

ANNUAL REPORT  
VERENIGING BUMA  
**2017**

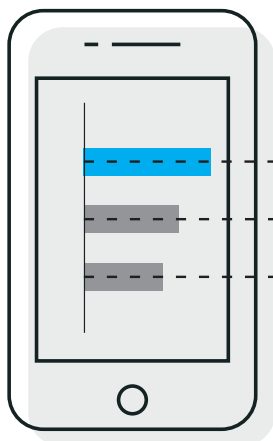
**buma•stemra**

# TABLE OF CONTENTS

<b>KEY FIGURES</b>	<b>3</b>
<b>1. BOARD REPORT</b>	<b>6</b>
1.1 EXPLANATION BY THE BOARD	7
1.2 RIGHTS OWNERS, ONLINE AND IT	9
1.3 FINANCIAL RESULTS, MARKET DEVELOPMENTS AND OUTLOOK	11
1.4 VOI@E QUALITY MARK DISTRIBUTION AUDIT	20
1.5 PROVISIONS OF THE ARTICLES ASSOCIATION REGARDING THE SUPERVISORY BOARD AND THE BOARD	21
1.6 TRANSPARENCY REPORT	21
<b>2. SUPERVISORY BOARD REPORT</b>	<b>24</b>
<b>3. APPROVAL ON THE CONSOLIDATED FINANCIAL STATEMENTS</b>	<b>30</b>
<b>4. CONSOLIDATED FINANCIAL STATEMENTS</b>	<b>32</b>
4.1 CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2017	33
4.2 CONSOLIDATED OPERATING STATEMENT FOR 2017	34
4.3 CONSOLIDATED CASH FLOW STATEMENT FOR 2017	35
4.4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	36
<b>5. OTHER INFORMATION</b>	<b>64</b>

# KEY FIGURES BUMA

## COLLECTION BUMA (x EUR 1,000)



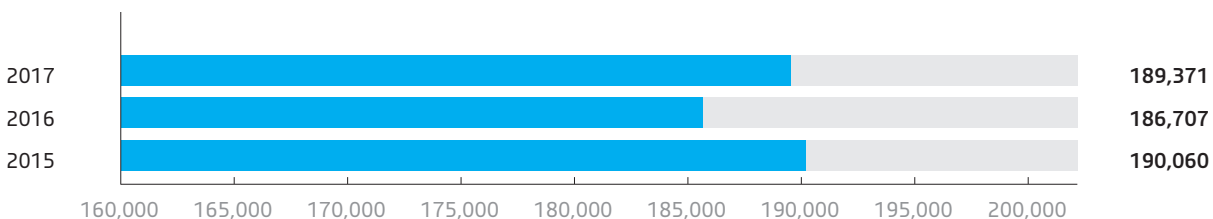
172,411 | 2017  
 170,982 | 2016  
 164,691 | 2015

## NUMBER OF FTES

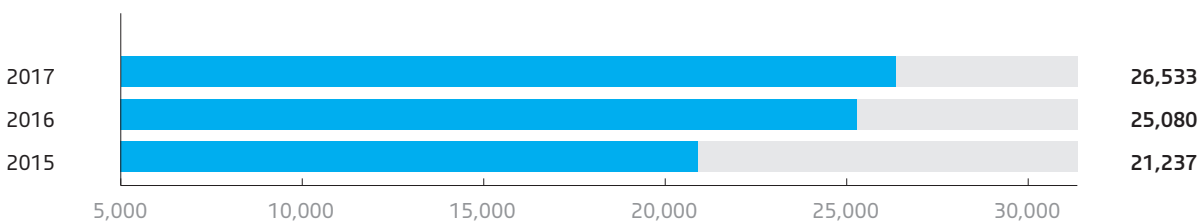


	BUMA	OUTSOURCING
2017	141.3	48.2
2016	146.8	62.2
2015	151.0	58.8

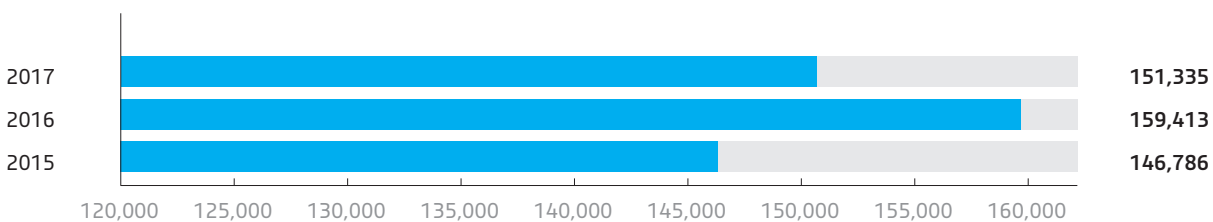
## COPYRIGHT ROYALTIES TO BE DISTRIBUTED (x EUR 1,000)



## MANAGEMENT COSTS (x EUR 1,000)



## DISTRIBUTIONS (x EUR 1,000)



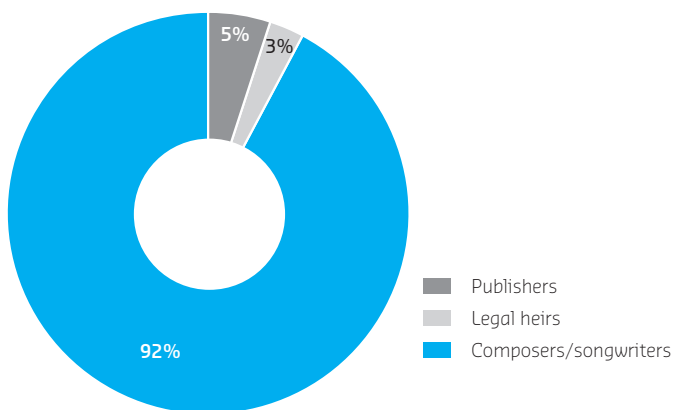
<b>KEY FIGURES</b>	2017	2016	2015	2014	2013	2012
(x EUR 1,000)						
<b>COPYRIGHT ROYALTIES RECEIVED/RECEIVABLE</b>						
Radio, TV and Network providers	68,177	70,393	67,297	71,774	69,098	68,853
Live performances	30,698	29,799	27,146	24,130	23,380	20,861
Restaurants and bars	14,294	15,074	14,554	13,469	13,559	13,483
Work spaces	17,392	17,183	17,399	16,828	16,732	17,837
Shops and stores	13,509	13,179	13,436	12,317	12,494	12,554
Online	13,618	10,128	8,415	5,656	3,092	2,130
<b>Music use in the Netherlands</b>	<b>157,688</b>	<b>155,756</b>	<b>148,247</b>	<b>144,174</b>	<b>138,355</b>	<b>135,718</b>
<b>Music use abroad</b>	<b>14,723</b>	<b>15,226</b>	<b>16,444</b>	<b>14,155</b>	<b>13,846</b>	<b>12,433</b>
<b>Total</b>	<b>172,411</b>	<b>170,982</b>	<b>164,691</b>	<b>158,329</b>	<b>152,201</b>	<b>148,151</b>
<b>DISTRIBUTIONS</b>						
Rights owners	84,348	91,332	80,086	75,779	77,503	77,339
CMOs Abroad	53,503	54,535	53,657	49,757	50,943	49,063
Addition to Fund for Social and Cultural Purposes	9,896	10,368	10,201	10,184	10,098	9,883
	<b>147,747</b>	<b>156,232</b>	<b>143,946</b>	<b>135,720</b>	<b>138,544</b>	<b>136,285</b>
<b>Administration fee withheld upon distribution</b>	<b>3,589</b>	<b>3,181</b>	<b>2,840</b>	<b>2,413</b>	<b>2,339</b>	<b>1,940</b>
<b>Total</b>	<b>151,335</b>	<b>159,413</b>	<b>146,786</b>	<b>138,133</b>	<b>140,883</b>	<b>138,225</b>
<b>COPYRIGHT ROYALTIES TO BE DISTRIBUTED</b>						
Copyright royalties to be distributed at end of financial year	189,371	186,707	190,060	183,224	173,865	170,873
<b>Fund for Social and Cultural Purposes</b>						
Disbursements in financial year	9,704	11,863	11,581	12,376	12,631	14,734
Funds available at end of financial year	4,897	2,572	4,067	5,447	7,639	10,172
<b>OPERATING STATEMENT</b>						
Administration fee withheld upon distribution	3,589	3,181	2,840	2,413	2,339	1,940
Other income	868	842	791	791	862	1,320
Balance of administration fee to be withheld in the year of collection	18,411	14,917	11,069	10,837	8,326	9,557
<b>Total income</b>	<b>22,868</b>	<b>18,940</b>	<b>14,700</b>	<b>14,041</b>	<b>11,527</b>	<b>12,817</b>
Management costs	-26,533	-25,080	-21,237	-20,878	-20,989	-20,088
<b>Total expenses</b>	<b>-26,533</b>	<b>-25,080</b>	<b>-21,237</b>	<b>-20,878</b>	<b>-20,989</b>	<b>-20,088</b>
<b>BALANCE OF TOTAL INCOME AND EXPENSES</b>	<b>-3,665</b>	<b>-6,140</b>	<b>-6,537</b>	<b>-6,837</b>	<b>-9,462</b>	<b>-7,271</b>
Financial income and expenses	10,523	8,371	1,169	11,521	10,827	14,964
<b>Available for appropriated reserve</b>	<b>6,858</b>	<b>2,231</b>	<b>-5,368</b>	<b>4,684</b>	<b>1,365</b>	<b>7,693</b>

KEY FIGURES	2017	2016	2015	2014	2013	2012
Actual cost percentage withheld for Online	<b>15.0%</b>	15.0%	15.0%	15.0%	15.0%	15.0%
Actual cost percentage withheld for Abroad	<b>5.0%</b>	5.0%	5.0%	5.0%	5.0%	5.0%
Actual cost percentage withheld for Foreign Network Providers	<b>10.0%</b>	10.0%	10.0%	10.0%	10.0%	10.0%
Actual cost percentage withheld for Other categories.	<b>12.8%</b>	10.2%	7.9%	7.8%	6.2%	7.2%
Actual average percentage withheld (administration fees as a percentage of collection)	<b>12.8%</b>	10.6%	8.4%	8.4%	7.0%	7.8%
Management costs (gross) as a percentage of total royalty fees received/receivable	<b>15.4%</b>	14.7%	12.9%	13.2%	13.8%	13.6%
Management costs (gross) as a percentage of total copyright royalties distributed (including administration fees withheld)	<b>16.0%</b>	14.7%	13.5%	14.3%	14.0%	13.6%
Annual change in operating costs	<b>5.8%</b>	18.1%	1.7%	-0.5%	4.5%	0.1%
Derived consumer price index	<b>1.4%</b>	0.3%	0.6%	1.0%	2.5%	2.5%
Number of members and participants	<b>28,386</b>	26,531	25,151	23,951	22,850	21,841
Number of invoiced licensees	<b>109,200</b>	107,500	103,000	106,000	114,000	117,000
Number of employees in FTEs*	<b>141.3*</b>	146.8	151.0	160.3	163.2	169.5

\* The employees also work on behalf of Stemra

#### Members and affiliates in 2017

Composers/songwriters	26,064
Publishers	1,370
Legal heirs	952
<b>TOTAL</b>	<b>28,386</b>



## LIVE PERFORMANCES

More than 79,000 live events were licensed.

## SHOPS, RESTAURANTS AND WORK SPACES

155,000 locations were licensed.

## DIGITAL

A total of 1,000 licences were concluded in 2017.

## RTV

A total of 285 licences were concluded in 2017.

## ONLINE

Distributions were made for 11.1 million downloads.

Distributions were made for 9 billion streams.

## RADIO AND TV

Traditional/broadcast Radio + TV:

distributions made for 1.18 billion seconds.

# —1. BOARD REPORT

# 1. BOARD REPORT

## 1.1 EXPLANATION BY THE BOARD

### INTRODUCTION

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

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

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

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

### GOVERNANCE MODEL IN 2017

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

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

In addition, there were seven meetings of Board committees, the Investment Committee and the Governance Committee in 2017. There were also two joint meetings of the Board and the Council of Members, including about the future role of the Council of Rights Owners (the successor of the Council of Members) and about advice from the Council of Members on the distribution, such as regarding the Dance and HaFaBra (wind orchestra and brass band music) sections.

Besides the audits performed by BDO and Nauta Dutilh, which have already been reported on in detail in the annual report 2016 and in the Members' Meeting on 30 October 2017, the Board paid a lot of attention to the transformation of the governance structure to a Supervisory Board model and changing the Distribution Rules to enable compliance with the Collective Management Organisations for

Copyright and Neighbouring Rights (Supervision and Dispute Resolution) Act, which came into effect on 26 November 2016.

The new governance structure, with an independent Board and a Supervisory Board, was formally introduced on 22 June 2018. Other issues the Board focused on included the financial development of Buma's Social-Cultural Fund (SoCu Fund), which is reported on elsewhere in this annual report, and, also based on advice from the Council of Members, the policy of Buma's Social Fund, Stichting Sociaal Fonds Buma (SFB). In the Board meeting on 29 March 2017, the Board decided to include the professional associations BAM! and VCTN in the Articles of Association as certified professional associations. In the strategic Board meeting on 3 and 4 October 2017, the Board decided, based on a proposal by the Management, to extend the strategic policy by another year until the end of 2018 and, after completing the restructuring of the organisation and the relocation, to use 2018 to take further steps to bring the organisation into good order. The substance of the strategy itself was explained in the annual report 2016 as discussed in the Members' Meeting on 30 October 2017.

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

### NEW GOVERNANCE MODEL SINCE JUNE 2018

We have updated our governance model to bring it in line with the European Collective Rights Management Directive (Directive 2014/26 EU of 26 February 2014); the new governance model became effective on 22 June 2018. This new governance model is comprised of a two-member Board according to the collegial model, a Supervisory Board and a Council of Rights Owners. This means that the managerial, supervisory and advisory roles and responsibilities are now more clearly allocated than under the previous hybrid model.

The Supervisory Board consists of eight members. Two of the members, including the Chairman, are independent. The other Board members are representative of the professions of the members, which comprise composers, songwriters and publishers. This ensures a mix of specialist knowledge from the sector and general knowledge and experience from the market. Charting the right course and successfully guiding Buma through the changing music landscape are high on the agenda for the periodical meetings of the Supervisory Board and Board of Buma. Financial performance, ICT, stakeholder policy and compliance will be prominent issues during these meetings.

## INVESTIGATION

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

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

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

## INTERNAL ORGANISATION

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

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

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

## ADDED VALUE

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

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

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

The mission of Buma is, and will continue to be, to protect copyright and to ensure a fair remuneration for its use. In this respect, Buma has to conclude that there is some pressure on the willingness to pay among some of the licensees of this copyright. By acting as a strong collective of rights owners, with a clear focus on added value, Buma can continue to work on protecting copyright and ensuring a fair remuneration for its use.

Major platforms are currently in the process of expanding their business models and staking their claims, both in financial and legal

terms. At Buma, we want to counter this with specialised financial and legal expertise. That requires a careful approach, as Buma is well aware that these major platforms are omnipresent, as well as disruptive, and indispensable to our rights owners in particular, but also to society in general.

## ICT

Properly functioning ICT systems are critical to the effectiveness of Buma. Therefore, in 2017 Buma took a number of important steps that guarantee that our systems are stable and able to cope with the explosive growth in the data flows. In addition, the procedures with regard to data processing have been brought in line with the laws and regulations in the area of privacy and data protection. One of the important IT projects concerned the relocation to a new external location.

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

## FINANCIAL RESULTS

The collection of royalties was at a high level in 2017. This collection largely concerned the use of music on radio and TV. This market is experiencing fundamental change, and an ever greater variety of services are emerging around the medium of television, such as pay-per view and subscription types. The way people watch TV is also rapidly changing and the live and online use of music is growing. These developments are forcing Buma to develop new market approaches and new fee models.

Only focusing on efficiency and cost savings is ultimately a race to the bottom. On the collection side, Buma must operate even more proactively than before and look for income for its members.

It is important to recognise that in this rapidly changing world, where new platforms constantly emerge (and disappear again), a one size fits all licensing model no longer works. In response to this, new licensing models are being developed and deployed that are more in line with market developments.

This will enable Buma to flexibly link up to interesting new developments and business models at an earlier stage.

## IN CONCLUSION

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

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

Mr Wim van Limpt (Chairman of the Board)



## 1.2 RIGHTS OWNERS, ONLINE AND IT

### RIGHTS OWNERS

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

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

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

In 2017, Buma also started measuring the completeness, timeliness and correctness per distribution chain, with the aim of improving our performance on these aspects for each chain. A distribution chain is the link between activities, from collecting royalties to gathering and identifying music use data, to distribution and payment. Each licence group has its own chain. Buma distinguishes the following licence groups: radio and TV; live performances and live events; workspaces, restaurants and bars; shops and stores; online; and international sister societies.

### COMPLETENESS

Completeness concerns the percentage of royalties collected and released for distribution that has been allocated to the right owners. We refer to the percentage that has not been distributed as the 'distribution failure rate'. In 2017, the average distribution failure rate was 11.2%. This is lower than in 2016 (11.6%) and also lower than in 2015 (14.6%). A lower distribution failure rate does not only mean that our members receive their fee more quickly. It also means that we have to carry out less remedial activities, which reduces the processing costs.

### TIMELINESS

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

Management Organisation (CMO) must distribute collected royalties. For example, licensing fees which Buma acquires within its own territory (the Netherlands) must be paid out within nine months after the end of the financial year. That is why our largest distribution, the general rights distribution that traditionally took place in October, now takes place in September, as this is nine months after the end of the previous year. In certain cases, it is not possible to distribute on time. This can have various causes, such as the fact that works and set lists for live performances are not registered on time.

Under this legislation, all CMOs in the EU must keep to the same terms. If Dutch copyright is used in an EU member state in a calendar year, the relevant CMO has the obligation to distribute within nine months after that calendar year. The royalties are then passed on to the rights owners via Buma, a step that must be completed within six months. This shows the great advantages of cooperation within the EU. Looking at the rest of the world, the situation differs per country. To put this into perspective, more than three quarters of the licensing fees originate from the Netherlands, the remaining quarter from the EU and North America and a limited part from the rest of the world.

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

### CORRECTNESS

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

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

The fact that we have improved the way in which we perform our core tasks is evident from the decrease in the number of comments and complaints. The fact that we have received fewer comments and complaints means that Buma has improved its identification of copyrighted work, as well as its subsequent allocation and distribution. If we identify, match and allocate better, that leads to a lower distribution failure rate, which in turn leads to fewer comments. If we do not solve comments, they turn into complaints. In the reporting year 2017, one complaint was submitted, which was resolved in early 2018.

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

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

## ONLINE

Turnover in the online market segment has risen sharply in recent years. However, the turnover volume of online is still small compared to other market segments, such as radio, TV or shops and stores. There are also big differences between the market segments, both geographically and in how the business models are designed. Online is virtually unaffected by borders and the data flows to be processed are exponentially larger. Volume and turnover will certainly continue to increase; this is only a question of time.

The exponential increase in the amount of data that relate to copyrighted work is an unstoppable development. Buma cannot and does not want to stop this development, but instead embraces it. Buma is fully committed to this in order to remain relevant for our members.

## REPertoire INCREASINGLY IMPORTANT

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

## ONLINE LICENSING MODEL

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

## ONLINE MATCHING

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

Every matching process basically runs in the same way. The rights owners register their copyrighted work in the database. The database Buma uses for this is the ICE database, which is used by multiple

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

## THE VALUE OF COPYRIGHTED WORK

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

## THE FUTURE OF ONLINE

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

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

## IT

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

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

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

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

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

## 1.3 FINANCIAL RESULTS, MARKET DEVELOPMENTS AND OUTLOOK

### 1.3.1 COPYRIGHT ROYALTIES RECEIVED

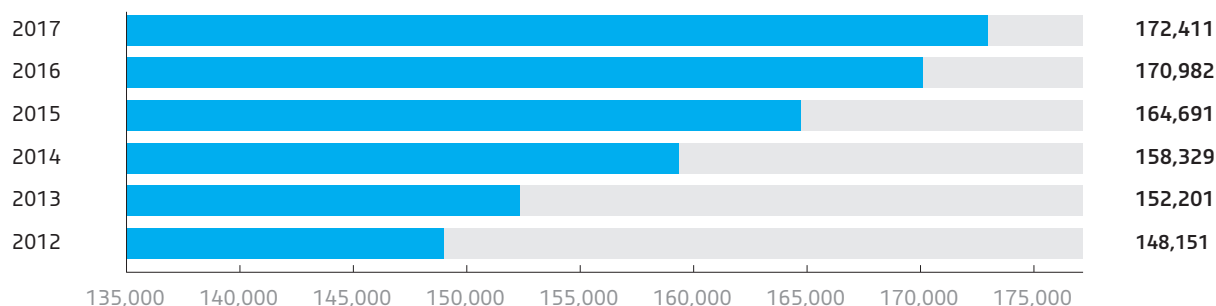
#### BUMA

The copyright royalties were received from the following categories:

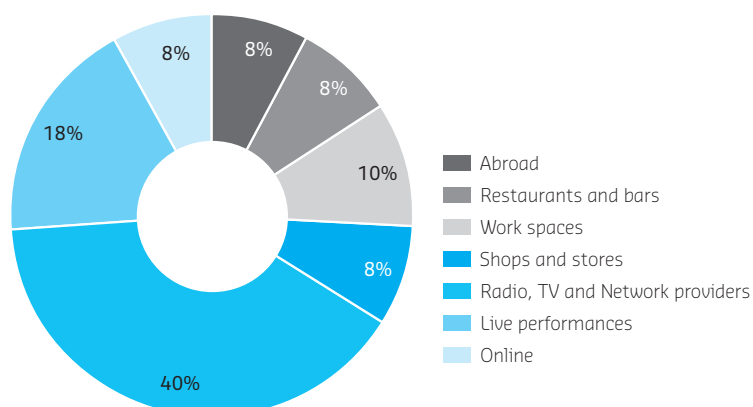
(x EUR 1,000)

	Realisation 2017	Realisation 2016
Restaurants and bars	14,294	15,074
Work spaces	17,392	17,183
Shops and stores	13,509	13,179
<b>TOTAL GENERAL LICENCES BUMA</b>	<b>45,195</b>	<b>45,436</b>
Radio, TV and Network providers	68,177	70,393
Live performances	30,698	29,799
Online	13,618	10,128
Abroad	14,723	15,226
<b>TOTAL BUMA</b>	<b>172,411</b>	<b>170,982</b>

#### DEVELOPMENT OF COLLECTION (x EUR 1,000)



#### COMPOSITION OF COLLECTION



Buma realised a collection of EUR 172.4 million in 2017, which is EUR 1.4 million higher than in 2016.

The decrease for Radio and TV is also due to the fact that negotiations with a number of large market parties regarding rights revenue relating to multiple years were settled in 2016. This led to the recognition of additional royalties relating to prior years in 2016.

The royalties are higher than in 2016 for almost all categories, except for the royalties originating from abroad. The latter is due to the fact that the amount in royalties collected abroad for Dutch composers and songwriters was much smaller in 2017 than in 2016, when they had several major hits abroad. The long-term trend for copyright royalties originating from abroad is negative.

Turnover is expected to shift because Buma wants to introduce pan-European licensing. Royalties for Online use abroad will then be paid directly by the Digital Service Providers and will no longer be collected through sister societies.

As in prior years, the royalties received by Buma from the live performances market again increased in 2017. A large part of this

increase in royalties was due to the increase in the number of music festivals, as well as the extension of these festivals into multi-day events. The improved submission of setlists and playlists also means that Buma has better insight into smaller performances and therefore realises more licences. The number of theatre and cinema visitors also increased in 2017.

The increase in royalties from the online market was primarily due to the strong increase in online subscription services. This includes both the music streaming services and the VOD services. Royalties from downloads decreased in 2017 compared to 2016, but this drop was more than offset by the increase in the streaming segment.

The royalties from shops and stores and work spaces increased in 2017 compared to 2016. For shops and stores, the increase was in line with economic developments in the market. SCAN conducted additional marketing activities aimed at shops and stores.

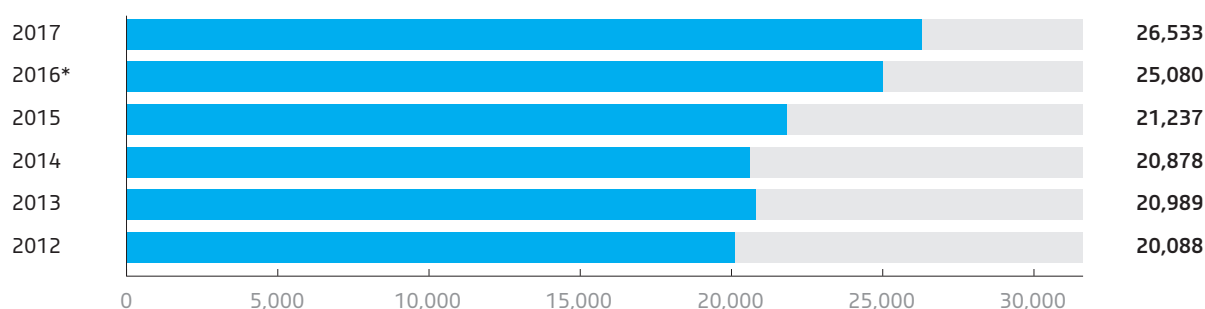
### 1.3.2 OPERATING COSTS

Buma's expenses can be specified as follows:

(x EUR 1,000)

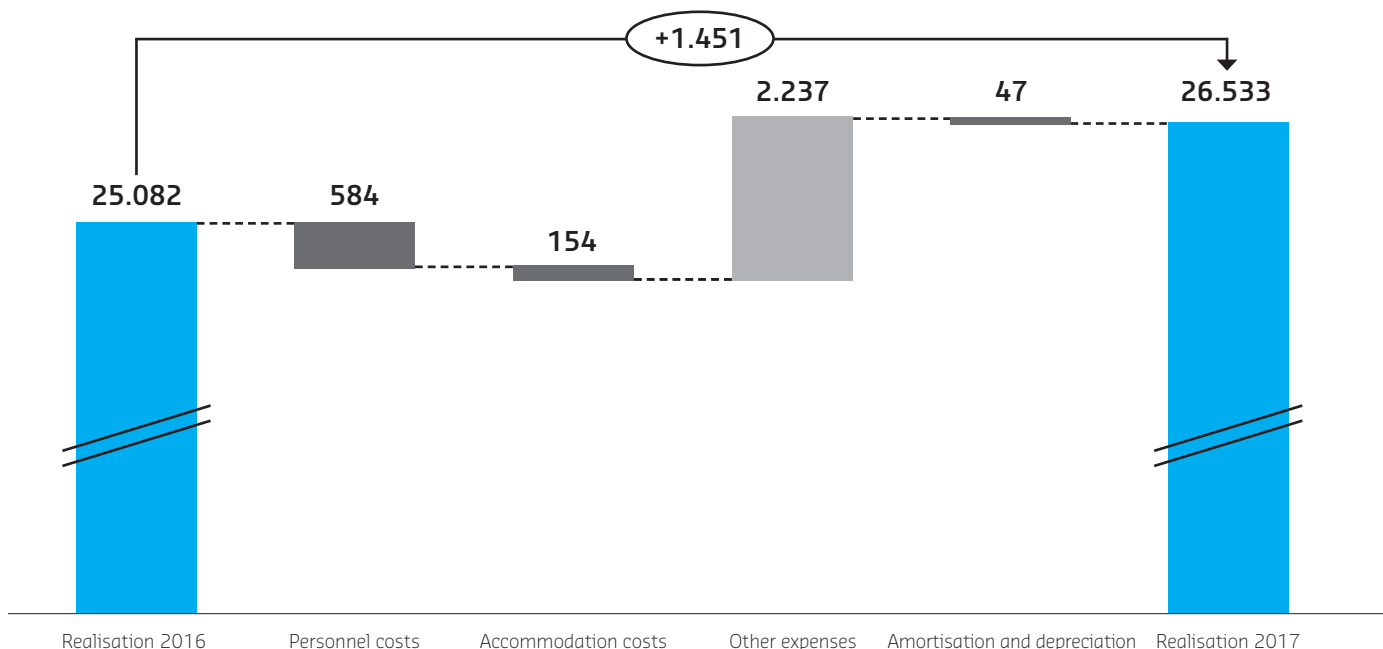
	Realisation 2017	Realisation 2016
Personnel costs	10,782	11,366
Accommodation costs	787	940
Amortisation and depreciation	1,405	1,452
Other expenses	13,559	11,322
<b>TOTAL BUMA</b>	<b>26,533</b>	<b>25,080</b>

#### DEVELOPMENT OF MANAGEMENT COSTS (x EUR 1,000)



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

In 2017, Buma's operating costs amounted to EUR 26.5 million, which was EUR 1.4 million higher than in 2016. This increase was due to one-off cost increases in 2017. These higher costs in 2017 were attributable to various components. These components are shown in the graph below.



There was a reduction in personnel costs in 2017. Through a reduction of the total number of FTEs, which was offset slightly by increased costs of hiring temporary external personnel, a cost saving of EUR 0.6 million was achieved. A cost savings of EUR 0.2 million was achieved on accommodation costs and depreciation charges. Together, this slightly offset the increase in 'Other expenses' of EUR 2.2 million. The increase in 'Other expenses' was partly attributable to the increase in 'Advisory fees' of EUR 1.0 million. This was due to one-off costs resulting from additional work for external audits and additional work for the financial statements 2016. In addition, there was an increase in project and IT costs of EUR 1.0 million. This was mainly due to one-off costs as a result of the relocation of Buma's data centre. There was also an increase of EUR 0.3 million in other general costs. This is due to the fact that one-off positive items were recognised in 2016.

Personnel costs decreased in 2017 compared to 2016.

This decrease was largely due to a significant decrease in the total number of FTEs. In addition, as a result of the restructuring process in 2017, a number of positions have disappeared or have become part-time positions.

In 2017, depreciation charges were lower than in 2016. Major projects in 2017 that were scheduled to be completed in 2017 will be completed in 2018, so that the increase in depreciation charges will only have an effect in 2018.

Accommodation costs were slightly lower in 2017 than in 2016. This cost decrease was due to the fact that less maintenance work was done on the business premises, as Buma's lease agreement expired on 31 December 2017. Buma relocated to a new business premises in December 2017.

### 1.3.3 COVERAGE OF THE OPERATING COSTS

Administration fees are amounts which Vereniging Buma withholds from the royalties to cover its operating costs. These fees comprise a fixed administration fee withheld from the distribution of royalties from Online (15%), Abroad (5%) and Foreign Network

Providers (10%), as well as a variable amount withheld from the other categories of rights upon collection. The variable administration fee is calculated based on the total costs, the fixed administration fees and the other income that Vereniging Buma receives. This calculation is included in the following table and is explained in more detail below this table.

#### COVERAGE OF THE OPERATING COSTS

(x EUR 1,000)

	2017	2016
<b>TOTAL EXPENSES</b>	<b>-26,533</b>	<b>-25,080</b>
<b>TOTAL COVERAGE</b>		
(1) Entrance and annual fees	803	782
(2) Other income	65	60
(3) Administration fee withheld upon distribution	3,589	3,181
<b>Coverage of costs from income</b>	<b>4,457</b>	<b>4,023</b>
(4) Normative return	4,253	6,820
(5) Balance of other financial income and expenses	-588	-680
<b>Coverage from normative return and other financial income</b>	<b>3,665</b>	<b>6,140</b>
(6) Variable administration fee for other categories of rights	18,412	14,917
<b>TOTAL COVERAGE</b>	<b>26,533</b>	<b>25,080</b>

The operating costs of Vereniging Buma are covered from six types income: the entrance fees and annual fees paid by rights owners (1); the other income (2); the fixed administration fees on the collection from Online; Abroad and Foreign Network Providers (3); the normative return on the investments (4); and the balance of the financial income and expenses (5). The remaining costs are divided over all categories of rights, with the exception of Online, Abroad and Foreign Network Providers (6).

Together with the variable administration fees for the other categories of rights, the fixed administration fee for Online, Abroad and Foreign

Network Providers comprises the total costs withheld upon collection. In 2017, a total of EUR 22.0 million was withheld at the rights owners (see (3) and (6)), which is EUR 3.9 million more than in 2016. The increase in the withheld administration fee was due the higher costs and a lower normative return on investments in 2017. The decrease of the normative return was mainly due to the decrease in the invested assets in 2017 compared to 2016.

### 1.3.4 FINANCIAL INCOME AND EXPENSES

#### Investment policy

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

The composition of investments can be presented as follows:

	SAA 2017	Low-risk market conditions	High-risk market conditions
Cash and cash equivalents	0%	0% - 10%	0% - 25%
Equities	25%	20% - 30%	0% - 30%
Fixed-income securities	75%	70% - 80%	70% - 100%

The Investment Committee is responsible for elaborating the investment policy within the set ALM margins. The Investment Committee consists of five members of the Board of Buma, and is assisted by the executive team of the Investment Committee and by an independent external advisor. In 2017, this executive team consisted of the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO). At the beginning of each year, the Investment Committee drafts an investment plan that sets out the investment strategy to be implemented through the strategic asset allocation (SAA) for the coming year. It also sets out with which asset managers and in which investment categories and products investments are made. A key rule in this respect is that investments should be spread over several categories, regions and sectors. In addition, funds that do not satisfy the criterion of corporate social responsibility are kept out of the portfolio where possible.

In 2017, the fixed-income portfolio had a strategic weighting of approximately 75%, comprising government bonds with a credit rating of AA or higher and an average term of approximately 4.7 years (12%), a fund investing in emerging market government bonds (15%), two corporate bond funds (34%) and a mortgage fund (12%). In 2017, the equities (shares) portfolio had a weighting of around 27% and was invested through an equity fund in a portfolio with a global spread. The criteria for corporate social responsibility according to the United Nations Global Compact are applied for this. The entire investment portfolio largely consists of directly marketable securities and/or funds.

The bulk of the investment portfolio is held in euros. Where, apart from the emerging markets, investments are not in euros or where there is no hedging to the euro within the relevant investment fund, the largest non-euro positions are hedged by means of three-month forward exchange contracts.

Because of the wide spread and the limited position in shares, the risk profile of the investment portfolio as a whole is relatively low. In 2017, the investment portfolio achieved a return of 5.9% (2016: 4.1%). Both the fixed-income portfolio and the share portfolio have made a positive contribution to the achieved return. The absolute

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

performance of the government bonds was negative, in line with the market. The performance of the investment fund investing in emerging market bonds, on the other hand, as well as corporate bonds and the mortgage fund, showed positive results.

In the case of the share portfolio, the return reflects the general increase of the markets. The fixed-income securities performed well in 2017. Thanks to the mix of equities, the low-risk portfolio and the specialist fixed-income securities, the total portfolio achieved an excellent performance in 2017.

Buma invests the royalties that cannot yet be distributed to rights owners in accordance with the investment policy, as explained earlier. Buma also uses a number of deposit facilities. In 2017 Buma achieved a return of EUR 11.1 million on its investments; this is EUR 2.1 million more than in 2016.

The return on the invested assets was higher compared to 2016 thanks to the relatively positive development of the markets in 2017.

Vereniging Buma uses the investment income to (partly) cover the operating costs. Because the results from investments can fluctuate considerably from year to year, a normative return on investments is applied in advance each year. Starting from the financial year 2017, this normative return is established based on the (government) Parameters Committee. In the years prior to 2017, the normative return was calculated based on the applicable interest rate plus a risk premium. This adjustment had a limited impact on the amount of the normative return.

If the investment income exceeds the normative return, the difference is added to the appropriated reserve. If it is lower than the normative return, the difference is withdrawn from the appropriated reserve, to the extent that this reserve is sufficient. The normative return system ensures consistency in the (partial) coverage of the operating costs. This means that, in years with high investment income (higher than the normative return), a buffer is created in an appropriated reserve that can be used in years with lower investment income (lower than the normative return). The investment income in 2017 exceeded the normative return; therefore, an amount was added to the appropriated reserve.

## ADDITION TO APPROPRIATED RESERVE

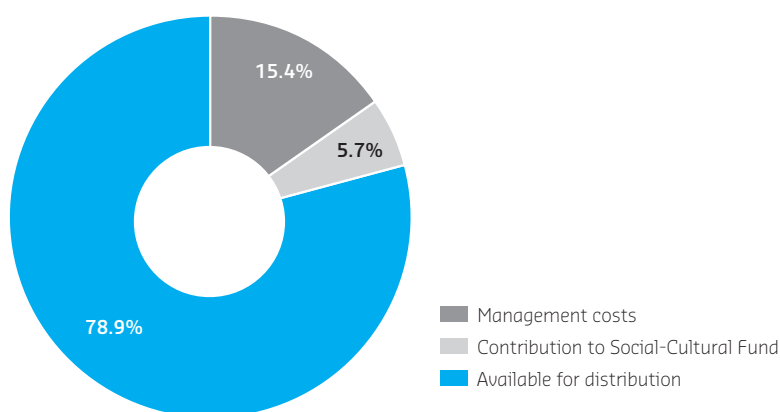
(x EUR 1,000)

	2017	2016
Income from securities and changes in value	11,111	9,050
Less: Normative return	4,253	6,819
<b>ADDITION TO APPROPRIATED RESERVE</b>	<b>6,858</b>	<b>2,231</b>

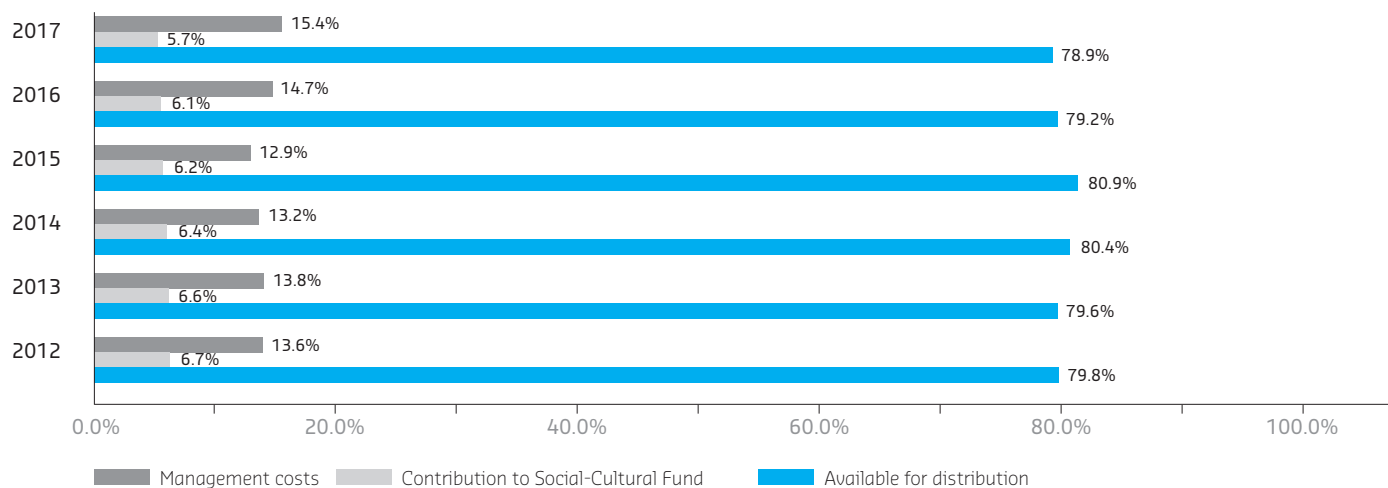
### 1.3.5 USE OF COLLECTED COPYRIGHT ROYALTIES

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

#### DISTRIBUTION OF ROYALTIES COLLECTED IN 2017



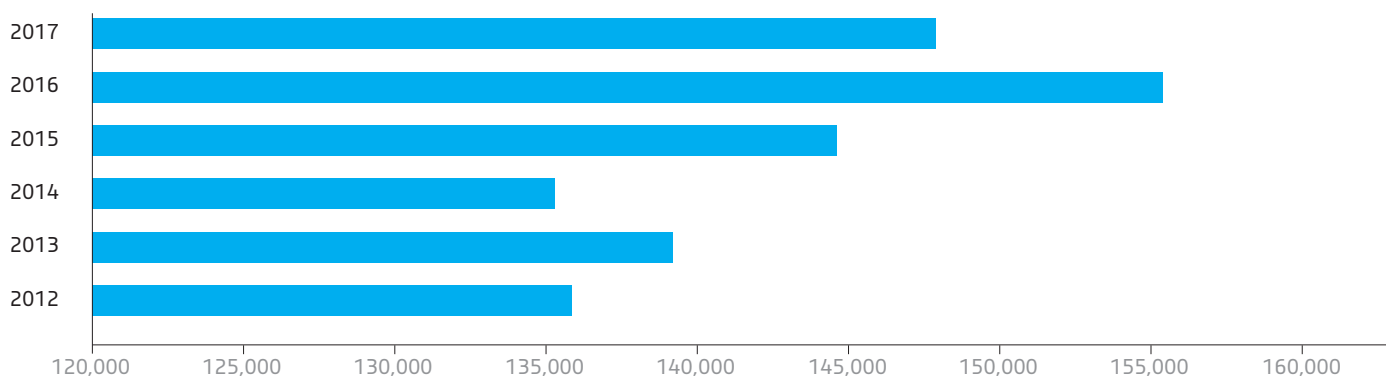
This distribution has shown a stable trend in recent years.



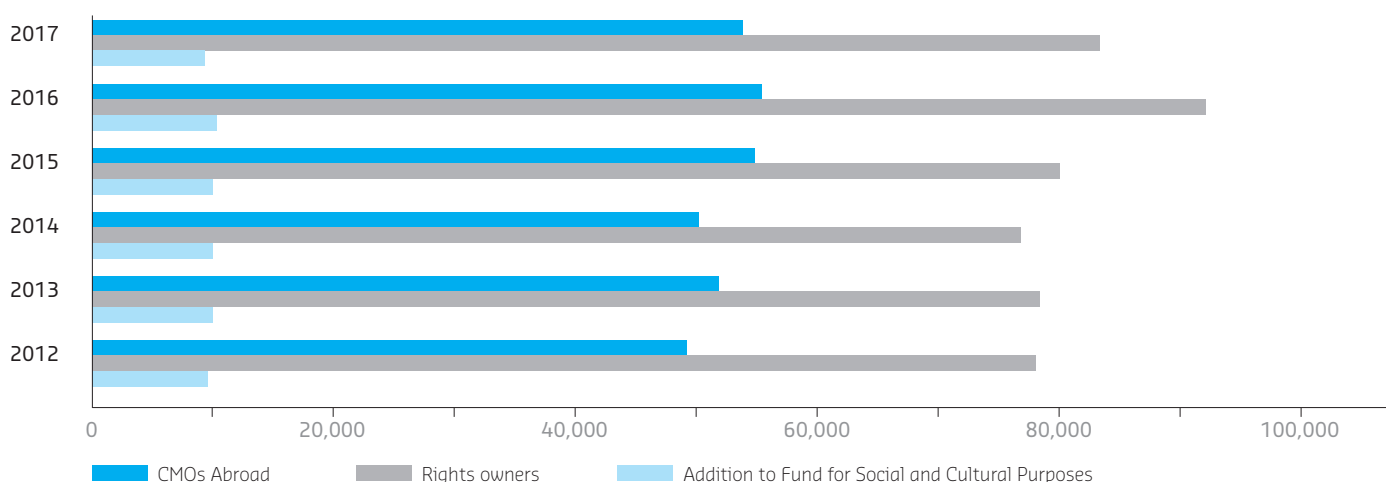


### 1.3.6 DISTRIBUTIONS

CHANGES IN DISTRIBUTIONS TOTAL (x EUR 1,000)



CHANGES IN DISTRIBUTIONS (x EUR 1,000)



In 2017, Buma distributed EUR 147.7 million to rights owners and organisations with which it has a reciprocal contract; this is EUR 8.5 million more than in 2016. The decrease in distributions in 2017 compared to 2016 is due to the one-off increase in distributions in 2016. In 2016, the total amount of distributions was EUR 12.3 million higher than in 2015. This increase was due to higher royalties and the catching up of the backlog that had arisen in 2015 due to the introduction of the new ICE works database. A large part of the royalties that had not yet been distributed during the General Rights distribution in 2015 were distributed in 2016. Furthermore, the distributions abroad were higher in 2016 due to the fact that royalties from abroad still in progress were tackled by deploying additional capacity.

The Fund for Social and Cultural Purposes is under the supervision of the Board of Buma and serves to protect the intangible and tangible interests of the composers, songwriters and music publishers affiliated to Buma and to promote the Dutch music life. Pursuant to Article 30, paragraph 4, of the Articles of Association, a maximum of 10% of the gross amount available for distribution may be made available to the Fund for Social and Cultural Purposes. As in prior years, in 2017 this percentage was 8% of the gross available amount of all the collection sections except Online, Abroad and Foreign Network Providers. The fund's expenditure goes to, among things, Stichting Buma Cultuur, the Surcharge Serious, Stichting Sociaal Fonds and a retirement provision for composers and songwriters and music publishers. The accounting for the expenditure is included under note 10 in the financial statements. This shows that in recent years the

expenditure of the Fund for Social and Cultural Purposes exceeded the additions to the fund. This is the result of a conscious policy to reduce the reserves available in the Fund for Social and Cultural Purposes.

### 1.3.7 COST NORM

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

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

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

## COST PERCENTAGES

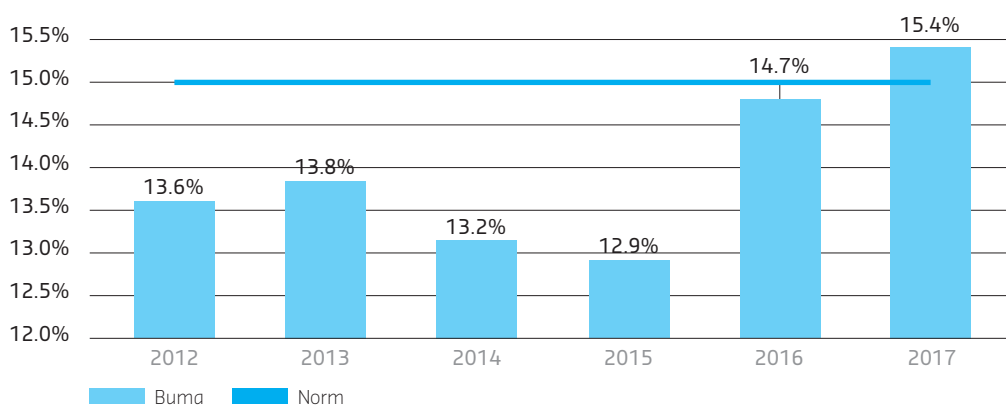
(x EUR 1,000)

	2017	2016
Collection Buma	172,411	170,982
Distribution Buma	147,747	156,232
Costs of Buma	26,533	25,080
Costs of Buma as % of the collection (gross)	15.4%	14.7%
Costs of Buma as % of the distribution (gross)*	16.0%	14.7%
Changes in costs of Buma compared to previous year	5.8%	18.1%
Actual average percentage withheld by Buma (net)**	12.8%	10.6%

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

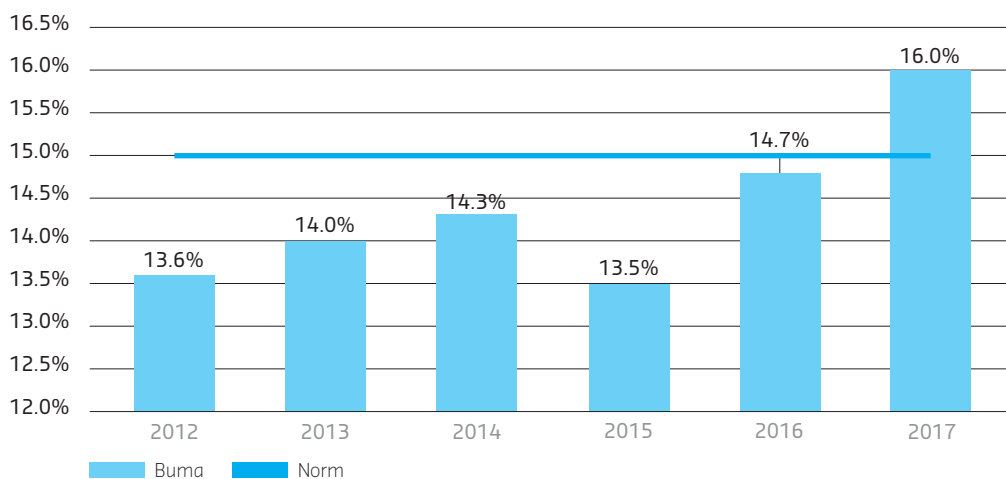
\*\* The cost percentage that is actually charged to the rights owners is lower than the gross management costs for which the norms of the CvTA have been set. This is because predefined fixed withholding percentages are applied for certain collection categories, and also because a lower amount in costs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

## COSTS AS PERCENTAGE OF THE COLLECTION



In 2017, the cost percentage came to 15.4%. Hence, Buma no longer complied with the norm that specifies that the costs may not exceed 15% of the total amount of the collection. This was mainly due to the one-off cost increases in 2017, as explained in section 1.3.2. However, because of the system of using the net (financial) income to cover the management costs and withholding a fixed percentage for specific royalties, the actual cost percentage that was withheld at the rights owners was considerably lower, on average amounting to 12.7%.

## COSTS AS PERCENTAGE OF THE DISTRIBUTION



Buma no longer complies with the norm that specifies that the costs may not exceed 15% of the distributed amount. This exceeding of the norm was attributable to the one-off costs in 2017, as explained in section 1.3.2.

## INCREASE IN COSTS COMPARED TO THE CPI

The table shows that the costs of Buma increased by 5.8% (EUR 1.5 million) compared to 2016. These changes are due to the one-off cost increases in 2017, plus the fact that costs were lower in 2016 due to one-off cost decreases.

### 1.3.8 ASSESSMENT OF FINANCIAL POSITION AND LIQUIDITY POSITION

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

The liquidity ratio indicates to what extent the debts can be serviced in the short term from the cash and cash equivalents and receivables. For a representative calculation of the liquidity ratio, Buma's investment portfolio is added to the cash and cash equivalents, because this investment portfolio is in direct relation to the copyright royalties to the distributed and because the investment portfolio is kept highly liquid. On this basis, the liquidity ratio for Buma is 1.15, which means that Buma can fulfil its obligations in the short term.

### 1.3.9 CASH FLOWS AND FINANCING REQUIREMENT

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

The key cash flows for Buma are the copyright royalties received and distributed during the year, as well as the operating expenses. Furthermore, purchases and sales are made for the investment portfolio, and there was a withdrawal from the invested assets 2017. This change was due to the quicker distribution of copyright royalties, which required the release of copyright royalties to be distributed that had been invested.

### 1.3.10 RISK MANAGEMENT

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

#### RISK APPETITE

Like other organisations, Buma is exposed to various risks. As befits a CMO, Buma acts very prudently in the performance of the tasks entrusted to it. The risk appetite for these activities is low. Without being exhaustive, this section gives a brief overview of the risks and how they are managed by our organisation.

#### STRATEGIC CHALLENGES

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

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

## RISK MANAGEMENT

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

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

## MARKETS

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

## FINANCIAL PROCESSES

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

Buma's income is collected in the Netherlands and, via 'sister societies', abroad.

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

Some time elapses between the collection and distribution. During this time, the resulting cash is invested in a risk-averse manner in order to optimise the value of the cash.

Buma's costs are covered by administration fees charged upon collection and upon payment, as well as by the normative part of the investment income.

Work is currently underway on putting in place a liquidity forecast that will make it possible to predict the expected cash position. This forecast looks 36 months ahead.

## FINANCIAL RISKS

Buma is also confronted with various financial risks, such as share price risk, currency risk and interest rate risk. In principle, exchange rate fluctuations and interest rate changes do not affect the financial results of our organisation. The policy of the organisation is aimed at preventing or limiting this influence as much as possible. Generally, cash inflows and outflows are denominated in euros. The investment fund, however, has positions in currencies other than the euro. Where there are positions due to the absence of a natural hedge of transactions or items in other currencies, the organisation uses financial instruments.

A start has been made with the description of the Treasury Policy, including the Investment Policy. This will be completed in the coming year in a Treasury Charter, the main objective of which is to limit investment and currency risks where possible in a transparent manner.

## INFORMATION SECURITY

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

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

## ASSESSMENT OF THE DESIGN AND OPERATING EFFECTIVENESS OF THE INTERNAL CONTROL

Buma has an Internal Audit department. The Internal Audit department assesses the control of internal business processes on the basis of an annually adopted audit plan. The Internal Audit department reports hierarchically to the CFO and has a direct reporting line to the CEO and to the Audit Committee of the Supervisory Board. The Audit Committee discusses the audit plan and the performance of audits with the Internal Audit department several times a year.

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

## INSURANCE

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

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

## TAX MATTERS

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

## 1.3.11 OUTLOOK

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

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

The financial result, mainly consisting of the results on the investments, is expected to show a less positive picture in 2018 than in the previous year. While the investment results in 2017 were heavily influenced by the recovery of stock markets, it is expected that (looming) trade wars and growing global uncertainty will have a negative impact on the value of the investment portfolio.

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

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

## 1.4 VOI@E QUALITY MARK DISTRIBUTION AUDIT

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

### 1. MAIN/SUPPORT ACT

The original reason for setting up the main/support act scheme was that Buma did not receive any information on the fee paid to the acts for large concerts. In view of this fact, it was decided to apply the following distribution of copyright royalties: 90% for the main act and 10% for the support acts. This distribution between main acts and support acts is a standard distribution that is also applied by our sister societies. On 30 May 2017, the Board decided to maintain this scheme.

### 2. ONLINE ROYALTIES WITHOUT USE

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

"In the Online sections, a licence specified for each work means: a licence provided in return for a fee that depends in part on the protected share of the work (or a group of works). A general licence refers to a licence that is not specified per work and where the licensing fee does not depend in part on the protected share of the work (or a group of works). In practice, it is often the case that the licences with Online licensees that generate considerable revenue

are a combination of both. In some cases, one part of the revenue of the DSP can then be treated as a general licence and the other part as a licence specified per work.”

### 3. DISTRIBUTION METHOD FOR OTHER CONCERT MUSIC

- 1) Regarding the distribution method for Other Concert Music, the Board has decided to use the current distribution method for a last time for the usage year 2016 year, to be distributed in 2017. The decrease in the amount available, due to the decision on the collection from theatres, can be offset by means of a one-off direct withdrawal of approximately EUR 50 thousand from Live Entertainment. This will be clearly communicated to the sector.
- 2) Regarding the usage year 2017, the Board has decided to ask the Council of Members for advice on the proposal from the Management to introduce a 1 to 1 distribution per live performance starting from the usage year 2017, on the basis of the annually determined amount for Live Entertainment, so as to ensure the necessary updating of the distribution method for Other Concert Music.

### 4. COPYRIGHT THRESHOLD

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

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

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

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

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

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

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

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

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

## 1.6 TRANSPARENCY REPORT

The Transparency Report (Collective Rights Management Directive) Decree came into effect on 1 January 2017. This Decree is a further elaboration of Section 2q of the Collective Management Organisations for Copyright and Neighbouring Rights (Supervision and Dispute Resolution) Act, which makes it mandatory to publish a transparency report starting from the reporting year 2017. This annual report includes all components as described in this Act.

Below and on the following pages you will find the reference table regarding the statutory obligation to publish a transparency report. The purpose of this table is to make it easy for the reader to find the mandatory elements of the transparency report in this annual report.

Section	Description	Part of the annual report	Page number
<b>Section 2</b>			
2a	Cash flow statement	Cash flow statement	35
2b	Information on refusals to grant a licence on the basis of Article 2i(3) of the Supervision Act;		23
2c	A description of the legal and governance structure of the collective management organisation;	Explanation by the Board	7
2d	Information on entities directly or indirectly owned or controlled, wholly or in part, by the collective management organisation;	Notes to the financial statements	56 - 57
2e	Information on the total amount of remuneration paid in the past financial year to the persons referred to in Section 2e(3) and Section 2f of the Supervision Act, and on other benefits granted to them;	Notes to the financial statements, Remuneration of the Board, Council of Members and Management	59 - 61
2f	The financial data referred to in Section 3 of this Decree	See Section 3	
2g	A special report on the use of amounts withheld for the purposes of social, cultural and educational services, including the information referred to in Section 3 of this Decision	See Section 3	

Section	Description	Part of the annual report	Page number
<b>Section 3</b>			
3a	Financial information on rights revenue per category of rights managed and per type of use, including information on the income arising from the investment of rights revenue and the use of this income;	Operating statement, coverage of the operating costs, notes to the financial statements	34, 49, 62
3b	Financial information on the costs of rights management and other services provided to rights owners by the collective management organisation, including a full description of at least the following items:		
	1. All operating costs and financial costs, with a breakdown per category of rights managed and, in the case of indirect costs that cannot be attributed to one or more categories of rights, an explanation of the method used for the allocation of these indirect costs;	Operating statement, coverage of the operating costs, notes to the financial statements	34, 49, 62
	2. Operating costs and financial costs, with a breakdown per category of rights managed and, in the case of indirect costs that cannot be attributed to one or more categories of rights, an explanation of the method used for the allocation of these indirect costs, to the extent that these costs relate to the rights management, including the management costs which were deducted from or offset against rights revenue or income arising from the investment of rights revenue in accordance with Section 2g(4) and Section 2h(1-3) of the Supervision Act;	Operating statement, coverage of the operating costs, notes to the financial statements	34, 49, 62
	3. Operating costs and financial costs for services other than rights management, including social, cultural and educational services;	Notes to the financial statements	46
	4. Funds used to cover costs;	Coverage of the operating costs	14
	5. Amounts that were withheld from rights revenue, with a breakdown per category of rights managed and per type of use, and the purpose of the withholding;	Notes to the financial statements, coverage of the operating costs	14, 16, 50
	6. The percentages which the costs of the rights management and other services provided by the collective management organisation to rights owners represent compared to the rights revenue in the relevant financial year, per category of rights managed, and, in the case of indirect costs that cannot be allocated to one or more categories of rights, an explanation of the method used for the attribution of these indirect costs;	Key figures Buma	4, 17
3c	Financial information on the amounts due to rights owners with a full description of at least the following items:		
	1. The total amount attributed to rights owners, with a breakdown per category of rights managed and per type of use;	Notes to the financial statements, copyright royalties to be distributed	48 - 52
	2. The total amount paid to rights owners, with a breakdown per category of rights managed and per type of use;	Key figures Buma	4, 17
	3. The frequency of the payments, with a breakdown per category of rights managed and per type of use;		23
	4. The total amount collected but not yet allocated to rights owners, with a breakdown per category of rights managed and per type of use, and indicating in which the financial year these amounts were collected;	Notes to the financial statements, copyright royalties to be distributed	48 - 52
	5. The total amount allocated to but not yet distributed among rights owners, with a breakdown per category of rights managed and per type of use, and specification of the financial year in which these amounts were collected;	Notes to the financial statements, copyright royalties to be distributed	48 - 52
	6. If a collective management organisation has not carried out the distribution and payment within the period laid down in Section 2i(3) of the Supervision Act: the reasons for the delay;	Notes to the financial statements, copyright royalties to be distributed	48 - 52
	7. The total balance of undistributed amounts, with an explanation of the use of these amounts;	Notes to the financial statements, copyright royalties to be distributed	48 - 52
3d	Information on the financial relationship with other collective management organisations, with a description of at least the following items:		
	1. Amounts received from other collective management organisations and amounts paid to other collective management organisations, with a breakdown per category of rights managed, per type of use and per organisation;	Key figures Buma	4

Section	Description	Part of the annual report	Page number
	2. Management costs and other withholdings from the rights revenue due to other collective management organisations, with a breakdown per category of rights, per type of use and per organisation;	Key figures Buma	4
	3. Management costs and other withholdings from the rights revenue paid by other collective management organisations, with a breakdown per category of rights and per organisation;	Key figures Buma	4
	4. Amounts distributed directly to rights owners originating from other collective management organisations, with a breakdown per category of rights and per organisation.	Key figures Buma	4
<b>Section 4</b>			
4a	The amounts withheld in the financial year for the purposes of social, cultural and educational services, with a breakdown per type of purpose and, for each type of purpose, with a breakdown per category of rights managed and per type of use;	Notes to the financial statements	50
4b	An explanation of the use of those amounts, with a breakdown per type of purpose including the costs of managing amounts withheld to fund social, cultural and educational services and of the separate amounts used for social, cultural and educational services.	Notes to the financial statements	50

### 1.6.1 INFORMATION ABOUT REFUSAL TO GRANT A LICENCE

Anyone who plays music belonging to the repertoire administered by Buma must obtain prior permission for this from Buma.

Provided that certain standard conditions are met, including the payment of a fee, Buma grants this permission in the form of a licence. Buma does not refuse to grant licences. However, Buma does have the option of suspending its permission if certain contractual obligations, including payment of the fee due, are not met.

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

### 1.6.2 DISTRIBUTION FREQUENCY

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

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

# —2. SUPERVISORY BOARD **REPORT**



## 2. SUPERVISORY BOARD REPORT

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

### TASK

The Supervisory Board supervises the general state of affairs with regard to Buma, the quality of the management by the Board, the strategy, the (financial) policy, and the collaboration and coordination within Buma/Stemra and with the relevant stakeholders. The Supervisory Board also acts as a sounding board for the Board. The members of the Supervisory Board are appointed by the General Members' Meeting in accordance with the Articles of Association.

### COMPOSITION

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

The Supervisory Board consists of eight persons. A member of the Supervisory Board of Vereniging Buma must also be a member of Supervisory Board of Stichting Stemra. Two members, including the Chairman of the Supervisory Board, are independent persons who have no relationships with composers/songwriters and/or publishers, and six members are participants/affiliates. The latter six members consist of four members who are composers/songwriters, and who are elected by the members/affiliates who are composers/songwriters, and two members who are publishers or hold a managerial position in a publishing company that is a participant, and who are elected by the members/affiliates who are publishers.

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

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

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

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

### INSTITUTION

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

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

Thereupon, the Board decided to implement the new governance structure, with the promise to the Works Council that it can rest assured that the findings and recommendations of the Investigation Committee be thoroughly and carefully followed up, and the Works Council will be involved in this process.

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

### FUNCTIONING

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

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

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

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

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

### COMMITTEES

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

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

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

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

The Remuneration Committee did not meet separately; the remuneration meetings were conducted by the full Board. The Stakeholders Committee has not met since the Supervisory Board took office.

## ADVISERS

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

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

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

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

Hoofddorp, 12 October 2018

Ms Josephine de Zwaan (Chairman)

Mr Anthony Fiumara

Mr René Meister

Mr Arriën Molema

Mr Marc Swemle

Mr Raymond van Vliet

Mr Niels Walboomers

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

## OTHER POSITIONS / PROFESSION OF MEMBERS OF THE SUPERVISORY BOARD

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

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

<b>Martijn Schimmer</b>	Paid	Director / owner of TFS Media Group Director / owner of Schimmer Music Productions Partner / owner of PilotPost B.V. Director / owner Online Cookie Collective BV Director / owner of Talents for Brands B.V. Director / owner of Track Media Music Publishing Director / owner of SMP Copyrights BV
<b>Johan van der Voet</b>	Paid	Composer / Songwriter / Producer Director / owner of Soundgram Post Production since 1996 Director / owner of Studio Soundgram & Soundgram Publishing since 2014 Chairman of BCMM (Beroepsvereniging Componisten MultiMedia) since 2009 Guest lecturer at various Colleges
	Unpaid	Board member of FFACE
<b>Davo van Peursen</b>	Paid	Managing Director and Director/Major Shareholder of Donemus Publishing BV Board secretary at Stichting Donemus Beheer
	Unpaid	Member of Programme Board at Omroep Rijswijk Chairman of Vereniging van Muziekhandelaren en -uitgevers in Nederland (VMN) from June 2017
<b>Mark Bremer</b>	Paid	Managing Director of Universal Music Publishing Benelux
	Unpaid	Vice-chairman of Nederlandse Muziek Uitgevers Vereniging (NMUV)
<b>Iason Chronis</b>	Paid	Composer / producer / DJ Owner of Animal Language recordings Events organiser
	Unpaid	Board member of Popauteurs.nl Board member of DDJF Member of Popcoalitie
<b>Hans Everling</b>	Paid	Composer / producer Director / owner of SOB Audio Imaging BV Director / owner of Haramitsu Holding BV
	Unpaid	Vice-chairman of Beroepsvereniging Componisten MultiMedia
<b>Monique Krüs</b>	Paid	Composer / producer Soprano / voice coach
	Unpaid	Board member of Nieuw Geneco
<b>Wim Kwakman</b>	Paid	Music Publisher of Pennies From Heaven BV Director/Major Shareholder of Pennies From Heaven BV
	Unpaid	Board member of Nederlandse Muziek Uitgevers Vereniging (NMUV)

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

---

<b>Rita Zipora Verbrugge</b>	Paid	Performing musician & songwriter Moderator / presenter at music events Secretary and Board member of BAM! Choir conductor
	Unpaid	Affiliate of Popcoalitie
<b>Koen Vergouwen</b>	Paid	Director/Major Shareholder of Tierolff Muziekcentrale BV
	Unpaid	Board member of VMN
<b>Aafke Romeijn</b>	Paid	Composer, producer and performing artist Writer and journalist Treasurer of BAM! Affiliate of ESCA Artistic leader at Stichting Babi Pangang producties
<b>Ben van den Dungen</b>	Paid	Performing artist Composer Lecturer at Rotterdams Conservatorium Codarts Producer at Jwajazz Producer at Musica Extrema
	Unpaid	Board member of Stichting Wereldmuziek in Nederland

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

---

<b>Wim van Limpt</b>	Unpaid	Chairman of the Board of Stichting Buma Beleggingsfonds Chairman of the Board of Stichting Stemra Beleggingsfonds Board member of Stichting SCAN Board member of Stichting Brein Vice-chairman of VOI@E Board member of Stichting Buma/Stemra Projecten Board member of FastTrack Board member of Stichting Fingerprinting
----------------------	--------	---

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

### 3. APPROVAL ON THE CONSOLIDATED FINANCIAL STATEMENTS

After having audited the financial statements of Vereniging Buma, Mazars N.V. has issued an unqualified auditor's report in respect of the financial statements. We propose to approve the financial statements 2017 of Buma in accordance with Article 27, paragraph 7, of the Articles of Association and to grant discharge from liability to the members of the Board in office up to 22 June 2018 and the members of the Management in office up to 22 June 2018 in respect of the performance of their duties in the financial year 2017. The original consolidated financial statements were drafted in Dutch. This document is an English translation of the original. In the case of any discrepancies between the English and the Dutch text, the latter will prevail.

Hoofddorp, 12 October 2018

---

#### **SUPERVISORY BOARD**

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

---

#### **BOARD**

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

---

# —CONSOLIDATED FINANCIAL STATEMENTS



## 4.1 CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2017

After appropriation of the result

(x EUR 1,000)

	31/12/2017	31/12/2016
<b>ASSETS</b>		
<b>FIXED ASSETS</b>		
Intangible fixed assets (1)	3,938	4,351
Tangible fixed assets (2)	2,404	473
<b>CURRENT ASSETS</b>		
<b>Receivables</b>		
Accounts receivable (3)	16,199	15,713
Other receivables (4)	1,309	1,445
Taxes and social security contributions	1,073	48
Prepayments and accrued income (5)	6,825	5,873
	<b>25,406</b>	<b>23,079</b>
<b>Securities (6)</b>	<b>167,265</b>	<b>199,864</b>
<b>Cash and cash equivalents (7)</b>	<b>51,296</b>	<b>20,742</b>
<b>TOTAL ASSETS</b>	<b>250,309</b>	<b>248,509</b>

(x EUR 1,000)

	31/12/2017	31/12/2016
<b>LIABILITIES</b>		
<b>Reserves (8)</b>		
Continuity reserve	1,855	1,855
Appropriated reserve	23,617	16,759
	<b>25,472</b>	<b>18,614</b>
<b>Provisions (9)</b>	<b>8,279</b>	<b>9,724</b>
<b>Non-current liabilities (10)</b>	<b>4,897</b>	<b>2,572</b>
<b>Current liabilities</b>		
Copyright royalties to be distributed (11)	189,371	186,707
Accounts payable	6,365	2,574
Taxes and social security contributions	283	300
Other liabilities (12)	13,267	22,604
Accruals and deferred income (13)	2,375	5,414
	<b>211,661</b>	<b>217,599</b>
<b>TOTAL LIABILITIES</b>	<b>250,309</b>	<b>248,509</b>

## 4.2 CONSOLIDATED OPERATING STATEMENT FOR 2017

(x EUR 1,000)	2017	2016
<b>INCOME</b>		
Administration fee withheld upon distribution (17, 11)	3,589	3,181
Entrance and annual fees	803	782
Other income	65	60
	<b>4,457</b>	<b>4,023</b>
Balance of administration fee to be withheld in the year of collection (17, 11)	<b>18,411</b>	<b>14,917</b>
<b>Total income</b>	<b>22,868</b>	<b>18,940</b>
<b>EXPENSES</b>		
Personnel costs (18, 19)	10,782	11,366
Accommodation costs	787	940
Amortisation and depreciation	1,405	1,398
Other expenses (20)	13,559	11,376
<b>Total expenses</b>	<b>26,533</b>	<b>25,080</b>
<b>Balance before financial income and expenses</b>	<b>-3,665</b>	<b>-6,140</b>
<b>Financial income and expenses</b>		
Income from securities (21)	1,084	1,025
Changes in value (21)	9,973	8,018
Interest income and similar income (21)	54	8
Interest expenses and similar expenses (21)	-588	-680
<b>Balance of financial income and expenses (21)</b>	<b>10,523</b>	<b>8,371</b>
<b>Result before taxes</b>	<b>6,858</b>	<b>2,231</b>
Taxes (22)	-	-
<b>Result after taxes</b>	<b>6,858</b>	<b>2,231</b>
<b>Appropriation of the result</b>	<b>2017</b>	<b>2016</b>
Addition to / withdrawal from:		
- Continuity reserve	-	-
- Appropriated reserve	6,858	2,231
	<b>6,858</b>	<b>2,231</b>

## 4.3 CONSOLIDATED CASH FLOW STATEMENT FOR 2017

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

(x EUR 1,000)	2017	2016
<b>BALANCE OF INCOME AND EXPENSES</b>	<b>-3,665</b>	<b>-6,140</b>
<b>Adjustments for:</b>		
Amortisation and depreciation	1,405	1,452
Changes in provisions (9)	-1,445	-617
Changes in operating capital	-2,077	7,708
Unrealised changes in the value of securities	-5,083	-9,882
<b>Cash flow from operations</b>	<b>-7,200</b>	<b>-1,339</b>
Purchases of securities (6)	-86,126	-48,220
Received repayments and/or proceeds from sale of securities (6)	124,930	71,920
Interest received	54	2
Interest and dividend received on securities	1,084	1,025
Interest paid	-588	-681
Fund for Social and Cultural Purposes (10)	2,325	-1,495
Changes in copyright royalties to be distributed	2,663	-3,353
<b>Cash flow from operating activities</b>	<b>44,342</b>	<b>19,198</b>
Investments in intangible fixed assets (1)	-665	-138
Investments in tangible fixed assets (2)	-2,258	-68
<b>Cash flow from investment activities</b>	<b>-2,923</b>	<b>-206</b>
<b>Net cash flow</b>	<b>30,554</b>	<b>11,513</b>
(x EUR 1,000)	2017	2016
Cash and cash equivalents as at 1 January	20,742	9,229
Cash and cash equivalents as at 31 December	51,296	20,742
<b>Changes in cash and cash equivalents</b>	<b>30,554</b>	<b>11,513</b>

## 4.4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### GENERAL

The objective of Vereniging Buma (hereinafter also 'Buma') is to promote both the tangible and intangible interests of composers and songwriters and their successors in title and of publishers and publishing companies as a non-profit institution. By law, Buma has been appointed by Royal Decree to represent the aforementioned rights owners in a great number of administration areas.

Buma stands for Bureau Muziek Auteursrechten (Music Copyright Bureau). Vereniging Buma's registered office under the Articles of Association is in Amstelveen, and its head office is located at Saturnusstraat 46-62 in Hoofddorp. Buma is registered with the Chamber of Commerce in Amsterdam under file number 40530934.

### Group structure

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

Adjustments are made in respect of differences in accounting policies to bring the accounting policies in line with those of the parent company. Therefore, 100% of the financial information of the related parties is consolidated.

The most important intragroup supplies and services are eliminated from both the turnover and from the other figures to be included in the operating statement. The moment at which effective control is acquired is also the moment at which a related party is included in the consolidation. Consolidation continues until the moment when effective control ceases.

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

### Stichting Stemra

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

### Basis of preparation of the financial statements

#### Applied accounting standards

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

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

A liability is recognised in the balance sheet when it is probable that its settlement will result in an outflow of resources embodying

economic benefits and the amount at which the settlement will take place can be measured reliably.

An asset or liability recognised in the balance sheet remains on the balance sheet when a transaction (with respect to the asset or liability) does not lead to a significant change in the economic substance with respect to the asset or liability.

An asset or liability is no longer recognised in the balance sheet when a transaction results in all or substantially all rights to economic benefits and all or substantially all risks associated with the asset or liability being transferred to a third party or being lost. Income is recognised in the operating statement when an increase in economic potential associated with an increase in an asset or a decrease of a liability has arisen that can be measured reliably. Expenses are recognised when a decrease in economic potential related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

Income and expenses are allocated to the period to which they relate. Revenue is recognised when the services provided in respect of the copyright royalties can be determined reliably.

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

### Estimates and assumptions

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

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

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

### Foreign currency

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

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

Non-monetary assets and liabilities in foreign currency that are

recognised at historical cost are translated into euros at the exchange rate prevailing at the transaction date. The exchange rate differences arising on the translation are recognised in the operating statement.

### *Economic unit*

Buma heads a group, of which Stichting Buma Beleggingsfonds (BBF) is also a part.

### *Consolidation*

The consolidated financial statements of Buma include the financial information of the following entities:

- Vereniging Buma
- Stichting Buma Beleggingsfonds

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

### *Continuity of the activities*

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

### *Period under review*

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

### *Comparative figures*

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

### **Financial instruments**

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

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

- Receivables are measured at amortised cost using the effective interest rate method, less any provisions deemed necessary for the risk of uncollectibility. These provisions are determined based on individual assessments of the receivables.
- Securities (government bonds, bond funds, mortgage funds and equity funds) constitute part of the investment portfolio and are measured at fair value with changes in value being recognised in the operating statement. The fair value is determined based on the listed market price.
- Cash and cash equivalents are stated at nominal value. If cash and cash equivalents are not freely available, this is taken into account in their valuation. Cash and cash equivalents denominated in foreign currency are translated into the

functional currency at the balance sheet at the exchange rate prevailing on that date. Please also refer to the pricing principles for foreign currency transactions.

- Liabilities are measured at amortised cost using the effective interest rate method. The effective interest is recognised directly in the operating statement. The repayment obligations for the non-current liabilities for the coming year are recognised under current liabilities.
- Derivative financial instruments (used for hedging the foreign currency component of securities and for hedging foreign currency liabilities) are measured at fair value, with changes in value being recognised in the item 'Changes in value' in the operating statement.

## **PRINCIPLES FOR THE VALUATION OF ASSETS AND LIABILITIES AND FOR DETERMINING THE RESULT**

### **Intangible fixed assets**

Intangible fixed assets are stated at cost of acquisition or manufacture less cumulative amortisation and impairment. Amortisation charges are calculated as a percentage of the cost of acquisition or manufacture using the straight-line method based on the estimated useful life.

Advance payments on intangible fixed assets and assets under construction are not amortised. Intangible fixed assets are assessed at each balance date for indications that these assets are subject to impairment. If such indications are present, the recoverable amount of the asset is estimated. The recoverable amount is the higher of the value in use and the net realisable value. When the carrying amount of an asset is higher than the recoverable amount, an impairment is recognised for the difference between the carrying amount and the recoverable amount. For impaired intangible fixed assets that have not yet been taken into use, however, the recoverable amount is determined at each balance sheet date.

The estimated useful life is as follows:

- business information system 3 - 8 years

### **Tangible fixed assets**

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

The estimated useful life is as follows:

- hardware / computer equipment 3 - 5 years
- other fixed operating assets 5 - 10 years

### **Receivables**

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

## Securities

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

## Cash and cash equivalents

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

## Continuity reserve

The aim of the continuity reserve is, among other things, to ensure the continuity of the performance of the activities and the fulfilment of obligations to third parties, including with regard to the distribution of copyright royalties that still have to be distributed according to the financial statements. In addition, this reserve serves to level out undesired fluctuations in the amounts available for distribution.

## Appropriated reserve

The aim of the appropriated reserve is to distribute the return on investments to the rights owners in an orderly manner. To this end, the income from and changes in the value of securities recognised in the operating statement are added to the appropriated reserve via the appropriation of the result. Each year, the Board determines the amount available for rights owners on the basis of the general policy adopted pursuant to Article 25a, paragraph 1, of the Articles of Association. This is based on the realised return on investments, the expected return and advice obtained from asset managers. The amount is deducted in the operating statement from the administration fee charged to rights owners, and withdrawn from the appropriated reserve via the appropriation of the result, to the extent that this reserve is sufficient.

## Provisions

### General

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

### Provision for long-service awards

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

### Provision for annual allowances scheme of Stichting Sociaal Fonds Buma

The provision for the annual allowances scheme of Stichting Sociaal Fonds Buma (SFB) concerns a provision for the annual allowances paid to (former) composers and songwriters and publishers and their survivors through SFB. Although the obligations are conditional, they are recognised as a constructive obligation based on the agreements entered into and the raised expectations. The provision has been charged to the Fund for Social and Cultural Purposes. Therefore, any release of the provision will be credited to the Fund for Social and Cultural Purposes. The provision is recognised for the actuarial value of the commitments that have been made. The

expenses for the settlement of the provision are incurred via Stichting Sociaal Fonds Buma.

## Employee pension plan

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

## Leasing

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

## Operational leases

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

## Fund for Social and Cultural Purposes

The Fund for Social and Cultural Purposes serves to advance the intangible or tangible interests of composers, songwriters and music publishers and to promote the Dutch music scene. The addition to the fund consists of the withholding of a percentage of the copyright royalties that are available for distribution. Pursuant to Article 30, paragraph 4, of the Articles of Association, the percentage is annually determined by the Board, following a proposal from the Management, subject to a maximum of 10%. The withholding is part of the distribution. With the approval of the Supervisory Board and with due observance of Article 30, paragraph 4, of the Distribution Rules approved by the Members' Meeting, the Board of Buma decides on expenditures and distributions charged to the fund. The Fund for Social and Cultural Purposes is of a long-term nature, as it is not callable within 12 months after the balance sheet date.

## Copyright royalties

Buma recognises a receivable in respect of copyright royalties when the amount can be determined reliably, it is probable that it will flow to Buma, and it is enforceable as at balance sheet date. Copyright royalties received from other, mainly international, Collective Management Organisations (CMOs) are generally recognised on a cash basis, as the amount cannot be determined reliably at an earlier time. Copyright royalties are recognised in the balance sheet

in the item 'Copyright royalties to be distributed'. The Distribution Rules set out the rules for the distribution and payment of music copyright royalties received by Buma to the participants and other stakeholders. The Distribution Rules are reviewed by the Board every three years.

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

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

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

Reserves are periodically reviewed and distributed when the necessary information has been added or, in the case of a non-distributed item, when the threshold for distribution has been attained. Reserves that have not been distributed within three calendar years after the year of collection are distributed proportionally to the various distribution sections via the general distribution in the fourth calendar year after collection. For works that are claimed by multiple rights owners (double claims), no distribution takes place until it is clear who the rights owner is. A longer reserve period may be used for royalties received from sister societies for which insufficient information has been received to be able to distribute them.

### Current liabilities

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

## PRINCIPLES FOR DETERMINING THE RESULT

### Administration fee

The administration fee is recognised as income in the operating statement. For the greater part copyright royalties collected in the financial year, the Distribution Rules permit fully offsetting the income and expenses in the relevant financial year against the copyright royalties. This offset administration fee is then recognised in the year of collection as income in the operating statement under 'Balance of administration fee to be withheld in the year of collection'. For a number of categories of copyright royalties (this mainly concerns royalties received from abroad, cable fees paid to sister societies abroad and the Online royalties), a fixed percentage of the collected copyright royalties is withheld from the distribution to rights owners as an administration fee. This administration fee is recognised as income in the year of distribution under 'Administration fee withheld upon distribution'.

## Financial income and expenses

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

## Taxes

Taxes comprise the current income tax payable or recoverable for the reporting period. The taxes are recognised in the operating statement. Current tax comprises the expected tax payable or recoverable in respect of the taxable profit for the financial year, calculated on the basis of tax rates enacted as at balance sheet date.

In an advance tax ruling valid until 31 December 2017, the Dutch Tax and Customs Administration has determined that Vereniging Buma is subject to corporation tax. Deductible foreign withholding taxes and Dutch dividend tax may be deducted up to a maximum equal to the amount of tax due under this advance tax ruling.

Consequently, no corporation tax is due for the financial year 2017. Buma is in discussions with the Tax and Customs Administration about the tax qualification of the entities.

## Fair value measurement

The fair value of a financial instrument is the amount for which an asset can be traded, or a liability settled, between well-informed and willing parties, and at arm's length.

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

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

## PRINCIPLES FOR THE PREPARATION OF THE CASH FLOW STATEMENT

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

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

## NOTES TO THE SPECIFIC ITEMS OF THE BALANCE SHEET

### (1) INTANGIBLE FIXED ASSETS

The changes in the separate items are as follows:

(x EUR 1,000)	Business information system	Assets under construction	Total
Cost of acquisition/manufacture until 31 December 2016	9,696	127	9,823
Cumulative amortisation until 31 December 2016	-5,472	-	-5,472
<b>Carrying amount as at 1 January 2017</b>	<b>4,224</b>	<b>127</b>	<b>4,351</b>
Investments in financial year	-	665	665
Amortisation in financial year	-1,078	-	-1,078
<b>Changes in carrying amount</b>	<b>-1,078</b>	<b>665</b>	<b>-413</b>
Total cost of acquisition/manufacture	9,696	792	10,488
Cumulative amortisation and impairment	-6,550	-	-6,550
<b>Carrying amount as at 31 December 2017</b>	<b>3,146</b>	<b>792</b>	<b>3,938</b>

The assets under construction relate to the development of the members' portal and archiving.

### (2) TANGIBLE FIXED ASSETS

The changes in the separate items are as follows:

(x EUR 1,000)	Hardware / computer equipment	Other fixed operating assets	Assets under construction	Total
Cost of acquisition until 31 December 2016	2,128	4,808	-	6,936
Cumulative depreciation until 31 December 2016	-1,855	-4,608	-	-6,463
<b>Carrying amount as at 1 January 2017</b>	<b>273</b>	<b>200</b>	<b>-</b>	<b>473</b>
Investments in financial year	-	-	3,375	3,375
Investment contribution from lessor	-	-	-1,118	-1,118
Depreciation in financial year	-179	-148	-	-327
Disposals in financial year	-109	-2,544	-	-2,653
Depreciation of disposals in financial year	109	2,544	-	2,653
<b>Changes in carrying amount</b>	<b>-179</b>	<b>-148</b>	<b>2,258</b>	<b>1,931</b>
Total cost of acquisition/manufacture	2,019	2,264	2,258	6,541
Cumulative depreciation and impairment	-1,925	-2,212	-	-4,137
<b>Carrying amount as at 31 December 2017</b>	<b>94</b>	<b>52</b>	<b>2,258</b>	<b>2,404</b>

The assets under construction relate to the investments in the new business premises.



### (3) ACCOUNTS RECEIVABLE

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

The trade receivables include an amount of EUR 2.1 million (2016: EUR 3.5 million) with a residual term of more than one year. All the other receivables have an expected residual term of less than one year.

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

The total provision for uncollectible amounts amounted to EUR 2.4 million as at year-end 2017 (2016: EUR 2.9 million).

### (4) OTHER RECEIVABLES

(x EUR 1,000)	2017	2016
Buma members and participants	959	1,120
Buma Cultuur current account	139	-
Other receivables	211	325
<b>Total as at 31 December</b>	<b>1,309</b>	<b>1,445</b>

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

### (5) PREPAYMENTS AND ACCRUED INCOME

(x EUR 1,000)	2017	2016
Interest receivable	165	330
Prepaid pension contribution	-	1,393
Prepaid expenses	3,833	3,678
Other prepayments and accrued income	2,827	472
<b>Total as at 31 December</b>	<b>6,825</b>	<b>5,873</b>

The prepayments and accrued income have a residual term of less than one year, with the exception of the prepayment to Accenture, which has a term that runs to the end of the first quarter of 2019.

## (6) SECURITIES

(x EUR 1,000)

	2017	2016
Fixed-income securities	124,424	149,502
Equity funds	42,841	50,362
<b>Total as at 31 December</b>	<b>167,265</b>	<b>199,864</b>

The changes in the separate items are as follows:

(x EUR 1,000)	Fixed-income securities	Equity funds	Total
<b>Balance as at 1 January 2017</b>	<b>149,502</b>	<b>50,362</b>	<b>199,864</b>
Purchases	86,019	108	86,127
Repayments/sales	-113,930	-11,000	-124,930
Changes in value	2,833	3,109	5,942
Forward exchange contracts	-	262	262
<b>Total changes</b>	<b>-25,078</b>	<b>-7,521</b>	<b>-32,599</b>
<b>Balance as at 31 December 2017</b>	<b>124,424</b>	<b>42,841</b>	<b>167,265</b>

The fixed-income securities consist partly of government bonds held via a mandate holder and partly of funds for fixed-income securities.

The equity fund concerns a fund listed in euros, but which has underlying securities in different currencies. The currency risk on six large positions in foreign currency is hedged by means of forward exchange contracts. These forward exchange contracts are presented under other liabilities in note 12. Due to the nature of the hedge, the presented liability in respect of forward exchange contracts is mirrored by a virtually equal increase in the value of the equity fund.

The purchases and sales of fixed-income securities concern the normal transactions in order to retain the maturity of the portfolio, the periodic reweighting of the investment portfolio and a sale to reduce the invested assets. In addition, corporate bond funds were reallocated to a mortgage fund. The purchases and sales in the equity fund concern the periodic reweighting of the investment portfolio under the investment policy.

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

In 2017, Buma converted securities into cash in order to free up money for distributions.

## (7) CASH AND CASH EQUIVALENTS

(x EUR 1,000)

	2017	2016
Cash and cash equivalents	51,296	20,742
<b>Total as at 31 December</b>	<b>51,296</b>	<b>20,742</b>

The cash and cash equivalents are at the free disposal of Buma, with the proviso that a bank guarantee of EUR 0.5 million (2016: EUR 0.3 million) has been issued for the rent of the business premises. The cash and cash equivalents consist of cash held at Dutch system banks and securities held by the custodian, who has an S&P A-2 rating for the short-term credit risk and an S&P BBB+ rating for the long-term credit risk.

## (8) EQUITY

(x EUR 1,000)

	Continuity reserve	Appropriated reserve	Total
<b>Balance as at 1 January 2016</b>	<b>1,855</b>	<b>14,528</b>	<b>16,383</b>
Appropriation of result for previous financial year	-	2,231	2,231
<b>Balance as at 31 December 2016</b>	<b>1,855</b>	<b>16,759</b>	<b>18,614</b>
<b>Balance as at 1 January 2017</b>	<b>1,855</b>	<b>16,759</b>	<b>18,614</b>
Appropriation of result for previous financial year	-	6,858	6,858
<b>Balance as at 31 December 2017</b>	<b>1,855</b>	<b>23,617</b>	<b>25,472</b>

Of the income from securities, changes in value and similar income in 2017 totalling EUR 11.1 million (2016: EUR 9.0 million), EUR 4.3 million (2016: EUR 6.8 million) has been offset against the administration fee charged on to the rights owners.

Pursuant to Article 27, paragraph 6, of the Articles of Association of Vereniging Buma, the financial statements are adopted by the General Members' Meeting. The Board has proposed to the General Members' Meeting to add the surplus of EUR 6.9 million to the appropriated reserve. The appropriation of the result is included in the financial statements.

## (9) PROVISIONS

The provisions concern the provision for the annual allowances scheme of Stichting Sociaal Fonds Buma and the provision for long-service awards.

(x EUR 1,000)

	2017	2016
Annual allowances scheme of Stichting Sociaal Fonds Buma	7,776	9,497
Long-service awards	203	227
Other provisions	300	-
<b>Total as at 31 December</b>	<b>8,279</b>	<b>9,724</b>

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

(x EUR 1,000)	2017	2016
<b>Balance as at 1 January</b>	<b>9,497</b>	<b>10,089</b>
Interest	135	88
Mortality result	-482	110
Indexation of annual allowances	116	-117
Change in interest rate	-413	269
Change in life expectancy	-118	125
Distributions	-959	-1,067
<b>Total changes</b>	<b>-1,721</b>	<b>-592</b>
<b>Balance as at 31 December</b>	<b>7,776</b>	<b>9,497</b>

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

(x EUR 1,000)	2017	2016
<b>Balance as at 1 January</b>	<b>228</b>	<b>252</b>
Interest payment	4	4
Addition debited /release credited to the result	-14	9
Distributions	-15	-37
<b>Total changes</b>	<b>-25</b>	<b>-24</b>
<b>Balance as at 31 December</b>	<b>203</b>	<b>228</b>

### Provision for annual allowances scheme of Stichting Sociaal Fonds Buma

Buma has made a conditional commitment to pay annual allowances to participants in the annual allowances scheme. This conditional commitment is administered by Stichting Sociaal Fonds Buma. The purpose of this foundation is to continue unchanged the annual allowances scheme for the payment of benefits to the group of recipients that existed on 1 July 1997. Stichting Sociaal Fonds Buma had recognised a provision of EUR 2,134 thousand for this annual allowances scheme. Vereniging Buma has recognised a provision in its financial statements for the total obligation in respect of the annual allowances scheme. This means that the provision recognised by Stichting Sociaal Fonds Buma is effectively superfluous. Therefore, Stichting Sociaal Fonds Buma has returned this amount to Buma, where it has been added to the Fund for Social and Cultural Purposes (see (10) Non-current liabilities).

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

The provision for the annual allowances scheme as at 31 December was determined based on a discount rate of 1.5%, compared to 0.92% in 2016. As a result, the interest payment is lower compared to the previous year. As the actual mortality rate exceeded the rate to be expected based on the actuarial mortality table, the provision was reduced by EUR 482 thousand.

### Provision for long-service awards

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

The provision for long-service awards includes an amount of EUR 7 thousand (2016: EUR 17 thousand) with a residual term of less than one year.

### Other provisions

The item 'Other provisions' concerns a provision for expenditure expected to be incurred in 2018 in connection with the further investigation conducted by the CvTA in response to the reports issued by BDO and Nauta Dutilh on 2016 and prior years.

## (10) NON-CURRENT LIABILITIES

The non-current liabilities include the Fund for Social and Cultural Purposes. The liabilities in respect of this fund are disclosed below.

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

(x EUR 1,000)	2017	2016
<b>Balance as at 1 January</b>	<b>2,572</b>	<b>4,067</b>
Addition from royalties to be distributed	9,896	10,368
Withdrawals	-9,704	-11,863
Release of reserve for annual allowances	2,133	-
<b>Total changes</b>	<b>2,325</b>	<b>-1,495</b>
<b>Balance as at 31 December</b>	<b>4,897</b>	<b>2,572</b>

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

(x EUR 1,000)	2017	2016
<b>Social</b>		
Retirement provision for composers, songwriters and publishers for 2017 and 2016	4,835	5,368
Changes in retirement provision for composers, songwriters and music publishers until year-end 2016	-510	-499
Stichting Sociaal Fonds Buma commitments for 2018 and 2017	1,120	1,215
Stichting Sociaal Fonds Buma payment relating to prior years	-1,809	-674
Other	11	63
<b>Withdrawals Social</b>	<b>3,647</b>	<b>5,473</b>
<b>Cultural</b>		
Stichting Buma Cultuur commitments for 2018 and 2017	3,997	3,997
Stichting Buma Cultuur payment relating to prior years	-	-7
Surcharge Serious	741	2,200
Stichting Brein	833	-299
Professional associations	218	217
Other	268	282
<b>Withdrawals Cultural</b>	<b>6,057</b>	<b>6,390</b>
<b>Total withdrawals</b>	<b>9,704</b>	<b>11,863</b>

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

The withholding from the amount of copyright royalties available for distribution for the Netherlands, and thus the addition to the fund, was set by the Board at 8.0% for 2017 (2016: 8.0%).

### Retirement provisions scheme

Retirement provisions are funded through the Fund for Social and Cultural Purposes by making funds available for composers, songwriters and music publishers who are affiliated to Buma and who meet certain conditions. These funds must be used by the composers, songwriters and music publishers themselves for their own retirement provision. The basis for the funds made available for composers and songwriters in 2017 is 10% (2016: 10%) of the copyright royalties received through Buma. The music publishers' retirement provision amounts to 50% of the maximum available amount for composers and songwriters. For both composers/songwriters and publishers, an annual income threshold of EUR 1,104 (2016: EUR 1,100) applies.

In 2017, an amount of EUR 4.8 million was withdrawn from the Fund for Social and Cultural Purposes for retirement benefits for 2017, which will be paid in 2018. This amount has been recognised as an obligation under the other liabilities (note 12).

### Stichting Sociaal Fonds Buma

The recognised amount of EUR 1,120 thousand mainly concerns the commitment in respect of annual allowances for 2018 and other costs of Stichting Sociaal Fonds Buma.

### Stichting Buma Cultuur

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

The amounts included for Stichting Buma Cultuur concern the grants that have been committed for 2018 of EUR 3,997 thousand (in 2016: EUR 3,997 thousand for the commitment for 2017) and the payment in relation to prior financial years -/- EUR 0 (2016: -/- EUR 7 thousand).

### Other

The Surcharge Serious is a withdrawal from the Fund for Social and Cultural Purposes for the distribution to rights owners in the Serious Music section. The Surcharge Serious was paid out in the first quarter of 2018. The item 'other' under cultural expenditure mainly concerns expenditure in the context of the protection of copyright.

In 2016, Stichting de Thuis kopie (Private Copying Foundation) assumed responsibility for the funding of Stichting Brein. In 2017, it was agreed that VOI@E will collect the funds provided by the CMOs for the funding of Stichting Brein for a period of three years. The withdrawal concerns a contribution for the year 2017 and a commitment for the year 2018.

## (11) COPYRIGHT ROYALTIES TO BE DISTRIBUTED

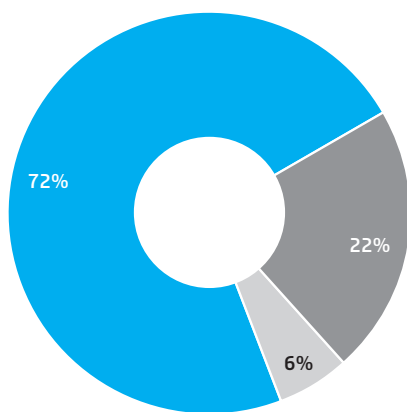
Statement of changes in copyright royalties to be distributed

(x EUR 1,000)

	2017	2016
<b>Balance as at 1 January</b>	<b>186,707</b>	<b>190,060</b>
<b>Collection:</b>		
Music use in the Netherlands	157,688	155,756
CMOs Abroad	14,723	15,226
<b>Revenue from copyright royalties</b>	<b>172,411</b>	<b>170,982</b>
<b>Distributions to:</b>		
Directly affiliated rights owners	-84,348	-91,337
CMOs Abroad	-53,503	-54,535
<b>Distributions</b>	<b>-137,851</b>	<b>-145,870</b>
Administration fee withheld upon distribution	-3,589	-3,181
Administration fee withheld in the year of collection	-18,411	-14,917
Additions to Fund for Social and Cultural Purposes	-9,896	-10,368
<b>Withholdings</b>	<b>-31,896</b>	<b>-28,466</b>
<b>Balance as at 31 December</b>	<b>189,371</b>	<b>186,707</b>

On balance, the copyright royalties to be distributed increased by EUR 2.7 million compared to the previous year. The changes are explained in more detail in the tables and texts below.

### COMPOSITION OF COPYRIGHT ROYALTIES TO BE DISTRIBUTED FOR 2017



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

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

(x EUR 1,000)

	2017	2016
<b>1. Accrued in financial year</b>	<b>137,026</b>	<b>143,952</b>
<b>2. Royalties still in progress due to:</b>		
- As yet unallocable royalties	31,882	27,782
- Warsaw rule	1,660	1,165
- Cable fees from abroad	1,675	1,587
- Double claims	4,829	4,722
- Other	414	398
<b>Total royalties still in progress</b>	<b>40,460</b>	<b>35,654</b>
<b>3. Accrued in prior financial years</b>	<b>11,885</b>	<b>7,101</b>
<b>Total</b>	<b>189,371</b>	<b>186,707</b>

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

The first category concerns the royalties accrued in the financial year. These royalties became available for distribution in the financial year, and were partly already distributed in 2017. The largest part will be distributed as part of distribution of the general rights in 2018.

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

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

The following sections provide further information on each category.

## 1. COPYRIGHT ROYALTIES ACCRUED IN FINANCIAL YEAR

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

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

(x EUR 1,000)	2017	2016
Revenue from copyright royalties	172,411	170,982
Administration fee withheld in the year of collection	-18,411	-14,919
Addition from release of copyright royalty reserves	2,868	5,491
Fund for Social and Cultural Purposes	-9,896	-10,371
<b>Subtotal of distribution of received copyright royalties</b>	<b>146,972</b>	<b>151,183</b>
Distributed in financial year *	-9,946	-7,231
<b>Total as at 31 December</b>	<b>137,026</b>	<b>143,952</b>

\* this distribution partly consists of royalties accrued in 2016

The copyright royalties were received from the following categories:

(x EUR 1,000)	2017	2016
Radio, TV and Network providers	68,177	70,393
Live performances	30,698	29,799
Restaurants and bars	14,294	15,074
Work spaces	17,392	17,183
Shops and stores	13,509	13,179
Online	13,618	10,128
Abroad	14,723	15,226
<b>Total as at 31 December</b>	<b>172,411</b>	<b>170,982</b>

The withheld administration fee of EUR 18.4 million concerns the fee that Buma charges to rights owners for the services provided by Buma for which no fixed administration fee has been determined. The increase in the withheld administration fee is due to several elements. First of all, there was a downward adjustment of the standard return on the investment portfolio (leading to a decrease of income by EUR 2.6 million). This is in accordance with the investment strategy of Buma's investment fund (Stichting Buma Beleggingsfonds). In addition, the distribution in respect of online increased in 2017. For online, the administration fee is withheld at the time of distribution (leading to an increase of income by EUR 0.4 million). A third reason is the one-off increase in the operational costs (leading to an increase of costs by EUR 1.5 million).

Furthermore, a release of EUR 2.9 million from the copyright royalty reserves was added to the amount available for distribution (2016: EUR 5.5 million), which concerns the reserves that have expired after the end of the (statutory) reserve period. The addition to the Fund for Social and Cultural purposes decreased by EUR 0.5 million.

The distributions in the financial year concern the distribution of royalties that were collected in the financial year. This item also contains royalties that are not distributed by means of the general distribution method but via 1 to 1 use, and which became available for distribution in 2017. Part of these royalties were accrued in 2016.



The copyright royalties received in 2017 are distributed as follows:

Distribution sections with administration fee to be withheld in the year of collection	Copyright royalties	Administration fee withheld upon collection	Gross amount available for distribution	8% withholding for Fund for Social and Cultural Purposes	Addition from release of copyright royalty reserves	Net amount available for distribution
(x EUR 1,000)						
Serious Music sections	3,425	-444	2,981	-239	69	2,811
Live entertainment (excluding Mega Live Acts)*	23,179	-3,003	20,176	-1,614	468	19,030
Mechanical entertainment**	43,545	-5,640	37,905	-3,033	879	35,751
Radio	6,257	-811	5,446	-436	126	5,136
Television	42,859	-5,553	37,306	-2,984	865	35,187
Film	3,780	-490	3,290	-263	76	3,103
Cable	19,061	-2,470	16,591	-1,327	385	15,651
	<b>142,108</b>	<b>-18,411</b>	<b>123,697</b>	<b>-9,896</b>	<b>2,868</b>	<b>116,669</b>

Distribution sections with administration fee to be withheld upon distribution	Copyright royalties					Gross amount available for distribution
Mega Live Acts	1,962	-	1,962	-	-	1,962
Abroad	14,723	-	14,723	-	-	14,723
Online	13,618	-	13,618	-	-	13,618
	<b>30,303</b>	<b>-</b>	<b>30,303</b>	<b>-</b>	<b>-</b>	<b>30,303</b>

<b>Total as at 31 December</b>	<b>172,411</b>	<b>-18,411</b>	<b>154,000</b>	<b>-9,896</b>	<b>2,868</b>	<b>146,972</b>
--------------------------------	----------------	----------------	----------------	---------------	--------------	----------------

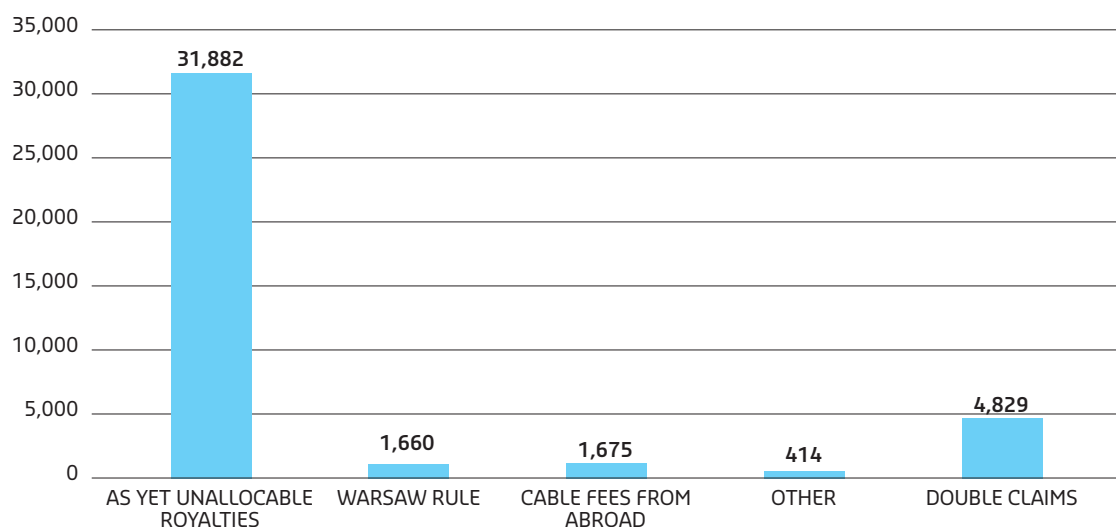
\* Live entertainment concerns live performances.

\*\* Mechanical entertainment mainly concerns background music in shops and stores, work spaces and restaurants and bars.

## 2. ROYALTIES STILL IN PROGRESS

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

(x EUR 1,000)



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

### As yet unallocable royalties (EUR 31.9 million)

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

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

### Warsaw rule (EUR 1.7 million)

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

### Cable fees from abroad (EUR 1.7 million)

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

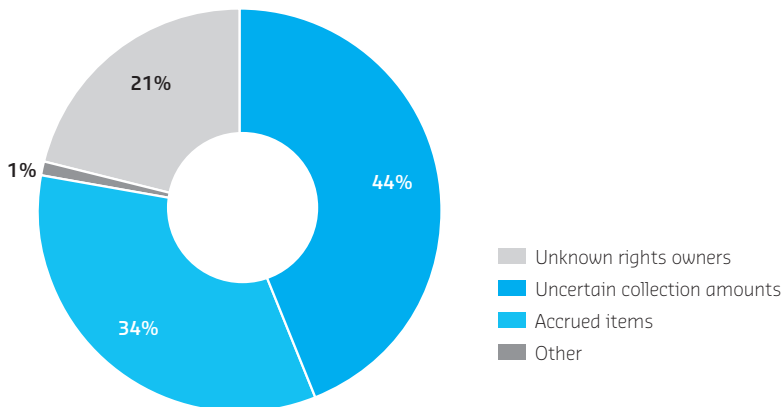
### Double claims (EUR 4.8 million)

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

## 3. ACCRUED IN PRIOR YEARS

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

### COMPOSITION OF ROYALTIES ACCUMULATED IN PRIOR YEARS



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

The royalties recognised under this item concern royalties for which the rights owners to which the royalties must be distributed have not been identified yet, or for which the information submitted by the sister societies is still to be verified. When the rights owners can be identified or the information submitted by sister societies can be processed, these royalties are paid out.

This item partly concerns royalties for which the manual verification process could not be completed in time. It is expected that the processing of these royalties will be completed in 2018, so that they can be distributed.

### Uncertain collection amounts (EUR 5.3 million)

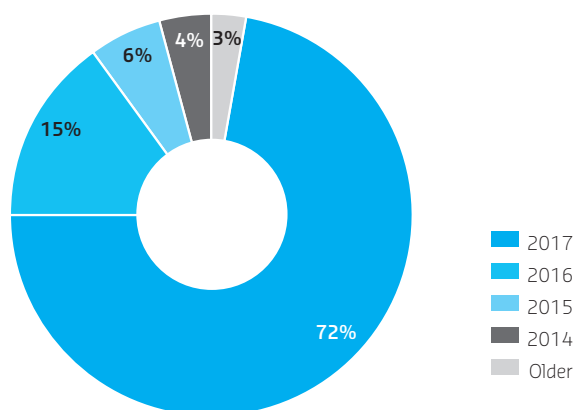
Regarding these amounts, there is uncertainty about the completeness of the collected amounts. As long as there is uncertainty about the completeness of the collection, these royalties are not distributed.

### Accrued items (EUR 4.0 million)

This concerns royalties which became available for distribution late in 2017 and which could therefore not be processed in 2017. Most of these royalties will be distributed in 2018.

## 4. AGE OF COPYRIGHT ROYALTIES TO BE DISTRIBUTED

### AGE OF COPYRIGHT ROYALTIES TO BE DISTRIBUTED



Distributable copyright royalties by annual tranche:

(x EUR 1,000)	Total	2017	2016	2015	2014	Older
<b>Accrued in financial year</b>	<b>137,026</b>	<b>137,026</b>	-	-	-	-
<b>Royalties still in progress due to:</b>						
- As yet unallocable royalties	31,882	-1,086	16,834	10,626	5,508	-
- Warsaw rule	1,660	66	365	349	797	83
- Cable fees from abroad	1,675	-	1,646	30	-	-1
- Double claims	4,829	31	938	521	518	2,821
- Other	414	541	-110	-17	-	-
<b>Accrued in prior financial years *</b>	<b>11,885</b>	66	8,786	381	612	2,040
<b>Total as at 31 December</b>	<b>189,371</b>	<b>136,644</b>	<b>28,459</b>	<b>11,890</b>	<b>7,435</b>	<b>4,943</b>

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

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

In addition to the double claim reserve of EUR 2.8 million, the reserve for the collection for years prior to 2014 mainly consists of royalties received from sister societies for which the information required for a correct distribution is not yet available.

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

## (12) OTHER LIABILITIES

(x EUR 1,000)

	2017	2016
Obligations in respect of social-cultural purposes	11,121	14,304
Stichting Sociaal Fonds Buma current account	-	2,247
SCAN current account	90	-200
Stemra current account	697	3,727
Buma members and participants	735	795
Third-party cable rights owners	-	14
Forward exchange contracts	-	1,121
Other	624	596
<b>Total as at 31 December</b>	<b>13,267</b>	<b>22,604</b>

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

The forward exchange contracts concern the hedging of six foreign currencies in the underlying securities of the equity fund as presented in note 6. Since this hedge concerns foreign currency in the underlying securities of the fund, the accrued liabilities in respect of the forward exchange contract are mirrored by a positive change in the value of the equity fund. This does not apply to 2017.

The decrease in the current account with Stemra is attributable to the adjustment of the allocation key for costs that are not directly allocable between Buma and Stemra from 75/25 to 90/10 in 2016.

The obligations in respect of social and cultural purposes can be specified as follows:

(x EUR 1,000)

	2017	2016
Grant obligations to Stichting Buma Cultuur for 2017 and 2016	4,101	3,926
Retirement provisions for composers, songwriters and music publishers	5,728	7,911
Surcharge Serious	714	2,319
Grant obligations to Stichting Brein for financial years 2018 and 2017	417	-
Grant obligations to Stichting Sociaal Fonds Buma for financial years 2018 and 2017	161	148
<b>Total as at 31 December</b>	<b>11,121</b>	<b>14,304</b>

In November 2015, Buma assumed responsibility for the retirement provision for rights owners with retrospective effect from 1 January 2013. Until 2013, this was administered by a pension fund. EUR 0.9 million of the balance of the retirement provision for composers, songwriters and music publishers concerns benefits still to be paid for the period 2014-2016, and EUR 4.8 million concerns the estimate for 2017.

## (13) ACCRUALS AND DEFERRED INCOME

(x EUR 1,000)

	2017	2016
Invoices to be paid	346	1,485
Amounts to be credited	418	1,781
Amounts invoiced in advance	564	725
Holiday allowance and annual leave	706	850
Rental payments in coming years	-	294
Other	341	279
<b>Total as at 31 December</b>	<b>2,375</b>	<b>5,414</b>

The item 'Amounts to be credited' concerns the balance of royalties that still had to be paid to some parties as at year-end 2017.

These payments were made in the first quarter of 2018. No amounts with a residual term of more than one year were included under accruals and deferred income as at 31 December 2017.

#### **(14) FINANCIAL INSTRUMENTS**

Buma's most important financial instruments concern securities (67% of the balance sheet total; 2016: 80%). Securities are used for the performance of the investment policy, through which royalties that cannot yet be distributed to rights owners are invested. Securities are measured at market value. Buma's investment policy is explained in more detail in the Board report. The interest rate risk on the fixed-income portfolio is discounted in the stock market price of the bonds and bond funds. Investments in equity funds are not subject to a direct interest rate risk. An increase (decrease) by 1% in the interest rate would lead to a decrease (increase) of approximately 2.8% in the value of the total portfolio as at balance sheet date. An increase (decrease) by 5% in the listed price of shares would lead to a decrease (increase) of approximately 1.4% in the value of the total portfolio as at balance sheet date. Buma runs a currency risk due to investments in an equity fund that is listed in euros, but which contains shares with a non-hedged listing in foreign currency. In accordance with the investment policy, this currency risk has been hedged with forward exchange contracts for the most important foreign currencies, which are concluded periodically for the share of the foreign currency in the equity fund. The key currencies are USD, GBP, AUD, CAD, JPY and CHF. In the event that the euro becomes weaker or stronger in relation to the most important currencies as at 31 December 2017, this will lead to a higher or lower change in the value of the equity fund; however, due to the hedging of the currency risk, this will lead to an approximately equal opposite change in the value of the concluded forward exchange contract. The credit risk is low given the allocation of government bonds with a high rating and the solid rating of the other bond funds.

The other financial instruments included in the assets are receivables and cash and cash equivalents (21% of the balance sheet total; 2015: 8%), which are measured at amortised cost and nominal value respectively. The receivables are generally non-interest-bearing. Given the current interest rates, the interest payment on cash and cash equivalents is nil.

The maximum credit risk with regard to receivables and cash and cash equivalents equals the carrying amount. There is no concentration of the credit risk. The financial liabilities represent 85% of the balance sheet total (2016: 89%). The main component of this item are the copyright royalties to be distributed, which account for 75% (2016: 75%). These are measured at cost. The financial liabilities are non-interest-bearing. The fair value of all the financial instruments approximates the carrying amount. There are no financial instruments with a carrying amount exceeding the fair value. Buma does not apply hedge accounting.

#### **(15) OFF-BALANCE SHEET ASSETS AND LIABILITIES**

Vereniging Buma and Stichting Stemra work together in one staffing organisation under one Board, one Council of Members and one Management. Off-balance sheet assets and liabilities in connection with the outsourcing, coffee machines and planting have been entered into by Buma and Stemra jointly and are recognised in full by both Vereniging Buma and Stichting Stemra. The allocation of costs between Buma and Stemra for each liability is specified in the notes. The obligations regarding the renting and leasing have been entered into by Buma; costs are charged on for this to Stemra. The amount of the charge-on is disclosed in the notes as an off-balance sheet asset.

## Long-term liabilities

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

(x EUR 1,000)	2017	2016
<b>Joint contracts with Stichting Stemra</b>		
Less than 1 year	1,399	788
Between 1 and 5 years	1,106	6,066
	<b>2,505</b>	<b>6,854</b>
<b>Contracts entered into independently</b>		
Less than 1 year	573	926
Between 1 and 5 years	2,124	104
Longer than 5 years	2,777	-
	<b>5,474</b>	<b>1,030</b>
<b>Total as at 31 December</b>	<b>7,979</b>	<b>7,884</b>

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

### Leasing and software

The operational lease costs for coffee machines, printers and lease cars have been entered into by Buma and are allocated between Buma and Stemra on the basis of 90% / 10%. The costs are recognised over the lease period in the operating statement using the straight-line method. The liability with a residual term of less than one year amounts to EUR 0.1 million (2016: EUR 0.2 million) and those with a residual term of between one and five years amount to EUR 0.3 million (2016: EUR 0.1 million).

### Rent

The financial obligation in respect of the accommodation in the previous premises in Hoofddorp ran until 31 December 2017. On 1 January 2018, a new rental obligation was entered into for a period of ten years. The rental obligation has been entered into by Buma. The (annual) rental obligation is allocated between Buma and Stemra on the basis of 90% / 10%. The joint total rental obligation for the remaining term of the contract amounts to EUR 5.1 million (2016: EUR 0.8 million).

### Outsourcing of activities – ICE Copyright

Vereniging Buma and Stichting Stemra have jointly entered into the obligation to outsource their musical works database to ICE for a period of five years (as from March 2015). The remaining financial liability resulting from this amounts to EUR 1.3 million (2016: EUR 1.9 million). The ICE costs are allocated between Buma and Stemra on the basis of 90% / 10%.

### Outsourcing of activities – ICE Online

Vereniging Buma and Stichting Stemra have jointly entered into the obligation to outsource the processing of online music use to ICE for a period of five years (as from March 2015). The remaining financial liability resulting from this amounts to EUR 0.4 million (2016: EUR 0.5 million). These costs are allocated between Buma and Stemra on the basis of 90% / 10%.

### Accenture

Vereniging Buma and Stichting Stemra have jointly entered into the contractual obligation to outsource part of the back-office activities to Accenture until March 2019 inclusive. Part of these liabilities has been prepaid and is included in prepayments and accrued income. A second part is a liability that is not included in the balance sheet. This concerns improvement projects that Accenture carries out annually. The annual liability for this amounts to EUR 0.6 million. Therefore, the total liability until the end of the contract amounts to EUR 0.8 million.

## Long-term rights

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

(x EUR 1,000)	2017	2016
<b>Joint contracts with Stichting Stemra</b>		
Less than 1 year	345	195
Between 1 and 5 years	373	299
Longer than 5 years	278	161
<b>Total as at 31 December</b>	<b>996</b>	<b>655</b>

### *PNO Media (Pension deposit)*

The future pension costs for Buma are capped at 15% of the integral wage bill to the extent that a deposit earmarked for this purpose, amounting to EUR 412 thousand as at year-end 2017 (2016: EUR 505 thousand), is sufficient to fund this. This concerns the part of the total deposit amount that relates to Buma.

This deposit arose in early 2008 upon the collective pension value transfer from Stichting Pensioenfonds Buma en Stemra (SPBS) to PNO Media. Because SPBS had a higher funding ratio than PNO Media, the collective value transfer resulted in an additional value of EUR 4.2 million. At the time, EUR 2.7 million was used to increase the pension entitlements of all the participants in SPBS (active participants, pensioners and sleepers). With the consent of all the parties involved, including the employees of Buma and Stemra, represented by the Works Council, the remaining EUR 1.5 million was earmarked as a pension costs equalisation fund for the benefit of the employer, being Buma or Stemra; i.e. equalisation of the future pension costs to the extent that these exceed 15% of the wage bill. This 15% (of the wage bill) was the pension expenditure applying to Buma at the time. Because the indexation of the pension entitlements prior to the collective value transfer was conditional on the value development of the investments and would continue after the transfer through an increase of the actual pension contribution burden, ensuring a greater degree of certainty with respect to the future indexation of the entitlements, it was decided to fund any pension contribution burden in excess of the previously applicable cap of 15% by using the additional value obtained upon the collective value transfer for a number of years. After all, because of the improved indexation scheme, the pension contribution burden would in any case increase compared to the pension plan prior the collective value transfer. This concerns the aforementioned remaining amount of EUR 1.5 million. Based on the knowledge at that time, the period within which the deposit was likely to be used for the pension contribution equalisation was estimated to be 10 years.

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

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

In conclusion, neither the part of the deposit that has not been called up yet, amounting to EUR 412 thousand, nor the equally large nominal value of the directly related uncertain future pension obligations (these are Buma's and Stemra's pension costs to the extent that they exceed 15% of the integral wage bill in the same financial year) has been recognised in the balance sheet of either entity. After all, the deposit is only available to Buma and Stemra when an equally large obligation arises and this part of the deposit can therefore be called up, at which time, however, it can be used only for this purpose.

### **Claims**

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

### **Joint and several liability**

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

### **(16) RELATED PARTIES**

The following parties are considered to be related parties of Vereniging Buma: Stichting Stemra, Stichting Buma Cultuur (and thus also Stichting Amsterdam Dance Event), Stichting Sociaal Fonds Buma, Stichting Service Centrum Auteurs- en Naburige rechten (Service Centre for Copyright and Neighbouring Rights) and the Management under the Articles of Association, Supervisory Board members and the Council of Rights Owners and the Board of Vereniging Buma and Stichting Stemra. For more information on the remuneration of the Supervisory Board members, the members of the Council of Rights Owners, the Board members and the Management under the Articles of Association, see note 19. Normal transactions relating to the administration of copyrights involving Supervisory Board members or members of the Council of Rights Owners, or involving related parties of Supervisory Board members or members of the Council of Rights Owners, are not explicitly disclosed in the financial statements.

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

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

**THE COPYRIGHT ROYALTIES RECEIVED FALL INTO THE FOLLOWING CATEGORIES:**

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

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

<b>NAME</b>	<b>POSITION</b>	<b>BUMA</b>
Ms Josephine de Zwaan	Chairman of the Supervisory Board	A
Mr Anthony Fiumara	Member of the Supervisory Board	B
Mr René Meister	Member of the Supervisory Board	B
Mr Arriën Molema	Member of the Supervisory Board	B
Mr Marc Swemle	Member of the Supervisory Board	E
Mr Raymond van Vliet	Member of the Supervisory Board	A
Mr Niels Walboomers	Member of the Supervisory Board	B
Mr van Limpt	Member of the Board	A

### Related parties

For the achievement of their objectives, funds are made available to both Stichting Buma Cultuur and Stichting Sociaal Fonds Buma from the Fund for Social and Cultural Purposes. For more information, see note (10). Vereniging Buma charges on costs to Stichting Stemra, Stichting Buma Cultuur, Stichting Sociaal Fonds and the Service Centre in respect of personnel, accommodation and overheads. Charged-ons are based on cost. In addition, the Service Centre charges on an amount of EUR 1,827 thousand (2016: EUR 1,899 thousand) to Buma for the performance of its tasks. The Service Centre is responsible for part of the invoicing and collection on behalf of Buma and Stemra. The table below provides an overview of the costs charged on by Buma.

The charged-on costs amount to:

(x EUR 1,000)

	<b>2017</b>	<b>2016</b>
Stichting Stemra	2,839	2,096
Stichting Buma Cultuur	-	4
Stichting Sociaal Fonds Buma	69	69
Service Centre	375	362
<b>Total</b>	<b>3,283</b>	<b>2,531</b>



## Notes to the specific items of the operating Statement

### (17) ADMINISTRATION FEE WITHHELD

For information on the administration fee, please refer to section 1.3.3 of the Board report.

### (18) PERSONNEL COSTS

(x EUR 1,000)

	2017	2016
Salaries	7,945	8,323
Social security contributions	1,188	1,247
Pension costs	630	821
Hiring of temporary personnel	933	694
Remuneration of the Board	284	279
Reimbursement of travelling expenses	451	531
Other personnel costs	495	819
Allocated to third parties	-1,144	-1,348
<b>Total</b>	<b>10,782</b>	<b>11,366</b>

In 2017, a reduction of the personnel costs by EUR 0.6 million was achieved. This is mainly attributable to a decrease in FTEs as a result of natural staff turnover (-/- EUR 0.5 million) and lower costs of recruitment and selection (-/- EUR 0.1 million), travelling expenses (-/- EUR 0.1 million) and training costs (-/- EUR 0.2 million). This cost reduction was partly offset by an increase of the costs of hiring temporary external personnel (+ EUR 0.2 million) and a decrease of the charge-on to Stemra due to the reduction in FTEs (+ EUR 0.2 million).

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

The average number of FTEs decreased in 2017 compared to 2016.

During the financial year 2017, the average number of employees converted into FTEs was 141.3 (2016: 146.8 FTEs). In accordance with the table below, the workforce can be divided into the following personnel categories. This includes employees who work partially for Stemra, by virtue of which part of the costs are charged on to Stemra.

	2017	2016
Management and secretariat of the Management	4.8	4.3
Secretariat of the Board	2.7	3.1
Legal Affairs & Lobbying	8.0	5.5
General Affairs	30.3	35.2
Front office	37.9	74.4
Back office	57.6	24.3
<b>Total</b>	<b>141.3</b>	<b>146.8</b>

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

By virtue of the Supervision Act, which came into effect on 1 July 2013, a number of paragraphs in the Standards for Remuneration Act (The Netherlands) (WNT) were declared applicable to collective management organisations (CMOs). Vereniging Buma and Stichting Stemra work together in one staffing organisation under one Board, one Council of Members and one Management. The agreements with the Management, the Board and the Council of Members have been entered into by Buma and Stemra jointly. The total remuneration of the Management, the Board and the Council of Members is specified in the tables below on a cash basis, in accordance with Section 4.1 of the WNT, in particular for those persons who have been designated by Buma as 'senior officials' of Vereniging Buma on the advice of the CvTA. However, 50% of the costs for the Board and the Council of Members is recognised in the financial statements of Buma and 50% in those of Stemra. The remuneration of the Management is recognised in the financial statements of Buma and Stemra respectively on the basis of 90% / 10%.

### Remuneration of the Board

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

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

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

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

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

## Remuneration of the Council of Members

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

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

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

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

## Remuneration of the Management

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

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

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

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

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

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

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

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

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

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

## (20) OTHER EXPENSES

(x EUR 1,000)	2017	2016
Service agencies	3,737	3,819
Outsourcing	5,243	5,395
Advisory fees	2,796	993
Other IT costs	1,962	1,031
Lease & maintenance of IT equipment	896	834
Commercial expenses	381	337
Office supplies	233	290
Other expenses	856	399
Allocated to third parties	-2,545	-1,721
<b>Total</b>	<b>13,559</b>	<b>11,377</b>

A number of one-off cost items were recognised in 2017. Advisory fees, for example, were higher than in 2016 (EUR 1,8 million). These are attributable to audits conducted by BDO accountants and Nauta Dutilh under an engagement granted by Buma, and necessary additional work performed by KPMG following these audits, as well as anticipated expenditures in connection with a further investigation to be conducted in 2018 on instructions of the CvTA. In addition, the data centre was relocated (EUR 0.9 million). In 2016, one-off lower costs were included in the item 'Other expenses'. This concerned the release of various reserves.

There were no research and development costs.

**(21) FINANCIAL INCOME AND EXPENSES**

(x EUR 1,000)

	2017	2016
Changes in the value of fixed-income securities	2,832	4,256
Changes in the value of equity funds	3,109	5,304
Costs and changes in the value of forward exchange contracts	4,032	-1,542
<b>Total changes in value</b>	<b>9,973</b>	<b>8,018</b>
Income from securities	1,084	1,025
Interest income and similar income	54	8
Interest expenses and similar expenses	-588	-680
<b>Total financial income and expenses</b>	<b>10,523</b>	<b>8,371</b>

In 2017, the return on the invested assets was 5.87% (2016: 4.14%). A brief description is provided below per investment category of how the markets developed in 2017.

2017 proved to be a good year for equity investors, as share indices rose worldwide. Sustained economic growth above the trend helped companies to achieve big profits, ensuring strong returns on shares. The markets ignored political uncertainty and volatility remained moderate. The VIX Volatility Index, an anxiety monitor, fell below 10, significantly below the historical average. US shares recorded big profits (+19.4%) in 2017, led by the technology sector. In Europe, the euro strengthened, but European shares lagged behind American shares (+7.7%). The exchange rate played an important role in the difference in returns between the two regions. Measured in dollars, US shares yielded a return of 22.7%.

Corporate bonds performed well, with US corporate bonds with a positive rating yielding a return of 6.4%, and the European index rose by 2.4%. Part of these increases can be attributed to the lower interest rates, which result in price increases in the short term but, in the longer term, result in lower coupon revenues.

In the Eurozone, a combination of unconventional monetary policy and a high degree of political uncertainty caused a lower yield of the Deutsche Bund of 0.4% at the end of the year. Government bonds continue to offer security in the investment portfolio but, on balance, yield very little return. As a result, many investors are looking elsewhere for returns, turning to emerging market government bonds, for example.

The prices of emerging market bonds continued to rise during the year and again generated a strong return of more than 8.2%. Recovery of economic growth and positive prospects for the currencies in this region were the main factors behind this positive result. Through an investment fund, investments are made in Dutch home mortgages. Investments in these mortgages provide attractive additional interest income that is around 2% above the market interest rate. The return for the year 2017 was approximately 3.4%, consisting mainly of (mortgage) interest received in the fund.

## **(22) TAXES**

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

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

## **Other disclosures**

### *Subsequent events*

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

### *Signature*

Hoofddorp, 12 October 2018

---

## **SUPERVISORY BOARD**

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

---

## **BOARD**

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

---



# —5. OTHER INFORMATION



# INDEPENDENT AUDITOR'S REPORT

To: The General Assembly of Vereniging Buma

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

## OUR OPINION

We have audited the consolidated financial statements 2017 of Vereniging Buma, based in Amstelveen.

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

The consolidated financial statements comprise:

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

## BASIS FOR OUR OPINION

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

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

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

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

The financial statements include the consolidated financial statements and the association's financial statements. The association's financial statements have been included in a separate report. For a proper understanding of the financial position and result the consolidated financial statements must be considered in connection with the association's financial statements. On 12 October 2018 we issued a separate auditor's report on the association's financial statements.

## REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

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

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

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

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

## DESCRIPTION OF RESPONSIBILITIES REGARDING THE CONSOLIDATED FINANCIAL STATEMENTS

### RESPONSIBILITIES OF THE BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

## OUR RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

evidence obtained up to the date of our auditor's report. However, future events or conditions may cause an organization to cease to continue as a going concern;

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

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

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

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

Amsterdam, 12 October 2018

Mazars N.V.

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

# PUBLICATION

## ADDRESS

---

HEAD OFFICE  
SATURNUSSTRAAT 46-62  
2132 HB HOOFDDORP  
T: 023 799 79 99

INFO@BUMASTEMRA.NL  
WWW.BUMASTEMRA.NL

## EDITORIAL BOARD

---

BUMA

## DRAFT, DESIGN & REALISATION

---

DE MERKELIJKHEID

