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The year 2017: Change and focus

HOW WOULD YOU SUM UP 2017?

"2017 was another good year for Stim. Revenues increased and we were able to pay out money to more music creators than ever before. We have shown that Stim is able to adapt in line with the major changes we see in the market and in society. The digital and global trend is continuing, with no let up in momentum.

It has been a year in which we have worked to strengthen the organisation, and have placed a strong focus on our core services – services that secure payment from those who use the music in the market, a quick and accurate payout to our affiliates and advocacy work for robust, modern copyright. The development of online services and a number of underlying IT systems has also strengthened our ability to deliver these services at a new and higher level.

2017 was also the year in which we clearly saw the value of our shared licensing in ICE Services Ltd, which includes the British PRS for Music and the German Gema. It is an important strategic partnership, and it creates a power base in the increasingly globalised market for digital music services.

During the year we have also implemented the new Swedish Act on the Collective Administration of Copyrights. It is one of the most significant changes in Stim's history, which, among other things, required the introduction of new statutes. Stim's members have also decided on new rules regarding appointments to Stim's Board of Directors, we have updated the terms and conditions of affiliation and changed the decision-making process for funds used for cultural, social and educational purposes. All of these developments have been implemented to benefit member democracy and the interests of our affiliates.

WHAT ARE YOU MOST SATISFIED ABOUT?

I am very proud that had such a strong end to 2017. We now have a cutting edge organisation that can meet the increased demands placed on us by the pace of development.

2017 WAS THE YEAR WHEN THE #METOO MOVEMENT BROUGHT THE PROBLEMS OF INEQUALITY UP TO THE SURFACE. WHAT DOES STIM DO FOR EQUALITY?

I feel that it is our duty to accept a lot of responsibility here at Stim to use the position we have to create a more equal music industry. The #Metoo movement has raised the issue and shows that there are fundamental problems that need to be addressed. This is especially true of our very male-dominated industry.

Stim works actively to ensure that we have a healthy and equal culture. We do this by supporting female songwriters and composers in different ways, setting a good example in our own organisation and collaborating with others in the industry. We will use our channels and collaborations to raise the issue of gender equality and to attempt to gain widespread influence. Everyone in the industry has a responsibility.

HOW DOES STIM WORK TO SECURE THE LONG-TERM VALUE OF MUSIC?

Stim has a crucial role to play in ensuring that our affiliates get paid for the music they create, now and in the future. We must, among other things, work for a strong copyright law. The advocacy work for a new digital copyright is one concrete example, where Stim is working hard to secure modern legislation, where the value that music brings to digital platforms is channelled back to the music creators. Only by doing so can we secure a long-term, sustainable market with new, amazing music even in the future. We are also working to promote diversity and regrowth in Swedish music, which is part of Stim's cycle to build music's value in the long term.

At a slightly more practical level, we are constantly working to improve our business so that we can cover the entire market and increase the revenue going to the music creators. We must also think internationally and understand the global market, in order to meet development in the long term.

HOW DO YOU SEE THE FUTURE OF SWEDISH MUSIC AND FOR MUSIC CREATORS?

I think the future looks very bright. In the digital and global world, Swedish music creators have fantastic opportunities to reach a much wider audience. And when little Sweden creates so much good music, it gives us continued opportunities to conquer the world.

I also see how music creation in networks is a positive boon for our Swedish songwriters and composers. Swedes are good at working together and are good at responding to each other. This is something that is appreciated internationally.

WHAT DO YOU THINK OF STIM'S FUTURE OPPORTUNITIES?

Sweden is at the forefront of digital development, and Stim must also be there. From a global perspective, we enjoy unique conditions to adapt our operations to the changes in the market at an early stage. In a world of increased international competition for rightsholders and customers, this is a great advantage. The model we have built together with our affiliates stands up to scrutiny.



KARSTEN DYHRBERG NIELSEN, CEO



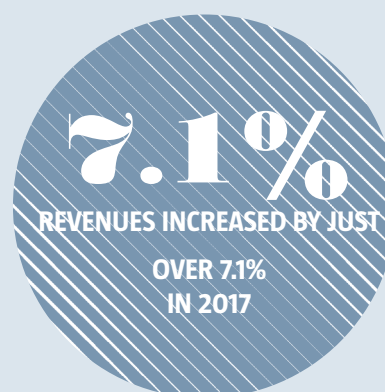
2017 IN BRIEF

The year 2017 featured numerous new successes for Stim. Revenues increased by just over 7 per cent to SEK 2 billion. The biggest revenue increase, almost 22 per cent, was seen online – a third of Stim’s licensed revenues coming from digital services. The number of works to which Stim distributes money is steadily increasing as the digital market grows. Royalites were paid to over 1.8 million works in 2017, more than ever before.



I am very proud that we had such a strong end to 2017. We now have a cutting edge organisation that is ready for the future and can meet the increased demands placed on us by the pace of development.”

KARSTEN DYHRBERG NIELSEN, CEO OF STIM



THREE-YEAR SUMMARY

TOTAL REVENUE BY CATEGORY (kSEK)	2017	2016	2015
Radio and TV	370,471	346,133	351,424
Live music	115,382	100,419	76,958
Background music	204,325	191,884	193,782
Online and new media	429,218	352,851	344,743
Private copying levy	3,809	7,244	8,352
Other revenue	13,319	20,159	27,676
Foreign revenues	710,375	638,976	651,816
Foreign, distributed by STIM *	61,816	76,057	20,620
Mechanisation	98,173	140,499	135,637
Total	2,006,889	1,874,222	1,811,008

* refers to revenues where Stim distributes compensation on behalf of other collecting societies. This may include revenue from broadcasts of Swedish television channels abroad where the company does not send complete distribution information. The company that has licensed the television channel sends the revenues to Stim which instead distributes the compensation based on the music reports received by Stim from that channel. These revenues are different from other foreign income as they do not relate to remuneration only to Stim affiliates.

MARKET TRENDS

DIGITALISATION AND GLOBALISATION

The major global trends continue to have a huge impact on revenue trends in the music industry. Although physical sales are still substantial in some territories, there is no doubt that streaming is the main driver of growth.

INTERNATIONAL COOPERATION

Cooperation is becoming increasingly important, as the digital music market becomes ever more limitless, and as a means to stand strong in global competition. For Stim, the cooperation with the British PRS for Music and the German Gema in ICE is one such strategic venture.

THE LIVE MARKET IS GROWING

The market for live music is growing, both globally and in Sweden, and thus also Stim's revenues for the category. More than anything else, arena tours are becoming longer with additional shows, while ticket prices have largely increased.

THE NEED FOR A LONG-TERM, SUSTAINABLE DIGITAL MUSIC MARKET

EU rules regarding online platforms with music that users upload themselves are outdated, and mean that the platforms are able to sidestep their copyright responsibility for the music on the platforms. A new legislative bill in the EU, called "Transfer of Value", intends to tackle the problem and Stim is actively working to make the new legislation a reality.

MUSIC AS PART OF THE CUSTOMER EXPERIENCE

Background music, that is, the name given to music played in shops, restaurants, hotels and other public spaces, is gaining a more central role. More and more companies and businesses are using music more deliberately than before. Studies show that music selection can both strengthen the brand and influence consumption and purchasing behaviour.

IMPORTANT EVENTS AND HIGHLIGHTS

IMPLEMENTATION OF NEW LAW AND NEW STATUTES

Stim implemented the new Swedish Act on the Collective Administration of Copyrights which, among other things, required the introduction of new statutes. Stim's members decided on new rules regarding appointments to Stim's Board of Directors and, during the year, Stim also updated the terms and conditions of affiliation and changed the decision-making process for funds used for cultural, social and educational purposes.

CARINA BRORMAN NEW CHAIRMAN OF THE BOARD

At Stim's AGM held on 29 May, Carina Brorman was elected as new Chairman of the Board. Carina has a background that takes in both the cultural sphere and the business world and she is the first woman to serve as Chairman.

INITIATIVES TO IMPROVE GENDER EQUALITY

Stim resolved, together with other industry actors, to implement an industry-wide equality project for the organisation Musiksverige.

108 STIM SCHOLARSHIPS AWARDED A TOTAL OF SEK 4.5 MILLION

SEK 4.5 million, divided between 108 music creators, of whom almost every second recipient was a woman. The scholarships are part of Stim's mission to promote music and are intended to promote regrowth and diversity in the Swedish music scene.

LAUNCHED NEW MEETING PLACE FOR MUSIC CREATORS – STIM MUSIC ROOM

A new, more personalised meeting place for music creators was launched in the autumn – Stim Music Room. Over 300 music creators gathered at Debaser Strand on 5 December for inspiration and networking with others in the industry.

ACCLAIMED SONGWRITER PETER SVENSSON WITH THE PLATINUM GUITAR

Peter Svensson received Stim's Platinum Guitar award for 2017. He was praised for his songwriting over the years and for his exceptional successes in 2016.

MCDONALD'S RECEIVED THE STIM GUITAR FOR 2017

With its new music strategy, the restaurant chain showed the way for companies to create value with music while safeguarding long-term sustainability in the Swedish music scene.

IMPROVED AND DEVELOPED SERVICE

During the autumn we launched new and improved online services at Stim.se, in order to simplify administration for our affiliates and customers.

3.2%

THE NUMBER OF STIM
AFFILIATES INCREASED
BY 3.2% IN
2017

27%

27% OF NEW STIM
AFFILIATES IN
2017 WERE WOMEN

1.8

STIM
DISTRIBUTED FUNDS
FOR 1.8 MILLION
PIECES OF WORK

STIM STANDS UP FOR THE VALUE OF MUSIC

Stim is a copyright organisation with more than 86,000 affiliated music creators and music publishers. We work for strong copyright protections and to make sure that those we represent get paid when their music is used. Stim is not-for-profit and also aims to promote the regrowth and diversity of the Swedish music scene, a socially beneficial mission which differentiates us from other operators in the market.

A Stim licence provides access to a fantastic library of music from all around the globe, music that awakens feelings, creates a feeling of belonging and identity. Music adds value and strengthens our customer' operations.

Music has value!

Challenges and opportunities in a digital world

The major international trends – especially digitalisation and globalisation – continue to have a major impact on the earnings trend in the music industry. Although physical sales are still substantial in some territories, there is no doubt that streaming is the main driver of the increased growth we see. Music streaming services have had experienced strong growth all over the world in 2017 and, in the same way, the market for moving images is also developing, as traditional players are increasingly directing their activities towards the digital world.

Looking at the proportion of royalties deriving from digital consumption, Sweden is an extremely digital country. Sweden leads in Europe and is in third position globally, with only South Korea and Mexico ahead of Sweden. This is according to CISAC, which brings together all the world's copyright societies within several categories. One third of Stim-licensed music revenue comes from digital services.

We also see how digitalisation contributes to the shrinking of distances in the music industry, just like in the rest of society. New markets are opening up to music creators around the world. This means new opportunities for Stim and Stim's affiliates, with blurred territorial boundaries where the number of channels is more and more individually adapted. This, in turn, creates opportunities for more works to be produced.

INTERNATIONAL COOPERATION

The music industry is a constantly changing market, offering great possibilities – but also new competition, which, in turn, requires Stim to adapt its business practices. One way to become stronger in global competition is through strategic collaborations. For this reason, Stim has cooperated with the British PRS for Music and the German Gema to form ICE, which is a collaboration for cross-border licensing and the management of music rights in Europe.

The formation of ICE was an important strategic choice to meet the prevailing global changes and to gain strength through solidarity. The ICE cooperation gives us a strong bargaining position in comparison with the large international players in the market, enables a smooth licensing solution that covers several territories and creates economies of scale with efficient data processing and documentation of works.

ONLINE MUSIC IS BEHIND DEVELOPMENT

In other words, the driving force behind the increased global music market is streamed music. Competition has toughened as large global companies have established themselves in the market, with the result that more music listeners have found different platforms.

At the same time, interest in live music is increasing. Our ever closer relationship with music in everyday life has led to a greater demand for the unique live experience. For artists and rights-holders, who are often the same people, live shows have also become a more important source of income than the time when CD sales were at their highest. Back then, a tour was a way to sell more CDs – today the situation is largely the opposite, where streamed music increases interest in the concerts.

There are also major changes when it comes to moving images. We spend more time watching moving images online via OTT services, such as Netflix, YouTube, or videos on social media, while viewing figures for linear television continue to decline. As with both online and live music, large global companies are the most powerful forces behind this development, and new operators are regularly emerging on the market. Global competition is placing increasingly high demands on local operators and contributes to new approaches, constellations and collaborations spanning the entire value chain.

MUSIC GIVES A VALUE

Most of us today agree that music has a value. For most people, it is also obvious that rightsholders should receive fair compensation for what they have created.

But music also gives a value. The music adds value to our customers' operations and can impact many factors such as the brand, sales and the customer and staff experience. In 2017, HUI Research examined how guests experienced the music at McDonald's restaurants. The survey, which was the biggest ever of its kind, showed that guests enjoyed their visit better, stayed longer and purchased more if they appreciated the music. McDonald's Sweden has therefore decided that a conscious music choice is an integral part of marketing, in the same vein as, for example, merchandising and outdoor advertising placements.

In spring 2017, Stim also launched the campaign "Real music, real emotions" together with SAMI, the Swedish Artists and Musicians' Association. The target group was business operators who play music in their gyms, cafes, restaurants and shops. The aim was to show how our repertoire can strengthen their business.

Stim operates today in a competitive background market, but holds a very strong position. Our customers have access to a global repertoire in one and the same place – something that no one else can offer. They all pay for a Stim licence, thereby ensuring that the rightsholders receive reasonable royalties, while at the same time investing in the future of music.

"TRANSFER OF VALUE" – THE NEED FOR A MODERNISED DIGITAL COPYRIGHT

Digital services like Spotify and YouTube are fantastic because they provide access to unimaginable amounts of material and make music accessible to everyone. However, because of outdated legislation, not everyone is equal before the law, and operators who primarily provide the ability for consumers to share and upload content may claim that they are not responsible for the copyrighted material they provide access to.

Some platforms that offer the user a place to disseminate copyrighted material, while taking an active role by sorting, selecting and presenting this user-generated content – can still claim that they act only as an intermediary and that they therefore do not have to pay any copyright compensation. Current legislation means that there is an imbalance between music creators and businesses, which risks less advantageous contracts for music creators. The imbalance is stacked in favour of the platform owners under this outdated legislation.

The single most important issue in Stim's advocacy work in 2017 has therefore been what is known as "Transfer of value", that is, that the revenues from the music have been shifted from the creators to the platforms. This is not just a matter of chang-

ing the legislation so that we can achieve better conditions in the short term, but is also about building a long-term, sustainable digital music market, with neutral conditions for all players.

For Stim, this is a unique opportunity to influence legislators so that we can create a music market new, fantastic music can continue to flourish even in the future. Stim therefore works tirelessly, in cooperation with other organisations, to improve the situation. In September 2016, the European Commission presented a bill for a new European copyright law. This would mean that platforms that use the content of creators in their business model, just like other digital services, would have to pay for that content. The EU has debated this issue during the year and is expected to make a decision in 2018.



Music affects sales. But above all, guests feel happier, more fulfilled, have a better experience and want to visit us more often. Guests enjoy their trip to the restaurant better, stay for longer and buy more."

RICKARD BERTHOLD, DIGITAL LEAD, MCDONALD'S SWEDEN

Stim's business concept

Music has a value

We stand up for the value of music. The value for those who create and for those who listen, for society in general and for Sweden as a country of music. We work therefore for strong copyright protections and to make sure that those we represent – creators and publishers of music – get paid when their music is used.

MUSIC GIVES A VALUE

We provide access to a fantastic library of music from all around the globe, music that awakens feelings, creates a feeling of belonging and identity. Music adds value and strengthens our customer's operations.

WE BUILD VALUE IN THE LONG TERM

We promote musical diversity and enable continued creation and regrowth in Swedish music. We are a non-profit organisation, where we take joint responsibility for the development of music and long-term sustainability. It is a socially beneficial mission, separating us from other operators in the market.

Online and live continue to grow

Stim's total revenue for the year 2017 exceeded SEK 2 billion for the first time and amounted to kSEK 2,006,889. This shows, among other things, how the digital development and new ways of listening to music mean more money for rightsholders, but also demonstrates the strength of Swedish music. This figure is comparable with the previous year, when Stim's total revenue was SEK 1.87 billion.

ONLINE AND NEW MEDIA

The biggest increase was seen online, which is the major growth area in music – with a third of Stim's licensed revenues coming from digital services.

Compared with 2016, Stim's revenue from online business increased by over 20 percent, to an amount of SEK 429 million. The main growth experienced was for music services such as Spotify, YouTube and Apple Music, but we are also seeing a move from tableau TV to the streamed moving image. As this is happening very quickly, we are getting to the point where linear tableau TV has already peaked and is dropping off, in favour of streaming video, often referred to as video on demand (VoD). Stim works with the market to ensure that we are ready with workable pricing models and licenses for new services – development work that must remain continually ongoing. Swedes already tend to stream a good deal of music, so change is expected to happen quickly now that the streamed image is becoming more popular.

From 2018, all of Stim's own online licenses with the digital music services will be transferred to licensing company ICE, which is owned by Stim, UK company PRS for Music and German company Gema.

LIVE MUSIC

The global market for live music is also growing, which means that Stim's – and rightsholders' – revenues are growing too. In 2017, live music revenue was just over SEK 115 million, which is a 15 percent increase in revenue compared to 2016.

This increase can be explained, among other things, by the increasing number of major arena concerts taking place, in many cases across multiple dates at the same venue, while ticket prices have generally become higher. Another contributing factor is the streamlining of Stim's accounting and licensing procedures.

RADIO AND TV

Revenues for radio and television increased by 7 per cent to an amount of SEK 370 million. Within the radio and TV segment, we are seeing a trend towards declining viewing figures and less TV time. Increased competition from other providers of music makes us realise that the music time on TV will also be reduced.

BACKGROUND MUSIC

Background music refers to music played in background environments such as restaurants, hotels, shops and gyms. In 2017, Stim's background music revenue increased by 6.5 percent to an amount of SEK 204 million. Here, it is clear that more and more companies are realising that the music can add value to their business by making employees and customers more positive in their attitudes, which in turn helps to increase sales.

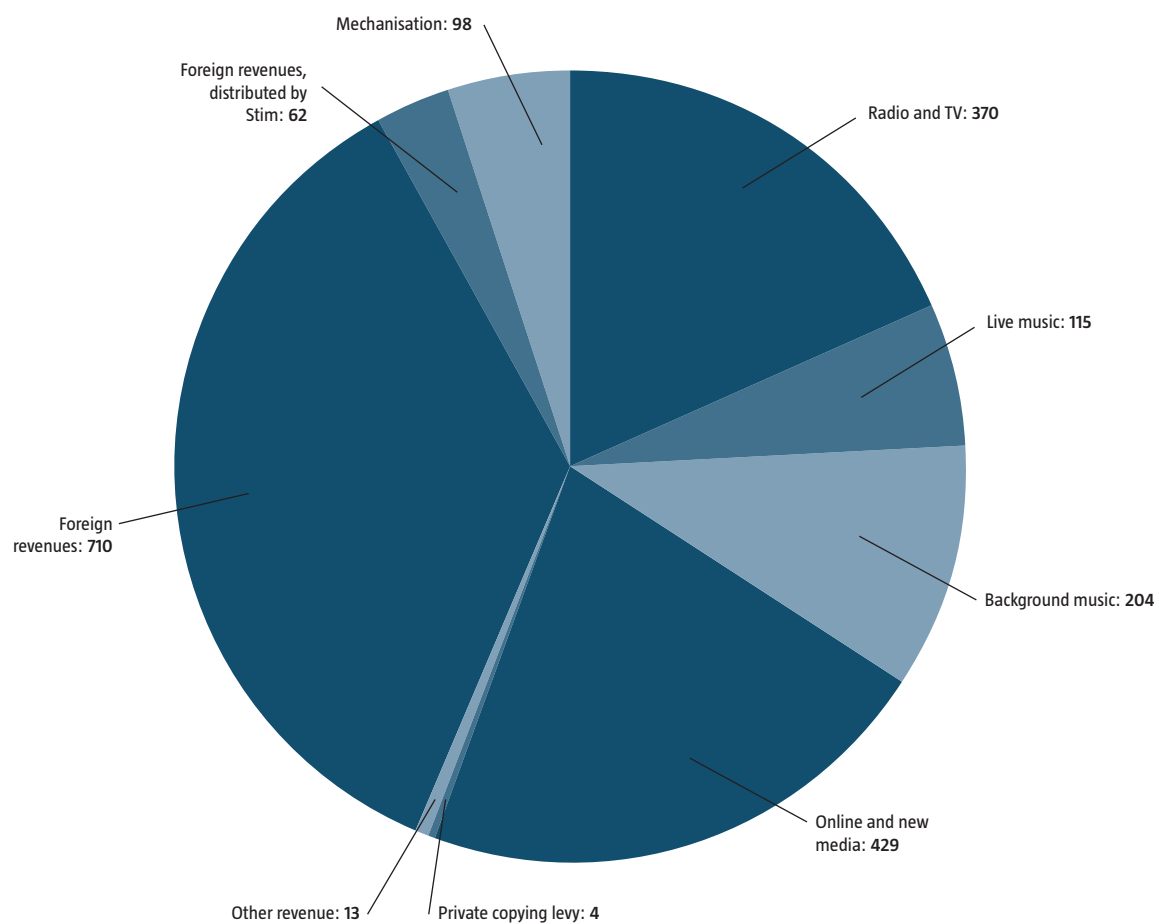
Background music is therefore increasingly being used by companies who, by choosing to become customers of Stim, gain access to a global repertoire.

FOREIGN REVENUES

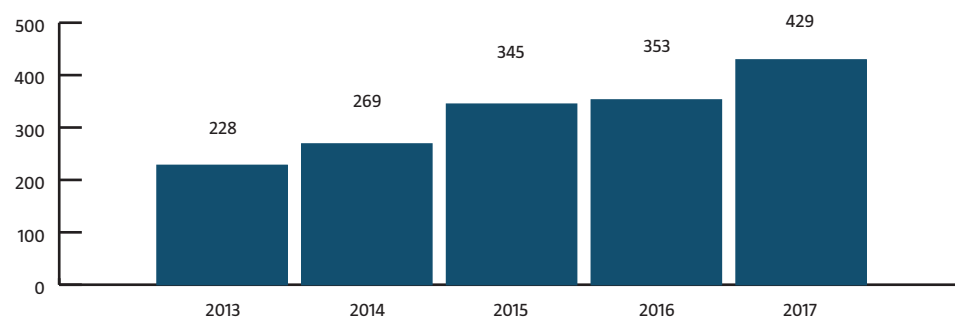
Music creators affiliated with Stim continue to win awards and climb the charts all over the world, including on the American Billboard and in Asia. Music is also being streamed increasingly in many South American countries. At the same time, new markets mean more revenue for Stim, which collects payment for its affiliates when their music is played abroad.

Stim's revenue from abroad, including the sub-publishers which Stim represents, increased by 11 percent between 2016 and 2017 to an amount of SEK 710 million.

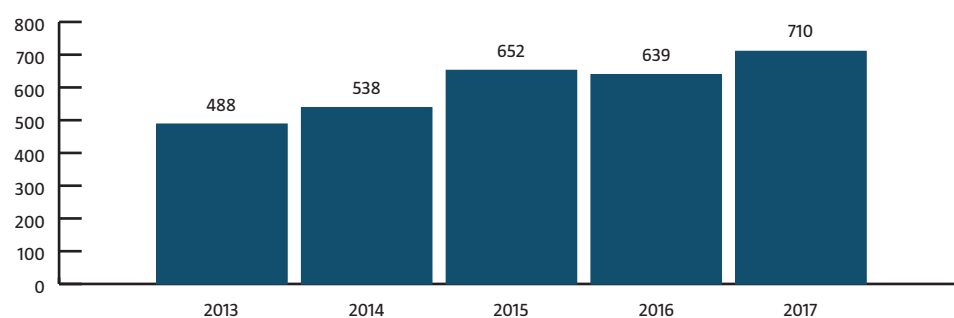
TOTAL REVENUE BY CATEGORY 2017, SEK M



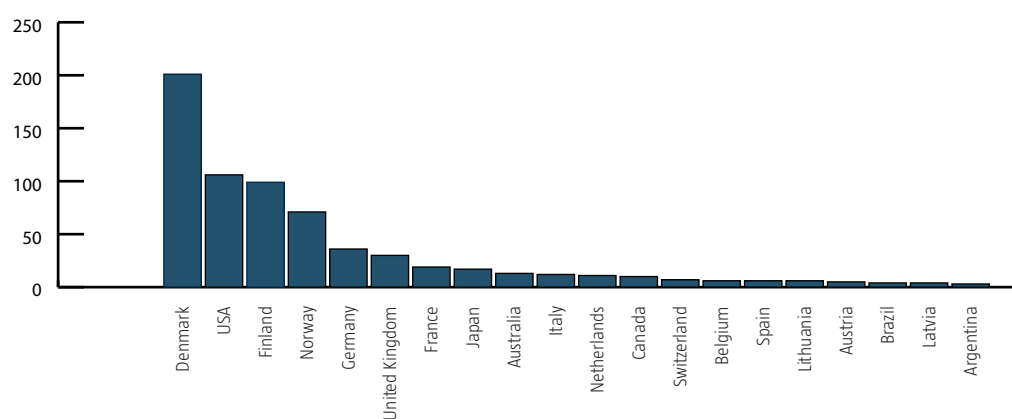
REVENUE, ONLINE AND NEW MEDIA, SEK M



FOREIGN REVENUE, SEK M



TOP 20 – FOREIGN REVENUE, SEK M



From music creation to Stim royalties

From work to payment



MUSIC IS CREATED

One or more music creators create a work.
The work is registered with Stim along with information about playing time and who created it.



Connected to Stim

By becoming affiliated with STIM, authors and music publishers instruct STIM to manage their economic rights.



MUSIC IS USED

The music is played and adds value to a business, for example in a restaurant or in a concert, through a digital music service or in a film production.



International

The equivalent foreign collecting societies charge for the use of music in other countries, identify rightholders affiliated with Stim and send the supporting documentation and money to Stim. Stim then distributes the money to the right authors and, in applicable cases, also to the music publishers without any administrative deductions.



STIM CHARGES

The person using the music compensates the music creator by paying for a Stim license.
The revenue falls into five different categories, as outlined below.



Internet and mobile

Digital services in Sweden (and even certain services in Europe via so-called direct licensing). Reports detailing what music has been played and how often are submitted.



Reproduction of: recordings for the entire Nordic region

Administered by NCB and paid to Stim. Publishers of DVDs, CDs etc. pay fees based on circulation and sales figures to NCB.



Background

Activities that use music in public (shops, restaurants, events, gyms etc.). Stim collects music reports from music users.



Live

Live music that is performed at, for example, concerts, churches and events.



Radio and TV

Music performed on TV or radio. Includes both public service channels and commercial channels

MONEY OUT



IDENTIFICATION AND MATCHING

Royalty payments by Stim to authors and music publishers are based on reports on which music has been played, recorded, downloaded or streamed. The information in the reports is linked to entries for the works.



DISTRIBUTION

Revenue is allocated according to STIM distribution rules after deductions for administrative overheads and promotion of musical diversity and copyright.



STIM MONEY IS PAID OUT TO THE Rightholders

We carry out four major payments per year to those who created the music and their music publishers.



International

In cases where performed works are written by music creators who belong to a copyright society other than STIM, collected royalties and reports are forwarded to the concerned counterpart, which in turn distributes the revenue to the affiliated authors and music publishers. Likewise, the rights of STIM affiliates are represented in the same manner by our counterparts when our members' works are performed abroad.

More works, more rightsholders

In 2017, Stim paid music creators and music publishers affiliated with Stim or a sister company an amount of SEK 1.56 billion. Of these, SEK 1.54 billion were paid out during the year.

The number of Stim-affiliated members increased to 86,688, of which 3,521 are music publishers. Of the authors, the distribution of women and men is 21 and 79% respectively. Of those who joined Stim in 2017, 27 percent were women. The number of works to which Stim distributes money is also increasing steadily as the digital market grows. Compensation was paid for over 1.8 million works in 2017, a record figure.

THREE DISTRIBUTION PRINCIPLES

Stim has three distribution principles for payouts: full reporting, analogy and sampling.

Full reporting means that every piece of music played generates royalties for the rightsholder.

Analogy is a method of distribution used by copyright societies for categories of music whereby, for practical, technical or administrative reasons, it is not feasible to determine exactly which music has been played. Amounts are distributed instead on the basis of reports from other categories that are deemed comparable. Analogous data is used for around ten categories within Stim, e.g. for community radio, background music in shops and restaurants and unreported live performances. To reduce the use of analogy, we are making ongoing efforts to test and use new technology as development happens.

Sampling is used in exceptional cases when a smaller reporting basis can represent the use of music for a defined area, for example at graduations.

SYSTEM DEVELOPMENT AND TRANSPARENCY

In 2017, Stim continued to modernise its processes in order to improve the quality and efficiency of our delivery to our affiliated creators and publishers. In the autumn, we introduced a new international system that will reduce the time between performance and disbursement, but also enable us to present better information and data for performances abroad.

In 2018, Stim will, via the ICE collaboration, be investing in state-of-the-art systems capable of managing future data streams from music and moving images online. With the new technologies, including cloud-based databases and artificial intelligence, it will be possible to process digital gigs and payments faster and more cheaply while also increasing quality. Stim also continuously develops its web services to make them easy to use and accommodate the wishes and needs of music creators.

NOT FOR PROFIT

STIM is a non-profit membership organisation. A so-called administrative overhead is used internationally as a measure of the efficiency of copyright organisations. This is the portion of total revenue from performed music that covers the organisation's administrative costs. In 2017, this figure was 8.6 per cent at STIM.

STIM does not currently apply a cost deduction to the distribution of foreign revenue and income from NCB. The average administrative overhead for other income, where STIM does apply a cost deduction, is 14.5 per cent.

Alongside distributing remuneration, STIM is also tasked by its members with ensuring the regeneration of Swedish music creation, promoting musical diversity and lobbying on behalf of Sweden's authors.

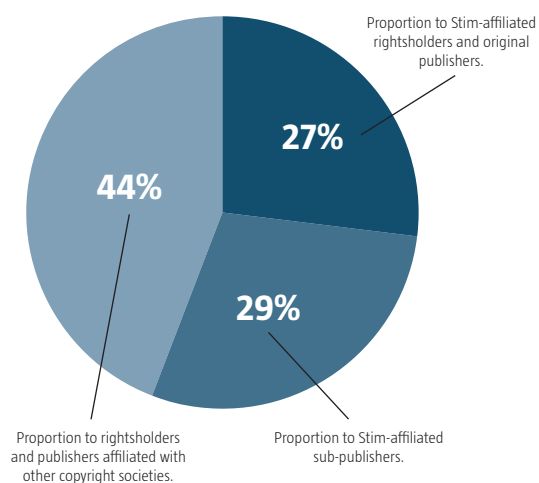
The distribution year 2017

The licensing revenue attributed to the settlements in 2017 derived primarily from the revenue years 2016 and 2017, but also from previous years. Stim always strives to allocate and disburse the proceeds as quickly as possible, but there is inevitably some lag between the performance date and the settlement date. The 'allocated amount' term used in the tables is the amount, regardless of revenue year, that was allocated during the year at the work rate.

REVENUE FROM BACKGROUND MUSIC

Background music refers to the music played in background environments i.e. everywhere from restaurants, shops, trade fairs and airports to music at cinemas, theatres and nightclubs. Revenues are distributed according to the type of revenue, music use and whether or not STIM receives a music report. Every two years, STIM carries out a music source survey, in which background customers can state which music sources they use in their business. This information is then used to make an analogous distribution of the revenue for which STIM does not receive a music report, in category 09 – Background music, not reported.

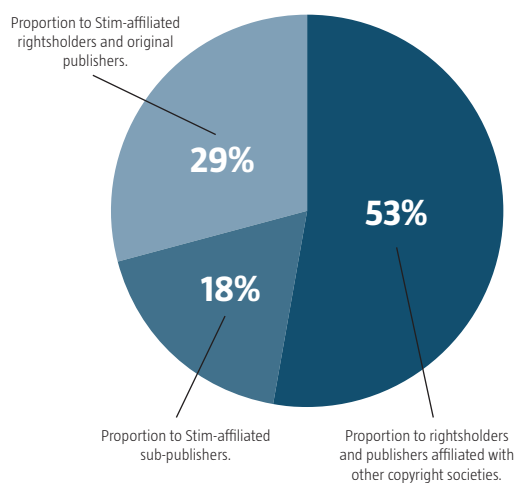
Distribution category	Allocated amounts, SEK thousand	
	2017	2016
04 Dance – nightclubs	15,234	15,868
07 Theatre music	637	1,227
08 Background music, reported	16,973	16,754
09 Background music, not reported	95,845	91,601
15 Cinemas	13,165	6,205
Total	141,854	131,655



LIVE MUSIC REVENUE

Revenues from live music are distributed in a number of categories, according to the type of revenue, type of repertoire, and whether or not STIM receives a music report. Revenue for which STIM does not receive music reports is distributed analogously on the basis of existing music reports within the same category. In 2017, Stim revised the settlement periodicity for settlement category 06 – Live music without report, which means that the proceeds from 2017 will be attributed to the settlement only in 2018. In 2016 and 2017, Stim negotiated a new agreement with Svenska kyrkan (the Church of Sweden), under which retroactive payments of proceeds from church concerts will be made in 2018.

Distribution category	Allocated amounts, SEK thousand	
	2017	2016
01 Concerts with art music	1,771	3,332
02 Church concerts	0	61
05 Live music, reported	54,594	44 949
06 Live music, not reported	9,216	18,022
98 Musical drama	0	1
Total	65,580	66,364

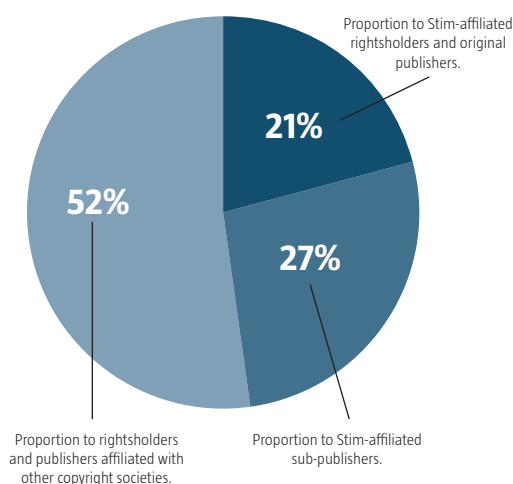


The distribution year 2017

INCOME FROM RADIO AND TV

Income from the media category is collected from customers that broadcast TV and radio. In its distribution, STIM differentiates between public service and commercial TV and radio channels, as well as community radio channels.

Distribution category	Allocated amounts, SEK thousand	
	2017	2016
10 Swedish Radio (SR)	39,618	41,101
11 SVT (Swedish Television)	49,484	60,061
12 Commercial radio	22,678	21,463
13 Commercial TV	106,539	104,128
14 Community radio	1,850	1,345
Total	220,170	228,098



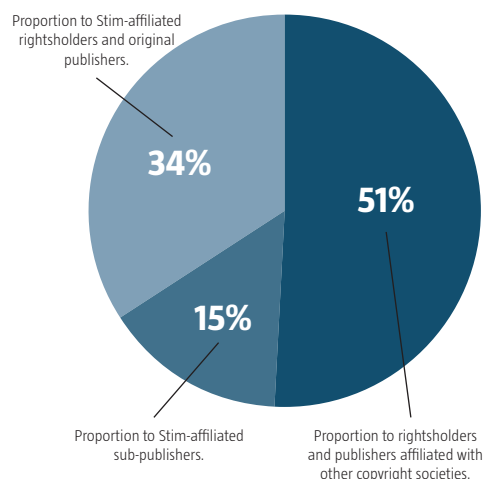
INCOME FROM ONLINE AND NEW MEDIA

Income from online music services is collected from customers that provide dedicated music services, such as streaming, downloads and online radio. Stim receives music reports for these music services, which provide the basis for distribution. The music reports are distributed in category 16 – Online/new media, reported.

STIM also collects revenue where customers are offered a wider area of application for online music. These may be companies or organisations that use music in their web services in some way, for example. STIM therefore collects revenue that has no connection to a music report. This revenue is distributed analogously in category 19 – Online/new media, not reported.

In 2017, Stim negotiated multi-territorial licenses in the online field in order to transfer the right to subscribe to new licenses to ICE Services Ltd. ICE Services Ltd is the result of the cooperation between Stim, British company PRS and German company Gema, and represents all of the aforementioned society rights for subscriptions to multi-territorial licenses in the online field. This transition period has meant delays to some of the payments scheduled for 2017, which will instead now be made in 2018.

Distribution category	Allocated amounts, SEK thousand	
	2017	2016
16 Online/new media, reported	237,132	296,782
<i>Of which national licensing</i>	45,752	111,103
<i>Of which direct licensing in Europe</i>	191,380	185,679
19 Online/new media, not reported	11,784	17,586
Total	248,916	314,368

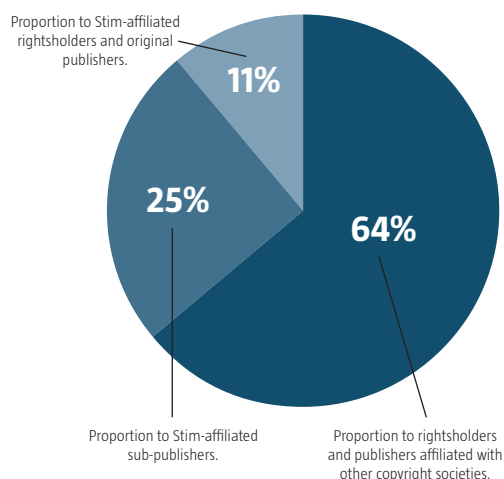


The distribution year 2017

PRIVATE COPYING LEVY & LIBRARY LEVY

The private copying levy is a statutory compensation for the loss of income on legal copying to recordable media for private use. This compensation is distributed on the basis of market surveys of copying behaviour. The library levy is compensation from the state that compensates authors for the lending of audio carriers in libraries and is distributed on the basis of loan statistics from libraries.

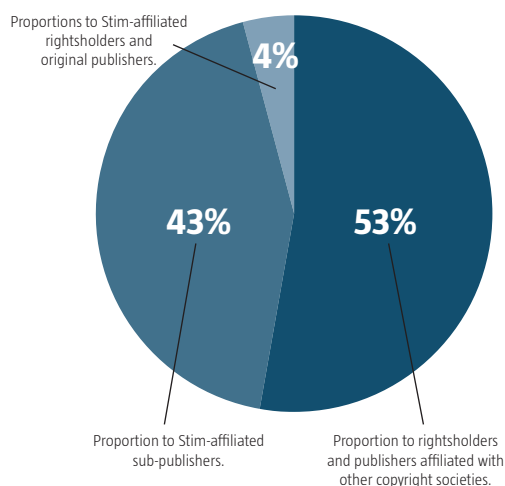
Distribution category	Allocated amounts, SEK thousand	
	2017	2016
17 Private copying levy	5,416	7,347
18 Library levy	1,926	2,138
Total	7,342	9,485



INCOME FROM FOREIGN COLLECTING SOCIETIES

In the same way as STIM distributes revenues for foreign music played in Sweden, STIM receives revenues from foreign collecting societies when the music of a STIM affiliate is played in another country. STIM has reciprocal agreements with around 80 foreign collecting societies. STIM also distributes revenues on behalf of foreign collecting societies. The relatively high amount in 2016 compared with 2017 in section 21 – Neighbouring country is partly due to a large one-off payment in 2016 from Norway relating to broadcasts of Swedish TV channels for the period 2010–2015.

Distribution category	Allocated amounts, SEK thousand	
	2017	2016
20 Foreign	641,516	598,892
21 Neighbouring country	67,651	97,806
96 Foreign, online	52,392	36,018
Total	761,559	732,715



The distribution year 2017

INCOME FROM NCB AND NMP

Accounts regarding payment from the sale of physical audio carriers, such as CD and DVD, are settled by NCB, Nordic Copyright Bureau, on behalf of Stim. Stim also receives revenue from online music services. These accounts are administered by NMP, the Network of Music Partners, which represents seven copyright organisations on the Nordic and Baltic market.

Distribution category	Allocated amounts, SEK thousand	
	2017	2016
Mechanical reproduction distribution	57,586	97,273
Online	40,772	43,963
Total	98,359	141,237

MEM AND SUBORDINATED SUPPORT

The MEM allowance supports areas of music disadvantaged by the market and is paid to both authors and music publishers representing the authors in question.

To ensure an accurate and equitable distribution, STIM changed the allocation principle, from distribution based on forecasts to distribution based on actual outcomes, in 2017. This change of procedure explains the temporarily lower outcome for MEM and subordinated subsidies during 2017.

Distribution category	Allocated amounts, SEK thousand	
	2017	2016
S1 MEM support	2,375	4,460
S2 Subordinated support	745	1,215
Total	3,120	5,675

MANUAL CORRECTIONS AND OTHER PAYOUTS

This category covers revenue for which Stim does not have an adequate music report, such as foreign TV channels. This revenue is distributed by the collecting societies that receive music reports from the TV channel. The amounts also reflect various minor manual corrections that have not passed through Stim's ordinary settlement flows.

Payout/correction	Allocated amounts, SEK thousand	
	2017	2016
Other payouts/corrections	27,212	35,884

We build value in the long term: STIM's mission to promote music

STIM's mission is to ensure that rightsholders get paid when their music is used, but also to promote music in the long term. By working for a strong copyright protections and contributing to diversity and regrowth, Stim and the rightsholders take collective responsibility for the long-term sustainability of the Swedish music industry. In this sense, Stim's work can be likened to an evolutionary cycle.

Every year, STIM invests part of its rights revenue in a series of social, cultural and educational services. In 2017, this figure was around SEK 45.5 million. These services may be provided by, for example, the music creators' trade associations FST, SKAP and Musikförläggarna, or STIM's subsidiary Svensk Musik. The 2017 AGM resolved to establish a new independent committee whose purpose is to disburse funds to services that defend music creators' interests and promote copyright protections. Members of the Stim Committee for Promoting Musical Diversity and Copyright Protections (NäMMU) were appointed by the AGM.

Thanks to the deduction for social, cultural and educational purposes – maximum 10% of what remains from Stim's revenue from rights after the management costs are deducted – the music creators have access to a number of services that contribute to sustainable music creation in the long term. This is done for political advocacy purposes – e.g. the transfer of value matter, for example, which we talk about on page 9 – but also for scholarships, training, travel grants, etc.

MEMBERS OF THE COMMITTEE IN 2017

- Eva Schöld, chair and Maria Carlén, deputy
- Kerstin Brunnberg, permanent member and Sara Norell, deputy
- Jonas Forssell, permanent member and Ida Lundén, deputy
- Håkan Glänte, permanent member and Lena Willemark, deputy
- Mats Bernerstedt, permanent member and Hans Desmond, deputy



Our most important task is to ensure that the money collected by Stim is spent on worthwhile well thought-out projects and activities, in order, by extension, to help Sweden to continue to be a leading community for music.

IDA LAILA, COMPOSER, MUSICIAN AND NÄMMU DEPUTY

The STIM sphere

As at 31 December 2017.

NCB, NORDISK COPYRIGHT BUREAU

NCB, Nordisk Copyright Bureau, is tasked with upholding the rights of authors and music publishers in the recording, copying and distributing of protected music and lyrics on CD, vinyl, DVD and similar media. NCB is governed by STIM and its counterparts in Denmark (Koda), Finland (Teosto), Norway (TONO) and Iceland (STEF). The NCB also administers the mechanical rights of the Baltic collecting societies, Latga-A in Lithuania, EAÜ in Estonia and Akka-LAA in Latvia. NCB has agreements with copyright societies abroad to administer mechanical rights in a corresponding manner in their countries. NCB's operations were managed by Koda from 1 April 2017.

BOARD OF DIRECTORS

Karsten Dyhrberg Nielsen CEO Stim, Chair
Katri Sipilä CEO Teosto, Vice Chair
Anders Lassen CEO Koda
Guðrún Björk Bjarnadóttir CEO Stef
Cato Strøm CEO Tono

NMP, NETWORK OF MUSIC PARTNERS

NCB is a co-owner alongside UK company PRS for Music NMP A/S. NMP supplies NCB, PRS for Music, Koda, Teosto, Tono, Stef and Buma Stemra with various back office services.

BOARD OF DIRECTORS

Anders Lassen CEO Koda, chair
Karsten Dyhrberg Nielsen CEO Stim
Chris Butler COO Music Sales Ltd.
Paul Clements Commercial Director PRS for Music
Graham Davies Director of Corporate Strategy PRS for Music
Katri Sipilä CEO Teosto
Stephan Kristiansen (employee representative)
Cato Strøm CEO Tono (Observer)

STIM DIREKT AB

Stimdirekt AB is a wholly owned subsidiary and part of a collaboration with Kobalt Music Group. The company is being wound down.

Karsten Dyhrberg Nielsen CEO Stim, Chair
Wendela Hårdemark Deputy

SVENSK MUSIK SWEDMIC AB

Svensk musik swedmic AB is a wholly owned subsidiary of Stim since 2008. The task of the company is to document and provide information about copyright-protected Swedish music. This is achieved by, for example, cataloguing and archiving art music and older popular music and producing music scores for, among other things, orchestral works and works for larger jazz ensembles. Svensk Musik also administers Stim grants and travel scholarships to Stim affiliated authors.

Board of directors

Dror Feiler FST, Chair
Peter Magro Musikförläggarna
Elise Einarsdotter SKAP

ICE

Together with the UK's PRS for Music and Germany's GEMA, Stim owns ICE Operations AB, ICE Germany GmbH and ICE Services Ltd. The aim is to provide joint administration and joint pan-European licensing.

Board of ICE Operations AB

Dr. Rainer Minz Chair
Karsten Dyhrberg Nielsen Stim
Eva Jonbacker Stim
Kerstin Mangert Stim
Robert Ashcroft PRS for Music
Nigel Elderton PRS for Music
Steve Powell PRS for Music
Prof. Dr. Rolf Budde GEMA
Lorenzo Colombini GEMA
Prof. Dr. Enjott Schneider GEMA
Pia Andersson (employee representative)

Board of ICE International Copyright Enterprise Germany GmbH

Dr. Rainer Minz Chair
Karsten Dyhrberg Nielsen Stim
Eva Jonbacker Stim
Kerstin Mangert Stim
Robert Ashcroft PRS for Music
Nigel Elderton PRS for Music
Steve Powell PRS for Music
Prof. Dr. Rolf Budde Gema
Lorenzo Colombini Gema
Prof. Dr. Enjott Schneide Gema

Board of ICE International Copyright Enterprise Services Ltd.

Dr. Rainer Minz Chairman
Karsten Dyhrberg Nielsen Stim
Martin Jonsson Tibblin Stim
Kerstin Mangert Stim
Robert Ashcroft PRS for Music
Julian Nott PRS for Music
Steve Powell PRS for Music
Dr. Harald Heker Gema
Stefan Waggenshausen Gema
Dr. Ralf Weigand Gema

STIM's committees

As at 31 December 2017.

THE ASSESSMENT COMMITTEE FOR MUSIC AND COPYRIGHT

Committee within Stim that, on request from rightsholders, can give an opinion on similarities between musical works. The opinion is only indicative and not a legally binding decision.

Wendela Hårdemark Stim, Chair
Jonas Nordin Stim, Secretary
Peo Nylén Musikförläggarna
Mattias Svensson Sandell FST
Anna Wedin SKAP

GRADING COMMITTEE

Committee within Stim that assesses and evaluate Stim's praxis for grading and deals with grading complaints.

Ordinary members:

Jonas Valfridsson FST, Chair
Ylva Q Arkvik FST
Jan Levander SKAP
Torgny Söderberg SKAP
Kristina Fryklöf Musikförläggarna

Deputy members:

Dan Bornemark SKAP
Lina Järnegard FST
Joakim Milder Musikförläggarna
Marcus Wrangö FST
Vacant SKAP

DISTRIBUTION COMMITTEE

Committee appointed by the Board that prepares a basis for the Board's decision on distribution issues.

Karsten Dyhrberg Nielsen Stim, Chair
Monica Ekmark Musikförläggarna
Martin Jonsson Tibblin FST
Alfons Karabuda SKAP
Chrichan Larson FST
Kerstin Mangert Musikförläggarna
Örjan Strandberg SKAP

NÄMMU, STIM'S COMMITTEE FOR THE PROMOTION OF MUSICAL DIVERSITY AND COPYRIGHT

Has been mandated by the Annual General Meeting to decide on the use of funds for social, cultural and training related purposes. Through the committee, Stim contributes to musical diversity and strengthens copyright, among other ways, through scholarships, support for music projects and the financing of activities that promote copyright.

Ordinary members:

Eva Schöld Chairman
Mats Bernerstedt Musikförläggarna
Kerstin Brunnberg External
Jonas Forssell FST
Håkan Glänte SKAP

Deputy members:

Maria Carlén External
Hans Desmond Musikförläggarna
Ida Lundén FST
Sara Norell Murberger External
Lena Willemark SKAP

NOMINATION COMMITTEE

The organ of the Annual General Meeting, which proposes appointments to the Board, NÄMMU, Nomination Committee and Auditors, as well as proposals for remuneration of the Board, committees and the boards of subsidiary companies.

Monica Ekmark Chairman
Fredrika Hörlin
Thomas Lindahl SKAP
Erik Peters FST
Patrik Sventelius Musikförläggarna

SPN, STIM'S COUNCIL FOR THE PROMOTION OF SWEDISH MUSIC

Committee, appointed by NÄMMU, which prepares proposals for decisions by NÄMMU, concerning projects aimed at making new Swedish music more accessible and known – both nationally and internationally. Committee appointed by NÄMMU with external independent management meetings Prepares proposals for decisions by NÄMMU,

Kjell-Åke Hamrén Chairman
Ingemar Bergman
Tony Lundman
Esmeralda Moberg
Anne Pajunen
Linn Persson
Marit Woody

SCHOLARSHIP COMMITTEE

Prepares scholarship applications and makes proposals for decisions to the Board of Stim.

Gustaf Bergel Svensk Musik, Chair
Josephine Forsman External
Pär Lindgren FST
Patrik Sventelius Musikförläggarna
Anna Svendsdotter External
Ann-Sofie Söderquist SKAP

BOARD OF DIRECTORS

Stim's Board of Directors is tasked with continuously monitoring how the business is managed, and deciding on the matters delegated by the AGM. The Board consists of representatives from the rightsholder categories that Stim represents, i.e. members who are active in FST, SKAP, or Musikförläggarna, as well as independent members. The Chair of the board is independent. In addition, the Board includes employee representatives from STIM.



CARINA BRORMAN Management Consultant and PR Strategist, owner and CEO of Carina Brorman Consulting AB. Chair of the Board since 2017. Chair of Stiftelsen Skåne Stadsmission. Board member of Stiftelsen Svenska Filminstitutet, AB Konsthall Tornedalen and Jobi Footright AB. Independent.



DOUGLAS CARR Composer and music producer. Board Member since 2006. Member of the boards of SKAP (Swedish Society of Songwriters, Composers and Authors) and Lacarr Music AB. Active in SKAP.



HANS FAHLIN Head of Asset Management at Andra AP-fonden, M.Sc. in Economics from the Stockholm School of Economics. Board Member since 2016. Member of the administrative council of the Stiftelsen Stikkan Andersons Musikprisfond. Independent.



DROR FEILER Composer and musician. Vice chairman of FST - Föreningen Svenska Tonsättare, Chair of Svensk Musik Swedmic AB. Board Member since 2016. Active in FST.



HANNAH GULLANDER KAM & Management Consultant at Stratsys AB. Board Member since 2016. Independent.



ERIC HASSELQVIST Partner in Publishing Company Ten AB. Board Member since 2007, with a hiatus in 2013. Chair of the Musikförläggarna SMFF financial association. Member of the boards of Monza Publishing AB, Elementica AB (publ), Bahnhof AB (publ) and Ten Music Group AB. Active in Musikförläggarna.



MARTIN JONSSON TIBBLIN Tonsättare, Chair and Operations Manager for FST – Föreningen Svenska Tonsättare, Board Member of ICE International Copyright Enterprise Services Ltd. Board Member since 2015. Active in FST.



ALFONS KARABUDA Composer, CEO and owner of Naomi Musikförlag AB. Board Member since 2005. Chair of SKAP (Swedish Society of Songwriters, Composers and Authors), Chair of ECSA (European Composer & Songwriter Alliance), Executive Vice President of the International Music Council and member of the boards of the Culture Committee of the Swedish National Commission for UNESCO, the Royal College of Music, Stockholm and the Polar Music Prize. Active in SKAP.



ELISABET WIDLUND FORNELIUS EO Musikförläggarna. Board Member since 2016. Chair of the Musiksverige Samlad Svensk Musikbransch Financial Association and Board Member of Bonus Copyright Access Financial Association. Active in Musikförläggarna.

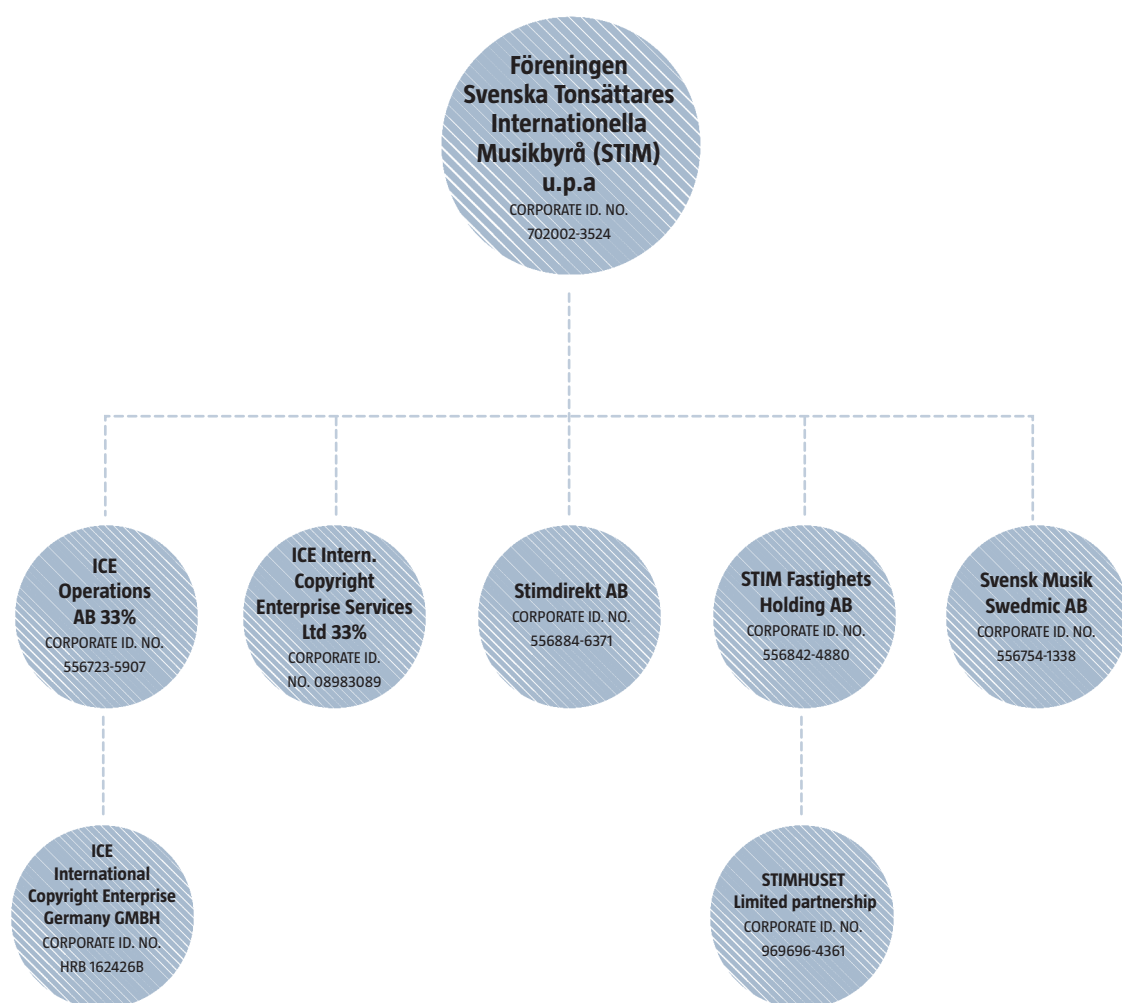


ANNIKA FALKENÄNG Market Analyst at Stim, Members & Markets. Board Member since 2014. Chair of the local union club. Employee representative.

DEPUTY MEMBERS

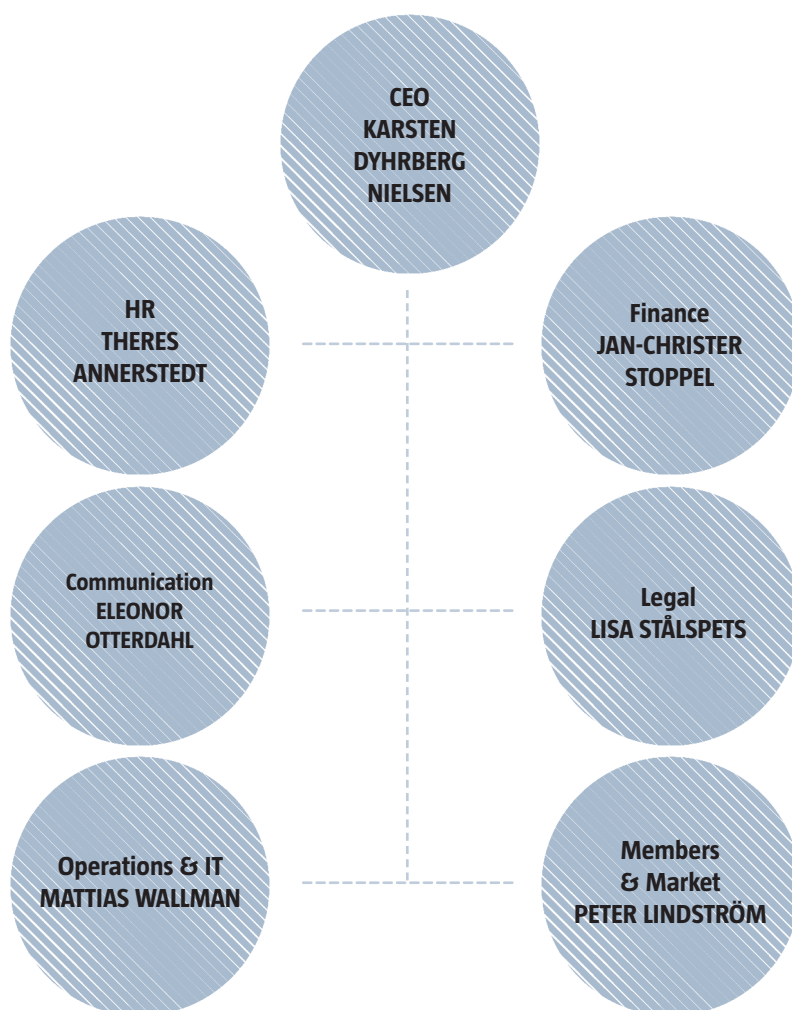
Annika Dellås, Deputy for Hanna Gullander. Independent.
 Åsa Enström, Deputy for Eric Hasselqvist. Active in Musikförläggarna.
 Jenny Hettne, Deputy for Martin Jonsson Tibblin. Active in FST.
 Anette Hökengren, Deputy for Elisabet Widlund. Active in Musikförläggarna.
 Alexandra Nilsson, Deputy for Douglas Carr. Active in SKAP.
 Åsa Otterlund, Deputy for Hans Fahlin. Independent.
 Marie Samuelsson, Deputy for Dror Feiler. Active in FST.
 Anders Wollbeck, Deputy for Alfons Karabuda. Active in SKAP.
 Eva Botmar, Deputy for Annika Falkenäng. Employee representative.
 Ylva Nordenström, Deputy for Annika Falkenäng. Employee representative.

Group



Together with the British PRS for Music and the German GEMA, Stim owns 33 per cent of ICE Operations AB and ICE International Copyright Enterprise Services Ltd.

Management



Administration Report

The Board of Directors and the Chief Executive Officer of Svenska Tonsättare Internationella Musikbyrå (STIM) u.p.a., corporate Id. No. 702002-3524, hereby present the annual report and consolidated financial statements for the 2017 financial year.

DESCRIPTION OF OPERATIONS

Stim is a financial association and copyright organisation for music creators and music publishers. Stim administers and licenses economic rights to music and lyrics on their behalf. Through its international network, Stim also represents rights to the worldwide repertoire of music. Stim is not-for-profit and also aims to promote the regrowth and diversity of the Swedish music scene, a socially beneficial mission which differentiates Stim from other actors in the market.

The number of Stim affiliated members increased during 2017 to 86,688 of which 4,744 are music publishers. This is an increase of 3.2 per cent. Stim upholds the economic rights of authors and music publishers under copyright legislation. Based on inter-governmental agreements and reciprocal agreements with Stim's counterpart organisations abroad, rights to both domestic and international music in Sweden are protected.

When a rightsholder joins Stim, they transfer their legal rights to recompense in connection with public performance, recording and mechanical reproduction to Stim. Stim ensures that anyone who plays music in public or who records, downloads or streams music has a valid licence and pays a fee.

Stim then pays the monies received to the owner or owners of the rights to the music. Stim licenses music from throughout the world and distributes the revenue collected to the individual rightsholders, both Swedish and international. This means that those who want to use music through a licence from Stim can easily access millions of musical works, and that the rights holder of the music receives compensation for the use of the music.

Stim cooperates with other copyright organisations on the licensing of rights and data administration. Stim owns, together with the UK's PRS for Music and Germany's GEMA, the companies ICE Operations AB along with its wholly owned German subsidiary International Copyright Enterprise GmbH and International Copyright Enterprise Services Ltd. The formation was an important strategic choice to meet the changes in the world and for being strong together. This cooperation gives Stim a strong barga-

ining position in comparison with large international players in the market and enables a smooth licensing solution that covers several territories and creates economies of scale with efficient data processing and documentation of works.

Together with other Nordic copyright organisations, Stim also controls the Nordisk Copyright Bureau, which manages the licensing and administration of music when recorded on physical products, such as CDs and DVDs. Since 1 April 2017, NCB's activities are administered by Koda.

Through its subsidiary Stimhuset KB, Stim owns the property Stockholm Krukomakaren 17. This property houses, among other things, Stim's office.

CHANGES ON THE BOARD OF DIRECTORS AND IN THE MANAGEMENT TEAM

At Stim's ordinary members' meeting on 29 May 2017, the AGM adopted the statute changes which, among other things, resulted in new rules for how Stim's board of directors is appointed. Previously, the Board has been appointed by the trade associations FST, Föreningen Svenska Tonsättare, SKAP, Sveriges Kompositörer och Textförfattare and Musikförläggarna. From 2017, the board is elected by the members' meeting, which takes a position on a proposal presented by an independent nomination committee.

At the 2017 AGM, the nomination committee presented a proposal for a new election of all members and the Chair. Elected as members: Carina Brorman, Chair, Douglas Carr, Hans Fahlin, Dror Feiler, Hannah Gullander, Eric Hasselqvist, Martin Jonsson Tibblin, Alfons Karabuda, Elisabet Widlund Fornelius, and Annika Falkenäng (employee representative). As deputies, Annika Dellås, Åsa Enström, Jenny Hettne, Anette Hökengren, Alexandra Nilsson, Åsa Otterlund, Marie Samuelsson, Anders Wollbeck, as well as Eva Botmar and Ylva Nordenström (employee representatives) were elected.

During 2017, Stim has strengthened its management. During the first quarter, Mattias Wallman took over as Chief Operating Officer, Eleonor Otter Dahl as Communications Director,

and Peter Lindström as Director of Members & Market, and in the fourth quarter Theres Annerstedt took over as HR Director.

SUSTAINABILITY

Stim presents the sustainability report separately from the annual report for 2017.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

During 2017, the work to license international music services through ICE services LTD has continued, in particular through the licensing of Spotify. Previously, for example, Google Play and Apple Music have been licensed through ICE.

Stim's mission is to manage the rights of the affiliated members and to secure the long-term value of the music. It also involves the responsibility for legal proceedings against companies that will not pay reasonable remuneration for the use of music. Therefore in 2016, Stim sued the Bonnier owned SF Anytime. The parties reached a settlement in 2017, and the case that was underway in the Swedish Patent and Market Court has therefore been cancelled.

An extraordinary members' meeting decided in October 2017 for a special review in accordance with Chapter 8, Section 17 of the Act (1987:667) on Financial Associations. The review, which was requested by a group of members, had previously been up for decision at Stim's Annual General Meeting in May, but the meeting rejected it at that time. The results of the review shall be reported at Stim's 2018 Annual General Meeting.

Stim has implemented the new Law on Collective Rights Management, which, among other things, entailed new statutes. The 2017 AGM also decided on new rules for the appointment of the Board, updated terms of affiliation, and changes to the decision-making process for funds used for cultural, social and training purposes.

During the autumn, a new strategy plan, called Focus 2020, was developed. The new plan is a natural continuation of the current strategy to strengthen and adapt Stim for future challenges such as new technologies, new competition and challenges to copyright.

Stim implemented a reorganisation with effect from 1 January 2017. The aim is to create a modern organisation that can meet the increasing demands that are made in line with developments.

During the year, Stim's support received 60,000 requests via email and telephone. The implementation of a new case management system in 2016 has during 2017 enabled increased efficiency and better measurement of support performance. The response times were on average two days for emails, and the average telephone waiting time was under a minute. In order to optimise the handling of cases, there has been a focus on the further development of 1st and 2nd-line support with the intention to provide even better perceived sa-

tisfaction and quality in the support given to rightsholders and customers.

During 2017, 108 music creators received Stim scholarships with an overall total of SEK 4.5 million. The scholarships are part of Stim's mission to promote music and aim to promote re-growth and diversity in Swedish music.

SIGNIFICANT RISKS AND UNCERTAINTIES

Stim's markets are characterised by rapid and radical change, both nationally and internationally. This applies both to music distribution and consumption as well as to the management of music rights. Stim is no longer licensing exclusively in Sweden, and at the same time, music users in the Swedish market must in many cases obtain licenses from other rights managers than Stim. Rapid technological development places considerable demands on the adaptation of Stim's activities, in terms of both new pricing models for licensing, but also suitable systems for rights administration.

The requirements increase uncertainty about Stim's future revenues, as well as the expected return on Stim's investments. The jointly owned associated companies ICE AB and ICE Ltd represent a substantial investment for Stim, which is also under agreement to commit to further investment. Decisions on additional investments in ICE have been made during the year, including in systems that can handle the future flow of data from music and moving images online. The repayment is dependent on the operations of the associates developing as expected and development projects being conducted as planned.

APPROPRIATION OF PROFIT OR LOSS

The Board's proposal for the appropriation of profits is that the available amount is carried forward, see Note 15.

Sales and Profits

GROUP

Consolidated profit (SEK thousand)	2017	2016	2015	2014	2013
Revenue	2,025,431	1,884,248	1,886,713	2,015,408	1,619,218
Operating costs	-212,180	-199,402	-209,078	-219,588	-181,568
Profit/loss from participations in associates	5,602	-10,255	-25,073	-4,495	298
Impairment of non-current receivables from other companies	—	—	4	-1,461	—
Distribution	-1,818,539	-1,689,324	-1,677,448	-1,542,763	-1,441,004
Interest	4,553	3,863	-976	2,678	1,679
Tax	62	-25	224	-71	-246
Profit/loss for the year	4,930	-10,896	-25,633	249,709	-1,621

The Group's revenue during the financial year was SEK 2,025.4 (1,884.2) million and operating expenses were SEK 212.1 (199.4) million. The result from participations in associates was SEK 5.6 (-10.3) million. Distributable income in the Group totalled SEK 1,823.5 (1,678.4) million.

PARENT SOCIETY

Parent Society's profit (SEK thousand)	2017	2016	2015	2014	2013
Revenue	2,006,889	1,874,222	1,811,008	1,677,956	1,584,064
Operating costs	-196,796	-183,268	-187,261	-196,853	-168,717
Impairment of non-current receivables from other companies	—	—	4	-1,461	—
Operating profit/loss before distribution	1,810,093	1,690,954	1,623,751	1,479,642	1,415,347
Interest	5,076	4,519	-203	8,338	11,461
Appropriations and taxes	9,215	7,910	19,812	17,026	-273
Distributable income	1,824,383	1,703,382	1,643,359	1,505,006	1,426,535

The Parent Society Stim's total sales for the financial year were SEK 2,006.9 (1,874.2) million, corresponding to an increase of 7.1 (3.5) per cent compared with the previous year. Revenue for the performance of music both in Sweden and abroad increased by SEK 185.3 (67.0) million or 10.9 (4.1) per cent, while revenue from mechanical reproduction decreased by SEK -42.3 (4.9) million or 30.1 (3.6) per cent.

The Parent Society Stim's net distributable income totalled SEK 1,824.4 (1,703.4) million, corresponding to an increase in royalty payments to rightsholders equal to SEK 121.0 (60.0) million or 7.1 (3.7) per cent.

FINANCIAL POSITION

Group

The Group's accumulated profit at year-end was SEK 169.9 (178.4) million.

Parent Society

At year-end, Stim's equity amounted to SEK 1.2 (1.2) million or 0.1 per cent (0.1) of the balance sheet total. Liabilities to rightsholders at year-end totalled SEK 1,259.7 (1,017.4) million.

Liquidity

Cash and cash equivalents, including short-term investments, totalled SEK 676.4 (456.1) million for the Parent Society and SEK 690.1 (475.2) million for the Group. Surpluses are invested in short-term fixed interest funds in accordance with the current investment policy.

Group contributions

During the financial year, the Parent Society received group contributions from subsidiaries totalling SEK 9.1 (7.9) million.

INCOME STATEMENT

		GROUP		PARENT SOCIETY	
(SEK thousand)	Note	2017	2016	2017	2016
Revenue					
Performance revenue		1,892,895	1,699,271	1,891,587	1,706,321
Mechanical reproduction revenue		98,173	140,499	98,173	140,499
Other revenue		34,363	44,478	17,129	27,402
Total Revenue	1.3	2,025,431	1,884,248	2,006,889	1,874,222
Operating costs					
External costs	2,3,6	-92,546	-87,809	-90,599	-85,015
Personnel costs	2,4,5	-101,777	-94,324	-96,664	-89,354
Depreciation/amortisation	2, 9-11	-17,857	-17,269	-9,532	-8,900
Total operating expenses		-212,180	-199,402	-196,796	-183,268
Profit/loss from participations in associates	13	5,602	-10,255	—	—
Distribution	7	-1,818,539	-1,689,324	-1,824,383	-1,703,382
Operating profit/loss		315	-14,733	-14,290	-12,428
Interest income		4,577	3,880	5,092	4,532
Interest expenses		-24	-17	-16	-13
Income after financial items		4,868	-10,871	-9,215	-7,910
Appropriations		—	—	9,148	7,923
Profit/loss before tax		4,868	-10,871	-67	13
Tax on profit for the year	20	62	-25	67	-13
Profit/loss for the year		4,930	-10,896	0	0

BALANCE SHEET

		GROUP		PARENT SOCIETY	
Assets (SEK thousand)	Note	31/12/17	31/12/16	31/12/17	31/12/16
Non-current assets					
Intangible assets					
Current investment in new IT systems	8	6,068	11,938	6,068	11,938
Capitalised costs for system development	9	41,720	25,843	38,286	24,437
Total intangible assets		47,788	37,780	44,355	36,375
Property, plant, and equipment					
Buildings and land	10	365,967	371,916	—	—
Construction, extensions and redevelopment in progress		1,100	0	—	—
Equipment	11	6,076	8,568	5,868	8,271
Total property, plant and equipment		373,143	380,484	5,868	8,271
Financial assets					
Participations in Group companies	12	—	—	200	200
Participations in associates	13	-8,053	-13,255	41,319	41,319
Receivables from Group companies	12	—	—	100,387	100,387
Receivables from associates	13	72,379	90,295	72,379	90,295
Other financial assets	2	4,617	4,371	4,617	4,371
Total financial assets		68,944	81,412	218,903	236,574
Deferred tax asset	20	1,262	1,195	1,262	1,195
Total non-current assets		491,137	500,872	270,389	282,414
Current assets					
Current receivables					
Trade receivables		140,225	145,595	133,575	123,418
Receivables from Group companies	12	—	—	17,743	42,531
Receivables from associates	13	26,455	21,946	26,455	21,946
Other receivables		18,176	22,569	17,809	22,175
Tax assets		8,091	1,792	7,885	1,584
Total prepaid expenses and accrued income	14	294,925	261,350	293,811	259,164
Total current receivables		487,871	453,251	497,277	470,818
Short-term investments		620,994	399,007	620,994	399,007
Cash and bank balances		69,067	76,175	55,361	57,057
Total current assets		1,177,932	928,433	1,173,632	926,882
Total assets		1,669,069	1,429,304	1,444,021	1,209,296

BALANCE SHEET CONT.

GROUP				PARENT SOCIETY	
Equity and liabilities (SEK thousand)	Note	31/12/17	31/12/16	31/12/17	31/12/16
Equity					
Restricted equity					
Contributed capital		10	6	10	6
Capitalised expenditure for development work		23,625	10,593	23,625	10,593
Other restricted equity		1,226	1,226	1,226	1,226
Total restricted equity		24,861	11,826	24,861	11,826
Accumulated profit/unrestricted equity					
Accumulated profit/unrestricted equity		165,362	189,268	-23,620	-10,588
Translation difference		-400	22	-	-
Profit/loss for the year		4,930	-10,896	-	-
Total accumulated profit/unrestricted equity	15	169,892	178,394	-23,620	-10,588
Total equity		194,753	190,220	1,241	1,238
Provisions					
Provisions for pensions	2, 19	5,737	5,432	5,737	5,432
Total provisions		5,737	5,432	5,737	5,432
Non-current liabilities					
Non-current liabilities	16	571	571	-	-
Total non-current liabilities		571	571	-	-
Current liabilities					
Trade payables		11,490	24,656	9,780	23,515
Distribution liabilities	17	1,261,066	1,023,672	1,259,721	1,017,433
Liabilities to Group companies		-	-	-	5,063
Tax liabilities		1,886	1,567	43	471
Other liabilities		18,171	21,994	17,274	18,697
Accrued expenses and prepaid income	18	175,396	161,192	150,225	137,447
Total current liabilities		1,468,008	1,233,081	1,437,042	1,202,627
Total equity and liabilities		1,669,069	1,429,304	1,444,021	1,209,296

EQUITY AND CASH FLOW STATEMENT

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CHANGE IN EQUITY – THE PARENT SOCIETY

(SEK thousand)	Contributed capital	Reserve for development costs	Other restricted equity	Retained earnings	Profit/loss for the year	Total equity
Amount at the start of the year, 01/01/2016	6	–	1,226	5	–	1,237
Change in contributed capital	1	–	–	–	–	1
Allocated to reserve for development costs	–	10,593	–	-10,593	–	–
Amount at the end of the year, 31/12/2016	6	10,593	1,226	-10,588	–	1,238
Amount at the start of the year, 01/01/2017	6	10,593	1,226	-10,588	–	1,238
Change in contributed capital	4	–	–	–	–	4
Allocated to reserve for development costs	–	13,032	–	-13,032	–	–
Amount at the end of the year, 31/12/2017	10	23,625	1,226	-23,620	–	1,241

CHANGE IN EQUITY – THE GROUP

(SEK thousand)	Contributed capital	Reserve for development costs	Other restricted equity	Retained earnings	Profit/loss for the year	Total equity
Amount at the start of the year, 01/01/2016	6	–	1,226	225,494	-25,633	201,093
Appropriation of profits	–	–	–	-25,633	25,633	–
Change in contributed capital	1	–	–	–	–	1
Allocated to reserve for development costs	–	10,593	–	-10,593	–	–
Translation difference	–	–	–	22	–	22
Profit/loss for the year	–	–	–	–	-10,896	-10,896
Amount at the end of the year, 31/12/2016	6	10,593	1,226	189,290	-10,896	190,220
Amount at the start of the year, 01/01/2017	6	10,593	1,226	189,290	-10,896	190,220
Appropriation of profits	–	–	–	-10,896	10,896	–
Change in contributed capital	4	–	–	–	–	4
Allocated to reserve for development costs	–	13,032	–	-13,032	–	–
Currency translation difference	–	–	–	-400	–	-400
Profit/loss for the year	–	–	–	–	4,930	4,930
Amount at the end of the year, 31/12/2017	10	23,625	1,226	164,962	4,930	194,753

CASH FLOW STATEMENT

GROUP				PARENT SOCIETY	
(SEK thousand)	Note	2017	2016	2017	2016
Operating activities					
Payments from customers		1,985,923	1,900,552	1,980,431	1,901,318
Payments to rightsholders	17	1,542,802	1,658,121	1,536,601	1,659,776
Payments to suppliers and employees		-234,497	-203,509	-231,422	-190,206
Cash flow from operating activities Before interest and income taxes		208,624	38,922	212,408	51,336
Interest received		4,577	3,880	5,092	4,532
Interest paid		-24	-17	-16	-13
Income taxes paid		-5	-63	-	-51
Cash flow from operating activities		213,172	42,722	217,483	55,803
Investing activities					
Investments in property, plant and equipment and intangible non-current assets	8, 10, 11	-16,210	-16,575	-15,109	-16,104
Disposal of property, plant and equipment	10.11	1	368	1	368
Investments in non-current financial assets		-7,104	-41,586	-7,104	-41,586
Disposal of non-current financial assets		25,020	8,198	25,020	8,198
Investments in current financial investments		-221,987	-17,233	-221,987	-17,233
Cash flow from investing activities		-220,280	-66,828	-219,180	-66,357
Cash flow for the year		-7,108	-24,106	-1,696	-10,554
Cash and cash equivalents at beginning of year		76,175	100,281	57,057	67,611
Cash and cash equivalents at year-end		69,067	76,175	55,361	57,057

Accounting and valuation policies

ACCOUNTING POLICIES

The accounting and valuation policies applied conform to the Swedish Annual Accounts Act and the general recommendations of BFNAR 2012:1 as issued by the Swedish Financial Accounting Standards Council. The applied policies are unchanged compared with the previous year unless otherwise stated below.

CONSOLIDATED ACCOUNTS

The consolidated accounts include subsidiaries where the parent company, directly or indirectly, controls more than 50 per cent of the votes or otherwise exercises a controlling influence. The consolidated financial statements are prepared in accordance with the acquisition method, whereby the equity of the subsidiaries at acquisition – calculated as the difference between the fair values of assets and liabilities – is eliminated in its entirety. As such, consolidated equity includes only that portion of the equity of the subsidiaries that has arisen after acquisition.

ACCOUNTING OF ASSOCIATES

Associates are those companies in which the Group has a significant but not controlling influence, which in general means holdings encompassing 20 to 50 per cent of the votes. Holdings in associates are reported in accordance with the equity method. When applying the equity method, the investment is initially valued at acquisition value. The carrying amount is then increased or decreased by the holding company's share of the associate's profit or loss. Any dividends that are received reduce the carrying amount.

REVENUE RECOGNITION

Operating income includes – after the deduction of value-added tax – rental revenue throughout the term of the lease and royalties in accordance with the economic implications of the current agreement. Business grants and library levies are requested annually from the Swedish Arts Council and Sweden's Legal, Financial and Public Procurement Agency respectively. Interest income is reported using the effective return.

DISTRIBUTION

The Society's documented and reasonable costs are deducted from the annual revenue from the Society's collective administration of income and other income generated by the society. In addition to the deduction of administrative costs, deductions may also be made for social, cultural and training related purposes. These deductions for social, cultural and training related purposes may not exceed 10% of what remains of the total entitlement revenue, after administrative costs have been deducted. What remains constitutes payment due to members of the Society and affiliates, who assigned their rights to the Society, and is distributed in accordance with the Society's distribution rules. The Board of Directors determines how these rules are to be applied and continually reviews the system. Regarding changes to the distribution rules, the stipulations of the Articles of Association on changes to said Articles apply.

INTANGIBLE NON-CURRENT ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Intangible non-current assets, such as computer software, are recognised at acquisition cost less deductions for accumulated depreciation according to plan. "Off-the-shelf" software is expensed directly. Costs related to software developed or substantially modified on Stim's behalf are capitalised as an intangible asset if said software is deemed to lead to probable economic benefits that after a year exceed the costs incurred. Capitalised costs for acquired software are depreciated on a straight-line basis over the estimated useful life, although subject to a maximum of 10 years. Depreciation is applied as of the time at which the asset is ready to be placed in service. As such, no depreciation is applied to investments in progress. Property, plant and equipment are recognised at acquisition cost less deductions for accumulated depreciation according to plan. Expenditure to improve the performance of assets, above their original level, is added to the carrying amount of the asset. Expenses for repairs and maintenance are recognised as costs. Property, plant and equipment are systematically depreciated over the estimated useful life of the asset.

A straight-line method of depreciation is applied to all categories of property, plant and equipment and intangible assets.

The following depreciation periods are applied:

Components in buildings

Shell, roof and windows	50 years
Tenant adaptations	5 years
Façade	30 years
Overhead walkways and lifts	25 years
Passages, locks and fibre	15 years
Plumbed facilities and plumbing	10 years
Building facilities	10 years

Other non-current assets

System development	2, 3, 5 and 10 years respectively
Plant and machinery	5 years
Computers	3 and 4 years respectively

In the case of the property Stockholm Krukamakaren 17, 59 per cent of the building is held for investment purposes.

CURRENT ASSETS

Financial instruments

Financial instruments are classified in the following categories: financial assets measured at fair value through profit or loss, available-for-sale financial assets, loan receivables and trade receivables, as well as loans payable and trade payables. Classification depends on the purpose for which the instrument was acquired.

Financial assets measured at fair value through profit or loss

This class of financial instrument comprises financial assets held for trading. A financial asset is classed in this category if it is acquired with the primary purpose of selling it in the near future. Derivative instruments are always included in this category, except in cases where the derivative instrument is part of a hedge transaction. The society has classified endowment insurance linked to pension commitments as financial assets measured at fair value through profit or loss.

Available-for-sale financial assets

This class includes financial instruments that are available for sale and that are not derivatives. Financial instruments in this category are valued at fair value.

Loan receivables and trade receivables

Loan receivables and trade receivables have established payments and are held with no intention of trading. They are included under current assets with the exception of items with a due date more than one year after the balance sheet date, which are classified as non-current assets. Valuation after the acquisition date is at amortised cost with the application of the effective interest method, with deductions for any decline in value. Impairment of trade receivables and loan receivables is recognised in the income statement under Other external costs.

Loans payable and trade payables

Loans payable and trade payables are recognised after the acquisition date at amortised cost with the application of the effective interest method.

Purchases and sales of financial instruments are recognised on the transaction date, i.e. the date on which a binding agreement is entered into. All financial instruments that are not measured at fair value are initially valued at acquisition cost, adjusted for transaction costs.

PROVISIONS

A provision is recognised in the balance sheet when the Group has a existing legal or constructive obligation as a result of past events, settlement of the obligation is expected to result in an outflow of financial resources and the amount to be settled can be estimated reliably. If the point in time at which settlement is made has a significant effect, the provision is calculated by discounting the anticipated future cash flow. Discounting is applied at a pre-tax interest rate that reflects current market assessments of the time value of money.

CONTINGENT LIABILITIES

A contingent liability is reported when there is a possible obligation arising from past events and its presence will be confirmed by one or more uncertain future events or when there is an obligation that has not been reported as a liability or provision due to it not being probable that an outflow of resources will be required.

EMPLOYEE BENEFITS

The Group's plans for benefits once employment has ended encompass both defined benefit and defined contribution pension plans. With a defined benefit pension plan, the pension is based on final salary and the number of years of membership in the plan. The Group bears the risk of the established benefits being paid. Certain defined benefit pension plans are secured with an insurance plan from Alecta and this is a multi-employer defined benefit plan. The company has not had access to such information as is necessary to report this plan as a defined benefit pension plan. As such, Swedish ITP pension plans secured with insurance from Alecta are reported as a defined contribution plan. With defined contribution plans, the company pays set contributions to a separate legal entity. Once the contribution is paid the company has no further obligations.

The company has pension commitments with values linked to separate endowment insurance policies held by the company. The value of the endowment insurance always covers the obligation to pay pensions, but not the obligation to pay special employer's contributions in conjunction with the pension being disbursed. The company's obligation is limited to the amount for which the endowment insurance was acquired. Benefits to employees such as salary and pension are reported as costs in the period in which the employee performed the services the benefits cover.

INCOME TAXES

Income tax reporting includes current tax and any deferred tax. Deferred tax is calculated in accordance with the balance sheet method for all significant temporary differences. A temporary difference exists when the book value of an asset or a liability differs from the value for tax purposes. Such a difference can arise, for example, in the event of the appreciation or depreciation of an asset or when applied accounting policies differ between an individual group company's accounts and the consolidated accounts.

Deferred tax is calculated using the tax rate that has been decided or announced as at the balance sheet date and that is expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are reported to the extent it is probable that future taxable surpluses will exist against which temporary differences can be offset.

CASH FLOW STATEMENT

The cash flow statement is prepared in accordance with the direct method. The reported cash flow consists only of the transactions that involve incoming or outgoing payments. Cash and cash equivalents comprise cash at bank and cash in hand.

FOREIGN CURRENCY

The Group receives a not-inconsiderable part of its revenue in foreign currencies. The amounts are reported in Swedish kroner, calculated at the exchange rate prevailing on the date of conversion. Purchases and sales are essentially conducted in the same currency and as such currency exposure is limited. Receivables and liabilities in currencies other than the functional currency are translated using the closing rate on the balance sheet date (unrealised).

LEASING

Non-current assets obtained via leasing are classified in accordance with the leasing agreement's economic implications. Items leased via finance leasing are reported as non-current assets and future leasing fees are reported as interest-bearing liabilities. In the case of leased items classified as operating leases, the leasing cost is reported as an operating cost in the income statement. The Group has no significant finance leases. As such, all lease agreements are reported as operating leases, which means that the leasing fees, including additional initial charges but excluding costs for services such as insurance and maintenance, are reported as costs on a straight-line basis throughout the term of the lease.

NOTE 1. OPERATING INCOME

	GROUP		PARENT SOCIETY	
(SEK thousand)	2017	2016	2017	2016
Performance licences	1,892,895	1,699,271	1,891,587	1,706,321
Performance of Swedish and foreign music in Sweden, including Stim's direct licensing in Europe	1,120,704	984,238	1,119,396	991,288
of which				
Online* national Video on Demand	60,169	44,603	60,169	44,603
Online* national other	20,667	22,554	20,667	22,554
Online* multi-territorial	349,690	278,644	348,382	285,694
Radio	35,619	33,019	35,619	33,019
Public service radio	52,860	53,905	52,860	53,905
Public service TV	63,468	71,980	63,468	71,980
Swedish TV	167,427	152,215	167,427	152,215
Foreign TV	17,387	21,825	17,387	21,825
Copyswede-tv	33,710	13,189	33,710	13,189
Cinemas	17,444	17,125	17,444	17,125
Concerts and festivals	104,712	89,658	104,712	89,658
Shops and sales rooms	43,124	43,266	43,124	43,266
Restaurants	31,993	30,111	31,993	30,111
Nightclubs, dance, bar DJs	20,562	21,397	20,562	21,397
Hotels	33,631	28,475	33,631	28,475
Sports and fitness	25,499	22,661	25,499	22,661
Municipalities, county councils and care	13,236	9,187	13,236	9,187
Music at work	14,735	14,829	14,735	14,829
Theatre, variety and cabaret	5,230	4,597	5,230	4,597
Church concerts and musical church services	5,441	6,165	5,441	6,165
Transportation	2,483	2,831	2,483	2,831
Other	1,618	2,003	1,618	2,003
* Mechanical reproduction income is included in Online and new media to a certain extent				
Performance of Swedish music abroad as well as foreign music that is sub-published by Stim-affiliated publishers for the entire Nordic region	710,375	638,976	710,375	638,976
Performance of Swedish and foreign music abroad distributed by Stim on behalf of others.	61,816	76,057	61,816	76,057
Mechanical reproduction licences	98,173	140,499	98,173	140,499
Refers to the right to record, reproduce and sell recordings, etc. See also Note 17. The licensing has been performed by NCB, Nordic Copyright Bureau.				
Other revenue	34,363	44,478	17,129	27,402
STIM/Svensk Musik, sheet music hire and recorded media sales	900	1,201	–	–
STIM/Svensk Musik government grant/subsidy	1,600	1,620	–	–
Private copying levy	3,809	7,244	3,809	7,244
Library levy	2,500	2,500	2,500	2,500
Administrative contribution from NCB	861	951	861	951
Rental income	15,383	14,977	–	–
Other	9,310	15,984	9,959	16,708
Total operating income	2,025,431	1,884,248	2,006,889	1,874,222

NOTE 2. OPERATING COSTS

	GROUP		PARENT SOCIETY	
(SEK thousand)	2017	2016	2017	2016
External costs				
Office and administration	95,315	85,123	89,022	80,527
Rental costs	589	529	9,871	10,080
IT operation	5,208	5,177	5,137	5,109
Capitalised development costs	-16,126	-10,708	-13,431	-10,701
Property costs	7,559	7,688	–	–
Total external costs	92,546	87,809	90,599	85,015
Personnel costs				
Salaries and other remuneration	65,506	61,104	62,155	57,858
Social security contributions	20,995	19,369	19,896	18,314
Pension costs	11,261	9,908	10,765	9,389
Other personnel costs	4,016	3,944	3,849	3,793
Total personnel costs	101,777	94,324	96,664	89,354
<i>Of which Board of Directors and CEOs</i>				
Salaries and other remuneration	4,095	3,606	3,951	3,462
Social security contributions	1,166	953	1,121	908
Pension costs	923	823	923	823
<i>Invoiced fees included in External costs</i>	<i>630</i>	<i>443</i>	<i>630</i>	<i>443</i>
<i>Of which Board of Directors</i>				
Salaries and other remuneration	1,337	1,116	1,193	972
Social security contributions	420	351	375	305
<i>Invoiced fees included in External costs</i>	<i>630</i>	<i>443</i>	<i>630</i>	<i>443</i>
Salary and social security contributions totalling SEK 689 (629) million for employees of national funds are presented in Note 7 (Offsetting).				
Depreciation/amortisation				
Capitalised costs for system development	6,118	6,520	5,451	5,786
Equipment	4,266	3,287	4,081	3,114
Buildings	7,474	7,461	–	–
Total depreciation/amortisation	17,857	17,268	9,532	8,900
Total operating costs	212,180	199,401	196,796	183,268

Gross remuneration including holiday pay and benefits to Stim's Chief Executive Officer amounted to SEK 2.8 (2.5) million in 2017.

DEFINED CONTRIBUTION PLANS

Pension plans are secured with insurance from Alecta. These are multi-employer defined benefit plans. The company has not had access to such information as is necessary to report this plan as a defined benefit pension plan. As such, Swedish ITP pension plans secured with insurance from Alecta are reported as a defined contribution plan.

PENSION COMMITMENTS SECURED WITH ENDOWMENT INSURANCE

The outcome of certain other pension plans is linked to the development of individually signed endowment policies. The value of the endowment insurance always covers the obligation to pay pensions, but not the obligation to pay special employer's contributions in conjunction with the pension being disbursed. A surplus arises when value growth is better than expected and this surplus falls to the policyholder. The value of the surplus fund as at 31 December 2017 was SEK 55 (52) thousand. The endowment insurance has been pledged as security. No part of the year's provision is covered by the Swedish Pension Obligations Vesting Act. The market value of the endowment insurance is established through the annual statement issued by the concerned bank or equivalent. The value of the endowment insurance as at 31/12/2017 was SEK 4,617 (4,371) thousand.

NOTE 3. INTRAGROUP TRANSACTIONS

Of the Parent Society's total operating income for 2017, 0.3 (0.2) per cent is attributable to sales to other Group companies. Of the Parent Society's total operating costs for 2017, 9.0 (10.1) per cent is attributable to purchases from other Group companies. In addition to the above, transactions with associa-

tes also took place during the year. Of the Parent Society's total operating income for 2017, 6.5 (0.27) per cent is attributable to sales to associates. Of the Parent Society's total operating costs for 2017, 13.4 (12.2) per cent is attributable to purchases from associates.

NOTE 4. AVERAGE NUMBER OF EMPLOYEES

	2017		2016	
	Average number of employees	Of which men	Average number of employees	Of which men
Parent Society	117	55%	110	56%
Subsidiaries	8	72%	8	72%
Group	125	56%	118	57%

Board members and senior executives				
	2017		2016	
	Number on balance sheet date	Of which men	Number on balance sheet date	Of which men
Parent Society				
Board members, including employee representatives	10	60%	10	70%
Deputy Board members, including employee representatives	9	11%	7	43%
Chief executive and other senior executives	7	57%	7	43%
Group				
Board members, including employee representatives	13	62%	13	69%
Deputy Board members, including employee representatives	9	11%	7	43%
Chief executive and other senior executives	7	57%	7	43%

NOTE 5. TERMS OF EMPLOYMENT FOR CHIEF EXECUTIVE OFFICER**Parent Society**

Agreement has been reached with the Chief Executive Officer on severance pay equal to 12 months salary if notice is served by Stim for reasons other than gross negligence on the part of the Chief Executive Officer under Swedish law. The mutual period of notice is six months.

NOTE 6. AUDITORS' FEES

	GROUP		PARENT SOCIETY	
(SEK thousand)	2017	2016	2017	2016
KPMG AB				
Auditing	636	620	534	528
Tax	9	—	9	—
Other non-auditing services	124	16	124	16
Auditors appointed by STIM				
Auditing	63	40	63	40
Total auditors' fees	832	676	730	584

NOTE 7. DISTRIBUTION

	GROUP		PARENT SOCIETY	
(SEK thousand)	2017	2016	2017	2016
Distribution – performance licences				
Performance in Sweden and abroad licensed by STIM	916,305	814,896	914,635	821,302
Performance abroad	710,375	638,976	710,375	638,976
Performance abroad distributed by STIM on behalf of others	55,705	69,150	55,705	69,150
Total performance distribution	1,682,385	1,523,021	1,680,715	1,529,428
Distribution – mechanical reproduction licences	98,173	140,499	98,173	140,499
Offsetting social, cultural and training funds*	37,980	25,804	45,495	33,456
Total distribution	1,818,539	1,689,324	1,824,383	1,703,382

Social, cultural, and training related funds include salaries and social security expenses for salaried employees totalling SEK 883 (689) thousand.

NOTE 8. CURRENT INVESTMENT IN NEW IT SYSTEMS

	GROUP		PARENT SOCIETY	
(SEK thousand)	2017	2016	2017	2016
Opening acquisition value	11,938	5,961	11,938	5,961
Acquisitions during the year	13,431	10,701	13,431	10,701
Reclassifications during the year	–19,300	–4,724	–19,300	–4,724
Closing acquisition value	6,068	11,938	6,068	11,938

NOTE 9. CAPITALISED COSTS FOR SYSTEM DEVELOPMENT

	GROUP		PARENT SOCIETY	
(SEK thousand)	2017	2016	2017	2016
Opening acquisition value	139,574	134,843	135,296	130,572
Acquisitions during the year	2,694	7	—	—
Reclassification	19,300	4,724	19,300	4,724
Closing accumulated acquisition value	161,567	139,574	154,596	135,296
Opening depreciation/amortisation	-113,731	-107,210	-110,859	-105,072
Depreciation/amortisation during the year	-6,118	-6,520	-5,451	-5,786
Closing accumulated depreciation/amortisation	-119,848	-113,731	-116,310	-110,859
Closing residual value	41,720	25,843	38,286	24,437

NOTE 10. BUILDINGS AND LAND

	GROUP		PARENT SOCIETY	
(SEK thousand)	2017	2016	2017	2016
Buildings				
Opening acquisition value	283,568	283,115	—	—
Acquisitions during the year	2,809	453	—	—
Sales and disposals	-1,610	—	—	—
Closing accumulated acquisition value	284,767	283,568	—	—
Opening depreciation/amortisation	-40,798	-33,337	—	—
Depreciation/amortisation during the year	-7,474	-7,461	—	—
Sales and disposals	327	—	—	—
Closing accumulated depreciation/amortisation	-47,945	-40,798	—	—
Closing residual value, buildings	236,822	242,771	—	—
Land				
Opening acquisition value	129,145	129,145	—	—
Closing acquisition value, land	129,145	129,145	—	—
Closing residual value, buildings and land	365,967	371,916	—	—

In the case of the property Stockholm Krukomakaren 17, 59 per cent of the building is held for investment purposes.

NOTE 11. EQUIPMENT

	GROUP		PARENT SOCIETY	
(SEK thousand)	2017	2016	2017	2016
Opening acquisition value	19,930	15,237	18,670	13,988
Acquisitions during the year	1,773	5,415	1,678	5,404
Sales and disposals	–	–721	–	–721
Closing accumulated acquisition value	21,703	19,930	20,348	18,670
Opening depreciation/amortisation	–11,362	–8,580	–10,399	–7,790
Depreciation/amortisation during the year	–4,266	–3,287	–4,081	–3,114
Sales and disposals	–	504	–	504
Closing accumulated depreciation/amortisation	–15,628	–11,362	–14,480	–10,399
Closing residual value	6,076	8,568	5,868	8,271

NOTE 12. PARTICIPATIONS AND RECEIVABLES IN GROUP COMPANIES

	PARENT SOCIETY					
Subsidiaries (SEK thousand)	Corporate identity number	Reg'd Office	Share of equity, %	Number of shares, thousands	Carrying amount 31/12/2017	Carrying amount 31/12/2016
Svensk Musik Swedmic AB	556754-1338	Stockholm	100	1	100	100
Stimdirekt AB	556884-6371	Stockholm	100	50	50	50
Stim Fastighets Holding AB	556842-4880	Stockholm	100	50	50	50
Total participations in Group companies					200	200
Subsidiaries, indirectly owned						
Stimhuset KB, part ownership	969696-4361	Stockholm				

	GROUP		PARENT SOCIETY	
Receivables from Group companies (SEK thousand)	2017	2016	2017	2016
<i>Financial assets</i>				
Interest-bearing loans to Group companies*	–	–	100,387	100,387
<i>Current receivables</i>				
Trade receivables from Group companies	–	–	873	946
Interest-bearing loans to Group companies*	–	–	2,919	20,767
Accrued performance revenue	–	–	3,680	12,307
Other receivables from Group companies	–	–	10,271	8,510
Total receivables from Group companies	–	–	118,130	142,918

*Interest-bearing loans to Group companies are subject to interest at the prevailing repo rate +1%. The loans are repaid on demand, which is not expected to happen within 1 year.

NOTE 13. PARTICIPATIONS AND RECEIVABLES IN ASSOCIATES

PARENT SOCIETY						
Associates (SEK thousand)	Corporate identity number	Reg'd Office	Share of equity and votes, %	Number of shares, thousands	Carrying amount 31/12/2017	Carrying amount 31/12/2016
ICE Operations AB	556723-5907	Stockholm	33	33	39,997	39,997
International Copyright Enterprise Services Ltd	08983089	London	33	100	1,322	1,322
Total participations in associates					41,319	41,319

GROUP		
(SEK thousand)	Carrying amount 31/12/2017	Carrying amount 31/12/2016
Opening balance	-13,254	-3,021
Translation difference	-400	22
Share of profit from associates	5,602	-10,255
Closing balance	-8,053	-13,254

Receivables from associates (SEK thousand)	GROUP		PARENT SOCIETY	
	2017	2016	2017	2016
<i>Financial assets</i>				
Interest-bearing loans to associates*	72,379	90,295	72,379	90,295
<i>Current receivables</i>				
Interest-bearing loans to associates	26,176	21,393	26,176	21,393
Other receivables from associates	279	553	279	553
Total receivables from associates	98,834	112,241	98,834	112,241

Loans to ICE Operations AB are subject to interest at Stibor6M +2%, with a minimum rate of 2%. The interest rate is set at the beginning of the year.
 Loans to International Copyright Enterprise Germany GmbH are subject to interest at EURIBOR6M +2%, with a minimum rate of 2%. The interest rate is set at the beginning of the year.

Loans to International Copyright Enterprise Services Ltd are subject to interest at the UK Base rate +2%, with a minimum rate of 2%. The interest rate is set at the beginning of the year.

* Of the interest-bearing loans, SEK 2.4 million falls due six years after the balance sheet date.

NOTE 14. TOTAL PREPAID EXPENSES AND ACCRUED INCOME

(SEK thousand)	GROUP		PARENT SOCIETY	
	2017	2016	2017	2016
Accrued performance revenue	271,376	231,899	271,376	231,899
Accrued income, private copying levy	12,313	15,699	12,313	15,699
Prepaid expenses	7,457	8,526	6,343	6,341
Other	3,778	5,227	3,778	5,227
Total prepaid expenses and accrued income	294,925	261,350	293,811	259,164

NOTE 15. APPROPRIATION OF PROFIT OR LOSS

(SEK thousand)	PARENT SOCIETY	
	2017	2016
The following funds are at the disposal of the society's annual general meeting:		
Retained earnings	-23,620	-10,588
Profit/loss for the year	0	0
Total	-23,620	-10,588
The Board of Directors proposes that any profit be carried forward	-23,620	-10,588

NOTE 16. NON-CURRENT LIABILITIES

(SEK thousand)	GROUP		PARENT SOCIETY	
	2017	2016	2017	2016
Deposit, tenants	571	571	-	-
Total non-current liabilities	571	571	-	-

NOTE 17. DISTRIBUTION LIABILITIES

	GROUP		PARENT SOCIETY	
(SEK thousand)	2017	2016	2017	2016
Distribution of performance revenue licensed by STIM				
Undistributed revenue from previous years	735,588	735,281	729,348	723,646
Payment to STIM-affiliated rightsholders	-229,530	-270,473	-225,969	-263,465
Payment to foreign collecting societies	-172,660	-178,594	-169,982	-173,967
Outstanding payments of previous years' revenue	333,397	286,214	333,397	286,214
Revenue for the year for distribution	971,648	883,402	970,340	890,452
Payment to STIM-affiliated rightsholders	-197,431	-261,415	-197,452	-269,419
Payment to foreign collecting societies	-148,514	-172,613	-148,530	-177,898
Outstanding payments from revenue for the year	625,703	449,374	624,358	443,134
Outstanding payments at year-end	959,100	735,588	957,755	729,348
Distribution of performance revenue, foreign				
Undistributed revenue from previous years	287,823	283,725	287,823	283,725
Payment to STIM-affiliated rightsholders	-125,181	-89,252	-125,181	-89,252
Outstanding payments of previous years' revenue	162,642	194,474	162,642	194,474
Revenue for the year for distribution	710,375	638,976	710,375	638,976
Payment to STIM-affiliated rightsholders	-568,687	-545,627	-568,687	-545,627
Outstanding payments from revenue for the year	141,688	93,349	141,688	93,349
Outstanding payments at year-end	304,330	287,823	304,330	287,823
Distribution of mechanical reproduction revenue				
Undistributed revenue from previous years	262	-89	262	-89
Payment to Stim-affiliated rightsholders	-262	89	-262	89
Outstanding payments of previous years' revenue	0	0	0	0
Revenue for the year for distribution	98,173	140,499	98,173	140,499
Payment to Stim-affiliated rightsholders	-100,537	-140,237	-100,537	-140,237
Outstanding payments from revenue for the year	-2,364	262	-2,364	262
Outstanding payments at year-end	-2,364	262	-2,364	262
Total distribution liability at year-end	1,261,066	1,023,672	1,259,721	1,017,433

NOTE 18. ACCRUED EXPENSES AND PREPAID INCOME

	GROUP		PARENT SOCIETY	
(SEK thousand)	2017	2016	2017	2016
Prepaid performance revenue	136,718	117,975	136,718	117,975
Prepaid rental income	6,955	6,955	–	–
Accrued holiday pay liability	3,808	3,893	3,642	3,720
Accrued social security expenses and payroll tax	3,296	3,085	3,150	2,931
Other accrued expenses	24,619	29,284	6,714	12,822
Total accrued expenses and prepaid income	175,396	161,193	150,225	137,447

NOTE 19. CONTINGENT LIABILITIES AND PLEDGED ASSETS

Contingent liabilities

Endowment insurance policies held by the Parent Society have been pledged as security for provided pension commitments. See Note 2. The fair value of the endowment insurance, including payroll tax, amounts as at 31 December 2017 to SEK 5,737 (5,432) thousand.

Stim has, together with the other owners, financed investments in the associates ICE AB and ICE Ltd in order to establish effective cooperation with PRS for Music and GEMA. Further investments remain that Stim is contractually obligated to finance. This obligation cannot be quantified as the amount has not been established in the agreement.

NOTE 20. TAX

	GROUP		PARENT SOCIETY	
(SEK thousand)	2017	2016	2017	2016
Tax on profit for the year				
Current tax for current year	–5	–63	0	–51
Current tax attributable to previous years	–	–	–	–
Change in deferred tax for the year	67	38	67	38
Total tax as per the income statement	62	–25	67	–13

The difference between the reported tax expense and the tax expense based on the current tax rate is explained by:

Profit/loss before tax	4,868	–10,871	–67	13
Tax based on the current tax rate	–1,071	2,392	15	–3
Tax effect of costs that are not tax-deductible	–1,678	–91	–1,673	–87
Tax effect of revenue that is not taxable	121	77	121	77
Tax effect of utilised, previously non-valued, deductible deficiencies	1,452	–	–	–
Tax effect of non-valued deductible deficiencies	–367	–	–	–
Tax effect of settlement of foreign tax	1,604	–	1,604	–
Reported tax expense	62	–25	67	–13

Temporary differences

Temporary differences arise in those cases where the carrying amounts and the values for tax purposes of assets and liabilities differ.

Pension commitments

As at 31 December 2017, the Group's temporary difference with respect to pension commitments amounted to SEK 5,737 (5,432) thousand, corresponding to a deferred tax asset of SEK 1,262 (1,195) thousand.

	GROUP		PARENT SOCIETY	
Deferred taxes (SEK thousand)	2017	2016	2017	2016
Other provisions for pensions	1,262	1,195	1,262	1,195
Total deferred tax	1,262	1,195	1,262	1,195

NOTE 21. SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

In the first quarter of 2018, Lisa became Head of Legal Affairs and Jan-Christer Stoppel has replaced Eva Jonbacker as Chief Financial Officer. Through the cooperation with ICE, PRS and GEMA, Stim signed an agreement with Facebook.

**The income statements and balance sheets will be
presented to the Society's Annual General Meeting
to be held on 24 May 2018 for adoption.**

Stockholm, 25 April 2018

CARINA BRORMAN
CHAIR OF THE BOARD

KARSTEN DYHRBERG NIELSEN
PRESIDENT AND CEO

ALFONS KARABUDA

ELISABET WIDLUND FORNELIUS

DROR FEILER

HANS FAHLIN

DOUGLAS CARR

HANNAH GULLANDER

ERIC HASSELQVIST

MARTIN JONSSON TIBBLIN

ANNIKA FALKENÄNG

Our audit report was submitted on May 4, 2018

ANDERS MALMEBY
CERTIFIED PUBLIC ACCOUNTANT
KPMG AB

KETIL SKARBY
AUDITOR APPOINTED BY THE ANNUAL
GENERAL MEETING

Auditors' report

To the Annual General Meeting of Föreningen Svenska Tonsättares Internationella Musikbyrå (Stim) u.p.a., corporate identity number 702002-3524

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Föreningen Svenska Tonsättares Internationella Musikbyrå (Stim) u.p.a. for the year 2017. The annual accounts and consolidated accounts of the society are included in the printed version of this document on pages 28-48.

In our opinion, the annual accounts and consolidated accounts have been prepared in accordance with the Swedish Annual Accounts Act and present fairly, in all material respects, the financial position of the Parent Society and the Group as of 31 December 2017 and of their financial performance and cash flows for the year then ended in accordance with the Swedish Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual general meeting of the society adopt the income statement and balance sheet for the Parent Society and the Group.

Basis for opinions

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Certified Auditor's Responsibility section and the Elected Auditor's Responsibility section.

We are independent of the Parent Society and the Group in accordance with professional ethics for accountants in Sweden. I am an authorised public accountant and have fulfilled my ethical responsibilities in accordance with these requirements.

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

Information other than the annual accounts and consolidated accounts

This document also contains information other than the annual accounts and consolidated accounts and this can be found on pages 1–27. The Board of Directors and the Chief Executive Officer are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors and the Chief Executive Officer are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Swedish Annual Accounts Act. The Board of Directors and the Chief Executive Officer are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, the Board of Directors and the Chief Executive Officer are responsible for the assessment of the society's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Chief Executive Officer intend to liquidate the company, to cease operations, or have no realistic alternative but to do so.

Certified Auditor's Responsibility

I must conduct my audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing stan-

dards in Sweden. My objective is to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

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

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of the society's internal control relevant to my 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 company's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Chief Executive Officer.

- conclude on the appropriateness of the Board of Directors' and the Chief Executive Officer's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. I also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the society's and the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify my opinion about the annual accounts and consolidated accounts. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause a society and a group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the

disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated accounts. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my opinion.

I must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. I must also inform of significant audit findings during my audit, including any significant deficiencies in internal control that I identified.

The elected auditor's responsibility

I must conduct my audit in accordance with the Swedish Auditors Act and therefore in accordance with generally accepted auditing standards in Sweden. My objective is to obtain reasonable assurance about whether the annual accounts and consolidated accounts have been prepared in accordance with the Swedish Annual Accounts Act and that the annual accounts and consolidated accounts present fairly the financial position and results of the society.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Chief Executive Officer of Föreningen Svenska Tonsättares Internationella Musikbyrå (Stim) u.p.a. for the year 2017 and the proposed appropriations of the society's profit or loss.

We recommend to the society's annual general meeting that the loss be dealt with in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Chief Executive Officer be discharged from liability for the financial year.

Basis for opinions

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Our responsibility in this respect is further described in the Auditor's Responsibility section. We are independent of the Parent Society and the Group in accordance with professional ethics for accountants in Sweden. I am an authorised public accountant and have otherwise fulfilled my ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors is responsible for the proposal for appropriations of the society's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the society's and the group's type of operations, size and risks place on the size of the parent society's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the society's organisation and the administration of the society's affairs. This includes among other things continuous assessment of the society's and the group's financial situation and ensuring that the society's organisation is designed so that the accounting, management of assets and the society's financial affairs otherwise are controlled in a reassuring manner.

The Chief Executive Officer shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the society's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Chief Executive Officer in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the society, or

- in any other way has acted in contravention of the Swedish Economic Associations Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the society's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Economic Associations Act.

Reasonable security is a high degree of security, but no guarantee

that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the society, or that the proposed appropriations of the society's profit or loss are not in accordance with the Economic Associations Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the society's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on the professional judgment of the certified auditor and other elected auditors with a starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the society's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the society's profit or loss, we examined whether the proposal is in accordance with the Economic Associations Act.

Stockholm, 4 May, 2018

Anders Malmeby
Authorised Public Accountant
KPMG AB

Ketil Skarby
Elected auditor

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www.linkedin.com/company/stim



CONTACT STIM

Visit us at Stimhuset on Hornsgatan 103 in Stockholm!

Mailing address:
Box 17092
SE-104 62 Stockholm

E-mail:
stim@stim.se

Telephone number for reception:
08-783 88 00