
Financial income and expenses	-7,793	10,524
Result before taxes	-10,187	6,858
Taxes (18)	-	-
Result after taxes	-10,187	6,858
Appropriation of the result	2018	2017
Addition to / withdrawal from:		
- Continuity reserve	-	-
- Appropriated reserve	-10,187	6,858
Total as at 31 December	-10,187	6,858

4.3 CONSOLIDATED CASH FLOW STATEMENT FOR 2018

(x EUR 1,000)	2018	2017
Balance of total income and expenses	-2,394	-3,665
Adjustments for: Amortisation and depreciation	1,521	1,405
Changes in provisions	-525	-1,445
Changes in operating capital		
Changes in operating capital	657	-2,077
Unrealised changes in the value of securities	5,821	-5,083
	6,478	-7,160
CASH FLOW FROM OPERATIONS	5,080	-10,866
Interest received	833	1,138
Purchases of securities	-31,519	-86,126
Received repayments and/or proceeds from sale of securities	31,011	124,930
Interest paid	-410	-588
Changes in copyright royalties to be distributed	2,641	2,663
Changes in forward exchange contracts	292	-
Non-current liabilities	319	2,325
	3,167	44,342
CASH FLOW FROM INVESTMENT ACTIVITIES		
Investments in intangible fixed assets	-649	-665
Investments in tangible fixed assets	-652	-2,257
Disposals of tangible fixed assets	27	-
CASH FLOW FROM INVESTMENT ACTIVITIES	-1,274	-2,922
NET CASH FLOW	6,973	30,554
Change in cash and cash equivalents		
Balance as at start of financial year	51,296	20,742
Investments during financial year	6,973	30,554
Balance as at 31 December	58,269	51,296

4.4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INFORMATION ABOUT THE LEGAL ENTITY

Business address and trade register number

Vereniging Buma, having its registered office in Amstelveen and its head office at Saturnusstraat 42-62, 7313 AB 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 Vereniging Buma (hereinafter also 'Buma') 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. By law, Buma has been appointed by Royal Decree to represent the aforementioned rights owners in a great number of administration areas. Buma stands for Bureau Muziek Auteursrechten (Music Copyright Bureau).

Going concern

These financial statements have been prepared based on the going concern assumption.

Period under review

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, which was presented under 'Royalties still in progress' in 2017, part of this item is presented under 'Royalties accrued in previous years' in 2018. This concerns copyright royalties related to live performances which are not yet ready for distribution because the necessary (processed) music use data is not yet available. To facilitate the comparability of these figures, the comparative figures for 2017 have been adjusted (reclassification of EUR 9.5 million from 'Royalties still in progress' to 'Royalties accrued in previous years').

Information about group structure

Buma heads a group, of which Stichting Buma Beleggingsfonds (BBF) is also a part. The consolidated financial statements of Buma include the financial information of the following entities:

- Vereniging Buma
- Stichting Buma Beleggingsfonds

The company financial statements of these entities are included in a separate report. For a proper understanding of the financial position and result, these consolidated financial statements should be viewed in conjunction with the company financial statements.

Pursuant to the Dutch Accounting Standards, the consolidated financial statements include the financial information of Vereniging Buma and of the related parties controlled by Buma as at 31 December. This financial information is accounted for according to the full consolidation method on the basis of uniform accounting

policies. Adjustments are made in respect of differences in accounting policies to bring the accounting policies in line with those of the parent company. Therefore, 100% of the financial information of the related parties is consolidated. The most important intragroup supplies and services are eliminated from both the turnover and from the other figures to be included in the operating statement. The moment at which effective control is acquired is also the moment at which a related party is included in the consolidation. Consolidation continues until the moment when effective control ceases.

Stichting Buma Beleggingsfonds is affiliated to the group in legal terms and is controlled by the group. The operations of Stichting Buma Beleggingsfonds mainly concern the implementation of Buma's investment policy.

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 of Stichting Sociaal Fonds Buma, and the provision for long-service awards;
- 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. Revenue is recognised when the services provided in respect of the copyright royalties can be determined reliably.

The functional currency of Vereniging Buma 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 prevailing 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 on 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 prevailing 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

Vereniging Buma offers its employees a career average pension plan. This pension plan is administered by Stichting Bedrijfstakpensioenfonds voor 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, Vereniging Buma is not obliged to pay additional contributions other than higher future pension contributions.

Financial instruments

Financial instruments comprise both primary instruments (receivables, securities, cash and cash equivalents and liabilities) and derivative instruments (including forward exchange contracts). 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 recognised 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 recognised as follows:

- Receivables are stated 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.
- Securities (government bonds, bond funds, mortgage funds and equity funds) constitute part of the investment portfolio and are stated at fair value with changes in value being recognised in the operating statement. The fair value is determined based on the listed market price.
- Cash and cash equivalents are stated at nominal value. If cash and cash equivalents are not at the free disposal of Buma, 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 stated 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 in the year ahead are taken to current liabilities.
- Derivative financial instruments (used for hedging the foreign currency component of securities and for hedging foreign currency liabilities) are stated at fair value, with changes in value being recognised in the item 'Changes in value' in the operating statement.

PRINCIPLES FOR THE VALUATION OF ASSETS AND LIABILITIES

Intangible fixed assets

Intangible fixed assets are stated at cost of acquisition or manufacture less cumulative amortisation and impairment. Amortisation charges are calculated as a percentage of the cost of acquisition or manufacture using the straight-line method based on the estimated useful life. Advance payments on intangible fixed assets and assets under construction are not amortised. Intangible 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. For impaired intangible fixed assets that have not yet been taken into use, however, the recoverable amount is determined at each balance sheet date.

The estimated useful life is as follows:

- business information system 3 - 8 years

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 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
- other operating assets 5 - 10 years

Receivables

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

Securities

Listed shares and bonds are part of a trading portfolio and are stated at their market value at the balance sheet date, with both unrealised and realised changes in value being recognised directly in the operating statement.

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 Buma, 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. In addition, this reserve serves to level out undesired fluctuations in the amounts available for distribution.

Appropriated reserve

The aim of the appropriated reserve is to distribute the return on investments to the rights owners in an orderly manner. To this end, the income from and changes in value of securities recognised in the operating statement are added to or withdrawn from the appropriated reserve via the appropriation of the result. This is based on the realised return, the expected return and advice obtained from asset managers. The amount is deducted in the operating statement from the administration fee charged to rights owners, and withdrawn from the appropriated reserve via the appropriation of the result to the extent that this reserve is sufficient. Pursuant to Article 27, paragraph 6, of the Articles of Association of Vereniging Buma, the financial statements are adopted by the General Members' Meeting. The Board proposes to the General Members' Meeting to withdraw the deficit from or to add the surplus to the appropriated reserve. The appropriation of the result is included in the financial statements.

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 annual allowances scheme of Stichting Sociaal Fonds Buma

The provision for the annual allowances scheme of Stichting Sociaal Fonds Buma (SFB) concerns a provision for the annual allowances paid to (former) composers and songwriters and publishers and

their legal heir through SFB. Although the obligations are conditional, they are recognised as a constructive obligation based on the agreements entered into and the raised expectations. The provision has been charged to the Fund for Social and Cultural Purposes. Therefore, any release of the provision will be credited to the Fund for Social and Cultural Purposes. The provision is recognised for the actuarial value of the commitments that have been made. The expenses for the settlement of the provision are incurred via Stichting Sociaal Fonds Buma.

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 stated at amortised cost.

Copyright royalties

Buma recognises a receivable in respect of copyright royalties when the amount can be determined reliably, it is probable that it will flow to Buma, 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 Buma 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 Buma 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 revenue 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 Buma 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 Buma concludes with the licensee, Buma 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 been distributed within three calendar years after the year of collection are distributed proportionally to the various distribution sections via the general distribution in the fourth calendar year after collection. 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. For the greater part of the copyright royalties collected in the financial year, the Distribution Rules permit fully offsetting the income and expenses in the relevant financial year against the copyright royalties. This offset administration fee is then recognised in the year of collection as income in the operating statement under 'Balance of administration fee to be withheld in the year of collection'. For a number of categories of copyright royalties (this mainly concerns royalties received from abroad, cable fees paid to sister societies abroad and the Online royalties), a fixed percentage of the collected copyright royalties is withheld from the distribution to rights owners as an administration fee. This administration fee is recognised as income in the year of distribution under 'Administration fee withheld upon distribution'.

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, the Dutch Tax and Customs Administration has determined that Vereniging Buma 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.

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

Financial income and expenses

Dividends are recognised in the period in which they are declared. Interest income and expenses from investments are recognised in the period to which they relate. The costs of the investments are recognised in the corresponding investment results. Transaction results are recognised in the period in which the transaction took place. Changes in the fair value of securities and derivative financial instruments are recognised in the operating statement.

Fair value measurement

The fair value of a financial instrument is the amount for which an asset can be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

- The fair value of listed financial instruments is determined based on the bid price.

The fair value of derivatives where no collateral is exchanged is determined by discounting the cash flows based on the relevant swap curve plus credit and liquidity spreads.

PRINCIPLES FOR THE PREPARATION OF THE CASH FLOW STATEMENT

The cash flow statement has been prepared using the indirect method. Cash flows denominated in foreign currency are converted at an estimated average exchange rate. Exchange rate differences related to cash balances are shown separately in the cash flow statement. Purchases and sales of investments, interest and dividends received, and interest and costs paid in connection with investments qualify as cash flows from investment 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 Buma are disclosed separately.

NOTES TO THE SPECIFIC ITEMS OF THE CONSOLIDATED BALANCE SHEET

(1) INTANGIBLE FIXED ASSETS

(x EUR 1,000)	Business information systems	Assets under construction	Total
Balance as at 1 January 2018			
Cost of acquisition/manufacture	9,696	792	10,488
Cumulative amortisation	-6,551	-	-6,551
Carrying amount as at 1 January 2018	3,145	792	3,937
Changes			
Investments	-	644	644
Amortisation	-983	-	-983
Disposals, cost of acquisition/manufacture	-1,504	-	-1,504
Disposals, cumulative amortisation	1,504	-	1,504
Total changes	-983	644	-339
Balance as at 31 December 2018			
Cost of acquisition/manufacture	8,192	1,436	9,628
Cumulative amortisation	-6,030	-	-6,030
Carrying amount as at 31 December 2018	2,162	1,436	3,598

The assets under construction relate to the development of the members' portal and archiving. The investment in assets under construction concerns EUR 1.4 million in investments in 2018 and expenditure in the development phase totalling EUR -0.8 million charged to the operating result in 2018.

(2) TANGIBLE FIXED ASSETS

(x EUR 1,000)	Hardware / computer equipment	Other operating assets	Assets under construction	Total
Balance as at 1 January 2018				
Cost of acquisition/manufacture	2,018	2,264	2,258	6,540
Cumulative depreciation	-1,925	-2,212	-	-4,137
Carrying amount as at 1 January 2018	93	52	2,258	2,403
Changes				
Investments / first use	1,422	1,210	-1,971	661
Depreciation	-386	-152	-	-538
Disposals, cost of acquisition/manufacture	-149	-2,102	-	-2,251
Disposals, cumulative depreciation	146	2,078	-	2,224
Total changes	1,033	1,034	-1,971	96
Balance as at 31 December 2018				
Cost of acquisition/manufacture	3,292	1,373	287	4,952
Cumulative depreciation	-2,166	-287	-	-2,453
Carrying amount as at 31 December 2018	1,126	1,086	287	2,499

The assets under construction relate to an investment in technical IT infrastructure.

(3) ACCOUNTS RECEIVABLE

The accounts receivable balance as at year-end comprises amounts receivable that are collected directly by Buma and receivables for which the collection is carried out by the Service Centre for Copyright and Neighbouring Rights (SCAN) and Ice Copyright Services AB (ICE).

The accounts receivable include an amount of EUR 1.1 million (2017: EUR 2.1 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 total provision for uncollectible amounts amounted to EUR 2.8 million as at year-end 2018 (2017: EUR 2.4 million).

(4) OTHER RECEIVABLES

(x EUR 1,000)

	2018	2017
Buma members and participants	951	959
Buma Cultuur current account	81	139
Other receivables	591	211
SCAN current account	46	-
Total as at 31 December	1,669	1,309

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

(5) PREPAYMENTS AND ACCRUED INCOME

(x EUR 1,000)

	2018	2017
Interest receivable	129	165
Prepaid expenses	706	3,833
Other prepayments and accrued income	1,168	2,827
Total as at 31 December	2,003	6,825

The prepayments and accrued income have a term of less than one year.

(6) SECURITIES

(x EUR 1,000)

	2018	2017
Fixed-income securities	120,987	124,424
Equity funds	40,670	42,841
	161,657	167,265

The changes in the separate items are as follows:

(x EUR 1,000)

	Fixed-income securities	Equity funds	Total
Balance as at 1 January 2018	124,424	42,841	167,265
Purchases	31,427	92	31,519
Repayments/sales	-31,011		-31,011
Changes in value	-3,853	-1,971	-5,824
Forward exchange contracts		-292	-292
Total changes	-3,437	-2,171	-5,608
Balance as at 31 December 2018	120,987	40,670	161,657

The fixed-income securities consist partly of government bonds held via a mandate holder and partly of funds for fixed-income securities. The equity fund concerns a fund listed in euros, but which has underlying securities in different currencies. The currency risk on six large positions in foreign currency is hedged by means of forward exchange contracts.

The purchases and sales of fixed-income securities concern the normal transactions in order to retain the maturity of the portfolio and the periodic reweighting of the investment portfolio.

The securities are held either by our custodian, Kas Bank N.V., or by the custodian of the fund managers. As a strict segregation is maintained between custody and management, the securities of Vereniging Buma will stay outside of any bankruptcy of third parties. The securities are at the free disposal of Buma.

Buma did not convert any securities into cash in 2018.

(7) CASH AND CASH EQUIVALENTS

(x EUR 1,000)	31/12/2018	31/12/2017
Cash	-	1
Various banks	58,269	51,295
Total as at 31 December	58,269	51,296

The cash and cash equivalents are at the free disposal of Buma, with the proviso that a bank guarantee of EUR 0.5 million (2017: EUR 0.5 million) has been issued for the rent of the business premises. The cash and cash equivalents consist of cash held at Dutch system banks and securities held by the custodian, who has an S&P A-2 rating for the short-term credit risk and an S&P BBB+ rating for the long-term credit risk.

LIABILITIES

(8) RESERVES

The changes in the reserves are as follows:

(x EUR 1,000)	Continuity reserve	Appropriated reserve	Total
Balance as at 1 January 2018	1,855	23,617	25,472
Appropriation of result for previous financial year	-	-10,187	-10,187
Balance as at 31 December 2018	1,855	13,430	15,285

Of the income from securities, changes in value and similar income in 2018 totalling EUR -7.4 million (2017: EUR 11.1 million), EUR 2.8 million (2017: EUR 4.3 million) has been offset against the administration fee charged on to the rights owners.

Pursuant to Article 27, paragraph 6, of the Articles of Association of Vereniging Buma, the financial statements are adopted by the General Members' Meeting. The Board has proposed to the General Members' Meeting to withdraw the deficit of EUR 10.2 million from the appropriated reserve. The appropriation of the result is included in the financial statements.

(9) PROVISIONS

(x EUR 1,000)	31/12/2018	31/12/2017
Annual allowances scheme of Stichting Sociaal Fonds Buma	7,184	7,776
Long-service awards	197	203
Other provisions	374	300
	7,755	8,279

ANNUAL ALLOWANCES SCHEME OF STICHTING SOCIAAL FONDS BUMA

Changes in the provision for the annual allowances scheme of Stichting Sociaal Fonds Buma are as follows:

(x EUR 1,000)	2018	2017
Balance as at 1 January	7,776	9,497
Interest	121	135
Mortality result	81	-482
Indexation of annual allowances	126	116
Change in interest rate	-68	-413
Change in life expectancy	53	-118
Distributions	-905	-959
Balance as at 31 December	7,184	7,776

Buma has made a conditional commitment to pay annual allowances to participants in the annual allowances scheme. This conditional commitment is administered by Stichting Sociaal Fonds Buma. The purpose of this foundation is to continue unchanged the annual allowances scheme for the payment of benefits to the group of recipients that existed on 1 July 1997.

Until now, the conditional annual allowances have been indexed annually based on Netherlands Statistics' price index.

As at 31 December 2018, the provision for the annual allowances scheme was determined based on a discount rate of 1.65% (2017: 1.5%). As a result, the interest payment increased compared to the previous year. As the actual mortality rate exceeded the rate to be expected based on the actuarial mortality table, the provision was increased by EUR 81 thousand.

LONG-SERVICE AWARDS

Changes in the provision for long-service awards are as follows:

(x EUR 1,000)	2018	2017
Balance as at 1 January	203	228
Interest payment	4	4
Withdrawal/addition	2	-14
Distributions	-12	-15
Balance as at 31 December	197	203

This provision concerns future long-service awards to employees and is largely long term. The provision for long-service awards includes an amount of EUR 10 thousand (2017: EUR 7 thousand) with a term of less than one year.

OTHER PROVISIONS

(x EUR 1,000)	2018	2017
Balance as at 1 January	300	-
Addition	374	300
	674	300
Withdrawal	-300	-
Balance as at 31 December	374	300

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.

(10) NON-CURRENT LIABILITIES

(x EUR 1,000)

	31/12/2018	31/12/2017
Pension liability	449	-
Fund for Social and Cultural Purposes	4,767	4,897
	5,216	4,897

In addition to the pension obligation to the employees (with a term longer than one year), the non-current liabilities include the Fund for Social and Cultural Purposes. The liabilities in respect of this fund are disclosed below.

Changes in the Fund for Social and Cultural Purposes are as follows:

(x EUR 1,000)

	2018	2017
Balance as at 1 January	4,897	2,572
Addition from royalties to be distributed	10,456	9,896
Withdrawals	-10,587	-9,704
Release of reserve for annual allowances	-	2,133
Total changes	-131	2,325
Balance as at 31 December	4,766	4,897

The withdrawals from the Fund for Social and Cultural Purposes in 2018 can be specified as follows:

(x EUR 1,000)

	2018	2017
Social		
Retirement provision for composers, songwriters and publishers for 2018 and 2017	4,807	4,835
Changes in retirement provision for composers, songwriters and music publishers until year-end 2017	-187	-510
Stichting Sociaal Fonds Buma commitments for 2019 and 2018	963	1,120
Stichting Sociaal Fonds Buma settlement relating to previous years	-710	-1,809
Other	19	11
Withdrawals Social	4,892	3,647
Cultural		
Stichting Buma Cultuur commitments for 2019 and 2018	3,983	3,997
Surcharge Serious	830	741
Stichting Brein	399	833
Professional associations	222	218
Other	261	268
Withdrawals Cultural	5,695	6,057
Total withdrawals	10,587	9,704

The withdrawals from the Fund for Social and Cultural Purposes in 2018 can be specified as follows:

(x EUR 1,000)	Social	Cultural	Total
Awarded and distributed in current financial year			
Professional associations	-	222	222
Other	19	252	271
Subtotal	19	474	493
Awarded for distribution in next financial year			
Buma Cultuur	-	3,983	3,983
Stichting Brein	-	399	399
Sociaal Fonds Buma	963	-	963
Retirement provision (distribution calculated on income in financial year)	4,807	-	4,807
Surcharge Serious	-	830	830
Subtotal	5,770	5,212	10,982
Settlement awarded for prior financial years			
Stichting Sociaal Fonds Buma (settlement for operation)	-192	-	-192
Changes in provision for annual allowances for Stichting Sociaal Fonds	-518	-	-518
Changes in retirement provision	-187	-	-187
Other	-	9	9
Subtotal	-897	9	-888
Total withdrawal	4,892	5,695	10,587

Since 2009, the annual expenditure of the Fund for Social and Cultural Purposes has exceeded the annual contributions to the Fund. As a result, the balance accrued until 2008 decreases annually.

The withholding from the amount of copyright royalties available for distribution for the Netherlands, and thus the addition to the fund, was set by the Board at 8.0% for 2018 (2017: 8.0%).

Retirement provisions scheme

Retirement provisions are funded through the Fund for Social and Cultural Purposes by making funds available for composers, songwriters and music publishers who are affiliated to Buma and who meet certain conditions. These funds must be used by the composers, songwriters and music publishers themselves for their own retirement provision. The basis for the funds made available for composers and songwriters in 2018 is 10% (2017: 10%) of the copyright royalties received through Buma. The music publishers' retirement provision amounts to 50% of the maximum available amount for composers and songwriters. For both composers/songwriters and publishers, an annual income threshold of EUR 1,120 (2017: EUR 1,104) applies.

In 2018, an amount of EUR 4.8 million was withdrawn from the Fund for Social and Cultural Purposes for retirement benefits for 2018, which will be paid in 2019. This amount has been recognised as an obligation under the other liabilities.

Stichting Sociaal Fonds Buma

The recognised amount of EUR 963 thousand mainly concerns the commitment in respect of annual allowances for 2019 and other costs of Stichting Sociaal Fonds Buma.

Stichting Buma Cultuur

Stichting Buma Cultuur supports and promotes Dutch music copyright both in the Netherlands and in the most important export markets for Dutch (not necessarily Dutch-language) music. The aim of Stichting Buma Cultuur is to contribute to defining and implementing Buma's cultural policy and creating and promoting musical works and related cultural expressions, in connection with Dutch music.

The amounts included for Stichting Buma Cultuur concern the grants that have been committed for 2019 of EUR 3,983 thousand (in 2017 EUR 3,997 thousand for the commitment for 2018).

Other

The Surcharge Serious is a withdrawal from the Fund for Social and Cultural Purposes for the distribution to rights owners in the Serious Music section. The Surcharge Serious was paid out in the first quarter of 2019. The item 'other' under cultural expenditure mainly concerns expenditure in the context of the protection of copyright.

In 2017, it was agreed that VOI@E will collect the funds provided by the CMOs for the funding of Stichting Brein for a period of three years. The withdrawal concerns a commitment for the year 2019.

(11) COPYRIGHT ROYALTIES TO BE DISTRIBUTED

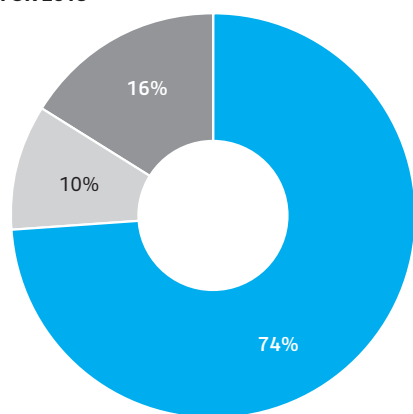
(x EUR 1,000)	31/12/2018	31/12/2017
Accrued in financial year	141,405	137,026
Royalties still in progress	31,444	30,907
Accrued in previous years	19,162	21,438
	192,011	189,371

Statement of changes in copyright royalties to be distributed

(x EUR 1,000)	2018	2017
Balance as at 1 January	189,371	186,707
Collection:		
Music use in the Netherlands	164,471	157,688
CMOs Abroad	16,492	14,723
Revenue from copyright royalties	180,963	172,411
Distributions to:		
Directly affiliated rights owners	-87,262	-84,348
CMOs Abroad	-57,855	-53,503
Distributions	-145,117	-137,851
Administration fee withheld upon distribution	-4,426	-3,589
Administration fee withheld in the year of collection	-18,323	-18,411
Additions to Fund for Social and Cultural Purposes	-10,456	-9,896
Withholdings	-33,206	-31,897
Balance as at 31 December	192,011	189,371

On balance, the copyright royalties to be distributed increased by EUR 2.6 million compared to the previous year. The changes are explained in more detail in the tables and texts below.

COMPOSITION OF COPYRIGHT ROYALTIES TO BE DISTRIBUTED FOR 2018



■ Royalties still in progress
■ Accrued in prior financial years
■ Accrued in financial year

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

(x EUR 1,000)	2018	2017
1. Accrued in financial year	141,405	137,026
2. Royalties still in progress due to:		
- As yet unallocable royalties *	19,884	22,328
- Warsaw rule	2,055	1,660
- Cable fees from abroad	1,884	1,675
- Contradictory claims	6,924	4,829
- Other	697	414
Total royalties still in progress	31,444	30,907
3. Accrued in prior financial years	19,162	21,438
Total	192,011	189,371

* The comparative figures for 2017 have been adjusted to facilitate a uniform and comparable presentation. In 2017, the reserve for as yet unallocable royalties also included the item 'Live performances' (see explanation of 'Accrued in prior financial years'). In 2018, this item was recognised under 'Accrued in prior financial years'

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 largest part will be distributed as part of distribution of the general rights in 2019.

The second category concerns the royalties for which the distribution process could not be completed. Buma 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 possible yet 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. COPYRIGHT ROYALTIES ACCRUED IN FINANCIAL YEAR (EUR 141.4 MILLION)

These royalties were accrued in the financial year and became available for distribution in the financial year. This section explains the composition of this category of royalties in more detail.

(x EUR 1,000)	2018	2017
Revenue from copyright royalties	180,963	172,411
Administration fee withheld in the year of collection	-18,323	-18,411
Addition from release of copyright royalty reserves	1,268	2,868
Fund for Social and Cultural Purposes	-10,456	-9,896
Subtotal of distribution of received copyright royalties	153,452	146,972
Distributed in financial year *	-12,047	-9,946
Total as at 31 December	141,405	137,026

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

The copyright royalties were received from the following categories:

(x EUR 1,000)	2018	2017
Radio, TV and Network Providers	71,430	68,177
Live performances	34,065	30,698
Restaurants and bars	14,891	14,294
Work spaces	17,171	17,392
Shops and stores	13,234	13,509
Online	13,681	13,618
Abroad	16,491	14,723
Total	180,963	172,411

The withheld administration fee of EUR 18.3 million concerns the fee that Buma charges to rights owners for the services provided by Buma for which no fixed administration fee has been determined.

The increase in the withheld administration fee is due to several elements. First of all, there was a downward adjustment of the standard return on the investment portfolio (leading to a decrease in income by EUR 1.4 million). In addition, the distribution in respect of online increased in 2018. For online, the administration fee is withheld at the time of distribution, which led to an increase in income by EUR 0.8 million in 2018. In addition, the operational costs decreased by EUR 0.7 million.

Furthermore, a release from the copyright royalty reserves of EUR 1.3 million was added to the amount available for distribution in 2018 (2017: EUR 2.9 million); this concerns reserves for which the (statutory) reserve period has expired. The addition to the Fund for Social and Cultural Purposes increased by EUR 0.6 million. The distributions in the financial year concern the distribution of royalties that were collected in the financial year. This item also contains royalties that are not distributed by means of the general distribution method but via 1-to-1 use, and which became available for distribution in 2018. Part of these royalties were accrued in 2018.

The copyright royalties received in 2018 are distributed as follows:

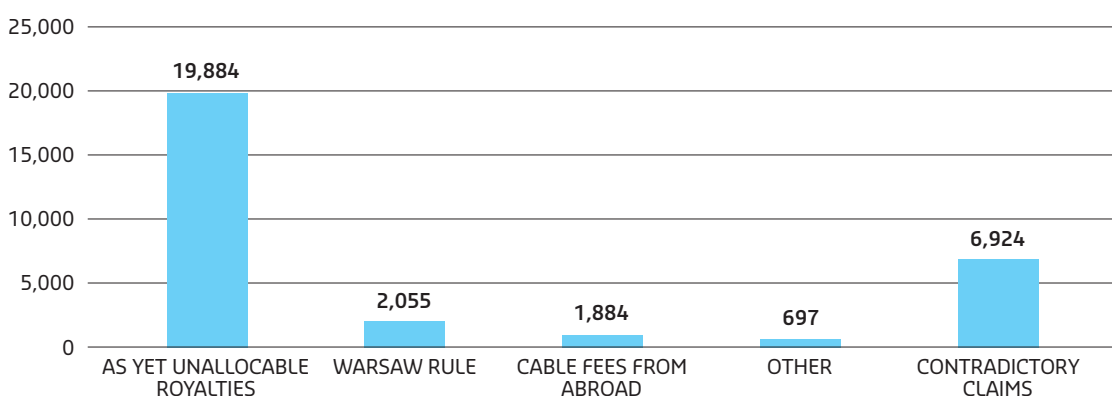
Distribution sections with administration fee to be withheld in year of collection	Copyright royalties	Administration fee withheld upon collection	Gross amount available for distribution	8% withholding for Fund for Social and Cultural Purposes	Addition from release of copyright royalty reserves	Net amount available for distribution
(x EUR 1,000)						
Serious Music sections	3,801	-467	3,334	-267	32	3,098
Live entertainment (excluding Mega Live Acts)	26,179	-3,219	22,960	-1,837	223	21,346
Mechanical entertainment	43,456	-5,343	38,113	-3,049	370	35,433
Radio	6,353	-781	5,572	-446	54	5,180
Television	46,215	-5,682	40,533	-3,243	393	37,683
Film	4,163	-512	3,651	-292	35	3,394
Cable	18,861	-2,319	16,542	-1,323	161	15,382
	149,028	-18,323	130,705	-10,456	1,268	121,518

Distribution sections with administration fee to be withheld upon distribution	Copyright royalties				Gross amount available for distribution
Mega Live Acts	1,762		1,762	-	1,762
Abroad	16,492		16,492	-	16,492
Online	13,681		13,681	-	13,681
	31,935		31,935	-	31,935
Total as at 31 December	180,963	-18,323	162,640	-10,456	153,453

2. ROYALTIES STILL IN PROGRESS (EUR 31.4 MILLION)

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

(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 19.9 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. This item also includes a reserve for possible subsequent claims. There can be three reasons why music use cannot be allocated to the correct rights owner:

- No detailed data is available about broadcasts or this data is incomplete, which means there is 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 that 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, Buma 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.

Warsaw rule (EUR 2.1 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 Buma, the unidentified portion is reserved. If the majority of the known rights owners are affiliated with another society, the amount is distributed to the relevant society. In this way, Buma also receives Warsaw amounts from other societies for unknown rights owners.

Cable fees from abroad (EUR 1.9 million)

This concerns amounts originating from other societies that relate to Dutch cable fees for which a distribution is made annually. The accrued cable fees are paid out in the following year.

Contradictory claims (EUR 7.0 million)

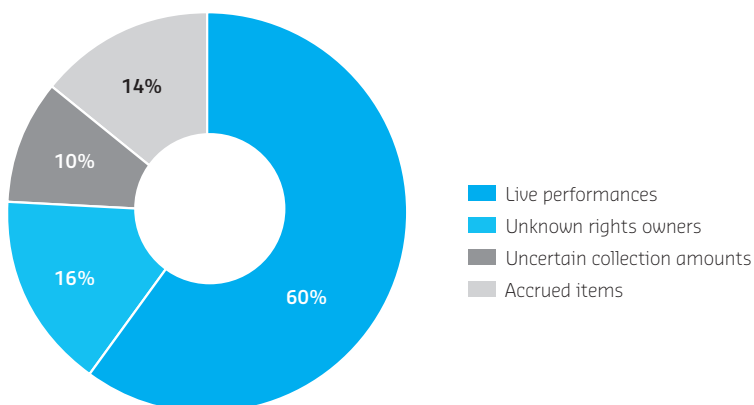
These amounts relate to copyrights for which the rights owners are still discussing how these rights should be distributed.

In order to provide better insight into the copyright royalties still to be distributed, which was presented under 'Royalties still in progress' in 2017, part of this item is presented under 'Royalties accrued in previous years' in 2018. This concerns copyright royalties related to live performances which are not yet ready for distribution because the necessary (processed) music use data is not yet available. To facilitate the comparability of these figures, the comparative figures for 2017 have been adjusted (reclassification of EUR 9.5 million from 'Royalties still in progress' to 'Royalties accrued in previous years').

3. ACCRUED IN PREVIOUS YEARS (EUR 19.2 MILLION)

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

COMPOSITION OF ROYALTIES ACCRUED IN PREVIOUS YEARS



Live performances (EUR 11.6 million)

To enable the proper distribution of royalties, not only the collection amounts but also the associated music use needs to be identified. The royalties in respect of the music use need to be submitted by the events organisers and rights owners. Buma depends on these organisers and rights owners. This information becomes available in stages. The royalties included in this item relate to music use for which the required information has not yet become available.

'Unknown rights owners' and 'Information still to be verified' respectively (EUR 3.1 million)

The royalties recognised under this item concern royalties for which the rights owners to which the royalties must be distributed have not been identified yet, 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, after which they can be distributed.

Uncertain collection amounts (EUR 1.8 million)

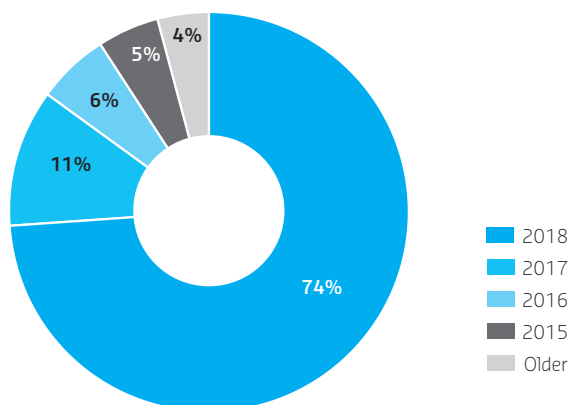
Regarding these amounts, there is uncertainty about the completeness of the collected amounts. As long as there is uncertainty about the completeness of the collection, these royalties are not distributed.

Accrued items (EUR 2.7 million)

This concerns royalties which became available for distribution late in 2018 and which could therefore not be processed in 2018. Most of these royalties will be distributed in 2019.

4. AGE OF COPYRIGHT ROYALTIES TO BE DISTRIBUTED

AGE OF COPYRIGHT ROYALTIES TO BE DISTRIBUTED



(x EUR 1,000)	Total	2018	2017	2016	2015	Older
Accrued in financial year	141,405	141,405	-	-	-	-
Royalties still in progress due to:						
- As yet unallocable royalties	19,884	-924	10,684	6,562	3,562	-
- Warsaw rule	2,055	76	398	445	365	771
- Cable fees from abroad	1,884	-	1,848	7	29	-
- Contradictory claims	6,924	37	1,505	923	1,101	3,358
- Other	697	697	-	-	-	-
Accrued in prior financial years *	19,162	37	7,362	4,704	4,167	2,893
Total as at 31 December	192,011	141,327	21,797	12,640	9,225	7,022

* The amount in annual tranche 2018 was accrued in 2018. However, the reason why this amount has not yet been distributed relates to prior financial years.

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, Buma has, for a period of three years, the obligation to identify the rightful owner of these royalties and to distribute them. If Buma is unable to do so, these royalties are added to the distribution of the general rights. An exception to this rule applies to contradictory claims.

In addition to the contradictory claims reserve of EUR 3.4 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.

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 Buma.

(12) OTHER LIABILITIES

(x EUR 1,000)

	31/12/2018	31/12/2017
Obligations in respect of social and cultural purposes	11,367	11,120
Buma members and participants	901	735
Other	670	625
SCAN current account	-	90
Stemra current account	1,742	695
	14,680	13,265

The decrease in the obligations in respect of social and cultural purposes is broken down and explained in detail further on in this section.

The obligations in respect of social and cultural purposes are as follows:

(x EUR 1,000)

	2018	2017
Grant obligations to Stichting Buma Cultuur for 2019 and 2018	4,233	4,100
Retirement provisions for composers, songwriters and music publishers	5,817	5,728
Surcharge Serious	840	714
Grant obligations to Stichting Brein for financial year 2019	399	417
Grant obligations to Stichting Sociaal Fonds Buma for financial years 2019 and 2018	78	161
	13,267	22,604

(13) ACCRUALS AND DEFERRED INCOME

(x EUR 1,000)

	31/12/2018	31/12/2017
Invoices to be paid	813	346
Amounts to be credited	34	418
Amounts invoiced in advance	797	564
Holiday allowance and annual leave	730	706
Rental payments in coming years	34	-
Other	546	341
	2,954	2,375

The item 'Amounts to be credited' concerns the balance of royalties that still had to be paid to some parties as at year-end 2018. These payments were made in the first quarter of 2019. No amounts with a term of more than one year were included under accruals and deferred income as at 31 December 2018.

FINANCIAL INSTRUMENTS

Buma's most important financial instruments are securities (67% of the balance sheet total; 2017: 67%). Securities are used for the performance of the investment policy, through which royalties that cannot yet be distributed to right owners are invested. Securities are stated at market value. Buma's investment policy is explained in more detail in the Board report. The interest rate risk on the fixed-income portfolio is discounted in the stock market price of the bonds and bond funds. Investments in equity funds are not subject to a direct interest rate risk. Buma runs a currency risk due to investments in an equity fund that is listed in euros, but which contains shares with a non-hedged listing in foreign currency. In accordance with the investment policy, this currency risk has been hedged with forward exchange contracts for the most important currencies, which are concluded periodically for the share of foreign currency in the equity fund. The key currencies are USD, GBP, AUD, CAD, JPY and CHF. In the event that the euro becomes weaker or stronger in relation to the most important currencies as at 31 December 2018, this will lead to a higher or lower change in the value of the equity fund; however, due to the hedging of the currency risk, this will lead to an approximately equal opposite change in the value of the concluded forward exchange contract. The credit risk is low given the allocation of government bonds with a high rating and the solid rating of the other bond funds.

The other financial instruments included in the assets are receivables and cash and cash equivalents (30% of the balance sheet total; 2017: 31%), which are valued at amortised cost and nominal value respectively. Receivables are generally non-interest-bearing. Given the current interest rates, the interest payment on cash and cash equivalents is nil.

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 88% of the balance sheet total (2017: 85%). The main component of this are the copyright royalties to be distributed, which account for 80% (2017: 75%). These are recognised 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.

OTHER DISCLOSURES

RELATED PARTIES

The following parties are considered to be related parties of Vereniging Buma: Stichting Stemra, Stichting Buma Cultuur (and thus also Stichting Amsterdam Dance Event), 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 the relevant section. 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 Rights Owners, or to related parties of Supervisory Board members or members of the Council of Rights Owners, 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 Buma. Due to the close relationships within the sector, Supervisory Board members and members of the Council of Rights Owners can also be related parties as customers of Buma, such as through a music-related service that Buma 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:

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	BUMA
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

CHARGE-ONS TO RELATED PARTIES

For the achievement of their objectives, funds are made available to both Stichting Buma Cultuur and Stichting Sociaal Fonds Buma by the Fund for Social and Cultural Purposes. For more information, see note (10). Vereniging Buma charges costs to Stichting Stemra, Stichting Buma Cultuur, Stichting Sociaal Fonds and the Service Centre for personnel, accommodation and overheads. Charge-ons are based on cost. In addition, the Service Centre charges on an amount of EUR 2.0 million (2017: EUR 1.8 million) to Buma for the performance of its tasks. The Service Centre is responsible for part of the invoicing and collection on behalf of Buma and Stemra. The table below provides an overview of the costs charged on by Buma.

The charged-on costs amount to:

(x EUR 1,000)

	2018	2017
Stichting Stemra	2,000	2,839
Stichting Buma Cultuur	106	-
Stichting Sociaal Fonds Buma	49	69
Service Centre	340	375
Total	2,495	3,283

OFF-BALANCE SHEET ASSETS AND LIABILITIES

General

Vereniging Buma and Stichting Stemra work together in one staffing organisation under one Board, one Council of Members and one Supervisory Board. Off-balance sheet assets and liabilities in connection with the outsourcing, coffee machines and planting have been entered into by Buma and Stemra jointly and are recognised in full by both Vereniging Buma and Stichting Stemra. 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 amount of the charge-on is disclosed in the notes as an off-balance sheet asset.

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
Longer than 5 years	-	-
	1,775	2,505
Contracts entered into independently		
Less than 1 year	565	573
Between 1 and 5 years	2,106	2,124
Longer than 5 years	2,254	2,777
	4,925	5,474
Total	6,700	7,979

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. The liabilities with a term of less than one year amount to EUR 0.2 million (2017: EUR 0.1 million) and the liabilities with a term of between one and five years amount to EUR 0.1 million (2017: EUR 0.3 million).

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 for the remaining term of the contract amounts to EUR 4.7 million (2017: EUR 5.1 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 recognised in 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

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

(x EUR 1,000)	2018	2017
Less than 1 year	56	345
Between 1 and 5 years	211	373
Longer than 5 years	225	278
Total	492	996

PNO Media (Pension deposit)

Until 2018, Buma 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 Buma. As this transfer was effected in 2018, PNO Media no longer has an obligation to Buma in respect of this deposit account, and Buma therefore no longer has to report an off-balance sheet right.

Through the transfer of the deposit account and Buma'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 Buma. 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 Vereniging Buma 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 presented financial position of Buma.

Joint and several liability

Vereniging Buma is jointly and severally liable for the liabilities resulting from legal acts of the Service Centre for Copyright and Neighbouring Rights (SCAN) and guarantees the fulfilment of the obligations of the Service Centre up to a maximum of EUR 1.0 million.

Subsequent events

All significant events that occurred after the balance sheet date, up to the date of preparation of these financial statements, have been presented.

NOTES TO THE OPERATING STATEMENT

(14) INCOME	2018	2017
Administration fee withheld upon distribution	4,426	3,589
Administration fee withheld in the year of collection	18,323	18,412
Contributions and registration fees	853	803
Other income	32	64
	23,634	22,868

For information on the administration fee, please refer to section 1.2.3 of the Board report.

(15) PERSONNEL COSTS	2018	2017
Salaries	7,307	7,945
Social security contributions	1,140	1,188
Pension costs	1,015	630
Hiring of temporary personnel	1,135	933
Remuneration of the Board	269	284
Reimbursement of travelling expenses	342	451
Other personnel costs	1,708	495
	12,916	11,926
Allocated to third parties	-1,214	-1,144
	11,702	10,782

In 2018, the personnel costs increased by EUR 0.9 million. This was mainly due to one-off costs related to (foreseen) severance packages (increase of EUR 1.1 million), which were partly offset by a decrease in FTEs as a result of natural staff turnover (decrease of EUR 0.3 million) and lower travelling expenses (decrease of EUR 0.1 million). The costs of hiring temporary external personnel increased slightly (increase of EUR 0.2 million). Despite the increase in the personnel costs, the amount charged on to third parties (Stemra) remained stable.

As at 31 December 2018, the industry-wide pension fund (Stichting Bedrijfstakpensioenfondsvoor de Media PNO) had a funding ratio of 106.0% (31 December 2017: 102.0%).

The average number of FTEs decreased in 2018 compared to 2017. During the financial year 2018, the average number of employees converted into FTEs was 122.7 (2017: 141.3 FTEs). As shown in the table below, the workforce can be divided into the following personnel categories. This includes employees who work partially for Stemra, by virtue of which part of the costs are charged on to Stemra.

COMPOSITION OF FTES	2018	2017
Board and secretariat	3.3	4.8
Secretariat of the Board	2.3	2.7
Legal Affairs & Lobbying	6.6	8.0
General Affairs	24.3	30.3
Front office	32.5	37.9
Back office	53.7	57.6
Total	122.7	141.3

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 Members, 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 Vereniging Buma and Stichting 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, Buma 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.

OTHER EXPENSES (16)	2018	2017
Service agencies	3,882	3,737
Outsourcing	4,827	5,244
Advisory fees	955	2,797
Other IT costs	1,591	1,962
Lease & maintenance of IT equipment	1,243	896
Commercial expenses	192	380
Office supplies	132	233
Other expenses	735	857
	13,557	16,106
Charged-on general costs	-1,522	-2,545
	12,035	13,561

In 2018, a reduction in the other expenses was achieved. This was mainly due to lower costs of outsourcing / service agencies as a result of cost saving measures (decrease of EUR 0.3 million) and lower advisory fees (decrease of EUR 1.8 million). With regard to the advisory fees, it should be noted that they were higher in 2017 due to one-off costs incurred for external audits. The IT project costs decreased by EUR 0.4 million in 2018 compared to 2017. In 2017, there was a one-off increase in IT project costs due to the relocation of the data centre. Due to the renting of this data centre, the lease costs and maintenance costs for IT equipment increased by EUR 0.2 million in 2018. As a result of these developments, the costs charged on to Stichting Stemra also decreased. There were no research and development costs.

(17) INCOME FROM SECURITIES AND CHANGES IN VALUE	2018	2017
	€	€
Changes in the value of fixed-income securities	-3,853	2,832
Changes in the value of equity funds	-1,971	3,109
Costs and changes in the value of forward exchange contracts	-2,392	4,033
	-8,216	9,974

For more information on the development of the securities, please refer to the relevant section in the Board report.

(18) TAXES

The Dutch Tax and Customs Administration has determined in an advance tax ruling that runs until 31 December 2017 that Vereniging Buma 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.

Buma 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 General Assembly of Vereniging Buma

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

OUR OPINION

We have audited the consolidated financial statements 2018 of Vereniging Buma, based in Amstelveen.

In our opinion the accompanying consolidated financial statements give a true and fair view of the financial position of Vereniging Buma 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 consolidated financial statements comprise:

1. the consolidated balance sheet as at 31 December 2018;
2. the consolidated 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 consolidated financial statements' section of our report.

We are independent of Vereniging Buma 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.

CONSOLIDATED FINANCIAL STATEMENTS AS PART OF THE (COMPLETE) FINANCIAL STATEMENTS

The financial statements include the consolidated financial statements and the association's financial statements. The association's financial statements have been included in a separate report. For a proper understanding of the financial position and result the consolidated financial statements must be considered in connection with the association's financial statements. On 23 May 2019 we issued a separate auditor's report on the association's financial statements.

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

- key figures Buma;
- Board report;
- supervisory Board report;
- approval on the consolidated financial statements;
- other information.

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

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

DESCRIPTION OF RESPONSIBILITIES REGARDING THE CONSOLIDATED FINANCIAL STATEMENTS

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

The board is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the consolidated financial statements, the board is responsible for assessing the association's ability to continue as a going concern. Based on the financial reporting framework mentioned, the board should prepare the consolidated financial statements using the going concern basis of accounting unless the board either intends to liquidate the association 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 association's ability to continue as a going concern in the consolidated financial statements.

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

OUR RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED 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 consolidated 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 consolidated 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 association'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 association'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 consolidated 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 an organization to cease to continue as a going concern;
- evaluating the overall presentation, structure and content of the consolidated financial statements, including the disclosures; and
- evaluating whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items

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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