

ANNUAL REPORT
STICHTING STEMRA
2017

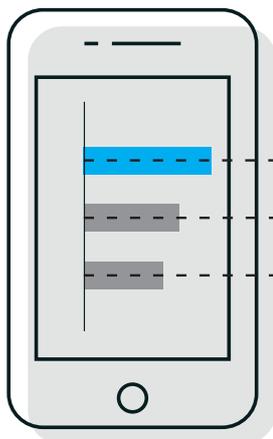
buma•stemra

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KEY FIGURES STEMRA

COLLECTION STEMRA (x EUR 1,000)



36,291 | 2017

33,895 | 2016

39,263 | 2015

NUMBER OF FTES



2017

STEMRA

14.2

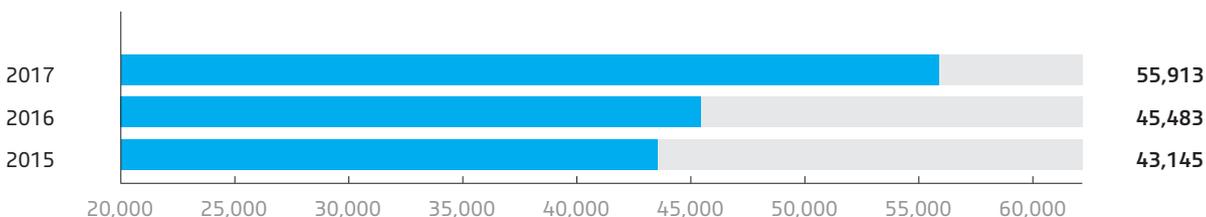
2016

15.2

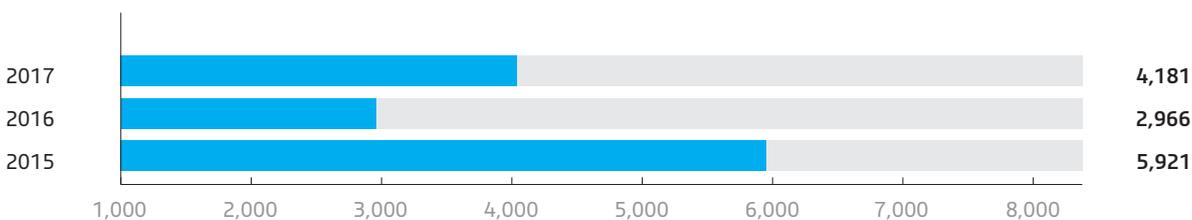
2015

14.7

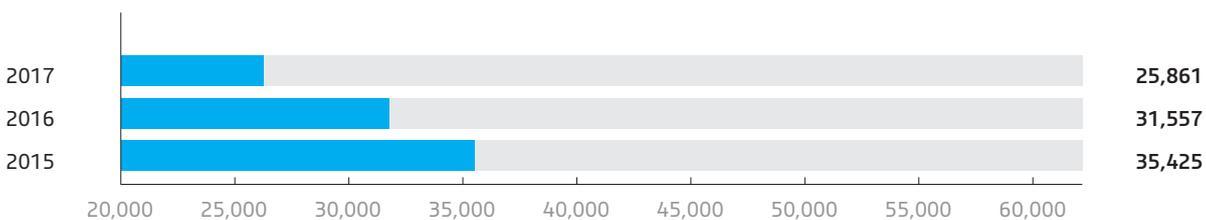
COPYRIGHT ROYALTIES TO BE DISTRIBUTED (x EUR 1,000)



MANAGEMENT COSTS (x EUR 1,000)



DISTRIBUTIONS (x EUR 1,000)



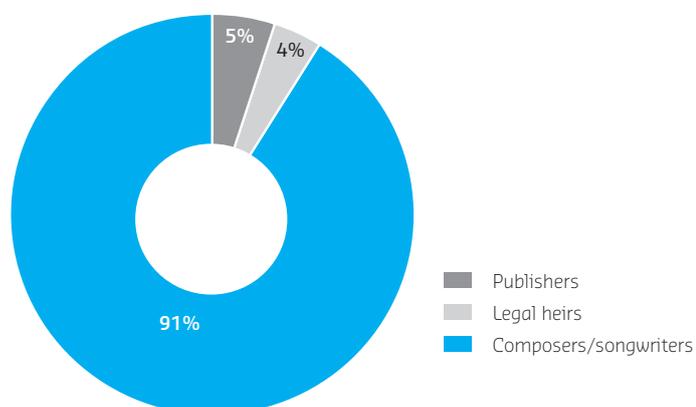
KEY FIGURES						
(x EUR 1,000)	2017	2016	2015	2014	2013	2012
COPYRIGHT ROYALTIES RECEIVED/RECEIVABLE						
Phono-mechanical rights BIEM / Central Licensing	6,058	6,192	6,169	6,895	8,119	10,370
PIEB (custom pressing) / Special Licensing	4,935	4,922	4,919	5,564	5,366	6,435
Radio & TV	5,819	6,970	6,046	5,692	5,419	5,487
Online	5,339	4,596	3,793	3,134	2,635	1,755
Private Copying / Public Lending Rights	10,198	6,214	13,414	4,631	1,479	827
Reprographic rights	115	-81	341	1,006	436	770
Music use in the Netherlands	32,464	28,814	34,682	26,922	23,454	25,644
Music use abroad	3,827	5,082	4,581	4,788	4,870	4,777
Total	36,291	33,895	39,263	31,710	28,324	30,421
DISTRIBUTIONS						
Rights owners	20,809	24,993	27,307	19,526	24,447	24,432
CMOs Abroad	2,122	2,603	3,363	2,387	2,989	3,227
	22,931	27,596	30,670	21,913	27,436	27,659
Administration fee withheld upon distribution	2,930	3,961	4,755	3,144	3,828	3,475
Total	25,861	31,557	35,425	25,057	31,264	31,134
COPYRIGHT ROYALTIES TO BE DISTRIBUTED						
Copyright royalties to be distributed at end of financial year	55,913	45,483	43,145	39,321	32,654	35,594
OPERATING STATEMENT						
Administration fee withheld upon distribution	2,930	3,961	4,755	3,144	3,828	3,475
Other income	803	782	729	690	667	636
Total income	3,733	4,744	5,484	3,834	4,495	4,111
Management costs	-4,181	-2,966	-5,921	-6,585	-6,578	-6,292
Total expenses	-4,181	-2,966	-5,921	-6,585	-6,578	-6,292
BALANCE OF TOTAL INCOME AND EXPENSES	-448	1,777	-437	-2,751	-2,083	-2,181
Financial income and expenses	-25	60	308	409	531	3,133
Available for appropriated reserve	-473	1,837	-129	-2,342	-1,552	952

KEY FIGURES						
(x EUR 1,000)	2017	2016	2015	2014	2013	2012
Actual cost percentage withheld for the Dutch industry: BIEM	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%
Actual cost percentage withheld for Foreign Central Licensing	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%
Actual cost percentage withheld for Background music / Audio-visual education and Corporate productions	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Actual cost percentage withheld for Radio & TV	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Actual cost percentage withheld for Audio Visuals TV / Cinema	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%
Actual cost percentage withheld for Audio Visuals Commercials	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Actual cost percentage withheld for Private Copying / Public Lending Rights	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Actual cost percentage withheld for Online	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Actual cost percentage withheld for Abroad	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Actual cost percentage withheld for PIEB / Home video / Imports / Reprographic rights	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Actual average percentage withheld (administration fees as a percentage of distribution)	12.8%	14.4%	13.4%	12.6%	12.2%	11.2%
Management costs (gross) as a percentage of total copyright royalties received/receivable	11.5%	8.8%	15.1%	20.8%	23.2%	20.7%
Management costs (gross) as a percentage of total distributed copyright royalties	16.2%	9.4%	16.7%	26.3%	21.0%	20.2%
Annual change in operating costs	40.9%	-49.9%	-10.1%	0.1%	4.5%	10.5%
Derived consumer price index	1.4%	0.3%	0.6%	1.0%	2.5%	2.5%
Number of affiliates and participants	26,937	25,364	24,092	23,012	21,999	21,114
Number of invoiced licensees	1,200	1,500	2,600	2,600	2,500	2,300
Number of employees in FTEs	14.2	15.2	14.7	16.6	17.3	18.0

Members and affiliates in 2017

Composers/songwriters	24,610
Publishers	1,383
Legal heirs	944

TOTAL **26,937**



—1. BOARD REPORT

1. BOARD REPORT

1.1 EXPLANATION BY THE BOARD

INTRODUCTION

For over a century, Stemra has been committed to ensuring that the copyrights of our members are administered as best and efficiently as possible, and fighting for a fair remuneration for their work.

Against his background, 2017 was a special and eventful year. Three aspects of this are discussed in more detail in this report.

In terms of the internal organisation, a number of steps have been taken that ensure that Stemra will be able continue to serve its customers efficiently in future, and which have established the basis for further improvement of the services.

In addition, preparations were made for the introduction of a new governance model, which was introduced in the first half of 2018. Lastly, Stemra was presented with a number of reports in 2017 relating to internal audits performed by BDO and Nauta Dutilh under an engagement granted by the Management in early 2017, which engagement was subsequently approved by the Board. In the first half of 2018, the Dutch Copyright Supervisory Board (CvTA) put in place an independent committee that conducted a further investigation, which was reported on in September 2018.

GOVERNANCE MODEL IN 2017

Up to 22 June 2018, Stemra's governance model consisted of a Board and Management. The Board in office in 2017, which had the managerial responsibility under the Articles of Association, consisted of 12 representatives of members and affiliates of Buma and Stemra and one independent Chairman of the Board, L.A.J.M. de Wit. In addition, a Management under the Articles of Association consisting of one director was in office, assisted by two titular directors. The composition of the Board and Management in 2017 is presented in this annual report in the section on the remuneration of the members of the Board and Management.

The Board met fourteen times in 2017, which included a two-day strategy session in March and another one in October. The Audit Committee, consisting of six members, met a total of six times in 2017 and up to 22 June 2018. None of these meetings was attended by all the Audit Committee members, and only one of the members attended all six meetings.

In addition, there were seven meetings of Board committees, the Investment Committee and the Governance Committee in 2017. There were also two joint meetings of the Board and the Council of Members, including about the future role of the Council of Rights Owners (the successor of the Council of Members).

Besides the audits performed by BDO and Nauta Dutilh, which have already been reported on in detail in the annual report 2016 and in the Meeting of Affiliates on 30 October 2017, the Board paid a lot of attention to the transformation of the governance structure to a Supervisory Board model and changing the Distribution Rules to enable compliance with the Collective Management Organisations for Copyright and Neighbouring Rights (Supervision and Dispute Resolution) Act, which came into effect on 26 November 2016.

The new governance structure, with an independent Board and a Supervisory Board, was formally introduced on 22 June 2018. Other issues the Board focused on included equalising the distribution for instrumental works to the distribution for the performance right (2/3:1/3) for new works registered from 1 January 2019, and obtaining legal advice from four professors on the position of the various groups of Stemra rights owners with regard to the Private Copying levies. This advice provided the relevant groups of rights owners with a sufficient basis to enter into consultations with each other to find a joint solution. As stated elsewhere in this annual report, these discussions are still ongoing.

In the Board meeting on 29 March 2017, the Board decided to include the professional associations BAM! and VCTN in the Articles of Association as certified professional associations.

In the strategic Board meeting on 3 and 4 October 2017, the Board decided, based on a proposal by the Management, to extend the strategic policy by another year until the end of 2018 and, after completing the restructuring of the organisation and the relocation, to use 2018 to take further steps to bring the organisation into good order. The substance of the strategy itself was explained in the annual report 2016 as discussed in the Meeting of Affiliates on 30 October 2017.

A Meeting of Affiliates was convened twice in 2017.

At the meeting on 21 June 2017, various amendments of the Articles of Association and Rules were approved in order to implement the European Collective Rights Management Directive. And at the meeting on 30 October 2017, the aforementioned audits were discussed and the financial statements 2016 were adopted. At the meeting on 30 October, various motions were submitted and addressed. At this meeting, the Chairman stated that, where possible, answers would be provided to the motions within a reasonable term. The response of the Board to the accepted and adopted motions on the Schoon Schip ('a clean start') project and to the motions regarding the communication policy were posted on the portal for the affiliates on 29 December 2017 and 30 January 2018.

NEW GOVERNANCE MODEL SINCE JUNE 2018

We have updated our governance model to bring it in line with the European Collective Rights Management Directive (Directive 2014/26 EU of 26 February 2014); the new governance model became effective on 22 June 2018. This new governance model is comprised of a two-member Board 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.

The Supervisory Board consists of eight members. Two of the members, including the Chairman, are independent. The other Board members are representative of the professions of the members, which comprise composers, songwriters and publishers. This ensures a mix of specialist knowledge from the sector and general knowledge and experience from the market.

Charting the right course and successfully guiding Stemra through the changing music landscape are high on the agenda for the periodical meetings of the Supervisory Board and Board of Stemra.

Financial performance, ICT, stakeholder policy and compliance will be prominent issues during these meetings.

INVESTIGATION

The Investigation Committee set up for this purpose by the CvTA has conducted a further investigation into the functioning of Buma/Stemra in order to gain a clearer insight into the audits performed in 2016 by Nauta Dutilh and BDO at the request of Buma/Stemra and the media reports about these audits. The report of the Investigation Committee provides insight into the challenges experienced by Buma/Stemra in its transition as an organisation and makes recommendations on how to improve the organisation.

The Investigation Committee has definitively concluded that no wrongdoing or fraud occurred at Buma/Stemra and the distributions to the rights owners were never in jeopardy. That said, the Investigation Committee has recommended steps to improve the supervision and management of the organisation and processes, such as increasing the number of independent members of the Supervisory Board, strengthening the independence of the Audit Committee and appointing a second Board member under the Articles of Association.

Buma/Stemra accepts the recommendations from the report of the Investigation Committee and has consulted with the CvTA on how these are to be implemented.

Based on the conclusions and recommendations of the Investigation Committee, the Chairman of the Board, Mr Wim van Limpt, believes that with a view to implementing these recommendations, the organisation will benefit from having a different type of leadership. Mr van Limpt will therefore resign his position as Chairman of the Board at the General Members' Meeting on 29 October and hand over his duties in the period up to 1 January 2019.

INTERNAL ORGANISATION

The design of the organisation was changed in 2017, which included the introduction of two business units that each have their own staff support: Licensees and Rights Owners. With this new organisation, a clear structure with clear responsibilities has been created.

The reduction of the number of job profiles from more than 130 to only 7 has also contributed to this.

Furthermore, in December 2017 Stemra relocated to a new location where location and time independent working has been implemented.

ADDED VALUE

Critical success factors for the future are internationalisation and technological development.

When it comes to internationalisation, Stemra maintains a continuous dialogue with other CMOs and other organisations in the field of copyright. Close collaboration with sister societies and international associations of CMOs contributes to the strength and success of Stemra as an organisation.

The challenge for Stemra is to continuously prove its added value by constantly improving our responses to the needs of the affiliates of Stemra. Transparency and decisiveness are key aspects of this.

The mission of Stemra is, and will continue to be, to protect copyright and to ensure a fair remuneration for its use. In this respect, Stemra has to conclude that there is some pressure on the willingness to pay among some of the licensees of this copyright.

By acting as a strong collective of rights owners, with a clear focus on added value, Stemra can continue to work on protecting copyright and ensuring a fair remuneration for its use.

Major platforms are currently in the process of expanding their business models and staking their claims, both in financial and legal terms. At Stemra, we want to counter this with specialised financial and legal expertise. That requires a careful approach, as Stemra is well aware that these major platforms are omnipresent, as well as disruptive, and indispensable to our rights owners in particular, but also to society in general.

ICT

Properly functioning ICT systems are critical to the effectiveness of Stemra. Therefore, in 2017 Stemra took a number of important steps that guarantee that our systems are stable and able to cope with the explosive growth in the data flows. In addition, 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. One of the important IT projects concerned the relocation to a new external location.

The aforementioned exponential increase in data volume and tremendously fast developments in the area of big data and artificial intelligence will place different and heavier demands on ICT systems. Stemra is consulting with tech companies that operate in other markets, to find the best approach for making the design of our business model and its IT support future-proof.

FINANCIAL RESULTS

The collection was at a high level in 2017. A large part of the collection resulted from the use of music on radio and TV. At the same time, we know that this market is experiencing fundamental change. An ever greater variety of services are emerging around the medium of television, such as pay-per view and subscription types. The way people watch TV is also rapidly changing and the collection level from Online is increasing.

The revenues from Private Copying fluctuate and cannot be influenced by Stemra. After years of decline, the collection level of the other Stemra collection categories has stabilised.

All these social developments and the rapidly changing way in which music is consumed are forcing us to focus even more sharply on value creation and efficiency. This annual report shows that Stemra has started on this path.

IN CONCLUSION

We look forward to the future. It is fair to say that we have not always been able to work in a calm circumstances recently, which has placed a greater than normal burden on the people who work at Stemra. And there are still numerous matters that will require our undivided attention in order to achieve our mission.

Nonetheless, we are confident that, together with our employees, the Supervisory Board, the Council of Rights Owners and all other stakeholders, we will be able to continue to build towards achieving our mission: representing the interests of our members as best as possible and ensuring they receive a fair remuneration for their work.

Mr Wim van Limpt (Chairman of the Board)

1.2 RIGHTS OWNERS, ONLINE AND IT

RIGHTS OWNERS

Stemra has a limited number of core tasks that must be performed as best as possible. These core tasks are representing the interests of our members as best and efficiently as possible and ensuring they receive a fair remuneration for their work. That is what most of the people at Stemra work on day in, day out.

The organisation is structured around two markets: Licensees and music rights owners. The licensees pay a fee for using music. The rights owners receive a fee for the use of their work. At Stemra, we define rights owners as composers, songwriters and publishers. They are members of Stemra, own the copyright and give us the mandate to administer it. Because Stemra is a collective, we can fight for fees that provide a fair remuneration. By concluding licences, we generate revenues, which we then pass on to our members. Stemra's task is to allocate and distribute the revenues to the rights owners as best and efficiently as possible.

A number of changes were made in 2017 with the aim of improving the performance of our core tasks. One of the things we have changed is the frequency of distributions during the year. We have essentially reduced this from several types of distributions every month to a cluster of all types once every quarter. The distributions always take place at the end of a quarter. The reduction to four distribution clusters was introduced in 2017 and we already noticed the positive effects in that same year. Clustered distributions lead to less divergence in deadlines. Less divergence in deadlines means there is more time to analyse causes of distribution failure, for example. Because we are better able to identify the causes, we are also able to continuously improve our processes.

In 2017, Stemra also started measuring the completeness, timeliness and correctness per distribution chain, with the aim of improving our performance on these aspects for each chain. A distribution chain is the link between activities, from collecting royalties to gathering and identifying music use data, to distribution and payment. Each licence group has its own chain. Stemra distinguishes the following licence groups: Radio and TV; Phono-mechanical rights BIEM; PIEB (custom pressing); Online; Private copying / Public Lending Rights; Reprographic rights; and International sister societies.

COMPLETENESS

Completeness concerns the percentage of royalties collected and released for distribution that has been allocated to the right owners. We refer to the percentage that has not been distributed as the 'distribution failure rate'. In 2017, the average distribution failure rate was 12.4%. This is lower than in 2016 (15.6%) and also lower than in 2015 (16.5%). A lower distribution failure rate does not only mean that our members receive their fee more quickly. It also means that we have to carry out less remedial activities, which reduces the processing costs.

TIMELINESS

Timeliness concerns the number of days it takes before Stemra distributes. In 2017, amendments to the Collective Management Organisations for Copyright and Neighbouring Rights (Supervision and Dispute Resolution) Act came into effect in connection with the implementation into Dutch law of Directive 2014/26/EU of the European Parliament and of the Council on the collective management of copyright and related rights and the multi-territorial licensing of rights in musical works for online use in the internal market. This Act sets out the terms within which a Collective

Management Organisation (CMO) must distribute collected royalties. For example, licensing fees which Stemra acquires within its own territory (the Netherlands) must be paid out within nine months after the end of the financial year.

That is why our largest distribution, the general rights distribution that traditionally took place in October, now takes place in September, as this is nine months after the end of the previous year. In certain cases, it is not possible to distribute on time. This can have various causes.

Under this legislation, all CMOs in the EU must keep to the same terms. If Dutch copyright is used in an EU member state in a calendar year, the relevant CMO has the obligation to distribute within nine months after that calendar year.

The royalties are then passed on to the rights owners via Stemra, a step that must be completed within six months. This shows the great advantages of cooperation within the EU. Looking at the rest of the world, the situation differs per country. To put this into perspective, more than three quarters of the licensing fees originate from the Netherlands, the remaining quarter from the EU and North America and a limited part from the rest of the world.

CORRECTNESS

In 2017, the timeliness of the paying on of royalties that Stemra receives from foreign CMOs has greatly improved, from an average of more than 300 days to within 180 days.

Correctness mainly concerns the correct allocation of royalties to the correct rights owner. In the great majority of cases, works have several rights owners. One part of the fee goes to the author, one part to the composer and one part to a publisher. In the Netherlands, there is in principle an equal distribution of ownership of the copyright between these rights owners. Analyses of the distribution failure and submitted comments show that when errors occur in the allocation and distribution, the root cause often relates to the available ownership information. The distribution among the rights owners is still unknown or the distribution data have not been fully entered. In addition, Stemra is not always able to fully identify and/or match the gathered and submitted music use data to works about which the full ownership information is known.

It is Stemra's responsibility to inform our members about timely and correctly registering and to make it as easy as possible for them to do so, but the ultimate responsibility lies with the rights owners. We expect that the new portal that will be launched will make it easier and clearer to report works with both standard and different ownership distributions, which will be conducive to the correctness of distributions.

The fact that we have improved the way in which we perform our core tasks is evident from the decrease in the number of comments and complaints. The fact that we have received fewer comments and complaints means that Stemra has improved its identification of copyrighted work, as well as its subsequent allocation and distribution. If we identify, match and allocate better, that leads to a lower distribution failure rate, which in turn leads to fewer comments. If we do not solve comments, they turn into complaints. No complaints were submitted in the reporting year 2017.

This improved performance is also thanks to the restructuring that took place in Stemra's organisation in 2017. The management personnel responsible for identification and matching, the processing of ownership information, allocation and distribution and comments have become direct colleagues within a team. Direct colleagues now

see on a daily basis how the performance of their teams affects the work of the teams of their direct colleagues. This not only ensures a better overview, but also provides insights into where there is room for improvement. There has been a turnaround in our culture. We are more transparent and we are not only given more responsibility, but also taking more responsibility ourselves. The relocation to a new office, which enables modern ways of working together, has contributed greatly to this.

ONLINE

The collection level in the online market segment has risen sharply in recent years. However, the turnover volume of online is still small compared to other market segments, such as radio, TV or shops and stores. There are also big differences between the market segments, both geographically and in how the business models are designed. Online is virtually unaffected by borders and the data flows to be processed are exponentially larger. Volume and turnover will certainly continue to increase; this is only a question of time. The exponential increase in the amount of data that relate to copyrighted work is an unstoppable development. Stemra cannot and does not want to stop this development, but instead embraces it. Stemra is fully committed to this in order to remain relevant for our members.

REPertoire INCREASINGLY IMPORTANT

There are no borders online, so authors, composers or publishers may have the rights in their work managed wherever they want. Rights owners from the Netherlands may have the rights in their repertoire managed in another country, and therefore by another CMO, as far as this concerns the online segment. The online market is therefore characterised by healthy competition, which is good for everyone who wants to receive a fair remuneration for work that is used online. In this competitive market, CMOs are forced to deliver optimal performance, which can be achieved in several ways. By operating more efficiently, so that more is left over for distribution, and by making better deals. Although CMOs are competitors, collaboration is essential. If we don't work together, we won't be able to make better deals with often powerful online providers.

ONLINE LICENSING MODEL

There are a number of large online providers that operate worldwide. This enables Stemra to make deals that represent the value of copyrighted work. These deals with large providers are tailor-made and often involve long-term legal processes. In addition to the large providers, there are numerous smaller initiatives in the form of platforms where copyrighted work is used. There are standard licences for such initiatives. Stemra is convinced that these initiatives may include one or more initiatives with much greater potential. That is why the licences are tailored to the phase these initiatives are in. We see ourselves as an organisation that accelerates this change, rather than resisting it. A *one size fits all* approach no longer fits in with the rapidly changing online world.

ONLINE MATCHING

Billions of streams of data need to be matched to rights owners. The better we are able to process and match the data, the better it is for our members. That is a complicated process. We are taking major steps to improve the way in which we design this process so that we are not only able to cope with the increase, but also able to improve our matching.

Every matching process basically runs in the same way. The rights owners register their copyrighted work in the database. The database Stemra uses for this is the ICE database, which is used by multiple CMOs. Stemra receives data files from online providers. These files

contain the use in the countries where Stemra represents these providers. In the ICE database, Stemra links these data to works by the rights owners which Stemra represents, to see whether there is a match. If that is the case, the right owner must be matched to each work. Most works have several rights owners. Sometimes the received metadata are not complete, meaning that further must be needed to identify the copyright owners of certain works. One we have identified who is the rights owner of which work, we can invoice the provider.

THE VALUE OF COPYRIGHTED WORK

Another complexity in the online playing field in which Stemra operates is what is paid out to you per major player for the use of your song. This difference relates to the earning models of those online providers, but also to how much value someone has as a licensee for the business of those online providers; for some providers, this is of secondary importance. In all cases, Stemra strives for the maximum possible fee for its members.

THE FUTURE OF ONLINE

In an ideal online world, the system would work in such a way that when work is used, no matter where in the world, this is immediately visible to the rights owners on a dashboard with all the relevant data, such as data on the location, platform and revenues.

That is still science fiction, but by making deals with major online providers, through multi-territorial licensing, and by constantly improving the matching process, Stemra is taking steps to gradually move towards that ideal world.

IT

Stemra is dependent on IT. Without properly functioning IT systems, we are unable to make correct, timely and full distributions to our members. The pressure on the IT systems is increasing exponentially, driven by the amount of data that has to be processed by these systems. The IT systems are currently running in a stable way. That gives room to look ahead and determine how we can best facilitate our business with IT. At the same time, we are also looking more broadly at technological developments that can help Stemra to operate even more efficiently in the future. We keep an eye on important developments such as Big Data and AI (Artificial Intelligence) and we are in discussions about this with various parties.

When we relocated to another office location in 2017, this was a good time to redesign our IT environment. At the old location, the servers were located in the building itself. We have chosen to accommodate them externally in the new set-up. Partly because of this, the security level has increased and we now run less risk. Our operational systems are now also partly in the cloud, which was a necessary step to be able to work location independently. Finally, some of the hardware has been replaced by newer equipment during the migration.

If we want to be ready for the next decade, we need to invest. In the reporting year 2017 our focus was on the migration and running smoothly with as little downtime as possible.

And in 2018 and beyond we will have to focus on ensuring business continuity, and in parallel with that setting up a renewal agenda. This agenda is driven by the need to improve the services we provide to our members, with the key words being transparency, speed and reliability of application.

A successful IT project is characterised by calmness and keeping a good overview. We have now created the calmness and overview needed to be able to make the best choices for the future.

1.3 FINANCIAL RESULTS, MARKET DEVELOPMENTS AND OUTLOOK

1.3.1 COPYRIGHT ROYALTIES RECEIVED

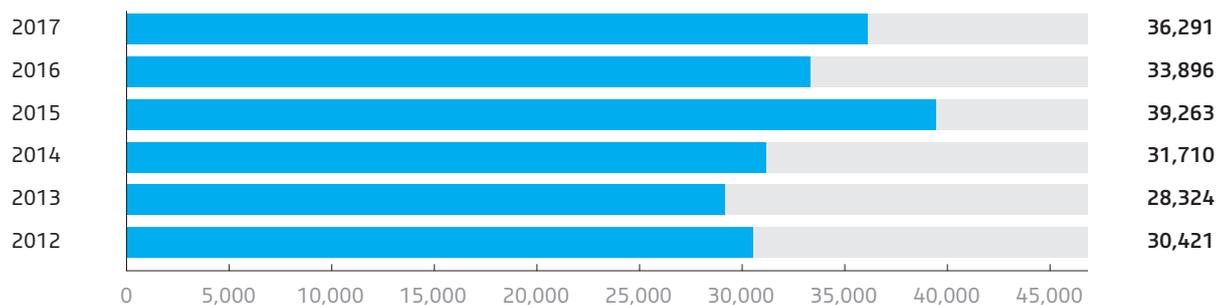
STEMRA

The copyright royalties were received from the following categories:

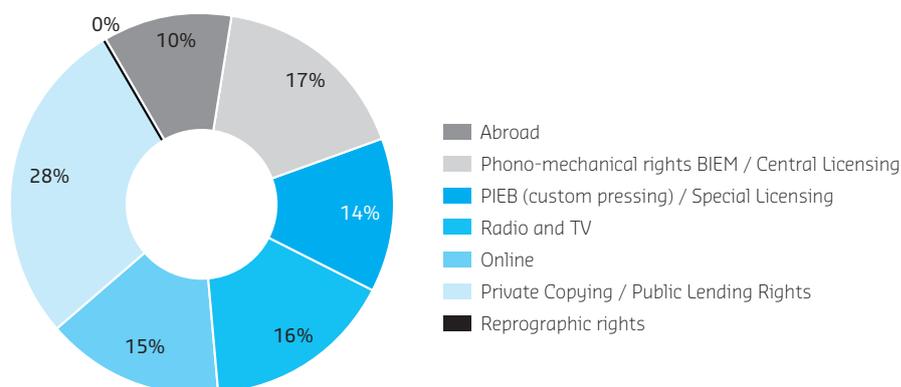
(x EUR 1,000)

	Realisation 2017	Realisation 2016
Phono-mechanical rights BIEM / Central Licensing	6,058	6,192
PIEB (custom pressing) / Special Licensing	4,935	4,922
Radio & TV	5,819	6,970
Online	5,339	4,596
Private Copying / Public Lending Rights	10,198	6,214
Reprographic rights	115	-81
Abroad	3,827	5,082
TOTAL STEMRA	36,291	33,895

DEVELOPMENT OF COLLECTION (x EUR 1,000)



COMPOSITION OF COLLECTION



The rights revenue collection by Stemra's Audio-Visual and General Legal Affairs departments increased slightly by EUR 2.4 million in 2017 compared to 2016. This increase in the rights revenue collection was mainly due to a substantial increase in the revenue from Private Copying of EUR 4 million in 2017. The rights revenue collection for Radio and TV decreased by EUR 1.2 million. By contrast, the online download market continued to grow, increasing by EUR 0.7 million. The rights revenue collection from abroad decreased by EUR 1.3 million.

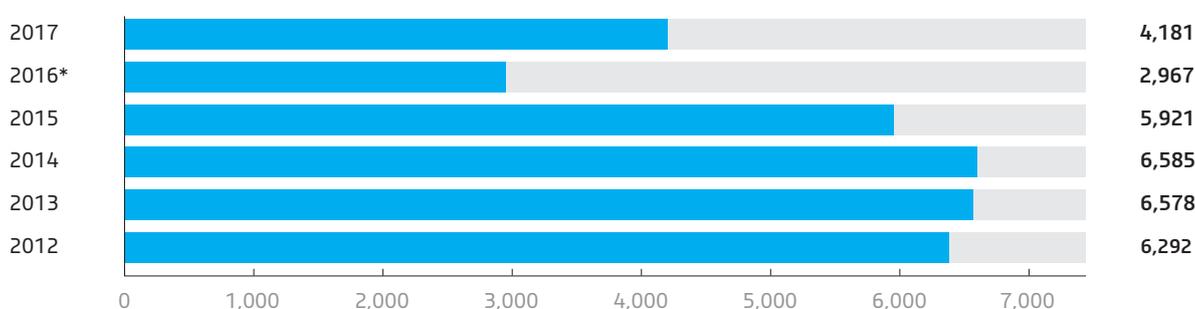
The rights revenue collection for the categories Phono-mechanical rights BIEM/ Central licensing and PIEB (custom pressing) / Special Licensing remained virtually unchanged in 2017 compared to 2016. This was partly due to modest windfalls in a number of provisions. The underlying situation is a shrinking market for mechanical rights, particularly for CDs.

The rights revenue collection for the categories Online and Private Copying increased compared to 2016. Despite the smaller download market, the rights revenue collection for Online increased. The reason for this is that the streaming market grew strongly in 2017, and a mechanical recording element of 25% is linked to streaming.

At Stemra, too, the decrease in the rights revenue collection for Radio and TV is due to the settlement of the negotiations with several large market parties in 2016. In 2016, this led to additional rights revenue collection relating to prior years. In the category Abroad, there was a higher payment for prior years in 2016.

1.3.2 OPERATING COSTS

DEVELOPMENT OF OPERATING COSTS (x EUR 1,000)



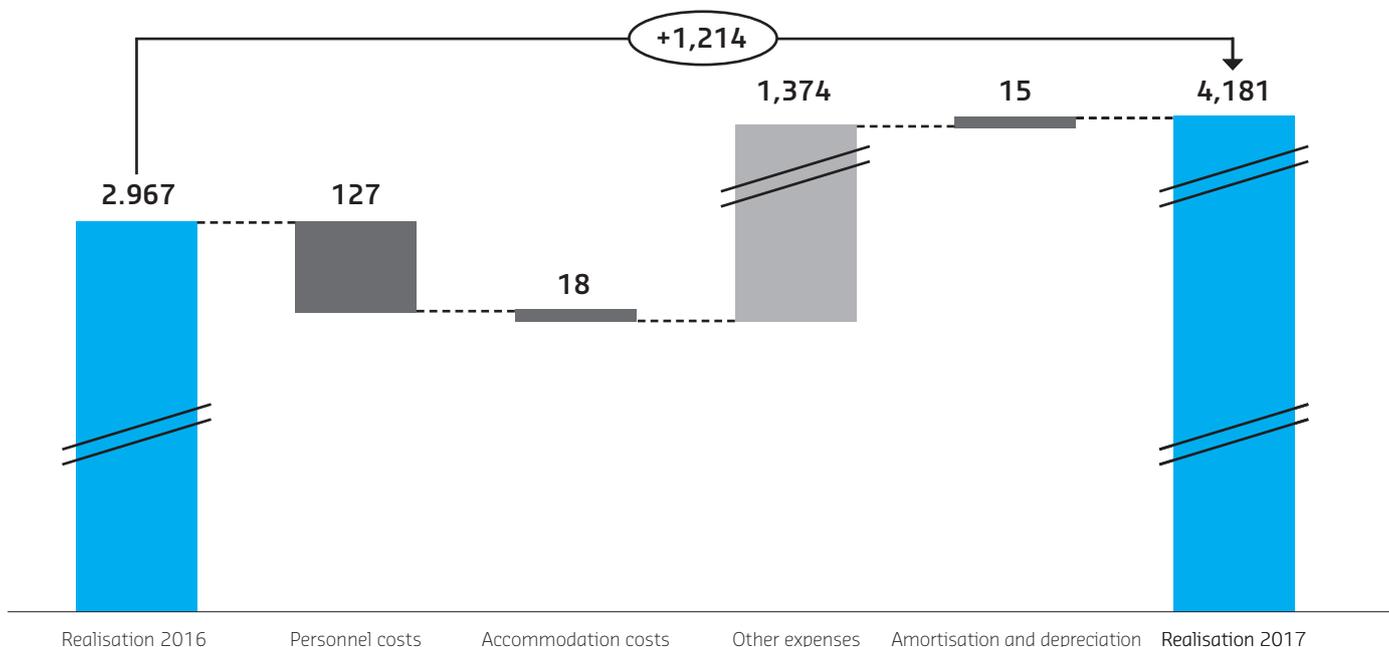
* In 2016, the development of the operating costs showed an increase due to the fact that the allocation key for the costs between Buma and Stemra was adjusted from 75/25 to 90/10 in 2016.

In 2017, there was a one-off increase in these costs, due to one-off costs resulting from additional work for external audits and additional work for the financial statements 2016.

Stemra's expenses can be specified as follows:

(x EUR 1,000)	Realisation 2017	Realisation 2016
Personnel costs	1,637	1,764
Accommodation costs	87	105
Amortisation and depreciation	87	102
Other expenses	2,370	996
TOTAL STEMRA	4,181	2,967

In 2017, Stemra's operating costs amounted to EUR 4.2 million, which was EUR 1.2 million higher than in 2016. This increase is the result of different components.



There was a reduction in personnel costs in 2017. Through a reduction of the total number of FTEs, which was be as offset slightly by increased costs of hiring temporary external personnel, a cost saving of EUR 0.1 million was achieved. Accommodation costs and amortisation and depreciation charges decreased slightly. The other expenses increased by EUR 1.4 million. The increase in the other

expenses is due to the one-off costs incurred in 2017. These costs were charged on by Buma to Stemra on the basis of 50% / 50% (impact of EUR 1.0 million). Furthermore, there was a one-off decrease in the costs in 2016 due to the release of various reserves (impact of EUR 0.4 million).

1.3.3 COVERAGE OF THE OPERATING COSTS

COVERAGE OF THE OPERATING COSTS

(x EUR 1,000)

	2017	2016
TOTAL EXPENSES	4,181	2,966
(1) Entrance and annual fees	803	782
(2) Other income	2,930	3,961
Interest income/expenses and similar income	-25	60
Coverage of costs from income	3,708	4,803
ADDITION TO / WITHDRAWAL FROM THE APPROPRIATED RESERVE	-473	1,837

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

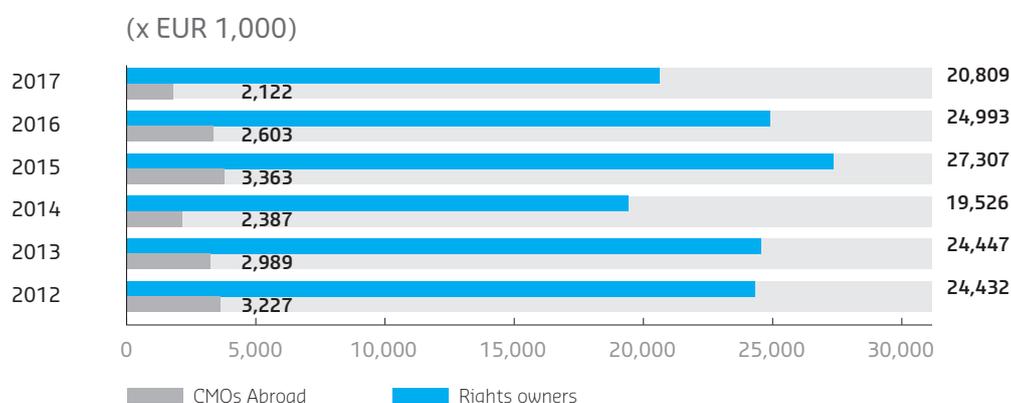
appropriated reserve. In 2017, EUR 0.5 million was withdrawn. This withdrawal was required due to a one-off cost increase combined with lower administration fees. The administration fees were lower in 2017 due to the limited distribution of revenue from Private Copying.

1.3.4 FINANCIAL INCOME AND EXPENSES

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

deposits was virtually nil in 2017 due to the current low interest rates, the financial income of Stemra came to less than EUR 0.1 million.

1.3.5 DISTRIBUTIONS



In 2017, Stemra distributed EUR 22.9 million to rights owners and organisations with which it has a reciprocal contract; this is EUR 4.8 million more than in 2016. This decrease is due to the considerable decrease in revenue from Private Copying in 2017 compared to 2016 and the slowing down of the market.

1.3.6 COST NORM

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

- The (gross) management costs in the year to which the annual report pertains are higher than 15% of the amount that was collected in that year (the collection / rights revenue collection);
- The (gross) management costs in the year to which the annual report pertains are higher than 15% of the amount that was distributed in that year (the distribution);
- The management costs in the year to which the annual report pertains have risen more in relation to the management costs in the previous year than the consumer price index of 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

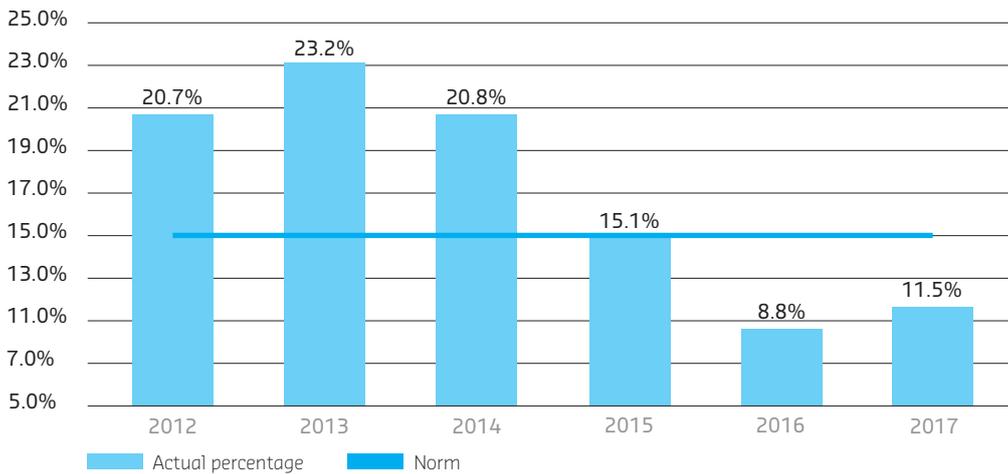
(x EUR 1,000)

	2017	2016
Collection Stemra	36,291	33,895
Distribution Stemra	22,931	27,696
Costs of Stemra	4181	2,966
Costs of Stemra as % of the collection (gross)	11.5%	8.8%
Costs of Stemra as % of the distribution (gross)*	18.2%	10.7%
Changes in costs of Stemra compared to previous year	40.9%	-49.9%
Actual average percentage withheld by Stemra (net)**	12.8%	14.3%

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

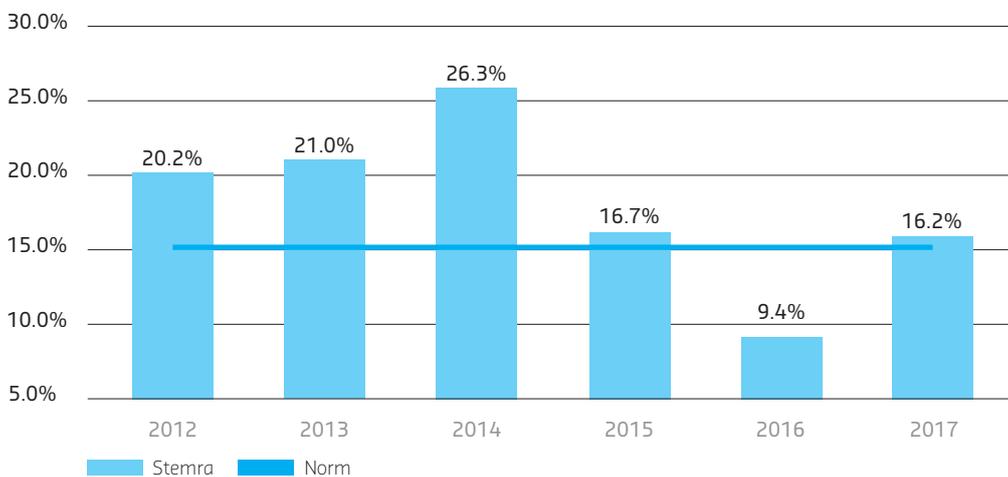
** The cost percentage that is actually charged to the rights owners is lower than the gross management costs for which the norms of the CvTA have been set. This is because predefined fixed withholding percentages are applied for certain collection categories, and also because a lower amount in costs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

COSTS AS PERCENTAGE OF THE COLLECTION



With 11.5%, Stemra complies with the norm. However, due to the system of fixed administration fees, the amount Stemra actually charges to rights owners comes to 12.8%, which complies with the cost percentage norm.

COSTS AS PERCENTAGE OF THE DISTRIBUTION



In 2017, Stemra exceeded the norm. This was due to a one-off cost increase and lower distributions (of revenue from Private Copying).

Increase in costs compared to the CPI

Stemra's costs increased by 40.9% (EUR 1.2 million) compared to 2016. These changes are due to one-off cost increases in 2017, plus the fact that costs were lower in 2016 due to one-off cost decreases. Stemra is subject to the cost percentage norm which stipulates that the costs should in principle not increase in excess of the CPI. This increase in the costs has already been explained in the notes to the operating costs.

1.3.7 ASSESSMENT OF FINANCIAL POSITION AND LIQUIDITY POSITION

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

The liquidity ratio indicates to what extent the debts can be serviced in the short term from the cash and cash equivalents and receivables. On this basis, the liquidity ratio for Stemra is 1.18, which means that Stemra can fulfil its obligations in the short term.

1.3.8 CASH FLOWS AND FINANCING REQUIREMENT

As Stemra distributes most of the copyright royalties received in the year after their receipt, and a large part of the copyright royalties is received at the beginning of the year, Stemra does not have any need for external financing. The above system leads to a 'base stock' of copyright royalties to be distributed, which can be used to finance the current expenses, as well as the investments.

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

1.3.9 RISK MANAGEMENT

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

RISK APPETITE

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

Without being exhaustive, this section gives a brief overview of the risks and how they are managed by our organisation.

STRATEGIC CHALLENGES

Stemra considers its main challenges at the strategic level to be:

- Stemra's positioning in relation to sister societies in the EU and beyond;
- rapid technological development and digitisation in the music industry;
- Stemra's position in relation to digital service providers;
- the changing legislation and regulations (European Collective Rights Management Directive) and the flexibility of the organisation to respond to them.

RISK MANAGEMENT

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

Risks are managed by means of the planning & control cycle. This cycle involves the annual updating of the strategic objectives and their translation into annual plans, the annual determination of the financial budget based on the annual budget, and the periodical reporting of progress and the 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 progress and quality of the activities are thoroughly discussed, are an important part of the planning & control cycle.

MARKETS

Stemra operates partly in relatively mature and stable markets, and partly in new, developing markets. An example of a developing market is the online market with Digital Service Providers (DSPs) such as Spotify, Google and Apple Music. In this context, the positioning of Stemra in relation to the DSPs is high on the agenda of the Board.

FINANCIAL PROCESSES

The collection, distribution and underlying financial processes take place based on agreed procedures and are subject to regulations and supervision. Within the framework of regulations, the Board makes the final decisions, sets budgets and monitors progress and quality.

Stemra's rights revenue collection takes place in the Netherlands and, via 'sister societies', abroad.

The distribution and payment to rights owners takes place as soon as the relevant royalties and the data based on which the distribution can be determined have been received. Each year, a schedule for the performance of the distributions is drawn up and communicated to the rights owners.

Some time elapses between the collection and distribution. During this time, the resulting cash is not invested, but held as cash at Dutch system banks.

Stemra's costs are covered by administration fees charged upon payment.

The cash flow and the expected cash position are predicted on a monthly basis by means of a liquidity forecast, which looks 36 months ahead. These forecasts enable continuous monitoring of whether the liquidity available at any time is sufficient for the

planned distributions.

FINANCIAL RISKS

Stemra is also confronted with various financial risks, such as currency risk and interest rate risk. A start has been made with the description of the Treasury Policy, including the Investment Policy. This will be completed in the coming year in a Treasury Charter, the main objective of which is to limit investment and currency risks where possible in a transparent manner.

INFORMATION SECURITY

Information security relates to all IT resources and processes. For Stemra, guaranteeing availability, integrity and confidentiality is crucial.

To this end, a General IT Control Framework for the IT-related processes has been adopted. Based on this framework, regular assessments take place. A start was also made in 2017 on a number of structural measures to improve the management of risks associated with data processing, such as accommodating the data centre at external locations and preparing the migration to new hardware.

ASSESSMENT OF THE DESIGN AND OPERATING EFFECTIVENESS OF THE INTERNAL CONTROL

Stemra has an Internal Audit department. The Internal Audit department assesses the control of internal business processes on the basis of an annually adopted audit plan. 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 Audit Committee discusses the audit plan and the performance of audits with the Internal Audit department several times a year.

To make the key operational risks transparent, Stemra has set up 'InControl', which is a risk management and control system for the business processes. This system is regularly assessed by Internal Audit.

INSURANCE

Our organisation has an insurance portfolio in which effectively insurable risks have been placed that cannot be prevented by internal control measures. This portfolio includes a third-party liability insurance policy, supervisory board and management board liability insurance policy, computer insurance policy, and group business travel and accident insurance policy.

The portfolio is managed centrally and periodically assessed in collaboration with an external insurance adviser.

TAX MATTERS

Stemra operates exclusively in the Netherlands and is subject to the Dutch tax regime. Discussions are taking place with the Dutch Tax and Customs Administration about the applicability of corporation tax and the introduction of Horizontal Monitoring. These talks are expected to be concluded in the second half of 2018.

1.3.10 OUTLOOK

Based on the expected positive economic conditions in general, and taking into account specific developments in the various market segments in which Stemra generates revenues, we expect that the collection level for Stemra will be slightly below the level achieved in 2017. It should be noted, however, that Stemra is dependent on when licensees or foreign sister societies pay royalties to Stemra. As a result of this, around the end of the financial year, royalties may

be recognised earlier or later than expected.

The operating costs are expected to show a slight decrease in 2017 as a result of improved efficiency and strict cost control.

After an eventful year in 2017, in which a lot was asked of our employees, the Stemra team is working hard on the continuous improvement of processes in order to ensure transparency, efficiency and the improvement of the services to rights owners and affiliates.

We are very grateful to the Stemra team for their dedication and commitment. This gives us great confidence for the future in general and for 2018 in particular.

1.4 VOI@E QUALITY MARK DISTRIBUTION AUDIT

In the context of the triennial VOI@E Quality Mark Distribution Audit for collective management organisations, the Distribution Rules and Board decisions about the distribution of Stemra were continuously reviewed in 2017. This review was performed by the Board in various Board and committee meetings. The outcomes of this review included:

1. ONLINE ROYALTIES WITHOUT USE

Clarification of the explanatory notes to the Distribution Rules with regard to licences that qualify as both a general licence and a specified licence. The following text will be added to the explanatory notes to the Distribution Rules.

“In the Online sections, a licence specified for each work means: a licence provided in return for a fee that depends in part on the protected share of the work (or a group of works). A general licence refers to a licence that is not specified per work and where the licensing fee does not depend in part on the protected share of the work (or a group of works). In practice, it is often the case that the licenses with Online licensees that generate considerable revenue are a combination of both. In some cases, one part of the collection of the DSP can then be treated as a general licence and the other part as a licence specified per work.”

2. STEMRA INSTRUMENTAL

Regarding the distribution for instrumental works, the Board of Stemra has accepted the recommendation of the Distribution Streams Committee to make the distribution for mechanical rights identical to that for performance rights (2/3:1/3).

With regard to mechanical rights, the Board of Stemra has decided, also with a view to the transparency and simplification of cash flows, to make the distribution for instrumental works identical to that for vocal works (2/3:1/3). This change applies to works registered from 1 January 2018. The situation for existing works remains unchanged. The effective date of the change was decided upon in view of the required decision-making process; it concerns a change to the Distribution Rules, which was proposed to the members at the General Members' Meeting held in May 2018.

3. DISTRIBUTION METHOD FOR OTHER CONCERT MUSIC

1) Regarding the distribution method for Other Concert Music, the Board has decided to use the current distribution method for a last time for the usage year 2016 year, to be distributed in 2017. The decrease in the amount available, due to the decision on the collection from theatres, can be offset by means of a one-off direct withdrawal of

approximately EUR 50 thousand from Live Entertainment. This will be clearly communicated to the sector.

2) Regarding the usage year 2017, the Board has decided to ask the Council of Rights Owners for advice on the proposal from the Management to introduce a 1 to 1 distribution per live performance starting from the usage year 2017, on the basis of the annually determined amount for Live Entertainment, so as to ensure the necessary updating of the distribution method for Other Concert Music.

4. COPYRIGHT THRESHOLD

On 13 June 2017, the Board decided to maintain the copyright threshold of EUR 50 because of the cost/benefit considerations, with the request to the Management to put in place a reduction as soon as possible and to report on this to the Board.

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

The Supervisory Board of the Association consists of eight 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 13, paragraph 3, under a and b. Two 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 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. Two independent persons, including one independent Chairman, as referred to in Article 13, paragraph 2.

The Board consists of at least two Board members, one of which is the Chairman and one of which is the Financial Director. Board members may only be natural persons who are not a member or participant of the Association and who do not sit on the Supervisory Board of the Association. Board members are appointed and dismissed by the Members' Meeting on the recommendation of the Supervisory Board. On the recommendation of the Supervisory Board, the Members' Meeting appoints one of the Board members as Chairman and one of the Board members as Financial Director.

The complete provisions of the Articles of Association regarding the Supervisory Board are contained in Article 13 through to Article 19 of the Articles of Association of Stemra. The complete provisions of the Articles of Association regarding the Board are contained in Article 21 through to Article 24 of the Articles of Association of Stemra.

1.6 TRANSPARENCY REPORT

The Transparency Report (Collective Rights Management Directive) Decree came into effect on 1 January 2017. This Decree is a further elaboration of Section 2q of the Collective Management Organisations for Copyright and Neighbouring Rights (Supervision and Dispute Resolution) Act, which makes it mandatory to publish a transparency

report starting from the reporting year 2017. This annual report includes all components as described in this Act. Below and on the following pages you will find the reference table regarding the statutory obligation to publish a transparency report. The purpose of this table is to make it easy for the reader to find the mandatory elements of the transparency report in this annual report.

Section	Description	Part of the annual report	Page number
Section 2			
2a	Cash flow statement	Cash flow statement	32
2b	Information on refusals to grant a licence on the basis of Article 2i(3) of the Supervision Act;		20
2c	A description of the legal and governance structure of the collective management organisation;	Explanation by the Board	7
2d	Information on entities directly or indirectly owned or controlled, wholly or in part, by the collective management organisation;	Notes to the financial statements	45-46
2e	Information on the total amount of remuneration paid in the past financial year to the persons referred to in Section 2e(3) and Section 2f of the Supervision Act, and on other benefits granted to them;	Notes to the financial statements, Remuneration of the Board, Council of Members and Management	47-50
2f	The financial data referred to in Section 3 of this 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 this Decision	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
3b	Financial information on the costs of rights management and other services provided to rights owners by the collective management organisation, including a full description of at least the following items:		
	1. All operating costs and financial costs, with a breakdown per category of rights managed and, in the case of indirect costs that cannot be attributed to one or more categories of rights, an explanation of the method used for the allocation of these indirect costs;	Operating statement, coverage of the operating costs, notes to the financial statements	12, 13, 31
	2. Operating costs and financial costs, with a breakdown per category of rights managed and, in the case of indirect costs that cannot be attributed to one or more categories of rights, an explanation of the method used for the allocation of these indirect costs, to the extent that these costs relate to the rights management, including the management costs which were deducted from or offset against rights revenue or income arising from the investment of rights revenue in accordance with Section 2g(4) and Section 2h(1-3) of the Supervision Act;	Operating statement, coverage of the operating costs, notes to the financial statements	12, 13, 31
	3. Operating costs and financial costs for services other than rights management, including social, cultural and educational services;	Notes to the financial statements	N/A
	4. Funds used to cover costs;	Coverage of the operating costs	13
	5. Amounts that were withheld from rights revenue, with a breakdown per category of rights managed and per type of use, and the purpose of the withholding;	Notes to the financial statements, coverage of 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 allocated to one or more categories of rights, an explanation of the method used for the attribution of these indirect costs;	Key figures Stemra	5, 14, 15

Section	Description	Part of the annual report	Page number
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	38-42
	2. The total amount paid to rights owners, with a breakdown per category of rights managed and per type of use;	Key figures Stemra	4, 14
	3. The frequency of the payments, with a breakdown per category of rights managed and per type of use;		20
	4. The total amount collected but not yet allocated to rights owners, with a breakdown per category of rights managed and per type of use, and indicating in which the financial year these amounts were collected;	Notes to the financial statements, copyright royalties to be distributed	38-42
	5. The total amount allocated to but not yet distributed among rights owners, with a breakdown per category of rights managed and per type of use, and specification of the financial year in which these amounts were collected;	Notes to the financial statements, copyright royalties to be distributed	38-42
	If a collective management organisation has not carried out the distribution and payment within the period laid down in Section 6i(2) of the Supervision Act: the reasons for the delay;	Notes to the financial statements, copyright royalties to be distributed	38-42
	7. The total balance of undistributed amounts, with an explanation of the use of these amounts;	Notes to the financial statements, copyright royalties to be distributed	38-42
3d	Information on the financial relationship with other collective management organisations, with a description of at least the following items:		
	1. Amounts received from other collective management organisations and amounts paid to other collective management organisations, with a breakdown per category of rights managed, per type of use and per organisation;	Key figures Stemra	4
	2. Management costs and other withholdings from the rights revenue due to other collective management organisations, with a breakdown per category of rights, per type of use and per organisation;	Key figures Stemra	4
	3. Management costs and other withholdings from the rights revenue paid by other collective management organisations, with a breakdown per category of rights and per organisation;	Key figures Stemra	4
	4. Amounts distributed directly to rights owners originating from other collective management organisations, with a breakdown per category of rights and per organisation.	Key figures Stemra	4
Section 4			
4a	The amounts withheld in the financial year for the purposes of social, cultural and educational services, with a breakdown per type of purpose and, for each type of purpose, with a breakdown per category of rights managed and per type of use;	Notes to the financial statements	N/A
4b	An explanation of the use of those amounts, with a breakdown per type of purpose including the costs of managing amounts withheld to fund social, cultural and educational services and of the separate amounts used for social, cultural and educational services.	Notes to the financial statements	N/A

1.6.1 INFORMATION ABOUT REFUSAL TO GRANT A LICENCE

Anyone who plays music belonging to the repertoire administered by Stemra must obtain prior permission for this from Stemra. Provided that certain standard conditions are met, including the payment of a fee, Stemra grants this permission in the form of a licence. Stemra does not refuse to grant licences. However, Stemra does have the option of suspending its permission if certain contractual obligations, including payment of the fee due, are not met. If music is published or about to be published without the necessary permission, Stemra exercises its right of prohibition.

1.6.2 DISTRIBUTION FREQUENCY

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

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

* Will be distributed as soon as possible. This depends, among other things, on the receipt of royalties and the decision-making on the distribution method

—2. SUPERVISORY BOARD **REPORT**

2. SUPERVISORY BOARD REPORT

This annual report has been prepared under the responsibility of the new Supervisory Board. We would like to thank the Board, led by its Chairman Mr Leo de Wit, which stepped down in its entirety in connection with the introduction of the new supervision structure on 22 June 2018, for its many years of hard work and dedication.

TASK

The Supervisory Board supervises the general state of affairs with regard to Stemra, the quality of the management by the Board, the strategy, the (financial) policy, and the collaboration and coordination within Stemra and with the relevant stakeholders. The Supervisory Board also acts as a sounding board for the Board.

The members of the Supervisory Board are appointed by the General Members' Meeting in accordance with the Articles of Association.

COMPOSITION

A completely new Supervisory Board took office on 22 June 2018.

The Supervisory Board consists of eight persons. A member of the Supervisory Board of Vereniging Buma must also be a member of Supervisory Board of Stichting Stemra.

Two members, including the Chairman of the Supervisory Board, are independent persons who have no relationships with composers/songwriters and/or publishers, and six members are participants/affiliates.

The latter six members consist of four members who are composers/songwriters, and who are elected by the members/affiliates who are composers/songwriters, and two members who are publishers or hold a managerial position in a publishing company that is a participant, and who are elected by the members/affiliates who are publishers.

The members of the Supervisory Board are appointed for a term of four years and can be reappointed for no more than one term of four years.

At the time of writing this Supervisory Board report, there is a vacancy for the position of an independent Supervisory Board member with a focus on finance/IT.

At the General Members' Meeting on 29 October 2018, the Supervisory Board will propose to add a third independent member to the Supervisory Board, who will focus on finance/IT.

With a view to filling the vacancy and expanding the Supervisory Board, the Supervisory Board has selected two independent candidates. These candidates will be nominated to the General Members' Meeting on 29 October 2018.

INSTITUTION

On the date of the General Members' Meeting at which the decision made to set up the Supervisory Board (22 May 2018), the Works Council had not yet issued an opinion on the change in the governance structure. For this reason, the General Members' Meeting voted to change the governance structure on the condition that this change would be endorsed by the advice from the Works Council.

On 31 May 2018, the Works Council issued its advice, endorsing the change on the condition that the report to be published on the further investigation into Buma/Stemra would not give to any findings that caution against this change.

Thereupon, the 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 be thoroughly and carefully followed up, and the Works

Council will be involved in this process.

At the General Members' Meeting on 29 October 2018, the report of the Committee will be explicitly discussed and the standpoint of the Works Council will be explained.

FUNCTIONING

Prior to their regular meetings with the Board, the Supervisory Board members meet briefly to confer among themselves. Once a year, the Supervisory Board meets with the Board for a whole day, without a strict agenda, to discuss issues of a strategic nature and relating to stakeholders.

Since taking office, the Supervisory Board has had six regular meetings attended by all its members, in which the main topics were Annual Report 2017, the auditor's report, the training of Supervisory Board members in connection with the Council of Rights Owners, the Board and the Works Council, the annual planning, the recruitment of the second Board member under the Articles of Association, the recruitment of the second and third independent member of the Supervisory Board, the report of the Investigation Committee on the further investigation (which has been discussed in detail elsewhere in this annual report) and the draft supervision agenda.

The Supervisory Board had five meetings attended by at least five members in which it discussed with the CvTA the draft report and final report of the Investigation Committee on its further investigation. The Supervisory Board met four times with the Works Council to discuss the draft report and final report on the further investigation, as well as the Employee Satisfaction Survey.

In addition, the Supervisory Board held special meetings, both by telephone and in person, exclusively devoted to the Investigation Committee's draft and final report on the further investigation and all related matters.

In June and September, three members of the Supervisory Board participated in a consultation meeting with the Works Council (a meeting under Section 24.1 of the Works Council Act).

COMMITTEES

The Supervisory Board has an Audit Committee, a Remuneration Committee and a Stakeholders Committee. The Audit Committee consists of Mr Swemle and Mr Walboomers and also has a vacancy (for the position of Chairman). This vacancy will be filled by the independent member with a financial profile as soon as this person has been appointed. Until then, the Supervisory Board is assisted by an external adviser, Mr Ruud Hopstaken.

The Remuneration Committee consists of Mr Molema, Mr van Vliet and Ms de Zwaan (Chairman).

The Stakeholders Committee consists of Mr Meister, Mr Fiumara and Mr van Vliet.

With the assistance of the aforementioned external adviser, the Audit Committee has prepared the annual report 2017 to facilitate the decision-making by the Supervisory Board. The Audit Committee had meetings with the external auditor about the auditor's report on financial statements 2017. The Audit Committee met twice for this purpose.

The Remuneration Committee did not meet separately; the remuneration meetings were conducted by the full Board.

The Stakeholders Committee has not met since the Supervisory Board took office.

ADVISERS

As the Supervisory Board temporarily lacks independent financial expertise, it decided, after a selection process, to engage the external financial adviser Mr R. Hopstaken to bridge this period.

To support the translation of the findings of the (draft) investigation report into its supervision, the Supervisory Board consulted with Mr A. van Beurden and Mr M. Brink for legal advice and governance advice respectively.

For the training of the Supervisory Board and the Board, the Supervisory Board has selected Mr P. Nobelen.

Lastly, we would like to thank the Board and employees of Stichting Stemra for their hard work and achievements.

Hoofddorp, 12 October 2018

Ms Josephine de Zwaan (Chairman)

Mr Anthony Fiumara

Mr René Meister

Mr Arriën Molema

Mr Marc Swemle

Mr Raymond van Vliet

Mr Niels Walboomers

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

OTHER POSITIONS / PROFESSION OF MEMBERS OF THE SUPERVISORY BOARD

Josephine de Zwaan	Paid	Supervisory Board member of Fairphone B.V. (chairman) Supervisory Board member of Stichting Cito (chairman) Supervisory Board member of Stichting Vilans (vice-chairman) Supervisory Board member of Stichting Hogeschool Leiden (vice-chairman) Board member of Stichting Administratiekantoor Aandelen Triodos Bank N.V. (chairman)
	Unpaid	Board member of Stichting Academeia Advisory Board member of New Board Program Nijenrode
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 ASKO Schönberg Board member of Amstel Music Award Board member of Stichting Nieuw Geneco
René Meister	Paid	Composer / arranger Owner of BEAR studio Producer Music compiler Performing artist
	Unpaid	Founder of BEAR project
Arriën Molema	Paid	Songwriter / composer / producer Guitarist and business manager at Room Eleven Vice-chairman of BAM!
	Unpaid	Member of the Executive Committee at CIAM
Marc Swemle	Paid	Director / owner of VaVaVoom! Music Company since 1996 Director / owner of Swemle Media Holding B.V. since 2001
	Unpaid	Board member of BCMM since 2012
Raymond van Vliet	Paid	Director/Major Shareholder of Cloud 9 Music Holding
	Unpaid	Vice-chairman of Nederlandse Muziek Uitgevers Vereniging (NMUV)
Niels Walboomers	Paid	Managing director of Sony/ATV Music Publishing Benelux Director/Major Shareholder of Walboomers Publishing BV Director of EMI Music Publishing Benelux from 18 February 2015 Director/Major Shareholder of Nelis Holding BV Board member of Cliq Digital AG
	Unpaid	Chairman of Nederlandse Muziek Uitgevers Vereniging Board member of BMPA (Belgium Music Public association)

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

Martijn Schimmer	Paid	Director / owner of TFS Media Group Director / owner of Schimmer Music Productions Partner / owner of PilotPost B.V. Director / owner 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
Johan van der Voet	Paid	Composer / Songwriter / Producer Director / owner of Soundgram Post Production since 1996 Director / owner of Studio Soundgram & Soundgram Publishing since 2014 Chairman of BCMM (Beroepsvereniging Componisten MultiMedia) since 2009 Guest lecturer at various Colleges
	Unpaid	Board member of FFACE
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) from June 2017
Mark Bremer	Paid	Managing Director of Universal Music Publishing Benelux
	Unpaid	Vice-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
Hans Everling	Paid	Composer / producer Director / owner of SOB Audio Imaging BV Director / owner of Haramitsu Holding BV
	Unpaid	Vice-chairman of Beroepsvereniging Componisten MultiMedia
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

Rita Zipora Verbrugge	Paid	Performing artist & songwriter Moderator / presenter at music events Secretary and Board member of BAM! Choir conductor
	Unpaid	Affiliate of Popcoalitie
Koen Vergouwen	Paid	Director/Major Shareholder of Tierolff Muziekcentrale BV
	Unpaid	Board member of VMN
Aafke Romeijn	Paid	Composer, producer and performing artist Writer and journalist Treasurer of BAM! Affiliate of ESCA Artistic leader at Stichting Babi Pangang producties
	Unpaid	Board member of Stichting Wereldmuziek in Nederland

OTHER POSITIONS / PROFESSION OF MEMBERS OF THE MANAGEMENT UNDER THE ARTICLES OF ASSOCIATION

Wim van Limpt	Unpaid	Chairman of the Board of Stichting Buma Beleggingsfonds Chairman of the Board of Stichting Stemra Beleggingsfonds Board member of Stichting SCAN Board member of Stichting Brein Vice-chairman of VOI@E Board member of Stichting Buma/Stemra Projecten Board member of FastTrack Board member of Stichting Fingerprinting
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—3. APPROVAL ON THE **FINANCIAL STATEMENTS**

3. APPROVAL REPORT ON THE 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 2017 of Stemra in accordance with Article 27, paragraph 7, of the Articles of Association and to grant discharge from liability to the members of the Board in office up to 22 June 2018 and to the members of the Management in office up to 22 June 2018 in respect of the performance of their duties in the financial year 2017. The original financial statements were drafted in Dutch. This document is an English translation of the original. In the case of any discrepancies between the English and the Dutch text, the latter will prevail.

Hoofddorp, 12 October 2018

SUPERVISORY BOARD

Ms Josephine de Zwaan	Chairman
Mr Marc Swemie	Member of the Supervisory Board
Mr Arriën Molema	Member of the Supervisory Board
Mr René Meister	Member of the Supervisory Board
Mr Anthony Fiumara	Member of the Supervisory Board
Mr Niels Walboomers	Member of the Supervisory Board
Mr Raymond van Vliet	Member of the Supervisory Board

BOARD

Mr Wim van Limpt	Chairman of the Board
Mr Siebe van Elsloo	Financial Director (titular director)

— FINANCIAL STATEMENTS

4.1 BALANCE SHEET AS AT 31 DECEMBER 2017

After appropriation of the result

(x EUR 1,000)

	31/12/2017	31/12/2016
ASSETS		
FIXED ASSETS		
Tangible fixed assets (1)	20	107
CURRENT ASSETS		
Receivables		
Accounts receivable (2)	2,555	2,240
Other receivables (3)	1,111	3,900
Taxes and social security contributions	958	874
Prepayments and accrued income (4)	2,161	18
	6,785	7,032
Cash and cash equivalents (5)	65,121	55,582
TOTAL ASSETS	71,926	62,721

(x EUR 1,000)

	31/12/2017	31/12/2016
LIABILITIES		
Equity (6)		
Foundation capital	1	1
Continuity reserve	5,760	5,760
Appropriated reserve	5,114	5,587
	10,875	11,348
Provisions (7)	338	39
Current liabilities		
Copyright royalties to be distributed (8)	55,913	45,483
Accounts payable	218	222
Taxes and social security contributions	25	28
Other liabilities (9)	228	300
Accruals and deferred income (10)	4,329	5,301
	60,713	51,334
TOTAL LIABILITIES	71,926	62,721

4.2 OPERATING STATEMENT FOR 2017

(x EUR 1,000)	2017	2016
INCOME		
Administration fee withheld upon distribution	2,930	3,961
Entrance and annual fees	803	782
Total income	3,733	4,743
EXPENSES		
Personnel costs (14, 15)	1,637	1,764
Accommodation costs	87	104
Amortisation and depreciation (1)	87	102
Other expenses (16)	2,370	996
Total expenses	4,181	2,966
Balance before financial income and expenses	-448	1,777
Financial income and expenses		
Interest income and similar income (17)	-25	60
Balance of financial income and expenses	-25	60
Result before taxes	-473	1,837
Taxes (18)	-	-
Result after taxes	-473	1,837
Appropriation of the result	2017	2016
Addition to / withdrawal from:		
- Continuity reserve	-	-
- Appropriated reserve	-473	1,837
	-473	1,837

4.3 CASH FLOW STATEMENT FOR 2017

The cash flow statement has been prepared using the indirect method.

(x EUR 1,000)	2017	2016
BALANCE OF INCOME AND EXPENSES	-448	1,777
Adjustments for:		
Amortisation and depreciation	87	102
Changes in provisions (7)	299	1
Changes in operating capital	-803	-2,152
Cash flow from operations	-417	-2,049
Changes in copyright royalties to be distributed	10,429	2,338
Interest received	-25	82
Cash flow from operating activities	10,404	2,420
Investments in tangible fixed assets (1)	-	-7
Cash flow from investment activities	-	-7
Net cash flow	9,539	2,141
(x EUR 1,000)	2017	2016
Cash and cash equivalents as at 1 January	55,582	53,441
Cash and cash equivalents as at 31 December	65,121	55,582
Changes in cash and cash equivalents	9,539	2,141

4.4 NOTES TO THE FINANCIAL STATEMENTS

GENERAL

The objective of Stichting Stemra (hereinafter also 'Stemra') is to promote both the tangible and intangible interests of composers and songwriters and their successors in title and of publishers and publishing companies as a non-profit institution. Stemra stands for Stichting tot Exploitatie van Mechanische Reproductierechten voor Auteurs (Foundation for Administration of Mechanical Reproduction Rights for Composers and Songwriters). Stemra's registered office under the Articles of Association is in Amstelveen, and its head office is located at Saturnusstraat 46-62 in Hoofddorp. Stemra is registered with the Chamber of Commerce in Amsterdam under file number 41198521.

Group structure

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

Stichting Stemra Beleggingsfonds

Stichting Stemra Beleggingsfonds (SBF) is an investment fund in the form of a foundation, which was established to facilitate Stichting Stemra's investment policy. The Board of SBF is identical to Board of Stichting Stemra. SBF invests for the account and risk of Stichting Stemra. In order to enable SBF to perform the required management tasks, the legal ownership of the investments rests with SBF; the beneficial ownership of the investments rests with Stichting Stemra. As the size of the SBF is of negligible significance in relation to Stemra's total financial statements, it has not been consolidated. During the years 2015 through to 2017, Stichting Stemra did not hold any investments.

Vereniging Buma

Although Vereniging Buma and Stichting Stemra work together in one staffing organisation, there is no intragroup relationship between the two, due to the statutory provisions and their strictly segregation as economic units.

Basis of preparation of the financial statements

The financial statements have been prepared in accordance with Title 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 (the 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 of 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 of a liability has arisen that can be measured reliably.

Income and expenses are allocated to the period to which they relate.

The functional currency of Stichting Stemra is the euro. All the amounts are rounded to thousands of euros unless specified otherwise.

Estimates and assumptions

In the preparation of the financial statements, the Management makes use of estimates and assumptions when applying the accounting principles 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 the required estimates and assumptions:

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

Foreign currency

Transactions denominated in foreign currency are translated into euros at the exchange rate prevailing at the transaction date.

Monetary assets and liabilities in foreign currency are translated into euros on the balance sheet date at the exchange rate prevailing at this date. Exchange rate differences arising from the settlement of monetary items, or arising from the translation 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 translated into euros at the exchange rate prevailing at the transaction date. The exchange rate differences arising on the translation are recognised in the operating statement.

Continuity of the activities

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

Period under review

These financial statements concern the financial year 2017, which ended at the balance sheet date of 31 December 2017.

Comparative figures

With respect to the comparative figures, we should note that these have changed to a limited extent compared to the figures reported in the financial statements 2016. Amortisation and depreciation charges charged on by Vereniging Buma to Stichting Stemra are no longer accounted for under amortisation and depreciation but under the general costs.

Financial instruments

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

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

- Receivables are 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;
- Cash and cash equivalents are stated at nominal value. If cash and cash equivalents are not freely available, this is taken into account in their valuation. Cash and cash equivalents denominated in foreign currency are translated into the functional currency at the balance sheet at the exchange rate prevailing on that date. Please also refer to the pricing principles for foreign currency transactions;
- liabilities are measured at amortised cost using the effective interest rate method. The effective interest is recognised directly in the operating statement. The repayment obligations for the non-current liabilities for the coming year are recognised under current liabilities.

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

PRINCIPLES FOR THE VALUATION OF ASSETS AND LIABILITIES

Tangible fixed assets

Tangible fixed assets are stated at cost of acquisition or manufacture less cumulative depreciation and impairment. Depreciation charges are calculated as a percentage of the cost of acquisition cost or manufacture using the straight-line method based on the estimated useful life. Advance payments on tangible fixed assets and assets under construction are not depreciated. Tangible fixed assets are assessed at each balance date for indications that these assets are subject to impairment.

If such indications are present, the recoverable amount of the asset is estimated. The recoverable amount is the higher of the value in use and the net realisable value. When the carrying amount of an asset is higher than the recoverable amount, an impairment loss is recognised for the difference between the carrying amount and the recoverable amount.

The estimated useful life is as follows:

- hardware / computer equipment 3 - 5 years

Receivables

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

Cash and cash equivalents

Cash and cash equivalents are stated at nominal value. If cash and cash equivalents are not freely available, this is taken into account in their valuation.

Continuity reserve

The aim of the continuity reserve is, among other things, to ensure the continuity of the performance of the activities and the fulfilment of obligations to third parties, including with regard to the distribution of copyright royalties that still have to be distributed according to the financial statements.

Appropriated reserve

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

Provisions

General

A provision is recognised in the balance sheet when there is a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the expenditure expected to be required to settle the obligation.

Provision for long-service awards

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

Employee pension plan

Stichting Stemra 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 measured at their nominal value. The risks in connection with wage developments, price indexation and the investment returns on the pension plan assets could lead to future adjustments in the annual contributions to the pension fund. In the event of a shortfall at the industry-wide pension fund, Stichting Stemra is not obliged to pay additional contributions other than higher future pension contributions.

Leasing

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 of 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.

Copyright royalties

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

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

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

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

Reserves are periodically reviewed and distributed when the necessary information has been added or, in the case of a non-distributed item, when the threshold for distribution has been attained. Reserves that have not distributed within three calendar years after the year of collection are divided proportionally over the various distribution sections and distributed via the regular distribution in the fourth calendar year after collection (in accordance with the Supervision Act). For works that are claimed by multiple rights owners (double 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.

Current liabilities

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

PRINCIPLES FOR DETERMINING THE RESULT

Administration fee

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

Financial income and expenses

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

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 Stichting Stemra is subject to corporation tax. Deductible foreign withholding taxes and Dutch dividend tax may be deducted up to a maximum equal to the amount of tax due under this advance tax ruling. Consequently, no corporation tax is due for the financial year 2017.

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

PRINCIPLES FOR THE PREPARATION OF THE CASH FLOW STATEMENT

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

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

NOTES TO THE SPECIFIC ITEMS OF THE BALANCE SHEET

(1) TANGIBLE FIXED ASSETS

The changes in tangible fixed assets are as follows:

(x EUR 1,000)	Hardware / computer equipment
Cost of acquisition/manufacture	673
Cumulative depreciation	-566
Carrying amount as at 1 January 2017	107
Investment	-
Depreciation	-87
Disposals	-
Depreciation of disposals	-
Changes in carrying amount	-87
Cumulative cost of acquisition/manufacture	673
Cumulative depreciation	-653
Carrying amount as at 31 January 2017	20

(2) ACCOUNTS RECEIVABLE

The trade receivables include an amount of EUR 0.6 million (2016: EUR 0.9 million) with a residual term of more than one year. All the other receivables have an expected residual term of less than one year.

The carrying amount of the recognised receivables corresponds to their fair value, given the short-term nature of the receivables. Provisions for uncollectible amounts have been recognised where necessary.

The provision for uncollectible amounts is deducted from the carrying amount of the receivables. The total provision for uncollectible amounts amounted to EUR 0.5 million as at year-end 2017 (2016: EUR 1.2 million).

(3) OTHER RECEIVABLES

(x EUR 1,000)	2017	2016
Stemra affiliates	414	169
Buma current account	697	3,727
Other	-	4
Total as at 31 December	1,111	3,900

The other receivables are due within one year. The decrease in the current account with Buma is attributable to the adjustment of the allocation key for costs that are not directly allocable between Buma and Stemra from 75/25 to 90/10 in 2016. The adjustment had not yet been fully accounted for as at year-end 2016.

(4) PREPAYMENTS AND ACCRUED INCOME

(x EUR 1,000)

	2017	2016
Interest receivable	-	3
Other prepayments and accrued income	2,161	15
Total as at 31 December	2,161	18

The item 'Prepayments and accrued income' has a residual term of less than one year and mostly concerns revenue from Private Copying levies received in relation to prior years. This amount was received in 2018.

(5) CASH AND CASH EQUIVALENTS

(x EUR 1,000)

	2017	2016
Cash and cash equivalents	65,121	55,582
Total as at 31 December	65,121	55,582

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

(6) EQUITY

(x EUR 1,000)

	Foundation capital	Continuity reserve	Appropriated reserve	Total
Balance as at 1 January 2016	1	5,760	3,750	9,511
Appropriation of result for previous financial year	-	-	1,837	1,837
Balance as at 31 December 2016	1	5,760	5,587	11,348
Balance as at 1 January 2017	1	5,760	5,587	11,348
Appropriation of result for previous financial year	-	-	-473	-473
Balance as at 31 December 2017	1	5,760	5,114	10,875

Pursuant to Article 27, paragraph 6, of the Articles of Association of Stichting Stemra, the financial statements are adopted by the General Members' Meeting.

The Board has proposed to the General Members' Meeting to withdraw the deficit of EUR 0.3 million from the appropriated reserve. The appropriation of the result is included in the financial statements.

(7) PROVISIONS

(x EUR 1,000)	2017	2016
Provision for long-service awards	38	39
Other	300	-
Total as at 31 December	338	39

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

(x EUR 1,000)	2017	2016
Balance as at 1 January	39	38
Interest payment	1	1
Release credited to the result	-	3
Distributions	-2	-3
Total changes	-1	1
Balance as at 31 December	38	39

Provision for long-service awards

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

Other provisions

The item 'Other provisions' concerns a provision 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 prior years.

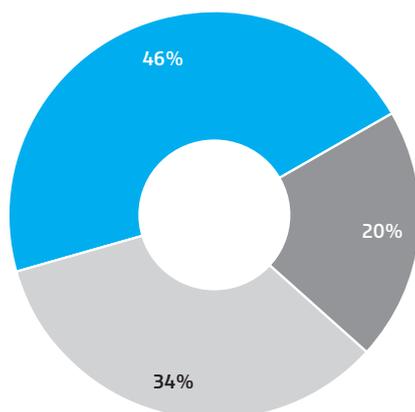
(8) COPYRIGHT ROYALTIES TO BE DISTRIBUTED

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

(x EUR 1,000)	2017	2016
Balance as at 1 January	45,483	43,145
Collection:		
Music use in the Netherlands	32,464	28,814
CMOs Abroad	3,827	5,082
Revenue from copyright royalties	36,291	33,896
Distributions to:		
Directly affiliated rights owners	-20,809	-24,993
CMOs Abroad	-2,122	-2,603
Distributions	-22,931	-27,596
Administration fee withheld upon distribution	-2,930	-3,962
Withholdings	-2,930	-3,962
Total as at 31 December	55,913	45,483

On balance, the copyright royalties to be distributed increased by EUR 10.5 million compared to the previous year. The changes are explained in more detail in the sections below.

COMPOSITION OF COPYRIGHT ROYALTIES TO BE DISTRIBUTED



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

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

(x EUR 1,000)	2017	2016
1. Accrued in financial year	25,764	27,821
2. Royalties still in progress due to:		
- As yet unallocable royalties	6,269	8,409
- Rome Rule	303	218
- Double claims	2,464	2,518
- Undistributed royalties still to be distributed	1,251	54
- Claim differences	600	657
Total royalties still in progress	10,887	11,856
3. Accrued in prior financial years	19,262	5,806
Total as at 31 December	55,913	45,483

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 2017.

The second category concerns the royalties for which the distribution process could not be completed. Stemra is committed to ensuring the fair distribution of the collected royalties. The collected royalties must be allocated to the correct rights owners. Sometimes, it is not 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 accumulated in prior years that cannot yet be distributed to the correct rights owners.

The following sections provide further information on each category.

ACCRUED IN FINANCIAL YEAR

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

(x EUR 1,000)	2017	2016
Revenue from copyright royalties	36,291	33,894
Addition from release of copyright royalty reserves	3,218	1,195
Distributed in financial year *	-13,745	-7,268
Became available during the year for distribution	25,764	27,821

* This distribution partly consists of royalties accrued earlier.

The decrease in accrued royalties in the financial year is attributable to the higher distributions in the same year. In addition, a higher collection was achieved, particularly for Private Copying and Online. Furthermore, a release of EUR 3.2 million from the copyright royalty reserves was added to the amount available for distribution (2016: EUR 1.2 million), which concerns the reserves that have expired after the end of the (statutory) reserve period.

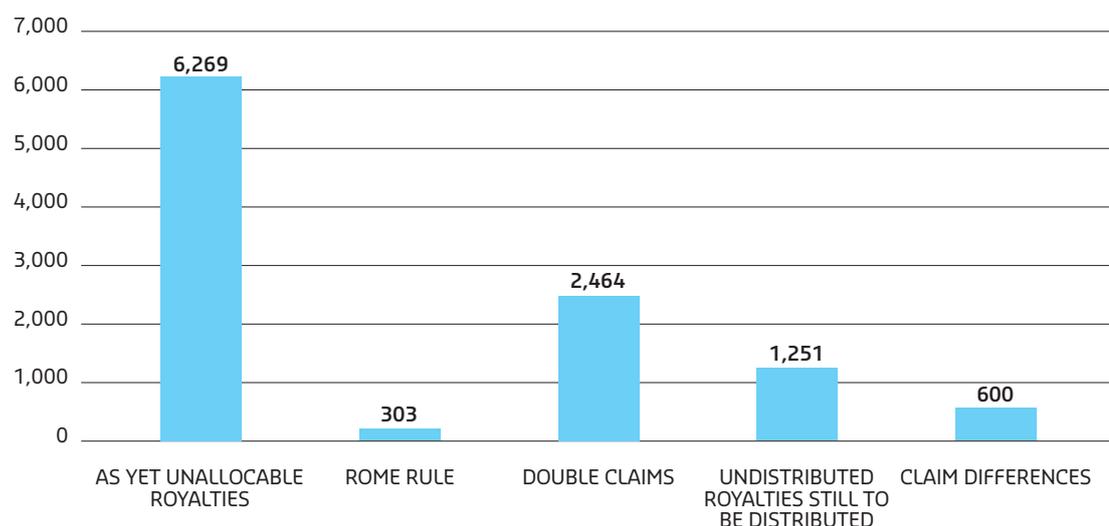
The copyright royalties were received from the following categories:

(x EUR 1,000)	2017	2016
Phono-mechanical rights BIEM / Central Licensing	6,058	6,192
PIEB (custom pressing) / Special Licensing	4,935	4,922
Radio & TV	5,819	6,970
Online	5,339	4,596
Private Copying / Public Lending Rights	10,197	6,213
Reprographic rights	115	-81
Abroad	3,827	5,082
Total as at 31 December	36,291	33,894

ROYALTIES STILL IN PROGRESS

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.

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



There can 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 6.3 million)

If data are missing or there is uncertainty about the received data, the use of music cannot be allocated to the correct rights owner. There can be three reasons for this:

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

Rome rule (EUR 0.3 million)

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

Double claims (EUR 2.5 million)

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

Undistributed royalties still to be distributed (EUR 1.3 million)

These royalties have been designated as undistributed and will be distributed in 2018.

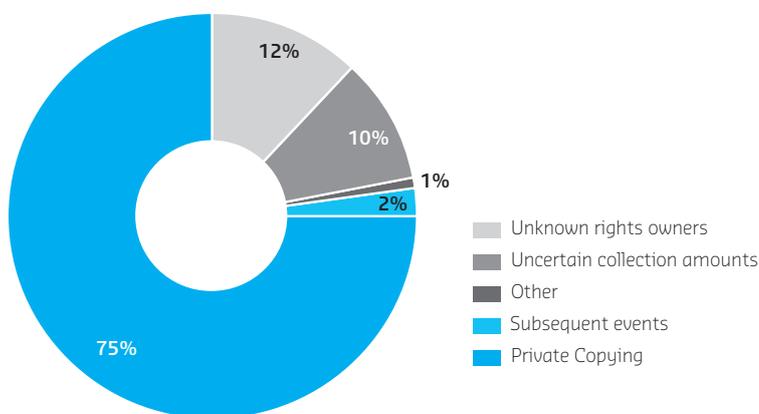
Claim differences (EUR 0.6 million)

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

ACCRUED IN PRIOR FINANCIAL YEARS

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 graph below shows the distribution of these royalties.

COMPOSITION OF ROYALTIES ACCUMULATED IN PRIOR YEARS



Private Copying (EUR 14.4 million)

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

'Unknown rights owners' and 'Information still to be verified' respectively (EUR 2.3 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 2018, so that they can be distributed.

Uncertain collection amounts (EUR 1.8 million)

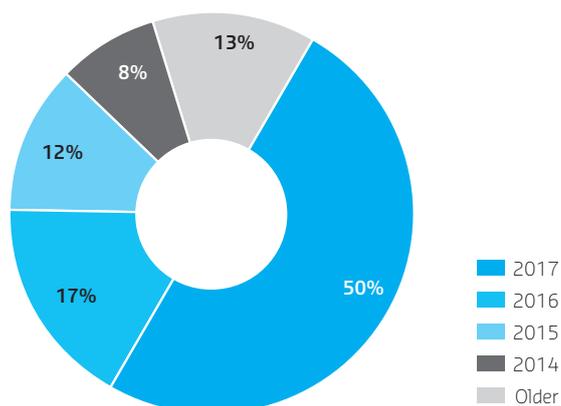
Regarding these amounts, there is uncertainty about the completeness of the collected amounts. As long as there is uncertainty about the completeness of the collection, these royalties are not distributed.

Accrued items (EUR 0.5 million)

This concerns royalties which became available for distribution late in 2017 and which could therefore not be processed in 2017. It is expected that these royalties will be distributed in 2018.

AGE OF COPYRIGHT ROYALTIES TO BE DISTRIBUTED

AGE OF COPYRIGHT ROYALTIES TO BE DISTRIBUTED



Distributable copyright royalties by annual tranche:

(x EUR 1,000)	Total	2017	2016	2015	2014	Older
Accrued in financial year	25,764	25,764	-	-	-	-
Royalties still in progress due to:						
- As yet unallocable royalties	6,269	498	2,258	1,877	1,636	
- Rome rule	303	20	59	82	113	29
- Double claims	2,464	67	195	144	144	1,914
- Undistributed royalties still to be distributed	1,251	1,251	-	-	-	-
- Claim differences	600	41	157	171	231	-
Accrued in prior financial years *	19,262	585	6,739	4,285	2,446	5,207
Total as at 31 December	55,913	28,226	9,408	6,559	4,570	7,150

* The amount in annual tranche 2017 was accrued in 2017. However, the reason why this amount has not been distributed yet relates to prior financial years.

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

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

In addition to the double claim reserve of EUR 1.9 million, the reserve for the collection for years prior to 2014 mainly consists of royalties received from sister societies for which the information required for a correct distribution is not yet available. Furthermore, EUR 5.2 million was recognised in relation to prior financial years.

The royalties accumulated in prior years are expected to be distributed in 2018. This depends, however, on the timely submission of data by third parties to Stemra.

(9) OTHER LIABILITIES

(x EUR 1,000)

	2017	2016
Stemra affiliates and participants	224	297
Foreign sister societies	4	3
Total as at 31 December	228	300

The other liabilities are due within one year.

(10) ACCRUALS AND DEFERRED INCOME

(x EUR 1,000)

	2017	2016
Dutch industry advance payments	3,367	3,848
Invoices to be paid	80	49
To be settled with industry and custom pressers	246	263
Holiday allowance and annual leave	66	79
Other	572	1,062
Total as at 31 December	4,331	5,301

'Dutch industry advance payments' include the invoiced advance payments on reproduction rights that have yet to be paid by the Dutch industry for the periods until year-end 2017. Advance payments are offset against the final payment.

The accruals and deferred income are due within one year.

(11) FINANCIAL INSTRUMENTS

Stemra's most important financial instruments concern cash and cash equivalents (91% of the balance sheet total; 2016: 88%). The cash and cash equivalents mainly concern royalties that cannot yet be distributed to the rights owners. The cash and cash equivalents consist of cash held at Dutch system banks. The other financial instruments included under the assets are receivables (9% of the balance sheet total; 2016 12%), which are measured at amortised cost. The receivables are generally non-interest-bearing. The interest received on cash and cash equivalents is marginal. The maximum credit risk with regard to receivables and cash and cash equivalents equals the carrying amount. There is no concentration of the credit risk.

The financial liabilities represent 84% of the balance sheet total (2016: 82%). The main component of this are the copyright royalties to be distributed (78% of the balance sheet total; 2016: 72%). These are measured at cost. The financial liabilities are non-interest-bearing. The fair value of all the financial instruments approximates the carrying amount. There are no financial instruments with a carrying amount exceeding the fair value. Stemra did not have any derivative financial instruments at the end of the financial year, and does not apply hedge accounting.

(12) OFF-BALANCE SHEET ASSETS AND LIABILITIES

Vereniging Buma and Stichting Stemra work together in one staffing organisation under one Board and one Supervisory Board. Off-balance sheet assets and liabilities in connection with the outsourcing, coffee machines and planting have been entered into by Vereniging Buma and Stichting Stemra jointly and are recognised in full by both Vereniging Buma and Stichting Stemra. For the contracts concluded by Buma that are allocated between Buma and Stemra on the basis of 90% / 10%, only the obligation of Stemra to Buma is disclosed.

Long-term liabilities

As at 31 December, the off-balance liabilities have the following residual term:

(x EUR 1,000)	2017	2016
Joint contracts with Vereniging Buma		
Less than 1 year	1,399	788
Between 1 and 5 years	1,106	6,170
	2,505	6,958
Contracts entered into independently		
Less than 1 year	57	93
Between 1 and 5 years	212	10
Longer than 5 years	278	-
	547	103
Total as at 31 December	3,052	7,061

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

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

Leasing and software

The operational lease costs for coffee machines, printers and lease cars have been entered into by Buma and are allocated between Buma and Stemra on the basis of 90% / 10%. The costs are recognised over the lease period in the operating statement using the straight-line method. With respect to the obligation to Buma, the liability with a residual term of less than one year amounts to EUR 32.2 thousand (2016: EUR 15.8 thousand) and those with a residual term of between one and five years amount to EUR 54.2 thousand (2016: EUR 10.4 thousand).

Rent

The financial obligation in respect of the accommodation in the previous premises in Hoofddorp ran until 31 December 2017. On 1 January 2018, a new rental obligation was entered into for a period of ten years. The rental obligation has been entered into by Buma. The (annual) rental obligation is allocated between Buma and Stemra on the basis of 90% / 10%. The total rental obligation to Buma for the remaining term of the contract amounts to EUR 0.5 million (2016: EUR 0.1 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 1.3 million (2016: EUR 1.9 million). The ICE costs 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 0.4 million (2016: EUR 0.5 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 March 2019 inclusive. Part of these liabilities has been prepaid and is included in prepayments and accrued income. A second part is a liability that is not included in the balance sheet. This concerns improvement projects that Accenture carries out annually. The annual liability for this amounts to EUR 0.6 million. Therefore, the total liability until the end of the contract amounts to EUR 0.8 million.

Long-term rights

As at 31 December, the off-balance sheet entitlements have the following residual term:

(x EUR 1,000)	2017	2016
Joint contracts with Vereniging Buma		
Less than 1 year	288	103
Between 1 and 5 years	161	288
Longer than 5 years	-	161
Total as at 31 December	449	552

PNO Media

The future pension costs for Stemra are capped at 15% of the integral wage bill to the extent that a deposit earmarked for this purpose, amounting to EUR 37 thousand as at year-end 2017 (2016: EUR 47 thousand), is sufficient to fund this.

This deposit arose in early 2008 upon the collective pension value transfer from Stichting Pensioenfonds Buma en Stemra (SPBS) to PNO Media. Because SPBS had a higher funding ratio than PNO Media, the collective value transfer resulted in an additional value of EUR 4.2 million. At the time, EUR 2.7 million was used to increase the pension entitlements of all the participants in SPBS (active participants, pensioners and sleepers). With the consent of all the parties involved, including the employees of Buma and Stemra, represented by the Works Council, the remaining EUR 1.5 million was earmarked as a pension costs equalisation fund for the benefit of the employer, being Buma or Stemra; i.e. equalisation of the future pension costs to the extent that these exceed 15% of the wage bill. This 15% (of the wage bill) was the pension expenditure applying to Buma/Stemra at the time.

Because the indexation of the pension entitlements prior to the collective value transfer was conditional on the value development of the investments and would continue after the transfer through an increase of the actual pension contribution burden, ensuring a greater degree of certainty with respect to the future indexation of the entitlements, it was decided to fund any pension contribution burden in excess of the previously applicable cap of 15% by using the additional value obtained upon the collective value transfer for a number of years.

After all, because of the improved indexation scheme, the pension contribution burden would in any case increase compared to the pension plan prior the collective value transfer. This concerns the aforementioned remaining amount of EUR 1.5 million. Based on the knowledge at that time, the period within which the deposit was likely to be used for the pension contribution equalisation was estimated to be 10 years.

As at year-end 2017, approximately one third (EUR 449 thousand) of the original deposit of EUR 1.5 million was still available. Stemra's share of this deposit is approximately EUR 37 thousand. This deposit has no impact on the financial position of Buma and Stemra, nor on the item 'Copyright royalties to be distributed'. The deposit can only be used to offset future pension costs to the extent that they exceed 15% of the wage bill.

In addition, the deposit can be reduced if PNO Media gets into a situation where the pension entitlements of all the participants must be cut based on the requirements and instructions of the regulatory authority, DNB, that apply in a situation of serious and persistent funding shortfalls. No such situation exists at the moment.

In conclusion, neither the part of the deposit that has not been called up yet, amounting to EUR 37 thousand, nor the equally large nominal value of the directly related uncertain future pension obligations (these are Buma and Stemra's pension costs to the extent that they exceed 15% of the integral wage bill in the same financial year) has been recognised in the balance sheet of either entity. After all, the deposit is only available to Buma and Stemra when an equally large obligation arises and this part of the deposit can therefore be called up, at which time, however, it can be used only for this purpose.

Claims

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

(13) RELATED PARTIES

The following parties are considered to be related parties of Stichting Stemra: Vereniging Buma, Stichting Sociaal Fonds Buma, Stichting Service Centrum Auteurs- en Naburige rechten (Service Centre for Copyright and Neighbouring Rights) and the Management under the Articles of Association, Supervisory Board members and the Council of Rights Owners and the Board of Vereniging Buma and Stichting Stemra. For more information on the remuneration of the Supervisory Board members, the members of the Council of Members and the Management under the Articles of Association, see note 14. Normal transactions relating to the administration of copyrights involving Supervisory Board members or

members of the Council of Rights Owners, or involving related parties of Supervisory Board members or members of the Council of Rights Owners, are not explicitly disclosed in the financial statements.

Any distributions of copyright royalties to Supervisory Board members and members of the Council of Members, or to related parties of Supervisory Board members or members of the Council of Members, have been calculated in the same manner as the distributions to all members and have been paid out in accordance with the normal procedures within Stemra. Due to the close relationships within the sector, Supervisory Board members and members of the Council of Members can also be related parties as customers of Stemra, such as through a music-related service that 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 René Meister	Member of the Supervisory Board	B
Mr Arriën Molema	Member of the Supervisory Board	B
Mr Marc Swemle	Member of the Supervisory Board	B
Mr Raymond van Vliet	Member of the Supervisory Board	A
Mr Niels Walboomers	Member of the Supervisory Board	B
Mr van Limpt	Member of the Board	A

Notes to the specific items of the operating Statement

(14) PERSONNEL COSTS

(x EUR 1,000)	2017	2016
Salaries	757	782
Social security contributions	123	127
Pension costs	75	74
Other personnel costs	20	26
Allocated by third parties	662	755
Total as at 31 December	1,637	1,764

As at 31 December 2017, the industry-wide pension fund (Stichting Bedrijfstakpensioenfondsvoor de Media PNO) had a funding ratio 102.0% (31 December 2016: 91.3%).

The average number of FTEs decreased in 2017 compared to 2016. During the financial year 2017, the average number of employees converted into FTEs was 14.2 (2016: 15.2 FTEs). In accordance with the table below, the workforce can be divided into the following personnel categories.

	2017	2016
Legal Affairs	0.3	-
General Affairs	1.9	2.8
Front office	5.0	8.2
Back office	7.0	4.2
Total as at 31 December	14.2	15.2

(15) REMUNERATION OF THE BOARD, COUNCIL OF MEMBERS AND MANAGEMENT UNDER THE ARTICLES OF ASSOCIATION

By virtue of the Supervision Act, which came into effect on 1 July 2013, a number of paragraphs in the Standards for Remuneration Act (The Netherlands) (WNT) were declared applicable to collective management organisations (CMOs). Vereniging Buma and Stichting Stemra work together in one staffing organisation under one Board, one Council of Members and one Management. The agreements with the Management, the Board and the Council of Members have been entered into by Buma and Stemra jointly. The total remuneration of the Management, the Board and the Council of Members is specified in the tables below on a cash basis, in accordance with Section 4.1 of the WNT, in particular for those persons who have been designated by Stemra as 'senior officials' of Stemra on the advice of the CvTA. However, 50% of the costs for the Board and the Council of Members is recognised in the financial statements of Buma and 50% in those of Stemra.

The remuneration of the Management is recognised in the financial statements of Buma and Stemra respectively on the basis of 90% / 10%.

Remuneration of the Board

The remuneration per individual for 2017 – as defined in the Supervision Act – can be specified as follows (in EUR)*:

Name	Position	Employed	Former	Remuneration 2017	Permitted maximum 2017	Remuneration 2016	Permitted maximum 2016
L.A.J.M. de Wit	Chairman of the Board	1 Jan - 31 Dec 40%	No	46,378	72,400	46,211	71,600
H.O. Westbroek	Vice-chairman of the Board **	1 Jan - 31 Dec 20%	No	15,133	36,200	15,746	35,800
B. Deuss	Board member	1 Jan - 12 Jan 20%	No	406	1,190	12,144	35,800
D. van Peursen	Board member ***	12 Jan - 31 Dec 20%	No	11,816	35,109	-	35,800
A.D.G. Fiumara	Board member	1 Jan - 31 Dec 20%	No	12,188	36,200	12,144	35,800
R. Meister	Board member	1 Jan - 31 Dec 20%	No	12,188	36,200	12,144	35,800
A.B. Molema	Board member **	1 Jan - 31 Dec 20%	No	14,618	36,200	13,277	35,800
P.L. Perquin	Board member	1 Jan - 31 Dec 20%	No	12,188	36,200	12,144	35,800
A.A.L. de Raaff	Board member	1 Jan - 31 Dec 20%	No	12,188	36,200	12,144	35,800
M. Schimmer	Board member	1 Jan - 31 Dec 20%	No	12,188	36,200	12,144	35,800
M. Swemle	Board member	1 Jan - 31 Dec 20%	No	12,188	36,200	12,144	35,800
R. van Vliet	Board member	1 Jan - 31 Dec 20%	No	12,188	36,200	12,144	35,800
J. van der Voet	Board member	1 Jan - 31 Dec 20%	No	12,188	36,200	6,606	35,800
N.M. Walboomers	Board member	1 Jan - 31 Dec 20%	No	12,188	36,200	12,144	35,800

* This concerns the total remuneration received from Buma/Stemra; these Board members do not have an employment contract. There are no former senior officials.

** Mr Molema was appointed Vice-chairman of the Board as of 9 November 2017. Mr Westbroek continues to be a member of the Board.

*** Mr van Peursen handed over the chairmanship of the Council of Members to Mr Chronis on 11 January. Mr Kwakman took up the position of Vice-chairman on this date.

Remuneration of the Council of Members

The remuneration per individual for 2017 – as defined in the Supervision Act – can be specified as follows (in EUR)*:

Name	Position	Employed	Former	Remuneration 2017	WNT maximum 2017	Remuneration 2016	WNT maximum 2016
I.M. Chronis	Chairman of the Council of Members**	1 Jan - 31 Dec	No	8,079	27,150	6,578	17,900
W. Kwakman	Vice-chairman** and member of the Council of Members	1 Jan - 31 Dec	No	6,555	18,100	5,060	17,900
M.A. Bremer	Member of the Council of Members	1 Jan - 31 Dec	No	5,078	18,100	5,060	17,900
B.B. Dessaur	Member of the Council of Members	1 Jan - 31 Dec	No	5,078	18,100	5,060	17,900
J.M.F. Everling	Member of the Council of Members	1 Jan - 31 Dec	No	5,078	18,100	5,060	17,900
M.T. Felis	Member of the Council of Members	1 Jan - 31 Dec	No	5,078	18,100	5,060	17,900
D. van Peursen	Chairman of the Council of Members**	1 Jan - 11 Jan	No	248	545	8,096	26,850
T. Kalksma	Member of the Council of Members	1 Jan - 31 Dec	No	5,078	18,100	5,060	17,900
K. Vergouwen	Member of the Council of Members	1 Jan - 31 Dec	No	4,923	18,100	-	17,900
M. Krüs	Member of the Council of Members	1 Jan - 31 Dec	No	5,078	18,100	1,128	17,900
B. van de Lisdonk	Member of the Council of Members	1 Jan - 31 Dec	No	5,078	18,100	2,752	17,900
B.N.A.D. van der Poel	Member of the Council of Members	1 Jan - 31 Dec	No	5,078	18,100	5,060	17,900
R. Zipora	Member of the Council of Members	1 Jan - 31 Dec	No	5,078	18,100	2,738	17,900

* This concerns the total remuneration received from Buma/Stemra; these members of the Council of Members do not have an employment contract. There are no former senior officials.

** Mr van Peursen handed over the chairmanship of the Council of Members to Mr Chronis on 11 January. Mr Kwakman took up the position of Vice-chairman on this date.

Remuneration of the Management

Stemra has prepared these financial on the basis the standards set out in the Policy Rules 2017 for the application of the Standards for Remuneration Act (The Netherlands) (WNT) and in the Collective Management Policy Framework of the CvTA. Pursuant to Section 4.1 of the WNT, details are provided below of the persons whom Stemra has designated as 'senior officials' of Stichting Stemra based on the CvTA's advice, being the members of the Management, the Board and the Council of Members. With respect to the remuneration of the CFO and the General Counsel, these remunerations were before the WNT came into effect, and therefore the statutory transitional scheme applies.

In accordance with the statutory transitional scheme as implemented by Stemra in accordance with the current implementation of the WNT, the remuneration of the CFO is respected by Stemra for a period of four years after the coming into effect of the Supervision Act, after which the agreed remuneration will be reduced in a period of three years to 130% of the salary of a government minister (WNT-1 norm) and will then be reduced in two years to the WNT-2 norm, being the salary of a government minister. In 2017, the 130% norm was EUR 235,500 and the 100% norm was EUR 181,000. For the reasons given above, the exceeding of the norm did not lead to an undue payment.

In accordance with the statutory transitional scheme as implemented by Stemra in the current implementation of the WNT via the Supervision Act, the remuneration of the General Counsel is respected by Stemra for a period of four years after the coming into effect for Stemra of the Reduction of Maximum Remuneration under the WNT Act, after which the agreed remuneration will be reduced in a period of three years to the salary of a government minister. In 2017, this norm was EUR 181,000. For the reasons given above, the exceeding of the norm did not lead to an undue payment.

The remuneration per individual for 2017 – as defined in the Supervision Act – can be specified as follows (in EUR)*:

Name	Position	Employed	Former	Total remuneration plus taxable expense allowance 2017	Post-contract benefits	Total WNT remuneration 2017	WNT maximum 2017	Remuneration 2016	WNT maximum 2016
Current Management Team									
W.H.L van Limpt	CEO	1 Jan - 31 Dec 100%	No	166,496	14,504	181,000	181,000	97,814	179,000
W.J. Ketellapper	CFO	1 Jan - 31 Dec 100%	No	253,295	37,987	291,282	181,000	331,933	179,000
J.G.M. Kroeze	General Counsel	1 Jan - 31 Dec 100%	No	191,801	28,435	220,236	181,000	217,235	179,000

* This concerns the total remuneration received from Buma/Stemra; the members of the Management all have an employment contract. There are no former senior officials.

The remuneration per individual for 2017 – as defined in the Supervision Act – can be specified as follows (in EUR)*:

Name	Position	Employed	Former	Total remuneration plus taxable expense allowance 2017	Post-contract benefits	Total WNT remuneration 2017	WNT maximum 2017	Remuneration 2016	WNT maximum 2016
S.H. van Elsloo **	Acting CFO	20 Nov - 31 Dec 60%	No			17,440	29,400	N/A	N/A

* This concerns the total remuneration received from Buma/Stemra; the member of the Management does not have an employment contract. There is no former senior official.

** S.H. van Elsloo has the position of titular director / acting CFO without an employment contract.

(16) OTHER EXPENSES

(x EUR 1,000)

	2017	2016
Contributions	51	117
Advisory fees	124	63
Other expenses	14	-384
Allocated by third parties	2,180	1,147
Total	2,369	943

The increase in the other expenses is due to the one-off costs incurred in 2017. The charged-on advisory fees, for example, were considerably higher than in 2016 (EUR 1.0 million). These are attributable to audits performed by BDO accountants and Nauta Dutilh under an engagement granted by Buma, and necessary additional work performed by KPMG following these audits, as well as anticipated expenditures in connection with a further investigation to be conducted in 2018 on instructions of the CvTA. These costs were charged on by Buma to Stemra on the basis of 50% / 50%. In addition, the data centre was relocated (EUR 0.5 million). Furthermore, there was a one-off decrease in the costs in 2016 due to the release of various reserves

There were no research and development costs.

(17) INTEREST INCOME AND SIMILAR INCOME

Stemra holds its available revenues from royalties as cash, mostly in deposit accounts. In the event of short-term cash requirements related to the distribution schedule, Buma and Stemra may borrow cash from each other. The interest paid for this is Euribor 1-month + 1%. The decrease in interest income and similar income can be attributed to the lower interest rates.

(18) TAXES

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

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

Other disclosures

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.

Signature

Hoofddorp, 12 October 2018

SUPERVISORY BOARD

Ms Josephine de Zwaan	Chairman
Mr Marc Swemie	Member of the Supervisory Board
Mr Arriën Molema	Member of the Supervisory Board
Mr René Meister	Member of the Supervisory Board
Mr Anthony Fiumara	Member of the Supervisory Board
Mr Niels Walboomers	Member of the Supervisory Board
Mr Raymond van Vliet	Member of the Supervisory Board

BOARD

Mr Wim van Limpt	Chairman of the Board
Mr Siebe van Elsloo	Acting Financial Director (titular director)

5. OTHER INFORMATION

INDEPENDENT AUDITOR'S REPORT

To: The Affiliates of Stichting Stemra

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2017 INCLUDED IN THE ANNUAL REPORT

OUR OPINION

We have audited the financial statements 2017 of Stichting Stemra, based in Amstelveen.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Stichting Stemra as at 31 December 2017, and of its result for 2017 in accordance with Part 9 of Book 2 of the Dutch Civil Code and section 25a of the Collective Management Organisations for Copyright and Related Rights (Supervision and Disputes Settlement) Act (hereafter: 'Supervision Act').

The financial statements comprise:

1. the balance sheet as at 31 December 2017;
2. the operating statement for 2017; and
3. the notes comprising a summary of the accounting policies and other explanatory information.

BASIS FOR OUR OPINION

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

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

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

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

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

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

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

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

DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

RESPONSIBILITIES OF THE BOARD FOR THE FINANCIAL STATEMENTS

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

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

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

OUR RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

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

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the foundation's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board;
- concluding on the appropriateness of the board's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a foundation to cease to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Amsterdam, 12 October 2018

Mazars N.V.

Signed by M.G.W. Quaedvlieg RA AA MBA

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DE MERKELIJKHEID

