

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2022

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 001-38438

Spotify Technology S.A.
(Exact name of Registrant as specified in its charter)

Grand Duchy of Luxembourg
(Jurisdiction of incorporation)

5, Place de la Gare
L- 1616 Luxembourg
Grand Duchy of Luxembourg
(Address of principal executive offices)

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150 Greenwich Street, 63rd Floor
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(Name, E-mail and Address of Company Contact Person)

Securities registered or to be registered, pursuant to Section 12(b) of the Act

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Ordinary Shares (par value of €0.000625 per share)	SPOT	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 193,293,269 Ordinary Shares, par value €0.000625 per share.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over

financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued
by the International Accounting Standards Board

Other

If "Other" has been checked in response to the previous question indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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Certain Defined Terms

In this report, unless the context otherwise requires, references to “Company,” “we,” “us,” “our,” and “Spotify” refer to Spotify Technology S.A. and its direct and indirect subsidiaries on a consolidated basis.

Note on Presentation

Currency

All references in this report to (i) “Euro,” “EUR,” or “€” are to the currency of the member states participating in the European Monetary Union, and (ii) “U.S. dollar,” “USD,” or “\$” are to the currency of the United States. Our reporting currency is the Euro.

Presentation of Financial Information

In accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), we prepare our consolidated financial statements on a historical cost basis, except for our short term investments, long term investments, Exchangeable Notes (as defined herein), derivative financial instruments, and contingent consideration, which have been measured at fair value, and our lease liabilities, which are measured at present value.

Non-IFRS Financial Measures

In this report, we present certain financial measures that are not recognized by IFRS and that may not be permitted to appear on the face of IFRS-compliant financial statements or notes thereto.

The only non-IFRS financial measure used in this report is Free Cash Flow. For a discussion of Free Cash Flow and a reconciliation to its most closely comparable IFRS measures, see “Item 5.B. Liquidity and Capital Resource.”

Rounding

Certain monetary amounts, percentages, and other figures included in this report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be the arithmetic aggregation of the figures that precede them, and figures expressed as percentages in the text may not total 100% or, as applicable, when aggregated may not be the arithmetic aggregation of the percentages that precede them.

PART I

Forward-looking Statements

This report contains estimates and forward-looking statements. All statements other than statements of historical fact are forward-looking statements. The words “may,” “might,” “will,” “could,” “would,” “should,” “expect,” “plan,” “anticipate,” “intend,” “seek,” “believe,” “estimate,” “predict,” “potential,” “continue,” “contemplate,” “possible,” and similar words are intended to identify estimates and forward-looking statements.

Our estimates and forward-looking statements are mainly based on our current expectations and estimates of future events and trends, which affect or may affect our businesses and operations. Although we believe that these estimates and forward-looking statements are based upon reasonable assumptions, they are subject to numerous risks and uncertainties and are made in light of information currently available to us. Many important factors may adversely affect our results as indicated in forward-looking statements. These factors include, but are not limited to:

- our ability to attract prospective users, retain existing users, and monetize our products and services;
- competition for users, user listening time, and advertisers;
- risks associated with our international operations and our ability to manage our growth;
- risks associated with our new products or services and our emphasis on long-term user engagement over short-term results;
- our ability to predict, recommend, and play content that our users enjoy;
- our ability to be profitable or generate positive cash flow on a sustained basis;
- our ability to convince advertisers of the benefits of our advertising offerings;
- our ability to forecast or optimize advertising inventory amid emerging industry trends in digital advertising;
- our ability to generate revenues from podcasts, audiobooks, and other non-music content;
- potential disputes or liabilities associated with content made available on our Service (as defined below);
- risks relating to acquisitions, investments, and strategic alliances;
- our dependence upon third-party licenses for most of the content we stream;
- our lack of control over third-party content providers who are concentrated and can unilaterally affect our access to content;
- our ability to comply with complex license agreements;
- our ability to accurately estimate royalty payments under our license agreements and relevant statutes;
- the limitations on our operating flexibility due to financial commitments required under certain of our license agreements;
- our ability to identify the compositions embodied in sound recordings and ownership thereof in order to obtain licenses or comply with existing license agreements;
- assertions by third parties of infringement or other violations by us of their intellectual property rights;
- our ability to protect our intellectual property;
- the dependence of streaming on operating systems, online platforms, hardware, networks, regulations, and standards that we do not control;
- our ability to maintain the integrity of our technology structure and systems or the security of confidential information;
- undetected errors, bugs, or vulnerabilities in our products;
- interruptions, delays, or discontinuations in service arising from our systems or systems of third parties;

- changes in laws or regulations affecting us;
- risks relating to privacy and data security;
- our ability to maintain, protect, and enhance our brand;
- risks associated with increased scrutiny of environmental, social, and governance matters;
- payment-related risks;
- our dependence on key personnel and ability to attract, retain, and motivate highly skilled employees;
- our ability to access additional capital to support growth;
- risks relating to currency exchange rate fluctuations and foreign exchange controls;
- the impact of economic, social, or political conditions, including the continued effects of the COVID-19 pandemic, rising inflation and interest rates, the continued conflict between Russia and Ukraine, and supply chain disruptions;
- our ability to accurately estimate user metrics and other estimates;
- our ability to manage and remediate attempts to manipulate streams and attempts to gain or provide unauthorized access to certain features of our Service;
- risks related to our indebtedness, including risks related to our Exchangeable Notes;
- fluctuation of our operating results and fair market value of ordinary shares;
- tax-related risks;
- the concentration of voting power among our founders, which limits shareholders' ability to influence our governance and business; and
- risks related to our status as a foreign private issuer and a Luxembourg company.

Other sections of this report describe additional risk factors that could adversely impact our business and financial performance. Moreover, we operate in an evolving environment. New risk factors and uncertainties emerge from time to time, and it is not possible for our management to predict all risk factors and uncertainties, nor are we able to assess the impact of all of these risk factors on our business or the extent to which any risk factor, or combination of risk factors, may cause actual results to differ materially from those contained in any forward-looking statements.

We qualify all of our forward-looking statements by these cautionary statements. See "Item 3.D. Risk Factors."

You should read this report and the documents that we have filed as exhibits to this report completely and with the understanding that our actual future results may be materially different from our expectations.

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. [Reserved]

B. Capitalization and Indebtedness.

Not applicable.

C. Reasons for the Offer and Use of Proceeds.

Not applicable.

D. Risk Factors

An investment in our ordinary shares involves a high degree of risk. You should carefully read and consider the following risks, along with the other information included in this Annual Report on Form 20-F. The risks described below may not be the only ones we face. If any of these risks actually occur, our business, operating results, financial condition, and cash flow could be materially impaired. The trading price of our ordinary shares could decline due to any of these risks, and you could lose all or part of your investment. The risks described below are organized by risk type and are not listed in order of their priority to us.

Summary Risk Factors

Risks Related to Our Business Model, Strategy, and Performance

- We face significant competition for users, listening time, and advertisers, and we might not be successful at attracting prospective users and retaining existing users, including through predicting, recommending, and playing content that our users enjoy, or effectively monetizing our products and services, including podcasts, audiobooks, and other non-music content.
- We face many risks associated with our growth and our international operations, including attracting, retaining, and motivating qualified personnel and obtaining rights to stream content on favorable terms.
- Our new products or services may not be successful and our emphasis on long-term user engagement may not align with the market's expectations.
- We have incurred significant operating losses in the past and may not be able to generate sufficient revenue to be profitable or to generate positive cash flow on a sustained basis. In addition, our revenue growth rate may decline.
- We may fail to convince advertisers of the benefits of our advertising offerings.
- Emerging industry trends in digital advertising may pose challenges for our ability to forecast or optimize our advertising inventory, which may adversely impact our ad-supported revenue.
- We may be subject to disputes or liabilities associated with content made available on our Service.
- Our continued interest in acquisitions or investments could divert management's attention and disrupt our operations and harm operating results. We may fail to complete strategic acquisitions or investments.

Risks Related to Securing the Rights to the Content We Stream

- Any change to, loss of, or claim that we do not hold any necessary third-party licenses for the content we stream, including under any license agreements or statutory or compulsory licenses, may materially adversely affect our business, operating results, and financial condition.
- Our major content providers have the ability to unilaterally affect our access to music and other content.
- We are a party to complex license agreements and have a complex royalty payment schedule, which increases the difficulty of estimating the amount payable under our license agreements or relevant statutes.
- Financial commitments under certain license agreements may limit our operating flexibility.
- Difficulties in identifying the compositions embodied in sound recordings and the ownership thereof may impact our ability to perform our obligations under our licenses, affect the size of our catalog, impact our ability to control content acquisition costs, and lead to potential copyright infringement claims.

Risks Related to Intellectual Property

- Assertions of infringement or other violation by us of third-party intellectual property rights, or failure to protect our own intellectual property, could harm our business.

Risks Related to Our Operations

- We have limited ability to control access to online platforms, operating systems, hardware, or networks on which we rely.
- We may fail to maintain the integrity of our technology infrastructure and systems or the security of confidential information, which could result in civil liability, statutory fines, regulatory enforcement, and loss of confidence.
- Our products may contain undetected errors, bugs, or vulnerabilities.
- Interruptions, delays, or discontinuations in service arising from our own systems or from third parties, such as Google Cloud Platform, could harm our business.

- Our business is subject to complex and evolving laws and regulations around the world, including those related to copyright, privacy, and data security.
- We are subject to risks associated with increased scrutiny of environmental, social, and governance matters.
- Other risks such as failure to protect our brand, payments-related risks, fluctuation of our operating results, lack of additional capital to support our growth, a global public health crisis, changes in worldwide economic conditions, and significant fluctuations of exchange rates, may adversely affect our business, operating results, and financial condition.

Risks Related to Our Metrics

- Our user metrics and other estimates are subject to inherent challenges in measurement, and real or perceived inaccuracies may harm and negatively affect our reputation and our business.
- Failure to effectively manage and remediate attempts to manipulate stream counts and attempts to gain or provide unauthorized access to certain features of our Service could undermine investor confidence.

Risks Related to Indebtedness

- Our indebtedness and liabilities could limit the cash flow available for our operations.
- We may be unable to repurchase the Exchangeable Notes for cash following certain fundamental change or to pay any cash amounts due upon exchange.
- Provisions in the Indenture could delay or prevent an otherwise beneficial takeover of us.
- Under the applicable accounting treatment, the Exchangeable Notes could adversely affect our reported financial condition and results.

Risks Related to Tax

- We face complex taxation regimes in various jurisdictions. Audits, investigations, tax proceedings and changes to tax laws in any of the jurisdictions we operate could have a material adverse effect on our business, operating results, and financial condition.
- We may not be able to utilize all, or any, of our net operating loss carry-forwards.
- The social costs we accrue for share-based compensation may fluctuate significantly with the trading price of our ordinary shares.
- Given our levels of share-based compensation, our effective tax rate may vary significantly depending on our share price.
- We may be classified as a passive foreign investment company, which could result in adverse U.S. federal income tax consequences to U.S. holders of our ordinary shares.
- If a United States person is treated as owning at least 10% of our ordinary shares, such shareholder may be subject to adverse U.S. federal income tax consequences.

Risks Related to Owning Our Ordinary Shares

- The trading price of our ordinary shares has been and will likely continue to be volatile.
- Provisions in our articles of association, the issuance of beneficiary certificates, and the existence of certain voting agreements may delay or prevent our acquisition by a third party.
- We do not expect to pay cash dividends in the foreseeable future.
- The issuance of beneficiary certificates to certain shareholders, including our founders, will limit your voting power and your ability to influence our corporate governance.

Risks Related to Investment in a Luxembourg Company and Our Status as a Foreign Private Issuer

- As a foreign private issuer, we are exempt from a number of U.S. securities laws and rules promulgated thereunder and the rights of our shareholders may differ from those of shareholders of a U.S. corporation.
- We are organized under the laws of Luxembourg and a substantial amount of our assets are not located in the United States. It may be difficult for you to obtain or enforce judgments or bring original actions against us or the members of our board of directors in the United States.
- Luxembourg and European insolvency and bankruptcy laws are substantially different from U.S. insolvency laws and may offer our shareholders less protection than U.S. insolvency and bankruptcy law.

Risks Related to Our Business Model, Strategy, and Performance

If our efforts to attract prospective users, retain existing users, and effectively monetize our products and services are not successful, our growth prospects and revenue will be adversely affected.

Our ability to grow our business and generate revenue depends on retaining, expanding, and effectively monetizing our total user base, including by increasing the number of subscribers to our premium service (“Premium Service”) and the number of users of our ad-supported service (“Ad-Supported Service”, and together with the Premium Service, the “Service”) and finding ways to monetize our products and services. We must convince prospective users of the benefits of our Service and our existing users of the continuing value of our Service. Our ability to attract new users, retain existing users, and engage active users depends in large part on our ability to continue to offer exceptional technologies and products, compelling content, superior functionality, and an engaging user experience. Some of our competitors, including Apple, Google, and Amazon, have developed, and are continuing to develop, devices for which their audio streaming services are preloaded or may also be set as the default providers, which puts us at a significant competitive disadvantage. As consumer tastes and preferences change on the internet and with mobile and other connected products, including cars, in-home, and wearable devices, we will need to enhance and improve our existing Service, introduce new services and features, and maintain our competitive position with additional technological advances and an adaptable platform. If we fail to keep pace with technological advances or fail to offer compelling product offerings and state-of-the-art delivery platforms to meet consumer demands, our ability to grow or sustain the reach of our Service, attract and retain users, and monetize our products and services may be adversely affected.

In order to increase our advertising revenue, we seek to increase the listening time that our users spend on our Service or find new opportunities to deliver advertising to users on the Service, such as through podcasts and other opportunities relating to content promotion to users. The more content users stream on our Service, the more advertising inventory we generally have to sell. Further, growth in our user base increases the size and scope of user pools targeted by advertisers, which improves our ability to deliver relevant advertising to those users in a manner that maximizes our advertising customers’ return on investment and that ultimately allows us to better demonstrate the effectiveness of our advertising solutions and justifies a pricing structure that is advantageous for us. If we fail to grow our user base, the amount of content streamed, and the listening time that our users spend on our Service, we may be unable to grow our advertising revenue. Moreover, given that subscribers to our Premium Service (“Premium Subscribers”) are sourced primarily from converting users of our Ad-Supported Service (“Ad-Supported Users”), any failure to grow our Ad-Supported User base or convert Ad-Supported Users to Premium Subscribers may negatively impact our revenue.

In order to increase our Ad-Supported Users and our Premium Subscribers, we will need to address a number of challenges, including:

- providing users with a consistently high-quality and user-friendly experience;
- continuing to curate a catalog of content that consumers want to engage with on our Service;
- continuing to innovate and keep pace with changes in technology and our competitors; and
- maintaining and building our relationships with the makers of mobile and other connected devices.

Failure to overcome any one of these challenges could have a material adverse effect on our business, operating results, and financial condition.

We face and will continue to face significant competition for users, user listening time, and advertisers.

We face robust and rapidly evolving competition in all aspects of our business, including from companies that allow users to share and discover content and/or that enable advertisers to use content platforms to reach customers, such as Apple, Alphabet (including Google and YouTube), Amazon, Meta (including Facebook and Instagram), and ByteDance (including TikTok). See “Item 4.B. Business Overview—Competition” for a more detailed description of certain services that compete with us.

We vigorously compete to attract, engage, and retain users against current and potential competitors, both globally and in particular geographic regions where we operate. These competitive risks are heightened because some of our competitors have more extensive hardware, software, and service offerings, longer histories, larger user bases, increased brand recognition, more experience in the markets in which we compete, and greater overall resources than we do. These advantages enable them to devote more financial resources to technology, infrastructure, fulfillment, and marketing, which in turn enables them to offer competitive services at little or no profit or even at a loss. For example, prominent, well-funded competitors like Apple, Google, and Amazon have a competitive advantage because they can leverage the substantially broader product offerings in their ecosystem to gain subscribers through bundled offers and to monetize users. Additionally, our current and future competitors have engaged and will continue to engage in mergers or acquisitions with each other, to combine and leverage their broad audiences, content, and capabilities.

Relatedly, we compete for users based on our presence and visibility as compared with other businesses and platforms that deliver audio content through the internet and connected devices. We face significant competition for users from companies promoting their own digital audio content online or through application stores, including large, well-funded, and seasoned participants in the digital media market. Device application stores often offer users the ability to browse applications by various criteria, such as the number of downloads in a given time period, the length of time since an application was released or updated, or the category in which the application is placed. The websites and applications of our competitors may rank higher than our website and our Spotify application in search engines or application stores, and/or our application may be difficult to locate in device application stores, which could draw potential users away from our Service and toward those of our competitors. For example, Apple, Google, and Amazon own application store platforms and charge in-application purchase fees, which may not be levied on their own applications, creating a competitive advantage for themselves against us. If other competitors that own application store platforms and competitive services adopt similar practices, we may be similarly impacted. In addition, some of these competitors, including Apple, Google, and Amazon, have developed, and are continuing to develop, devices for which their music and/or podcast streaming service is preloaded and/or able to be used out-of-the-box without the need to log in, creating a visibility and access advantage. If we are unable to compete successfully for users against other digital media providers by maintaining and increasing our presence, ease of use, and visibility, our number of Premium Subscribers, Ad-Supported Users, and the amount of content streamed on our Service may decline or may increase less than expected, and our subscription fees and advertising sales may suffer. See “—If our efforts to attract prospective users, retain existing users, and effectively monetize our products and services are not successful, our growth prospects and revenue will be adversely affected.”

We also face increasing competition because of new or emerging technologies and changes in market conditions. Our current and future competitors have introduced, and may continue to introduce, new ways of consuming or engaging with content, such as ByteDance, that cause our users, especially the younger demographic, to switch to another product or service, which would negatively affect our user retention, growth, and engagement. As the market for on-demand audio on the internet and mobile and connected devices increases, new competitors, business models, and solutions are likely to emerge. We believe that companies with a combination of technical expertise, brand recognition, financial resources, and digital media experience pose a significant threat of developing competing on-demand audio distribution technologies.

Additionally, we compete for a share of advertisers’ overall marketing budgets with other content providers on a variety of factors, including perceived return on investment, effectiveness and relevance of our advertising products and content offering, pricing structure, and ability to deliver large volumes or precise types of advertisements to targeted user demographic pools. We also compete for advertisers with a range of internet companies.

Large internet companies with strong brand recognition, such as Google, Meta, and Amazon, have significant numbers of sales personnel, substantial advertising inventory, proprietary advertising technology solutions, and traffic that provide a significant competitive advantage and have a significant impact on pricing for reaching these user bases. Failure to compete successfully against our current or future competitors could result in the loss of current or potential advertisers, a reduced share of our advertisers’ overall marketing budget, the loss of existing or potential users, or diminished brand strength, which could adversely affect our pricing and margins, lower our revenue, increase our research and development and marketing expenses, and prevent us from achieving or maintaining profitability.

We face many risks associated with our international operations.

We have significant international operations and plan to continue to grow internationally. However, managing our business and offering our products and services internationally involves numerous risks and challenges, including:

- difficulties in obtaining licenses to stream content from rights organizations and individual copyright owners in countries around the world on favorable terms;
- lack of well-functioning copyright collective management organizations that are able to grant us licenses, process reports, and distribute royalties in markets;
- fragmentation of rights ownership in various markets causing lack of transparency of rights coverage and overpayment or underpayment to record labels, music publishers, creators, performing rights organizations, and other copyright owners;
- increased risk of disputes with and/or lawsuits filed by rights holders in connection with our operations in new markets;
- difficulties in achieving market acceptance of our products or services in different geographic markets with different tastes and interests;
- difficulties in achieving viral marketing growth in certain other countries where we commit fewer sales and marketing resources;
- difficulties in effectively monetizing our growing international user base;

- difficulties in managing operations due to language barriers, distance, staffing, user behavior and spending capability, cultural differences, business infrastructure constraints, and laws regulating corporations that operate internationally;
- application of different laws and regulations of various jurisdictions, including corporate governance, labor and employment, privacy, telecommunications and media, cybersecurity, content moderation, environmental, human rights, health and safety, consumer protection, liability standards and regulations, as well as intellectual property laws;
- potential adverse tax consequences associated with foreign operations and revenue;
- complex foreign exchange fluctuation and associated issues;
- increased competition from local websites and audio content providers, some with financial power and resources to undercut the market or enter into exclusive deals with local content providers to decrease competition;
- credit risk and higher levels of payment fraud;
- political and economic instability in some countries;
- region- or country-specific effects of the COVID-19 pandemic;
- compliance with the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act, and similar laws in other jurisdictions;
- import and export controls and economic sanctions administered by the U.S. Department of Commerce's Bureau of Industry and Security and the U.S. Department of the Treasury's Office of Foreign Assets Control;
- restrictions on international monetary flows; and
- reduced or ineffective protection of our intellectual property rights in some countries.

If we are unable to manage the complexity of our global operations and continue to grow internationally as a result of these obstacles, our business, operating results, and financial condition could be adversely affected.

If we fail to effectively manage our growth, our business, operating results, and financial condition may suffer.

Our rapid growth has placed, and will continue to place, significant demands on our management and our operational and financial infrastructure. In order to attain and maintain profitability, we will need to continue to demonstrate our value proposition to users, advertisers, and business partners and increase the monetization of our products and services. Continued growth could also strain our ability to maintain reliable service levels for our users, effectively monetize the content streamed, develop and improve our operational and financial controls, and recruit, train, and retain highly skilled personnel. If our systems do not evolve to meet the increased demands placed on us by an increasing number of advertisers, we also may be unable to meet our obligations under advertising agreements with respect to the delivery of advertising or other performance obligations. As our operations grow in size, scope, and complexity, we will need to improve and upgrade our systems and infrastructure, which will require significant expenditures and allocation of valuable technical and management resources. If we fail to maintain efficiency and allocate limited resources effectively in our organization as it grows, our business, operating results, and financial condition may suffer.

We have experienced rapid growth rates in both the number of active users of our Service and revenue over the last few years. As we grow larger and increase our user base and usage, we expect it will become increasingly difficult to maintain the rate of growth we currently experience.

Our new products or services may not be successful and our emphasis on long-term user engagement could adversely affect our business, operating results, and financial condition.

Our industry is subject to rapid and frequent changes in technology, evolving consumer needs, and the frequent introduction by our competitors of new and enhanced offerings. We must constantly assess the playing field and determine whether we need to improve or re-allocate resources among our existing products and services or create new ones. We may introduce significant changes to our existing products and services or develop and introduce new products and services, including in areas where we have little or no prior development or operating experience. For example, we are in the early stages of exploring additional potential revenue product opportunities, although we do not expect any significant revenue attributable to those opportunities in the near-term and these opportunities may not prove successful at all. No assurance can be given that consumer demand for such new products or services will exist or be sustained at the levels that we anticipate, or that any of these offerings will gain sufficient traction or market acceptance to generate sufficient revenue to offset any new expenses or liabilities associated with them. It is also possible that products and services developed by others will render our products and services noncompetitive or obsolete. Further, our development efforts with respect to new products and services could distract management from current operations and will divert capital and other resources from our more established products and services. If we do not realize the expected benefits of our investments in new products or services, our business, operating results, and financial condition may be harmed.

Our culture also focuses on long-term user engagement, which may not necessarily maximize short-term operating results or financial condition. We frequently make decisions that may reduce our short-term revenue or profitability if we believe that the decisions benefit the aggregate user experience and will thereby improve our financial performance over the long term. These decisions may not produce the long-term benefits that we expect, in which case our user growth and

engagement, our relationships with advertisers and partners, as well as our business, operating results, and financial condition could be seriously harmed. These decisions may yield results that sometimes do not align with the market's expectations, in which case our stock price may also be negatively affected.

If we fail to accurately predict, recommend, and play content that our users enjoy, we may fail to retain existing users and attract new users in sufficient numbers to meet investor expectations for growth or to operate our business profitably.

We believe that a key differentiating factor between Spotify and other audio content providers is our ability to predict music, podcasts, or other content that our users will enjoy. Our system for predicting user preferences and selecting content tailored to our users' individual tastes is based on advanced data analytics systems and our proprietary algorithms. We have invested, and will continue to invest, significant resources in refining these technologies; however, we cannot assure you that such investments will yield an attractive return or that such refinements will be effective. The effectiveness of our ability to predict user preferences and select content tailored to our users' individual tastes depends in part on our ability to gather and effectively analyze large amounts of user data. In addition, our ability to offer users content that they have not previously heard and impart a sense of discovery depends on our ability to acquire and appropriately categorize additional content that will appeal to our users' diverse and changing tastes. While we have a large catalog of music, podcasts, and audiobooks available to stream, we must continuously identify and analyze additional content that our users will enjoy and we may not effectively do so. Our ability to predict and select content that our users enjoy is critical to the perceived value of our Service among our users and our failure to make accurate predictions could materially adversely affect our ability to adequately attract and retain users, increase content hours consumed, and sell advertising to meet investor expectations for growth or to operate the business profitably.

We have incurred significant operating losses in the past, and we may not be able to generate sufficient revenue to be profitable, or to generate positive cash flow on a sustained basis. In addition, our revenue growth rate may decline.

We have incurred significant operating losses in the past and, as of December 31, 2022, had an accumulated deficit of €3,647 million. While for the year ended December 31, 2021, we had operating income of €94 million, for the years ended December 31, 2022 and December 31, 2020, our operating losses were €659 million and €293 million, respectively. We have incurred significant costs to license content and continue to pay royalties or other consideration to record labels, publishers, and other copyright owners for such content. If we cannot successfully earn revenue at a rate that exceeds the operational costs, including royalty and other licensing expenses, associated with our Service, we will not be able to achieve or sustain profitability or generate positive cash flow on a sustained basis.

Furthermore, we cannot assure you that the growth in revenue we have experienced over the past few years will continue at the same rate or even continue to grow at all. We expect that, in the future, our revenue growth rate may decline because of a variety of factors, including increased competition and the maturation of our business. You should not consider our historical revenue growth or operating expenses as indicative of our future performance. If our revenue growth rate declines or our operating expenses exceed our expectations, our financial performance may be adversely affected.

Additionally, we expect to continue to expend substantial financial and other resources on:

- securing top quality content from leading record labels, distributors, aggregators, and other content owners or providers, as well as any rights to works contained in that content;
- our technology infrastructure, including development tools, scalability, availability, performance, security, and disaster recovery measures;
- research and development, including investments in our research and development team and the development of new features, forms of content, and other products or services;
- sales and marketing, including costs related to our field sales organization and advertising globally;
- international operations in an effort to maintain and increase our member base, engagement, and sales;
- capital expenditures that we will incur to grow our operations and remain competitive; and
- general administration, including legal and accounting expenses.

These investments may not result in increased revenue or growth in our business. If we fail to continue to grow our revenue and overall business, our business, operating results, and financial condition would be harmed.

Failure to convince advertisers of the benefits of our advertising offerings could harm our business, operating results, and financial condition.

Our ability to attract and retain advertisers, and ultimately to generate advertising revenue, depends on a number of factors, including:

- increasing the number of hours our users spend listening to audio or otherwise engaging with content on our Service;
- increasing the number of Ad-Supported Users and the number of our users listening to podcasts;
- keeping pace with changes in technology and our competitors;
- competing effectively for advertising dollars with other online and mobile marketing and media companies;
- maintaining and growing our relationships with marketers, agencies, and other demand sources who purchase advertising inventory from us;
- maintaining and growing our relationships with podcast publishers and other creators who provide us with sources of advertising inventory that we can monetize;
- impact from the macroeconomic environment on advertisers;
- implementing and maintaining an effective infrastructure for order management; and
- continuing to develop and diversify our advertising platform and offerings, which currently include delivery of advertising products through multiple delivery channels, including traditional computers, mobile, and other connected devices, and multiple content types, including podcasts.

We may not succeed in capturing a greater share of our advertisers' core marketing budgets, particularly if we are unable to achieve the scale, reach, products, and market penetration necessary to demonstrate the effectiveness of our advertising solutions, or if our advertising model proves ineffective or not competitive when compared to other alternatives and platforms through which advertisers choose to invest their budgets.

Failure to grow our user base and to effectively demonstrate the value of our advertising offerings to advertisers could result in loss of, or reduced spending by, existing or potential future advertisers, which would materially harm our business, operating results, and financial condition. In addition, macroeconomic conditions have affected in the past, and may affect in the future, advertisers' spending. See “—The impact of worldwide economic conditions may adversely affect our business, operating results, and financial condition.”

Selling advertisements requires that we demonstrate to advertisers that our advertising offerings are effective. For example, we need to show that our Service has substantial reach and engagement by relevant demographic audiences. Some of our demographic data may be incomplete or inaccurate. For example, because our users self-report their personal data, including gender and date of birth, the personal data we have may differ from our users' actual information. If our users provide us with incorrect or incomplete information regarding their personal data, such as gender, age, or other attributes we use to target advertisements to users, or the data are otherwise not available to us, then we may fail to target the correct demographic with our advertising. In addition, changes to operating systems' practices and policies, such as Apple's App Tracking Transparency (“ATT”) framework, have reduced and may continue to reduce the quantity and quality of the data and metrics that can be collected or used by us and our partners. Google has announced that it will implement similar changes with respect to its Android operating system, and major web browsers, like Firefox, Safari, and Chrome, have made or may make similar changes in the future as well. These limitations have affected and may continue to adversely affect our and our advertisers' ability to effectively target advertisements and measure their performance, thereby reducing the demand or pricing for certain of our advertising products and harming our business. The impact of these changes on the overall mobile advertising ecosystem, our business, and the developers, partners, and advertisers in the ecosystem are evolving and their ultimate impact is not yet clear. Additionally, advertisers often rely on third parties to quantify the reach and effectiveness of our ad products. These third-party measurement services may not reflect our true audience or the performance of our ad products, and their underlying methodologies are subject to change at any time. In addition, the methodologies we apply to measure the metrics that we use to monitor and manage our business may differ from the methodologies used by third-party measurement service providers, who may not integrate effectively with our Service. If such third-party measurement providers report lower metrics than we do, there is wide variance among reported metrics, or we cannot adequately integrate with such services that advertisers require, our ability to convince advertisers of the benefits of our Service could be adversely affected. See “—Our user metrics and other estimates are subject to inherent challenges in measurement, and real or perceived inaccuracies in those metrics may seriously harm and negatively affect our reputation and our business.”

Emerging industry trends in digital advertising may pose challenges for our ability to forecast or optimize our advertising inventory, which may adversely impact our Ad-Supported revenue.

The digital advertising industry is introducing new ways to measure and price advertising inventory. In the absence of a uniform industry standard, agencies, advertisers, and other third parties have adopted several different measurement methodologies and standards. Certain advertisers will measure the effectiveness of their advertising campaigns based on our

ability to serve their ads to audiences that match their demographic data benchmarks, and our ability to meet the requirements of these third-party measurement providers may be impacted when we do not have accurate or complete user data. As these trends in the industry continue to evolve, our advertising revenue may be adversely affected by the availability, accuracy, and utility of analytics and measurement technologies as well as our ability to successfully implement and operationalize such technologies and standards. For example, we leverage streaming ad insertion technology to improve our targeting and measurement capabilities for podcast advertising that rely on our streaming capabilities instead of using downloads as a proxy. However, the impact of the shift in measurement from downloads to real impressions on our advertising revenue is uncertain, as is its acceptance by our advertising partners or our ability to scale this technology successfully.

Further, the digital advertising industry increasingly uses data-driven technologies and advertising products, such as automated buying. These data-driven advertising products and automated buying technologies allow publishers and advertisers to use data to target advertising toward specific groups of users who are more likely to be interested in the advertising message delivered to them. These advertising products and programmatic technologies may not integrate with our Service and if we are unable to deploy effective solutions to monetize the device usage by our user base, our ability to attract advertising spend, and ultimately our advertising revenue, may be adversely affected. In addition, we rely on third-party advertising technology platforms to participate in automated buying, and if these platforms cease to operate or experience instability in their business models, it also may adversely affect our ability to capture advertising spend. The evolution of privacy laws, including the GDPR, CCPA, and the ePrivacy Directive (each as defined below), may also impact the way we generate revenue from advertising.

Failure to successfully monetize and generate revenues from podcasts, audiobooks, and other non-music content could adversely affect our business, operating results, and financial condition.

Delivering podcasts, audiobooks, and other non-music content involves numerous risks and challenges, including increased capital requirements, competition, and the need to develop strategic relationships. Growth in these areas may require additional changes to our existing business model and cost structure, modifications to our infrastructure, and exposure to new regulatory, legal, and reputational risks, including infringement liability, any of which may require additional expertise that we currently do not have. See “—We may be subject to disputes or liabilities associated with content made available on our Service.” There is no guarantee that we will be able to generate sufficient revenue from podcasts, audiobooks, or other non-music content to offset the costs of creating or acquiring this content. Failure to successfully monetize and generate revenues from such content, including failure to obtain or retain rights to podcasts, audiobooks, or other non-music content on acceptable terms, or at all, or to effectively manage the numerous risks and challenges associated with such expansion, could adversely affect our business, operating results, and financial condition.

In addition, we enter into multi-year commitments for original content that we produce or commission. Given the multiple-year duration and largely fixed-cost nature of such commitments, if our user growth and retention do not meet our expectations, our margins may be adversely impacted. Payment terms for certain content that we produce or commission will typically require more upfront cash payments than other content licenses or arrangements whereby we do not pay for the production of such content. To the extent our user and/or revenue growth do not meet our expectations, our liquidity and results of operations could be adversely affected as a result of such content commitments. The long-term and fixed-cost nature of certain original content commitments may also limit our flexibility in planning for or reacting to changes in our business, as well as our ability to adjust our content offering if our users do not react favorably to the content we produce. Any such event could adversely impact our business, operating results, and financial condition.

We may be subject to disputes or liabilities associated with content made available on our Service.

We provide various services and products that enable artists, podcasters, and other creators or users to make content available on our Service. For example, creators or users can record and distribute podcasts using our podcast tools, such as Anchor, and can upload cover art and profile images. These may subject us to claims of intellectual property infringement by third parties if such creators or users do not obtain the appropriate authorizations from rights holders. In addition to intellectual property infringement, we have faced and will continue to face other claims relating to content that is published or made available through our products and services. These may include claims related to defamation, rights of publicity and privacy, and online safety. For example, we are dependent on those who provide content on our Service complying with the terms and conditions of any license agreements with us, our Terms and Conditions of Use, which prohibit providing content that infringes the intellectual property or proprietary rights of third parties or is otherwise legally actionable pursuant to privacy and/or publicity rights, and other applicable laws, rules, and regulations. However, we cannot guarantee that the creators and users who provide content on our Service will comply with their obligations, and any failure of creators and users to do so may materially impact our business, operating results, and financial condition. In addition, while we may avail ourselves of various legal safe harbors related to third-party content, we cannot be certain that courts will always agree that these safe harbors apply. We also face a risk that the laws related to these safe harbors or the removal of content could change. Changes in any such laws that shield us from liability could materially harm our business, operating results, and financial condition. See “Risk Related to

Our Operations—Our business is subject to complex and evolving laws and regulations around the world. Many of these laws and regulations are subject to change and uncertain interpretation, and could result in claims, changes to our business practices, monetary penalties, increased cost of operations, or otherwise harm our business.”

Given the large volume of content that various third parties, including record labels, distributors, aggregators, podcasters, audiobook publishers, authors, live-audio creators, and our users, make available on our platform, it is challenging for us to accurately verify the legitimacy of such content and review or moderate such content to ensure that it is otherwise in compliance with our policies. In addition, advertisers may not wish to have their brand associated with certain types of content and if we cannot reliably exclude their ads from certain types of content, our business relationships may also be negatively impacted. If we fail to build and maintain an effective system to moderate the content on our platform, our users, creators, or partners may lose trust in us, our reputation may be impaired, and our business may be adversely affected. See “Risks Related to Our Operations—Our business depends on a strong brand, and any failure to maintain, protect, and enhance our brand could harm our business.”

We have acquired and invested in, and may continue to acquire or invest in, other companies or technologies, which could divert management’s attention and otherwise disrupt our operations and harm our operating results. We may fail to acquire or invest in companies whose market power or technology could be important to the future success of our business.

We have acquired and invested in, and may in the future seek to acquire or invest in, other companies or technologies that we believe could complement or expand our products and services, enhance our technical capabilities or content offerings, or otherwise offer growth opportunities. Pursuit of future potential acquisitions or investments may divert the attention of management and cause us to incur various expenses in identifying, investigating, and pursuing suitable opportunities, whether or not they are consummated. In addition, we may be unsuccessful in integrating our recently acquired businesses or any additional business we may acquire in the future, and we may fail to acquire companies whose market power or technology could be important to the future success of our business.

We also may not achieve the anticipated benefits from any acquisition or investment due to a number of factors, including:

- unanticipated costs or liabilities associated with the acquisition or investment, including costs or liabilities arising from the acquired companies’ failure to comply with intellectual property laws and licensing obligations they are subject to;
- incurrence of acquisition- or investment-related costs;
- diversion of management’s attention from other business concerns;
- regulatory uncertainties;
- risks related to integrating the acquired company’s various systems and processes and ensuring compliance with applicable requirements, including those with respect to privacy, data security, or credit card processing;
- implementation or improvement of controls, procedures, and policies at the acquired company;
- harm to our existing business relationships with business partners and advertisers;
- harm to our brand and reputation;
- potential loss of key employees and labor disputes; and
- diversion of resources, including cash, that are needed in other parts of our business.

If we acquire or invest in other companies, these acquisitions or investments may reduce our operating margins for the foreseeable future. In addition, a significant portion of the purchase price of companies we acquire may be allocated to acquired goodwill, which must be assessed for impairment at least annually. The market value of our investments may also fluctuate due to volatility in the share price used to measure the investment. For example, the majority of our long-term investments relates to Tencent Music Entertainment (“TME”). The value of these securities is subject to the risks associated with TME’s business, as well as any changes by the Chinese government in foreign investment laws or elevated scrutiny or regulation of foreign investments in Chinese companies. See “Item 11. Quantitative and Qualitative Disclosures About Market Risk—Investment Risk” for additional discussion of the risk relating to our long term investment in TME. In the future, if our acquisitions or investments do not yield expected returns, we may be required to adjust our operating results based on this impairment assessment process. Acquisitions or investments could also result in dilutive issuances of equity securities or the incurrence of debt, which could adversely affect our operating results. In addition, if a business we acquire or invest in fails to meet our expectations, our business, operating results, and financial condition may suffer.

We have also entered into, and may in the future enter into, additional, strategic alliances with certain partners that we believe will help advance the success of our business. Such partnerships may divert management focus and resources from other aspects of our business, it may take longer than expected for them to produce the expected benefits, they may subject us to additional and unknown licensing or regulatory requirements across different jurisdictions, and they on occasion fail to produce all of the expected benefits. The success of these partnerships will depend in part on our ability to leverage them to enhance our

products and services, or to develop new products and services, and we may not be successful in doing so. Any adverse results related to our strategic partnerships could negatively impact our business, operating results, and financial condition.

Risks Related to Securing the Rights to the Content We Stream

We depend upon third-party licenses for most of the content we stream and an adverse change to, loss of, or claim that we do not hold any necessary licenses may materially adversely affect our business, operating results, and financial condition.

To secure the rights to stream content, we enter into license agreements to obtain licenses from rights holders, such as record labels, aggregators, artists, music publishers, performing rights organizations, collecting societies, podcasters, podcast networks, audiobook publishers, authors, and other audio/video content creators, copyright owners or their agents, or obtain licenses via government-provided statutory or compulsory licenses, and pay royalties or other consideration to such parties or their agents around the world. We cannot guarantee that our efforts to obtain all necessary licenses to stream content will be successful, or that the licenses available to us now will continue to be available in the future at rates and on terms that are favorable or commercially reasonable or at all. The terms of these licenses, including the royalty rates that we are required to pay pursuant to them, may change as a result of changes in our bargaining power, the industry, laws and regulations, or for other reasons. Increases in royalty rates or changes to other terms of these licenses may materially impact our business, operating results, and financial condition.

For example, if we fail to obtain licenses to stream sound recordings from major record labels; if the rates we pay for mechanical licenses that are set by the Copyright Royalty Board increase our royalty costs; if we are unable to comply with the requirements to maintain the compulsory mechanical license in the U.S.; if we are unable to obtain blanket licenses for public performance rights on reasonable terms; if our licenses with collecting societies and our direct licenses with publishers outside of the U.S. do not provide full coverage for all of the musical compositions we make available to our users; for podcasts, audiobooks, and other non-music content, if rights holders or content providers are unwilling to provide content on reasonable terms or do not comply with the terms and conditions of our license agreements as well as our Terms and Conditions of Use, our business, operating results, and financial condition could be materially harmed.

There is also no guarantee that we have all of the licenses we need to stream content, as the process of obtaining such licenses involves many rights holders, some of whom are unknown, and myriad complex legal issues across many jurisdictions, including open questions of law as to when and whether particular licenses are needed. Additionally, rights holders, creators, performers, writers and their agents, or societies, unions, guilds, or legislative or regulatory bodies have created and may continue to create or attempt to create new rights or regulations that could require us to enter into license agreements with, and pay royalties to, newly defined groups of rights holders, some of which may be difficult or impossible to identify. See also “—Difficulties in obtaining accurate and comprehensive information necessary to identify the compositions embodied in sound recordings on our Service and the ownership thereof may impact our ability to perform our obligations under our licenses, affect the size of our catalog, impact our ability to control content acquisition costs, and lead to potential copyright infringement claims.”

Even when we are able to enter into license agreements with rights holders, we cannot guarantee that such agreements will continue to be renewed indefinitely. To the extent we make content available based on brief extensions of license agreements or provisional licenses and/or continuing to operate on an at will basis, we may not have assurance of long-term access to such rights holders’ content, which could have a material adverse effect on our business and could lead to potential copyright infringement claims.

It is also possible that such agreements will never be renewed at all. The lack of renewal, or termination, of one or more of our license agreements, or the renewal of a license agreement on less favorable terms, could have a material adverse effect on our business, operating results, and financial condition. See “Item 4.B. Business Overview—Licensing Agreements.”

We have no control over third-party providers of the content we stream. The concentration of control of content by our major providers means that even one entity, or a small number of entities working together, may unilaterally affect our access to music and other content.

We rely on various rights holders, over whom we have no control, for the content we make available on our Service. We cannot guarantee that these parties will always choose to license to us or license to us on terms that are acceptable to us.

The music industry has a high level of concentration, which means that one or a small number of entities may, on their own, take actions that adversely affect our business. For example, with respect to sound recordings, the music licensed to us under our agreements with Universal Music Group, Sony Music Entertainment, Warner Music Group, and Music and

Entertainment Rights Licensing Independent Network (“Merlin”), makes up the majority of music consumed on our Service. For the year ended December 31, 2022, this content accounted for approximately 75% of streams of audio content delivered by record labels. Our business may be adversely affected if our access to music is limited or delayed because of deterioration in our relationships with one or more of these rights holders or if they choose not to license to us for any other reason. Rights holders also may attempt to take advantage of their market power (including by leveraging their publishing affiliate) to seek onerous financial or other terms from us or otherwise impose restrictions that hinder our ability to further innovate our service offerings. We have particular issues in markets where local content is important and such local content is held by local major labels or even individual artists, making it difficult to obtain such local content at all or on economically favorable terms. In addition, publishers’ fractional ownership of shares of musical compositions enhances their market power. As a result, the loss of rights to a major publisher catalog would force us to take down a significant portion of popular repertoire in the applicable territory or territories, which would significantly disadvantage us in such territory or territories. The lack of complete metadata with respect to publisher ownership may also present challenges in taking down all the tracks that include the works of a given publisher. Even if we are able to secure rights to sound recordings from record labels and other copyright owners, artists and/or artist groups may object and may exert public or private pressure on those record labels or copyright owners or other third parties to discontinue licensing rights to us, hold back content from us, or increase royalty rates. As a result, our ability to continue to license rights to sound recordings is subject to convincing a broad range of stakeholders of the value and quality of our Service. To the extent that we are unable to license a large amount of content or the content of certain popular artists, our business, operating results, and financial condition could be materially harmed.

We are a party to many license agreements that are complex and impose numerous obligations upon us that may make it difficult to operate our business, and a breach of such agreements could adversely affect our business, operating results, and financial condition.

Many of our license agreements are complex and impose numerous obligations on us, including obligations to, among other things:

- meet certain user and other targets in order to secure certain licenses and royalty rates;
- calculate and make payments based on complex royalty structures, which requires tracking usage of content on our Service that may have inaccurate or incomplete metadata necessary for such calculation;
- provide periodic reports on the exploitation of the content;
- represent that we will obtain all necessary publishing licenses and consents and pay all associated fees, royalties, and other amounts due for the licensing of musical compositions;
- provide advertising inventory at discounted rates or on other favorable terms;
- comply with certain service offering restrictions;
- comply with certain marketing and advertising restrictions; and comply with certain security and technical specifications.

Many of our license agreements grant the licensor the right to audit our compliance with the terms and conditions of such agreements. Some of our license agreements also include anti-steering, non-discrimination, and so-called “most favored nations” provisions, which require certain material terms to be no less favorable than those provided in our agreements with any other similarly situated licensor. If triggered, these provisions could cause our payments or other obligations under those agreements to escalate. Additionally, some of our license agreements require consent to undertake certain business initiatives and, without such consent, our ability to undertake or continue operating new business initiatives may be limited. This could hurt our competitive position.

If we materially breach any obligations set forth in any of our license agreements, or if we use content in ways that are found to exceed the scope of such agreements, we could be subject to legal or injunctive remedies (including monetary liability), and/or rights holders could impede our business by withholding content, discounts and bundle approvals, and the rights to launch new service offerings, and could ultimately terminate our rights under such license agreements, any of which could have a material adverse effect on our business, operating results, and financial condition. We have entered into settlement agreements requiring us to make substantial payments in the past, and may do so in the future, as a result of claims that we are in breach of certain provisions in, or have exceeded the scope of, our license agreements.

Our royalty payment scheme is complex, and it is difficult to estimate the amount payable under our license agreements or relevant statutes.

Under our license agreements and relevant statutes, we must pay all required royalties to record labels, music publishers, and other copyright owners in order to stream content. The determination of the amount and timing of such payments is complex and subject to a number of variables, including the type of content streamed, the country in which it is streamed, the service tier such content is streamed on, the amount of revenue generated by the streaming of the content, the identity of the license holder to whom royalties are owed, the current size of our user base, our current ratio of Ad-Supported Users to Premium Subscribers, the applicability of any most favored nations provisions, and any applicable advertising fees and

discounts, among other variables. Additionally, we have certain arrangements whereby royalty costs are paid in advance or are subject to minimum guaranteed amounts. An accrual is estimated when actual royalty costs to be incurred during a contractual period are expected to fall short of the minimum guaranteed amount. Moreover, for minimum guarantee arrangements for which we cannot reliably predict the underlying expense, we will expense the minimum guarantee on a straight-line basis over the term of the arrangement. We also have license agreements that include so-called “most favored nations” provisions, which, if triggered, could cause our royalty payments under those agreements to escalate. An accrual and expense is recognized when it is probable that we will make additional royalty payments under these terms.

We cannot assure you that the internal controls and systems we use to determine royalties payable will always be effective. If we fail to implement and maintain effective controls relating to rights holder liabilities, we may underpay/under-accrue or overpay/over-accrue the royalty amounts payable to record labels, music publishers, and other copyright owners. Underpayment could result in (i) litigation or other disputes with record labels, music publishers, and other copyright owners, (ii) the unexpected payment of additional royalties in material amounts, and (iii) damage to our business relationships with record labels, music publishers, other copyright owners, and artists and/or artist groups. If we overpay royalties, we may be unable to reclaim such overpayments, and our profits will suffer. Failure to accurately pay our royalties may adversely affect our business, operating results, and financial condition.

From time to time, we accrue royalties based on management estimates of the rates that will apply while we negotiate license agreement renewals or while the Copyright Royalty Board’s determination of the royalty rates for the applicable mechanical rights in the United States is pending. The rates set by the Copyright Royalty Board are also subject to further change as part of future Copyright Royalty Board proceedings. Changes to these estimates could either benefit or adversely affect our results of operations and financial condition. See Note 25 to our consolidated financial statements included in this report for further information.

Financial commitments required under certain of our license agreements may limit our operating flexibility and may adversely affect our business, operating results, and financial condition.

Certain of our license agreements contain minimum guarantees or require other financial commitments. As of December 31, 2022, we have estimated future financial commitments of €1.4 billion under license agreements for sound recordings and musical compositions (both for mechanical rights and public performance rights) as well as license agreements for podcasts. Such financial commitments related to our content acquisition costs are not always tied to our revenue and/or user growth forecasts (e.g., number of users, active users, Premium Subscribers) or the number of sound recordings and musical compositions or podcasts used on our Service. We may also be subject to financial commitments to rights holders with respect to certain strategic partnerships we enter into that on occasion do not produce all of the expected benefits. Accordingly, our ability to achieve and sustain profitability and operating leverage on our Service in part depends on our ability to increase our revenue through increased sales of Premium Service and advertising sales on terms that maintain an adequate gross margin. The duration of our license agreements for sound recordings and musical compositions that contain minimum guarantees is frequently between one and three years, but our Premium Subscribers may cancel their subscriptions at any time. If our forecasts of Premium Subscriber acquisition or retention do not meet our expectations or the number of our Premium Subscribers or advertising sales decline significantly during the term of our license agreements, our margins may be materially and adversely affected. To the extent our Premium Service revenue growth or advertising sales do not meet our expectations, our business, operating results, and financial condition could also be adversely affected as a result of such financial commitments. In addition, the fixed cost nature of these financial commitments may limit our flexibility in planning for, or reacting to, changes in our business and the market segments in which we operate.

We rely on estimates of the market share of streaming content owned by each content provider, as well as our own user growth and forecasted advertising revenue, to forecast whether such financial commitments could be recouped against our actual content acquisition costs incurred over the duration of the license agreement. To the extent that these revenue and/or market share estimates underperform relative to our expectations, leading to content acquisition costs that do not exceed such financial commitments, our margins may be materially and adversely affected.

Difficulties in obtaining accurate and comprehensive information necessary to identify the compositions embodied in sound recordings on our Service and the ownership thereof may impact our ability to perform our obligations under our licenses, affect the size of our catalog, impact our ability to control content acquisition costs, and lead to potential copyright infringement claims.

Comprehensive and accurate ownership information for the musical compositions embodied in sound recordings is sometimes unavailable to us or difficult or, in some cases, impossible for us to obtain, including where the owners or administrators of such rights have failed to accurately identify their interest in a musical composition. We currently rely on licensors and other third parties to determine this information. If the information provided to us does not comprehensively or accurately identify the ownership of musical compositions, or if we are unable to determine which musical compositions

correspond to specific sound recordings, it may be difficult or impossible to identify the appropriate rights holders from whom to obtain licenses or to whom to pay royalties. This may make it difficult to comply with certain obligations of any agreements with relevant rights holders. This may also make it difficult to identify content for removal from the Service if we lose the rights to such musical compositions.

In the United States, we also relied on the assistance of third parties to issue notices of intent to obtain a compulsory license under Section 115 of the Copyright Act to those copyright owners with whom we did not have a direct license agreement. Following the enactment of the Music Modernization Act (“MMA”), for the period between October 2018 and December 31, 2020, to the extent we did not have a direct license and could not locate the owner of a composition, the law provides a limitation of liability under which our only liability for the reproduction and/or distribution of such compositions is the royalty rate set by the U.S. Copyright Royalty Board. That limitation of liability is contingent upon following various procedural steps outlined in the MMA and there is a risk that we can be found to not have properly followed those steps (which could expose us to the risk of increased financial liability in litigations). Beginning on January 1, 2021, the MMA provides a blanket license to reproduce and/or distribute musical compositions on our service. See “—We depend upon third-party licenses for most of the content we stream and an adverse change to, loss of, or claim that we do not hold any necessary licenses may materially adversely affect our business, operating results, and financial condition.”

These challenges, and others concerning the licensing of musical compositions embodied in sound recordings on our Service, may subject us to significant liability for copyright infringement, breach of contract, or other claims. See “Item 8.A. Consolidated Statements and Other Financial Information—Legal or Arbitration Proceedings.”

Risks Related to Intellectual Property

Assertions by third parties of infringement or other violation by us of their intellectual property rights could harm our business, operating results, and financial condition.

Third parties have asserted, and may in the future assert, that we have infringed, misappropriated, or otherwise violated their copyrights, patents, and other intellectual property rights, and as we face increasing competition, the possibility of intellectual property rights claims against us grows. See “Item 8.A. Consolidated Statements and Other Financial Information—Legal or Arbitration Proceedings.”

Our ability to provide our Service is dependent upon our ability to license intellectual property rights to audio content, including sound recordings, any musical compositions embodied therein, podcasts, and audiobooks, as well as visual and related content, such as music videos, clips, album cover art, artist images, and any other media assets that content providers can add or provide with their content. Various laws and regulations govern the copyright and other intellectual property rights associated with audio and visual content, including sound recordings, musical compositions, and video content streaming. Existing laws and regulations are evolving and subject to different interpretations, and various legislative or regulatory bodies may expand current or enact new laws or regulations. Although we expend significant resources to seek to comply with the statutory, regulatory, and judicial frameworks by, for example, entering into license agreements, we cannot assure you that we are not infringing or violating any third-party intellectual property rights, or that we will not do so in the future. See “—Difficulties in obtaining accurate and comprehensive information necessary to identify the compositions embodied in sound recordings on our Service and the ownership thereof may impact our ability to perform our obligations under our licenses, affect the size of our catalog, impact our ability to control content acquisition costs, and lead to potential copyright infringement claims.” While we may often be able to seek indemnities from our licensors with respect to infringement claims that may relate to the content they provide to us, such indemnities may not be sufficient to cover the associated liability if the licensor at issue does not have adequate financial resources. Moreover, we are subject to claims of intellectual property infringement from content that artists, podcasters, and other creators or users make available on our Service. See “—We may be subject to disputes or liabilities associated with content made available on our Service.”

In addition, music, internet, technology, and media companies are frequently subject to litigation based on allegations of infringement, misappropriation, or other violations of intellectual property rights. Many companies in these industries, including many of our competitors, have substantially larger patent and intellectual property portfolios than we do, which could make us a target for litigation. We may not be able to assert counterclaims against parties that sue us for patent or other intellectual property infringement. In addition, various “non-practicing entities” that own patents and other intellectual property rights often attempt to aggressively assert claims in order to extract value from technology companies. Further, from time to time we may introduce new products and services, including in territories where we currently do not have an offering, which could increase our exposure to patent and other intellectual property claims from competitors and non-practicing entities. It is difficult to predict whether assertions of third-party intellectual property rights or any infringement or misappropriation claims arising from such assertions will substantially harm our business, operating results, and financial condition. If we are forced to defend against any infringement or misappropriation claims, whether they are with or without merit, are settled out of court, or are determined in our favor, we may be required to expend significant time and financial resources on the defense of such

claims. Furthermore, an adverse outcome of a dispute may require us to pay significant damages, which may be even greater if we are found to have willfully infringed a party's intellectual property; cease exploiting copyrighted content that we have previously had the ability to exploit; cease using solutions that are alleged to infringe or misappropriate the intellectual property of others; expend additional development resources to redesign our solutions; enter into potentially unfavorable royalty or license agreements in order to obtain the right to use necessary technologies, content, or materials; indemnify our partners and other third parties; and/or take other actions that may have material effects on our business, operating results, and financial condition.

Moreover, we rely on multiple software programmers to design our proprietary technologies, and we regularly contribute software source code under "open source" licenses and have made technology we developed available under open source licenses. We cannot assure you that our efforts to prevent the incorporation of licenses that would require us to disclose code and/or innovations in our products will always be successful, as we do not exercise complete control over the development efforts of our programmers, and we cannot be certain that our programmers have not used software that is subject to such licenses or that they will not do so in the future. In the event that portions of our proprietary technology are determined to be subject to licenses that require us to publicly release the affected portions of our source code, re-engineer a portion of our technologies, or otherwise be limited in the licensing of our technologies, we may be forced to do so, each of which could materially harm our business, operating results, and financial condition.

Failure to protect our intellectual property could substantially harm our business, operating results, and financial condition.

The success of our business depends on our ability to protect and enforce our patents, trade secrets, trademarks, copyrights, and all of our other intellectual property rights, including the intellectual property rights underlying our products and services. We attempt to protect our intellectual property under patent, trade secret, trademark, and copyright law through a combination of intellectual property registration, employee or third-party assignment and nondisclosure agreements, other contractual restrictions, technological measures, and other methods. These measures may only offer limited protection and, moreover, are constantly evolving to meet the expanding needs of our business. Despite our efforts to protect our intellectual property rights, unauthorized parties may attempt to copy aspects of our product and brand features, make unauthorized use of original content we make available on our platform, or obtain and use our trade secrets and other confidential information. Moreover, policing our intellectual property rights is difficult and time-consuming. We cannot assure you that we would have adequate resources to protect and police our intellectual property rights, and we cannot assure you that the steps we take to do so will always be effective.

We have filed, and may in the future file, patent applications on certain of our innovations. It is possible, however, that these innovations may not be patentable. In addition, given the cost, effort, risks, and downside of obtaining patent protection, including the requirement to ultimately disclose the invention to the public, we may choose not to seek patent protection for some innovations. Furthermore, our patent applications may not issue as granted patents, the scope of the protection gained may be insufficient, or an issued patent may be deemed invalid or unenforceable. We also cannot guarantee that any of our present or future patents or other intellectual property rights will not lapse or be invalidated, circumvented, challenged, or abandoned.

Neither can we guarantee that our intellectual property rights will provide competitive advantages to us. Our ability to assert our intellectual property rights against potential competitors or to settle current or future disputes could be limited by our relationships with third parties, and any of our pending or future patent applications may not have the scope of coverage originally sought. We cannot guarantee that our intellectual property rights will be enforced in jurisdictions where competition may be intense or where legal protection may be weak. We could lose both the ability to assert our intellectual property rights against, or to license our technology to, others and the ability to collect royalties or other payments. Certain countries' legal systems do not provide the same level of support for the enforcement or protection of intellectual property rights as those of the United States, and as a result, our intellectual property and proprietary rights may be subject to theft without, or with little, legal recourse.

Litigation or proceedings before governmental authorities and administrative bodies may be necessary in the future to enforce our intellectual property rights, to protect our patent rights, trademarks, trade secrets, and domain names, and to determine the validity and scope of the proprietary rights of others. Our efforts to enforce or protect our proprietary rights may be ineffective and could result in substantial costs and diversion of resources and management time, each of which could substantially harm our operating results. Additionally, changes in law may be implemented, or changes in interpretation of such laws may occur, that may affect our ability to protect and enforce our patents and other intellectual property.

Risks Related to Our Operations

Streaming depends on effectively working with operating systems, online platforms, hardware, networks, regulations, and standards we do not control. Changes in our products or services or those operating systems, hardware, networks, regulations, or standards, and our limitations on our ability to access those platforms, operating systems, hardware, or networks may seriously harm our business.

We rely on a variety of operating systems, online platforms, hardware, and networks to reach our users. These platforms range from desktop and mobile operating systems and application stores to wearables and intelligent voice assistants. The owners or operators of these platforms may not share our interests and may restrict our access to them or place conditions on access that would materially affect our ability to access those platforms. In particular, where the owner of a platform is also our direct competitor, the platform may attempt to use this position to affect our access to users and ability to compete. For example, an online platform might arbitrarily remove our products or services from its platform, deprive us of access to business critical data, or engage in other harmful practices. Online platforms also may unilaterally impose certain requirements that negatively affect our ability to convert users to the Premium Service, such as conditions that limit our freedom to communicate promotions and offers to our users. Similarly, online platforms may force us to use the platform's payment processing systems that may be inferior to, and more costly than, other payment processing services available in the market. Online platforms frequently change the rules and requirements for services like ours to access the platform, and such changes may adversely affect the success or desirability of our service. To maintain certain elements of the service on a platform, we may need to make additional concessions to the platform operator that may adversely affect other aspects of the business or require us to invest significant expenses. Online platforms may limit our access to information about users, limiting our ability to convert and retain them. Online platforms also may deny access to application programming interfaces or documentation, limiting functionality of our products or services on the platform. In addition, if online platforms discontinue any log-in authentication services that our users use to access our products or services, we may lose and be unable to recover users previously using this function.

In March 2019, we filed a complaint against Apple with the European Commission for engaging in certain behaviors that we believe are unlawful and anti-competitive. In June 2020, the European Commission opened a formal investigation into Apple's conduct, and in April 2021, the European Commission issued a statement of objections to Apple with a preliminary view that its App Store rules disadvantaged competing music streaming services and distorted competition in the music streaming market by abusing its dominant position. We cannot assure you that the outcome of the process with the European Commission will be successfully resolved in our favor. In September 2020, we joined other app developer companies and organizations to form the Coalition for App Fairness with the goal of promoting app store principles that, among other things, address anti-competitive practices by platforms. We cannot assure you that those efforts will result in favorable outcomes.

Furthermore, devices providing access to our products and services are manufactured by a wide array of companies and we cannot guarantee that these devices perform reliably. Any faulty connection between these devices and our products and services may result in consumer dissatisfaction toward us, which could damage our brand. In addition, we have no control over the hardware or software of these devices and any changes to them may negatively impact our business. For example, changes to operating systems' practices and policies, such as Apple's ATT framework, have reduced and may continue to reduce the quantity and quality of the data and metrics that can be collected or used by us and our partners. These limitations have affected and may continue to adversely affect both our and our advertisers' ability to effectively target advertisements and measure their performance, thereby reducing the demand or pricing for certain of our advertising products and harming our business.

Moreover, our Service requires high-bandwidth data capabilities. If the costs of data usage increase or access to data networks is limited, our business may be seriously harmed. Additionally, to deliver high-quality audio, video, and other content over networks, our Service must work well with a range of technologies, systems, networks, regulations, and standards that we do not control. In addition, the adoption of any laws or regulations that adversely affect the growth, popularity, or use of the internet, including laws governing internet neutrality, could decrease the demand for our Service and increase our cost of doing business. For example, in December 2017, the Federal Communications Commission (the "FCC") voted to repeal prior "open internet rules," which included bright-line provisions prohibiting internet service providers from blocking lawful internet content, throttling such content, or engaging in paid prioritization, as well as a general conduct standard barring such providers from unreasonably interfering with or disadvantaging online content providers' access to end users and end users' access to online content, and directing providers to rely instead on disclosure obligations backed by Federal Trade Commission enforcement. Several states have imposed their own open internet protections modeled on the repealed bright-line provisions, although internet service providers have filed lawsuits challenging such measures, and additional challenges are likely. Similarly, the European Union (the "EU") currently requires equal access to internet content, but as part of the EU's Digital Single Market initiative and the implementation of the European Electronic Communications Code at the national level, EU Member States may impose network security and disability access obligations on "over-the-top" services such as those provided by us. If the FCC does not reinstate open internet rules beyond disclosure requirements and state laws fail to provide comparable protections, or if the EU modifies its own open internet rules, broadband service providers may be able to limit our

users' ability to access our Service or make it a less attractive alternative to our competitors' applications, and our business, operating results, and financial condition would be seriously harmed.

We may not successfully cultivate relationships with key industry participants or comply with the requirements of various operating systems, online platforms, hardware, networks, regulations, and standards on which our products and services depend, and failure to do so could result in serious harm to our business and user retention, growth, and engagement.

Failure to maintain the integrity of our technology infrastructure and systems or the security of confidential information could result in civil liability, statutory fines, regulatory enforcement, and the loss of confidence in us by our users, advertisers, content providers, and other business partners, all of which could harm our business.

Techniques used to disrupt operations and gain unauthorized access to data and software are constantly evolving, and we may be unable to anticipate or prevent unauthorized access to our technology infrastructure and systems or to confidential information, including but not limited to proprietary business information and data about our users, business partners, and employees, such as payment card or other sensitive personal data. Our products and services, which are supported by our own technology and systems and those of third parties, are vulnerable to software bugs, computer "hackers," malicious code (such as malware, viruses, internet worms, and ransomware), employee theft, malfeasance, break-ins, misuse or error, phishing, password spraying, credential stuffing attacks, attempts to overload servers with denial-of-service or other attacks, and similar disruptions, any of which could cause operational disruption or unauthorized access to, corruption, or loss of confidential information such as personal data. We may face threats from a range of threat actors that threaten the technology and systems that we and/or our third-party providers manage and protect. Third parties have in the past and may in the future attempt to fraudulently induce employees, users, or organizations into disclosing sensitive information, such as user names, passwords, or other information, or otherwise compromise the security of our technology infrastructure, networks, and/or physical facilities. Security issues have in the past, and may in the future, arise in cases where our personnel, agents, or processors fail to follow our policies or otherwise act inappropriately.

We and certain of our third-party providers have been subject to cyberattacks and security incidents in the past due to, for example, computer malware, viruses, computer hacking, credential stuffing, and phishing attacks. Because of our prominence, we believe that we are a particularly attractive target for such attacks, and we expect to experience cyberattacks and security incidents in the future. Cyberattacks and incidents are expected to accelerate in both frequency and impact as threat actors are becoming increasingly sophisticated in using techniques that circumvent security controls, evade detection, and even remove forensic evidence, which means that we may be unable to detect, investigate, contain or recover from future attacks or incidents in a timely or effective manner. Moreover, our Work from Anywhere program may impact our ability to protect against cyber incidents as our workforce connects from a mix of physical office space and home options, which presents additional opportunities for threat actors to engage in social engineering (for example, phishing) and to exploit vulnerabilities in non-corporate networks. We cannot assure you that the systems and processes that we have designed (or that third parties have designed) to protect our data and our users' data, to prevent data loss, to disable undesirable accounts and activities on our platform, and to prevent or detect security breaches, will provide absolute security, and we may incur significant costs in protecting against or remediating cyber-attacks.

If an actual or perceived breach of security or disruptive attack occurs in relation to our systems or a third party's systems, we may face actions against us by governmental entities (in particular given regulators' increased focus on companies' cybersecurity vulnerabilities and risks), data protection authorities, consumers, or others that could result in enforcement, litigation (including class actions) and financial losses, and the public perception of our security measures could be diminished and our reputation harmed, all of which would negatively affect our ability to attract and retain users, which in turn would harm our efforts to attract and retain advertisers, content providers, and other business partners. We would also have to expend significant resources to mitigate the breach or attack and upgrade our security systems, and potentially notify affected users and relevant data protection and regulatory authorities. In addition, any losses, costs or liabilities may not be covered by, or may exceed the coverage limits of, any or all of our applicable insurance policies. A significant data breach or cybersecurity-related disruption experienced by service providers that are critical to our operations and/or are acting as our data processors (i.e., processing personal data on our behalf) would raise similar risks and obligations. Any of these events could have a material adverse effect on our business, operating results, and financial condition and could cause our stock price to drop significantly.

Our products are highly technical and may contain undetected errors, bugs, or vulnerabilities, which could manifest in ways that could seriously harm our reputation and our business.

Many of the products we offer are highly technical and complex. These products or any other product we may introduce in the future may contain undetected hardware errors, software bugs, and other vulnerabilities. These errors, bugs, and vulnerabilities can manifest in any number of ways in our products, including through diminished performance, security incidents, malfunctions, service disruptions, or even permanently disabled products. We have a practice of rapidly updating our products, and as a result some errors, bugs, or vulnerabilities in our products may be discovered only after a product has been

used, and may in some cases be detected only under certain circumstances or after extended use. Additionally, many of our products are available on multiple operating systems and/or multiple devices offered by different manufacturers, and changes or updates to such operating systems or devices may cause errors or functionality problems in our products, including rendering our products inoperable by some users. Our products operate in conjunction with, and we are dependent upon, third-party products and services, and any error or bug in one of these third-party products or services could thwart our users' ability to access our products and services, present a security vulnerability, and harm our reputation. For example, in December 2021, "log4j" was widely reported in the media as a third-party software vulnerability that affected many companies that utilized the Apache java library for various logging purposes. Additionally, any errors, bugs, or other vulnerabilities discovered in our code or backend after release could damage our reputation, drive away users, allow third parties to manipulate or exploit our software, lower revenue, impact the stability or accuracy of our user metrics or other estimates, and expose us to claims for damages, any of which could seriously harm our business. See "Risks Related to Our Metrics—Failure to effectively manage and remediate attempts to gain or provide unauthorized access to certain features of our Service could have an adverse impact on our business, operating results, and financial condition." Additionally, errors, bugs, or other vulnerabilities may—either directly or if exploited by third parties—affect our ability to make accurate royalty payments. See "Risks Related to Securing the Rights to the Content We Stream—Our royalty payment scheme is complex, and it is difficult to estimate the amount payable under our license agreements or relevant statutes."

We could also face claims for product liability, tort, or breach of warranty. Defending a lawsuit, regardless of its merit, is costly and may divert management's attention and seriously harm our reputation and our business. In addition, if our liability insurance coverage proves inadequate or future coverage is unavailable on acceptable terms or at all, our business could be seriously harmed.

Interruptions, delays, or discontinuations in service arising from our own systems or from third parties could harm our business.

We have experienced, and may in the future experience, periodic service interruptions and delays involving our own systems and those of third parties that we work with. For instance, Google Cloud Platform ("GCP") provides a distributed computing infrastructure platform for business operations, or what is commonly referred to as a cloud computing service. We have designed our software and computer systems to utilize data processing, storage capabilities, and other services provided by GCP, currently rely on GCP for the vast majority of our primary data storage (including personal data of users and audio data licensed from rights holders) and computing, and any transition of our GCP operations to another cloud provider would incur significant time and expense. Both our own systems and those of third parties are vulnerable to damage or interruption from earthquakes, floods, fires, droughts, extreme temperatures, ambient temperature increases, power loss, telecommunications failures, cyberattacks, and similar events. Global climate change could result in certain types of natural disasters occurring more frequently or with more intense effects. Our own systems and those of third parties are also subject to break-ins, sabotage, intentional acts of vandalism, the failure of physical, administrative, technical, and cyber security measures, terrorist acts, natural disasters, human error, the financial insolvency of third parties that we work with, war or prolonged conflict, global pandemics and other public health crises, and other unanticipated problems or events. The occurrence of any of these events could result in interruptions in our services and unauthorized access to, or alteration of, the content and data contained in our systems or stored by third parties and delivered on our behalf.

Any disruption in the services provided by these third parties could materially adversely impact our business reputation, customer relations, and operating results. Upon expiration or termination of any of our agreements with third parties, we may not be able to replace the services provided to us in a timely manner or on terms and conditions, including service levels and cost, that are favorable to us, and a transition from one third party to another could subject us to operational delays and inefficiencies until the transition is complete.

Our business is subject to complex and evolving laws and regulations around the world. Many of these laws and regulations are subject to change and uncertain interpretation, and could result in claims, changes to our business practices, monetary penalties, increased cost of operations, or otherwise harm our business.

We are an international company that is registered under the laws of Luxembourg, with offices and employees around the world and our Service available in 184 countries and territories. As a result of this organizational structure and the scope of our operations, we are subject to a variety of laws and regulations in different countries that involve matters central to our business, including privacy, data protection, content, intellectual property, advertising and marketing, competition, protection of minors, consumer protection, automatic subscription renewals, credit card processing, foreign exchange controls, and taxation. These laws and regulations may be interpreted and applied in a manner that is inconsistent from country to country and inconsistent with our current policies and practices and in ways that could harm our business, particularly in the new and rapidly evolving industry in which we operate. Additionally, the introduction of new products or services, expansion of our activities in certain jurisdictions, entry into new jurisdictions, or other actions that we may take may subject us to additional laws and regulations. These laws and regulations, as well as any associated claims, inquiries, or other government actions, may subject us to increased operating costs, delays or impediments in our business activities, diversion of management time and

attention, and remedies that harm our business, including fines or demands or orders that we modify or cease existing business practices.

The adoption or modification of laws or regulations relating to the internet or other areas of our business could limit or otherwise adversely affect the manner in which we currently conduct our business. For example, based on the Directive on Copyright in the Digital Single Market, EU Member States are implementing new rules on copyright protection, including rules on fair remuneration for use of copyrighted content and obligations on online content-sharing service providers, which could also impact our costs or the conditions for users to access licensed content. The European Commission also is considering changes in net neutrality policy that could permit internet service providers to impose new fees on online service providers like us, in the name of sharing network-related costs. In the United States, the protections from legal liability for content moderation decisions and third-party content posted on online platforms that are currently available to online platforms under Section 230 of the Communications Decency Act could change or decrease over the next few years, including as a result of a case currently before the U.S. Supreme Court. This could result in increased liability for content moderation decisions and third-party content posted on our Service and higher litigation costs. Certain jurisdictions have implemented or are contemplating implementing laws that may negatively impact our automatic renewal structure or our free or discounted trial incentives. Additionally, a number of regulatory initiatives that have been proposed to tackle the way platforms and digital services providers operate could generate operational and technical costs of compliance. In November 2022, the EU Digital Services Act (“DSA”) came into force, and the majority of the DSA’s substantive provisions will take effect between 2023 and 2024. Among other requirements, it sets forth rules on potential liability for services for content on our platform and on transparency measures and reporting. The DSA may increase our compliance costs and require changes to our processes and operations. Other jurisdictions may seek to enact regulations that mirror the DSA or otherwise conflict with it. Further, compliance with laws, regulations, and other requirements imposed upon our business may be onerous and expensive, and they may be inconsistent from jurisdiction to jurisdiction, further increasing the cost of compliance and doing business.

Various existing, new, and changing laws and regulations as well as self-regulation and public concern related to privacy and data security pose the threat of lawsuits, regulatory fines, other liability and reputational harm, require us to expend significant resources, and may harm our business, operating results, and financial condition.

As we collect and utilize personal data about our users as they interact with our products and services, we are subject to new and existing laws and regulations that govern our use of user data. We are likely to be required to expend significant capital to ensure ongoing compliance with these laws and regulations. Claims or allegations that we have violated laws and regulations relating to privacy and data security could result in negative publicity and a loss of confidence in us by our users and our partners. We may be required to make significant expenditures to resolve such claims, which may include paying monetary damages, financial settlements, and/or fines or other penalties, including by government and data protection authorities.

We are subject to various laws relating to the collection, use, retention, security and transfer of personal data, including the General Data Protection Regulation (“GDPR”), which imposes stringent operational requirements regarding, among others, data use, sharing and processing, data breach notifications, data subject rights, and cross-border data transfers for entities collecting and/or processing personal data of EU residents and significant penalties for non-compliance (up to EUR 20 million or up to 4% of the total worldwide annual turnover of the preceding financial year, whichever is higher). Following the United Kingdom’s (“UK”) departure from the EU, we are subject to UK data protection law, which imposes obligations and penalties similar to the GDPR. We are also subject to the evolving regulatory guidance, judicial decisions, and legislative developments on transfers of personal data from the EU and UK to other jurisdictions. We are subject to Directive 2002/58 on Privacy and Electronic Communications (the “ePrivacy Directive”), which requires entities to obtain informed and freely given consent for the placement of cookies and similar technologies on a user’s device. We are also subject to Brazilian data protection law that imposes similar requirements to GDPR on the collection and processing of data of Brazilian residents, as well as penalties for non-compliance (up to 2% of the Brazil-sourced income for the preceding financial year, limited to approximately \$9.5 million per infraction, with the possibility of a daily fine to compel the cessation of violations). We are also subject to the California Consumer Privacy Act (“CCPA”), which came into effect in January 2020 and imposes heightened transparency obligations, adds restrictions on the “sale” of personal information, and creates new data privacy rights for California residents and carries significant enforcement penalties for non-compliance (up to \$7,500 per intentional violation and \$2,500 per other violation). California consumers also have a private right of action under the CCPA with respect to certain data breaches and can recover civil damages of up to \$750 per incident, per consumer or actual damages, whichever is greater. In 2023, we will be subject to four new U.S. state privacy laws and the amended CCPA, which creates additional compliance obligations around user choice, data subject rights, and transparency, among others.

We rely on data transfer mechanisms permitted under the GDPR and UK regime, including the Standard Contractual Clauses. Recent European case law and regulatory guidance have imposed additional requirements when relying on the Standard Contractual Clauses, including requiring the use of the substantively updated version for transfers from the EU that was issued by the European Commission in June 2021. Ensuring we can continue to transfer EU personal data outside of the

European Economic Area (and UK personal data outside of the UK) in compliance with new regulatory guidance, judicial decisions, and legislative developments may require us to expend significant resources.

New laws in jurisdictions where we operate, amendments to, or reinterpretations of existing laws, rules of self-regulatory bodies, industry standards, and contractual obligations, as well as changes in our users' expectations and demands regarding privacy and data security, may require that we expend considerable resources to meet these requirements and may limit our ability to collect, use, and disclose, and to leverage and derive economic value from user data. Restrictions on our ability to collect, access and harness user data, or to use or disclose user data, may require us to expend significant resources to adapt to these changes, and would in turn limit our ability to stream personalized content to our users and offer advertising and promotional opportunities to users on the Service.

The regulatory framework for privacy issues worldwide is currently in flux and is likely to remain so for the foreseeable future. Our business, including our ability to operate and expand internationally, could be adversely affected if legislation or regulations are adopted, interpreted, or implemented in a manner that is inconsistent with our current business practices and that require changes to these practices, the design of our website, services, features, or our privacy policy.

We have incurred, and will continue to incur, expenses to comply with privacy and security standards and protocols imposed by law, regulation, self-regulatory bodies, industry standards, and contractual obligations. Actual or perceived failure to comply with privacy laws has in the past and could in the future result in regulatory or governmental investigations. It could also result in enforcement actions requiring us to change the way we use personal data, restrictions on how we use personal data, significant regulatory fines, or litigation. In addition to statutory enforcement, a data breach has in the past and could in the future lead to compensation claims by affected individuals (including consumer advocacy groups). It could also lead to negative publicity and a potential loss of business as a result of customers losing trust in us. Such failures could have a material adverse effect on our financial condition and operations.

Our business depends on a strong brand, and any failure to maintain, protect, and enhance our brand could harm our business.

We have developed a strong brand that we believe has contributed significantly to the success of our business. Maintaining, protecting, and enhancing the "Spotify" brand is critical to expanding our base of users and advertisers, as well as continuing to attract creators, and will depend largely on our ability to continue to provide useful, reliable, trustworthy, and innovative products and services, which we may not do successfully. We may introduce new products, services, features, content, or terms of service that our users, creators, advertisers, or partners do not like, which may negatively affect our brand. Our brand may be impaired by a number of other factors, including a decline in the quality or quantity of the content available on our Service, product or technical performance failures, or other reputational issues. Our brand may also be negatively affected by content on our platform that our users find objectionable, the use of our products or services to create or disseminate content that is deemed to be misleading or intended to manipulate opinions, perceived or actual efforts by governments to censor certain content on our platform, the use of our products for illicit, objectionable, or illegal ends, or our failure to respond appropriately to such uses of our products and services or to otherwise adequately address user concerns. Additionally, the actions of our developers, advertisers, and content partners may affect our brand if users do not have a positive experience using third-party applications or websites integrated with Spotify or that make use of Spotify content or brand features. If we fail to successfully maintain a strong brand, our business could be harmed.

If we are unable to maintain the growth of our Ad-Supported Users and Premium Subscribers, we may be required to expend greater resources than we currently spend on advertising, marketing, and other brand-building efforts to preserve and enhance consumer awareness of our brand, which would adversely affect our operating results and may not be effective.

Additionally, we receive a high degree of media coverage around the world. Unfavorable publicity regarding, for example, relationships with record labels, publishers, artists, and other copyright owners, content on our Service, our privacy practices, terms of service, service changes, service quality, litigation or regulatory activity, government surveillance, employee matters, the actions of our advertisers or strategic partners, the actions of our developers whose services are integrated with our products or services, the actions of our users, or the actions of other companies that provide similar services to us, could materially adversely affect our reputation and brand. Such negative publicity also could have an adverse effect on the size, engagement, and loyalty of our user base and result in decreased revenue, which could materially adversely affect our business, operating results, and financial condition.

We are subject to risks associated with increased scrutiny of environmental, social, and governance matters.

Increased attention to climate change and other environmental, social, and governance ("ESG") issues, as well as societal expectations regarding voluntary ESG initiatives and disclosures, may result in increased costs (including but not limited to costs related to compliance, stakeholder engagement, and contracting), impact our reputation, or otherwise affect our

business performance. We have to date and may in the future continue to take certain actions, including the establishment of ESG-related goals or targets, to address ESG issues. For example, in late 2021, we announced our intention to reach net zero emissions by the end of 2030 through a variety of ways, including joining external coalitions and initiatives. However, achieving our goals or targets is subject to risks and uncertainties and depends on numerous conditions, some of which are outside our control. There can be no assurances that our commitments will be achieved in the manner we currently intend or at all, and any failure (or perceived failure) to meet such commitments may adversely impact our relationship with certain stakeholders.

We have also elected to share publicly our corporate ESG initiatives in our annual Equity and Impact Report. However, certain statements in those voluntary disclosures may be based on expectations and assumptions that may or may not be representative of current or actual risks or events or forecasts of expected risks or events, including the costs associated therewith. Such expectations and assumptions are necessarily uncertain and may be prone to error or subject to misinterpretation given the long timelines involved and the lack of an established single approach to identifying, measuring, and reporting on many ESG matters. Such disclosures may also be at least partially reliant on third-party information that we have not independently verified. Our business may face increased scrutiny related to these activities, including from the investment community, and our failure to make progress in these areas on a timely basis, or at all, could adversely affect our brand and reputation. In addition, we expect there will likely be increasing levels of regulation, disclosure-related and otherwise, with respect to ESG matters, and increased regulation will likely lead to increased compliance costs as well as scrutiny that could heighten all of the risks identified in this risk factor. Although we expect that our commitment to ESG-based values will improve our financial performance over the long term, these decisions may not be consistent with the expectations or preferences of certain investors and any longer-term benefits may not materialize within the time frame we expect or at all, which could harm our business, revenue and financial results.

We are subject to payments-related risks.

We accept payments using a variety of methods, including credit and debit card transactions. For credit and debit card payments, we pay interchange and other transaction fees, which may increase over time. An increase in those fees would require us to either increase the prices we charge for our Premium Service, which could cause us to lose Premium Subscribers and subscription revenue, or suffer an increase in our costs without a corresponding increase in the price we charge for our Premium Service, either of which could harm our business, operating results, and financial condition. We rely on third-party service providers for payment processing services, including the processing of credit and debit cards. In particular, we rely on two third-party service providers, Adyen and PayPal (including Braintree), for the vast majority of our payment processing. Our business could be materially disrupted if these third-party service providers become unwilling or unable to provide these services to us. If we or our service providers for payment processing services have problems with our billing software, or the billing software malfunctions, it could have a material adverse effect on our user satisfaction and could cause one or more of the major credit card companies to disallow our continued use of their payment products. In addition, if our billing software fails to work properly and, as a result, we do not automatically charge our Premium Subscribers' credit cards on a timely basis or at all, our business, operating results, and financial condition could be materially adversely affected.

We are also subject to payment card association operating rules, certification requirements, and rules governing electronic funds transfers, including but not limited to the Payment Card Industry Data Security Standard, which could change or be reinterpreted to make it more difficult for us to comply. Any failure to comply with these rules or requirements may subject us to higher transaction fees, fines, penalties, damages, and civil liability, and may result in the loss of our ability to accept credit and debit card payments. Further, there is no guarantee that, even if we are in compliance with such rules or requirements, such compliance will prevent illegal or improper use of our payment systems or the theft, loss, or misuse of data pertaining to credit and debit cards, credit and debit card holders, and credit and debit card transactions. Certain payment card associations and U.S. states have proposed or promulgated additional requirements for trial offers for subscription services and automatic renewal subscription services, which may hinder our ability to attract or retain Premium Subscribers.

If we fail to adequately control fraudulent credit card transactions, we may face civil liability, diminished public perception of our security measures, and significantly higher credit card-related costs, each of which could adversely affect our business, operating results, and financial condition. If we are unable to maintain our chargeback rate or refund rates at acceptable levels, credit card and debit card companies may increase our transaction fees or terminate their relationships with us. The termination of our ability to process payments on any major credit or debit card would significantly impair our ability to operate our business.

We also accept payments through various payment solution providers, such as telco integrated billings and prepaid codes vendors. These payment solution providers provide services to us in exchange for a fee, which may be subject to change. Furthermore, we rely on their accurate and timely reports on sales and redemptions. If such accurate and timely reports are not being provided, it will affect the accuracy of our reports to our licensors, and also affect the accuracy of our financial reporting.

We depend on highly skilled key personnel to operate our business, and if we are unable to attract, retain, and motivate qualified personnel, our ability to develop and successfully grow our business could be harmed.

We depend on the continued services and performance of our key personnel, including our Chief Executive Officer, Daniel Ek, members of our executive team, and other key employees, such as key engineering, finance, research and development, marketing, and sales personnel. All of our employees, including our senior management, are free to terminate their employment relationship with us at any time, and their knowledge of our business and industry may be difficult to replace. We believe that our key executives have developed highly successful and effective working relationships. If one or more of these individuals leave, we may not be able to fully integrate new executives or replicate the current dynamic, and working relationships that have developed among our senior management and other key personnel, and our operations could suffer.

Our future success depends on our continuing ability to attract, develop, motivate, and retain highly qualified and skilled employees. Qualified individuals are in high demand, particularly in the digital media industry, and we may incur significant costs to attract them. We use equity awards to attract talented employees. If the value of our ordinary shares declines significantly and remains depressed, that may prevent us from recruiting and retaining qualified employees. Our ability to attract, retain, and motivate employees may also be adversely affected by stock price volatility.

We may require additional capital to support business growth and objectives, and this capital might not be available on acceptable terms, if at all.

We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges, including the need to develop new features or enhance our existing products or services, expand into additional markets around the world, improve our infrastructure, or acquire complementary businesses and technologies. Accordingly, we have in the past engaged, and may in the future engage, in equity and debt financings to secure additional funds. We cannot be certain that additional funds and financing will be available on reasonable terms when needed or at all, and our ability to secure funding may be affected by macroeconomic conditions including rising inflation and interest rates, geopolitical conflict, tighter credit, currency fluctuations, and changes to fiscal monetary policy. If we raise additional funds through future issuances of equity or convertible debt securities, our existing shareholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences, and privileges superior to those of holders of our ordinary shares. Any debt financing we secure in the future could also contain restrictive covenants relating to our capital-raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and pursue business opportunities, including potential acquisitions. If we are unable to obtain adequate financing or financing on terms satisfactory to us, our ability to continue to support our business growth, acquire or retain users, and to respond to business challenges could be significantly impaired, and our business may be harmed.

If currency exchange rates fluctuate substantially in the future, the results of our operations, which are reported in Euros, could be adversely affected.

Our international operations expose us to the effects of fluctuations and volatility in currency exchange rates. We incur expenses for employee compensation, property leases, and other operating expenses in the local currency, and an increasing percentage of our international revenue is from users who pay us in currencies other than U.S. dollars and Euros, including the Swedish Krona, the Australian dollar, and the British Pound Sterling. In addition, while we incur royalty expenses primarily in U.S. dollars and Euros, the corresponding revenues are being generated in local currencies and, as such, the multiple currency conversions are affected by currency fluctuations, which may result in losses to us. We have experienced fluctuations in the exchange rates between the Euro and other currencies that impact expenses as well as revenue, and consequently have a negative impact on margin and the reported operating results. To date, we have engaged in select hedging strategies related to foreign exchange risk stemming from our operations. These strategies include instruments such as foreign exchange forward contracts and options. However, these strategies should not be expected to fully eliminate the foreign exchange rate risk that we are exposed to.

The impact of worldwide economic conditions may adversely affect our business, operating results, and financial condition.

Our financial performance is subject to worldwide economic conditions, including adverse economic conditions caused by the continuing effects of the COVID-19 pandemic, rising inflation and interest rates, the continued conflict between Russia and Ukraine, and supply chain disruptions, and their impact on levels of advertising spending. Advertiser expenditures are negatively impacted by overall economic conditions, and reductions in advertising spending could have a material adverse impact on our business, operating results and financial condition.

In addition, challenging economic conditions may adversely impact levels of consumer spending, which could adversely impact the number of users who purchase our Premium Service and alter the spending patterns or priorities of current and prospective users. Consumer purchases of discretionary items generally decline during recessionary periods and other

periods in which disposable income is adversely affected. To the extent that overall economic conditions reduce spending on discretionary activities, our ability to retain current and obtain new Premium Subscribers could be hindered, which could reduce our subscription revenue and negatively impact our business.

We are currently operating during a period of economic uncertainty and cannot predict the timing, strength, or duration of economic downturns. To the extent general macroeconomic conditions remain uncertain or worsen, our business may be harmed. Current and potential users may reduce or postpone spending or choose not to purchase or renew subscriptions to our products, which they may consider discretionary. Inflation has the potential to adversely affect our liquidity, business, operating results, and financial condition by increasing our overall cost structure, particularly if we are unable to achieve commensurate increases in the prices we charge our customers. The existence of inflation in the economy has resulted in, and may continue to result in, higher interest rates and capital costs, increased costs of labor, fluctuations in foreign currency exchange rates, and other similar effects. As a result of inflation, we have experienced, and may continue to experience, cost increases, which could materially and adversely affect our business, operating results, and financial condition.

Risks Related to Our Metrics

Our user metrics and other estimates are subject to inherent challenges in measurement, and real or perceived inaccuracies in those metrics may seriously harm and negatively affect our reputation and our business.

We regularly review key metrics related to the operation of our business, including, but not limited to, our monthly active users (“MAUs”), Ad-Supported MAUs (as defined below), Premium average revenue per user (“ARPU”), and Premium Subscribers, to evaluate growth trends, measure our performance, and make strategic decisions. These metrics are calculated using internal company data and have not been validated by an independent third party. While these numbers are based on what we believe to be reasonable estimates of our user base for the applicable period of measurement, there are inherent challenges in measuring how our Service is used across large populations globally. For example, we believe that while there are individuals who have multiple Spotify accounts, which we treat as multiple users for purposes of calculating our active users, there are also Spotify accounts that are used by more than one person. Accordingly, the calculations of our active users may not reflect the actual number of people using our Service. The methodologies used to measure our key metrics require significant judgment and design inputs as well as technical tools that are susceptible to human error, technical errors, bugs, or other vulnerabilities, including those in hardware devices, operating systems, or other third-party products or services on which our Service relies. In addition, we are continually seeking to improve our estimates of our user base, and such estimates may change due to improvements or changes in our methodology, including improvements in our ability to identify and/or address previously undetected undesirable user behaviors. We cannot assure you that our efforts to improve our estimates of user base and to identify and/or address undesirable user behaviors will be successful, and these efforts could result in the removal of certain user accounts and/or a reduction in MAUs or other metrics.

Errors or inaccuracies in our metrics or data could result in incorrect business decisions and inefficiencies, including expending resources to implement unnecessary business measures or failing to take required actions to attract a sufficient number of users to satisfy our growth strategies.

In addition, advertisers generally rely on third-party measurement services to calculate metrics related to our advertising business, and these third-party measurement services may not reflect our true audience. Some of our demographic data also may be incomplete or inaccurate because users self-report their names and dates of birth or because we receive them from other third parties. Consequently, the personal data we have may differ from our users’ actual names and ages. If advertisers, partners, or investors do not perceive our user, geographic, or other demographic metrics to be accurate representations of our user base, or if we discover material inaccuracies in our user, geographic, or other demographic metrics, our reputation may be seriously harmed.

Failure to effectively manage and remediate attempted stream manipulation could have an adverse impact on our business, operating results, and financial condition.

We have in the past been, and continue to be, impacted by attempts by third parties to artificially manipulate stream counts. Such attempts may, for example, be designed to generate revenue for content providers and/or rights holders or to influence placement of content on Spotify-created playlists or industry charts. Attempted stream manipulation may involve creating non-bona fide user accounts or content or using compromised passwords to access legitimate user accounts. For example, we have detected instances of botnet operators creating non-bona fide user accounts or hackers using passwords compromised as a result of a data breach on a non-Spotify service to access legitimate user accounts and streaming specific content repeatedly, thereby generating royalties each time the content is streamed or increasing its visibility on our or third-party charts. We use a combination of algorithms and manual review by employees to detect artificial streams and aim to remove such artificial streams or non-bona fide user accounts created for the above purposes and filter them out from our metrics on an ongoing basis, as well as to require users to reset passwords that we suspect have been compromised. However,

we may not be successful in detecting, removing, and addressing all artificial streams and any related user accounts. If we fail to successfully detect, remove, and address artificial streams and associated user accounts, it may result in the manipulation of our data, including the key performance indicators, which underlie, among other things, our contractual obligations with rights holders and advertisers (which could expose us to the risk of litigation), as well as harm our relationships with rights holders and advertisers. In addition, once we detect and mitigate artificial streams and associated user accounts, this may result in the removal of certain user accounts and/or a reduction in account activity, which may affect key performance indicators and undermine investor confidence in the integrity of our key performance indicators. These could have a material adverse impact on our business, operating results, and financial condition.

Failure to effectively manage and remediate attempts to gain or provide unauthorized access to certain features of our Service could have an adverse impact on our business, operating results, and financial condition.

We have in the past been, and continue to be, impacted by attempts by third parties to manipulate or exploit our software for the purpose of gaining or providing unauthorized access to certain features of our Service. For example, we have detected instances of third parties seeking to provide mobile device users a means to suppress advertisements without payment and gain access to features only available to the Ad-Supported Service on tablets and desktop computers. If we fail to successfully detect and address such issues, it may adversely affect our contractual obligations and relationships with rights holders and advertisers (which could expose us to the risk of litigation), and harm our business, operating results, and financial condition. The discovery or development of any new method to gain unauthorized access to certain features of our service, such as through the exploitation of software vulnerabilities, and the sharing of any such method among third parties, may increase the level of unauthorized access (and the attendant negative financial impact described above). We cannot assure you we will be successful in finding ways to effectively address unauthorized access achieved through any such method. Additionally, Ad-Supported Users using unauthorized versions of our application may be less likely to convert to Premium Subscribers. Moreover, once we detect and disable such unauthorized access, this may result in the removal of certain user accounts and/or a reduction in account activity, which may affect our key performance indicators and could undermine investor confidence in the integrity of our key performance indicators. These could have a material adverse impact on our business, operating results, and financial condition.

Risks Related to Our Indebtedness

Our indebtedness and liabilities could limit the cash flow available for our operations, expose us to risks that could adversely affect our business, operating results, and financial condition, and impair our ability to satisfy our obligations under the Exchangeable Notes.

As of December 31, 2022, we had \$1,500 million principal amount of indebtedness as a result of the 0% Exchangeable Senior Notes due 2026 (“Exchangeable Notes”) offering. We may also incur additional indebtedness to meet future financing needs. Our indebtedness could have significant negative consequences for our shareholders and our business, operating results, and financial condition by, among other things:

- increasing our vulnerability to adverse economic and industry conditions;
- limiting our ability to obtain additional financing;
- requiring the dedication of a substantial portion of our cash flow from operations to service our indebtedness, which will reduce the amount of cash available for other purposes;
- limiting our flexibility to plan for, or react to, changes in our business;
- diluting the interests of our existing shareholders as a result of issuing ordinary shares upon exchange of the Exchangeable Notes; and
- placing us at a possible competitive disadvantage with competitors that are less leveraged than we are or have better access to capital.

Our business may not generate sufficient funds, and we may otherwise be unable to maintain sufficient cash reserves, to pay amounts due under our indebtedness, including the Exchangeable Notes, and our cash needs may increase in the future. In addition, future indebtedness that we may incur may contain financial and other restrictive covenants that limit our ability to operate our business, raise capital, or make payments under our other indebtedness. If we fail to comply with these covenants or to make payments under our indebtedness when due, we would be in default under that indebtedness, which could, in turn, result in that and our other indebtedness becoming immediately payable in full.

We may be unable to raise the funds necessary to repurchase the Exchangeable Notes for cash following certain fundamental change as set forth in the Indenture, or to pay any cash amounts due upon exchange, and our future indebtedness may limit our ability to repurchase the Exchangeable Notes or pay cash upon their exchange.

Holders of the Exchangeable Notes may, subject to a limited exception under the Indenture, require us to repurchase their Exchangeable Notes following certain fundamental change under the Indenture at a cash repurchase price generally equal to the principal amount of the Exchangeable Notes to be repurchased, plus accrued and unpaid special and additional interest, if any. In addition, upon exchange, we will satisfy part or all of our exchange obligation in cash unless we elect to settle exchanges solely in ordinary shares. We may not have enough available cash or be able to obtain financing at the time we are required to repurchase the Exchangeable Notes or pay any cash amounts due upon exchange. In addition, applicable law, regulatory authorities, and the agreements governing our future indebtedness may restrict our ability to repurchase the Exchangeable Notes or pay any cash amounts due upon exchange. Our failure to repurchase the Exchangeable Notes or pay any cash amounts due upon exchange when required will constitute a default under the Indenture. A default under the Indenture or the fundamental change itself could also lead to a default under agreements governing our future indebtedness, which may result in that future indebtedness becoming immediately payable in full. We may not have sufficient funds to satisfy all amounts due under the future indebtedness and the Exchangeable Notes.

Provisions in the Indenture could delay or prevent an otherwise beneficial takeover of us.

Certain provisions in the Exchangeable Notes and the Indenture could make it more difficult or expensive for a third party who attempts to acquire us. For example, if a takeover constitutes a fundamental change, then noteholders will have the right to require us to repurchase their Exchangeable Notes for cash. In addition, if a takeover constitutes a make-whole fundamental change, then we may be required to temporarily increase the exchange rate. In either case, and in other cases, our obligations under the Exchangeable Notes and the Indenture could increase the cost of acquiring us or otherwise discourage a third party from acquiring us or removing incumbent management, including in a transaction that holders of ordinary shares may view as favorable.

Under the applicable accounting treatment, the Exchangeable Notes could adversely affect our reported financial condition and results.

The Exchangeable Notes have been designated at fair value through profit and loss using the fair value option in accordance with IFRS. Under this treatment, the exchange feature contained in the Exchangeable Notes is reflected in the overall fair value of the Exchangeable Notes, which is marked-to-market at the end of each reporting period. For each financial statement period while the Exchangeable Notes remain outstanding, a gain or loss will be reported in our consolidated statement of operations to the extent the fair value changes from the end of the previous period, except that changes in fair value due to changes in our credit risk will be presented separately in other comprehensive income. The gains and losses relating to the Exchangeable Notes may be significant. Accordingly, this accounting treatment may subject our reported net income (loss) and our financial position to significant variability. Furthermore, if a fundamental change occurs, we may be required in accordance with IFRS to reclassify the carrying value of the Exchangeable Notes as a current, rather than a non-current, liability. This reclassification could be necessary even if no noteholder actually requires us to repurchase their Exchangeable Notes and could materially reduce our reported working capital. Amendments to International Accounting Standard (“IAS”) 1, which will become effective during the term of the Exchangeable Notes, would also require us to reclassify the Exchangeable Notes as a current liability if the exchange conditions are met, even if no noteholder actually requires us to exchange their notes.

Risks Related to Tax

We are a multinational company that faces complex taxation regimes in various jurisdictions. Audits, investigations, and tax proceedings could have a material adverse effect on our business, operating results, and financial condition.

We are subject to income and non-income taxes in numerous jurisdictions. The determination of the provision for income taxes and other tax liabilities involves the interpretation of tax legislation and often the application of significant judgment to complex issues. In particular, most of the jurisdictions in which we conduct business have detailed transfer pricing rules, which require that all transactions with non-resident related parties be priced using arm’s length pricing principles within the meaning of such rules. We are subject to ongoing tax audits in several jurisdictions, and most of these audits involve transfer pricing matters. Tax authorities in certain jurisdictions have challenged our tax positions. We regularly assess the likely outcomes of these audits, taking into account any new information available, in order to determine the appropriateness of the tax reserves recorded on the balance sheet. We have initiated and are in negotiations of an Advance Pricing Agreement between Sweden and the United States governments for tax years 2014 through 2020 covering various transfer pricing matters. These transfer pricing matters may be significant to our consolidated financial statements. We believe that our tax positions, including our assumptions, judgments, and estimates within, are reasonable. However, tax authorities in certain jurisdictions may disagree

with our position, including any judgements or estimates used. If any of these tax authorities were successful in challenging our positions, we may be liable for additional income tax as well as penalties and interest related thereto in excess of any reserves established, which may have a significant impact on our results and operations and future cash flow.

We may not be able to utilize all, or any, of our net operating loss carry-forwards.

We have significant net operating loss carry-forwards in Sweden and the United States. As of December 31, 2022, we had net operating loss carry-forwards of €195 million in Luxembourg, €1,359 million in Sweden, €214 million in the United States relating to federal taxes, €248 million in the United States relating to state taxes, and €118 million in other foreign jurisdictions. In certain jurisdictions, if we are unable to earn sufficient income or profits to utilize such carry-forwards before they expire, they will no longer be available to offset future income or profits.

In Sweden, utilization of these net operating loss carry-forwards may be subject to a substantial annual limitation or elimination in full or part if there is an ownership or control change within the meaning of Chapter 40, paragraphs 10-14 of the Swedish Income Tax Act. In general, an ownership or control change, as defined by the Swedish Income Tax Act, results from a transaction or series of transactions over a five-year period resulting in an ownership or control change of a company by certain categories or individuals, businesses or organizations. The treatment of the issuance of the beneficiary certificates in February 2018 is unclear under the Swedish Income Tax Act and there is a risk that such issuance may have constituted an ownership or control change, as defined by the Swedish Income Tax Act. If our issuance of the beneficiary certificates were to be deemed to have constituted an ownership or control change, our ability to use our net operating loss carry-forwards may be limited or eliminated.

In addition, in the United States, utilization of these net operating loss carry-forwards may be subject to a substantial annual limitation if there is an ownership change within the meaning of Section 382 of the Internal Revenue Code (“Section 382”). In general, an ownership change, as defined by Section 382, results from a transaction or series of transactions over a three-year period resulting in an ownership change of more than 50% of the outstanding stock of a company by certain stockholders or public groups. Since our formation, we have raised capital through the issuance of capital stock on several occasions, and we may continue to do so in the future, which, combined with current or future shareholders’ disposition of ordinary shares, may have resulted in such an ownership change. Such an ownership change may limit the amount of net operating loss carry-forwards that can be utilized to offset future taxable income.

If the fair market value of our ordinary shares fluctuates significantly on a quarterly basis, the social costs we accrue for share-based compensation will also fluctuate significantly, which could result in our failing to meet our expectations or investor expectations for quarterly financial performance. This could negatively impact investor sentiment for the Company, and as a result, adversely impact the price of our ordinary shares.

Social costs are payroll taxes associated with employee salaries and benefits, including share-based compensation that we are subject to in various countries in which we operate. This is not a withholding tax. For the year ended December 31, 2022, we recorded a social cost benefit related to share-based compensation of €64 million compared to a €32 million benefit for the year ended December 31, 2021.

When the fair market value of our ordinary shares increases on a quarter-to-quarter basis, the accrued expense for social costs will increase, and when the fair market value of ordinary shares falls, the accrued expense will become a reduction in social costs expense, all other things being equal, including the number of vested stock options and exercise price remaining constant. The fair market value of our ordinary shares has been and will likely continue to be volatile. See “—Risks Related to Owning Our Ordinary Shares—The trading price of our ordinary shares has been and will likely continue to be volatile.” As a result, the accrued expense for social costs may fluctuate significantly from quarter to quarter, which could result in our failing to meet our expectations or investor expectations for quarterly financial performance. This could negatively impact investor sentiment for the Company, and as a result, the price for our ordinary shares.

Approximately 20% of our employees are in Sweden. With respect to our employees in Sweden, we are required to pay a 31.42% tax to the Swedish government on the profit an employee realizes on the exercise of our stock options or the vesting of our restricted stock units (“RSUs”). They accounted for a total of 2,401,797 in vested options as of December 31, 2022 compared to a total of 1,761,039 in vested options as of December 31, 2021. We cannot accurately predict how many of their vested options will remain outstanding. As a result, the cash payments to the Swedish government upon the exercise of vested stock options may vary significantly from quarter to quarter.

Given our levels of share-based compensation, our effective tax rate may vary significantly depending on our share price.

The tax effects of the accounting for share-based compensation may significantly impact our effective tax rate from period to period. When the tax deduction related to equity compensation in the period is greater than the accounting expense for those awards, the resulting excess tax benefits will be presented in equity. This means that although these excess benefits reduce our taxable income and our current tax liability, the benefit is reflected in equity rather than in the consolidated statement of operations. There can be periods when our current tax liability is nil but we disclose an income tax expense in the consolidated statement of operations (with an offsetting credit in equity).

These tax effects are dependent on our share price and level of exercises in a period, which we do not control and could significantly impact our effective tax rate and adversely affect our operating results.

Changes to tax laws in any of the jurisdictions in which we operate, including new proposals on taxing digital companies and the ongoing work by the Organization for Economic Cooperation and Development (the "OECD"), could have a material adverse effect on our business, operating results, and financial condition.

Tax laws, including tax rates, in the jurisdictions in which we operate may change as a result of macroeconomic or other factors outside of our control. For example, the Inflation Reduction Act recently enacted in the United States introduced, among other changes, a 15% corporate minimum tax on certain United States corporations and a 1% excise tax on certain stock redemptions by United States corporations (which the U.S. Treasury indicated may also apply to certain stock redemptions by a foreign corporation funded (or deemed funded) by certain United States affiliates. In addition, effective in 2022, the Tax Cuts and Jobs Act of 2017 eliminates the option to deduct research and development expenditures in the current period and requires taxpayers to capitalize and amortize them over five or fifteen years pursuant to Internal Revenue Code Section 174. Finally, various governments and organizations such as the EU and the OECD are increasingly focused on tax reform and other legislative or regulatory action to increase tax revenue, such as the imposition of taxes in connection with certain digital services.

In January 2019, the OECD announced further work in continuation of its Base Erosion and Profit Shifting project, focusing on two "pillars." Pillar One provides a framework for the reallocation of certain residual profits of multinational enterprises to market jurisdictions where goods or services are used or consumed. Pillar Two consists of two interrelated rules referred to as Global Anti-Base Erosion ("GloBE") Rules, which operate to impose a minimum tax rate of 15% calculated on a jurisdictional basis. More than 135 member countries of the OECD / G20 Inclusive Framework on BEPS have signed onto a political agreement on the key parameters of the two pillars, which was reached in October 2021. This agreement targeted completion of the work by the members in 2022, and law enactment to take effect, generally, in 2023 with applicability from fiscal years beginning on or after December 31, 2023. On December 20, 2021, the OECD published model rules to implement the GloBE rules and released commentary to those rules in March 2022. The model rules and commentary allow the OECD's Inclusive Framework members to begin implementing the GloBE rules in a manner consistent with the agreement reached in October 2021. EU Member States recently adopted a directive that implements the GloBE rules in the EU. Luxembourg as an EU Member State will be required to transpose the directive into domestic legislation by the end of 2023, with application as of 2024. Work on Pillar One is continuing and is now targeting completion by mid-2023 for entry into force as of 2024. Certain components of Pillar Two are still being worked on. These changes, if and when agreed and enacted by various countries in which we do business, may increase our taxes in these countries. The timing and ultimate impact of any such changes on our tax obligations is uncertain.

Changes in tax laws, treaties, or regulations or their interpretation or enforcement are unpredictable. Any of these occurrences could have a material adverse effect on our business, operating results, and financial condition, including changing the amount and recognition of our deferred tax assets and liabilities.

We may be classified as a passive foreign investment company, which could result in adverse U.S. federal income tax consequences to U.S. Holders of our ordinary shares.

We would be classified as a passive foreign investment company ("PFIC") for any taxable year if, after the application of certain look-through rules, either: (i) 75% or more of our gross income for such year is "passive income" (as defined in the relevant provisions of the Internal Revenue Code of 1986, as amended), or (ii) 50% or more of the value of our assets (determined on the basis of a quarterly average) during such year is attributable to assets that produce or are held for the production of passive income. Based on the trading price of our ordinary shares and the composition of our income, assets and operations, we do not believe that we were a PFIC for U.S. federal income tax purposes for the taxable year ending on December 31, 2022, nor that we will be a PFIC in the foreseeable future. However, this is a factual determination that must be made annually after the close of each taxable year. Moreover, the value of our assets for purposes of the PFIC determination may be determined by reference to the trading price of our ordinary shares, which could fluctuate significantly. Therefore, there can be no assurance that we will not be classified as a PFIC in the future. Certain adverse U.S. federal income tax consequences could apply to a U.S. Holder if we are treated as a PFIC for any taxable year during which such U.S. Holder holds our ordinary

shares. Accordingly, each holder of our ordinary shares should consult such holder's tax advisor as to the potential effects of the PFIC rules.

If a United States person is treated as owning at least 10% of our ordinary shares, such shareholder may be subject to adverse U.S. federal income tax consequences.

If a United States person is treated as owning (directly, indirectly, or constructively) at least 10% of the value or voting power of our ordinary shares, such person may be treated as a "United States shareholder" with respect to each "controlled foreign corporation" in our group (if any). Because our group includes one or more U.S. subsidiaries, certain of our non-U.S. subsidiaries could be treated as controlled foreign corporations, regardless of whether or not we are treated as a controlled foreign corporation. A United States shareholder of a controlled foreign corporation may be required to report annually and include in its U.S. taxable income its pro rata share of "Subpart F income," "global intangible low-taxed income," and investments in U.S. property by controlled foreign corporations, regardless of whether we make any distributions. An individual that is a United States shareholder with respect to a controlled foreign corporation generally would not be allowed certain tax deductions or foreign tax credits that would be allowed to a United States shareholder that is a U.S. corporation. Failure to comply with these reporting obligations may subject a United States shareholder to significant monetary penalties and may prevent the statute of limitations with respect to such shareholder's U.S. federal income tax return for the year for which reporting was due from starting. We cannot provide any assurances that we will assist investors in determining whether any of our non-U.S. subsidiaries is treated as a controlled foreign corporation or whether any investor is treated as a United States shareholder with respect to any such controlled foreign corporation or furnish to any United States shareholders information that may be necessary to comply with the aforementioned reporting and tax paying obligations. A United States investor should consult its advisors regarding the potential application of these rules to an investment in our ordinary shares.

Risks Related to Owning Our Ordinary Shares

The trading price of our ordinary shares has been and will likely continue to be volatile.

The trading price of our ordinary shares has been and is likely to continue to be volatile. In 2022, the trading price of our ordinary shares ranged from \$71.05 to \$244.16. The market price of our ordinary shares may fluctuate or decline significantly in response to the factors enumerated in this report, as well as other factors, many of which are beyond our control, including:

- quarterly variations in our results of operations or those of our competitors;
- the accuracy of our financial guidance or projections;
- our announcements or our competitors' announcements regarding new services, enhancements, significant contracts, acquisitions, or strategic investments;
- the overall performance of the equity markets, including fluctuations due to general economic uncertainty or negative market sentiment;
- any major change in our board of directors or management;
- publication of research reports about us or our industry or changes in recommendations or withdrawal of research coverage by securities analysts; and
- sales or expected sales, or repurchases or expected repurchases, of our ordinary shares by us, and our officers, directors, and significant shareholders.

In addition, the stock market in general, and the market for technology companies in particular, have experienced extreme price and volume fluctuations that often have been unrelated or disproportionate to the operating performance of those companies. Price volatility over a given period may cause the average price at which the Company repurchases its ordinary shares to exceed the trading price at a given point in time. Securities class action litigation has often been instituted against companies following periods of volatility in the overall market and in the market price of a company's securities. Such litigation, if instituted against us, could result in very substantial costs, divert our management's attention and resources and harm our business, operating results, and financial condition.

Provisions in our articles of association, the issuance of beneficiary certificates, and the existence of certain voting agreements may delay or prevent our acquisition by a third party.

Our articles of association contain provisions that may make it more difficult or expensive for a third party to acquire control of us without the approval of our board of directors and, if required, our shareholders. These provisions also may delay, prevent, or deter a merger, acquisition, tender offer, proxy contest, or other transaction that might otherwise result in our shareholders receiving a premium over the market price for their ordinary shares. The provisions include, among others, the authorization granted by the general meeting of shareholders to our board of directors to issue ordinary shares within the limits of the authorized share capital at such times and on such terms as our board of directors may decide for a maximum period of

five years after the date of publication in the Luxembourg official gazette (*Recueil électronique des Sociétés et Associations*, as applicable) of the minutes of the relevant general meeting approving such authorization. The general meeting may amend, renew, or extend such authorized share capital and such authorization to the board of directors to issue ordinary shares.

The provisions of our articles of association could discourage potential takeover attempts and reduce the price that investors might be willing to pay for our ordinary shares in the future, which could reduce the trading price of our ordinary shares.

Additionally, the issuance of beneficiary certificates also may make it more difficult or expensive for a third party to acquire control of us without the approval of our founders. See “—The issuance of beneficiary certificates to certain shareholders, including our founders, will limit your voting power and your ability to influence the composition of the board of directors, strategy, or performance of the business. We cannot predict the impact that beneficiary certificates may have on our stock price.”

We do not expect to pay cash dividends in the foreseeable future.

We have never declared or paid any cash dividends on our share capital. We currently intend to retain any future earnings for working capital and general corporate purposes and do not expect to pay dividends or other distributions on our ordinary shares in the foreseeable future. As a result, you may only receive a return on your investment in our ordinary shares if you sell some or all of your ordinary shares after the trading price of our ordinary shares increases. You may not receive a gain on your investment when you sell your ordinary shares and you may lose the entire amount of the investment.

Moreover, we are a holding company and have no material assets other than our direct and indirect ownership of shares in our subsidiaries. Our ability to pay any future dividends is subject to restrictions on the ability of our subsidiaries to pay dividends or make distributions to us, including the laws of the relevant jurisdiction in which the subsidiaries are organized or located, as well as any restrictions in the future indebtedness of our subsidiaries or on our ability to receive dividends or distributions from our subsidiaries. Since we are expected to rely primarily on dividends from our direct and indirect subsidiaries to fund our financial and other obligations, restrictions on our ability to receive such funds may adversely impact our ability to fund our financial and other obligations.

The issuance of beneficiary certificates to certain shareholders, including our founders, will limit your voting power and your ability to influence the composition of the board of directors, strategy, or performance of the business. We cannot predict the impact that beneficiary certificates may have on our stock price.

Our shareholders have authorized the issuance of up to 1,400,000,000 beneficiary certificates to shareholders of the Company without reserving to our existing shareholders a preemptive right to subscribe for the beneficiary certificates issued in the future. As of December 31, 2022, our founders, Daniel Ek and Martin Lorentzon, beneficially owned or controlled, directly or indirectly, ordinary shares and beneficiary certificates representing 31.7% and 42.6% of the combined voting power of all of our outstanding voting securities, respectively (or 74.3% in the aggregate). See “Item 7.A. Major Shareholders.” We may issue additional beneficiary certificates under the total authorized amount at the discretion of our board of directors, of which our founders are members. Pursuant to our articles of association, our beneficiary certificates may be issued at a ratio of between one and 20 beneficiary certificates per ordinary share as determined by our board of directors or its delegate at the time of issuance. For example, in the future, we may issue to Mr. Ek up to 20 beneficiary certificates for each ordinary share he receives upon the exercise of outstanding warrants, of which he currently holds 800,000. See “Item 6.B. Compensation—Compensation Discussion & Analysis—Warrants.” Each beneficiary certificate entitles its holder to one vote. The beneficiary certificates carry no economic rights and are issued to provide the holders of such beneficiary certificates with additional voting rights. The beneficiary certificates, subject to certain exceptions, may not be transferred and will automatically be canceled for no consideration in the case of sale or transfer of the ordinary share to which they are linked. As a result, the issuance of the beneficiary certificates and the voting power that they provide to the shareholders receiving those beneficiary certificates will limit the voting power of minority shareholders and the ability of minority shareholders to influence the composition of the board of directors, strategy, or performance of our business.

As a result of this ownership or control of our voting securities, if our founders act together, they will have control over the outcome of substantially all matters submitted to our shareholders for approval, including the election of directors. This may delay or prevent an acquisition or cause the trading price of our ordinary shares to decline. Our founders may have interests different from yours. Therefore, the concentration of voting power among our founders may have an adverse effect on the price of our ordinary shares.

Sales of substantial amounts of our ordinary shares in the public market by our founders, affiliates, or non-affiliates, or the perception that such sales could occur, could adversely affect the trading price of our ordinary shares and may make it more difficult for you to sell your ordinary shares at a time and price that you deem appropriate.

Finally, we cannot predict whether the issuance of additional beneficiary certificates will result in a lower or more volatile trading price of our ordinary shares or result in adverse publicity or other adverse consequences. For example, FTSE Russell requires new constituents of its indexes to have greater than five percent of the company's voting rights in the hands of public shareholders, and S&P Dow Jones will not admit companies with multiple-class share structures to certain of its indexes. While we do not have a multiple-class share structure, we cannot predict if we would be excluded from these indexes as a result of the issuance of beneficiary certificates and we cannot assure you that other stock indexes will not take similar actions. Given the sustained flow of investment funds into passive strategies that seek to track certain indexes, exclusion from stock indexes would likely preclude investment by many of these funds and could make our ordinary shares less attractive to other investors. As a result, the trading price of our ordinary shares could be adversely affected.

Risks Related to Investment in a Luxembourg Company and Our Status as a Foreign Private Issuer

As a foreign private issuer, we are exempt from a number of U.S. securities laws and rules promulgated thereunder and are permitted to publicly disclose less information than U.S. companies must. This may limit the information available to holders of the ordinary shares.

We currently qualify as a foreign private issuer, as defined in the rules and regulations of the SEC, and, consequently, we are not subject to all of the disclosure requirements applicable to companies organized within the United States. For example, we are exempt from certain rules under the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") that regulates disclosure obligations and procedural requirements related to the solicitation of proxies, consents or authorizations applicable to a security registered under the Exchange Act. In addition, our officers and directors are exempt from the reporting and "short-swing" profit recovery provisions of Section 16 of the Exchange Act and related rules with respect to their purchases and sales of our securities. For example, some of our key executives may sell a significant amount of ordinary shares, and such sales will not be required to be disclosed as promptly as sales made by key executives of companies organized within the United States. Accordingly, once such sales are eventually disclosed, our ordinary share price may decline significantly. Moreover, we are not required to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. public companies. We are also not subject to Regulation FD under the Exchange Act, which would prohibit us from selectively disclosing material nonpublic information to certain persons without concurrently making a widespread public disclosure of such information. Accordingly, there may be less publicly available information concerning our company than there is for U.S. public companies.

As a foreign private issuer, we are required to file an annual report on Form 20-F within four months of the close of each fiscal year ended December 31 and furnish reports on Form 6-K relating to certain material events promptly after we publicly announce these events. However, because of the above exemptions for foreign private issuers, our shareholders may not always be afforded the same information generally available to investors holding shares in public companies that are not foreign private issuers.

The rights of our shareholders may differ from the rights they would have as shareholders of a U.S. corporation, which could adversely impact trading in our ordinary shares and our ability to conduct equity financings.

Our corporate affairs are governed by our articles of association and the laws of Luxembourg, including the Luxembourg Company Law (*loi du 10 août 1915 concernant les sociétés commerciales, telle qu'elle a été modifiée*). The rights of our shareholders and the responsibilities of our directors and officers under Luxembourg law are different from those applicable to a corporation incorporated in the United States. See "Item 10.B. Memorandum and Articles of Association" for an explanation of the differences. In addition, Luxembourg law governing the securities of Luxembourg companies may not be as extensive as those in effect in the United States, and Luxembourg law and regulations in respect of corporate governance matters might not be as protective of minority shareholders as state corporation laws in the United States. Therefore, our shareholders may have more difficulty in protecting their interests in connection with actions taken by our directors and officers or our principal shareholders than they would as shareholders of a corporation incorporated in the United States.

We are organized under the laws of Luxembourg and a substantial amount of our assets are not located in the United States. It may be difficult for you to obtain or enforce judgments or bring original actions against us or the members of our board of directors in the United States.

We are organized under the laws of Luxembourg. In addition, a substantial amount of our assets are located outside the United States. Furthermore, many of the members of our board of directors and officers reside outside the United States and a substantial portion of their assets are located outside the United States. Investors may not be able to effect service of process within the United States upon us or these persons or enforce judgments obtained against us or these persons in U.S. courts, including judgments in actions predicated upon the civil liability provisions of the U.S. federal securities laws. Likewise, it may also be difficult for an investor to enforce in U.S. courts judgments obtained against us or these persons in courts located in

jurisdictions outside the United States, including judgments predicated upon the civil liability provisions of the U.S. federal securities laws. Awards of punitive damages in actions brought in the United States or elsewhere are generally not enforceable in Luxembourg.

As there is no treaty in force on the reciprocal recognition and enforcement of judgments in civil and commercial matters between the United States and Luxembourg, courts in Luxembourg will not automatically recognize and enforce a final judgment rendered by a U.S. court. A valid judgment obtained from a court of competent jurisdiction in the United States may be entered and enforced through a court of competent jurisdiction in Luxembourg, subject to compliance with the enforcement procedures (exequatur). The enforceability in Luxembourg courts of judgments rendered by U.S. courts will be subject, prior to any enforcement in Luxembourg, to the procedure and the conditions set forth in the Luxembourg procedural code. In addition, actions brought in a Luxembourg court against us, the members of our board of directors, or our officers to enforce liabilities based on U.S. federal securities laws may be subject to certain restrictions. In particular, Luxembourg courts generally do not award punitive damages. Litigation in Luxembourg also is subject to rules of procedure that differ from the U.S. rules. Proceedings in Luxembourg would have to be conducted in the French or German language, and all documents submitted to the court would, in principle, have to be translated into French or German. For these reasons, it may be difficult for a U.S. investor to bring an original action in a Luxembourg court predicated upon the civil liability provisions of the U.S. federal securities laws against us, the members of our board of directors, or our officers. In addition, even if a judgment against the Company, the non-U.S. members of our board of directors, or our officers based on the civil liability provisions of the U.S. federal securities laws is obtained, a U.S. investor may not be able to enforce it in U.S. or Luxembourg courts.

Our articles of association provide that directors and officers, past and present, are entitled to indemnification from us to the fullest extent permitted by Luxembourg law against all liability and expenses reasonably incurred or paid by him or her in connection with any claim, action, suit, or proceeding in which he or she would be involved by virtue of his or her being or having been a director or officer and against amounts paid or incurred by him or her in the settlement thereof, subject to limited exceptions. The rights to and obligations of indemnification among or between us and any of our current or former directors and officers are generally governed by the laws of Luxembourg and subject to the jurisdiction of the Luxembourg courts, unless such rights or obligations do not relate to or arise out of such persons' capacities listed above. Although there is doubt as to whether U.S. courts would enforce this indemnification provision in an action brought in the United States under U.S. federal or state securities laws, this provision could make it more difficult to obtain judgments outside Luxembourg or from non-Luxembourg jurisdictions that would apply Luxembourg law against our assets in Luxembourg.

Luxembourg and European insolvency and bankruptcy laws are substantially different from U.S. insolvency laws and may offer our shareholders less protection than they would have under U.S. insolvency and bankruptcy laws.

As a company organized under the laws of Luxembourg and with its registered office in Luxembourg, we are subject to Luxembourg insolvency and bankruptcy laws in the event any insolvency proceedings are initiated against us including, among other things, Council and European Parliament Regulation (EU) 2015/848 of 20 May 2015 on insolvency proceedings (recast). Should courts in another European country determine that the insolvency and bankruptcy laws of that country apply to us in accordance with and subject to such EU regulations, the courts in that country could have jurisdiction over the insolvency proceedings initiated against us. Insolvency and bankruptcy laws in Luxembourg or the relevant other European country, if any, may offer our shareholders less protection than they would have under U.S. insolvency and bankruptcy laws and make it more difficult for them to recover the amount they could expect to recover in a liquidation under U.S. insolvency and bankruptcy laws.

Item 4. Information on the Company

A. History and Development of the Company

We are a Luxembourg public limited liability company (*société anonyme*), which means that shareholders' liability is limited to their contributions to the company. The shares forming the share capital of a Luxembourg public limited liability company (*société anonyme*) may be publicly traded and registered on a stock exchange. Our legal name is "Spotify Technology S.A." and our commercial name is "Spotify." We were incorporated on December 27, 2006 as a Luxembourg private limited liability company (*société à responsabilité limitée*) and were transformed, on March 20, 2009, into a Luxembourg public limited liability company (*société anonyme*). The principal legislation under which we operate, and under which our ordinary share capital has been created, is the law of August 10, 1915 on commercial companies, as amended, and the law of December 19, 2002 on the register of commerce and companies and the accounting and annual accounts of undertakings and the regulations, as amended, made thereunder.

We are registered with the Luxembourg Trade and Companies' Register under number B.123.052. Our registered office is located at 5, place de la Gare L-1616, Luxembourg, Grand Duchy of Luxembourg, and our principal operational office

is located at Regeringsgatan 19, 111 53 Stockholm, Sweden. Our agent for U.S. federal securities law purposes is Eve Konstan, General Counsel, 150 Greenwich Street, 63rd Floor, New York, New York 10007.

On March 6, 2020, we acquired Bill Simmons Media Group, LLC (“The Ringer”), a leading creator of sports, entertainment, and pop culture content, for a total purchase consideration of €170 million. The acquisition allows us to expand our content offering, audience reach, and podcast monetization.

On December 8, 2020, we acquired Megaphone LLC (“Megaphone”), a podcast technology company, for a total purchase consideration of €195 million. The acquisition allows us to expand and scale our podcast monetization and product offering for advertisers.

On March 2, 2021, Spotify USA Inc. issued US\$1,500 million in aggregate principal amount of the Exchangeable Notes. Net proceeds from the issuance of the Exchangeable Notes were €1,223 million after deducting transaction costs. See Note 20 to our consolidated financial statements, included elsewhere in this report, for further information regarding our Exchangeable Notes.

On March 29, 2021, we acquired Betty Labs Incorporated for a total purchase consideration of €57 million. The acquisition allows us to accelerate our entry into the live audio space.

On June 17, 2021, we acquired Podz, Inc., a technology company focused on the podcast discovery experience, for a total purchase consideration of €45 million. The acquisition allows us to complement and accelerate our focused efforts to drive podcast discovery, deliver listeners the right content at the right time, and accelerate growth of the podcast category worldwide.

During February 2022, we acquired In Defense of Growth Inc. (“Podsights”) and Chartable Holding, Inc. (“Chartable”) to provide improved podcast ad measurement and analytics services for a total purchase consideration of €83 million. These acquisitions allow us to expand and scale our podcast monetization and product offering for advertisers and publishers.

On June 15, 2022, we acquired Findaway World, LLC (“Findaway”), a digital audiobook distribution platform, for a total purchase consideration of €117 million. This acquisition allows us to accelerate our audiobook content offering.

On July 11, 2022, we acquired Sonantic Limited (“Sonantic”), an artificial intelligence voice platform, for a total purchase consideration of €93 million. This acquisition allows us to expand text-to-speech capabilities across our platform.

See Note 5 to our consolidated financial statements included elsewhere in this report.

B. Business Overview

Our mission is to unlock the potential of human creativity by giving a million creative artists the opportunity to live off their art and billions of fans the opportunity to enjoy and be inspired by it.

We are the world's most popular audio streaming subscription service with a community of 489 million MAUs, including 205 million Premium Subscribers, across 184 countries and territories as of December 31, 2022.

Music Industry Growth Continues to be Led by Streaming

Following more than 10 years of decline as the industry transitioned from physical product sales to streaming access models, the global recorded music business hit its digital inflection point in 2015 and has grown ever since. According to the International Federation of the Phonographic Industry, global recorded music industry revenues grew 18% to \$26 billion in 2021, following on growth of 7% in 2020, 8% in 2019, 10% in 2018, 8% in 2017, 9% in 2016, and 4% in 2015. Industry-wide streaming revenues grew 24% in 2021, accounting for over 65% of global recorded music industry revenues.

As the world's most popular global audio streaming subscription service, we are a key driver of global recorded music revenue growth. Through December 31, 2022, we have paid more than €34 billion in royalties to certain record labels, music publishers, and other rights holders since our launch. In 2022, our expenses for rights holders grew by 21% compared to the prior year, making us one of the largest engines for revenue growth to artists and labels in the music industry.

Spotify is the World's Most Popular Audio Streaming Subscription Service

Spotify has transformed the way people access and enjoy music and podcasts. Today, millions of people around the world have access to over 100 million tracks and 5 million podcast titles through Spotify whenever and wherever they want. During 2022, we launched a first iteration audiobook listening experience in select markets where people have access to more than 300,000 audiobooks.

We have transformed the music industry by allowing users to move from a “transaction-based” experience of buying and owning music to an “access-based” model, which allows users to stream music on demand. In contrast, traditional radio

relies on a linear distribution model in which stations and channels are programmed to deliver a limited song selection with little freedom of choice.

We are actively investing in podcasts and other forms of alternative and spoken word content to complement the music library available through our platform. We believe offering a more diverse selection of content will lead to a more enriching experience and higher user engagement. To the extent such content is made exclusive to our platform through direct ownership or licensing arrangements, we believe these investments help differentiate our Service, attract incremental users, and enhance engagement.

Spotify is more than an audio streaming service. We are in the discovery business. Every day, fans from around the world trust our brand to guide them to entertainment that they would never have discovered on their own. If discovery drives customer satisfaction, and customer satisfaction drives engagement, and engagement drives discovery, we believe Spotify wins and so do our users. Our brand reflects culture—and occasionally creates it—by turning vast and intriguing listening data into compelling stories that remind people of the role music, podcasts, and other audio content play in their lives and encourage new fans to join Spotify each week.

Building a Two-Sided Marketplace

We continue to build a two-sided marketplace for users and creators, which leverages our relationships, data analytics, and software. We have been instrumental in reshaping the way in which our users enjoy, discover, and share audio content. With our marketplace strategy, we are empowering creators by offering unique insights and developing new tools designed to give creators more power and control and by unlocking new monetization opportunities for creators. Spotify is uniquely positioned to offer creators and fans access to one another, and to provide creators with analytics and tools to help them better understand their fans, to support themselves, and to effectively monetize their creative work.

Our Business Model

We offer both Premium and Ad-Supported Services. Our Premium and Ad-Supported Services live independently, but thrive together. We believe this business model has allowed us to achieve scale with attractive unit economics and is a critical part of our success. Our Ad-Supported Service serves as a funnel, driving a significant portion of our total gross added Premium Subscribers. We believe our Ad-Supported Service is a strong and viable stand-alone product with considerable long-term opportunity for growth in Ad-Supported Users and revenue.

We are currently in 184 countries and territories. On a geographic basis, all four of our major regions are growing. Europe is our largest region with 148 million MAUs, accounting for 30% of our total MAUs as of December 31, 2022, an increase of 9% from the prior year. In our North America region, MAUs increased by 9% from December 31, 2021 to December 31, 2022 and now account for 21% of our MAUs. Our two fastest growing regions are Latin America, with 21% of our MAUs, an increase of 19% from December 31, 2021 to December 31, 2022, and the rest of the world, with 28% of our MAUs, an increase of 50% from December 31, 2021 to December 31, 2022.

Our Ad-Supported Users and Premium Subscribers spend significant time engaging with our Service. Combined, our audience streamed 132 billion hours of content for the year ended December 31, 2022, an increase of 20% compared to the year ended December 31, 2021.

Premium Service

Our Premium Service provides Premium Subscribers with unlimited online and offline high-quality streaming access to our catalog of music and podcasts. Premium Subscribers can also purchase audiobooks on an à la carte basis in select markets. In addition to accessing our catalog on computers, tablets, and mobile devices, users can connect through speakers, receivers, televisions, cars, game consoles, and smart devices. The Premium Service offers a music listening experience without commercial breaks.

We generate revenue for our Premium segment through the sale of subscriptions to the Premium Service. The Premium Service is sold directly to end users and through partners who are generally telecommunications companies that bundle the subscription with their own services or collect payment for the stand-alone subscriptions from their end customers. Premium partner subscription revenue is based on a per-subscriber rate in a negotiated partner agreement. We also bundle the Premium Service with other services and products.

We offer a variety of subscription pricing plans for our Premium Service, including our Standard Plan, Family Plan, Duo Plan, and Student Plan, among others, to appeal to users with different lifestyles and across various demographics and age groups. Our pricing varies by plan and is adapted to each local market to align with consumer purchasing power, general cost levels, and willingness to pay for an audio service. Our Family Plan consists of one primary Premium Subscriber and up to five

additional sub-accounts, allowing up to six Premium Subscribers per Family Plan subscription. Our Duo Plan consists of one primary subscriber and one additional sub-account, allowing up to two Premium Subscribers per Duo Plan subscription.

In addition, as we have entered into new markets where recurring subscription services are less common, we have expanded our subscription products to include prepaid options and durations other than monthly (both longer and shorter durations), as well as expanded payment options.

Revenue from our Premium segment is a function of the number of Premium Subscribers who subscribe to our Premium Service. As of December 31, 2022 and 2021, we had 205 million and 180 million Premium Subscribers, respectively. New Premium Subscribers are primarily sourced from the conversion of our Ad-Supported Users. Through both our online platform and external marketing efforts, we engage our Ad-Supported Users by highlighting key features that encourage conversion to our subscription offerings. These efforts include product links, campaigns targeting existing users, and performance marketing across leading social media platforms. Additionally, new subscriber growth also is driven by the success of converting users from our trial programs to full-time Premium Subscribers. These trial campaigns typically offer certain features of our Premium Service for free or at a discounted price for a period of time.

Ad-Supported Service

Our Ad-Supported Service has no subscription fees and generally provides Ad-Supported Users with limited on-demand online access to our catalog of music and unlimited online access to our catalog of podcasts on their computers, tablets, and compatible mobile devices. Ad-Supported Users can also purchase audiobooks on an à la carte basis in select markets. Our Ad-Supported Service serves as both a Premium Subscriber acquisition channel and a robust option for users who are unable or unwilling to pay a monthly subscription fee but still want to enjoy access to a wide variety of high-quality audio content.

We generate revenue for our Ad-Supported segment primarily from the sale of display, audio, and video advertising delivered through advertising impressions across our music and podcast content. We generally enter into arrangements with advertising agencies that purchase advertising on behalf of their clients and we also enter into arrangements directly with some large advertisers. These advertising arrangements are typically sold on a cost-per-thousand basis and are evidenced by an insertion order that specifies the terms of the arrangement such as the type of advertising product, pricing, insertion dates, and number of impressions or downloads in a stated period ("Insertion Order"). Additionally, we generate revenue through arrangements with certain advertising automated exchanges, internal self-serve, and advertising marketplace platforms to distribute advertising inventory for purchase on a cost-per-thousand basis.

Revenue from our Ad-Supported segment is dependent primarily on the number and hours of engagement of our Ad-Supported Users and podcast listeners and our ability to provide innovative advertising products that are relevant to those users and enhance returns for our advertising partners. Revenue is recognized based on the number of impressions delivered.

Our advertising strategy centers on the belief that advertising products that are based in music and podcasts and are relevant to Ad-Supported Users and podcast listeners can enhance user experiences and provide even greater returns for advertisers. We have historically introduced, and continue to introduce, new advertising products across both music and podcast content. Offering advertisers additional ways to purchase advertising on an automated basis is a key way that we continue to expand our portfolio of advertising products and enhance advertising revenue. Furthermore, we continue to focus on analytics and measurement tools to evaluate, demonstrate, and improve the effectiveness of advertising campaigns on our platform.

In February 2021, we announced the Spotify Audience Network ("SPAN"), an audio advertising marketplace that connects advertisers to listeners across our owned and exclusive podcasts, podcasts from enterprise publishers via Megaphone, and podcasts from emerging creators via Anchor. Through SPAN, we provide hosting and ad-insertion capabilities for audio publishers that allow us to sell targeted advertising to brand partners that enables them to reach listeners both on and off our platform. Some of these agreements require us to share associated revenues and can include minimum guarantees.

Licensing Agreements

In order to stream content to our users, we generally secure intellectual property rights to such content by obtaining licenses from, and paying royalties or other consideration to, rights holders or their agents. Below is a summary of certain provisions of our license agreements relating to sound recordings and the musical compositions embodied therein (i.e., the musical notes and the lyrics), as well as podcasts and other non-music content.

Sound Recording License Agreements with Major and Independent Record Labels

We have license agreements with record label affiliates of the three largest music companies—Universal Music Group, Sony Music Entertainment, and Warner Music Group—as well as Merlin, which represents the digital rights on behalf of hundreds of independent record labels. These agreements require us to pay royalties and, in some circumstances, make minimum guaranteed payments. They also often include marketing commitments, advertising inventory, financial and data

reporting obligations, and numerous prescriptions about the manner in which the Spotify service is operated. Rights to sound recordings granted pursuant to these agreements accounted for approximately 75% of streams of audio content delivered by record labels for the year ended December 31, 2022. Generally, these license agreements have a multi-year duration, are not automatically renewable, and apply worldwide. The license agreements also allow for the record label to terminate the agreement in certain circumstances, including, for example, our failure to timely pay sums due within a certain period, our breach of material terms, and in some situations that could constitute a “change of control” of Spotify. These agreements provide that the record labels have the right to audit us for compliance with the terms of these agreements. Further, some agreements contain “most favored nations” provisions, which require that certain material contract terms are at least as favorable as the terms we have agreed to with other record labels. See “Item 3.D. Risk Factors—Risks Related to Securing the Rights to the Content We Stream—Financial commitments required under certain of our license agreements may limit our operating flexibility and may adversely affect our business, operating results, and financial condition.”

We also have direct license agreements with hundreds of independent labels, as well as companies known as “aggregators” (for example, CDBaby, Distrokid, and TuneCore). The majority of these agreements have a multi-year duration, are generally automatically renewable, and apply worldwide (subject to agreement on rates with certain rights holders prior to launching in new territories) but others, with local repertoire, are limited to specific territories. These agreements have financial and data reporting obligations and audit rights.

We also offer marketplace programs, some of which may result in a discounted recording royalty rate.

Musical Composition License Agreements with Music Publishers

We generally obtain licenses for two types of rights with respect to musical compositions: mechanical rights and public performance rights.

With respect to mechanical rights, in the United States, the rates that the Copyright Royalty Board set apply both to compositions that we license under the compulsory license in Section 115 of the Copyright Act and to a number of direct licenses that we have had with music publishers for U.S. rights, in which the applicable rate is generally pegged to the statutory rate set by the Copyright Royalty Board. In January 2021, we obtained a new blanket license available under U.S. law, administered by an entity called the Mechanical Licensing Collective. The Copyright Royalty Board set the rates for the Section 115 compulsory license for calendar years 2018 to 2022 in proceedings known as the “Phonorecords III Proceedings,” issuing its final written determination in November 2018. In March 2019, Google, Amazon, Pandora, and we each filed an appeal of the Copyright Royalty Board’s determination. In August 2020, the D.C. Circuit Court of Appeals vacated the Copyright Royalty Board’s determination and remanded for further proceedings. On July 1, 2022, the Copyright Royalty Board issued its initial ruling to set those rates in light of the D.C. Circuit’s opinion. That ruling will need to be adapted into regulations, which, when issued by the U.S. Copyright Office, will become law. Until the final rates are determined, our recorded royalty costs will be based on management estimates of the rates that will apply. The rates set by the Copyright Royalty Board are also subject to further change as part of future Copyright Royalty Board proceedings.

In 2022, the proceedings known as “Phonorecords IV Proceedings” began to set the rates for the Section 115 compulsory license for calendar years 2023 to 2027. In August 2022, we and other service providers reached an agreement in principle with publisher organizations for these rates and terms and asked the Copyright Royalty Board to adopt those rates and terms on an industry-wide basis. In December 2022, the Copyright Royalty Board issued final regulations adopting the parties’ proposed rates and terms on an industry-wide basis for the Phonorecords IV period.

In the United States, public performance rights are generally obtained through intermediaries known as performing rights organizations (“PROs”), which negotiate blanket licenses with copyright users for the public performance of compositions in their repertory, collect royalties under such licenses, and distribute those royalties to copyright owners. We have obtained public performance licenses from, and pay license fees to, the major PROs in the United States—ASCAP, BMI, GMR, and SESAC—among others. These agreements have music usage reporting obligations on Spotify and typically have one to four-year terms, and are limited to the territory of the United States and its territories and possessions.

In other parts of the world, we obtain mechanical and performance licenses for musical compositions either through local collecting societies representing publishers or from publishers directly, or a combination thereof. Our license agreements with local collecting societies and direct license agreements with publishers worldwide are generally in place for one to three years and provide for reporting obligations on both us and the licensor and auditing rights for the licensors. Certain of these license agreements also provide for minimum guaranteed payments or advance payment obligations.

Podcast License Agreements with Podcasters and Podcast Networks

With respect to podcasts for which we obtain distribution rights directly from rights holders, we either negotiate licenses directly with individuals or entities or obtain rights through our owned and operated platforms, such as Anchor,

Soundtrap for Storytellers, and Spotify for Podcasters, that enable creators to post content directly to our Service after agreeing to comply with the applicable terms and conditions.

For original content that we produce or commission, we typically enter into multi-year commitments. Payment terms for content that we produce or commission will often require payments in advance of delivery of content. Some of these agreements also include participations, which may require us to share associated revenues, and can include minimum guarantees and other payments contingent on performance of the content.

Audiobook License Agreements with Audiobook Publishers and Authors

With respect to audiobooks for which we obtain distribution rights directly from rights holders, we either negotiate licenses with audiobook publishers or authors or obtain rights through our owned and operated platform, Findaway Voices, that enables creators to post content directly to our Service after agreeing to comply with the applicable terms and conditions. In addition, we obtain the rights to produce and distribute audiobooks from book publishers and authors.

License Agreement Extensions and Renewals

From time to time, our license agreements with certain rights holders and/or their agents expire while we negotiate their renewals. Per industry custom and practice, we may enter into extensions of those agreements (for example, months, weeks, or even days-long) or provisional licenses and/or continue to operate on an at will basis as if the license agreement had been extended, including by our continuing to make content available. It is also possible that such agreements will never be renewed at all. See “Item 3.D. Risk Factors—Risks Related to Securing the Rights to the Content We Stream—We depend upon third-party licenses for most of the content we stream and an adverse change to, loss of, or claim that we do not hold any necessary licenses may materially adversely affect our business, operating results, and financial condition.”

Intellectual Property

The success of our business depends on our ability to protect and enforce our intellectual property rights, including the intellectual property rights underlying our Service. We attempt to protect our intellectual property under patent, trade secret, trademark, and copyright laws through a combination of intellectual property registration, employee or third-party assignment and nondisclosure agreements, other contractual restrictions, technological measures, and other methods.

Seasonality

See “Item 5.D. Trend Information” for a description of the seasonality of our business.

Competition

We face robust, complex, and rapidly evolving competition in all aspects of our business, with established and emerging competitors, on the basis of a number of factors, including quality of experience, relevance, diversity of content, ease of use, price, accessibility, perception of advertising load, brand awareness, reputation, presence and visibility. Specifically, we compete with:

- free and/or subscription-based digital music streaming providers, such as Apple Music, YouTube Music, Amazon Music, Deezer, Joox, Pandora, and SoundCloud, for high-quality music content and the time and attention of our users;
- online or offline providers of on-demand music, which may be purchased, downloaded, owned, or available for free, such as iTunes audio files, MP3s, or CDs;
- providers of internet radio, some of which, such as Pandora, may leverage their advantage in content library, territorial coverage, existing infrastructure, and brand recognition to introduce additional streaming or on-demand music features to enhance user experience;
- well-established providers of terrestrial radio, which often offer content that is free, unique and accessible; many terrestrial radio stations also broadcast digital signals providing high-quality audio transmission;
- providers of satellite radio, such as SiriusXM and iHeartRadio, which may offer extensive and exclusive news, comedy, sports and talk content, and national signal coverage;
- podcast streaming providers, such as Apple Podcasts, Google Podcasts (including YouTube), Audible, Facebook, Pandora, Deezer, and TuneIn, for high-quality podcasts and time and attention of our users; a growing variety of these podcast providers seek to differentiate their service through content offering, product features, and monetization ability;
- podcast creation and hosting platforms, including SoundCloud, and a host of other smaller new entrants such as Acast, Buzzsprout, Podbean, and Libsyn;

- live talk audio content providers, such as Twitter, Clubhouse, Discord, Meta (including Facebook and Instagram), and ByteDance (including TikTok and Resso), for the rights to distribute content and time and attention of our users;
- audiobook content providers, such as Amazon’s Audible, Apple Books, Google Audiobooks, Librivox, Kobo Audiobooks, Downpour, Storytel, and BookBeat, for the rights to distribute content and time and attention of our users;
- companies that offer advertising inventory and opportunities, including large online advertising platforms and networks such as Google, Apple, Amazon, AppNexus, Criteo, and Meta (including Facebook and Instagram).

With respect to each of these categories (and potentially in additional categories as we innovate our existing offerings and/or introduce new products and services), we face significant competition from these companies and from emerging technologies. See “Item 3.D. Risk Factors—Risks Related to Our Business Model, Strategy, and Performance—We face and will continue to face significant competition for users, user listening time, and advertisers.”

Additionally, competition to attract and retain qualified personnel has historically been intense, especially for software engineers, designers, and product managers. We seek to compete by offering robust compensation, benefits, health, safety and wellness programs, and cultivating a diverse, inclusive culture.

Government Regulation

We are subject to many U.S. federal and state, European, Luxembourg, and other foreign laws and regulations, including those related to privacy, data protection, content, intellectual property, advertising and marketing, competition, consumer protection, rights of publicity, health and safety, employment and labor, and taxation. These laws and regulations are constantly evolving and may be interpreted, applied, created, or amended in a manner that could harm our business. In addition, it is possible that certain governments may seek to block or limit our products or otherwise impose other restrictions that may affect the accessibility or usability of any or all of our products for an extended period of time or indefinitely.

For more information, see “Item 3.D. Risk Factors—Risks Related to Our Operations—Our business is subject to complex and evolving laws and regulations around the world. Many of these laws and regulations are subject to change and uncertain interpretation, and could result in claims, changes to our business practices, monetary penalties, increased cost of operations, or declines in user growth or engagement, or otherwise harm our business.” and “—Various existing, new, and changing laws and regulations as well as self-regulation and public concern related to privacy and data security pose the threat of lawsuits, regulatory fines, other liability and reputational harm, require us to expend significant resources, and may harm our business, operating results, and financial condition.”

Human Capital

At Spotify, we know that when our employees grow, Spotify grows. We value innovation, sincerity, passion, collaboration, and playfulness. Our objective is to unlock the potential of human creativity by focusing on talent development, supported by robust compensation, benefits, health, safety and wellness programs, and a diverse, inclusive culture.

Talent Development

We enable and empower our employees by offering a number of learning opportunities through a variety of platforms and delivery methods, including face-to-face sessions, virtual and online sessions, and podcasts. We also host onboarding events and programs for new employees to meet other new employees and hear from leaders from around the world, including our global leadership team. We provide development opportunities for both new and seasoned managers to learn how to lead, inspire their direct reports and peers, and shape organizational culture. In 2022, we celebrated one year with our internal talent marketplace that has helped us increase development opportunities and talent movement within the company.

Compensation and Benefits

We provide competitive compensation for our employees and a range of flexible benefits, including a tailored incentive mix program, giving our employees the flexibility to choose the incentive mix that best works for them, an industry-leading parental leave policy, flexible public holidays, and one full day of paid time off a year for our employees to give back to social causes of their choice. We continue to embrace our Work from Anywhere program adopted in 2021 that allows most employees to elect their work location from physical office space and home mix options.

Health, Safety, and Wellness

We provide our employees and their families with robust healthcare benefits and a variety of mental health and wellness programs. Through Heart & Soul, our global mental health initiative, we focus on raising awareness and building knowledge, enabling self-care and professional support, and normalizing the conversation around mental health issues.

Diversity, Inclusion, and Belonging

We are dedicated to fostering a workplace free from discrimination and a culture built on the principle of inclusion. Our Diversity, Inclusion & Belonging team focuses on accelerating diversity, fostering inclusive leadership, enabling good mental health, co-designing equitable ways of working, building a culture of allyship, and amplifying a sense of belonging. During 2022, we continued to implement our inclusive hiring strategy to ensure that we are building a diverse team by attracting and retaining talent from historically marginalized and underestimated backgrounds. To do this, we identified clear goals, designed education for inclusive hiring practices, and introduced multiple bias interrupters into the recruiting process. In addition, we expanded our efforts to increase racial equity with a commitment to raising awareness and providing education opportunities, among other cross-functional efforts. We also continue to support a growing number of Belonging Communities (formerly known as Employee Resource Groups) that help foster belonging and inclusion for our historically marginalized and/or underrepresented talent.

See “Item 6.D. Employees” for more information about our employees.

Environmental Sustainability

We strive to be part of the solution for addressing the climate crisis through our operations. Our approach focuses on two main areas of impact—reducing greenhouse gas (“GHG”) emissions and using our platform to inspire and support climate engagement and action among creators and listeners.

As a digital platform, approximately 99% of our GHG emissions are Scope 3, which means they fall outside our direct control. We are teaming up with academics and partners across our value chain to investigate how we can better measure and understand these emissions as we continue our work to set tangible reduction pathways.

In 2022, we continued to drive initiatives to reach our long-term goal of net zero emissions by the end of 2030 by focusing on ways to reduce emissions, complemented by additional carbon removal and/or avoidance projects. Key initiatives included but were not limited to:

- working with our suppliers to identify ways to collaborate on reducing GHG emissions, including with key cloud computing service providers;
- creating internal streaming emission dashboards to better identify key emission sources;
- updating climate tracking and risk assessment processes to support employees in identifying and addressing climate-related risks and opportunities.

We continue to leverage our platform to raise awareness of the climate crisis by creating climate change content, including several original podcasts, as well as curating content by updating our Climate Action hub to make climate-related content more accessible to users.

As we execute our sustainability initiatives, we expect to incur additional costs. Timing and investments to implement our sustainability initiatives are subject to uncertainties. See “Item 3.D. Risk Factors—Risks Related to Our Operations—We are subject to risks associated with increased scrutiny of environmental, social, and governance matters.”

C. Organizational Structure

The Company's principal subsidiaries as at December 31, 2022 are as follows:

Name	Principal activities	Proportion of voting rights and shares held (directly or indirectly)	Country of incorporation
Spotify AB	Main operating company	100 %	Sweden
Spotify USA Inc.	USA operating company	100 %	USA
Spotify Ltd	Sales, marketing, contract research and development, and customer support	100 %	UK
Spotify Spain S.L.	Sales, marketing and other support services	100 %	Spain
Spotify GmbH	Sales, marketing and other support services	100 %	Germany
Spotify France SAS	Sales, marketing and other support services	100 %	France
Spotify Canada Inc.	Sales, marketing and other support services	100 %	Canada
Spotify Australia Pty Ltd	Sales and marketing	100 %	Australia
Spotify Brasil Serviços De Música LTDA	Sales and marketing	100 %	Brazil
Spotify Japan K.K.	Sales and marketing	100 %	Japan
Spotify India LLP	Sales, distribution and marketing	100 %	India
S Servicios de Música México, S.A. de C.V.	Sales and marketing	100 %	Mexico
Spotify Singapore Pte Ltd.	Sales and marketing	100 %	Singapore
Spotify Italy S.r.l.	Sales and marketing	100 %	Italy

D. Property, Plant and Equipment

Spotify's principal operational offices are located in Stockholm, Sweden and New York, New York under leases for approximately 463,000 and 594,000 square feet of office space, respectively, expiring in September 2027 and April 2034, respectively. We also lease regional offices in Los Angeles, California; San Francisco, California; Boston, Massachusetts; Chicago, Illinois; Atlanta, Georgia; Miami, Florida; Nashville, Tennessee; and Washington D.C. We also lease other offices in Sweden and lease office space in other jurisdictions, including Australia, Belgium, Brazil, Canada, Denmark, Finland, France, Germany, India, Italy, Japan, Luxembourg, Mexico, Netherlands, Argentina, Indonesia, Ireland, South Africa, Singapore, South Korea, Spain, Taiwan, the United Arab Emirates, and the United Kingdom.

During 2022, to optimize our current portfolio and accommodate localized market growth, we invested in new and existing leased office spaces in Boston, London and Dubai among others. In 2022, we capitalized €19 million of fixed assets principally related to these build-outs. We have planned capital expenditures of approximately €19 million in 2023 for projects in Amsterdam, Tokyo, Boston, and London, among others.

We believe that our existing facilities are adequate to meet current requirements and that suitable additional or substitute space will be available as needed to accommodate any further physical expansion of operations and for any additional offices.

We continue to make investments in offices and information technology infrastructure through purchases of property and equipment and lease arrangements to provide capacity for the growth of our business, and we use current cash and cash equivalents and the cash flow we generate from operations to fund these investments. However, given the impact of our Work From Anywhere program, our focus has shifted more towards optimizing our current portfolio and reviewing our real estate needs around the world as opposed to significant expansion of our presence in current markets.

Item 4A. Unresolved Staff Comments

None

Item 5. Operating and Financial Review and Prospects

For discussion related to our financial condition, changes in financial condition, and results of operations for 2021 compared to 2020, refer to Part I, Item 5. Operating and Financial Review and Prospects, in our Annual Report on Form 20-F for the fiscal year ended December 31, 2021, which was filed with the SEC on February 3, 2022.

Overview

Our mission is to unlock the potential of human creativity by giving a million creative artists the opportunity to live off their art and billions of fans the opportunity to enjoy and be inspired by it.

We are the world's most popular audio streaming subscription service. With a presence in 184 countries and territories, our platform includes 489 million MAUs and 205 million Premium Subscribers as of December 31, 2022.

We currently monetize our Service through both subscriptions and advertising. Our Premium Subscribers grew 14% year-over-year as of December 31, 2022 to 205 million. Our 489 million MAUs grew 20% year-over-year as of December 31, 2022.

Acquisitions

During the year ended December 31, 2022, the Group made strategic acquisitions to enhance our capabilities in audio and podcast discovery.

During February 2022, we acquired Podsights and Chartable to provide improved podcast ad measurement and analytics services for a total purchase consideration of €83 million. These acquisitions allow us to expand and scale our podcast monetization and product offering for advertisers and publishers.

On June 15, 2022, we acquired Findaway, a digital audiobook distribution platform, for a total purchase consideration of €117 million. The acquisition allows us to accelerate our audiobook content offering.

On July 11, 2022, we acquired Sonantic, an artificial intelligence voice platform, for a total purchase consideration of €93 million. This acquisition allows us to expand text-to-speech capabilities across our platform.

Global marketing partnership

On March 15, 2022, we announced a long-term partnership with FC Barcelona whereby Spotify became the Main Partner and Official Audio Streaming Partner of FC Barcelona. This partnership went into effect on July 1, 2022 and allows Spotify to amplify artist voices, connect artists to new and existing fans, and help grow our global user base across key growth markets and audience segments.

Launch of audiobooks

In September 2022, we launched a first iteration catalog of audiobooks in the United States that our users may purchase and listen to on our platform alongside our catalog of music and podcasts. In November 2022, we extended availability to the United Kingdom, Ireland, Australia, and New Zealand. This new format will help expand our user base into a new category of potential listeners and connect diverse creators to new and existing fans.

Long term investment - Tencent Music Entertainment Group

During the year ended December 31, 2022, the fair value of our holdings in TME increased by €242 million from €852 million as of December 31, 2021 to €1,094 million as of December 31, 2022 due to the increase in TME's share price during this period. The market value of our investment in TME fluctuates due to volatility in the share price used to measure the investment. Furthermore, the value of our investment is subject to the risks associated with TME's business, as well as any changes by the Chinese government in foreign investment laws or elevated scrutiny or regulation of foreign investments in Chinese companies.

Current macroeconomic environment

The global macroeconomic environment continues to be challenging, reflecting the impacts of the continued effects of the COVID-19 pandemic, rising inflation and interest rates, the continued conflict between Russia and Ukraine, and supply chain disruptions.

The continued impact of the macroeconomic environment on our business, financial condition, and results of operations is uncertain and will vary by region or market. In response to the uncertain macroeconomic environment, we have reduced hiring during 2022. Further, on January 23, 2023, we announced a reduction in our employee base and expect to incur approximately €35 million to €45 million in severance-related charges. We will continue to actively monitor and respond accordingly to the macroeconomic environment.

How We Generate Revenue

We operate and manage our business in two reportable segments—Premium and Ad-Supported. We identify our reportable segments based on the organizational units used by the chief operating decision maker to monitor performance and make operating decisions. See Note 6 to our consolidated financial statements included elsewhere in this report for additional information regarding our reportable segments.

Premium

Our Premium Service provides Premium Subscribers with unlimited online and offline high-quality streaming access to our catalog of music and podcasts. Premium Subscribers can also purchase audiobooks on an à la carte basis in select markets. In addition to accessing our catalog on computers, tablets, and mobile devices, users can connect through speakers, receivers, televisions, cars, game consoles, and smart devices. The Premium Service offers a music listening experience without commercial breaks.

We generate revenue for our Premium segment through the sale of subscriptions to the Premium Service. The Premium Service is sold directly to end users and through partners who are generally telecommunications companies that bundle the subscription with their own services or collect payment for the stand-alone subscriptions from their end customers. Premium partner subscription revenue is based on a per-subscriber rate in a negotiated partner agreement. We also bundle the Premium Service with other services and products.

We offer a variety of subscription pricing plans for our Premium Service, including our Standard Plan, Family Plan, Duo Plan, and Student Plan, among others, to appeal to users with different lifestyles and across various demographics and age groups. Our pricing varies by plan and is adapted to each local market to align with consumer purchasing power, general cost levels, and willingness to pay for an audio service. Our Family Plan consists of one primary Premium Subscriber and up to five additional sub-accounts, allowing up to six Premium Subscribers per Family Plan subscription. Our Duo Plan consists of one primary subscriber and one additional sub-account, allowing up to two Premium Subscribers per Duo Plan subscription.

In addition, as we have entered into new markets where recurring subscription services are less common, we have expanded our subscription products to include prepaid options and durations other than monthly (both longer and shorter durations), as well as expanded payment options.

Revenue from our Premium segment is a function of the number of Premium Subscribers who subscribe to our Premium Service. As of December 31, 2022 and 2021, we had 205 million and 180 million Premium Subscribers, respectively. New Premium Subscribers are primarily sourced from the conversion of our Ad-Supported Users. Through both our online platform and external marketing efforts, we engage our Ad-Supported Users by highlighting key features that encourage conversion to our subscription offerings. These efforts include product links, campaigns targeting existing users, and performance marketing across leading social media platforms. Additionally, new subscriber growth also is driven by the success of converting users from our trial programs to full-time Premium Subscribers. These trial campaigns typically offer certain features of our Premium Service for free or at a discounted price for a period of time.

The rate of net growth in Premium Subscribers also is affected by our ability to retain our existing Premium Subscribers and the mix of subscription pricing plans. We have increased retention over time, as new features and functionality have led to increased user engagement and satisfaction. From a product perspective, while our Family Plan, Duo Plan, and our Student Plan have lower price points per Premium Subscriber than our Standard plan, each of these Plans has helped improve retention across the Premium Service.

Our platform is built to work across multiple devices, including smartphones, desktops, cars, game consoles, and in-home devices. We have found that Premium Subscribers who access our Service through multiple devices have higher engagement and lower churn, which increases their expected lifetime value to Spotify.

Ad-Supported

Our Ad-Supported Service has no subscription fees and generally provides Ad-Supported Users with limited on-demand online access to our catalog of music and unlimited online access to our catalog of podcasts on their computers, tablets, and compatible mobile devices. Ad-Supported Users can also purchase audiobooks on an à la carte basis in select markets. Our Ad-Supported Service serves as both a Premium Subscriber acquisition channel and a robust option for users who are unable or unwilling to pay a monthly subscription fee but still want to enjoy access to a wide variety of high-quality audio content.

We generate revenue for our Ad-Supported segment primarily from the sale of display, audio, and video advertising delivered through advertising impressions across our music and podcast content. We generally enter into arrangements with advertising agencies that purchase advertising on behalf of their clients and we also enter into arrangements directly with some large advertisers. These advertising arrangements are typically sold on a cost-per-thousand basis and are evidenced by an Insertion Order. Additionally, we generate revenue through arrangements with certain advertising automated exchanges,

internal self-serve, and advertising marketplace platforms to distribute advertising inventory for purchase on a cost-per-thousand basis.

Revenue from our Ad-Supported segment is dependent primarily on the number and hours of engagement of our Ad-Supported Users and podcast listeners and our ability to provide innovative advertising products that are relevant to those users and enhance returns for our advertising partners. Revenue is recognized based on the number of impressions delivered.

Our advertising strategy centers on the belief that advertising products that are based in music and podcasts and are relevant to Ad-Supported Users and podcast listeners can enhance user experiences and provide even greater returns for advertisers. We have historically introduced, and continue to introduce, new advertising products across both music and podcast content. Offering advertisers additional ways to purchase advertising on an automated basis is a key way that we continue to expand our portfolio of advertising products and enhance advertising revenue. Furthermore, we continue to focus on analytics and measurement tools to evaluate, demonstrate, and improve the effectiveness of advertising campaigns on our platform.

In February 2021, we announced SPAN, an audio advertising marketplace that connects advertisers to listeners across our owned and exclusive podcasts, podcasts from enterprise publishers via Megaphone, and podcasts from emerging creators via Anchor. Through SPAN, we provide hosting and ad-insertion capabilities for audio publishers that allow us to sell targeted advertising to brand partners that enables them to reach listeners both on and off our platform. Some of these agreements require us to share associated revenues and can include minimum guarantees.

Revenue from our Ad-Supported segment will also be impacted by the demographic profile of our Ad-Supported Users and podcast listeners and our ability to enable advertisers to reach their target audience with relevant advertising in the geographic markets in which we operate. A large percentage of our Ad-Supported Users are between 18 and 34 years old. This is a highly sought-after demographic that has traditionally been difficult for advertisers to reach. By offering advertisers increased “self-serve options,” we continue to improve the efficiency and scalability of our advertising platform. Additionally, we believe that our largest markets, including Europe and North America, are among the top advertising markets globally. However, our continuing expansion into new geographic markets will present monetization challenges. Monetizing our Ad-Supported User base has historically been, and is expected to remain, more challenging in our two fastest growing regions, Latin America and the rest of the world, compared to Europe and North America.

Components of our Operating Results

Cost of Revenue. Cost of revenue consists predominantly of royalty and distribution costs related to content streaming. We incur royalty costs, which we pay to certain record labels, music publishers, and other rights holders, for the right to stream music to our users. Royalties are typically calculated monthly based on the combination of a number of different variables. Generally, Premium Service royalties are based on the greater of a percentage of revenue and a per user amount. Royalties for the Ad-Supported Service are typically a percentage of relevant revenue, although certain agreements are based on the greater of a percentage of relevant revenue and an amount for each time a sound recording and musical composition are streamed. We have negotiated lower per user amounts for our lower priced subscription plans such as our Family Plan, Duo Plan, and Student Plan. In our agreements with certain record labels, the percentage of revenue used in the calculation of royalties is generally dependent upon certain targets being met. The targets can include such measures as the number of Premium Subscribers, the ratio of Ad-Supported Users to Premium Subscribers, and/or the rates of Premium Subscriber churn. In addition, royalty rates vary by country. Some of our royalty agreements require that royalty costs be paid in advance or are subject to minimum guaranteed amounts. For the majority of royalty agreements incremental costs incurred due to unrecouped advances and minimum guarantees have not been significant to date. We also have certain so-called most favored nation royalty agreements, which require us to record additional costs if certain material contract terms are not as favorable as the terms we have agreed to with similar licensors. Cost of revenue also reflects discounts provided by certain rights holders in return for promotional activities in connection with marketplace programs. Additionally, it includes the costs of discounted trials.

Cost of revenue also includes the amortization of podcast content assets (both produced and licensed). Amortization of podcast content assets is recorded over the shorter of the estimated useful economic life or the license period (if relevant) and begins at the release of each episode. We make payments to podcast publishers, whose content we monetize through advertising sales, which are also included in cost of revenue.

Cost of revenue also includes credit card and payment processing fees for subscription revenue, customer service, certain employee compensation and benefits, cloud computing, streaming, facility, and equipment costs.

Research and Development. We invest heavily in research and development in order to drive user engagement and customer satisfaction on our platform, which we believe helps drive organic growth in MAUs, which in turn drives additional growth in, and better retention of, Premium Subscribers, as well as increased advertising opportunities to our users. We aim to design products and features that create and enhance user experiences, and new technologies are at the core of many of these opportunities. Research and development expenses were 12%, 9%, and 11% of our total revenue in each of 2022, 2021, and

2020, respectively. Expenses primarily comprise costs incurred for the development of products related to our platform and Service, as well as new advertising products and improvements to our mobile application and desktop application and streaming services. The costs incurred include related facility costs, consulting costs, and employee compensation and benefits costs. We expect engineers to represent a significant portion of our employees over the foreseeable future.

Many of our new products and improvements to our platform require large investments and involve substantial time and risks to develop and launch. Some of these products may not be well received or may take a long time for users to adopt. As a result, the benefits of our research and development investments are difficult to forecast.

Sales and Marketing. Sales and marketing expenses primarily comprise employee compensation and benefits, public relations, branding, consulting expenses, customer acquisition costs, advertising, marketing events and trade shows, amortization of trade name intangible assets, the cost of working with music record labels, publishers, songwriters, and artists to promote the availability of new releases on our platform, and the costs of providing free trials. Expenses included in the cost of providing free trials are derived primarily from per user royalty fees determined in accordance with the rights holder agreements.

General and Administrative. General and administrative expenses primarily comprise employee compensation and benefits for functions such as finance, accounting, analytics, legal, human resources, consulting fees, and other costs including facility and equipment costs, directors' and officers' liability insurance, director fees, and fair value adjustments on contingent consideration.

Key Performance Indicators

We use certain key performance indicators to monitor and manage our business. We use these indicators to evaluate our business, measure our performance, identify trends affecting our business, formulate business plans, and make strategic decisions. We believe these indicators provide useful information to investors in understanding and evaluating our operating results in the same manner we do.

MAUs

We track MAUs as an indicator of the size of the audience engaged with our Service. We define MAUs as the total count of Ad-Supported Users and Premium Subscribers that have consumed content for greater than zero milliseconds in the last thirty days from the period-end indicated. Reported MAUs may overstate the number of unique individuals who actively use our Service within a thirty-day period as one individual may register for, and use, multiple accounts. Additionally, though we strive to detect and minimize non-bona fide accounts that may typically be created in an attempt to artificially stream content, they may contribute, from time to time, to an overstatement in our reported MAUs. Our MAUs in the tables below are inclusive of Ad-Supported Users who may have employed methods to limit or otherwise avoid being served advertisements. For additional information, refer to the risk factors discussed under "Item 3.D. Risk Factors" included elsewhere in this report.

The table below sets forth our MAUs as of December 31, 2022, 2021, and 2020.

	As of December 31,			Change			
	2022	2021	2020	2022 vs. 2021		2021 vs. 2020	
	(in millions, except percentages)						
MAUs	489	406	345	83	20 %	61	18 %

MAUs were 489 million as of December 31, 2022. This represented an increase of 20% from the preceding fiscal year. MAUs increased due to our continued investment in driving the growth of our Service through successful consumer marketing campaigns, enhanced content offerings, and product enhancements, resulting in continued user engagement and customer satisfaction.

Premium Subscribers

We define Premium Subscribers as users that have completed registration with Spotify and have activated a payment method for Premium Service. Our Premium Subscribers include all registered accounts in our Family Plan and Duo Plan. Our Family Plan consists of one primary subscriber and up to five additional sub-accounts, allowing up to six Premium Subscribers per Family Plan Subscription. Our Duo Plan consists of one primary subscriber and up to one additional sub-account, allowing up to two Premium Subscribers per Duo Plan Subscription. Premium Subscribers include subscribers in a grace period of up to 30 days after failing to pay their subscription fee.

The table below sets forth our Premium Subscribers as of December 31, 2022, 2021, and 2020.

	As of December 31,			Change			
	2022	2021	2020	2022 vs. 2021		2021 vs. 2020	
	(in millions, except percentages)						
Premium Subscribers	205	180	155	25	14 %	25	16 %

Premium Subscribers were 205 million as of December 31, 2022. This represented an increase of 14% from the preceding fiscal year. The Family Plan was a meaningful contributor of total gross additions in Premium Subscribers, while our free trial offers and global campaigns also accounted for a significant portion of gross additions in Premium Subscribers. In addition, there was an increase in the number of Premium Subscribers on our Duo Plan.

Ad-Supported MAUs

We define Ad-Supported MAUs as the total count of Ad-Supported Users that have consumed content for greater than zero milliseconds in the last thirty days from the period-end indicated.

The table below sets forth our Ad-Supported MAUs as of December 31, 2022, 2021, and 2020.

	As of December 31,			Change			
	2022	2021	2020	2022 vs. 2021		2021 vs. 2020	
	(in millions, except percentages)						
Ad-Supported MAUs	295	236	199	59	25 %	37	19 %

Ad-Supported MAUs were 295 million as of December 31, 2022. This represented an increase of 25% from the preceding fiscal year. Ad-Supported MAUs increased due to our continued investment in driving the growth of our Ad-Supported Service through successful consumer marketing campaigns, enhanced content offerings, and product enhancements, resulting in continued Ad-Supported User engagement and customer satisfaction.

Premium ARPU

Premium ARPU is a monthly measure defined as Premium subscription revenue recognized in the quarter indicated divided by the average daily Premium Subscribers in such quarter, which is then divided by three months. Annual figures are calculated by averaging Premium ARPU for the four quarters in such fiscal year.

The table below sets forth our average Premium ARPU for the years ended December 31, 2022, 2021, and 2020.

	Year ended December 31,			Change			
	2022	2021	2020	2022 vs. 2021		2021 vs. 2020	
Premium ARPU	€ 4.52	€ 4.29	€ 4.31	€ 0.23	5 %	€ (0.02)	— %

For the year ended December 31, 2022, Premium ARPU was €4.52. This represented an increase of 5% from the preceding fiscal year. The increase of €0.23 was primarily driven by favorable movements in foreign exchange rates, increasing Premium ARPU by €0.24.

The table below sets forth our average Premium ARPU for the quarters ended December 31, 2022, 2021, and 2020.

	Three months ended December 31, 2022			Change			
	2022	2021	2020	2022 vs. 2021		2021 vs. 2020	
Premium ARPU	€ 4.55	€ 4.40	€ 4.26	€ 0.15	3 %	€ 0.14	3 %

For the quarter ended December 31, 2022, Premium ARPU was €4.55. This represented an increase of 3% year-over-year. The increase of €0.15 was primarily driven by favorable movements in foreign exchange rates, increasing Premium ARPU by €0.21, partially offset by a decrease in Premium ARPU as a result of changes in product and market mix.

A. Operating Results**Revenue**

	Year ended December 31,			Change			
	2022	2021	2020	2022 vs. 2021		2021 vs. 2020	
	(in € millions, except percentages)						
Premium	10,251	8,460	7,135	1,791	21 %	1,325	19 %
Ad-Supported	1,476	1,208	745	268	22 %	463	62 %
Total	11,727	9,668	7,880	2,059	21 %	1,788	23 %

Premium revenue

For the years ended December 31, 2022 and 2021, Premium revenue comprised 87% and 88% of our total revenue, respectively. For the year ended December 31, 2022, as compared to 2021, Premium revenue increased by €1,791 million or 21%. The increase was due primarily to an increase in the number of Premium Subscribers and an increase in Premium ARPU, as noted above.

Ad-Supported revenue

For the years ended December 31, 2022 and 2021, Ad-Supported revenue comprised 13% and 12% of our total revenue, respectively. For the year ended December 31, 2022, as compared to 2021, Ad-Supported revenue increased by €268 million or 22%. This increase was due primarily to growth in music impressions sold and growth in CPM (cost per 1,000 impressions), which increased revenue in our direct and programmatic channels by €127 million. Ad sales from podcasts, supported by growth in podcast impressions sold and CPM, and our self-serve platform also contributed €123 million to the revenue during the year ended December 31, 2022.

Foreign exchange impact on total revenue

The general movement of the Euro relative to certain foreign currencies, primarily the U.S. dollar, for the year ended December 31, 2022, as compared to 2021, had a favorable net impact on our revenue. We estimate that total revenue for the year ended December 31, 2022 would have been approximately €682 million lower if foreign exchange rates had remained consistent with foreign exchange rates for the year ended December 31, 2021.

Cost of revenue

	Year ended December 31,			Change			
	2022	2021	2020	2022 vs. 2021		2021 vs. 2020	
	(in € millions, except percentages)						
Premium	7,355	5,986	5,126	1,369	23 %	860	17 %
Ad-Supported	1,446	1,091	739	355	33 %	352	48 %
Total	8,801	7,077	5,865	1,724	24 %	1,212	21 %

Premium cost of revenue

For the year ended December 31, 2022, as compared to 2021, Premium cost of revenue increased by €1,369 million, or 23%, and Premium cost of revenue as a percentage of Premium revenue increased from 71% to 72%. The increase in Premium cost of revenue was driven primarily by increases in new Premium Subscribers, publishing licensing rates and costs incurred to deliver enhanced product features, partially offset by benefits from certain marketplace programs. These collectively resulted in higher royalty costs of €1,152 million. Additionally, there was an increase in streaming delivery costs and payment fees of €58 million and €47 million, respectively, for the year ended December 31, 2022. The year ended December 31, 2022 included a charge of €24 million related to excess and obsolete inventory and adverse purchase commitments. The year ended December 31, 2021 also included a net €46 million benefit relating to changes in prior period estimates for rights holder liabilities.

Ad-Supported cost of revenue

For the year ended December 31, 2022, as compared to 2021, Ad-Supported cost of revenue increased by €355 million, or 33%, and Ad-Supported cost of revenue as a percentage of Ad-Supported revenue increased from 90% to 98%. The increase in Ad-Supported cost of revenue was driven primarily by an increase in content costs, streaming delivery costs and advertising measurement costs of €212 million. Additionally, there was an increase in royalty costs of €131 million due to growth in both advertising revenue and streams as well as publishing licensing rate increases and additional costs incurred to deliver enhanced product features, partially offset by benefits from certain marketplace programs for the year ended December 31, 2022.

Foreign exchange impact on total cost of revenue

The general movement of the Euro relative to certain foreign currencies, primarily the U.S. dollar, for the year ended December 31, 2022, as compared to 2021, had an unfavorable net impact on our cost of revenue. We estimate that total cost for the year ended December 31, 2022 would have been approximately €523 million lower, if foreign exchange rates had remained consistent with foreign exchange rates for the year ended December 31, 2021.

Gross profit and gross margin

	Year ended December 31,			Change			
	2022	2021	2020	2022 vs. 2021		2021 vs. 2020	
	(in € millions, except percentages)						
Gross profit							
Premium	2,896	2,474	2,009	422	17 %	465	23 %
Ad-Supported	30	117	6	(87)	(74)%	111	1,850 %
Consolidated	2,926	2,591	2,015	335	13 %	576	29 %
Gross margin							
Premium	28 %	29 %	28 %				
Ad-Supported	2 %	10 %	1 %				
Consolidated	25 %	27 %	26 %				

Premium gross profit and gross margin

For the year ended December 31, 2022, as compared to 2021, Premium gross profit increased by €422 million and Premium gross margin decreased from 29% to 28%. Premium gross margin decreased due primarily to increases in publishing licensing rates and costs incurred to deliver enhanced product features, partially offset by benefits from certain marketplace programs. There was also a €24 million charge related to excess and obsolete inventory and adverse purchase commitment during the year ended December, 2022. Also contributing to the decrease in margin were benefits from changes in prior period estimates for rights holder liabilities for the year ended December 31, 2021 with no comparable benefits for the year ended December 31, 2022.

Ad-Supported gross profit and gross margin

For the year ended December 31, 2022, as compared to 2021, Ad-Supported gross profit decreased by €87 million to a gross profit of €30 million, and Ad-Supported gross margin decreased from 10% to 2%. The decrease in Ad-Supported gross margin was due primarily to increase in content costs, streaming delivery costs and advertising measurement costs. An increase in royalty costs due to growth in both advertising revenue and streams as well as publishing licensing rate increases and additional costs incurred to deliver enhanced product features also contributed to the decrease in Ad-Supported gross margin during the year ended December 31, 2022.

Research and development

	Year ended December 31,			Change		
	2022	2021	2020	2022 vs. 2021	2021 vs. 2020	
	(in € millions, except percentages)					
Research and development	1,387	912	837	475	52 %	75
As a percentage of revenue	12 %	9 %	11 %			9 %

For the year ended December 31, 2022, as compared to 2021, research and development costs increased by €475 million, or 52%, as we continually enhance our platform to retain and grow our user base. The increase was due primarily to an increase in personnel-related costs of €316 million that included increased salaries, share-based compensation, and other employee benefits as a result of increased headcount to support our growth, partially offset by a decrease in social costs due primarily to changes in share price movements. In addition, there was an increase in information technology costs of €62 million due to increase in our usage of cloud computing services and additional software license fees. There was also an increase in travel and employee trainings of €32 million due primarily to the resumption of global travel and in-person trainings as a result of easing COVID-19 restrictions and an increase in facilities costs of €22 million as a result of office re-openings. Additionally, there was an increase of €17 million in consulting fees.

The increases in research and development costs described above include the impact of foreign exchange rate movements during the respective periods. A significant portion of our operating expenses are denominated in the U.S. dollar which strengthened 6% against the Euro for the year ended December 31, 2022, contributing to the overall increase in operating expenses.

Sales and marketing

	Year ended December 31,			Change		
	2022	2021	2020	2022 vs. 2021	2021 vs. 2020	
	(in € millions, except percentages)					
Sales and marketing	1,572	1,135	1,029	437	39 %	106
As a percentage of revenue	13 %	12 %	13 %			10 %

For the year ended December 31, 2022, as compared to 2021, sales and marketing expense increased by €437 million, or 39%. The increase was due primarily to an increase in advertising costs of €200 million for marketing campaigns and sponsorships. There was also an increase in personnel-related costs of €141 million that included increased salaries, share-based compensation, and other employee benefits as a result of increased headcount to support our growth, partially offset by a decrease in social costs due primarily to changes in share price movements. In addition, there was an increase in travel and employee trainings of €30 million due primarily to the resumption of global travel and in-person trainings as a result of easing COVID-19 restrictions and an increase in facilities costs of €16 million as a result of office re-openings.

The increases in sales and marketing expenses described above include the impact of foreign exchange rate movements during the respective periods. A significant portion of our operating expenses are denominated in the U.S. dollar which strengthened 6% against the Euro for the year ended December 31, 2022, contributing to the overall increase in operating expenses.

General and administrative

	Year ended December 31,			Change		
	2022	2021	2020	2022 vs. 2021	2021 vs. 2020	
	(in € millions, except percentages)					
General and administrative	626	450	442	176	39 %	8
As a percentage of revenue	5 %	5 %	6 %			2 %

For the year ended December 31, 2022, as compared to 2021, general and administrative expense increased by €176 million or 39%. The increase was due primarily to an increase in personnel-related costs of €104 million that included increased salaries, share-based compensation, and other employee benefits as a result of increased headcount to support our growth, partially offset by a decrease in social costs due primarily to changes in share price movements. In addition, there was an increase in travel and employee trainings of €23 million due primarily to the resumption of global travel and in-person trainings.

as a result of easing COVID-19 restrictions. There was also an increase of €15 million due to incremental fees relating to consultants and external contractors.

The increases in general and administrative expenses described above include the impact of foreign exchange rate movements during the respective periods. A significant portion of our operating expenses are denominated in the U.S. dollar which strengthened 6% against the Euro for the year ended December 31, 2022, contributing to the overall increase in operating expenses.

Foreign exchange impact on total operating expenses

The general movement of the Euro relative to certain foreign currencies, primarily the U.S. Dollar, for the year ended December 31, 2022, as compared to 2021, had an unfavorable net impact on our operating expenses. We estimate that total operating expenses for the year ended December 31, 2022 would have been approximately €215 million lower if foreign exchange rates had remained consistent with foreign exchange rates for 2021.

Finance income

Finance income consists of fair value adjustment gains on certain financial instruments, interest income earned on our cash and cash equivalents and short term investments, and foreign currency gains.

	Year ended December 31,			Change			
	2022	2021	2020	2022 vs. 2021	2021 vs. 2020		
	(in € millions, except percentages)						
Finance income	421	246	94	175	71 %	152	162 %
As a percentage of revenue	4 %	3 %	1 %				

For the year ended December 31, 2022, as compared to 2021, finance income increased by €175 million. The increase was due primarily to an increase of €72 million in foreign exchange gains on the remeasurement of monetary assets and liabilities in a transaction currency other than the functional currency. There was also an increase in benefits recognized from the decline in the fair value of the Exchangeable Notes and warrants of €60 million as well as an increase in interest income of €36 million.

Finance costs

Finance costs consist of fair value adjustment losses on financial instruments, interest expense, transaction costs on the issuance of the Exchangeable Notes and foreign currency losses.

	Year ended December 31,			Change			
	2022	2021	2020	2022 vs. 2021	2021 vs. 2020		
	(in € millions, except percentages)						
Finance costs	(132)	(91)	(510)	(41)	45 %	419	(82)%
As a percentage of revenue	(1)%	(1)%	(6)%				

For the year ended December 31, 2022, as compared to 2021, finance costs increased by €41 million. The increase was due primarily to an increase of €47 million in foreign exchange losses on the remeasurement of monetary assets and liabilities in a transaction currency other than the functional currency. There was also an increase of €10 million attributable to an increase in the fair value of Exchangeable Notes. These increases were partially offset by €18 million of transaction costs recorded in connection with the issuance of the Exchangeable Notes during the year ended December 31, 2021 which did not recur during the year ended December 31, 2022.

Income tax expense/(benefit)

	Year ended December 31,			Change			
	2022	2021	2020	2022 vs. 2021	2021 vs. 2020		
	(in € millions, except percentages)						
Income tax expense/(benefit)	60	283	(128)	(223)	N/A	411	N/A
As a percentage of revenue	1 %	3 %	(2)%				

For the year ended December 31, 2022, income tax expense was €60 million, as compared to income tax expense of €283 million for the year ended December 31, 2021. The difference was due primarily to changes in recognition of deferred taxes relating to the movement in the fair value of our long term investment in TME which resulted in a benefit of €38 million in 2022 compared to an expense of €251 million in 2021. In addition, €25 million of tax expense was related to subsidiaries that generated taxable income in 2022 compared to €5 million in 2021. Additionally, in 2021 there was a disposal of a long term investment that generated a tax charge through other comprehensive loss which resulted in an offsetting current tax benefit of €30 million in the statement of operations. In 2022, this tax charge was reduced by €5 million and the benefit was recorded in other comprehensive loss with an offsetting tax charge recorded in the statement of operations.

B. Liquidity and Capital Resources

Our principal sources of liquidity are our cash and cash equivalents, short term investments, and cash generated from operating activities. Cash and cash equivalents and short term investments consist mostly of cash on deposit with banks, investments in money market funds, and investments in government securities, corporate debt securities, and collateralized reverse purchase agreements. Cash and cash equivalents and short term investments decreased by €150 million from €3,500 million as of December 31, 2021 to €3,350 million as of December 31, 2022.

We believe our existing cash and cash equivalents, short term investments, and the cash flow we generate from our operations will be sufficient to meet our working capital and capital expenditure needs and other liquidity requirements for at least the next 12 months. However, our future capital requirements may be materially different than those currently planned in our budgeting and forecasting activities and depend on many factors, including our rate of revenue growth, the timing and extent of spending on content and research and development, the expansion of our sales and marketing activities, the timing of new product introductions, market acceptance of our products, our continued international expansion, the acquisition of other companies, competitive factors, the COVID-19 pandemic, and global economic conditions. To the extent that current and anticipated future sources of liquidity are insufficient to fund our future business activities and requirements, we may be required to seek additional equity or debt financing. The sale of additional equity would result in additional dilution to our shareholders, while the incurrence of debt financing would result in debt service obligations. Such debt instruments also could introduce covenants that might restrict our operations. We cannot assure you that we could obtain additional financing on favorable terms, or at all. See “Item 3.D. Risk Factors—Risks Related to Our Operations—We may require additional capital to support business growth and objectives, and this capital might not be available on acceptable terms, if at all.” We have planned capital expenditures of approximately €19 million in 2023 for projects in Amsterdam, Tokyo, Boston, and London, among others. We plan to use our existing cash and cash equivalents and the cash flow we generate from operations to fund these capital expenditures.

We continue to make investments in offices and information technology infrastructure through purchases of property and equipment and lease arrangements to provide capacity for the growth of our business, and we use current cash and cash equivalents and the cash flow we generate from operations to fund these investments. However, given the impact of our Work From Anywhere program, our focus has shifted more towards optimizing our current portfolio and reviewing our real estate needs around the world as opposed to significant expansion of our presence in current markets.

Share repurchase program

On August 20, 2021, the Company announced that the board of directors had approved a program to repurchase up to \$1.0 billion of the Company's ordinary shares. Repurchases of up to 10,000,000 of the Company's ordinary shares were authorized at the Company's general meeting of shareholders on April 21, 2021. The repurchase program will expire on April 21, 2026. Since the commencement of this repurchase program and through December 31, 2022, the Company has repurchased 469,274 shares for €91 million under this program.

The timing and actual number of shares repurchased depends on a variety of factors, including price, general business and market conditions, and alternative investment opportunities. The repurchase program is executed consistent with the Company's capital allocation strategy of prioritizing investment to grow the business over the long term. The repurchase program does not obligate the Company to acquire any particular amount of ordinary shares, and the repurchase program may be suspended or discontinued at any time at the Company's discretion. The Company uses current cash and cash equivalents and the cash flow it generates from operations to fund the share repurchase program.

The authorization of the previous share repurchase program, announced on November 5, 2018, expired on April 21, 2021. The total aggregate amount of repurchased shares under that program was 4,366,427 for a total of approximately \$572 million.

Exchangeable Notes

On March 2, 2021, Spotify USA Inc. issued US\$1,500 million in aggregate principal amount of the Exchangeable Notes. Net proceeds from the issuance of the Exchangeable Notes were €1,223 million after deducting transaction costs. See Note 20 to our consolidated financial statements included elsewhere in this report for further information regarding our Exchangeable Notes.

Cash flow

	Year ended December 31,		
	2022	2021	2020
	(in € millions)		
Net cash flows from operating activities	46	361	259
Net cash flows used in investing activities	(423)	(187)	(372)
Net cash flows (used in)/from financing activities	(40)	1,250	285

For the year ended December 31, 2022, as compared to 2021, net cash flows from operating activities decreased by €315 million. The decrease was due primarily to a change from operating income to operating loss during the period. This change to operating loss adjusted for non-cash items including depreciation, amortization, and share-based compensation expense amounted to €537 million. This decrease was partially offset by favorable changes in working capital movement of €250 million, principally trade and other liabilities and trade receivables and other assets.

For the year ended December 31, 2022, as compared to 2021, net cash flows used in investing activities increased by €236 million. The increase was due primarily to an increase in cash consideration used in business combinations, net of cash acquired, of €191 million. There was also a decrease in proceeds from the sale of long term investments of €139 million. These changes were partially offset by a decrease in net cash outflows from purchases and sales and maturities of short term investments of €33 million and a decrease in capital expenditures of €60 million.

For the year ended December 31, 2022, as compared to 2021, net cash flows from financing activities decreased by €1,290 million. The decrease was due primarily to net proceeds of €1,223 million from the issuance of Exchangeable Notes during the year ended December 31, 2021, whereas no such activity occurred during the year ended December 31, 2022. There was also a decrease in proceeds from the exercise of stock options of €124 million and a decrease in proceeds from the issuance of warrants of €31 million. These changes were partially offset by a decrease in repurchases of ordinary shares of €87 million.

Free Cash Flow:

We define "Free Cash Flow" as net cash flows from operating activities less capital expenditures and change in restricted cash. Based on our definition, our Free Cash Flow is summarized as follows:

	Year ended December 31,		
	2022	2021	2020
	(in € millions)		
Net cash flows from operating activities	46	361	259
Capital expenditures	(25)	(85)	(78)
Change in restricted cash	—	1	2
Free Cash Flow	21	277	183

We believe Free Cash Flow is a useful supplemental financial measure for us and investors in assessing our ability to pursue business opportunities and investments and to service our debt. Free Cash Flow is not a measure of our liquidity under IFRS and should not be considered as an alternative to net cash flows from operating activities.

Free Cash Flow is a non-IFRS measure and is not a substitute for IFRS measures in assessing our overall financial performance. Because Free Cash Flow is not a measurement determined in accordance with IFRS, and is susceptible to varying calculations, it may not be comparable to other similarly titled measures presented by other companies. You should not consider Free Cash Flow in isolation, or as a substitute for an analysis of our results as reported on our consolidated financial statements appearing elsewhere in this report.

For the year ended December 31, 2022, as compared to 2021, Free Cash Flow decreased by €256 million. The decrease in Free Cash Flow was due primarily to a decrease in net cash flows from operating activities of €315 million, as described above.

Indebtedness

As of December 31, 2022, our outstanding indebtedness, other than lease liabilities, consisted primarily of the Exchangeable Notes that mature on March 15, 2026 and bear no interest. See Note 20 to our consolidated financial statements included elsewhere in this report for further information regarding our Exchangeable Notes. We may from time to time seek to incur additional indebtedness. Such indebtedness, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions, and other factors.

Contractual obligations

The following table sets forth our contractual obligations and commercial commitments as of December 31, 2022:

Contractual obligations:	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	(in € millions)				
Minimum guarantees ⁽¹⁾	1,409	1,111	298	—	—
Exchangeable Notes ⁽²⁾	1,402	—	—	1,402	—
Lease obligations ⁽³⁾	890	100	193	187	410
Purchase obligations ⁽⁴⁾	917	485	280	54	98
Deferred consideration ⁽⁵⁾	40	12	28	—	—
Total	4,658	1,708	799	1,643	508

(1) We are subject to minimum royalty payments associated with our license agreements for the use of licensed content. See Part I, “Item 3.D. Risk Factors”.

(2) Consists of principal on our 0.00% Exchangeable Notes due March 15, 2026.

(3) Included in the lease obligations are short term leases and certain lease agreements that we have entered into, but had not yet commenced as of December 31, 2022. Lease obligations primarily relate to our office space. The lease terms are up to 12 years. See Note 12 to the consolidated financial statements included elsewhere in this report for further details regarding leases.

(4) We are subject to various non-cancelable purchase obligations and service agreements with minimum spend commitments, including a service agreement with Google for the use of Google Cloud Platform and certain podcast and marketing commitments.

(5) Included in deferred consideration are obligations to transfer €40 million of cash consideration over the next four years to former owners of certain entities we have acquired.

C. Research and Development, Patents and Licenses

For a detailed analysis of research and development policies and costs, see “Item 4.B. Business Overview” and discussions elsewhere in this “Item 5. Operating and Financial Review and Prospects.”

D. Trend Information

Our results reflect the effects of our trial programs, both discounted and free trials, in addition to seasonal trends in user behavior and, with respect to our Ad-Supported segment, advertising behavior. Historically, Premium Subscriber growth accelerates when we run such trial programs. Historically, we have run two programs per year during the second and fourth quarters. During both 2021 and 2022, we launched a total of three programs in each year which were run during the second, third, and fourth quarters.

For our Ad-Supported segment, typically we experience higher advertising revenue in the fourth quarter of each calendar year due to greater advertising demand during the holiday season. However, in the first quarter of each calendar year, we typically experience a seasonal decline in advertising revenue due to reduced advertiser demand.

Other than as disclosed here and elsewhere in this report, we are not aware of any trends, uncertainties, demands, commitments, or events since December 31, 2022 that are reasonably likely to have a material adverse effect on our revenues, income, profitability, liquidity, or capital resources, or that would cause the disclosed financial information to be not necessarily indicative of future operating results or financial conditions.

E. Critical Accounting Estimates

We prepare our consolidated financial statements in accordance with IFRS as issued by the IASB. Preparing these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, equity, revenue, expenses, and related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results may differ from these estimates.

The critical accounting policies, estimates, assumptions, and judgments that we believe to have the most significant impact on our consolidated financial statements are described below.

Revenue Recognition

Premium Revenue

We generate revenue for our Premium segment through the sale of subscriptions to the Premium Service. The Premium Service is sold directly to end users and through partners who are generally telecommunications companies that bundle the subscription with their own services or collect payment for the stand-alone subscriptions from their end customers. We satisfy our performance obligation, and revenue from these services is recognized, on a straight-line basis over the subscription period. Typically, the Premium Service is paid for monthly in advance.

Premium partner subscription revenue is based on a per-subscriber rate in a negotiated partner agreement. Under these arrangements, a premium partner may bundle the Premium Service with its existing product offerings or offer the Premium Service as an add-on. Payment is remitted to the Group through the premium partner. The Group assesses the facts and circumstances, including whether the partner is acting as a principal or agent, of all partner revenue arrangements and then recognizes revenues as either gross or net. Premium partner services, whether recognized as gross or net, have one material performance obligation, that being the delivery of the Premium Service.

Additionally, we bundle the Premium Service with other services and products. In bundle arrangements where we have multiple performance obligations, the transaction price is allocated to each performance obligation based on the relative stand-alone selling price. We generally determine stand-alone selling prices based on the prices charged to customers. For each performance obligation within the bundle, revenue is recognized either on a straight-line basis over the subscription period or at a point in time when control of the service or product is transferred to the customer.

Ad-Supported Revenue

We generate revenue for our Ad-Supported segment primarily from the sale of display, audio, and video advertising delivered through advertising impressions across our music and podcast content. We generally enter into arrangements with advertising agencies that purchase advertising on behalf of their clients and we also enter into arrangements directly with some large advertisers. These advertising arrangements are typically sold on a cost-per-thousand basis and are evidenced by an Insertion Order. Additionally, we generate revenue through arrangements with certain advertising automated exchanges, internal self-serve, and advertising marketplace platforms to distribute advertising inventory for purchase on a cost-per-thousand basis.

Revenue from our Ad-Supported segment is dependent primarily on the number and hours of engagement of our Ad-Supported Users and podcast listeners and our ability to provide innovative advertising products that are relevant to those users and enhance returns for our advertising partners. Revenue is recognized based on the number of impressions delivered.

Share-based Compensation

Our employees and members of our board of directors receive remuneration in the form of share-based compensation transactions, whereby employees render services in consideration for equity instruments.

The fair value of a stock option is estimated on the grant date using the Black-Scholes option-pricing model. The fair value of an RSU or restricted stock award is measured using the fair value of our ordinary shares on the date of the grant. Stock-based compensation expense is recognized, net of forfeitures, over the requisite service periods of the awards, which is generally less than five years.

Our use of the Black-Scholes option-pricing model requires the input of highly subjective assumptions, including expected term of the option, expected volatility of the price of our ordinary shares, risk-free interest rates, and the expected dividend yield of our ordinary shares. The assumptions used in our option-pricing model represent management's best estimates. These estimates involve inherent uncertainties and the application of management's judgment. If factors change and different assumptions are used, our stock-based compensation expense could be materially different in the future.

We also must estimate a forfeiture rate to calculate the stock-based compensation expense for our awards. Our forfeiture rate is based on an analysis of our actual forfeitures. We will continue to evaluate the appropriateness of the forfeiture rate based on actual forfeiture experience, analysis of employee turnover, and other factors. Changes in the estimated forfeiture rate can have a significant impact on our stock-based compensation expense as the cumulative effect of adjusting the rate is recognized in the period the forfeiture estimate is changed. A higher revised forfeiture rate than previously estimated will result in an adjustment that will decrease the stock-based compensation expense recognized in the consolidated statement of operations. A lower revised forfeiture rate than previously estimated will result in an adjustment that will increase the stock-based compensation expense recognized in the consolidated statement of operations.

We will continue to use judgment in evaluating the assumptions related to our stock-based compensation on a prospective basis. As we accumulate additional data related to our ordinary shares, we may have refinements to our estimates, which could materially impact our future share-based compensation expense.

Social costs are payroll taxes associated with employee salaries and benefits, including share-based compensation. Social costs in connection with granted options and RSUs are accrued over the vesting period based on the intrinsic value of the award that has been earned at the end of each reporting period. The amount of the liability reflects the amortization of the award and the impact of expected forfeitures. The social cost rate at which the accrual is made generally follows the tax domicile within which other compensation charges for a grantee are recognized.

Content

We incur royalty costs for the right to stream music to our users, paid to record labels, music publishers, and other rights holders. Royalties are calculated using negotiated rates in accordance with license agreements, estimates of those rates in instances where rights holders are not identified, or rates as determined by government bodies. Calculations are based on either Premium and Ad-Supported revenue earned or user/usage measures or a combination of these. The rights holder agreements are complex and our determination of royalties payable involves certain significant judgments, assumptions, and estimates in addition to complex systems and a significant volume of data to be processed and analyzed. In particular, in certain jurisdictions rights holders have several years to claim royalties for works streamed each month. As such, the royalty costs incurred in a period might not be fully settled for a number of years and are estimated. The estimate of royalty costs requires us to make assumptions about the rates to be recorded for streams where the rights holder is not identified and the potential incidence of duplicate claims. These estimates are subject to revision until settlement. Considering the number of variables impacting the amounts owed, the actual outcome could be different than our estimates, resulting in an additional accrual or release of previously recorded liabilities.

Some rights holders have allowed the use of their content on our platform while negotiations of the terms and conditions of individual agreements or determination of statutory rates are ongoing. In these instances, royalties are calculated based on our best estimate of the eventual payout. In addition, on August 11, 2020, the United States Court of Appeals for the D.C. Circuit issued an opinion which, as of the issuance of the formal "mandate" on October 26, 2020, vacated the Copyright Royalty Board's determination of the royalty rates for applicable mechanical rights in the United States for calendar years 2018 to 2022. These rates apply both to compositions that we license under compulsory license in Section 115 of the Copyright Act and to a number of direct licenses that we have had with music publishers. On July 1, 2022, the Copyright Royalty Board issued its initial ruling to set those rates in light of the D.C. Circuit's opinion. That ruling will need to be adapted into regulations, which, when issued by the U.S. Copyright Office, will become law. Until the final rates are determined, our recorded royalty

costs will be based on management estimates of the rates that will apply. Changes to these estimates could either benefit or adversely affect our results of operations and financial condition.

In 2022, the proceedings known as “Phonorecords IV Proceedings” began to set the rates for the Section 115 compulsory license for calendar years 2023 to 2027. In August 2022, we and other service providers reached an agreement in principle with publisher organizations for these rates and terms and asked the Copyright Royalty Board to adopt those rates and terms on an industry-wide basis. In December 2022, the Copyright Royalty Board issued final regulations adopting the parties' proposed rates and terms on an industry-wide basis for the Phonorecords IV period.

Many of the rights holders agreements include the right to audit our royalty payments, and any such audit could result in disputes over whether we have paid the proper royalties. Given the complexity of the arrangements, if such a dispute were to occur, we could be required to pay additional royalties, and the amounts involved could be material.

The majority of our rights holder liabilities are settled on commercial payment terms shortly after they are incurred. However, certain of these liabilities are not settled for more significant periods of time due to uncertainties related to the reasons discussed above. Of the total accruals and provisions to rights holders at December 31, 2022 and December 31, 2021, approximately €441 million and €308 million, respectively, relate to liabilities that were incurred more than 12 months prior to the date of the statement of financial position. Of the December 31, 2022 amount, €27 million was expensed in the year ended December 31, 2022 due to an increase of estimates included in the financial statements for the year ended December 31, 2021.

We have certain arrangements whereby royalty costs are paid in advance or are subject to minimum guaranteed amounts. These minimum guarantee amounts have been disclosed in Note 25 of the consolidated financial statements included elsewhere in this report. An accrual is established when actual royalty costs to be incurred during a contractual period are expected to fall short of the minimum guaranteed amounts. For minimum guarantee arrangements for which we cannot reliably predict the underlying expense, we will expense the minimum guarantee on a straight-line basis over the term of the arrangement. We also have certain royalty arrangements where we would have to make additional payments if the royalty rates for specified periods were below those paid to certain other licensors (most favored nation clauses). For rights holders with this clause, we compare royalties incurred to date plus estimated royalties payable for the remainder of the period to estimates of the royalties payable to other appropriate rights holders, and the shortfall, if any, is recognized on a straight-line basis over the period of the applicable most favored nation clause. An accrual and expense is recognized when it is probable that we will make additional royalty payments under these terms. The expense related to these accruals is recognized in cost of revenue.

Amortization of podcast content assets is recorded in cost of revenue over the shorter of the estimated useful economic life or the license period, and begins at the release of each episode. The economic life and expected amortization profile of podcast content assets is estimated by management based on historical listening patterns and is evaluated on an ongoing basis. Determining these estimates requires significant judgment by management.

Provisions

From time to time, we are involved in legal actions or other third-party assertions related to content on our platform. There can be no assurance these actions or other third-party assertions will be resolved without costly litigation in a manner that does not adversely impact our financial position, results of operations, or cash flows, or without requiring higher royalty payments in the future, which may adversely impact gross margins. We record a liability when it is probable that a loss has been incurred and the amount can be reasonably estimated. In determining the probability of a loss and consequently determining a reasonable estimate, management is required to use significant judgment. Given the uncertainties associated with any litigation, the actual outcome can be different from our estimates and could adversely affect our results of operations, financial position, and cash flows. See “Item 3.D. Risk Factors—Risks Related to Securing the Rights to the Content We Stream—Our royalty payment scheme is complex, and it is difficult to estimate the amount payable under our license agreements or relevant statutes.”

Exchangeable Notes

Our Exchangeable Notes are re-measured at each reporting date using valuation models using input data. They are accounted for in their entirety at fair value, with any change in fair value after initial measurement being recorded in finance income or cost in the consolidated statement of operations, except that changes in fair value that are due to changes in own credit risk will be presented separately in other comprehensive income/(loss) and will not be reclassified to the consolidated statement of operations. The fair value of the Exchangeable Notes is estimated using a combination of a binomial option pricing model and prices observed for the Exchangeable Notes in an over-the-counter market on the last trading day of the reporting period. Our ordinary share price is a primary driver of the fair value of the Exchangeable Notes. If factors change and different assumptions are used, our finance income/(cost) could be materially different in the future. Please refer to “Item 11. Quantitative and Qualitative Disclosures About Market Risk” included elsewhere in this report for additional information on the share price risk related to our Exchangeable Notes.

See Note 24 to our consolidated financial statements included elsewhere in this report for additional information on the valuation models used for our Exchangeable Notes.

Warrants

We issued certain non-compensatory warrants in the Company to a holder that is an employee and a member of management of the Group pursuant to a subscription agreement. See "Item 6. Directors, Senior Management and Employees—E. Share Ownership—Warrants." Our warrants are re-measured at each reporting date using valuation models using input data. The change in fair value of these financial liabilities are recognized in finance income or cost in the consolidated statement of operations. Our ordinary share price is a primary driver of the fair value of the warrants. If factors change and different assumptions are used, our finance income/(cost) could be materially different in the future. Please refer to "Item 11. Quantitative and Qualitative Disclosures About Market Risk" included elsewhere in this report for additional information on the share price risk related to our warrants.

See Note 24 to our consolidated financial statements included elsewhere in this report for additional information on the valuation models used for our warrants.

Income Taxes

We are subject to income taxes in Luxembourg, Sweden, the United States, and numerous foreign jurisdictions. Significant judgment is required in determining our uncertain tax positions. The group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred tax assets are recognized for unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available, against which they can be used. Unused tax loss carry-forwards are reviewed at each reporting date and are not recorded when, in management's assessment, it is not probable that we will generate future taxable income to utilize the loss carry-forwards.

In determining the amount of current and deferred income tax, we take into account the impact of uncertain tax positions and whether additional taxes, interest, or penalties may be due. Although we believe that we have adequately reserved for our uncertain tax positions, we can provide no assurance that the final tax outcome of these matters will not be materially different. We adjust these reserves when facts and circumstances change, such as the closing of a tax audit, new information presented by a tax authority, or changes in tax legislation. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will affect the provision for income taxes in the period in which such determination is made and could have a material impact on our financial condition and operating results.

We have initiated and are in negotiations of an Advanced Pricing Agreement between Sweden and the United States governments for tax years 2014 through 2020 covering various transfer pricing matters. These transfer pricing matters may be significant to our consolidated financial statements. In addition, we are subject to the continuous examination of our income tax returns by various tax authorities which could result in assessments against us. There are currently ongoing tax audits in several jurisdictions, and most of these audits involve transfer pricing issues. Tax authorities in certain jurisdictions have challenged our tax positions. We regularly assess the likely outcomes of these audits, taking into account any new information available, in order to determine the appropriateness of our tax reserves. If we conclude that it is not probable that our tax position will be accepted, the effect of that uncertainty is reflected at either the most likely amount or the expected value, taking into account a range of possible outcomes.

Business Combinations

In business combinations, we allocate the fair value of purchase consideration to the tangible assets acquired, liabilities assumed, and intangible assets acquired based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identified assets and liabilities is recorded as goodwill. Such valuations require management to make significant estimates, assumptions, and judgments, especially with respect to intangible assets and contingent consideration.

Lease Agreements

As most of our lease agreements do not provide an implicit rate of return, we use our incremental borrowing rate based on the information available at the lease commencement date to determine the present value of lease payments. Our incremental borrowing rate is determined based on estimates and judgments, including the credit rating of our leasing entities and a credit spread.

Goodwill Impairment

In accordance with the accounting policy described in Note 2 to our consolidated financial statements included elsewhere in this report, we annually perform an impairment test regarding goodwill. The assumptions used for estimating fair value and assessing available headroom based on conditions that existed at the testing date are disclosed in Note 14 to our consolidated financial statements included elsewhere in this report.

Recent Accounting Pronouncements

See Note 2 to our consolidated financial statements included elsewhere in this report for recently adopted accounting pronouncements and recently issued accounting pronouncements not yet adopted as of the dates of the statement of financial position included in this report.

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

The following table sets forth the names, ages, and positions of our senior management and directors as of the date of this report:

Name	Age	Position
Daniel Ek	39	Founder, Chief Executive Officer, Chairman, and Director
Martin Lorentzon	53	Co-Founder and Director
Katarina Berg	54	Chief Human Resources Officer
Dustee Jenkins	44	Global Head of Public Affairs
Eve Konstan	54	General Counsel
Alex Norström	46	Co-President, Chief Business Officer
Gustav Söderström	46	Co-President, Chief Product & Technology Officer
Paul Vogel	49	Chief Financial Officer
Christopher Marshall	54	Lead Independent Director
Barry McCarthy	69	Director
Shishir Mehrotra	43	Director
Heidi O'Neill	58	Director
Ted Sarandos	58	Director
Thomas Staggs	62	Director
Cristina Stenbeck ⁽¹⁾	45	Director
Mona Sutphen	55	Director
Padmasree Warrior	62	Director

(1) Ms. Stenbeck will not stand for re-election to our board of directors at the Company's 2023 annual general meeting of shareholders.

The business address of each director and each of Mr. Ek, Ms. Berg, Mr. Norström, and Mr. Söderström is Regeringsgatan 19, 111 53 Stockholm, Sweden. The business address of each of Ms. Jenkins, Ms. Konstan, and Mr. Vogel is 150 Greenwich Street, 63rd Floor, New York, New York 10007. The following is a brief biography of each of our senior managers and directors:

Daniel Ek is our founder, Chief Executive Officer, and Chairman of our board of directors. As our Chief Executive Officer and Chairman, Mr. Ek is responsible for guiding the vision and strategy of the Company and leading the management team. He has been a member of our board of directors since July 21, 2008, and his term will expire on the date of the general meeting of shareholders to be held to approve the annual accounts of 2022. Prior to founding Spotify in 2006, Mr. Ek founded Advertigo, an online advertising company acquired by Tradedoubler, held various senior roles at the Nordic auction company Tradera, which was acquired by eBay, and served as Chief Technology Officer at Stardoll, a fashion and entertainment community for pre-teens. In 2021, he co-founded Prima Materia, a European investment company.

Martin Lorentzon is our co-founder and a member of our board of directors. He has been a member of our board of directors since July 21, 2008, and his term will expire on the date of the general meeting of shareholders to be held to approve the annual accounts of 2022. Mr. Lorentzon previously served as Chairman of our board of directors from 2008 to 2016. In

addition to his role on our board of directors, Mr. Lorentzon served as a member of the board of directors of Telia Company AB (“Telia Company”), Sweden’s main telecom operator, from 2013 to 2018. In 1999, Mr. Lorentzon founded Tradedoubler, an internet marketing company based in Stockholm, Sweden, and initially served as a member of its board of directors. Additionally, Mr. Lorentzon has held senior roles at Telia Company and Cell Ventures. He holds a Master of Science in Civil Engineering from the Chalmers University of Technology.

Katarina Berg is our Chief Human Resources Officer. She oversees all aspects of human resource management and is responsible for developing and executing the people strategy in support of our overall business plan. Ms. Berg serves as a member of the board of directors of Personio GmbH and as a member of the advisory board of Bambuser AB. Before joining our team, Ms. Berg held human resources roles in various multinational companies, such as Swedbank, 3 Scandinavia, and Kanal 5 (SBS Broadcasting). Ms. Berg holds a Master of Arts in Human Resources Management and Development in Behavioral Science from Lund University.

Dustee Jenkins is our Global Head of Public Affairs. In this capacity, she oversees all external communications, government affairs, trust and safety, as well as enterprise-wide internal communications in more than 180 markets. Prior to joining Spotify, Ms. Jenkins was Senior Vice President and Chief Communications Officer at Target. She previously served as a director at Public Strategies, Inc. (now Hill+Knowlton Strategies) specializing in crisis and financial transactions, the director of communications of the Department of Housing and Urban Development as an appointee of President George W. Bush, and Press Secretary for U.S. Senator Kay Bailey Hutchison. Ms. Jenkins also serves on the board of New York Women in Communications.

Eve Konstan is our General Counsel. She is responsible for a wide range of legal matters for the Company, including content licensing, M&A, litigation, employment, and compliance. Before joining the Company in 2020, Ms. Konstan was Executive Vice President & General Counsel of WarnerMedia Entertainment and previously spent 20 years at HBO, ultimately serving as Executive Vice President & General Counsel of HBO. In that role, she oversaw all of HBO’s legal matters worldwide, including production and clearance of original programming, global distribution agreements, litigation and employment matters, intellectual property, and antitrust matters. Ms. Konstan also practiced law at Cleary Gottlieb Steen & Hamilton. She holds a Bachelor of Arts with Honors from Eckerd College and a Juris Doctor degree from Columbia Law School.

Alex Norström is our Co-President, Chief Business Officer. As our Chief Business Officer, Mr. Norström oversees our subscriber and advertising businesses and all licensed, distributed, and owned content on the platform across music, podcasts, and audiobooks. In addition, he has responsibility for marketing, global markets, partnerships, licensing, payments, and customer service. Mr. Norström was previously our Chief Freemium Business Officer and prior to that our Vice President of Growth and Vice President of Subscriptions. Prior to joining Spotify in 2011, Mr. Norström was Chief New Business Officer at King.com Ltd. He was a member of the board of directors of Circle from 2016 through December 2019. Mr. Norström holds a Master of Science in Business & Economics with a Major in Finance from the Stockholm School of Economics.

Gustav Söderström is our Co-President, Chief Product & Technology Officer. He is responsible for our global product and technology strategy, overseeing the product, design, data, and engineering teams at the Company. Mr. Söderström is a startup seed investor and founder of 13th Lab (acquired by Facebook’s Oculus). Before joining the Company in 2009, Mr. Söderström was director of product and business development for Yahoo! Mobile from 2006 to 2009. In 2003, Mr. Söderström founded Kenet Works, a company that developed community software for mobile phones and served as the company’s Chief Executive Officer until it was acquired by Yahoo! in 2006. Mr. Söderström holds a Master of Science in Electrical Engineering from KTH Royal Institute of Technology.

Paul Vogel is our Chief Financial Officer. He is responsible for overseeing the Company’s financial affairs. Mr. Vogel previously served as the Company’s Head of Financial Planning & Analysis, Treasury and Investor Relations from 2016 to January 2020. Before joining the Company, he spent the majority of his career in the investment community as a portfolio manager and equity research analyst, most recently serving as a Managing Director and Head of the Internet and Media Equity Research team at Barclays. Prior to Barclays, Mr. Vogel held various roles in finance, including as a Portfolio Manager at AllianceBernstein and a Research Analyst at Morgan Stanley and DLJ. He is a CFA Charterholder and holds a Bachelor of Arts in Economics from the University of Pennsylvania.

Christopher (Woody) Marshall is a member of our board of directors. He has been a member of our board of directors since June 16, 2015, and his term will expire on the date of the general meeting of shareholders to be held to approve the annual accounts of 2022. In addition to his role on our board of directors, Mr. Marshall currently serves on the boards of directors of Payoneer Global, Inc. and Nerdy, Inc., as well as a number of private companies. Since 2008, he also has served as a general partner of Technology Crossover Ventures, a private equity firm. Prior to that, Mr. Marshall spent 12 years at Trident

Capital, a venture capital firm. Mr. Marshall holds a Bachelor of Arts in Economics from Hamilton College and a Master of Business Administration from the Kellogg School of Management at Northwestern University.

Barry McCarthy is a member of our board of directors. He has been a member of our board of directors since January 8, 2020, and his term will expire on the date of the general meeting of shareholders to be held to approve the annual accounts of 2022. Mr. McCarthy previously served as our Chief Financial Officer from 2015 to January 2020. In addition to his role on our board of directors, he serves as the President and CEO and a member of the board of directors of Peloton Interactive Inc. and a member of the board of directors of Instacart. Prior to joining Spotify, Mr. McCarthy was a private investor and served as a member of the board of directors of several private companies, including Spotify from 2014 to 2015. He also has served as a member of the board of directors of Pandora from 2011 to 2013 (Chairman of the audit committee), Eventbrite from 2011 to 2015, Chegg from 2010 to 2015 (Chairman of the audit committee), and MSD Acquisition Corp. from 2021 to 2022 (Chairman of the audit committee). Since 2011, Mr. McCarthy also has served as an Executive Adviser to Technology Crossover Ventures. From 1999 to 2010, Mr. McCarthy served as the Chief Financial Officer and Principal Accounting Officer of Netflix. Before joining Netflix, Mr. McCarthy served in various management positions in management consulting, investment banking, and media and entertainment. Mr. McCarthy holds a Bachelor of Arts in History from Williams College and a Master of Business Administration in Finance from the Wharton School at the University of Pennsylvania.

Shishir Mehrotra is a member of our board of directors. He has been a member of our board of directors since June 13, 2017, and his term will expire on the date of the general meeting of shareholders to be held to approve the annual accounts of 2022. Mr. Mehrotra previously served as our Strategic Advisor to the Chief Executive Officer from December 2015 to May 2017. Mr. Mehrotra is the CEO and Co-Founder of Coda, Inc. Mr. Mehrotra has previously served as a Vice President of Product and Engineering at Google and Director of Program Management at Microsoft. Mr. Mehrotra holds a Bachelor of Science in Computer Science and a Bachelor of Science in Mathematics from the Massachusetts Institute of Technology.

Heidi O'Neill is a member of our board of directors. She has been a member of our board of directors since December 5, 2017, and her term will expire on the date of the general meeting of shareholders to be held to approve the annual accounts of 2022. Ms. O'Neill previously served as a member of the board of directors of Skullcandy, where she also was the Chair of the compensation committee, and the Nike School Innovation Fund, of which she was a founding member. Ms. O'Neill also serves as the President of Consumer and Marketplace, a division of Nike, Inc.

Ted Sarandos is a member of our board of directors. He has been a member of our board of directors since September 13, 2016, and his term will expire on the date of the general meeting of shareholders to be held to approve the annual accounts of 2022. In addition to his role on our board of directors, Mr. Sarandos serves on the board of directors of Netflix, as well as the Film Advisory Board of Directors for Tribeca Film Festival, the board of directors of American Cinematheque, and the advisory board of Film Independent. Mr. Sarandos is also an American Film Institute trustee, an Executive Committee Member of the Academy of Television Arts & Sciences, a Henry Crown Fellow at the Aspen Institute, and serves on the board of directors of Exploring the Arts. He also serves as the co-CEO of Netflix and has been responsible for all content operations at Netflix since 2000.

Thomas Staggs is a member of our board of directors. He has been a member of our board of directors since June 13, 2017, and his term will expire on the date of the general meeting of shareholders to be held to approve the annual accounts of 2022. In addition to his role on our board of directors, Mr. Staggs serves as the co-Chairman and co-CEO of Candle Media LLC, co-CEO and co-Chairperson of the board of directors of Forest Road Acquisition Corp. II, Chairman of PureForm Global Inc., and as a partner of Smash Capital Advisors LP. He also serves on the board of advisors of the University of Minnesota Carlson School of Management. Mr. Staggs previously served in various roles at The Walt Disney Company, including as Chief Financial Officer, Chairman of Disney Parks and Resorts Worldwide, Chief Operating Officer, and Special Advisor to the Chief Executive Officer. He also was previously a member of the board of directors at Euro Disney SCA from 2002 until 2015. Mr. Staggs holds a Bachelor of Science in Business from the University of Minnesota and a Master of Business Administration from the Stanford Graduate School of Business.

Cristina Stenbeck is a member of our board of directors. She has been a member of our board of directors since June 13, 2017, and her term will expire on the date of the general meeting of shareholders to be held to approve the annual accounts of 2022. In addition to her role on our board of directors, Ms. Stenbeck chairs the Supervisory Board of Zalando SE, the leading European starting point for online fashion listed on the MDAX in Germany. From 2003 through 2019, Ms. Stenbeck served on the board of directors as principal shareholder of Kinnevik AB, a Swedish listed investment management company. She was Deputy Chairman from 2003 to 2007 and Executive Chairman from 2007 to 2016.

Mona Sutphen is a member of our board of directors. She has been a member of our board of directors since April 21, 2021, and her term will expire on the date of the general meeting of shareholders to be held to approve the annual accounts of

2022. She is currently a partner at The Vistria Group, a Chicago-based private equity firm, and is a venture advisor and co-founder of several technology start-ups. Previously, she was a partner at Macro Advisory Partners (“MAP”), where she led the firm’s U.S. practice advising Fortune 100 clients on emerging risks and opportunities across a range of sectors, including technology platform regulation, market entry strategies, and political dynamics and regulatory risks. Prior to joining MAP, Ms. Sutphen was a managing director at UBS AG, where she developed new tools for political risk evaluation impacting capital markets. From 2009 to 2011, she served as White House Deputy Chief of Staff for Policy for President Barack Obama, advancing the administration’s policy and regulatory agenda. She also served on the President’s Intelligence Advisory Board. Ms. Sutphen is a Trustee of Putnam Mutual Funds and was an independent director for Pattern Energy from 2018 to 2020. She is a member of the Council on Foreign Relations, serves on the Boards of the International Rescue Committee and Human Rights First, and is a Trustee of Mount Holyoke College. Ms. Sutphen has a Bachelor of Arts from Mount Holyoke College and a Master of Science from London School of Economics.

Padmasree Warrior is a member of our board of directors. She has been a member of our board of directors since June 13, 2017, and her term will expire on the date of the general meeting of shareholders to be held to approve the annual accounts of 2022. In addition to her role on our board of directors, Ms. Warrior serves on the board of directors of Microsoft. In addition, Ms. Warrior was a member of the board of directors of The Gap, Inc. from 2013 to 2016 and a member of the board of directors of Box, Inc. from 2014 to 2016. From 2008 to 2015 Ms. Warrior worked at Cisco, most recently as Chief Technology and Strategy Officer. She served as the Chief Executive Officer of NIO USA and Chief Development Officer of NIO Inc. from December 2015 to 2018. In 2019, she founded Fable Group, where she serves as President and Chief Executive Officer. She holds a Bachelor of Technology in Chemical Engineering from the Indian Institute of Technology and a Master of Science in Chemical Engineering from Cornell University.

Family Relationships

There are no family relationships between any of the directors. There are no family relationships between any director and any of the senior management of our Company.

Arrangements or Understandings

Christopher Marshall was elected as a director pursuant to a shareholder arrangement pursuant to his role as a general partner of TCMI, Inc., which manages the TCV funds. Such shareholder arrangement has since been terminated. None of our other senior management, directors, or key employees has any arrangement or understanding with our principal shareholder, customers, suppliers, or other persons pursuant to which such senior management, director, or key employee was selected as such.

B. Compensation

This section discusses the principles underlying the material components of our executive compensation program for a subset of our executive leadership team who would be our named executive officers, if we were a domestic issuer, and the factors relevant to an analysis of these policies and decisions. These “named executive officers” for 2022 are:

- Daniel Ek, who is our Founder and serves as our Chief Executive Officer (“CEO”), Chairman, and Director and is our principal executive officer;
- Paul Vogel, who serves as our CFO and our principal financial officer;
- Dawn Ostroff, who served as our Chief Content & Advertising Business Officer until January 31, 2023;
- Gustav Söderström, who served as our Chief Research & Development Officer until January 31, 2023. As of February 1, 2023 Mr. Söderström serves as our Co-President, Chief Product & Technology Officer; and
- Alex Norström, who served as our Chief Freemium Business Officer until January 31, 2023. As of February 1, 2023, Mr. Norström serves as our Co-President, Chief Business Officer.

Specifically, this section provides an overview of our executive compensation philosophy, the overall objectives of our executive compensation program, and each compensation component that we provide. In addition, we explain how and why the people experience and compensation committee of our board of directors arrived at specific compensation policies and decisions involving our named executive officers during 2022.

Each of the key elements of our executive compensation program is discussed in more detail below. Our compensation programs are designed to be flexible and complementary and to collectively serve their principles and objectives.

Executive Compensation Philosophy and Objectives

We operate in the highly competitive and dynamic digital media industry as the world's most popular global audio streaming subscription service. This industry is characterized by rapidly changing market requirements and the emergence of new competitors. To succeed in this environment, we must continuously develop solutions that meet the needs of our rapidly growing user base in a rapidly changing environment, efficiently develop and refine new and existing products and services, and demonstrate a strong return on investment to our advertisers. To achieve these objectives, we need a highly talented and seasoned team of data scientists, engineers, product designers, product managers, and other business professionals.

We recognize that our future success depends on our continuing ability to attract, develop, motivate, and retain highly qualified and skilled employees, which is driven by our compensation, culture and reputation, and the strength of our brand. We strive to create an environment that is responsive to the needs of our employees, is open towards employee communication and continual performance feedback, encourages teamwork, and rewards commitment and performance. The principles and objectives of our compensation and benefits programs for our executive leadership team and other employees are to:

- attract, engage, and retain the best executives to work for us, with experience and managerial talent enabling us to be an employer of choice in highly competitive and dynamic industries;
- align compensation with our corporate strategies, business and financial objectives, and the long-term interests of our shareholders;
- motivate and reward executives whose knowledge, skills, and performance ensure our continued success; and
- ensure that our total compensation is fair, reasonable, and competitive.

We compete with many other companies in seeking to attract and retain experienced and skilled executives. To meet this challenge, we have embraced a compensation philosophy that offers our executive leadership team competitive compensation and benefits packages including equity grants, which are focused on long-term value creation, and that rewards our executive leadership team for achieving our financial and strategic objectives.

Roles of Our Board of Directors, People Experience and Compensation Committee, and Chief Executive Officer in Compensation Decisions

The initial compensation arrangements with our executive leadership team, including the named executive officers, have been determined in arms-length negotiations with each individual executive. Typically, our CEO has been responsible for negotiating these arrangements, except with respect to his own compensation, with the oversight and final approval of the members of our board of directors or the people experience and compensation committee. The compensation arrangements have been influenced by a variety of factors, including, but not limited to:

- our financial condition and available resources;
- our need for that particular position to be filled;
- our board of directors' evaluation of the competitive market based on the third-party data provided by Compensia, Inc. ("Compensia"), a compensation consulting firm, competitive pay practices for comparable positions at companies of comparable scale and in relevant business segments, as further described below, and the experience of the members of the people experience and compensation committee with other companies;
- the length of service of an individual; and
- the compensation levels of other members of the executive leadership team, each as of the time of the applicable compensation decision.

Following the establishment of the initial compensation arrangements, our CEO, board of directors, and people experience and compensation committee have been responsible for overseeing our executive compensation program, as well as determining and approving the ongoing compensation arrangements for our CEO and other members of the executive leadership team, including the other named executive officers. Typically, our CEO reviews the performance of the other members of the executive leadership team, including the other named executive officers, and based on this review, along with the factors described above, makes recommendations to the people experience and compensation committee with respect to the total compensation, including each individual component of compensation, of these individuals for the coming year. There is no predetermined time of year for these reviews, although they are generally performed on an annual basis coinciding with our Company-wide employee compensation review in March. Further, the people experience and compensation committee reviews the performance of our CEO, and based on this review and the factors described above, recommends his total compensation to our board of directors for approval. Since July 1, 2017, our CEO has not been awarded any compensation, but from time to time he has been provided with the opportunity to purchase non-compensatory warrants at fair market value through D.G.E. Investments, an entity indirectly wholly owned by him, as described below in "Warrants."

The current compensation levels of our executive leadership team, including the named executive officers, primarily reflect the varying roles and responsibilities of each individual.

Engagement of Compensation Consultant

The people experience and compensation committee has engaged the services of Compensia to provide executive compensation advisory services. The people experience and compensation committee directed Compensia to develop a peer group of comparable companies in our sector and prepare a competitive market analysis of our executive compensation program to assist it in determining the appropriate level of overall compensation, as well as assess each separate component of compensation, with the goal of understanding the competitiveness of the compensation we offer to our executive leadership team. In 2021, the people experience and compensation committee approved the compensation peer group (the “Peer Group”) for fiscal year 2022. The Peer Group for 2022 consisted of the following companies:

Activision Blizzard	Autodesk	Booking Holdings	Discovery
eBay	Electronic Arts	Expedia Group	IAC/InterActiveCorp
Intuit	MercadoLibre	Netflix	PayPal Holdings
Sirius XM Holdings	Snap	Square	Take-Two Interactive
Twitter	Uber Technologies	Zalando	

The people experience and compensation committee bases its executive compensation decisions, at least in part, by reference to the compensation of the executives holding comparable positions at this group of comparable peer companies, as it may be adjusted from time to time. In 2022, Compensia provided the people experience and compensation committee with total cash compensation data and total compensation data (including cash compensation and equity compensation) at various percentiles within the Peer Group. The people experience and compensation committee considered this data in determining the compensation levels of our named executive officers, but we did not benchmark our executive compensation to any pre-determined target percentile of market. The people experience and compensation committee sought to compensate our named executive officers at a level that would allow us to successfully recruit and retain the best possible talent for our executive leadership team. Overall, Compensia’s analysis of our Peer Group indicated that the target total cash compensation for our named executive officers was approximately the 25th percentile of our Peer Group. Our total compensation for our named executive officers other than our CEO (who, as we note below, did not receive any cash or equity compensation in 2022), including cash and equity compensation, was between the 50th and 75th percentile of our Peer Group. As discussed below, we rely heavily on our equity awards to incentivize our employees, including each of our named executive officers.

Compensation Philosophy

We design the principal components of our executive compensation program to fulfill one or more of the principles and objectives described above. Compensation of our named executive officers consists of the following elements:

- base salary;
- equity incentive compensation;
- certain severance benefits;
- retirement savings plans; and
- health and welfare benefits and certain limited perquisites and other personal benefits.

We offer cash compensation in the form of base salaries that we believe appropriately reward our executive leadership team members for their individual contributions to our business. We have opted not to offer annual cash bonuses to our executive leadership team members, as we believe they do not incentivize the long-term growth of the Company. Instead, we incentivize our executive leadership team members heavily through share-based compensation, which we believe fosters the long-term growth of the Company.

We have emphasized the use of equity to incentivize our executive leadership team to focus on the growth of our overall enterprise value and, correspondingly, the creation of value for our shareholders. As a result of this compensation practice, we have tied a greater percentage of each executive leadership team member’s total compensation to shareholder returns and kept cash compensation at modest levels, while providing the opportunity to be well-rewarded through equity if we perform well over time.

Except as described below, we have not adopted any policy or guidelines for allocating compensation between currently-paid and long-term compensation, between cash and non-cash compensation, or among different forms of non-cash compensation.

Each of the primary elements of our executive compensation program is discussed in more detail below. We believe that, as a part of our overall executive compensation policy, each individual element serves our objectives described above.

Executive Compensation Program Components

The following describes the primary components of our executive compensation program for each of our named executive officers, the rationale for that component, and how compensation amounts are determined.

Base Salary and Bonus

Generally, each named executive officer's initial base salary was established through arms-length negotiation at the time the individual was hired, taking into account his or her qualifications, experience, and prior salary level. Thereafter, the base salaries of the named executive officers are reviewed periodically by our people experience and compensation committee, and adjustments are made as deemed appropriate.

Since July 1, 2017, our CEO has not received a base salary; however, the people experience and compensation committee may, from time to time, provide Mr. Ek with a discretionary bonus as it determines to be appropriate. Mr. Ek did not receive a bonus for 2020, 2021 or 2022.

As of the end of fiscal year 2022, our named executive officers were entitled to the following annual base salaries:

Named Executive Officer	Annual Base Salary (\$)
Daniel Ek ⁽¹⁾	\$ —
Paul Vogel	\$ 600,000
Dawn Ostroff	\$ 1,000,000
Gustav Söderström ⁽²⁾	\$ 312,500
Alex Norström ⁽²⁾	\$ 325,000

(1) Since July 1, 2017, Mr. Ek has not received a base salary.

(2) Messrs. Söderström, and Norström are each paid in Swedish Krona. Such amounts are based on the exchange rate of SEK 9.60 per dollar as of December 31, 2022 as published by Reuters.

Long-Term Incentives

Each of our named executive officers has been granted equity awards in the Company, which allow them to share in the future appreciation of the Company, subject to certain vesting conditions, as described in more detail below. These equity awards are designed to foster a long-term commitment to us by our named executive officers, provide a balance to the salary component of our compensation program, align a portion of our executives' compensation to the interests of our shareholders, promote retention, and reinforce our pay-for-performance structure (as discussed in more detail below).

Long-term incentive awards are provided upon hire as well as during employment at the Company's discretion.

We maintain an incentive mix program, which is intended to provide our named executive officers as well as all other permanent employees with maximum flexibility and individual autonomy, by allowing our employees to have the ability to choose their own composition of long-term incentive awards. Employees are informed of their intended aggregate dollar amount of long-term incentive compensation, and they can allocate such dollar amount among at-the-money stock options, out-of-the-money stock options with a closing price equal to 150% of the closing price per ordinary share on the grant date, RSUs, or cash. Employees can choose to have one or two types of equity awards and/or cash and can mix their programs in portions of 25%, 50%, and 75%. Each type of long-term incentive award vests on the same schedule: 3/48ths of the equity award and/or cash payment vests on the third calendar month following the date of grant, and thereafter 1/48th of the equity award and/or cash payment vests on the first day of each calendar month.

For 2022 compensation, the amount of any cash award chosen was equal to 90% of the dollar amount the employee allocated to cash; the number of RSUs provided was equal to the dollar amount the employee allocated to RSUs divided by the closing price per ordinary share on the grant date; the number of at-the-money options provided was equal to four times the dollar amount the employee allocated to such stock options divided by such closing price; and the number of out-of-the-money stock options provided was equal to eight times the dollar amount the employee allocated to stock options divided by such closing price.

In September 2022, we amended our incentive mix program to provide that 100% of each employee's aggregate dollar amount of long-term incentive compensation will be allocated to cash unless the employee affirmatively elects any of the other award types described above (at-the-money stock options, out-of-the-money stock options with a closing price equal to 150% of

the closing price per ordinary share on the grant date or RSUs). Commencing with 2023 compensation under the incentive mix program, the amount of any cash award will be 100% of the dollar amount the employee allocates to cash; the number of RSUs provided will be equal to the dollar amount the employee allocates to RSUs divided by the closing price per ordinary share on the grant date; the number of at-the-money options provided will be equal to three times the dollar amount the employee allocates to such stock options divided by such closing price; and the number of out-of-the-money stock options provided will be equal to six times the dollar amount the employee allocates to stock options divided by such closing price.

For further information on our equity award programs, please see “—Stock Options,” “—Restricted Stock Units” and “—Cash Program” below.

In 2022, each of our named executive officers, other than Mr. Ek, participated in the incentive mix program. The following table shows the dollar amount of incentive compensation awarded to each named executive officer, as well as the allocations chosen by each such individual:

Named Executive Officer	Aggregate Long-Term Incentive Award Dollar Value (\$)	2022 At-the-Money Stock Option Allocation	2022 Out-of-the-Money Stock Option Allocation	2022 RSU Allocation	2022 Cash Allocation (\$)
Paul Vogel	4,500,000	119,008	—	—	—
Dawn Ostroff	6,700,000	—	—	22,149	3,015,000
Gustav Söderström	10,000,000	264,463	—	—	—
Alex Norström	7,400,000	97,851	—	24,463	—

Long-Term Incentive Award Decisions

Each year our people experience and compensation committee reviews and recommends an equity program to our board of directors for approval in order to incentivize our employees, including our named executive officers, and directors. Our people experience and compensation committee, in consultation with our CEO, determines the aggregate dollar value of the long-term incentive compensation to be awarded to each executive leadership team member. In making these decisions, the people experience and compensation committee takes into consideration the Company’s financial results and market conditions, as well as the factors described above.

Retirement Savings and Other Benefits

Our retirement programs are designed to comply with local laws and regulations. For our employees who reside in Sweden, including Messrs. Ek, Söderström, and Norström, we participate in an occupational pension plan. Pursuant to such plan we pay a premium of 4.5% of each such employee’s monthly base salary up to an annual income ceiling and 30% of monthly base salary on amounts above such annual income ceiling. Employees also may contribute additional amounts through a salary exchange program pursuant to which eligible employees are given the opportunity to enhance their pension savings by choosing to exchange a portion of their base salary for additional pension contributions. Certain legal limitations apply to the amount of contributions that may be made to the occupational pension plan.

For our employees in the United States who satisfy certain eligibility requirements, including Mr. Vogel and Ms. Ostroff prior to her departure, we have established a 401(k) retirement savings plan. Under the 401(k) plan, eligible employees may elect to reduce their current compensation by up to the prescribed annual limit and contribute these amounts to the 401(k) plan. The Company matches up to 50% of the employee’s contributions up to 6% of their eligible compensation. Employees vest in the employer contributions ratably over one year.

The Company does not maintain any defined benefit plans for any of its named executive officers.

Employee Benefits and Perquisites

Additional benefits received by our Swedish employees, including Messrs. Ek, Söderström, and Norström, include private healthcare, accident insurance, life and long-term disability insurance, travel insurance, and parental leave. Additional benefits received by our U.S. employees, including Mr. Vogel and Ms. Ostroff prior to her departure, include medical, dental, and vision benefits, medical, and dependent care flexible spending accounts, short-term and long-term disability insurance, basic life insurance coverage, and parental leave. These benefits are provided to our named executive officers on the same general terms as they are provided to all of our full-time employees in the applicable countries.

We design our employee benefits programs to be affordable and competitive in relation to the market, as well as compliant with applicable laws and practices. We adjust our employee benefits programs as needed based upon regular monitoring of applicable laws and practices in the competitive market.

We do not view perquisites or other personal benefits as a significant component of our executive compensation program. We generally provide relocation assistance to all of our employees, when applicable. In October 2020, we entered into a short-term lease for a residential property in Los Angeles, California for use by Ms. Ostroff and her family. The lease was terminated as of April 2022. The property provided Ms. Ostroff with meeting and working space in Los Angeles during a time when our corporate offices were closed as a result of the COVID-19 pandemic. Ms. Ostroff reimbursed us for any personal use of the property based on the value of overnight stays at a comparable hotel room. The unreimbursed costs to the Company of the lease are reported as other compensation to Ms. Ostroff in the “2022 Summary Compensation Table” below. In addition, the personal safety of our employees, including our named executive officers, is of the highest importance to us and in 2022 we paid for personal security services for certain named executive officers pursuant to the Company's personal security program for senior management. Although we consider these personal security services to be appropriate and necessary for the reasons described above, the costs related to such services are reported as other compensation to our named executive officers in the “2022 Summary Compensation Table” below. In the future, we may provide other perquisites or other personal benefits in limited circumstances, such as where we believe it is appropriate to assist an individual executive officer in the performance of his or her duties, to make our executive leadership team members more efficient and effective, and for recruitment, motivation, or retention purposes. All future practices with respect to perquisites or other personal benefits for our named executive officers will be approved and subject to periodic review by the people experience and compensation committee. We do not expect these perquisites to be a significant component of our compensation program.

Severance

Each of our named executive officers is entitled to severance upon certain qualifying terminations. For further information on such amounts please see “— Employment Agreements” below.

Executive Transitions

As previously announced, Ms. Ostroff, the Company's former Chief Content & Advertising Business Officer, ceased employment with the Company in January 2023 as part of a broader reorganization. In connection with her departure, Ms. Ostroff entered into a separation agreement with the Company, pursuant to which Ms. Ostroff is entitled to receive base salary, continued health benefits coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended (“COBRA”) at active employee rates, and additional vesting of her equity- and cash-based long-term incentive awards through April 17, 2023, in lieu of her remaining an employee during the three-month notice period provided under her employment agreement. In addition, and consistent with her employment agreement with the Company, Ms. Ostroff is entitled to the following severance benefits under the separation agreement, subject to her signing and not revoking the separation agreement within the deadline set forth therein and continuing to comply with certain non-competition, non-solicitation and other restrictive covenants: (i) six months of base salary continuation, (ii) up to six months of COBRA continuation coverage at active employee rates (which shall cease upon her eligibility for group benefits from a subsequent employer), and (iii) six months of accelerated vesting of her outstanding equity- and cash-based long-term incentive awards.

Also as previously announced, Messrs. Söderström and Norström assumed additional responsibilities in connection with such reorganization and were appointed as Co-President, Chief Product & Technology Officer and Co-President, Chief Business Officer, respectively.

Employment Agreements

We have, or one of our subsidiaries has, entered into employment agreements with Messrs. Ek, Vogel, Norström, and Söderström, and Ms. Ostroff. We currently do not have employment agreements or other service contracts with any members of our board of directors, except for Mr. Ek.

Mr. Ek's employment agreement provides for an indefinite term that automatically expires upon Mr. Ek's retirement at age 65, a fixed monthly salary (although the board of directors determined that, commencing July 1, 2017, Mr. Ek would no longer receive an annual salary) and an annual cash bonus payment at the sole discretion of the board of directors. The employment agreement further entitles Mr. Ek to a six-month notice period prior to termination, provided that we may terminate the agreement with immediate effect if Mr. Ek has grossly neglected his obligations or otherwise materially breached the contract. In the event of termination of employment by us (other than due to gross neglect), in addition to pay during the notice period, Mr. Ek is also entitled to a severance payment equal to six times his monthly salary, less any income from future employment, payable in monthly installments following termination. Using Mr. Ek's current base salary, he would be entitled to no payments under this arrangement.

Mr. Ek's employment agreement contains post-termination non-competition covenants that we could choose to enforce for 12 months following any type of termination of employment, except termination by us due to any reason other than breach of contract by Mr. Ek. In consideration for the non-competition covenant, we would be required to pay Mr. Ek, in monthly installments during his restricted period, 12 times his monthly salary, less any income from future employment up to 60% of Mr. Ek's monthly salary. Using Mr. Ek's current base salary, he would be entitled to no payments under this arrangement. Such payment will not be made during any period Mr. Ek is otherwise receiving severance pay from us or if Mr. Ek's employment ceases as a result of retirement or termination by us due to Mr. Ek's breach of contract. If we decide not to enforce the non-competition covenant, the corresponding payment obligation would also cease. Mr. Ek's employment agreement also includes employee and customer non-solicitation clauses that will apply for 12-months post-termination and that do not require us to pay any additional consideration.

Our employment agreements with Messrs. Norström and Söderström provide for an indefinite employment period, a base salary and participation in our benefit plans. The agreements further provide that we can terminate Mr. Norström's or Söderström's employment without "Cause" (as defined in the relevant agreement) upon three months' prior notice. In addition, upon a termination without Cause, subject to the named executive officer's execution and non-revocation of a release of claims, Messrs. Norström and Söderström would each be entitled to a severance amount equal to the executive's respective base salary for six months and subsidized health benefits for six months. If we terminate Messrs. Norström or Söderström at any time during the three-month notice period, Messrs. Norström and Söderström will also be entitled to pay in lieu of notice through the end of the notice period. If Mr. Norström's or Söderström's employment is terminated within 12 months after a change in control of the Company, or if either Mr. Norström or Söderström is required to perform duties that are materially inconsistent with those normally performed by the executive or if the executive is otherwise constructively dismissed following the change in control, subject to the named executive officer's execution and non-revocation of a release of claims, the named executive officer would be entitled to receive a lump sum severance payment of 12 months' salary and subsidized health benefits. Messrs. Norström and Söderström are also subject to a nine-month post-termination non-competition covenant (with such period commencing on the first day of the notice period) and a two-year post-termination non-solicitation covenant. Prior to her departure from the Company in January 2023, Ms. Ostroff was party to an employment agreement that provided for substantially the same terms as those set forth above.

Our employment agreement with Mr. Vogel provides for an indefinite employment period, a base salary and participation in our benefit plans. The employment agreement further provides that we can terminate Mr. Vogel without Cause (as defined in the agreement) upon three months' notice. In addition, upon a termination without Cause, subject to Mr. Vogel's execution and non-revocation of a release of claims, Mr. Vogel is entitled to a severance amount equal to his base salary for three months and subsidized health benefits for three months. If we terminate Mr. Vogel at any time during the three-month notice period, Mr. Vogel will also be entitled to pay in lieu of notice in an amount equal to his base salary through the end of the notice period. Mr. Vogel will not be entitled to the above severance payments in the event of certain asset sales where Mr. Vogel continues his employment in the same or greater capacity following the transaction or Mr. Vogel is offered continued employment in connection with the transaction and the Vogel Agreement is assumed by the surviving entity following the transaction. Mr. Vogel is also subject to six-month post-termination non-compete covenant (with such period commencing on the last day of the notice period) and a two-year post-termination non-solicitation covenant.

For further information on the post-termination treatment of our equity awards, please see "—Stock Options" and "—Restricted Stock Units" below.

C. Board Practices

Board of Directors Structure

Our board of directors currently consists of eleven directors and is composed of Class A and Class B directors. Our articles of association provide that the board of directors must be composed of at least three members. Each director holds office for the term decided by the general meeting of the shareholders or until his or her successor has been appointed. For more information on the date of expiration of each director's term and the length of time each director has served, see "Item 6.A. Directors and Senior Management." Our directors may be removed at any time, with or without cause, by a resolution of the shareholders' meeting. See "Item 10.B. Memorandum and Articles of Association."

People Experience and Compensation Committee

Our board of directors has established a people experience and compensation committee that consists of Christopher Marshall, Martin Lorentzon, and Shishir Mehrotra. Mr. Marshall is the chair of our people experience and compensation committee. Our people experience and compensation committee has the following responsibilities, among others:

- reviewing and making recommendations to our board of directors related to our incentive-compensation plans and equity-based plans;
- establishing and reviewing the overall compensation philosophy of the Company;
- overseeing matters relating to the attraction, engagement, development, and retention of directors and employees, including executive officers;
- reviewing and approving total compensation for our chief executive officer and other executive officers;
- reviewing and making recommendations regarding the compensation to be paid to our non-employee directors;
- selecting and retaining a compensation consultant;
- monitoring our diversity, inclusion, and belonging strategy; and
- such other matters that are specifically delegated to the people experience and compensation committee by our board of directors from time to time.

Audit Committee

Our board of directors has established an audit committee that consists of Thomas Staggs, Christopher Marshall, Mona Sutphen, and Padmasree Warrior. Mr. Staggs is the chair of our audit committee. All audit committee members satisfy the “independence” requirements set forth under the rules of the NYSE and in Rule 10A-3 under the Exchange Act. Our audit committee has the following responsibilities, among others:

- appointing and replacing our independent registered public accounting firm, subject to shareholder approval;
- retaining, compensating, evaluating, and overseeing the work of our independent registered public accounting firm;
- reviewing with our independent registered public accounting firm any difficulties or material audit issues and the Company’s response to any management letters provided by the independent registered public accounting firm;
- discussing the annual audited financial statements and quarterly financial statements with management and our independent registered public accounting firm;
- reviewing and evaluating the Company’s enterprise risk management, including the Company’s data protection and cybersecurity programs;
- monitoring proposed changes in laws, rules, and regulations, and reviewing the Company’s material corporate policies and regulatory strategy;
- monitoring our climate strategy; and
- such other matters that are specifically delegated to our audit committee by our board of directors from time to time.

D. Employees

In 2022, 2021, and 2020, we had 8,359, 6,617, and 5,584 full-time employees on average, respectively. The following table describes our average number of employees by department per fiscal year:

	December 31,			% Change	
	2022	2021	2020	2022 vs. 2021	2021 vs. 2020
Content Production and Customer Service	785	705	580	11 %	22 %
Sales and Marketing	2,043	1,654	1,436	24 %	15 %
Research and Development	4,169	3,175	2,624	31 %	21 %
General and Administrative	1,362	1,083	944	26 %	15 %

The following table describes our average number of employees by geographic location:

	December 31,		
	2022	2021	2020
United States	4,332	3,435	2,746
Sweden	1,853	1,845	1,688
United Kingdom	881	576	463

Additionally, for the years ended December 31, 2022, 2021, and 2020, we had an average of approximately 1,294, 761, and 687 employees and contractors, respectively, in the aggregate in Australia, Argentina, Belgium, Brazil, Canada, Denmark, Finland, France, Germany, India, Ireland, Italy, Japan, Mexico, Netherlands, Singapore, South Africa, South Korea, Spain, Switzerland, Taiwan, Türkiye, and United Arab Emirates. From time to time, we have engaged temporary employees to fill open positions. As of December 31, 2022, 76 employees of The Ringer, 38 employees of Gimlet, and 36 employees of Parcast, wholly-owned indirect subsidiaries of the Company, were represented by the Writers Guild of America-East labor union. In 2021, we entered into collective bargaining agreements with The Ringer and Gimlet unions, respectively, to be in effect until February 2024. In 2022, we entered into a collective bargaining agreement with the Parcast union to be in effect until February 2025.

E. Share Ownership

The following table provides information regarding share ownership by our officers and directors as of December 31, 2022.

Name of Beneficial Owner	Number of Shares Owned	Approximate Percentage of Outstanding Ordinary Shares	Number of Shares Underlying Options	Option Exercise Price (\$)	Option Expiration Date	Restricted Stock Units	Warrants	Subscription Price (\$)
Daniel Ek ⁽¹⁾	31,131,376	16.1 %	—	\$ —	—	—	800,000	\$ 190.09
Martin Lorentzon ⁽²⁾	21,476,145	11.1 %	18,602	\$ 219.33	6/28/2024	—	—	\$ —
	—	— %	3,758	\$ 180.93	5/29/2025	—	—	\$ —
	—	— %	7,517	\$ 271.40	5/29/2025	—	—	\$ —
	—	— %	11,260	\$ 362.36	5/31/2026	—	—	\$ —
	—	— %	24,120	\$ 169.16	5/31/2027	—	—	\$ —
Katarina Berg	36,780	*	2,720	\$ 123.13	3/31/2023	14,909	—	\$ —
	—	— %	32,609	\$ 138.00	3/1/2024	—	—	\$ —
	—	— %	23,337	\$ 137.12	3/1/2025	—	—	\$ —
	—	— %	9,960	\$ 321.28	3/1/2026	—	—	\$ —
	—	— %	69,818	\$ 151.25	3/1/2027	—	—	\$ —
Dustee Jenkins	8,953	*	5,072	\$ 138.00	3/1/2024	13,918	—	\$ —
	—	— %	4,130	\$ 145.29	7/1/2024	—	—	\$ —
	—	— %	2,490	\$ 321.28	3/1/2026	—	—	\$ —
	—	— %	1,888	\$ 238.38	9/1/2026	—	—	\$ —
	—	— %	16,529	\$ 151.25	3/1/2027	—	—	\$ —
David Kaefer ⁽³⁾	1,490	*	3,097	\$ 189.52	3/31/2023	1,075	—	\$ —
	—	— %	967	\$ 138.00	3/1/2024	—	—	\$ —
	—	— %	5,034	\$ 238.38	9/1/2026	—	—	\$ —
	—	— %	52,893	\$ 151.25	3/1/2027	—	—	\$ —
Eve Konstan	7,585	*	10,946	\$ 182.71	6/1/2025	11,971	—	\$ —
	—	— %	1,556	\$ 321.28	3/1/2026	—	—	\$ —
	—	— %	1,049	\$ 238.38	9/1/2026	—	—	\$ —
	—	— %	13,223	\$ 151.25	3/1/2027	—	—	\$ —
Alex Norström	30,145	*	130,800	\$ 123.13	3/31/2023	32,140	—	\$ —
	—	— %	153,623	\$ 138.00	3/1/2024	—	—	\$ —
	—	— %	87,515	\$ 137.12	3/1/2025	—	—	\$ —
	—	— %	38,596	\$ 321.28	3/1/2026	—	—	\$ —
	—	— %	97,851	\$ 151.25	3/1/2027	—	—	\$ —
Dawn Ostroff	32,633	*	25,077	\$ 180.12	3/31/2023	37,980	—	\$ —

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	—	—%	16,003	\$	138.00	3/1/2024	—	—	\$	—
	—	—%	43,757	\$	137.12	3/1/2025	—	—	\$	—
	—	—%	59,761	\$	321.28	3/1/2026	—	—	\$	—
Gustav Söderström	8,880	*	145,360	\$	123.13	3/31/2023	—	—	\$	—
	—	—%	171,014	\$	138.00	3/1/2024	—	—	\$	—
	—	—%	198,366	\$	137.12	3/1/2025	—	—	\$	—
	—	—%	87,151	\$	321.28	3/1/2026	—	—	\$	—
	—	—%	264,463	\$	151.25	3/1/2027	—	—	\$	—
Paul Vogel	16,465	*	28,520	\$	123.13	3/31/2023	7,821	—	\$	—
	—	—%	21,191	\$	138.00	3/1/2024	—	—	\$	—
	—	—%	51,050	\$	137.12	3/1/2025	—	—	\$	—
	—	—%	24,900	\$	321.28	3/1/2026	—	—	\$	—
	—	—%	119,008	\$	151.25	3/1/2027	—	—	\$	—
Christopher Marshall ⁽⁴⁾	72,095	*	4,651	\$	146.22	6/28/2024	—	—	\$	—
	—	—%	9,301	\$	219.33	6/28/2024	—	—	\$	—
	—	—%	7,517	\$	180.93	5/29/2025	—	—	\$	—
	—	—%	5,630	\$	241.57	5/31/2026	—	—	\$	—
	—	—%	12,060	\$	112.77	5/31/2027	—	—	\$	—
Barry McCarthy ⁽⁵⁾	460,421	*	15,033	\$	271.40	5/29/2025	—	—	\$	—
	—	—%	5,630	\$	241.57	5/31/2026	—	—	\$	—
	—	—%	12,060	\$	112.77	5/31/2027	—	—	\$	—
Shishir Mehrotra	60,545	*	13,952	\$	219.33	6/28/2024	379	—	\$	—
	—	—%	11,275	\$	271.40	5/29/2025	—	—	\$	—
	—	—%	11,260	\$	362.36	5/31/2026	—	—	\$	—
	—	—%	24,120	\$	169.16	5/31/2027	—	—	\$	—
Heidi O'Neill	7,703	*	2,325	\$	146.22	6/28/2024	5,445	—	\$	—
Ted Sarandos	13,313	*	4,651	\$	146.22	6/28/2024	470	—	\$	—
	—	—%	9,301	\$	219.33	6/28/2024	—	—	\$	—
	—	—%	3,758	\$	180.93	5/29/2025	—	—	\$	—
	—	—%	5,630	\$	241.57	5/31/2026	—	—	\$	—
	—	—%	12,060	\$	112.77	5/31/2027	—	—	\$	—
Thomas Staggs ⁽⁶⁾	38,004	*	7,386	\$	146.22	6/28/2024	154	—	\$	—
	—	—%	7,959	\$	180.93	5/29/2025	—	—	\$	—
	—	—%	5,961	\$	362.36	5/31/2026	—	—	\$	—
	—	—%	2,981	\$	241.57	5/31/2026	—	—	\$	—
	—	—%	6,562	\$	169.16	5/31/2027	—	—	\$	—
	—	—%	9,843	\$	112.77	5/31/2027	—	—	\$	—
Cristina Stenbeck	47,996	*	4,651	\$	219.33	6/28/2024	1,140	—	\$	—
	—	—%	3,758	\$	271.40	5/29/2025	—	—	\$	—
	—	—%	11,260	\$	362.36	5/31/2026	—	—	\$	—
Padmasree Warrior	6,383	*	4,651	\$	219.33	6/28/2024	1,507	—	\$	—
	—	—%	3,758	\$	180.93	5/29/2025	—	—	\$	—
	—	—%	2,815	\$	241.57	5/31/2026	—	—	\$	—
Mona Sutphen	—	—%	2,815	\$	362.36	5/31/2026	—	—	\$	—
	—	—%	4,222	\$	241.57	5/31/2026	—	—	\$	—
	—	—%	18,090	\$	169.16	5/31/2027	—	—	\$	—
	—	—%	3,015	\$	112.77	5/31/2027	—	—	\$	—

* Represents beneficial ownership of less than 1%.

(1) Includes 14,499,407 ordinary shares held by D.G.E. Investments Limited (“D.G.E. Investments”). Mr. Ek is the sole shareholder of D.G.E. Holding Limited (“D.G.E. Holding”), which is the sole shareholder of D.G.E. Investments. Also includes 4,276,200 ordinary shares held by Tencent Music Entertainment Hong Kong Limited (“TME Hong Kong”), 9,076,240 ordinary shares held by Image Frame Investment (HK) Limited (“Image Frame”), 3,227,920 ordinary shares held by Tencent Mobility Limited, and 51,609 ordinary shares held by Distribution Pool Limited. Mr. Ek exercises voting power over the ordinary shares held by TME Hong Kong, Image Frame, Tencent Mobility Limited, and Distribution Pool Limited through his indirect ownership of D.G.E. Investments, which holds an irrevocable proxy with regard to these ordinary shares. As such, Mr. Ek may be deemed to share beneficial ownership of the ordinary shares held by TME Hong Kong, Image Frame, Tencent

Mobility Limited, and Distribution Pool Limited. Additionally, each of D.G.E. Holding and Mr. Ek may be deemed to share beneficial ownership of the ordinary shares held by D.G.E. Investments. The business address of D.G.E. Holding is 1 Alexandrou Panagouli, Office 2B, Novel Tower, 6057 Larnaca, Cyprus.

- (2) Includes 21,469,762 ordinary shares held by Rosello Company Limited (“Rosello”). Mr. Lorentzon is the sole shareholder of Amaltea S.à r.l. (“Amaltea”), which is the sole shareholder of Rosello. As such, each of Amaltea and Mr. Lorentzon may be deemed to share beneficial ownership of the ordinary shares held by Rosello. The business address of Rosello is 22 Stasikratous Street, Office 001, 1065 Nicosia, Cyprus.
- (3) Mr. Kaefer served as the Company's Global Head of Business Affairs until January 31, 2023.
- (4) Includes (i) 52,911 ordinary shares held by Marshall Carroll 2000 Trust; (ii) 688 ordinary shares held by Marshall Partners; (iii) 18,496 shares held by Mr. Marshall for the benefit of TCV VII Management, L.L.C. (“TCV VII Management”) and TCV VIII Management, L.L.C. (“TCV VIII Management”); and (iv) 39,159 non-qualified stock options held by Mr. Marshall for the benefit of TCV VII Management and TCV VIII Management. Mr. Marshall is a trustee of the Marshall Carroll 2000 Trust and a general partner of Marshall Partners. Mr. Marshall disclaims beneficial ownership of such shares except to the extent of his pecuniary interest therein. Mr. Marshall and the other members of TCV VII Management and TCV VIII Management (collectively, the “Management Members”) may be deemed to have the shared power to dispose or direct the disposition of the 18,496 ordinary shares, the 23,527 unvested non-qualified stock options, and the 15,632 vested non-qualified stock options held by Mr. Marshall. The Management Members disclaim beneficial ownership of the ordinary shares and the ordinary shares issuable upon vesting of non-qualified stock options and RSUs, except to the extent of their respective pecuniary interest therein.
- (5) Includes 187,554 ordinary shares held by Rivers Cross Trust, an entity wholly owned by Mr. McCarthy. The business address of Rivers Cross Trust is 3875 Woodside Rd, Woodside, CA 94062.
- (6) Includes 38,004 ordinary shares held by the Staggs Trust, a revocable inter-vivos trust established by Mr. Staggs and his spouse. The business address of the Staggs Trust is 433 N. Camden Drive, Suite 54, Beverly Hills, CA 90210.

Stock Options

As noted above, we have granted stock options to our employees, including as part of the incentive mix program. Each stock option represents the right to purchase one of our ordinary shares. Each year through 2020, we adopted a new employee stock option program for a one-year term; however, in 2019, we adopted two stock option programs, an interim 2019 plan (the “Interim 2019 Plan”) and the 2020 plan (the “2020 Plan”). In 2020, we adopted a new employee stock option program that took effect in April 2021 for a five-year term (the “2021 Plan”). Pursuant to the recent stock option programs, each participant is granted a stock option at a specified exercise price. Since January 1, 2016, the exercise prices have been set at fair market value. Of each grant made prior to 2019 and each grant made pursuant to the Interim 2019 Plan, 3/16ths of the total number of options granted vests on the first of any of March 1, June 1, September 1, or December 1 falling more than three months from the date of grant (except for grants made prior to 2017 in Australia for which 5/16 vests on the first of March 1, June 1, September 1, or December 1 after 12 months from the date of grant), and thereafter 1/16 vests on each March 1, June 1, September 1, and December 1 thereafter, subject to continued employment. As noted above, of each grant made pursuant to the 2020 Plan and 2021 Plan as part of the incentive mix program, 3/48ths of the total number of options granted vested on the third calendar month following the date of grant, and thereafter 1/48th of the total number of options granted vests on the first day of each calendar month thereafter, subject to continued employment. The options granted prior to 2019 and granted pursuant to the Interim 2019 Plan expire on March 31 of the fifth year following the date of grant. The options granted under the 2020 Plan and the 2021 Plan expire on the fifth anniversary of the date of grant. Initially, vested options were only exercisable annually during a 30-day exercise window, for a period of time immediately following the optionee’s termination and upon the expiration of the term of the option. In 2016, we amended our stock option program to provide that vested options could be exercised during each March, June, September, and December prior to the expiration of the term of the option. We later further amended our stock option program in 2017 to provide that vested options may be exercised at any time prior to the expiration of the option term. For our employees in certain countries, upon the exercise of a stock option, the Company is required to pay a social security contribution in an amount equal to the spread value of the option multiplied by the applicable tax rate.

Upon the termination of an optionee’s employment for any reason, all unvested options held by the optionee will generally be immediately forfeited. However, for certain employees, including the named executive officers, upon termination of an optionee’s employment (i) by the Company for any reason other than Cause or (ii) by the optionee due to the Company’s material breach of the optionee’s employment agreement, a portion of unvested options will immediately vest. The portion of unvested options that will accelerate and vest ranges from six to twelve months’ worth of unvested options, depending on the optionee. If the optionee resigns; if we terminate the optionee’s employment other than as a result of death, disability or “Cause” (as defined in the applicable option plan); or if the optionee retires, the optionee’s vested options will remain exercisable for 90 days following such termination. If the optionee’s termination of employment occurs due to death or disability, the vested options will remain exercisable for 194 days following termination. In either case, the option will no longer be exercisable after the expiration date. Upon termination for Cause, vested options will immediately be forfeited. We also may cancel an optionee’s options upon the optionee’s commission of a material breach of the terms and conditions governing the options.

The board of directors may provide for a new exercise period upon a change in control. If the board of directors sets a new exercise period, 50% of each holder’s unvested options will accelerate and vest. Following such acceleration, the board of directors may choose to allow the unvested options to continue to vest or lapse. For the plans prior to 2018 and the Interim 2019 Plan, if the board allows the unvested options to continue vesting, 1/8th of the unvested options will vest on the first cliff vesting date as described above, and 1/32nd of the remaining options will vest each quarter thereafter. For the 2020 Plan and

2021 Plan, if the board allows the unvested options to continue vesting, 3/96th of the unvested options will vest after the first cliff vesting date as described above, and 1/96th of the remaining options will vest on each subsequent regularly scheduled vesting occasion. If we or our successor terminates an optionee's employment without Cause within six months following a transaction constituting a change in control, any unvested stock options held by the optionee will vest as of such termination. In addition, for certain employees, including the named executive officers, if within six months following a change in control, such employee (i) resigns because he or she is required to perform duties that are materially inconsistent with the ones normally performed by someone in such position or (ii) otherwise experiences a constructive termination, any unvested stock options held by the employee will vest as of such resignation. The plans provide for other potential adjustments to the stock options in the event of corporate transactions.

We also maintain an option program for former employees of The Echo Nest Corporation who are not members of the executive leadership team, which options we assumed in connection with the acquisition of The Echo Nest Corporation.

Restricted Stock Units

As noted above, we have granted RSUs to our employees, including as part of the incentive mix program. Each year through 2020, we adopted a new employee RSU program for a one-year term; however, in 2020, we adopted a new employee restricted stock unit program for a five-year term that took effect in 2021. Each RSU represents the right to receive one of our ordinary shares. With respect to RSUs granted prior to 2018, one-fifth of each grant of RSUs time-vests on each September 1, commencing on the first September 1 falling more than three months from the date of grant and subject to the holder's continued employment with us. RSUs granted in 2018 fully vest on each of the first five anniversaries of the date of grant, subject to the holder's continued employment with us. As described above, for RSUs granted in 2019 and 2020 as part of the incentive mix program, 3/48ths of the total number of RSUs granted vested on the third calendar month following the date of grant, and thereafter 1/48th of the total number of RSUs granted vests on the first day of each calendar month thereafter, subject to continued employment. For certain employees, including the named executive officers, upon termination of an employee's employment (i) by the Company for any reason other than Cause or (ii) by the employee due to the Company's material breach of the employee's employment agreement, a portion of the individual's unvested RSUs will immediately vest. The portion of unvested RSUs that will accelerate and vest will be equal to the number of such RSUs that would have otherwise vested between six and 12 months following the termination, depending on the employee. In addition, for certain employees, including the named executive officers, if within six months following a change in control, the individual (i) resigns because he or she is required to perform duties that are materially inconsistent with the ones normally performed by someone in such position or (ii) otherwise experiences a constructive termination, all of the individual's outstanding unvested RSUs will accelerate and vest.

For our employees in certain countries, upon vesting of an RSU, the Company is required to pay a social security contribution in an amount equal to the profit an employee realizes upon vesting multiplied by the applicable tax rate. The RSUs are settled in ordinary shares on or as soon as reasonably practicable (but no later than 30 days) following full vesting.

The plans provide for other potential adjustments to the RSUs in the event of corporate transactions. If the holder commits a material breach of the terms and conditions governing RSUs, we may cancel the unvested RSUs. All unvested RSUs will be forfeited upon any termination of employment.

On certain occasions we also grant RSUs to individuals who become employees through acquisitions, with varying vesting schedules.

Cash Program

As noted above, we also offer cash retention awards as part of our incentive mix program to all permanent employees. Pursuant to the cash alternative of the incentive mix program, the named executive officers who choose to include cash in their incentive mix composition will receive a fixed cash payment upon each vesting date. As noted above, for the cash awards granted in 2022, 3/48ths of the cash payment vested on the third calendar month following the date of grant, and thereafter 1/48th of the cash payment granted vests on the first day of each calendar month thereafter, subject to continued employment.

Other Contingently Issuable Shares

In connection with acquisitions in 2020, 2021, and 2022, we issued equity instruments to certain employees of the target. Of each such grant of equity instruments, one-fourth will vest on each anniversary of the closing of such transaction until fully vested, subject, in each case, to the employee's continued employment through such vesting date. The agreement provides for potential adjustments to the equity instrument in the event of corporate transactions.

Warrants

On July 13, 2017, Mr. Ek purchased, through D.G.E. Investments, 1,600,000 non-compensatory warrants in the Company, pursuant to a subscription agreement. Each warrant was purchased for \$6.23, the then-current fair market value per

share. The terms and conditions for the warrants provide that D.G.E. Investments may purchase the ordinary shares underlying the warrants for \$89.73 per share at any time prior to July 13, 2020. On July 13, 2020, the Company issued 1,084,043 ordinary shares and 10,840,430 beneficiary certificates to Mr. Ek, through D.G.E. Investments, upon the effective net settlement of 1,600,000 warrants that were granted on July 13, 2017.

On July 1, 2019, Mr. Ek purchased, through D.G.E. Investments, 800,000 non-compensatory warrants in the Company, pursuant to a subscription agreement. Each warrant was purchased for \$20.61, the then-current fair market value per share. The terms and conditions for the warrants provide that D.G.E. Investments may purchase the ordinary shares underlying the warrants for \$190.09 per share at any time prior to July 1, 2022. On July 1, 2022, 800,000 warrants that were granted on July 1, 2019 expired unexercised.

On August 23, 2021, Mr. Ek purchased, through D.G.E. Investments, 800,000 non-compensatory warrants in the Company, pursuant to a subscription agreement. Each warrant was purchased for \$46.01, the then-current fair market value per share. The terms and conditions for the warrants provide that D.G.E. Investments may purchase the ordinary shares underlying the warrants for \$281.63 per share at any time through August 23, 2024.

The warrants are subject to adjustment upon certain corporate events.

Compensation Tables

2022 Summary Compensation Table

The following table sets forth information concerning the compensation of our named executive officers for the years ended December 31, 2022, 2021, and 2020.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Option Awards (\$) ⁽¹⁾	Stock Awards (\$) ⁽²⁾	Non-Equity Incentive Compensation Plan ⁽³⁾ (\$)	All Other Compensation (\$)	Total (\$)
Daniel Ek (CEO) ⁽⁴⁾	2022	—	—	—	—	—	181,085 ⁽⁵⁾	181,085
	2021	—	—	—	—	—	104,885	104,885
	2020	—	—	—	—	—	490,334	490,334
Paul Vogel (CFO)	2022	600,000	—	6,187,244	—	—	9,988 ⁽⁶⁾	6,797,232
	2021	600,000	—	2,431,812	1,999,968	—	8,700	5,040,480
	2020	595,386 ⁽⁷⁾	—	1,663,708	1,750,063	—	8,550	4,017,707
Dawn Ostroff (Former Chief Content & Advertising Business Officer)	2022	1,000,000	—	—	3,350,036	3,015,000	132,025 ⁽⁸⁾	7,497,061
	2021	1,000,000	—	5,836,456	1,599,974	—	389,550	8,825,980
	2020	1,000,000	—	2,139,061	6,750,006	—	87,250	9,976,317
Gustav Söderström (Former Chief Research & Development Officer and current Co-President, Chief Product & Technology Officer)	2022	312,500 ⁽¹¹⁾	—	13,749,472	—	—	95,772 ⁽⁹⁾	14,157,744
	2021	331,858 ⁽¹¹⁾	—	8,511,467	—	—	95,172	8,938,497
	2020	364,520 ⁽¹¹⁾	—	6,464,706	—	—	95,889	6,925,115
Alex Norström (Former Chief Freemium Business Officer and current Co-President, Chief Business Officer)	2022	325,000 ⁽¹¹⁾	—	5,087,287	3,700,029	—	86,289 ⁽¹⁰⁾	9,198,605
	2021	345,133 ⁽¹¹⁾	—	3,769,411	3,100,031	—	92,919	7,307,494
	2020	379,101 ⁽¹¹⁾	—	2,852,095	3,000,048	—	102,290	6,333,534

- (1) Amounts reflect the grant-date Black-Scholes value of the stock options granted to our named executive officers, computed in accordance with IFRS 2, rather than the amounts paid to or realized by the named individual. We provide information regarding the assumptions used to calculate the value of all option awards made to executive officers in “Operating and Financial Review and Prospects” and in Note 19 of the consolidated financial statements included elsewhere in this report.
- (2) Amounts reflect the grant-date fair value of the RSUs granted, computed in accordance with IFRS 2, rather than the amounts paid to or realized by the named individual. We provide information regarding the assumptions used to calculate the value of all stock awards made to executive officers in “Operating and Financial Review and Prospects” and in Note 19 of the consolidated financial statements included elsewhere in this report.
- (3) Amount reflects the cash retention award granted to Ms. Ostroff as part of our incentive mix program. 3/48ths of the cash retention award vested on the third calendar month following the date of grant, and 1/48th of the cash retention award granted vests on the first day of each calendar month thereafter, subject to continued employment.
- (4) As of July 1, 2017, we ceased paying Mr. Ek a base salary; however, the people experience and compensation committee may, from time to time, provide Mr. Ek with a discretionary bonus as it determines to be appropriate. Mr. Ek did not receive a bonus for fiscal years 2020, 2021, or 2022.
- (5) For 2022, amount reflects \$181,085 for home security services. These 2022 dollar amounts are based on a currency translation of EUR 1.07 per dollar as published by Reuters on December 31, 2022.
- (6) Amount reflects \$838 for home security services and \$9,150 for matching contributions to the 401(k) plan.
- (7) Mr. Vogel’s service as the Company’s Chief Financial Officer commenced January 15, 2020. Amount reflects the actual base salary earned by Mr. Vogel during fiscal year 2020.
- (8) Amount reflects \$9,125 for matching contributions to the 401(k) plan and \$122,900 for use of a corporate apartment.
- (9) Amount reflects \$3,441 for home security services and \$92,331 for contributions to the Swedish retirement plan.
- (10) Amount reflects contributions to the Swedish retirement plan.
- (11) Messrs. Söderström and Norström were each paid in Swedish Krona in 2020, 2021, and 2022. The 2020 dollar amounts are based on a currency translation of SEK 8.23 per dollar as published by Reuters on December 31, 2020. The 2021 dollar amounts are based on a currency translation of SEK 9.04 per dollar as published by Reuters on December 31, 2021. The 2022 dollar amounts are based on a currency translation of SEK 9.60 per dollar as published by Reuters on December 31, 2022. The amounts include vacation pay received by Messrs. Söderström and Norström pursuant to Swedish standards.

Grants of Plan-Based Awards in 2022

The following table sets forth information regarding grants of plan-based awards made to our named executive officers during the year ended December 31, 2022:

Name	Grant Date	Estimated Future Payouts under Non-Equity Incentive Plan Awards	All Other Stock Awards: Number of Shares of Stocks or Units (# shares) ⁽¹⁾	All Other Option Awards: Number of Securities Underlying Options (# shares) ⁽¹⁾	Exercise or Base Price of Option Awards Per Ordinary Share (\$)	Grant Date Fair Value of Stock and Option Awards (\$) ⁽²⁾
Daniel Ek	—	—	—	—	—	—
Paul Vogel	3/1/2022	—	—	119,008	151.25	6,187,244
Dawn Ostroff	3/1/2022	3,015,000 (3)	22,149	—	—	3,350,036
Gustav Söderström	3/1/2022	—	—	264,463	151.25	13,749,472
Alex Norström	3/1/2022	—	—	97,851	151.25	5,087,287
	3/1/2022	—	24,463	—	—	3,700,029

- (1) All stock awards were issued under the Company’s Terms and Conditions Governing Employee Restricted Stock Units 2021/2026 in Spotify Technology S.A. and all option awards were issued under the Company’s Terms and Conditions Governing Employee Stock Options 2021/2026 in Spotify Technology S.A.
- (2) Amounts of option awards reflect the grant-date Black-Scholes value of the stock options granted during 2022 computed in accordance IFRS 2, rather than the amounts paid to or realized by the named individual. Amounts of stock awards reflect the grant-date fair value of the RSUs granted, computed in accordance with IFRS 2, rather than the amounts paid to or realized by the named individual. We provide information regarding the assumptions used to calculate the value of all option awards made to executive officers in “Operating and Financial Review and Prospects” and in Note 19 of the consolidated financial statements included elsewhere in this report.
- (3) Amount reflects the cash retention award granted to Ms. Ostroff as part of our incentive mix program. 3/48ths of the cash retention award vested on the third calendar month following the date of grant, and 1/48th of the cash retention award granted vests on the first day of each calendar month thereafter, subject to continued employment.

Outstanding Equity Awards at 2022 Fiscal Year-End

The following table summarizes the number of ordinary shares underlying outstanding equity incentive plan awards for each named executive officer as of December 31, 2022:

Name	Grant Date	Option Awards				Ordinary Share Awards	
		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Ordinary Shares That Have Not Vested (#)	Market Value of Ordinary Shares That Have Not Vested (\$) ⁽³⁾
Daniel Ek	—	—	—	—	—	—	—
Paul Vogel	3/1/2018	28,520	— (1)	123.13	3/31/2023	—	—
	3/1/2019	19,866	1,325 (2)	138.00	3/1/2024	—	—
	3/1/2019	—	—	—	—	332 (4)	26,211
	3/1/2020	35,097	15,953 (2)	137.12	3/1/2025	—	—
	3/1/2020	—	—	—	—	3,988 (5)	314,853
	3/1/2021	10,894	14,006 (2)	321.28	3/1/2026	—	—
	3/1/2021	—	—	—	—	3,501 (6)	276,404
Dawn Ostroff	3/1/2022	22,314	96,694 (2)	151.25	3/1/2027	—	—
	8/1/2018	25,077	— (1)	180.12	3/31/2023	—	—
	3/1/2019	13,602	2,401 (2)	138.00	3/1/2024	—	—
	3/1/2019	—	—	—	—	1,801 (4)	142,189
	3/1/2020	23,246	20,511 (2)	137.12	3/1/2025	—	—
	3/1/2020	—	—	—	—	15,383 (5)	1,214,488
	3/1/2021	26,146	33,615 (2)	321.28	3/1/2026	—	—
Gustav Söderström	3/1/2021	—	—	—	—	2,801 (6)	221,139
	3/1/2022	—	—	—	—	17,995 (7)	1,420,705
	3/1/2018	145,360	— (1)	123.13	3/31/2023	—	—
	3/1/2019	160,325	10,689 (2)	138.00	3/1/2024	—	—
	3/1/2020	136,377	61,989 (2)	137.12	3/1/2025	—	—
	3/1/2021	38,129	49,022 (2)	321.28	3/1/2026	—	—
	3/1/2022	49,587	214,876 (2)	151.25	3/1/2027	—	—
Alex Norström	3/1/2018	130,800	— (1)	123.13	3/31/2023	—	—
	3/1/2019	144,021	9,602 (2)	138.00	3/1/2024	—	—
	3/1/2020	60,167	27,348 (2)	137.12	3/1/2025	—	—
	3/1/2020	—	—	—	—	6,837 (5)	539,781
	3/1/2021	16,886	21,710 (2)	321.28	3/1/2026	—	—
	3/1/2021	—	—	—	—	5,427 (6)	428,462
	3/1/2022	18,347	79,504 (2)	151.25	3/1/2027	—	—
3/1/2022	—	—	—	—	19,876 (7)	1,569,210	

- (1) Of each option grant, 3/16ths of the total number of options granted vested on the first day of any of March 1, June 1, September 1, or December 1 falling more than three months from the grant date and 1/16th vests on each March 1, June 1, September 1, and December 1 thereafter, subject to continued employment.
- (2) Of each option grant, 3/48ths of the total number of options granted vested on the third calendar month following the date of grant, and thereafter 1/48th of the total number of options granted vests on the first day of each calendar month thereafter, subject to continued employment.
- (3) Values were calculated based on a \$78.95 closing price of our ordinary shares, as reported on the New York Stock Exchange (the "NYSE") on December 31, 2022.
- (4) Of each RSU grant, 3/48ths of such RSU grant vested on June 1, 2019 and 1/48th vests on the first day of each calendar month thereafter, subject to continued employment.
- (5) Of each RSU grant, 3/48ths of such RSU grant vested on June 1, 2020 and 1/48th vests on the first day of each calendar month thereafter, subject to continued employment.
- (6) Of each RSU grant, 3/48ths of such RSU grant vested on June 1, 2021 and 1/48th vests on the first day of each calendar month thereafter, subject to continued employment.
- (7) Of each RSU grant, 3/48ths of such RSU grant vested on June 1, 2022 and 1/48th vests on the first day of each calendar month thereafter, subject to continued employment.

2022 Option Exercises and Stock Vested

The following table summarizes stock option exercises by and vesting of stock applicable to our named executive officers during the year ended December 31, 2022:

Name	Option Awards		Stock Awards	
	Number of Ordinary Shares Acquired on Exercise (#)	Value Realized on Exercise (\$) ⁽¹⁾	Number of Ordinary Shares Acquired on Vesting (#)	Value Realized on Vesting (\$) ⁽²⁾
Daniel Ek	—	—	—	—
Paul Vogel	—	—	6,071 (3)	768,784
Dawn Ostroff	—	—	24,907 (4)	3,041,217
Gustav Söderström	—	—	—	—
Alex Norström	36,600	3,605,944	12,469 (5)	1,454,466

- (1) Represents the difference between the market value per share of the shares acquired on exercise, as determined based on the closing price of our ordinary shares as reported on the NYSE on the date of exercise, and the exercise price of the option.
- (2) Value realized is calculated based on the closing price of our ordinary shares as reported on the NYSE on the date of vesting.
- (3) Includes 2,199 RSUs which the Company retained as part of a net share settlement to satisfy the applicable tax withholding liability of Mr. Vogel related to the vesting of such RSUs.
- (4) Includes 13,060 RSUs which the Company retained as part of a net share settlement to satisfy the applicable tax withholding liability of Ms. Ostroff related to the vesting of such RSUs.
- (5) Includes 6,910 RSUs which the Company retained as part of a net share settlement to satisfy the applicable tax withholding liability of Mr. Norström related to the vesting of such RSUs.

Non-Employee Director Compensation

Similarly to our executive compensation decisions, the people experience and compensation committee bases its decisions regarding non-employee director compensation, at least in part, by reference to the compensation of the non-employee directors in the Peer Group (as described above in “—Engagement of Compensation Consultant”). Our non-employee directors are also eligible to participate in our incentive mix program, which is intended to provide our non-employee directors with maximum flexibility and individual autonomy, by allowing our non-employee directors to have the ability to choose their own composition of long-term incentive awards each year. For further information on our incentive mix program, please see “—Long Term Incentives” above. Each such grant generally vests ratably over four years. The non-employee director RSUs will fully vest upon the occurrence of a change in control. Like employee RSUs, the RSUs are settled within 30 days following vesting, subject to payment by the holder of the nominal value per ordinary share, and unvested RSUs are forfeited on termination of service. The plans provide for certain potential adjustments in the event of corporate transactions.

In 2022, each of our non-employee directors participated in the incentive mix program. The following table shows the dollar amount of incentive compensation allocated to each named executive officer, as well as the allocations chosen by each such individual:

Name	Aggregate Long-Term Incentive Award Dollar Value (\$)	2022 At-the-Money Stock Option Allocation	2022 Out-of-the-Money Stock Option Allocation	2022 RSU Allocation	2022 Cash Allocation (\$)
Martin Lorentzon	340,000	—	24,120	—	—
Christopher Marshall	340,000	12,060	—	—	—
Barry McCarthy	340,000	12,060	—	—	—
Shishir Mehrotra	340,000	—	24,120	—	—
Heidi O’Neill	340,000	—	—	3,015	—
Ted Sarandos	340,000	12,060	—	—	—
Thomas Staggs	370,000	9,843	6,562	—	—
Cristina Stenbeck	340,000	—	—	—	306,000
Mona Sutphen	340,000	3,015	18,090	—	—
Padmasree Warrior	340,000	—	—	1,507	153,000

2022 Director Compensation

The following table sets forth information concerning the compensation of our non-employee directors during the year ended December 31, 2022:

Name ⁽¹⁾	Fees Earned or Paid in Cash (\$)	Stock Awards (\$) ⁽²⁾	Stock Options (\$) ⁽³⁾	Total (\$) ⁽⁴⁾
Martin Lorentzon	—	—	839,660	839,660
Christopher Marshall	—	—	549,189	549,189
Barry McCarthy	—	—	549,189	549,189
Shishir Mehrotra	—	—	839,660	839,660
Heidi O'Neill	—	340,002	—	340,002
Ted Sarandos	—	—	549,189	549,189
Thomas Staggs	—	—	676,662	676,662
Cristina Stenbeck	306,000	—	—	306,000
Mona Sutphen	—	—	767,038	767,038
Padmasree Warrior	153,000	169,944	—	322,944

- (1) Mr. Ek serves on our board of directors. His compensation is fully reflected in the Summary Compensation Table.
- (2) Amounts reflect the grant-date fair value of the RSUs granted computed in accordance with IFRS 2, rather than the amounts paid to or realized by the named individual. We provide information regarding the assumptions used to calculate the value of all stock awards made in “Operating and Financial Review and Prospects” and in Note 19 of the consolidated financial statements included elsewhere in this report.
- (3) Amounts reflect the aggregate grant-date Black-Scholes value of the stock options granted during 2022 computed in accordance IFRS 2, rather than the amounts paid to or realized by the named individual. We provide information regarding the assumptions used to calculate the value of all option awards made in “Operating and Financial Review and Prospects” and in Note 19 of the consolidated financial statements included elsewhere in this report.
- (4) The table below shows the aggregate numbers of stock awards and stock options held as of December 31, 2022 by each non-employee director who was serving as of December 31, 2022.

Name	Restricted Stock Units Outstanding at Fiscal Year End	Stock Options Outstanding at Fiscal Year End
Martin Lorentzon	—	65,257
Christopher Marshall	—	39,159
Barry McCarthy	—	32,723
Shishir Mehrotra	379	60,607
Heidi O'Neill	5,445	2,325
Ted Sarandos	470	35,400
Thomas Staggs	154	40,692
Cristina Stenbeck	1,140	19,669
Mona Sutphen	—	28,142
Padmasree Warrior	1,507	11,224

Item 7. Major Shareholders and Related Party Transactions.

A. Major Shareholders

The following table sets forth, as of December 31, 2022 (except where noted), the number of our ordinary shares and beneficiary certificates held by each person we know to be the beneficial owner of more than 5% of our ordinary shares and beneficiary certificates, respectively, and the percentage of total votes held by each such person. The voting rights of our major shareholders are the same as the voting rights of holders of our ordinary shares and beneficiary certificates who are not our major shareholders. As of December 31, 2022, the registrar and transfer agent for our Company reported that 157,820,962 of our ordinary shares were held by 426 record holders in the United States and none of our beneficiary certificates were held by record holders in the United States. Our beneficiary certificates carry no economic rights and are issued to provide the holders of such beneficiary certificates additional voting rights; however, each beneficiary certificate entitles its holder to one vote.

In accordance with the rules of the SEC, beneficial ownership includes voting or investment power with respect to securities and includes the ordinary shares issuable pursuant to options, warrants, and RSUs that are exercisable or settled within 60 days of December 31, 2022. Ordinary shares issuable pursuant to options, warrants, and RSUs are deemed outstanding for computing the percentage of the class beneficially owned by the person holding such options, warrants, and RSUs but are not deemed outstanding for computing the percentage of the class beneficially owned by any other person. The percentage of beneficial ownership for the following table is based on 193,293,269 total ordinary shares and 349,876,040 total beneficiary certificates outstanding as of December 31, 2022.

Name	Ordinary Shares		Beneficiary Certificates ⁽⁶⁾		Percent of Total Voting Power
	Number	Percent	Number	Percent	
Daniel Ek ⁽¹⁾⁽⁶⁾	31,931,376	16.5 %	140,278,420	40.1 %	31.7 %
Martin Lorentzon ⁽²⁾	21,514,864	11.1 %	209,597,620	59.9 %	42.6 %
Baillie Gifford & Co ⁽³⁾	27,937,554	14.5 %	—	—	5.1 %
T. Rowe Price ⁽⁴⁾	16,102,881	8.3 %	—	—	3.0 %
Tencent ⁽⁵⁾	16,631,969	8.6 %	—	—	— (7)

- (1) Includes 14,499,407 ordinary shares that are held by D.G.E. Investments. Also includes 800,000 ordinary shares issuable pursuant to warrants that are held of record by D.G.E. Investments that are exercisable or settled within 60 days of December 31, 2022. Mr. Ek is the sole shareholder of D.G.E. Holding, which is the sole shareholder of D.G.E. Investments. Mr. Ek exercises voting power over the ordinary shares held of record by TME Hong Kong, Image Frame, Tencent Mobility Limited, and Distribution Pool Limited through his indirect ownership of D.G.E. Investments, which holds an irrevocable proxy with regard to these ordinary shares. As such, Mr. Ek may be deemed to share beneficial ownership of the ordinary shares held of record by TME Hong Kong, Image Frame, Tencent Mobility Limited, and Distribution Pool Limited. Additionally, each of D.G.E. Holding and Mr. Ek may be deemed to share beneficial ownership of the ordinary shares held of record by D.G.E. Investments. The business address of D.G.E. Holding and D.G.E. Investments is 1 Alexandrou Panagoulis, Office 2B, Novel Tower, 6057 Larnaca, Cyprus. The business address of Mr. Ek is c/o Spotify AB Regeringsgatan 19, 111 53 Stockholm, Sweden.
- (2) Includes 21,469,762 ordinary shares held by Rosello. Also includes 38,719 ordinary shares issuable pursuant to options that are held of record by Mr. Lorentzon that are exercisable within 60 days of December 31, 2022. Mr. Lorentzon is the sole shareholder of Amaltea, which is the sole shareholder of Rosello. As such, each of Amaltea and Mr. Lorentzon may be deemed to share beneficial ownership of the shares held of record by Rosello. The business address of Rosello is 22 Stasikratous Street, Office 001, 1065 Nicosia, Cyprus.
- (3) Based on information reported on Schedule 13G/A, as filed by Baillie Gifford & Co (Scottish partnership) (“Baillie Gifford”) with the SEC on January 20, 2023, Baillie Gifford has the following powers with respect to our ordinary shares: (i) sole voting power: 21,446,037; (ii) shared voting power: 0; (c) sole dispositive power: 27,937,554; and (iv) shared dispositive power: 0. The business address for Baillie Gifford is Carlton Square, 1 Greenside Row, Edinburgh EH1 3AN, Scotland, UK.
- (4) Based on information reported on Schedule 13G/A, as filed by T. Rowe Price Associates, Inc. (“T. Rowe Price”) with the SEC on February 14, 2022, T. Rowe Price has the following powers with respect to our ordinary shares: (i) sole voting power: 6,915,777; (ii) shared voting power: 0; (iii) sole dispositive power: 16,102,881; and (iv) shared dispositive power: 0. The business address of T. Rowe Price is 100 E. Pratt St, Baltimore, MD 21202.
- (5) Includes 4,276,200 ordinary shares held of record by TME Hong Kong, 9,076,240 ordinary shares held of record by Image Frame, 3,227,920 ordinary shares held of record by Tencent Mobility Limited, and 51,609 ordinary shares held by Distribution Pool Limited received in connection with a distribution in kind of the Company’s ordinary shares by a fund in which an affiliate of Distribution Pool Limited is a limited partner. Tencent is also the majority equity holder of TME, which is the sole shareholder of TME Hong Kong. Each of Image Frame, Tencent Mobility Limited, and Distribution Pool Limited is wholly owned by Tencent Holdings Limited (“Tencent”). As such, Tencent may be deemed to share beneficial ownership of the ordinary shares held of record by each of TME Hong Kong, Image Frame, Tencent Mobility Limited, and Distribution Pool Limited. The address for Tencent is Level 29, Three Pacific Place, 1 Queen’s Road East, Wanchai, Hong Kong.
- (6) Our shareholders have authorized the issuance of up to 1,400,000,000 beneficiary certificates to shareholders of the Company without reserving to our existing shareholders a preemptive right to subscribe for the beneficiary certificates issued in the future. Pursuant to our articles of association, our beneficiary certificates may be issued at a ratio of between one and 20 beneficiary certificates per ordinary share as determined by our board of directors or its delegate at the time of issuance. We have issued ten beneficiary certificates per ordinary share issued by us and held of record to entities beneficially owned by our founders, Daniel Ek and Martin Lorentzon, for a total of 349,876,040 beneficiary certificates outstanding as of December 31, 2022. The beneficiary certificates carry no economic rights and are issued to provide the holders of such certificates additional voting rights. Each beneficiary certificate entitles its holder to one vote. The beneficiary certificates, subject to certain exceptions, are non-transferable and shall be automatically canceled for no consideration in the case of sale or transfer of the ordinary share to which they are linked. See “Item 10.B. Memorandum and Articles of Association.”
- (7) Mr. Ek exercises voting power over the ordinary shares held of record by TME Hong Kong, Image Frame, Tencent Mobility Limited, and Distribution Pool Limited through his indirect ownership of D.G.E. Investments, which holds an irrevocable proxy with regard to these ordinary shares.

Change in Control Arrangements

None applicable.

B. Related Party Transactions

Luxembourg law prescribes certain procedures for related party transactions with directors, and our articles of association mandate that directors with a direct or indirect personal interest in any transaction that conflicts with the Company’s

interest shall make that interest known and recorded in the board minutes and shall not participate in discussing or voting on such transaction. In addition, our articles of association provide that any such conflict of interest must be reported to the next general meeting of shareholders of the Company prior to any resolution taking place at such meeting.

Please see “Item 6. Directors, Senior Management and Employees—E. Share Ownership—Warrants” and Note 26 to the consolidated financial statements included elsewhere in this report for a description of the transactions relating to the warrants purchased by Messrs. Ek and Lorentzon.

We have entered into an indemnification agreement with each of our directors, executive officers, and certain other employees. The indemnification agreements and our articles of association require us to indemnify our directors and officers to the fullest extent permitted by Luxembourg law.

Related Party Transaction Policy

Our board of directors has adopted the Related Party Transaction Policy, which requires that any material transaction between us and any related party, including our directors and senior management as well as their family members, be reviewed and approved by the audit committee to ensure that the transaction is on terms comparable to those that could be obtained in arm’s length dealings with an unrelated third party.

C. Interests of Experts and Counsel

Not applicable

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information

Refer to “Item 18. Financial Statements” for our consolidated financial statements and report of our independent registered public accounting firm included elsewhere in this document.

Legal or arbitration proceedings

Refer to Notes 23 and 25 of the consolidated financial statements included elsewhere in this report for information regarding provisions made for legal proceedings.

Dividend Policy

We have never declared or paid any cash dividends on our share capital, and we do not expect to pay dividends or other distributions on our ordinary shares in the foreseeable future. There are no legislative or other legal provisions currently in force in Luxembourg or arising under our articles of association that restrict the payment of dividends or distributions to holders of our ordinary shares not resident in Luxembourg, except for regulations restricting the remittance of dividends, distributions, and other payments in compliance with United Nations and EU sanctions. We currently intend to retain any future earnings for working capital and general corporate purposes. Under Luxembourg law, the amount and payment of dividends or other distributions is determined by a simple majority vote at a general shareholders’ meeting based on the recommendation of our board of directors, except in certain limited circumstances. Pursuant to our articles of association, the board of directors has the power to pay interim dividends or make other distributions in accordance with applicable Luxembourg law. Distributions may be lawfully declared and paid if our net profits and/or distributable reserves are sufficient under Luxembourg law. All of our ordinary shares rank *pari passu* with respect to the payment of dividends or other distributions unless the right to dividends or other distributions has been suspended in accordance with our articles of association or applicable law. Holders of beneficiary certificates are not entitled to receive any dividend payments with respect to such beneficiary certificates.

Under Luxembourg law, at least 5% of our net profits per year must be allocated to the creation of a legal reserve until such reserve has reached an amount equal to 10% of our issued share capital. The allocation to the legal reserve becomes compulsory again when the legal reserve no longer represents 10% of our issued share capital. The legal reserve is not available for distribution.

We are a holding company and have no material assets other than our indirect ownership of ordinary shares in our operating subsidiaries. Our ability to generate income and pay dividends is dependent on the ability of our subsidiaries to declare and pay dividends or lend funds to us.

The registrar and transfer agent for Spotify’s ordinary shares is Computershare Trust Company, N.A.

B. Significant Changes

There have been no significant changes since the date of the financial statements included elsewhere in this annual report. Please see Note 28 of the consolidated financial statements included elsewhere in this report for details of events after the reporting period.

Item 9. The Offer and Listing

A. Offer and Listing Details

Our ordinary shares are listed on the NYSE under the symbol “SPOT.”

B. Plan of Distribution

Not applicable.

C. Markets

Our ordinary shares are listed and traded on the NYSE.

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

Item 10. Additional Information

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

We are registered with the Luxembourg Trade and Companies’ Register under number B.123.052. Our corporate purpose, as stated in Article 3 of our articles of association, is the acquisition and holding of direct or indirect interests in Luxembourg and/or in foreign undertakings, as well as the administration, development, and management of our holdings. We may provide any financial assistance to subsidiaries, affiliated companies, or other companies forming part of the group to which we belong, including, but not limited to, the providing of loans and the granting of guarantees or securities in any kind or form. We also may use our funds to invest in real estate, intellectual property rights, or any other movable or immovable assets in any kind or form. We may borrow in any kind or form and privately issue bonds or notes. In general, we may carry out any commercial, industrial, or financial operation that we may deem useful in the accomplishment and development of our purposes.

See Exhibit 2.1 to this Annual Report on Form 20-F for more information.

C. Material Contracts

The following is a summary of each material agreement, other than material agreements entered into in the ordinary course of business, to which we are or have been a party for the two years immediately preceding the date of this report:

- Subscription Agreement by and among TME, TME Hong Kong, Spotify Technology S.A., and Spotify AB, dated as of December 8, 2017, pursuant to which TME issued shares of TME to Spotify, and Spotify issued ordinary shares of Spotify to an affiliate of TME.
- Investor Agreement by and among Spotify Technology S.A., TME, TME Hong Kong, Tencent, Image Frame, and with respect to certain sections only, D.G.E. Investments and Rosello, dated as of December 15, 2017, pursuant to which an affiliate of Tencent purchased ordinary shares of Spotify through a secondary purchase. Additionally, pursuant to this Investor Agreement, D.G.E. Investments, an entity indirectly wholly owned by Mr. Ek, shall have the sole and exclusive right to vote, in its sole and absolute discretion, any of our securities beneficially owned by the Tencent Investors or their controlled affiliates on all proposals, resolutions, and other matters for which a vote, consent, or other approval (including by written consent) of the holders of our securities is sought or upon which such holders are otherwise entitled to vote or consent.

D. Exchange Controls

We are not aware of any governmental laws, decrees, regulations or other legislation in Luxembourg that restrict the export or import of capital, including the availability of cash and cash equivalents for use by our affiliated companies, or that affect the remittance of dividends, interest or other payments to non-resident holders of our securities, except for regulations restricting the remittance of dividends, distributions, and other payments in compliance with United Nations and EU sanctions.

E. Taxation

Luxembourg Tax Considerations

The following is an overview of certain material Luxembourg tax consequences of purchasing, owning, and disposing of the ordinary shares issued by us. It does not purport to be a complete analysis of all possible tax situations that may be relevant to a decision to purchase, own, or deposit our ordinary shares. It is included herein solely for preliminary information purposes and is not intended to be, nor should it be construed to be, legal or tax advice. Prospective purchasers of our ordinary shares should consult their own tax advisers as to the applicable tax consequences of the ownership of our ordinary shares, based on their particular circumstances. The following description of Luxembourg tax law is based upon Luxembourg law and regulations as in effect and as interpreted by the Luxembourg tax authorities as of the date of this annual report and is subject to any amendments in law (or in interpretation) later introduced, whether or not on a retroactive basis. Please be aware that the residence concept used under the respective headings below applies for Luxembourg tax assessment purposes only. Any reference in this section to a tax, duty, levy, impost or other charge or withholding of a similar nature refers to Luxembourg tax laws and/or concepts only. Also, please note that a reference to Luxembourg income tax encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*), a solidarity surcharge (*contribution au fonds pour l'emploi*), and personal income tax (*impôt sur le revenu des personnes physiques*) generally. Corporate taxpayers may further be subject to net wealth tax (*impôt sur la fortune*), as well as other duties, levies or taxes. Corporate income tax, municipal business tax, as well as the solidarity surcharge invariably applies to most corporate taxpayers resident of Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and to the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

Taxation of the Company

Income Tax

As the Company is a fully-taxable Luxembourg company, its net taxable profit is as a rule subject to corporate income tax ("CIT") and municipal business tax ("MBT") at ordinary rates in Luxembourg.

The taxable profit as determined for CIT purposes is applicable, with minor adjustments, for MBT purposes. CIT is levied at an effective maximum rate of 18.19% in 2022 (inclusive of the 7% surcharge for the employment fund). MBT is levied at a variable rate according to the municipality in which the Company is located (6.75% in the City of Luxembourg in 2022). The maximum aggregate CIT and MBT rate consequently amounts to 24.94% in 2022 for companies located in the City of Luxembourg.

Dividends and other payments derived from ordinary shares by the Company are subject to income taxes, unless the conditions of the participation exemption regime, as described below, are satisfied. Where the conditions of the participation exemption are not satisfied, a tax credit is generally granted for withholding taxes levied at source within the limit of the tax payable in Luxembourg on such income, whereby any excess withholding tax is not refundable but deductible as an operating expense from the tax base.

Under the participation exemption regime (subject to the relevant anti-abuse rules), dividends derived from ordinary shares may be exempt from income tax if (i) the distributing company is a qualified subsidiary (“Qualified Subsidiary”), and (ii) at the time the dividend is put at the company’s disposal, the Company has held or commits itself to hold for an uninterrupted period of at least 12 months shares representing a direct participation in the share capital of the Qualified Subsidiary (a) of at least 10%, or (b) of an acquisition price of at least €1.2 million (or an equivalent amount in another currency). A Qualified Subsidiary means (i) a Luxembourg resident fully-taxable company limited by share capital (*société de capitaux*), (ii) a company covered by Article 2 of the Council Directive 2011/96/EU of November 30, 2011 (the “EU Parent-Subsidiary Directive”), or (iii) a non-resident company limited by share capital (*société de capitaux*) liable to a tax corresponding to Luxembourg CIT.

Liquidation proceeds are assimilated to a received dividend and may be exempt under the same conditions. If the conditions of the participation exemption regime are not met, dividends derived by the Company from Qualified Subsidiaries may be exempt for 50% of their gross amount.

Capital gains realized by the Company on shares are subject to CIT and MBT at ordinary rates, unless the conditions of the participation exemption regime, as described below, are satisfied. Under the participation exemption regime, capital gains realized on shares of a Qualified Subsidiary may be exempt from CIT and MBT at the level of the Company if at the time the capital gain is realized, the Company has held or commits itself to hold for an uninterrupted period of at least 12 months shares representing a direct participation in the share capital of the Qualified Subsidiary (i) of at least 10%, or (ii) of an acquisition price of at least €6 million (or an equivalent amount in another currency). Taxable gains are defined as the difference between the price for which shares have been disposed of and the lower of their cost or book value.

Withholding Tax

Dividends paid by us to the holders of our ordinary shares are as a rule subject to a 15% withholding tax in Luxembourg, unless a reduced withholding tax rate applies pursuant to an applicable double tax treaty or an exemption pursuant to the application of the Luxembourg domestic withholding tax exemption, and, to the extent withholding tax applies to Luxembourg entities, we are responsible for withholding amounts corresponding to such taxation at its source.

If the Company and a U.S. relevant holder are eligible for the benefits of the tax treaty concluded between the United States and Luxembourg (the “Treaty”), the rate of withholding on distributions shall not exceed 15%, or 5% if the U.S. relevant holder is a qualified resident company as defined in Article 24 of the Treaty that owns at least 10% of our Company’s voting stock.

An exemption may apply under the withholding tax exemption (subject to the relevant anti-abuse rules) if cumulatively (i) the holder of our ordinary shares is an eligible parent (“Eligible Parent”), and (ii) at the time the income is made available, the holder of our ordinary shares has held or commits itself to hold for an uninterrupted period of at least 12 months a direct participation of at least 10% of our share capital or a direct participation of an acquisition price of at least €1.2 million (or an equivalent amount in another currency). Holding a participation through an entity treated as tax transparent from a Luxembourg income tax perspective is deemed to be a direct participation in proportion to the net assets held in this entity. An Eligible Parent includes (i) a company covered by Article 2 of the EU Parent-Subsidiary Directive or a Luxembourg permanent establishment thereof, (ii) a fully-taxable company limited by share capital (*société de capitaux*) resident in Luxembourg, (iii) a company resident in a State having a double tax treaty with Luxembourg and subject to a tax corresponding to Luxembourg CIT or a Luxembourg permanent establishment thereof, (iv) a company limited by share capital (*société de capitaux*) or a cooperative society (*société coopérative*) resident in the European Economic Area other than an EU Member State and liable to a tax corresponding to Luxembourg CIT or a Luxembourg permanent establishment thereof, or (v) a Swiss company limited by share capital (*société de capitaux*) which is effectively subject to corporate income tax in Switzerland without benefiting from an exemption.

No withholding tax is levied on capital gains and liquidation proceeds. However, capital gains realized by a non-resident shareholder on the disposal of shares held in a Luxembourg company may be subject to Luxembourg CIT if they are deemed to be speculative (i.e. if shares are disposed of within six months after their acquisition or if their disposal precedes their acquisition).

Net Wealth Tax

The Company is as a rule subject to Luxembourg net wealth tax (“NWT”) on its net assets as determined for net wealth tax purposes. NWT is levied at the rate of 0.5% on net assets not exceeding €500 million and at the rate of 0.05% on the portion of the net assets exceeding €500 million. Net worth is referred to as the unitary value (*valeur unitaire*), as determined at January 1 of each year. The unitary value is in principle calculated as the difference between (i) assets estimated at their fair market value (*valeur estimée de réalisation*), and (ii) liabilities vis-à-vis third parties.

Under the participation exemption regime, a qualified shareholding held by the Company in a Qualified Subsidiary is exempt for net wealth tax purposes.

A minimum net wealth tax (“MNWT”) is levied on companies having their statutory seat or central administration in Luxembourg. For entities for which the sum of fixed financial assets, receivables against related companies, transferable securities, and cash at bank exceeds 90% of their total balance sheet and €350,000, the MNWT is set at €4,815. For all other companies having their statutory seat or central administration in Luxembourg which do not fall within the scope of the €4,815 MNWT, the MNWT ranges from €535 to €32,100, depending on the company’s total balance sheet.

Other Taxes

The issuance of our ordinary shares and any other amendment of our articles of association are currently subject to a €75 fixed registration duty. The disposal of our ordinary shares is not subject to a Luxembourg registration tax or stamp duty, unless recorded in a Luxembourg notarial deed or otherwise registered in Luxembourg.

Taxation of the Holders of Ordinary Shares

Luxembourg Tax Residency of the Holders of Our Ordinary Shares

A holder of our ordinary shares will not become resident, nor be deemed to be resident, in Luxembourg by reason only of the holding and/or disposing of our ordinary shares or the execution, performance, or enforcement of his/her rights thereunder.

Income Tax—Luxembourg Resident Holders

Luxembourg Individual Residents. Dividends and other payments derived from our ordinary shares by resident individual holders of our ordinary shares, who act in the course of the management of either their private wealth or their professional or business activity, are subject to income tax at the ordinary progressive rates. A tax credit is generally granted for withholding taxes levied at source within the limit of the tax payable in Luxembourg on such income, whereby any excess withholding tax is not refundable. 50% of the gross amount of dividends received from the Company by resident individual holders of our ordinary shares are exempt from income tax.

Capital gains realized on the disposal of our ordinary shares by resident individual holders of our ordinary shares, who act in the course of the management of their private wealth, are not subject to income tax, unless said capital gains qualify either as speculative gains or as gains on a substantial participation. Capital gains are deemed to be speculative and are subject to income tax at ordinary rates if our ordinary shares are disposed of within six months after their acquisition or if their disposal precedes their acquisition. Speculative gains are subject to income tax as miscellaneous income at ordinary rates. A participation is deemed to be substantial where a resident individual holder of our ordinary shares holds or has held, either alone or together with his/her spouse or partner and/or minor children, directly or indirectly at any time within the five years preceding the disposal, more than 10% of the share capital of the Company whose ordinary shares are being disposed of. A holder of our ordinary shares also is deemed to alienate a substantial participation if he acquired free of charge, within the five years preceding the transfer, a participation that was constituting a substantial participation in the hands of the alienator (or the alienators in case of successive transfers free of charge within the same five-year period). Capital gains realized on a substantial participation more than six months after the acquisition thereof are taxed according to the half-global rate method, (i.e., the average rate applicable to the total income is calculated according to progressive income tax rates and half of the average rate is applied to the capital gains realized on the substantial participation). A disposal may include a sale, an exchange, a contribution or any other kind of alienation of the participation.

Capital gains realized on the disposal of our ordinary shares by resident individual holders of our ordinary shares, who act in the course of their professional or business activity, are subject to income tax at ordinary rates. Taxable gains are determined as the difference between the price for which our ordinary shares have been disposed of and the lower of their cost or book value.

Luxembourg Fully-taxable Corporate Residents. Dividends and other payments derived from our ordinary shares by Luxembourg resident fully-taxable companies are subject to CIT and MBT, unless the conditions of the participation exemption regime, as described below, are satisfied. A tax credit is generally granted for withholding taxes levied at source within the limit of the tax payable in Luxembourg on such income, whereby any excess withholding tax is not refundable. If the conditions of the participation exemption regime are not met, 50% of the gross amount of dividends received by Luxembourg resident, fully-taxable companies from our ordinary shares are exempt from CIT and MBT.

Under the participation exemption regime (subject to the relevant anti-abuse rules), dividends derived from our ordinary shares may be exempt from CIT and MBT at the level of the holder of our ordinary shares if cumulatively (i) the

holder of our ordinary shares is an Eligible Parent, and (ii) at the time the dividend is put at the holder of our ordinary shares' disposal, the holder of our ordinary shares has held or commits itself to hold for an uninterrupted period of at least 12 months a qualified shareholding ("Qualified Shareholding"). A Qualified Shareholding means ordinary shares representing a direct participation of at least 10% in the share capital of the Company or a direct participation in the Company of an acquisition price of at least €1.2 million (or an equivalent amount in another currency). Liquidation proceeds are assimilated to a received dividend and may be exempt under the same conditions. If the conditions of the participation exemption regime are not met, dividends derived by the holder of the ordinary shares from the Company may be exempt for 50% of their gross amount. Ordinary shares held through a tax-transparent entity are considered as being a direct participation proportionally to the percentage held in the net assets of the transparent entity.

Capital gains realized by a Luxembourg resident fully-taxable company on our ordinary shares are subject to CIT and MBT at ordinary rates, unless the conditions of the participation exemption regime, as described below, are satisfied. Under the participation exemption regime, capital gains realized on our ordinary shares may be exempt from CIT and MBT at the level of the holder of our ordinary shares if cumulatively (i) the holder of our ordinary shares is an Eligible Parent, and (ii) at the time the capital gain is realized, the holder of our ordinary shares has held or commits itself to hold for an uninterrupted period of at least 12 months our ordinary shares representing a direct participation in the share capital of the Company of at least 10% or a direct participation in the Company of an acquisition price of at least €6 million (or an equivalent amount in another currency). Taxable gains are determined as the difference between the price for which our ordinary shares have been disposed of and the lower of their cost or book value.

Luxembourg Residents Benefiting from a Special Tax Regime. Holders of our ordinary shares who are either (i) an undertaking for collective investment governed by the amended law of December 17, 2010, (ii) a specialized investment fund governed by the amended law of February 13, 2007, (iii) a family wealth management company governed by the amended law of May 11, 2007, or (iv) a reserved alternative investment fund treated as a specialized investment fund for Luxembourg tax purposes governed by the amended law of July 23, 2016, are exempt from income tax in Luxembourg. Dividends derived from and capital gains realized on our ordinary shares are thus not subject to Luxembourg income tax in their hands.

Income Tax—Luxembourg Non-Resident Holders

Non-resident holders of our ordinary shares who have neither a permanent establishment nor a permanent representative in Luxembourg to which or whom our ordinary shares are attributable, are not liable to any Luxembourg income tax on income and gains derived from our ordinary shares except capital gains realized on (i) a substantial participation before the acquisition or within the first six months of the acquisition thereof, or (ii) a substantial participation more than six months after the acquisition thereof by a holder of our ordinary shares who has been a former Luxembourg resident for more than 15 years and has become a non-resident, at the time of transfer, less than five years ago. A participation is deemed to be substantial where a shareholder holds or has held, either alone or, in case of an individual shareholder, together with his/her spouse or partner and/or minor children, directly or indirectly at any time within the five years preceding the disposal, more than 10% of the share capital of the Company whose ordinary shares are being disposed of. A shareholder also is deemed to alienate a substantial participation if he acquired free of charge, within the five years preceding the transfer, a participation that was constituting a substantial participation in the hands of the alienator (or the alienators in case of successive transfers free of charge within the same five-year period).

If the Company and a U.S. relevant holder are eligible for the benefits of the Treaty, such U.S. relevant holder generally should not be subject to Luxembourg tax on the gain from the disposal of such ordinary shares unless such gain is attributable to a permanent establishment of such U.S. relevant holder in Luxembourg.

Non-resident holders of our ordinary shares which have a permanent establishment or a permanent representative in Luxembourg to which or whom our ordinary shares are attributable, must include any income received, as well as any gain realized, on the sale, disposal or redemption of our ordinary shares, in their taxable income for Luxembourg tax assessment purposes, unless the conditions of the participation exemption regime, as described below, are satisfied. If the conditions of the participation exemption regime are not fulfilled, 50% of the gross amount of dividends received by a Luxembourg permanent establishment or permanent representative may be, however, exempt from income tax. Taxable gains are determined as the difference between the price for which the ordinary shares have been disposed of and the lower of their cost or book value.

Under the participation exemption regime (subject to relevant anti-abuse rules), dividends derived from our ordinary shares may be exempt from income tax if cumulatively (i) our ordinary shares are attributable to a qualified permanent establishment ("Qualified Permanent Establishment"), and (ii) at the time the dividend is put at the disposal of the Qualified Permanent Establishment, it has held or commits itself to hold a Qualified Shareholding for an uninterrupted period of at least 12 months. A Qualified Permanent Establishment means (i) a Luxembourg permanent establishment of a company covered by Article 2 of the EU Parent-Subsidiary Directive, (ii) a Luxembourg permanent establishment of a company limited by share capital (*société de capitaux*) resident in a State having a tax treaty with Luxembourg, and (iii) a Luxembourg permanent establishment of a company limited by share capital (*société de capitaux*) or a cooperative society (*société coopérative*) resident

in the European Economic Area other than an EU Member State. Liquidation proceeds are assimilated to a received dividend and may be exempt under the same conditions. Ordinary shares held through a tax transparent entity are considered as being a direct participation proportionally to the percentage held in the net assets of the transparent entity.

Under the participation exemption regime, capital gains realized on our ordinary shares may be exempt from income tax if (i) our ordinary shares are attributable to a Qualified Permanent Establishment, and (ii) at the time the capital gain is realized, the Qualified Permanent Establishment has held or commits itself to hold, for an uninterrupted period of at least 12 months, our ordinary shares representing a direct participation in the share capital of the Company of at least 10% or a direct participation in the Company of an acquisition price of at least €6 million (or an equivalent amount in another currency). Taxable gains are determined as the difference between the price for which our ordinary shares have been disposed of and the lower of their cost or book value.

Net Wealth Tax

Luxembourg resident holders of our ordinary shares, as well as non-resident holders of our ordinary shares who have a permanent establishment or a permanent representative in Luxembourg to which or whom our ordinary shares are attributable, are subject to Luxembourg NWT on our ordinary shares, except if the holder is (i) a resident or non-resident individual taxpayer, (ii) a securitization company governed by the amended law of March 22, 2004 on securitization, (iii) a company governed by the amended law of June 15, 2004 on venture capital vehicles, (iv) a professional pension institution governed by the amended law of July 13, 2005, (v) a specialized investment fund governed by the amended law of February 13, 2007, (vi) a family wealth management company governed by the amended law of May 11, 2007, (vii) an undertaking for collective investment governed by the amended law of December 17, 2010, or (viii) a reserved alternative investment fund governed by the amended law of July 23, 2016. However, (i) a securitization company governed by the amended law of March 22, 2004 on securitization, (ii) a company governed by the amended law of June 15, 2004 on venture capital vehicles, (iii) a professional pension institution governed by the amended law of July 13, 2005, and (iv) a tax opaque reserved alternative investment fund treated as a venture capital vehicle for Luxembourg tax purposes and governed by the amended law of July 23, 2016, remain subject to MNWT.

Under the participation exemption, a Qualified Shareholding held in the Company by an Eligible Parent or attributable to a Qualified Permanent Establishment may be exempt. The net wealth tax exemption for a Qualified Shareholding does not require the completion of the 12-month holding period.

Other Taxes

Under Luxembourg tax law, where an individual holder of our ordinary shares is a resident of Luxembourg for inheritance tax purposes at the time of his or her death, our ordinary shares are included in his or her taxable basis for inheritance tax purposes. On the contrary, no inheritance tax is levied on the transfer of our ordinary shares upon the death of an individual holder in cases where the deceased was not a resident of Luxembourg for inheritance purposes.

Gift tax may be due on a gift or donation of our ordinary shares, if the gift is recorded in a Luxembourg notarial deed or otherwise registered in Luxembourg.

U.S. Federal Income Tax Considerations

The following summary describes certain U.S. federal income tax considerations generally applicable to U.S. Holders (as defined below) of our ordinary shares. This summary deals only with our ordinary shares held as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"). This summary also does not address the tax consequences that may be relevant to holders in special tax situations including, without limitation, dealers in securities, traders that elect to use a mark-to-market method of accounting, holders that own our ordinary shares as part of a "straddle," "hedge," "conversion transaction," or other integrated investment, banks or other financial institutions, individual retirement accounts and other tax-deferred accounts, insurance companies, tax-exempt organizations, U.S. expatriates, holders whose functional currency is not the U.S. dollar, holders subject to the alternative minimum tax, holders that acquired our ordinary shares in a compensatory transaction, or holders that actually or constructively own 10% or more of the total voting power or value of our ordinary shares.

This summary is based upon the Internal Revenue Code, applicable U.S. Treasury regulations, administrative pronouncements and judicial decisions, in each case as in effect on the date hereof, all of which are subject to change (possibly with retroactive effect). No ruling will be requested from the Internal Revenue Service (the "IRS") regarding the tax consequences owning and disposing of our ordinary shares, and there can be no assurance that the IRS will agree with the discussion set out below. This summary does not address any U.S. federal tax consequences other than U.S. federal income tax consequences (such as the estate and gift tax or the Medicare tax on net investment income).

As used herein, the term “U.S. Holder” means a beneficial owner of our ordinary shares that is, for U.S. federal income tax purposes, (i) a citizen or resident of the United States, (ii) a corporation or other entity taxable as a corporation created or organized under the laws of the United States or any state thereof or therein or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust (a) that is subject to the supervision of a court within the United States and the control of one or more United States persons as described in Internal Revenue Code Section 7701(a)(30), or (b) that has a valid election in effect under applicable U.S. Treasury regulations to be treated as a United States person.

If an entity or other arrangement treated as a partnership for U.S. federal income tax purposes holds our ordinary shares, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. Partners of a partnership that holds our ordinary shares should consult their tax advisers regarding the U.S. federal income tax consequences of owning, and disposing of our ordinary shares.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE INVESTORS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING AND DISPOSING OF OUR ORDINARY SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL AND NON-U.S. TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Dividends

Subject to the discussion below under “—Passive Foreign Investment Company,” the amount of dividends paid to a U.S. Holder with respect to our ordinary shares generally will be included in the U.S. Holder’s gross income as ordinary income from foreign sources to the extent paid out of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). Distributions in excess of earnings and profits will be treated as a non-taxable return of capital to the extent of the U.S. Holder’s adjusted tax basis in our ordinary shares and thereafter as capital gain. However, we do not intend to calculate our earnings and profits under U.S. federal income tax principles. Therefore, U.S. Holders should expect that a distribution will generally be treated as a dividend even if that distribution would otherwise be treated as a non-taxable return of capital or as capital gain under the rules described above. The amount of any distribution paid in foreign currency will be equal to the U.S. dollar value of such currency, translated at the spot rate of exchange on the date such distribution is received, regardless of whether the payment is in fact converted into U.S. dollars at that time.

Foreign withholding tax (if any) paid on dividends on our ordinary shares at the rate applicable to a U.S. Holder (taking into account any applicable income tax treaty) will, subject to limitations and conditions, be treated as foreign income tax eligible for credit against such holder’s U.S. federal income tax liability or, at such holder’s election, eligible for deduction in computing such holder’s U.S. federal taxable income. Dividends paid on our ordinary shares generally will constitute “passive category income” for purposes of the foreign tax credit. However, if we are a “United States-owned foreign corporation,” solely for foreign tax credit purposes, a portion of the dividends allocable to our U.S. source earnings and profits may be recharacterized as U.S. source. A “United States-owned foreign corporation” is any foreign corporation in which United States persons own, directly or indirectly, 50% or more (by vote or by value) of the stock. In general, United States-owned foreign corporations with less than 10% of earnings and profits attributable to sources within the United States are excepted from these rules. Although we don’t believe we are currently a “United States-owned foreign corporation,” we may become one in the future. In such case, if 10% or more of our earnings and profits are attributable to sources within the United States, a portion of the dividends paid on our ordinary shares allocable to our U.S. source earnings and profits will be treated as U.S. source, and, as such, a U.S. Holder may not offset any foreign tax withheld as a credit against U.S. federal income tax imposed on that portion of dividends. The rules governing the treatment of foreign taxes imposed on a U.S. Holder and foreign tax credits are complex, and U.S. Holders should consult their tax advisors about the impact of these rules in their particular situations.

Dividends paid to a non-corporate U.S. Holder by a “qualified foreign corporation” may be subject to reduced rates of taxation if certain holding period and other requirements are met. “Qualified foreign corporation” generally includes a foreign corporation (other than a foreign corporation that is a PFIC (as defined below) with respect to the relevant U.S. Holder for the taxable year in which the dividends are paid or for the preceding taxable year) (i) whose ordinary shares are readily tradable on an established securities market in the United States, or (ii) which is eligible for benefits under a comprehensive U.S. income tax treaty that includes an exchange of information program and which the U.S. Treasury Department has determined is satisfactory for these purposes. Our ordinary shares are expected to be readily tradable on the NYSE, an established securities market. U.S. Holders should consult their own tax advisors regarding the availability of the reduced tax rate on dividends in light of their particular circumstances. The dividends will not be eligible for the dividends received deduction available to corporations in respect of dividends received from other U.S. corporations.

Disposition of Our Ordinary Shares

Subject to the discussion below under “—Passive Foreign Investment Company,” a U.S. Holder generally will recognize capital gain or loss for U.S. federal income tax purposes on the sale or other taxable disposition of our ordinary shares equal to the difference, if any, between the amount realized and the U.S. Holder’s adjusted tax basis in our ordinary shares. In general, capital gains recognized by a non-corporate U.S. Holder, including an individual, are subject to a lower rate under current law if such U.S. Holder held shares for more than one year. The deductibility of capital losses is subject to limitations. Any such gain or loss generally will be treated as U.S. source income or loss for purposes of the foreign tax credit. A U.S. Holder’s initial tax basis in our ordinary shares generally will equal the cost of such ordinary shares.

If the consideration received upon the sale or other taxable disposition of our ordinary shares is paid in foreign currency, the amount realized will be the U.S. dollar value of the payment received, translated at the spot rate of exchange on the date of taxable disposition. If our ordinary shares are treated as traded on an established securities market, a cash basis U.S. Holder and an accrual basis U.S. Holder who has made a special election (which must be applied consistently from year to year and cannot be changed without the consent of the IRS) will determine the U.S. dollar value of the amount realized in foreign currency by translating the amount received at the spot rate of exchange on the settlement date of the sale. An accrual basis U.S. Holder that does not make the special election will recognize exchange gain or loss to the extent attributable to the difference between the exchange rates on the sale date and the settlement date, and such exchange gain or loss generally will constitute ordinary income or loss.

Passive Foreign Investment Company

In general, a non-U.S. corporation will be classified as a PFIC for any taxable year if at least (i) 75% of its gross income is classified as “passive income,” or (ii) 50% of its assets (determined on the basis of a quarterly average) produce or are held for the production of passive income. For these purposes, cash is considered a passive asset. In making this determination, the non-U.S. corporation is treated as earning its proportionate share of any income and owning its proportionate share of any assets of any corporation in which it holds a 25% or greater interest. Based on our historic and expected operations, composition of assets and market capitalization, we do not expect to be classified as a PFIC for the current taxable year or for the foreseeable future. However, the determination of whether we are a PFIC is made annually. Moreover, the value of our assets for purposes of the PFIC determination will generally be determined by reference to the public price of our ordinary shares, which may fluctuate significantly. Therefore, there is no assurance that we would not be classified as a PFIC in the future due to, for example, changes in the composition of our assets or income, as well as changes in our market capitalization. Under the PFIC rules, if we were considered a PFIC at any time that a U.S. Holder holds our ordinary shares, we would continue to be treated as a PFIC with respect to such holder’s investment unless (i) we cease to be a PFIC, and (ii) the U.S. Holder has made a “deemed sale” election under the PFIC rules.

If we are considered a PFIC for any taxable year that a U.S. Holder holds our ordinary shares, any gain recognized by the U.S. Holder on a sale or other disposition of our ordinary shares would be allocated pro-rata over the U.S. Holder’s holding period for the ordinary shares. The amounts allocated to the taxable year of the sale or other disposition and to any year before we became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations, as appropriate, for that taxable year, and an interest charge would be imposed. Further, to the extent that any distribution received by a U.S. Holder on our ordinary shares exceeds 125% of the average of the annual distributions on the ordinary shares received during the preceding three years or the U.S. Holder’s holding period, whichever is shorter, that distribution would be subject to taxation in the same manner as gain on the sale or other disposition of ordinary shares if we were a PFIC, as described above. Certain elections may be available that would result in alternative treatments (such as mark-to-market treatment) of the ordinary shares. If we are treated as a PFIC with respect to a U.S. Holder for any taxable year, the U.S. Holder will be deemed to own shares in any of our subsidiaries that also are PFICs. A timely election to treat us as a qualified electing fund under the Internal Revenue Code would result in an alternative treatment. However, we do not intend to prepare or provide the information that would enable U.S. Holders to make a qualified electing fund election. If we are considered a PFIC, a U.S. Holder also will be subject to annual information reporting requirements. U.S. Holders should consult their tax advisers about the potential application of the PFIC rules to an investment in the ordinary shares.

Information Reporting and Backup Withholding

Dividend payments and proceeds paid from the sale or other taxable disposition of ordinary shares may be subject to information reporting to the IRS. In addition, a U.S. Holder (other than exempt holders who establish their exempt status if required) may be subject to backup withholding on cash payments received in connection with dividend payments and proceeds from the sale or other taxable disposition of our ordinary shares made within the United States or through certain U.S.-related financial intermediaries.

Backup withholding will not apply, however, to a U.S. Holder who furnishes a correct taxpayer identification number, makes other required certification and otherwise complies with the applicable requirements of the backup withholding rules.

Backup withholding is not an additional tax. Rather, any amount withheld under the backup withholding rules will be creditable or refundable against the U.S. Holder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

Foreign Financial Asset Reporting

Certain U.S. Holders are required to report their holdings of certain foreign financial assets, including equity of foreign entities, if the aggregate value of all of these assets exceeds certain threshold amounts. The ordinary shares are expected to constitute foreign financial assets subject to these requirements unless the ordinary shares are held in an account at certain financial institutions. U.S. Holders should consult their tax advisors regarding the application of these reporting requirements.

FATCA

Provisions under Sections 1471 through 1474 of the Internal Revenue Code and applicable U.S. Treasury regulations commonly referred to as "FATCA" generally impose 30% withholding on certain "withholdable payments" and, in the future, may impose such withholding on "foreign passthru payments" made by a "foreign financial institution" (each as defined in the Internal Revenue Code) that has entered into an agreement with the IRS to perform certain diligence and reporting obligations with respect to the foreign financial institution's U.S.-owned accounts. The United States has entered into an intergovernmental agreement, or IGA, with Luxembourg, implemented by the Luxembourg law dated July 24, 2015 and amended on June 18, 2020, which modifies the FATCA withholding regime described above. Under the regulations, any withholding on foreign passthru payments would apply to passthru payments made on or after the date that is two years after the date of publication in the Federal Register of applicable final regulations defining foreign passthru payments. Although these regulations are not final, taxpayers generally may rely on them until final regulations are issued. U.S. Holders should consult their tax advisors regarding the potential impact of FATCA, the Luxembourg IGA and any non-U.S. legislation implementing FATCA on the investment in our ordinary shares.

F. Dividends and Paying Agents

Not applicable.

G. Statements by Experts

Not applicable.

H. Documents on Display

Our SEC filings are available to you on the SEC's website at <http://www.sec.gov>. This site contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. The information on that website is not part of this report.

We also make available on the Investors section of our website, free of charge, our annual reports on Form 20-F and the text of our reports on Form 6-K, including any amendments to these reports, as well as certain other SEC filings, as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. Our website address is www.spotify.com. The information on that website is not part of this report.

We announce material financial information to our investors using our Investors website (investors.spotify.com), SEC filings, press releases, public conference calls, and webcasts. We use these channels, as well as social media, to communicate with our users and the public about our company, our services, and other issues. It is possible that the information we post on these channels could be deemed to be material information. Therefore, we encourage investors, the media, and others interested in our company to review the information we post on the channels listed on our Investors website. Information contained on our website is not part of this annual report on Form 20-F or any other filings we make with the SEC.

I. Subsidiary Information

Not applicable.

J. Annual Report to Security Holders

Not applicable.

Item 11. Quantitative and Qualitative Disclosures About Market Risk

Our activities expose us to a variety of market risks. Our primary market risk exposures relate to currency, interest rate, share price, investment, and inflation risks. To manage these risks and our exposure to the unpredictability of financial markets, we seek to minimize potential adverse effects on our financial performance and capital.

Volatile market conditions caused by significant events with macroeconomic impacts, including, but not limited to, volatility in the credit, equity and foreign exchange markets, inflation, rising interest rates, the effects of the COVID-19 pandemic, and the continued conflict between Russia and Ukraine, may result in significant changes in foreign exchange rates, interest rates, and share prices, both our own and those of third parties we use to value certain of our long-term investments. Refer to Part I. "Item 3.D. Risk Factors" in this document for further discussion.

Financial risk management

Our operations are exposed to financial risks. To manage these risks efficiently, we have established guidelines in the form of a treasury policy that serves as a framework for our daily financial operations. The treasury policy stipulates the rules and limitations for the management of financial risks.

Financial risk management is centralized within Treasury who are responsible for the management of financial risks. Treasury manages and executes the financial management activities, including monitoring the exposure of financial risks, cash management, and maintaining a liquidity reserve. Treasury operates within the limits and policies authorized by the board of directors.

Currency risk

Currency risk manifests itself in transaction exposure, which relates to business transactions denominated in foreign currency required by operations (purchasing and selling) and/or financing (interest and amortization). The volatility in foreign exchange rates, in particular a weakening of foreign currencies relative to the Euro, may negatively affect our revenue. Our general policy is to hedge transaction exposure on a case-by-case basis. Translation exposure relates to net investments in foreign operations. We do not conduct translation risk hedging.

Transaction exposure sensitivity

In most cases, our customers are billed in their respective local currency. Major payments, such as salaries, consultancy fees, and rental fees are settled in local currencies. Royalty payments are primarily settled in Euros and U.S. dollars. Hence, the operational need to net purchase foreign currency is due primarily to a deficit from such settlements.

The table below shows the immediate impact on net income before tax of a 10% strengthening of foreign currencies relative to the Euro in the closing exchange rate of significant currencies to which we have transaction exposure at December 31, 2022. The sensitivity associated with a 10% weakening of a particular currency would be equal and opposite. This assumes that each currency moves in isolation.

2022	Swedish krona (SEK)	British pound (GBP)	U.S. dollar (USD)
	(in € millions)		
(Increase)/decrease in loss before tax	(13)	(18)	68

Translation exposure sensitivity

The impact on our equity would be approximately €140 million if the Euro weakened by 10% against all translation exposure currencies, based on the exposure at December 31, 2022.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will have a negative impact on earnings and cash flows. Our exposure to interest rate risk is related to our interest-bearing assets, including our cash and cash equivalents and our short term debt securities. Fluctuations in interest rates impact the yield of the investment. The sensitivity analysis considered the historical volatility of short term interest rates and we determined that it was reasonably possible that a change of 100 basis points could be experienced in the near term. A hypothetical 100 basis point increase in interest rates would have impacted interest income by €36 million for the year ended December 31, 2022.

Share price risk

Share price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in the fair value of the Company's ordinary share price. Our exposure to this risk relates primarily to the Exchangeable Notes, outstanding warrants, and accrual for social costs on outstanding share-based compensation awards.

A 10% decrease or increase in the Company's ordinary share price would have resulted in a fair value of the Exchangeable Notes ranging from €1,127 million to €1,129 million at December 31, 2022.

A 10% decrease or increase in the Company's ordinary share price would have resulted in a fair value of the warrants ranging from €1 million to €2 million at December 31, 2022.

A 10% decrease or increase in the Company's ordinary share price would have resulted in a change in the accrual for social costs on outstanding share-based compensation awards of €1 million at December 31, 2022.

Investment risk

We are exposed to investment risk as it relates to changes in the market value of our long term investments, due primarily to volatility in the share price used to measure the investment and exchange rates. The majority of our long term investments relate to TME. A 10% decrease or increase in TME's share price would have resulted in a fair value of the Group's long term investment in TME ranging from €985 million to €1,204 million at December 31, 2022.

Inflation risk

Inflationary factors such as increases in costs may adversely affect our results of operations. If our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases for our Premium Service or sale of advertisements. Our inability or failure to do so could harm our business, operating results, and financial condition.

Item 12. Description of Securities Other Than Equity Securities

Not applicable.

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

Not applicable.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

None

Item 15. Controls and Procedures

A. Disclosure Controls and Procedures

As required by Rules 13a-15(b) and 15d-15(b) under the Exchange Act, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of the end of the period covered by this Annual Report on Form 20-F. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2022, our disclosure controls and procedures were effective at the reasonable assurance level.

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating and implementing possible controls and procedures.

B. Management’s annual report on internal control over financial reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act). Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2022. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) in Internal Control—Integrated Framework (2013). Based on our assessment, our management concluded that our internal control over financial reporting was effective as of December 31, 2022. The effectiveness of our internal control over financial reporting as of December 31, 2022 has been audited by Ernst & Young AB, an independent registered public accounting firm, as stated in their report that is included herein.

The effectiveness of any system of internal control over financial reporting is subject to inherent limitations, including the exercise of judgment in designing, implementing, operating, and evaluating the controls and procedures, and the inability to eliminate misconduct completely. Accordingly, any system of internal control over financial reporting can only provide reasonable, not absolute, assurances. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. We intend to continue to monitor and upgrade our internal controls as necessary or appropriate for our business, but cannot assure that such improvements will be sufficient to provide us with effective internal control over financial reporting.

C. Attestation report of the registered public accounting firm

Please see the report of Ernst & Young AB, an independent registered public accounting firm, included in “Item 18. Financial Statements.”

D. Changes in internal control over financial reporting

There were no changes to our internal control over financial reporting during the year ended December 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 16A. Audit Committee Financial Expert

Our board of directors has determined that Mr. Thomas Staggs is an “audit committee financial expert,” as defined in Item 16A of Form 20-F. All audit committee members satisfy the independence requirements set forth under the rules of the NYSE and in Rule 10A-3 under the Exchange Act.

Item 16B. Code of Ethics

We have adopted the Spotify Code of Conduct and Ethics, which applies to all of our directors, officers, employees, consultants, and others working on our behalf, and is intended to meet the definition of “code of ethics” under Item 16B of Form 20-F. The Spotify Code of Conduct and Ethics is available on our website at investors.spotify.com. We did not grant any waivers to the Spotify Code of Conduct and Ethics during the year ended December 31, 2022.

Item 16C. Principal Accountant Fees and Services

Ernst & Young AB have acted as our principal accountants for the years ended December 31, 2022 and 2021, respectively. The following table summarizes the charge for professional fees rendered in those periods:

	2022	2021
	(in € thousands)	
Audit fees	6,224	5,548
Audit-related fees	520	560
Tax fees	4	4
All other fees	—	—
Total	6,748	6,112

“Audit fees” are the aggregate fees earned by the Ernst & Young entities for the audit of our consolidated annual financial statements, reviews of interim financial statements and attestation services that are provided in connection with statutory and regulatory filings or engagements. “Audit-related fees” are fees charged by the Ernst & Young entities for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported under “Audit fees.” This category comprises fees for internal control reviews, agreed-upon procedure engagements and other attestation services subject to regulatory requirements. “Tax Fees” include fees billed for tax compliance. “All other fees” are the fees for products and services other than those in the above three categories.

All audit services and non-audit services to be performed for us by our independent auditor must be approved by our Audit Committee in advance to ensure that such engagements do not impair the independence of our independent registered public accounting firm. The Audit Committee generally pre-approves particular services or categories of services on a case-by-case basis. All services provided to us by our independent auditor in 2022 and 2021 were pre-approved by the Audit Committee.

Item 16D. Exemptions from the Listing Standards for Audit Committees

None.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

On August 20, 2021, the Company announced that the board of directors had approved a program to repurchase up to \$1.0 billion of the Company's ordinary shares. Repurchases of up to 10,000,000 of the Company's ordinary shares were authorized at the Company's general meeting of shareholders on April 21, 2021. The authorization to repurchase will expire on April 21, 2026 unless renewed by the decision of a general meeting of shareholders of the Company. The timing and actual number of shares repurchased will depend on a variety of factors, including price, general business and market conditions, and alternative investment opportunities. The repurchase program will be executed consistent with the Company's capital allocation strategy of prioritizing investment to grow the business over the long term.

2022	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽¹⁾	Maximum Value of Shares that May Yet Be Purchased Under the Plans or Programs
January 1, 2022 - January 15, 2022	11,040	\$ 222.70	11,040	\$ 895,551,413
January 16, 2022 - January 31, 2022	1,198,000 ⁽²⁾	\$ — ⁽³⁾	—	\$ 895,551,413
February	—	\$ —	—	\$ 895,551,413
March	—	\$ —	—	\$ 895,551,413
April	—	\$ —	—	\$ 895,551,413
May	—	\$ —	—	\$ 895,551,413
June	—	\$ —	—	\$ 895,551,413
July	—	\$ —	—	\$ 895,551,413
August	—	\$ —	—	\$ 895,551,413
September	—	—	—	\$ 895,551,413
October	—	\$ —	—	\$ 895,551,413
November	—	\$ —	—	\$ 895,551,413
December	—	\$ —	—	\$ 895,551,413
Total	1,209,040	222.70	11,040	895,551,413

(1) This column includes all the shares repurchased as a part of the repurchase program announced on August 20, 2021, as further described above. See Note 18 to our consolidated financial statements included in this report for additional details. As of December 31, 2022, we had repurchased a total of approximately \$104 million under the share repurchase program.

(2) On January 27, 2022, the Company issued ordinary shares to our Netherlands subsidiary at par value and subsequently repurchased those shares at the same price. These shares are held in treasury in order to facilitate the fulfillment of option exercises and RSU releases under the Company's stock option and RSU plans.

(3) Price paid per share is equal to the USD equivalent of par value, or \$0.000696 per share, as of the date of purchase.

During the year ended December 31, 2022, the average price paid per share for share repurchases was equal to €197.24, excluding shares issued to and repurchased from our Netherlands subsidiary to facilitate the fulfillment of option exercises and RSU releases under our stock option and RSU plans, translated into Euro from U.S. Dollars at the exchange rate as published by Reuters on the date of the corresponding transactions. As of December 31, 2022, the maximum value of shares that may yet be purchased under the share repurchase program is approximately €837 million, translated into Euro from U.S. Dollars at the exchange rate as published by Reuters on December 31, 2022.

Item 16F. Change in Registrant's Certifying Accountant

Not applicable.

Item 16G. Corporate Governance

Our common shares are listed on the NYSE. For purposes of NYSE rules, so long as we are a foreign private issuer, we are eligible to take advantage of certain exemptions from NYSE corporate governance requirements provided in the NYSE rules. We are required to disclose the significant ways in which our corporate governance practices differ from those that apply to U.S. companies under NYSE listing standards. Set forth below is a summary of these differences:

Board Committees—The NYSE rules require domestic companies to have a compensation committee and a nominating and corporate governance committee composed entirely of independent directors, but as a foreign private issuer we are exempt from these requirements. We have a people experience and compensation committee composed of three members, and we believe two of the committee members satisfy the “independence” requirements of the NYSE rules. We do not have a nominating and corporate governance committee.

Shareholder Approval of Equity Plans—The NYSE rules require shareholder approval of stock option plans and other equity compensation arrangements available to officers, directors or employees and any material amendments thereto, but as a foreign private issuer we are permitted to follow home country practice in lieu of those rules. Under home country practice, shareholder approval of stock option plans and other equity compensation arrangements is not required; however, we are required to seek shareholder approval of the compensation paid to our directors. The Company’s board of directors approves the stock option plans and other equity compensation arrangements that do not require shareholder approval under our home country practice.

Item 16H. Mine Safety Disclosure

Not applicable.

Item 16I. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 17. Financial Statements

See "Item 18. Financial Statements"

Item 18. Financial Statements

The audited Consolidated Financial Statements as required under Item 18 are attached hereto starting on page F-1 of this Form 20-F.

Item 19. Exhibits

The following are filed as exhibits hereto:

- [1.1](#) [Amended and Restated Articles of Association of Spotify Technology S.A. \(English Translation\), as currently in effect.](#)
- [2.1](#) [Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934 \(filed as Exhibit 2.1 to Spotify Technology S.A.'s Annual Report on Form 20-F filed on February 3, 2022, File No. 001-38438, and incorporated herein by reference\).](#)
- [4.1](#) [Indenture, dated as of March 2, 2021, among Spotify USA Inc., Spotify Technology S.A. and U.S. Bank National Association, as trustee \(filed as Exhibit 4.1 to Spotify Technology S.A.'s Form 6-K filed on March 2, 2021, File No. 001-38438, and incorporated herein by reference\).](#)
- [4.2](#) [Form of certificate representing the 0% Exchangeable Senior Notes due 2026 \(included as Exhibit A to Exhibit 4.1 to Spotify Technology S.A.'s Form 6-K filed on March 2, 2021, File No. 001-38438, and incorporated herein by reference\).](#)
- [4.3](#) [Form of Terms and Conditions for Warrants 2021 in Spotify Technology S.A. \(filed as Exhibit 4.3 to Spotify Technology S.A.'s Annual Report on Form 20-F filed on February 3, 2022, File No. 001-38438, and incorporated herein by reference\).](#)
- [4.4](#) [Form of Terms and Conditions for Warrants 2019 in Spotify Technology S.A. \(filed as Exhibit 4.1 to Spotify Technology S.A.'s Annual Report on Form 20-F filed on February 12, 2020, File No. 001-38438, and incorporated herein by reference\).](#)
- [4.5](#) [Form of Terms and Conditions for Warrants 2017 in Spotify Technology S.A. \(filed as Exhibit 10.2 to Spotify Technology S.A.'s Form F-1 filed on February 28, 2018, File No. 333-223300, and incorporated herein by reference\).](#)
- [4.6](#) [Form of Terms and Conditions for Warrants 2016 in Spotify Technology S.A. \(filed as Exhibit 10.1 to Spotify Technology S.A.'s Form F-1 filed on February 28, 2018, File No. 333-223300, and incorporated herein by reference\).](#)
- [4.7](#) [Terms and Conditions Governing Employee Stock Options 2021/2026 in Spotify Technology S.A., dated April 1, 2021 \(filed as Exhibit 4.4 to Spotify Technology S.A.'s Annual Report on Form 20-F filed on February 5, 2021, File No. 001-38438, and incorporated herein by reference\).](#)
- [4.8](#) [First Amendment to Terms and Conditions Governing Employee Stock Options 2020/2025 and Terms and Conditions Governing Employee Restricted Stock Units 2020/2025 in Spotify Technology S.A., dated December 2, 2020 \(filed as Exhibit 4.5 to Spotify Technology S.A.'s Annual Report on Form 20-F filed on February 5, 2021, File No. 001-38438, and incorporated herein by reference\).](#)

- [4.9](#) [Terms and Conditions Governing Employee Stock Options 2020/2025 in Spotify Technology S.A., dated January 1, 2020 \(filed as Exhibit 99.1 to Spotify Technology S.A.'s Form S-8 filed on December 30, 2019, File No. 333-235746, and incorporated herein by reference\).](#)
- [4.10](#) [Terms and Conditions Governing Employee Stock Options 2019/2024 in Spotify Technology S.A., dated January 1, 2019 \(filed as Exhibit 4.3 to Spotify Technology S.A.'s Annual Report on Form 20-F filed on February 12, 2019, File No. 001-38438, and incorporated herein by reference\).](#)
- [4.11](#) [Terms and Conditions Governing Employee Stock Options 2019/2024 Interim in Spotify Technology S.A., dated January 1, 2019 \(filed as Exhibit 4.4 to Spotify Technology S.A.'s Annual Report on Form 20-F filed on February 12, 2019, File No. 001-38438, and incorporated herein by reference\).](#)
- [4.12](#) [Terms and Conditions Governing Employee Stock Options 2018/2023 in Spotify Technology S.A., dated January 1, 2018 \(filed as Exhibit 10.3 to Spotify Technology S.A.'s Form F-1 filed on February 28, 2018, File No. 333-223300, and incorporated herein by reference\).](#)
- [4.13](#) [Terms and Conditions Governing Employee Stock Options 2017/2022 in Spotify Technology S.A., dated December 2, 2016 \(filed as Exhibit 10.4 to Spotify Technology S.A.'s Form F-1 filed on February 28, 2018, File No. 333-223300, and incorporated herein by reference\).](#)
- [4.14](#) [Terms and Conditions Governing Employee Stock Options 2016/2021 in Spotify Technology S.A., dated January 1, 2016 \(filed as Exhibit 10.5 to Spotify Technology S.A.'s Form F-1 filed on February 28, 2018, File No. 333-223300, and incorporated herein by reference\).](#)
- [4.15](#) [Terms and Conditions Governing Employee Stock Options 2015/2020 in Spotify Technology S.A., dated March 1, 2015 \(filed as Exhibit 10.6 to Spotify Technology S.A.'s Form F-1 filed on February 28, 2018, File No. 333-223300, and incorporated herein by reference\).](#)
- [4.16](#) [Terms and Conditions Governing Employee Stock Options 2014/2019 in Spotify Technology S.A., dated March 1, 2014 \(filed as Exhibit 10.7 to Spotify Technology S.A.'s Form F-1 filed on February 28, 2018, File No. 333-223300, and incorporated herein by reference\).](#)
- [4.17](#) [Terms and Conditions Governing Employee Restricted Stock Units 2021/2026 in Spotify Technology S.A., dated April 1, 2021 \(filed as Exhibit 4.14 to Spotify Technology S.A.'s Annual Report on Form 20-F filed on February 5, 2021, File No. 001-38438, and incorporated herein by reference\).](#)
- [4.18](#) [Terms and Conditions Governing Employee Restricted Stock Units 2020/2025 in Spotify Technology S.A., dated January 1, 2020 \(filed as Exhibit 99.2 to Spotify Technology S.A.'s Form S-8 filed on December 30, 2019, File No. 333-235746, and incorporated herein by reference\).](#)
- [4.19](#) [Terms and Conditions Governing Restricted Stock Units 2019/2024 in Spotify Technology S.A., dated January 1, 2019 \(filed as Exhibit 4.10 to Spotify Technology S.A.'s Annual Report on Form 20-F filed on February 12, 2019, File No. 001-38438, and incorporated herein by reference\).](#)
- [4.20](#) [Terms and Conditions Governing Restricted Stock Units 2018/2023 in Spotify Technology S.A., dated January 1, 2018 \(filed as Exhibit 10.8 to Spotify Technology S.A.'s Form F-1 filed on February 28, 2018, File No. 333-223300, and incorporated herein by reference\).](#)
- [4.21](#) [Terms and Conditions Governing Restricted Stock Units 2017/2022 in Spotify Technology S.A., dated June 1, 2017 \(filed as Exhibit 10.9 to Spotify Technology S.A.'s Form F-1 filed on February 28, 2018, File No. 333-223300, and incorporated herein by reference\).](#)
- [4.22](#) [Terms and Conditions Governing Restricted Stock Units 2016/2021 in Spotify Technology S.A., dated June 1, 2016 \(filed as Exhibit 10.10 to Spotify Technology S.A.'s Form F-1 filed on February 28, 2018, File No. 333-223300, and incorporated herein by reference\).](#)

- [4.23](#) [Terms and Conditions Governing Restricted Stock Units 2015/2020 in Spotify Technology S.A., dated June 1, 2015 \(filed as Exhibit 10.11 to Spotify Technology S.A.'s Form F-1 filed on February 28, 2018, File No. 333-223300, and incorporated herein by reference\).](#)
- [4.24](#) [Terms and Conditions Governing Restricted Stock Units 2014/2019 in Spotify Technology S.A., dated October 1, 2014 \(filed as Exhibit 10.12 to Spotify Technology S.A.'s Form F-1 filed on February 28, 2018, File No. 333-223300, and incorporated herein by reference\).](#)
- [4.25](#) [Terms and Conditions Governing Director Stock Options 2022/2026 in Spotify Technology S.A., dated April 20, 2022 \(filed as Exhibit 99.1 to Spotify Technology S.A.'s Form S-8 filed on April 27, 2022, File No. 333-264508, and incorporated herein by reference\).](#)
- [4.26](#) [Terms and Conditions Governing Director Stock Options 2021/2026 in Spotify Technology S.A., dated April 21, 2021 \(filed as Exhibit 99.1 to Spotify Technology S.A.'s Form S-8 filed on April 28, 2021, File No. 333-255574, and incorporated herein by reference\).](#)
- [4.27](#) [Terms and Conditions Governing Director Stock Options 2020/2025 in Spotify Technology S.A., dated April 22, 2020 \(filed as Exhibit 99.1 to Spotify Technology S.A.'s Form S-8 filed on April 29, 2020, File No. 333-237908, and incorporated herein by reference\).](#)
- [4.28](#) [Terms and Conditions Governing Director Stock Options 2019/2023 in Spotify Technology S.A., dated April 19, 2019 \(filed as Exhibit 99.1 to Spotify Technology S.A.'s Form S-8 filed on April 29, 2019, File No. 333-231102, and incorporated herein by reference\).](#)
- [4.29](#) [Terms and Conditions Governing Director Restricted Stock Units 2022/2026 in Spotify Technology S.A., dated April 20, 2022 \(filed as Exhibit 99.2 to Spotify Technology S.A.'s Form S-8 filed on April 27, 2022, File No. 333-264508, and incorporated herein by reference\).](#)
- [4.30](#) [Terms and Conditions Governing Director Restricted Stock Units 2021/2026 in Spotify Technology S.A., dated April 21, 2021 \(filed as Exhibit 99.2 to Spotify Technology S.A.'s Form S-8 filed on April 28, 2021, File No. 333-255574, and incorporated herein by reference\).](#)
- [4.31](#) [Terms and Conditions Governing Director Restricted Stock Units 2020/2025 in Spotify Technology S.A., dated April 22, 2020 \(filed as Exhibit 99.2 to Spotify Technology S.A.'s Form S-8 filed on April 29, 2020, File No. 333-237908, and incorporated herein by reference\).](#)
- [4.32](#) [Terms and Conditions Governing Director Restricted Stock Units 2019/2023 in Spotify Technology S.A., dated April 19, 2019 \(filed as Exhibit 99.2 to Spotify Technology S.A.'s Form S-8 filed on April 29, 2019, File No. 333-231102, and incorporated herein by reference\).](#)
- [4.33](#) [Terms and Conditions Governing Director Restricted Stock Units 2018/2022 in Spotify Technology S.A., dated February 28, 2018 \(filed as Exhibit 10.13 to Spotify Technology S.A.'s Form F-1 filed on February 28, 2018, File No. 333-223300, and incorporated herein by reference\).](#)
- [4.34](#) [Terms and Conditions Governing Director Restricted Stock Units 2017/2021 in Spotify Technology S.A., dated June 30, 2017 \(filed as Exhibit 10.14 to Spotify Technology S.A.'s Form F-1 filed on February 28, 2018, File No. 333-223300, and incorporated herein by reference\).](#)
- [4.35](#) [Terms and Conditions Governing Director Restricted Stock Units 2016/2020 in Spotify Technology S.A., dated September 30, 2016 \(filed as Exhibit 10.15 to Spotify Technology S.A.'s Form F-1 filed on February 28, 2018, File No. 333-223300, and incorporated herein by reference\).](#)
- [4.36](#) [The Echo Nest Corporation 2007 Stock Option and Grant Plan \(filed as Exhibit 10.16 to Spotify Technology S.A.'s Form F-1 filed on February 28, 2018, File No. 333-223300, and incorporated herein by reference\).](#)

4.37	Form of Incentive Stock Option Agreement under The Echo Nest Corporation 2007 Stock Option and Grant Plan, by and between The Echo Nest Corporation and optionees (filed as Exhibit 10.17 to Spotify Technology S.A.'s Form F-1 filed on February 28, 2018, File No. 333-223300, and incorporated herein by reference).
4.38	Terms and Conditions Governing Consultant Stock Options 2022/2026 in Spotify Technology S.A., dated April 20, 2022 (filed as Exhibit 99.3 to Spotify Technology S.A.'s Form S-8 filed on April 27, 2022, File No. 333-264508, and incorporated herein by reference).
4.39	Terms and Conditions Governing Consultant Stock Options 2021/2026 in Spotify Technology S.A., dated April 1, 2021 (filed as Exhibit 4.31 to Spotify Technology S.A.'s Annual Report on Form 20-F filed on February 5, 2021, File No. 001-38438, and incorporated herein by reference).
4.40	First Amendment to Terms and Conditions Governing Consultant Stock Options 2020/2025 and Terms and Conditions Governing Consultant Restricted Stock Units 2020/2025 in Spotify Technology S.A., December 2, 2020 (filed as Exhibit 4.32 to Spotify Technology S.A.'s Annual Report on Form 20-F filed on February 5, 2021, File No. 001-38438, and incorporated herein by reference).
4.41	Terms and Conditions Governing Stock Options for Consultants 2020/2025 in Spotify Technology S.A., dated January 1, 2020 (filed as Exhibit 99.3 to Spotify Technology S.A.'s Form S-8 filed on December 30, 2019, File No. 333-235746, and incorporated herein by reference).
4.42	Terms and Conditions Governing Consultant Restricted Stock Units 2022/2026 in Spotify Technology S.A., dated April 20, 2022 (filed as Exhibit 99.4 to Spotify Technology S.A.'s Form S-8 filed on April 27, 2022, File No. 333-264508, and incorporated herein by reference).
4.43	Terms and Conditions Governing Consultant Restricted Stock Units 2021/2026 in Spotify Technology S.A., dated April 1, 2021 (filed as Exhibit 4.34 to Spotify Technology S.A.'s Annual Report on Form 20-F filed on February 5, 2021, File No. 001-38438, and incorporated herein by reference).
4.44	Terms and Conditions Governing Restricted Stock Units for Consultants 2020/2025 in Spotify Technology S.A., dated January 1, 2020 (filed as Exhibit 99.4 to Spotify Technology S.A.'s Form S-8 filed on December 30, 2019, File No. 333-235746, and incorporated herein by reference).
4.45	Form of Notice of Conversion of Echo Nest Stock Options, by and between Spotify Technology S.A. and certain employees (filed as Exhibit 10.18 to Spotify Technology S.A.'s Form F-1 filed on February 28, 2018, File No. 333-223300, and incorporated herein by reference).
4.46	Form of Restricted Consideration Agreement, by and between Spotify Technology S.A. and restricted sellers (filed as Exhibit 10.19 to Spotify Technology S.A.'s Form F-1 filed on February 28, 2018, File No. 333-223300, and incorporated herein by reference).
8.1	List of Subsidiaries.
12.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.
12.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.
13.1*	Certification of Chief Executive Officer Under Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.
13.2*	Certification of Chief Financial Officer Under Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.

15.1	Consent of Ernst & Young AB.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document Section 1350
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Furnished herewith.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Spotify Technology S.A.

By: /s/ Paul Vogel
Name: Paul Vogel
Title: Chief Financial Officer

Date: February 2, 2023

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Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Spotify Technology S.A.

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Spotify Technology S.A. (the Company) as of December 31, 2022 and 2021, the related consolidated statements of operations, comprehensive loss, changes in equity and cash flows for each of the three years in the period ended December 31, 2022, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022 and 2021 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 2, 2023 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Cost of revenue and rights holder liabilities

Description of the Matter

For the year ended December 31, 2022, the Company's cost of revenue was €8,801 million. As of December 31, 2022, trade payables and accrued fees to rights holders was €588 million and €1,665 million, respectively. As explained in Note 2 of the consolidated financial statements, cost of revenue and rights holder liabilities consist predominantly of royalty and distribution costs related to content streaming. Royalties are typically calculated using negotiated or statutory rates and are based on revenue, user/usage measures, or a combination of these. Calculation variables include the country, product, license holder and size of user base. Auditing cost of revenue and rights holder liabilities was complex due to the number of royalty calculation variables in addition to complex IT systems and a significant volume of data. There was significant auditor judgment related to circumstances where rights holders have allowed the use of their content while negotiations of the terms and conditions or determination of statutory rates are ongoing.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's processes to determine cost of revenue and rights holder liabilities. For example, we tested controls specific to the calculation of royalties, calculation variables and IT systems. Additionally, we tested controls over estimates and judgments used to determine royalties where rights holders have allowed the use of their content while negotiations or determination of rates are ongoing.

We performed the following audit procedures, among others, related to cost of revenue and rights holder liabilities: recalculated royalty cost amounts, tested calculation variables, and compared royalty rates to agreements. Additionally, we evaluated the appropriateness and consistency of management's estimates and assumptions, used to determine royalties where rights holders allowed the use of their content while negotiations or determination of rates are ongoing.

/s/ Ernst & Young AB

We have served as the Company's auditor since 2015.

Stockholm, Sweden

February 2, 2023

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Spotify Technology S.A.

Opinion on Internal Control Over Financial Reporting

We have audited Spotify Technology S.A.'s internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Spotify Technology S.A. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statements of financial position of the Company as of December 31, 2022 and 2021, the related consolidated statements of operations, comprehensive loss, changes in equity and cash flows for each of the three years in the period ended December 31, 2022, and the related notes and our report dated February 2, 2023 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young AB

Stockholm, Sweden

February 2, 2023

Consolidated statement of operations
for the year ended December 31
(in € millions, except share and per share data)

	Note	2022	2021	2020
Revenue	4	11,727	9,668	7,880
Cost of revenue		8,801	7,077	5,865
Gross profit		2,926	2,591	2,015
Research and development		1,387	912	837
Sales and marketing		1,572	1,135	1,029
General and administrative		626	450	442
		3,585	2,497	2,308
Operating (loss)/income		(659)	94	(293)
Finance income	9	421	246	94
Finance costs	9	(132)	(91)	(510)
Finance income/(costs) - net		289	155	(416)
(Loss)/income before tax		(370)	249	(709)
Income tax expense/(benefit)	10	60	283	(128)
Net loss attributable to owners of the parent		(430)	(34)	(581)
Loss per share attributable to owners of the parent				
Basic	11	(2.23)	(0.18)	(3.10)
Diluted	11	(2.93)	(1.03)	(3.10)
Weighted-average ordinary shares outstanding				
Basic	11	192,934,862	191,298,397	187,583,307
Diluted	11	195,846,362	193,943,455	187,583,307

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive loss**for the year ended December 31***(in € millions)*

	Note	2022	2021	2020
Net loss attributable to owners of the parent		(430)	(34)	(581)
Other comprehensive income/(loss)				
<i>Items that may be subsequently reclassified to consolidated statement of operations (net of tax):</i>				
Change in net unrealized gain or loss on short term investments	18, 24	(15)	(8)	4
Change in net unrealized gain or loss on cash flow hedging instruments	18, 24	14	(1)	1
Change in foreign currency translation adjustment	18	83	71	(43)
<i>Items not to be subsequently reclassified to consolidated statement of operations (net of tax):</i>				
Gains/(losses) in the fair value of long term investments	18, 24	190	(981)	615
Change in fair value of Exchangeable Notes attributable to changes in credit risk	20, 24	3	—	—
Other comprehensive income/(loss) for the year (net of tax)		275	(919)	577
Total comprehensive loss for the year attributable to owners of the parent		(155)	(953)	(4)

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of financial position
As at December 31
(in € millions)

	Note	2022	2021
Assets			
Non-current assets			
Lease right-of-use assets	12	417	437
Property and equipment	13	348	372
Goodwill	14	1,168	894
Intangible assets	14	127	89
Long term investments	24	1,138	916
Restricted cash and other non-current assets	15	78	77
Deferred tax assets	10	8	13
		3,284	2,798
Current assets			
Trade and other receivables	16	690	621
Income tax receivable	10	5	5
Short term investments	24	867	756
Cash and cash equivalents	24	2,483	2,744
Other current assets	17	307	246
		4,352	4,372
Total assets		7,636	7,170
Equity and liabilities			
Equity			
Share capital	18	—	—
Other paid in capital	18	4,789	4,746
Treasury shares	18	(262)	(260)
Other reserves	18	1,521	853
Accumulated deficit		(3,647)	(3,220)
Equity attributable to owners of the parent		2,401	2,119
Non-current liabilities			
Exchangeable Notes	20	1,128	1,202
Lease liabilities	12	555	579
Accrued expenses and other liabilities	22	28	37
Provisions	23	3	7
Deferred tax liabilities	10	5	—
		1,719	1,825
Current liabilities			
Trade and other payables	21	845	793
Income tax payable	10	11	23
Deferred revenue	4	520	458
Accrued expenses and other liabilities	22	2,093	1,841
Provisions	23	26	22
Derivative liabilities	24	21	89
		3,516	3,226
Total liabilities		5,235	5,051
Total equity and liabilities		7,636	7,170

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity
(in € millions, except share data)

	Note	Number of ordinary shares outstanding	Share capital	Treasury shares	Other paid in capital	Other reserves	Accumulated deficit	Equity attributable to owners of the parent
Balance at January 1, 2020		184,325,957	—	(370)	4,192	924	(2,709)	2,037
Loss for the year		—	—	—	—	—	(581)	(581)
Other comprehensive income		—	—	—	—	577	—	577
Issuance of ordinary shares	26	5,038,200	—	—	—	—	—	—
Repurchases of ordinary shares	18	(5,038,200)	—	—	—	—	—	—
Issuance of shares upon exercise of stock options, restricted stock units, and contingently issuable shares	18	4,802,847	—	195	124	—	—	319
Issuance of shares upon exercise of, or net settlement of, warrants	24	1,084,043	—	—	267	—	—	267
Restricted stock units withheld for employee taxes		—	—	—	—	(29)	—	(29)
Share-based compensation	19	—	—	—	—	181	—	181
Income tax impact associated with share-based compensation	10	—	—	—	—	34	—	34
Balance at December 31, 2020		190,212,847	—	(175)	4,583	1,687	(3,290)	2,805
Loss for the year		—	—	—	—	—	(34)	(34)
Other comprehensive loss		—	—	—	—	(919)	—	(919)
Reclassification of gain on sale of long term investments	18	—	—	—	—	(134)	134	—
Reclassification of tax effect of gain on sale of long term investments	18	—	—	—	—	30	(30)	—
Issuance of ordinary shares	26	2,000,000	—	—	—	—	—	—
Repurchases of ordinary shares	18	(2,458,234)	—	(89)	—	—	—	(89)
Issuance of shares upon exercise of stock options, restricted stock units, and contingently issuable shares	18	2,397,198	—	4	163	—	—	167
Restricted stock units withheld for employee taxes		—	—	—	—	(54)	—	(54)
Share-based compensation	19	—	—	—	—	222	—	222
Income tax impact associated with share-based compensation	10	—	—	—	—	21	—	21
Balance at December 31, 2021		192,151,811	—	(260)	4,746	853	(3,220)	2,119
Loss for the year		—	—	—	—	—	(430)	(430)
Other comprehensive income		—	—	—	—	275	—	275
Reclassification of gain on sale of long term investments, net of tax	18	—	—	—	—	(3)	3	—
Issuance of ordinary shares	26	1,243,901	—	—	—	—	—	—
Repurchases of ordinary shares	18	(1,209,040)	—	(2)	—	—	—	(2)
Issuance of shares upon exercise of stock options, restricted stock units, and contingently issuable shares	18	1,106,597	—	—	43	—	—	43
Restricted stock units withheld for employee taxes		—	—	—	—	(40)	—	(40)
Share-based compensation	19	—	—	—	—	385	—	385
Income tax impact associated with share-based compensation	10	—	—	—	—	51	—	51
Balance at December 31, 2022		193,293,269	—	(262)	4,789	1,521	(3,647)	2,401

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of cash flows
for the year ended December 31
(in € millions)

	Note	2022	2021	2020
Operating activities				
Net loss		(430)	(34)	(581)
Adjustments to reconcile net loss to net cash flows				
Depreciation of property and equipment and lease right-of-use assets	12, 13	118	94	86
Amortization of intangible assets	14	53	33	25
Excess and obsolete reserve		14	—	—
Share-based compensation expense	19	381	223	176
Finance income	9	(421)	(246)	(94)
Finance costs	9	132	91	510
Income tax expense/(benefit)	10	60	283	(128)
Other		7	6	7
Changes in working capital:				
Increase in trade receivables and other assets		(84)	(245)	(187)
Increase in trade and other liabilities		226	137	425
Increase in deferred revenue		52	67	73
(Decrease)/increase in provisions		(3)	5	6
Interest paid on lease liabilities		(53)	(50)	(55)
Interest received		37	3	4
Income tax paid		(43)	(6)	(8)
Net cash flows from operating activities		46	361	259
Investing activities				
Business combinations, net of cash acquired	5	(306)	(115)	(336)
Purchases of property and equipment	13	(25)	(85)	(78)
Purchases of short term investments	24	(457)	(497)	(1,354)
Sales and maturities of short term investments	24	368	375	1,421
Sales of long term investments	24	—	144	—
Change in restricted cash	15	—	1	2
Other		(3)	(10)	(27)
Net cash flows used in investing activities		(423)	(187)	(372)
Financing activities				
Payments of lease liabilities	12	(43)	(35)	(24)
Lease incentives received	12	2	7	20
Repurchases of ordinary shares	18	(2)	(89)	—
Proceeds from exercise of stock options	19	43	167	319
Proceeds from issuance of warrants	24	—	31	—
Proceeds from issuance of Exchangeable Notes, net of costs	24	—	1,223	—
Payments for employee taxes withheld from restricted stock unit releases	19	(40)	(54)	(30)
Net cash flows (used in)/from financing activities		(40)	1,250	285
Net (decrease)/increase in cash and cash equivalents		(417)	1,424	172
Cash and cash equivalents at January 1	24	2,744	1,151	1,065
Net foreign exchange gains/(losses) on cash and cash equivalents		156	169	(86)
Cash and cash equivalents at December 31	24	2,483	2,744	1,151
Supplemental disclosure of cash flow information				
Non-cash investing and financing activities				
Deferred consideration liability recognized in conjunction with business combination	5	—	9	32
Recognition of lease right-of-use asset in exchange for lease liabilities	12	20	23	29
Purchases of property and equipment in trade and other liabilities	13	5	13	16
Issuance of shares upon exercise of, or effective net settlement of, warrants	24	—	—	267

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the 2022 consolidated financial statements

1. Corporate information

Spotify Technology S.A. (the "Company" or "parent") is a public limited company incorporated and domiciled in Luxembourg. The Company's registered office is 5, place de la Gare L-1616, Luxembourg, Grand Duchy of Luxembourg.

The principal activity of the Company and its subsidiaries (collectively, the "Group," "we," "us," or "our") is audio streaming. The Group's premium service ("Premium Service") provides users with unlimited online and offline high-quality streaming access to its catalog of music and podcasts. The Premium Service offers a music listening experience without commercial breaks. The Group's ad-supported service ("Ad-Supported Service" and together with the Premium Service, the "Service") has no subscription fees and provides users with limited on-demand online access to the catalog of music and unlimited online access to the catalog of podcasts. The Group depends on securing content licenses from a number of major and minor content owners and other rights holders in order to provide its service.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements of Spotify Technology S.A. comply with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and have been prepared on a historical cost basis, except for short term investments, long term investments, Exchangeable Senior Notes (the "Exchangeable Notes"), derivative financial instruments, and contingent consideration, which have been measured at fair value, and lease liabilities, which are measured at present value.

The preparation of the consolidated financial statements in conformity with IFRS requires the application of certain critical accounting estimates and assumptions. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a greater degree of judgment or complexity, or areas in which assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

(b) Basis of consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(c) Foreign currency translation

Functional and reporting currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in Euro, which is the Group's reporting currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognized in the consolidated statement of operations within finance income or finance costs.

Group companies

The results and financial position of all the Group entities that have a functional currency different from the Group's reporting currency are translated into Euro as follows:

- Assets and liabilities are translated at the closing rate at the reporting date;
- Income and expenses for each statement of operation are translated at average exchange rates; and

- All resulting exchange differences are recognized in other comprehensive income/(loss).

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the operation and translated at the closing rate at each reporting date.

(d) Revenue recognition

Premium revenue

The Group generates subscription revenue through the sale of the Premium Service in which customers can listen on-demand and offline. The Premium Service is sold directly to end users and through partners who are generally telecommunications companies that bundle the subscription with their own services or collect payment for the stand-alone subscriptions from their end customers. The Group satisfies its performance obligation, and revenue from these services is recognized, on a straight-line basis over the subscription period. Typically, the Premium Service is paid for monthly in advance.

Premium partner subscription revenue is based on a per-subscriber rate in a negotiated partner agreement. Under these arrangements, a premium partner may bundle the Premium Service with its existing product offerings or offer the Premium Service as an add-on. Payment is remitted to the Group through the premium partner. The Group assesses the facts and circumstances, including whether the partner is acting as a principal or agent, of all partner revenue arrangements and then recognizes revenues either gross or net. Premium partner services, whether recognized gross or net, have one material performance obligation, which is the delivery of the Premium Service.

Additionally, the Group bundles the Premium Service with other services and products. In bundle arrangements where the Group has multiple performance obligations, the transaction price is allocated to each performance obligation based on the relative stand-alone selling price. The Group generally determines stand-alone selling prices based on the prices charged to customers. For each performance obligation within the bundle, revenue is recognized either on a straight-line basis over the subscription period or at a point in time when control of the service or product is transferred to the customer.

Ad-Supported revenue

The Group's advertising revenue is generated primarily from the sale of display, audio, and video advertising delivered through advertising impressions across music and podcast content. The Group enters into arrangements with advertising agencies that purchase advertising on our platform on behalf of their clients. The Group also enters into arrangements directly with some large advertisers. These advertising arrangements are typically sold on a cost-per-thousand basis and are evidenced by an Insertion Order, a submission of order placements through a self-serve platform that includes the online acceptance of terms and conditions, or contracts that specify the terms of the arrangement such as the type of ad product, pricing, insertion dates, and number of impressions in a stated period. Revenue is recognized based on the number of impressions delivered.

Additionally, the Group generates Ad-Supported revenue through arrangements with certain advertising automated exchanges, internal self-serve, and advertising marketplace platforms to distribute advertising inventory for purchase on a cost-per-thousand basis. Revenue is recognized when impressions are delivered on the platform.

(e) Advertising credits

Advertising credits that are not transferable are issued to certain rights holders and allow them to include advertisements on the Ad-Supported Service that promote their artists and the Spotify service, such as the availability of a new single or album on Spotify. These are issued in conjunction with the Group's royalty arrangements for no additional consideration. There is no revenue recognized as the advertising credits are mutually beneficial to both the rights holders and the Group and do not meet the definition of a revenue contract under IFRS 15, *Revenue from Contracts with Customers*.

(f) Business combinations

Business combinations are accounted for using the acquisition method. Identifiable assets acquired and liabilities assumed are measured initially at their fair values at the acquisition date. The excess of the consideration transferred, and the acquisition-date fair value of any previous equity interest in the acquiree, over the fair value of the identifiable net assets acquired is recognized as goodwill.

In some business combinations, the Group has replaced awards held by the employees of the acquiree with its share-based compensation awards, whereby the vesting of the Group's replacement awards is contingent on continued employment with the Group. Replacements of share-based compensation awards are accounted for as modifications of the acquiree's existing share-based compensation awards. The value of the replaced acquiree award at acquisition date that relates to pre-combination service is accounted for as part of the consideration transferred. The excess of the value of the Group's

replacement award over the amount attributed to pre-combination services is recognized in the consolidated statement of operations, together with a corresponding credit to other reserves in equity, over the period in which the service conditions are fulfilled.

Acquisition-related costs, other than those incurred for the issuance of debt or equity instruments, are charged to the consolidated statement of operations as they are incurred.

(g) Cost of revenue

Cost of revenue consists predominantly of royalty and distribution costs related to content streaming. The Group incurs royalty costs paid to record labels, music publishers, and other rights holders for the right to stream music to the Group's users. Royalties are typically calculated monthly using negotiated rates in accordance with license agreements and are based on either subscription and advertising revenue earned, user/usage measures, or a combination of these. The determination of the amount of the rights holders' liability requires complex IT systems and a significant volume of data and is subject to a number of variables, including the revenue recognized, the type of content streamed and the country in which it is streamed, the product tier such content is streamed on, identification of the appropriate license holder, size of user base, ratio of Ad-Supported Users to Premium Subscribers, and any applicable advertising fees and discounts, among other variables. Some rights holders have allowed the use of their content on the platform while negotiations of the terms and conditions or determination of statutory rates are ongoing. In such situations, royalties are calculated using estimated rates. In certain jurisdictions, rights holders have several years to claim royalties for musical compositions, and therefore, estimates of the royalties payable are made until payments are made. The Group has certain arrangements whereby royalty costs are paid in advance or are subject to minimum guaranteed amounts. An accrual is established when actual royalty costs to be incurred during a contractual period are expected to fall short of the minimum guaranteed amounts. For minimum guarantee arrangements, for which the Group cannot reliably predict the underlying expense, the Group will expense the minimum guarantee on a straight-line basis over the term of the arrangement. The Group also has certain royalty arrangements where the Group would have to make additional payments if the royalty rates were below those paid to other similar licensors (most favored nation clauses). For rights holders with this clause, a comparison is done of royalties incurred to date plus estimated royalties payable for the remainder of the period to estimates of the royalties payables to other appropriate rights holders, and the shortfall, if any, is recognized on a straight-line basis over the period of the applicable most favored nation clause. An accrual and expense is recognized when it is probable that the Group will make additional royalty payments under these terms. The expense related to these accruals is recognized in cost of revenue. Cost of revenue also reflects discounts provided by certain rights holders in return for promotional activities in connection with marketplace programs. Additionally, cost of revenue includes credit card and payment processing fees for subscription revenue, customer service, certain employee compensation and benefits, cloud computing, streaming, facility, and equipment costs, as well as the amortization of podcast content assets.

Amortization of podcast content assets is recorded over the shorter of the estimated useful economic life, or the license period (if relevant), and begins at the release of each episode. In most cases, amortization is on an accelerated basis. We make payments to podcast publishers, whose content we monetize through advertising sales. The amounts owed are most often a share of revenues and recognized in cost of revenue when the related revenue is recognized.

(h) Research and development expenses

Research and development expenses primarily comprise costs incurred for development of products related to the Group's platform and service, as well as new advertising products and improvements to the Group's mobile and desktop applications and streaming services. The costs incurred include related employee compensation and benefits costs, consulting costs, and facilities costs.

(i) Sales and marketing expenses

Sales and marketing expenses primarily comprise employee compensation and benefits, sponsorships, public relations, branding, consulting expenses, customer acquisition costs, advertising, live events and trade shows, amortization of trade name intangible assets, the cost of working with music record labels, publishers, songwriters, and artists to promote the availability of new releases on the Group's platform, and the costs of providing free trials. Expenses included in the costs of providing free trials are derived primarily from per user royalty fees determined in accordance with the rights holder agreements.

(j) General and administrative expenses

General and administrative expenses primarily comprise employee compensation and benefits for functions such as finance, accounting, analytics, legal, human resources, consulting fees, and other costs including facility and equipment costs, directors' and officers' liability insurance, director fees, and fair value adjustments on contingent consideration.

(k) Income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated statement of operations except to the extent it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

(ii) Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, and associates to the extent that the Group is able to control the timing of the reversal of the temporary differences, and it is probable they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, unused tax credits, and deductible temporary differences to the extent it is probable that future taxable profits will be available, against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met, such as when there is a legally enforceable right to offset.

(iii) Uncertain tax positions

Management periodically evaluates positions taken in tax returns in which applicable tax legislation is subject to interpretation, and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(l) Leases

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

As a Lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received prior to the commencement date. Any costs related to the removal and restoration of leasehold improvements, which meet the definition of property, plant and equipment under IAS 16 *Property Plant and Equipment* are assessed under IAS 37 and are not within the scope of IFRS 16.

The lease term is determined based on the non-cancellable period for which the Group has the right to use an underlying asset. The lease term is adjusted, if applicable, for periods covered by extension and termination options to the extent the Group is reasonably certain to exercise them.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, which is considered the appropriate useful life of these assets. In addition, the right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability, to the extent necessary.

The lease liability is initially measured at the present value of the lease payments, net of lease incentives receivable, that are not paid at the commencement date, discounted using an incremental borrowing rate if the rate implicit in the lease arrangement is not readily determinable.

Lease payments included in the measurement of the lease liability comprise fixed payments, including in-substance fixed payments and variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.

The lease liability is subsequently increased to reflect accretion of interest and reduced for lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, lease term, or if the Group changes its assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group leases certain properties under non-cancellable lease agreements that relate to office space. The expected lease terms are between one and 12 years.

The Group does not currently act in the capacity of a lessor.

Short-term leases and lease of low-value assets

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including certain IT Equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(m) Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes any expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Group.

The Group adds to the carrying amount of an item of property and equipment the cost of replacing parts of such an item if the replacement part is expected to provide incremental future benefits to the Group. All repairs and maintenance are charged to the consolidated statement of operations during the period in which they are incurred.

After assets are placed into service, depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method as follows:

- Property and equipment: 3 to 5 years
- Leasehold improvements: shorter of the lease term or useful life

The assets' residual values, useful lives, and depreciation methods are reviewed annually and adjusted prospectively if there is an indication of a significant change. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the consolidated statement of operations when the asset is derecognized.

(n) Intangible assets

Acquired intangible assets other than goodwill comprise acquired developed technology, trade names, customer relationships, publisher relationships, and patents. At initial recognition, intangible assets acquired in a business combination are recognized at their fair value as of the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and impairment losses.

The Group recognizes internal development costs as intangible assets only when the following criteria are met: the technical feasibility of completing the intangible asset exists; there is an intent to complete and an ability to use or sell the intangible asset; the intangible asset will generate probable future economic benefits; there are adequate resources available to complete the development and to use or sell the intangible asset; and there is the ability to reliably measure the expenditure attributable to the intangible asset during its development.

Intangible assets with finite lives are typically amortized on a straight-line basis over their estimated useful lives, typically 3 to 5 years for technology, 3 to 8 years for trade names and trademarks, 3 to 10 years for customer and publisher relationships, and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset are reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization of intangible assets is recognized in the consolidated statement of operations in the expense category consistent with the function of the intangible assets.

(o) Goodwill

Goodwill is the excess of the consideration transferred over the net identifiable assets acquired and liabilities assumed. Goodwill is tested annually for impairment, or more regularly if certain indicators are present. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the operating segments that are expected to benefit from the synergies of the combination and represent the lowest level at which the goodwill is monitored for internal management purposes. Goodwill is evaluated for impairment by comparing the recoverable amount of the Group's operating segments to the carrying amount of the operating segments to which the goodwill relates. If the recoverable amount is less than the carrying amount an impairment charge is determined.

The recoverable amount of the operating segments is based on fair value less costs of disposal. The Group determines the fair value of the operating segments using a combination of a discounted cash flow analysis and a market-based approach.

(p) Impairment of non-financial assets

Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognized in the consolidated statement of operations consistent with the function of the assets, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows. Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal each reporting period.

(q) Financial instruments

(i) Financial assets

Initial recognition and measurement

The Group's financial assets comprise cash and cash equivalents, short term investments, trade and other receivables, derivative assets, long term investments, restricted cash, and other non-current assets. All financial assets are recognized initially at fair value plus transaction costs that are attributable to the acquisition of the financial asset. Purchases and sales of financial assets are recognized on the settlement date; the date that the Group receives or delivers the asset. Receivables are non-derivative financial assets, other than short term and long term investments described below, with fixed or determinable payments that are not quoted in an active market. They are included in current assets except for those with maturities greater than 12 months after the reporting period.

For more information on receivables, refer to Note 16.

Short term investments primarily comprise debt instruments carried at fair value through other comprehensive income. The securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions (therefore, not recognized at amortized cost). These meet both the hold to collect and sell business model and solely payments of principal and interest contractual cash flows tests under IFRS 9 *Financial Instruments*. These are classified as current assets.

Long term investments primarily comprise equity instruments carried at fair value through other comprehensive income based on the irrevocable election made at initial recognition under IFRS 9 *Financial Instruments*. The securities within this category are intended to be held for an indefinite period of time and for strategic investment purposes. These are not held for trading. These are classified as non-current assets. The Group's primary long term investment is its equity investment in Tencent Music Entertainment Group ("TME").

Subsequent measurement

After initial measurement, short term investments are primarily measured at fair value with unrealized gains or losses recognized in other comprehensive income and credited in other reserves within equity until the investment is derecognized, at which time, the cumulative gain or loss is recognized in finance income/costs. Interest earned whilst holding the short term investments is reported as interest income using the effective interest method. Interest income and foreign exchange revaluation are recognized in the statement of operations in the same manner as all other financial assets.

After initial measurement, long term investments are measured at fair value with unrealized gains or losses, including any related foreign exchange impacts, recognized in other comprehensive income and credited in other reserves within equity without recognizing fair value changes to profit and loss upon derecognition. Gains or losses realized on the sale of these long term investments are not recycled through the profit and loss, but are instead reclassified to accumulated deficit within equity. Dividends received are recognized in the consolidated statement of operations in finance income.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the asset have expired.

Impairment of financial assets

The Group assesses at each reporting date whether there is any evidence that a financial asset or a group of financial assets is impaired, primarily its trade receivables and short term investments. The Group assesses impairment for its financial assets, excluding trade receivables, using the general expected credit losses model. Under this model, the Group calculates the allowance for credit losses by considering on a discounted basis, the cash shortfalls it would incur in various default scenarios for prescribed future periods and multiplying the shortfalls by the probability of each scenario occurring. The allowance on the financial asset is the sum of these probability-weighted outcomes.

For the Group's short term investments, the Group applies the low credit risk simplification as the credit risk related to these assets is low given the credit quality ratings required by the Group's investment policy. At every reporting date, the Group evaluates whether a particular debt instrument is considered to have low credit risk using all supportable information.

The Group's long term equity investments are not assessed for impairment due to the irrevocable election made under IFRS 9 *Financial Instruments* as stated above.

The Group uses the simplified approach for measuring impairment for its trade receivables as these financial assets do not have a significant financing component as defined under IFRS 15, *Revenue from Contracts with Customers*. Therefore, the Group does not determine if the credit risk for these instruments has increased significantly since initial recognition. Instead, a loss allowance is recognized based on lifetime expected credit losses at each reporting date. Impairment losses and subsequent reversals are recognized in profit or loss and is the amount required to adjust the loss allowance at the reporting date to the amount that is required to be recognized based on the aforementioned policy. The Group has established a provision matrix based on its historical credit loss experiences, adjusted for forward-looking factors specific to the debtors and the economic environment. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of operations.

(ii) Financial liabilities

Initial recognition and measurement

The Group's financial liabilities are comprised of trade and other payables, lease liabilities, Exchangeable Notes, derivative liabilities (warrants and instruments designated for hedging), and other liabilities, including contingent consideration. All financial liabilities except lease liabilities are recognized initially at fair value.

The Group accounts for the Exchangeable Notes at fair value through profit and loss using the fair value option in accordance with IFRS 9, Financial Instruments. Under this approach, the Exchangeable Notes are accounted for in their entirety at fair value, with any change in fair value after initial measurement being recorded in finance income or cost in the consolidated statement of operations, except that changes in fair value that are due to changes in own credit risk are presented separately in other comprehensive income/(loss) and will not be reclassified to the consolidated statement of operations. The Group classified the Exchangeable Notes as a financial liability in accordance with IAS 32, *Financial Instruments: Presentation*.

The Group accounts for the warrants as a financial liability measured at fair value through profit or loss. In accordance with IAS 32, *Financial Instruments: Presentation*, the Group determined that the warrants were precluded from equity classification, because while they contain no contractual obligation to deliver cash or other financial instruments to the holders other than the Company's own shares, the exercise prices of the warrants are in US\$ and not the Company's functional currency and the Group allows for net settlement, which enables settlement for a variable number of the Company's ordinary shares. Therefore, the warrants do not meet the requirements that they be settled by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

The Group accounts for contingent consideration as a financial liability measured at fair value through profit or loss. The fair value of the contingent consideration is presented as a component of accrued expenses and other liabilities on the consolidated statement of financial position. Changes to the fair value of the contingent consideration are recorded as operating expenses within general and administrative expenses.

Subsequent measurements

Other financial liabilities

After initial recognition, payables are subsequently measured at amortized cost using the effective interest method. The effective interest method amortization is included in finance costs in the consolidated statement of operations. Gains and losses are recognized in the consolidated statement of operations when the liabilities are derecognized.

Payables are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Financial liabilities at fair value through profit or loss

After initial recognition, financial liabilities at fair value through the profit or loss are subsequently re-measured at fair value at the end of each reporting period, with changes in fair value recognized in finance income or finance costs in the consolidated statement of operations.

Derecognition

Financial liabilities are derecognized when the obligation under the liability is discharged, cancelled, or expires.

(iii) Fair value measurements

For financial assets and liabilities measured at fair value on a recurring basis, fair value is the price the Group would receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date. In the absence of active markets for identical assets or liabilities, such measurements involve developing assumptions based on market observable data and, in the absence of such data, internal information that is consistent with what market participants would use in a hypothetical transaction that occurs at the measurement date. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Group's market assumptions. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, are described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

- Level 2: other techniques for which inputs are based on quoted prices for identical or similar instruments in markets that are not active, quoted prices for similar instruments in active markets, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the asset or liability; and,
- Level 3: techniques which use inputs that have a significant effect on the recognized fair value that require the Group to use its own assumptions about market participant assumptions.

The Group maintains policies and procedures to determine the fair value of financial assets and liabilities using what it considers to be the most relevant and reliable market participant data available. It is the Group's policy to maximize the use of observable inputs in the measurement of its Level 3 fair value measurements. To the extent observable inputs are not available, the Group utilizes unobservable inputs based upon the assumptions market participants would use in valuing the asset or liability. In determining the fair value of financial assets and liabilities employing Level 3 inputs, the Group considers such factors as the current interest rate, equity market, currency and credit environments, expected future cash flows, the probability of certain future events occurring, and other published data. The Group performs a variety of procedures to assess the reasonableness of its fair value determinations, including the use of third parties.

(iv) Foreign exchange forward contracts

The Group designates certain foreign exchange forward contracts as cash flow hedges when all the requirements in IFRS 9 *Financial Instruments* are met. The Group recognizes these foreign exchange forward contracts as either assets or liabilities on the statement of financial position and they are measured at fair value at each reporting period. Assets and liabilities are offset and the net amount is presented in the statement of financial position when the Group has a legally enforceable right to set off the recognized amounts and intends to settle on a net basis. The asset and liability positions of the foreign exchange forward contracts are included in other current assets and derivative liabilities on the consolidated statement of financial position, respectively. The Group reflects the gain or loss on the effective portion of a cash flow hedge as a component of equity and subsequently reclassifies cumulative gains and losses to revenues or cost of revenues, depending on the risk hedged, when the hedged transactions impact the statement of operations. If the hedged transactions become probable of not occurring, the corresponding amounts in other reserves are immediately reclassified to finance income or costs. Foreign exchange forward contracts that do not meet the requirements in IFRS 9 *Financial Instruments* to be designated as a cash flow hedge, are classified as derivative instruments not designated for hedging. The Group measures these instruments at fair value, with changes in fair value recognized in finance income or costs. Refer to Note 24.

(r) Podcast content assets

The Group incurs costs to acquire, license, produce or commission podcasts primarily for inclusion on the Service, with some titles distributed more broadly. We recognize podcast content assets as current assets in the consolidated statement of financial position and related cash flows are presented as operating cash flows. Fees, including license fees, and the direct costs of production including employee compensation and production overheads, external production services and participation minimum guarantees are capitalized. We often enter into multi-year commitments, however, the period between payments and receipt of content is typically less than a year and no borrowing costs are included in direct costs. All podcast content costs are recorded in the Ad-Supported segment.

Amortization of podcast content assets is recorded in cost of revenue over the shorter of the estimated useful economic life or the license period (if relevant), and begins at the release of each episode. The economic life and expected amortization profile of podcast content assets is estimated by management based on historical listening patterns and is evaluated on an ongoing basis. The Group's podcast content assets are generally expected to be consumed in less than three years, and typically, on an accelerated basis, as we expect more upfront listening in most cases.

(s) Cash and cash equivalents and restricted cash

Cash and cash equivalents comprise cash on deposit at banks and on hand and highly liquid investments including money market funds with maturities of three months or less at the date of purchase that are not subject to restrictions. Assets in money market funds, whose contractual cash flows do not represent solely payments of interest and principal, are measured at fair value with gains and losses arising from changes in fair value included in the consolidated statement of operations. See Note 24.

Cash deposits that have restrictions governing their use are classified as restricted cash, current or non-current, based on the remaining length of the restriction. See Note 15.

(f) Short term investments

The Group invests in a variety of instruments, such as commercial paper, corporate debt securities, collateralized reverse purchase agreements, and government and agency debt securities. Part of these investments are held in short duration, fixed income portfolios. The average duration of these instruments is less than two years. All investments are governed by an investment policy and are held in highly rated counterparties. Separate credit limits are assigned to each counterparty in order to minimize risk concentration.

These investments are classified as debt instruments and are carried primarily at fair value with the unrealized gains and losses reported as a component of equity. Management determines the appropriate classification of investments at the time of purchase and re-evaluates whether the investments pass both the hold to collect and sell and solely payments of principal and interest tests. The short term investments with maturities greater than 12 months are classified as short term when they are intended for use in current operations. The cost basis for investments sold is based upon the specific identification method.

(u) Long term investments

Long term investments consist primarily of non-controlling equity interests in public and private companies where the Group does not exercise significant influence. The majority of the investments are classified as equity instruments carried at fair value through other comprehensive income. Refer to Note 24.

(v) Share capital

Ordinary shares are classified as equity.

Equity instruments are initially measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments.

The Group repurchases its ordinary shares through a share repurchase program approved by the board of directors. The cost of shares repurchased is shown as a reduction to equity on the statement of financial position. When treasury shares are sold, reissued, or retired, the amount received is reflected as an increase to equity based on a weighted-average cost, with any surplus or deficit recorded within other paid in capital.

(w) Share-based compensation

Employees of the Group and members of the board of directors receive remuneration in the form of share-based compensation transactions, whereby employees and the board of directors render services in consideration for equity instruments.

The cost of such equity-settled transactions is determined by the fair value at the date of grant using an appropriate valuation model. The cost is recognized in the consolidated statement of operations, together with a corresponding credit to other reserves in equity, over the period in which the performance and service conditions are fulfilled.

The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the Group's best estimate of the number of equity instruments that will ultimately vest. The expense for a period represents the movement in cumulative expense recognized at the beginning and end of that period, and is recognized in employee share-based compensation. When the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for modifications that increase the total fair value of the share-based compensation transaction or are otherwise beneficial to the grantee as measured at the date of modification. There were no material modifications to any share-based compensation transactions during 2022, 2021, and 2020.

Social costs are payroll taxes associated with employee salaries and benefits, including share-based compensation. Social costs in connection with granted options and restricted stock units are accrued over the vesting period, based on the intrinsic value of the award that has been earned at the end of each reporting period. The amount of the liability reflects the amortization of the award and the impact of expected forfeitures. The social cost rate at which the accrual is made generally follows the tax domicile within which other compensation charges for a grantee are recognized.

The assumptions and models used for estimating fair value for share-based compensation transactions are disclosed in Note 19.

In many jurisdictions, tax authorities levy taxes on share-based compensation transactions with employees that give rise to a personal tax liability for the employee. In some cases, the Group is required to withhold the tax due and to settle it with the tax authority on behalf of the employees. To fulfill this obligation, the terms of the Group's restricted stock unit arrangements permit the Group to withhold the number of shares that are equal to the monetary value of the employee's tax

obligation from the total number of shares that otherwise would have been issued to the employee upon vesting of the restricted stock unit. The monetary value of the employee's tax obligation is recorded as a deduction from Other reserves for the shares withheld.

(x) Employee benefits

The Group provides defined contribution plans to its employees. The Group pays contributions to publicly and privately administered pension insurance plans on a mandatory or contractual basis. The Group has no further payment obligations once the contributions have been paid. Contributions to defined contribution plans are expensed when employees provide services. The Group's post-employment schemes do not include any defined benefit plans.

(y) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

New and amended standards and interpretations adopted by the Group

There are no new IFRS or IFRS Interpretation Committee ("IFRIC") interpretations effective as of January 1, 2022 that have a material impact to the consolidated financial statements.

New standards and interpretations issued not yet effective

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 Presentation of Financial Statements to specify the requirements for classifying liabilities as current or non-current. In November 2022, the IASB issued further amendments delaying the effective date to annual reporting periods beginning on or after January 1, 2024. The amendments are required to be applied on a retrospective basis. The amendments will require the Group to reclassify the Exchangeable Notes (as defined below) as a current liability if the exchange conditions are met, even if no noteholder actually requires us to exchange their notes. Adoption of this amendment will not result in the reclassification of the Exchangeable Notes as a current liability at any reporting date, from the inception of the notes to December 31, 2022 as the exchange conditions had not been met.

In May 2021, the IASB issued an amendment to IAS 12 Income Taxes to clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations, effective for annual reporting periods beginning on or after January 1, 2023. The amendment is required to be applied on a modified retrospective basis. The amendment requires the Group to recognize a deferred tax asset (to the extent recoverable) and a deferred tax liability for all deductible and taxable temporary differences associated with our leases. The Group is currently evaluating the impact of this amendment, however, it is not expected to have a material impact on amounts recognized in the current, or prior periods.

There are no other IFRS or IFRIC interpretations that are not yet effective and that are expected to have a material impact to the consolidated financial statements.

3. Critical accounting estimates and judgments

The preparation of the consolidated financial statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities, and equity in the consolidated financial statements and the accompanying disclosures. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The areas where assumptions and estimates are significant to the consolidated financial statements are:

- (i) Share-based compensation - The Group measures the cost of equity-settled transactions with employees and directors by reference to the fair value of the equity instruments at the date at which they are granted. The assumptions and models used for estimating the fair value of share-based compensation transactions are disclosed in Note 19. The Group also estimates a forfeiture rate to calculate the stock-based compensation expense for the awards. The forfeiture rate is based on an analysis of actual forfeitures.
- (ii) Deferred taxes - The Group has recognized deferred tax assets for tax loss carry-forwards, tax credits and deductible temporary differences. The Group also has significant unrecognized deferred tax assets. At period end, we assess whether there is convincing evidence that the Group will generate future taxable

income against which deferred tax assets can be utilized and, thus, that recovery is probable. See Note 10.

- (iii) Goodwill impairment - In accordance with the accounting policy described in Note 2, the Group annually performs an impairment test regarding goodwill. The assumptions used for estimating fair value and assessing available headroom based on conditions that existed at the testing date are disclosed in Note 14.
- (iv) Content - The Group's agreements and arrangements with rights holders for the content used on its platform are complex. Some rights holders have allowed the use of their content on the platform while negotiations of the terms and conditions or determination of statutory rates are ongoing. In certain jurisdictions, rights holders have several years to claim royalties for musical composition, and therefore, estimates of the royalty accruals are based on available information and historical trends. The determination of royalty accruals requires complex IT systems and a significant volume of data as well as significant judgements, assumptions, and estimates of the amounts to be paid. See Note 22. Additionally, the economic life and expected amortization profile of podcast content assets is estimated by management based on historical listening patterns and is evaluated on an ongoing basis. See Note 2 and 17.
- (v) Provisions - Management makes significant assumptions and estimates when determining the amounts to record for provision for legal contingencies. See Note 23.
- (vi) Business combinations - In business combinations, the Group allocates the fair value of purchase consideration to the tangible assets acquired, liabilities assumed, and intangible assets acquired based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identified assets and liabilities is recorded as goodwill. Such valuations require management to make significant estimates, assumptions, and judgments, especially with respect to intangible assets and contingent consideration. See Note 5.
- (vii) Leases - As most of the Group's lease agreements do not provide an implicit rate of return, the Group uses its incremental borrowing rate based on the information available at the lease commencement date to determine the present value of lease payments. The Group's incremental borrowing rate is determined based on estimates and judgments, including the credit rating of the Group's leasing entities and a credit spread. See Note 2 and 12.
- (viii) Exchangeable Notes and warrants - the fair value of the Group's Exchangeable Notes and warrants are estimated using valuation techniques and inputs based on management's judgment and conditions that exist at each reporting date. See Note 24.
- (ix) Uncertain tax positions - In determining the amount of current and deferred income tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes, interest or penalties may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities. Such changes to tax liabilities will impact tax expense in the period that such a determination is made. See Note 10.

4. Revenue recognition

Revenue from contracts with customers

(i) Disaggregated revenue

The Group discloses revenue by reportable segment and geographic area in Note 6.

(ii) Performance obligations

The Group discloses its policies for how it identifies, satisfies, and recognizes its performance obligations associated with its contracts with customers in Note 2.

(iii) Contract liabilities

The Group's contract liabilities from contracts with customers consist primarily of deferred revenue. Deferred revenue is mainly comprised of subscription fees collected for services not yet performed, and therefore, the revenue has not been recognized. Revenue is recognized over time as the services are performed. As of December 31, 2022 and 2021, the Group had deferred revenue of €520 million and €458 million, respectively. The increase in deferred revenue in 2022 is primarily a result of an increase in the number of Premium Subscribers. This balance will be recognized as revenue as the services are performed, which is generally expected to occur over a period of up to a year.

Revenue recognized that was included in the contract liability balance at the beginning of the years ended December 31, 2022, 2021, and 2020 is €448 million, €372 million, and €301 million, respectively.

5. Business combinations

The following sections describe the Group's material acquisitions during the years ended December 31, 2022.

Sonantic

On July 11, 2022, the Group acquired 100% of Sonantic Limited ("Sonantic"), an artificial intelligence voice platform. This acquisition allows the Group to expand text-to-speech capabilities across the Group's platform.

The fair value of the purchase consideration was €93 million in cash, paid at closing. The acquisition was accounted for under the acquisition method. Of the total purchase consideration, €64 million has been recorded to goodwill, €31 million to acquired intangible assets, €2 million to cash and cash equivalents and €4 million to deferred tax liabilities. The Group incurred €2 million in acquisition-related costs that were recognized as general and administrative expenses.

The goodwill represents the future economic benefits expected to arise from other intangible assets acquired that do not qualify for separate recognition, including expected future synergies and the technical expertise of the acquired workforce. None of the goodwill recorded is expected to be deductible for tax purposes. €48 million of goodwill was allocated to the Premium segment, and €16 million of goodwill was allocated to the Ad-Supported segment.

The intangible asset acquired relates to existing technology. The useful life of the existing technology is five years. The Group valued the existing technology using the replacement cost method under the cost approach.

In addition to the purchase consideration, there are cash payments of €30 million that are contingent on the continued employment of certain employees. In addition, €4 million of equity instruments were offered to and accepted by certain employees, which have vesting conditions contingent upon continued employment and are accounted for as equity-settled share-based compensation transactions. These cash payments and share-based compensation transactions are recognized as post-combination expense over employment service periods of up to four years, if not forfeited by the employees.

Findaway

On June 15, 2022, the Group acquired 100% of Findaway World, LLC ("Findaway"), a digital audiobook distribution platform. The acquisition allows the Group to accelerate its audiobook content offering.

The fair value of the purchase consideration was €117 million in cash, paid at closing. The acquisition was accounted for under the acquisition method. The provisional purchase price allocation to assets acquired and liabilities assumed in the acquisition are as follows:

	(in € millions)
Cash and cash equivalents	8
Trade and other receivables	11
Other current assets	15
Intangible assets	22
Trade and other payables	(11)
Accrued expenses and other liabilities	(13)
Total identifiable net assets	32
Goodwill	85
Fair value of net assets acquired	117

The Group incurred €5 million in acquisition-related costs that were recognized as general and administrative expenses.

The goodwill represents the future economic benefits expected to arise from other intangible assets acquired that do not qualify for separate recognition, including expected future synergies and the technical expertise of the acquired workforce. The goodwill recorded is expected to be deductible for tax purposes. The goodwill was allocated to the Premium segment.

The intangible assets acquired relate to existing technology, trade name and publisher relationships. The useful lives of the existing technology and trade name are five years each, and the useful life of the publisher relationships is seven years. The Group valued the existing technology and trade name using the relief from royalty method, under the income approach. The Group valued the publisher relationships using the multi-period excess earnings method, under the income approach.

In addition to the purchase consideration, there are cash payments of €13 million that are contingent on the continued employment of certain employees. In addition, €5 million of equity instruments were offered to and accepted by certain employees, which have vesting conditions contingent upon continued employment and are accounted for as equity-settled share-based compensation transactions. These cash payments and share-based compensation transactions are recognized as post-combination expense over employment service periods of up to four years, if not forfeited by the employees.

Podsights and Chartable

During February 2022, the Group acquired 100% of In Defense of Growth Inc. ("Podsights") and Chartable Holding, Inc. ("Chartable") to provide improved podcast ad measurement and analytics services. These acquisitions allow the Group to expand and scale its podcast monetization and product offering for advertisers and publishers.

The combined fair value of the purchase consideration for the two acquisitions was €83 million in cash, paid at closing. The acquisitions were accounted for under the acquisition method. Of the total purchase consideration, €59 million has been recorded to goodwill, €26 million to acquired intangible assets, €4 million to cash and cash equivalents, €1 million to other tangible net assets, and €7 million to deferred tax liabilities. The Group incurred €2 million in acquisition-related costs, which were recognized as general and administrative expenses.

The goodwill represents the future economic benefits expected to arise from other intangible assets acquired that do not qualify for separate recognition, including expected future synergies and technical expertise of the acquired workforce. None of the goodwill recorded is expected to be deductible for tax purposes. The goodwill was allocated to the Ad-Supported segment.

The intangible assets acquired relate to existing technology and customer relationships. The useful lives of existing technology ranges from three to five years, and the useful life of customer relationships is one year. The Group valued the existing technology using the multi-period excess earnings and replacement cost methods, under the income approach and cost approach, respectively. The Group valued the customer relationships using the replacement cost method, under the cost approach.

In addition to the purchase consideration, there are cash payments of €21 million that are contingent on the continued employment of certain employees. In addition, €10 million of equity instruments were offered to and accepted by certain employees, which have vesting conditions contingent on continued employment and are accounted for as equity-settled share-based compensation transactions. These cash payments and share-based compensation transactions are recognized as post-combination expense over employment service periods of up to four years, if not forfeited by the employees.

For the year ended December 31, 2022, revenues and operating results of the acquired businesses were not significant to the Group's consolidated statement of operations.

The amount for business combinations, net of cash acquired, within the consolidated statement of cash flows for the year ended December 31, 2022 includes €11 million of investing cash outflows for deferred and contingent consideration of previous business combinations.

6. Segment information

The Group has two reportable segments: Premium and Ad-Supported. Revenue for the Premium segment is generated primarily through subscription fees. Revenue for the Ad-Supported segment is primarily generated through the sale of advertising across the Group's music and podcast content. Royalty costs are primarily recorded in each segment based on specific rates for each segment agreed to with rights holders. All podcast content costs are recorded in the Ad-Supported

segment. The remaining costs that are not specifically associated to either of the segments are allocated based on user activity or the revenue recognized in each segment. No operating segments have been aggregated to form the reportable segments.

Key financial performance measures of the segments including revenue, cost of revenue, and gross profit/(loss) are as follows:

	2022	2021	2020
	(in € millions)		
Premium			
Revenue	10,251	8,460	7,135
Cost of revenue	7,355	5,986	5,126
Gross profit	2,896	2,474	2,009
Ad-Supported			
Revenue	1,476	1,208	745
Cost of revenue	1,446	1,091	739
Gross profit	30	117	6
Consolidated			
Revenue	11,727	9,668	7,880
Cost of revenue	8,801	7,077	5,865
Gross profit	2,926	2,591	2,015

Reconciliation of segment gross profit

Operating expenses, finance income, and finance costs are not allocated to individual segments as these are managed on an overall Group basis. The reconciliation between reportable segment gross profit to the Group's (loss)/income before tax is as follows:

	2022	2021	2020
	(in € millions)		
Segment gross profit	2,926	2,591	2,015
Research and development	(1,387)	(912)	(837)
Sales and marketing	(1,572)	(1,135)	(1,029)
General and administrative	(626)	(450)	(442)
Finance income	421	246	94
Finance costs	(132)	(91)	(510)
(Loss)/income before tax	(370)	249	(709)

Revenue by country

	2022	2021	2020
	(in € millions)		
United States	4,712	3,692	2,947
United Kingdom	1,113	994	836
Luxembourg	7	6	5
Other countries	5,895	4,976	4,092
Total	11,727	9,668	7,880

Premium revenue is attributed to a country based on where the membership originates. Ad-Supported revenue is attributed to a country based on where the advertising campaign is delivered. There are no countries that individually make up greater than 10% of total revenue included in "Other countries."

Non-current assets by country

Non-current assets for this purpose consist of property and equipment and lease right-of-use assets.

	2022	2021	2020
	(in € millions)		
Sweden	142	148	151
United States	529	549	504
Other countries	94	112	102
Total	765	809	757

As of December 31, 2022, 2021, and 2020, the Group held no property and equipment in Luxembourg.

7. Personnel expenses

	2022	2021	2020
	(in € millions, except employee data)		
Wages and salaries	1,233	860	694
Social costs and payroll taxes	85	85	265
Contributions to retirement plans	51	40	32
Share-based compensation	381	223	176
Other employee benefits	150	124	97
Total	1,900	1,332	1,264
Average full-time employees	8,359	6,617	5,584

8. Auditor remuneration

	2022	2021	2020
	(in € millions)		
Auditor fees	7	6	5

9. Finance income and costs

	2022	2021	2020
	(in € millions)		
Finance income			
Fair value movements on derivative liabilities (Note 24)	71	53	49
Fair value movements on Exchangeable Notes (Note 24)	159	117	—
Interest income	47	11	17
Other financial income	13	6	8
Foreign exchange gains	131	59	20
Total	421	246	94
Finance costs			
Fair value movements on derivative liabilities (Note 24)	—	(5)	(307)
Fair value movements on Exchangeable Notes (Note 24)	(15)	(5)	—
Interest expense on lease liabilities	(41)	(40)	(41)
Interest, bank fees and other costs	(17)	(11)	(13)
Transaction costs in relation to issuance of Exchangeable Notes	—	(18)	—
Foreign exchange losses	(59)	(12)	(149)
Total	(132)	(91)	(510)

10. Income tax

An analysis of the Group's income tax expense/(benefit) for periods presented is set out below:

	2022	2021	2020
	(in € millions)		
Current tax expense			
Current year	82	37	25
Changes in estimates in respect to prior year	13	2	(9)
	95	39	16
Deferred tax (benefit)/expense			
Temporary differences	(158)	5	(137)
Change in recognition of deferred tax	124	241	(7)
Change in tax rates	—	(1)	—
Changes in estimates in respect to prior years	(1)	(1)	—
	(35)	244	(144)
Income tax expense/(benefit)	60	283	(128)

For the years ended December 31, 2022, 2021, and 2020, the Group recorded an income tax expense/(benefit) of €26 million, €(268) million, and €163 million, respectively, in other comprehensive income/(loss) related to components of other comprehensive income/(loss). In 2022, a €(5) million current tax benefit (2021, €30 million of a current tax charge) was reclassified to accumulated deficit relating to the sale of a long term investment.

In 2022, the Group recognized current income tax expense of €5 million for uncertain tax positions and has cumulatively recorded liabilities of €9 million for uncertain tax positions at December 31, 2022, of which €2 million is reasonably expected to be resolved within 12 months. Interest and penalties included in income tax expense were not material in any of the periods presented.

A reconciliation between the income tax expense/(benefit) for the year, and the theoretical tax expense that would arise when applying the statutory tax rate in Luxembourg of 24.94% to the consolidated loss before tax for each of the years ended December 31, 2022, 2021, and 2020 is shown in the table below:

	2022	2021	2020
	(in € millions)		
(Loss)/income before tax	(370)	249	(709)
Tax using the Luxembourg tax rate	(93)	62	(177)
Effect of tax rates in foreign jurisdictions	(11)	1	12
Permanent differences	23	(35)	54
Change in unrecognized deferred taxes	124	239	(9)
Adjustments in respect of previous years	12	1	(9)
Foreign withholding taxes	2	12	1
Other	3	3	—
Income tax expense/(benefit)	60	283	(128)

The Group will be subject to tax in future periods as a result of foreign exchange movements between USD, EUR, and SEK, primarily related to its investment in TME.

The major components of deferred tax assets and liabilities are comprised of the following:

	2022	2021
	(in € millions)	
Intangible assets	(70)	(66)
Share-based compensation	18	8
Tax losses carried forward	93	53
Property and equipment	50	58
Unrealized (gains)/losses	(130)	(43)
Trade and other payables	29	1
Other	13	2
Net deferred tax assets	3	13

A reconciliation of net deferred tax is shown in the table below:

	2022	2021	2020
	(in € millions)		
At January 1	13	15	7
Movement recognized in consolidated statement of operations	36	(240)	144
Movement recognized in consolidated statement of changes in equity and other comprehensive income	(32)	239	(136)
Movement due to acquisition	(14)	(1)	—
At December 31	3	13	15

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Reconciliation to consolidated statement of financial position

	2022	2021
	(in € millions)	
Deferred tax assets	8	13
Deferred tax liabilities	5	—

Deferred tax assets have not been recognized in respect of the following items, because it is not probable that future taxable profit will be available against which entities within the Group can use the benefits.

	2022	2021
	(in € millions)	
Intangible assets	22	74
Share-based compensation	3	122
Tax losses carried forward	329	316
Tax credits carried forward	80	51
Capitalized Research & Development Costs	106	—
Unrealized (gains)/ losses	—	7
Other	58	60
Total	598	630

At December 31, 2022, no deferred tax liability had been recognized on investments in subsidiaries because the Company has concluded it has the ability and intention to control the timing of any distribution from its subsidiaries. There are no distributions planned in the foreseeable future. It is not practicable to calculate the unrecognized deferred tax liability on investments in subsidiaries.

Tax loss and credit carry-forwards as at December 31, 2022 were expected to expire as follows:

Expected expiry	2023 - 2032	2033 and onwards	Unlimited	Total
	(in € millions)			
Tax loss carry-forwards	101	437	1,596	2,134
Research and development credit carry-forward	—	80	—	80

The Group has significant net operating loss carry-forwards in Luxembourg of €195 million, as well as foreign jurisdictions including the United States of €462 million (€214 million federal and €248 million state and local), Sweden of €1,359 million and other foreign jurisdictions of €118 million. In certain jurisdictions, if the Group is unable to earn sufficient income or profits to utilize such carry-forwards before they expire, they will no longer be available to offset future income or profits.

In the United States, of the €214 million federal net operating loss carryforwards, €24 million are subject to an annual limitation as defined by Section 382 of the Internal Revenue Code (“Section 382”). The remaining balance is related to net operating losses generated after January 1, 2018 which can be carried forward indefinitely but are subject to an 80% taxable income limitation upon utilization. In addition, utilization of these net operating loss carry-forwards may be subject to further annual limitation if there is an ownership change within the meaning of Section 382. Such an ownership change may limit the amount of net operating loss carry-forwards that can be utilized to offset future taxable income.

In Sweden, our net operating losses can be carried forward indefinitely. Utilization of these net operating loss carry-forwards may be subject to a substantial annual limitation if there is an ownership change within the meaning of Chapter 40, paragraphs 10-14, of the Swedish Income Tax Act (the “Swedish Income Tax Act”). In general, an ownership change, as defined by the Swedish Income Tax Act results from a transaction or series of transactions over a five-year period resulting in an ownership change of more than 50% of the outstanding stock of a company by certain categories or individuals, businesses or organizations.

The Group’s most significant tax jurisdictions are Sweden and the U.S. (both at the federal level and in various state jurisdictions). Because of its tax loss and tax credit carry-forwards, substantially all of the Group’s tax years after 2012 remain open to federal, state, and foreign tax examination. Certain of the Group’s subsidiaries are currently under examination by the U.S. and other foreign tax authorities for tax years from 2013-2020. These examinations may lead to adjustments to the Group’s taxes.

The Group has initiated and is in negotiations for an Advanced Pricing Agreement (“APA”) between Sweden and the United States governments for the tax years 2014 through 2020 covering various transfer pricing matters. These transfer pricing matters may be significant to the consolidated financial statements.

11. Loss per share

Basic loss per share is computed using the weighted-average number of outstanding ordinary shares during the period. Diluted loss per share is computed using the treasury stock method to the extent that the effect is dilutive by using the weighted-average number of outstanding ordinary shares and potential outstanding ordinary shares during the period. Potential ordinary shares which are based on the weighted-average ordinary shares underlying outstanding stock options, restricted stock units, and other contingently issuable shares, warrants, and Exchangeable Notes and computed using the treasury stock method or the if-converted method, as applicable, are included when calculating diluted loss per share when their effect is dilutive. The computation of loss per share for the respective periods is as follows:

	2022	2021	2020
(in € millions, except share and per share data)			
Basic loss per share			
Net loss attributable to owners of the parent	(430)	(34)	(581)
<i>Shares used in computation:</i>			
Weighted-average ordinary shares outstanding	192,934,862	191,298,397	187,583,307
Basic loss per share attributable to owners of the parent	(2.23)	(0.18)	(3.10)
Diluted loss per share			
Net loss attributable to owners of the parent	(430)	(34)	(581)
Fair value gains on dilutive Exchangeable Notes	(144)	(112)	—
Fair value gains on dilutive warrants	—	(53)	—
Net loss used in the computation of diluted loss per share	(574)	(199)	(581)
<i>Shares used in computation:</i>			
Weighted-average ordinary shares outstanding	192,934,862	191,298,397	187,583,307
Exchangeable Notes	2,911,500	2,424,921	—
Warrants	—	220,137	—
Diluted weighted average ordinary shares	195,846,362	193,943,455	187,583,307
Diluted loss per share attributable to owners of the parent	(2.93)	(1.03)	(3.10)

Potential dilutive securities that were not included in the diluted loss per share calculations because they would be anti-dilutive were as follows:

	2022	2021	2020
Employee options	16,004,890	8,695,348	9,041,288
Restricted stock units	3,135,407	1,425,196	1,320,193
Other contingently issuable shares	71,717	108,720	156,190
Warrants	800,000	800,000	800,000

12. Leases

The Group leases certain properties under non-cancellable lease agreements that primarily relate to office space. The expected lease terms are up to 12 years. The Group currently does not act in the capacity of a lessor.

Below is the roll-forward of lease right-of-use assets:

Right of use assets	(in € millions)
Cost	
At January 1, 2021	581
Increases	23
Decreases	(2)
Exchange differences	30
At December 31, 2021	632
Increases	20
Exchange differences	23
At December 31, 2022	675
Accumulated depreciation	
At January 1, 2021	(137)
Depreciation charge	(53)
Decreases	2
Exchange differences	(7)
At December 31, 2021	(195)
Depreciation charge	(59)
Exchange differences	(4)
At December 31, 2022	(258)
Cost, net accumulated depreciation	
At December 31, 2021	437
At December 31, 2022	417

Below is the roll-forward of lease liabilities:

Lease liabilities	2022	2021
	(in € millions)	
At January 1	623	608
Increases	20	23
Payments ⁽¹⁾	(96)	(85)
Interest expense	41	40
Lease incentives received ⁽¹⁾	2	7
Increases in lease incentives receivable	—	(2)
Exchange differences	23	32
At December 31	613	623

(1) Included within the consolidated statement of cash flows

Below is the maturity analysis of lease liabilities:

	December 31, 2022
	(in € millions)
Lease liabilities	
Maturity Analysis	
Less than one year	98
One to five years	367
More than five years	376
Total lease commitments	841
Impact of discounting remaining lease payments	(226)
Lease incentives receivable	(2)
Total lease liabilities	613
Lease liabilities included in the consolidated statement of financial position	
Current	58
Non-current	555
Total	613

Excluded from the lease commitments above are short term leases. Expenses relating to short term leases were approximately €6 million and €7 million for the year ended December 31, 2022 and 2021, respectively. Additionally, the Group has entered into certain lease agreements with approximately €43 million of commitments, which had not commenced as of December 31, 2022, and as such, have not been recognized in the consolidated statement of financial position.

The weighted-average incremental borrowing rate applied to lease liabilities recognized in the consolidated statement of financial position was 6.4% as of December 31, 2022 and 6.3% as of December 31, 2021.

13. Property and equipment

	Property and equipment	Leasehold improvements	Total
	(in € millions)		
Cost			
At January 1, 2021	56	346	402
Additions	26	55	81
Disposals	(1)	(1)	(2)
Exchange differences	2	22	24
At December 31, 2021	83	422	505
Additions	8	11	19
Disposals	(1)	—	(1)
Exchange differences	2	15	17
At December 31, 2022	92	448	540
Accumulated depreciation			
At January 1, 2021	(36)	(53)	(89)
Depreciation charge	(9)	(32)	(41)
Disposals	—	1	1
Exchange differences	(1)	(3)	(4)
At December 31, 2021	(46)	(87)	(133)
Depreciation charge	(15)	(44)	(59)
Disposals	1	—	1
Exchange differences	—	(1)	(1)
At December 31, 2022	(60)	(132)	(192)
Cost, net accumulated depreciation			
At December 31, 2021	37	335	372
At December 31, 2022	32	316	348

There were no impairment charges recognized for the year ended December 31, 2022 and 2021, respectively.

The Group had €8 million and €4 million of leasehold improvements that were not placed into service as of December 31, 2022 and 2021, respectively.

14. Goodwill and intangible assets

	Internal development costs and patents	Acquired intangible assets	Total	Goodwill	Total
	(in € millions)				
Cost					
At January 1, 2021	64	91	155	736	891
Additions	13	—	13	—	13
Acquisition, business combination (Note 5)	—	7	7	106	113
Write-off of fully amortized intangible assets	(13)	—	(13)	—	(13)
Exchange differences	—	7	7	52	59
At December 31, 2021	64	105	169	894	1,063
Additions	5	—	5	—	5
Acquisition, business combination (Note 5)	—	82	82	221	303
Exchange differences	—	6	6	53	59
At December 31, 2022	69	193	262	1,168	1,430
Accumulated amortization					
At January 1, 2021	(31)	(27)	(58)	—	(58)
Amortization charge	(15)	(18)	(33)	—	(33)
Write-off of fully amortized intangible assets	13	—	13	—	13
Exchange differences	—	(2)	(2)	—	(2)
At December 31, 2021	(33)	(47)	(80)	—	(80)
Amortization charge	(17)	(36)	(53)	—	(53)
Exchange differences	—	(2)	(2)	—	(2)
At December 31, 2022	(50)	(85)	(135)	—	(135)
Cost, net accumulated amortization					
At December 31, 2021	31	58	89	894	983
At December 31, 2022	19	108	127	1,168	1,295

Amortization charges related to intangible assets of €40 million, €25 million and €18 million in 2022, 2021, and 2020, respectively, are included in research and development in the consolidated statement of operations. There were no impairment charges for goodwill in 2022, 2021, and 2020, respectively. We recorded immaterial impairment charges for intangible assets in 2022. There were no impairment charges for intangible assets in 2021 and 2020, respectively.

Goodwill is tested for impairment on an annual basis or when there are indications the carrying amount may be impaired. Goodwill is allocated to the Group's two operating segments, Premium and Ad-Supported, based on each of the segments that are expected to benefit from the business combination. The Group monitors goodwill at the operating segment level for internal purposes, consistent with the way it assesses performance and allocates resources. The carrying amount of goodwill allocated to each of the operating segments is as follows:

	Premium 2022	Ad-Supported 2022	Premium 2021	Ad-Supported 2021
	(in € millions)			
Goodwill	274	894	129	765

Valuation methodology

The Group performed its annual impairment test in the fourth quarter of 2022. The recoverable amount of the Premium and Ad-Supported operating segments are assessed using a fair value less costs of disposal ("FVLCD") model. The FVLCD valuation is considered a level 3 in the fair value hierarchy, as it uses significant unobservable inputs. FVLCD is calculated using both the income and market valuation methods.

Ad-Supported segment

For the Ad-supported segment we used an income valuation method which involved discounting the projected cash flows to present value. We also used the Venture Capital method ("VC method") which is a hybrid of the income and market valuation methods. The VC method involved discounting cash flows and then applying observed market multiples of comparable publicly traded companies to the forecasted revenue based on an assumed future exit date within the forecast period. We weighted the income valuation method and VC method 50% and 50%, respectively.

Premium segment

For the Premium segment we used an income valuation method which involved discounting the projected cash flows to present value. We also used the market valuation method which involved applying multiples from comparable publicly traded companies to the revenue of the preceding and forecasted twelve months, before and after the date of the impairment test, respectively. We weighted the income valuation method and market valuation method 50% and 50%, respectively.

As a result of the analysis, the FVLCD for the Premium and Ad-Supported operating segments was determined to be in excess of their carrying amounts.

Key assumptions used in the FVLCD calculations at the impairment testing date

The key assumptions used in the income approach was the discount rate based on the weighted-average cost of capital. The discount rate was 11.0% and 13.0% for the Group's Premium and Ad-Supported segments, respectively. The key assumptions used in the VC method and market valuation method were the revenue multiples for comparable companies, which were selected based on industry similarity, financial risk, and size of each of the Group's operating segments. For the Ad-supported segment, we applied a revenue multiple of 1.4 to the forecasted twelve months revenue preceding the assumed exit date. For the Premium segment, we applied a revenue multiple of 1.5 and 1.6 to the preceding and forecasted twelve months revenue before and after the date of the impairment test, respectively.

There are no reasonably possible changes in the key assumptions that would result in the operating segments' carrying amounts exceeding their recoverable amounts.

15. Restricted cash and other non-current assets

	2022	2021
	(in € millions)	
Restricted cash		
Lease deposits and guarantees	53	51
Other	2	1
Other non-current assets	23	25
Total	78	77

16. Trade and other receivables

	2022	2021
	(in € millions)	
Trade receivables	509	443
Less: allowance for expected credit losses	(7)	(6)
Trade receivables – net	502	437
Other	188	184
Total	690	621

Trade receivables are non-interest bearing and generally have 30-day payment terms. Due to their comparatively short maturities, the carrying value of trade and other receivables approximate their fair value.

The aging of the Group's net trade receivables is as follows:

	2022	2021
	(in € millions)	
Current	317	268
Overdue 1 – 30 days	91	86
Overdue 31 – 60 days	49	43
Overdue 60 – 90 days	19	17
Overdue more than 90 days	26	23
	502	437

The movements in the Group's allowance for expected credit losses are as follows:

	2022	2021
	(in € millions)	
At January 1	6	4
Provision for expected credit losses	8	7
Reversal of unutilized provisions	(2)	(2)
Receivables written off	(5)	(3)
At December 31	7	6

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

17. Other current assets

	2022	2021
	(in € millions)	
Content assets	187	161
Prepaid expenses and other	89	74
Derivative assets	31	11
Total	307	246

Content asset amortization of €193 million, €122 million, and €48 million is included in cost of revenue in the consolidated statement of operations for the year ended December 31, 2022, 2021, and 2020, respectively.

18. Issued share capital and other reserves

As of each of December 31, 2022, 2021, and 2020, the authorized and subscribed share capital was comprised of 403,032,520 shares, at a par value €0.000625 each. As at December 31, 2022, 2021, and 2020, the Company had 196,858,811, 195,614,910, and 193,614,910 ordinary shares issued and fully paid, respectively.

The Group has incentive stock plans under which options and restricted stock to subscribe to the Company's share capital have been granted to certain directors and employees. Options exercised or restricted stock vesting under these plans are settled via either the issuance of new shares or issuance of shares from treasury.

Our shareholders have authorized the issuance of up to 1,400,000,000 beneficiary certificates to shareholders of the Company without reserving to our existing shareholders a preemptive right to subscribe for the beneficiary certificates issued in the future. Pursuant to our articles of association, our beneficiary certificates may be issued at a ratio of between one and 20 beneficiary certificates per ordinary share as determined by our board of directors or its delegate at the time of issuance. We have issued ten beneficiary certificates per ordinary share issued by us and held of record to entities beneficially owned by our founders, Daniel Ek and Martin Lorentzon, for a total of 349,876,040 and 350,514,260 beneficiary certificates outstanding as of December 31, 2022 and 2021, respectively. The beneficiary certificates carry no economic rights and are issued to provide the holders of such certificates additional voting rights. Each beneficiary certificate entitles its holder to one vote. The beneficiary certificates, subject to certain exceptions, are non-transferable and shall be automatically canceled for no consideration in the case of sale or transfer of the ordinary share to which they are linked.

On July 13, 2017, the Company issued, for €9 million in cash, a warrant to acquire 1,600,000 ordinary shares to Mr. Ek, through D.G.E. Investments Limited. The exercise price of each warrant is US \$89.73, which was equal to 1.3 times the fair market value of ordinary shares on the date of issuance. On July 13, 2020, the Company issued 1,084,043 ordinary shares and 10,840,430 beneficiary certificates upon the effective net settlement of all 1,600,000 outstanding warrants that were granted on July 13, 2017.

On July 1, 2019, the Company issued, for €15 million, warrants to acquire 800,000 ordinary shares to Mr. Ek, through D.G.E. Investments Limited. The exercise price of each warrant is US \$190.09, which was equal to 1.3 times the fair market value of ordinary shares on the date of issuance. The warrants expired unexercised on July 1, 2022.

On August 23, 2021, the Company issued, for €31 million, warrants to acquire 800,000 ordinary shares to Mr. Ek, through D.G.E. Investments Limited. The exercise price of each warrant is US \$281.63, which was equal to 1.3 times the fair market value of ordinary shares on the date of issuance. The warrants are exercisable at any time through August 23, 2024.

On August 20, 2021, the Company announced that the board of directors had approved a program to repurchase up to \$1.0 billion of the Company's ordinary shares. Repurchases of up to 10,000,000 of the Company's ordinary shares were authorized at the Company's general meeting of shareholders on April 21, 2021. The repurchase program will expire on April 21, 2026. Since the commencement of this repurchase program and through December 31, 2022, the Company repurchased 469,274 shares for €91 million under this program.

The authorization of the previous share repurchase program, announced on November 5, 2018, expired on April 21, 2021. The total aggregate amount of repurchased shares under that program was 4,366,427 for a total of approximately €510 million.

No dividends were paid during the year or are proposed.

All outstanding shares have equal rights to vote at general meetings.

For the year ended December 31, 2022 and 2021, the Company repurchased, in total, 1,209,040 and 2,458,324 of its own ordinary shares, respectively, and reissued 1,106,597 and 2,397,198 treasury shares, respectively, upon the exercise of stock options, restricted stock units, and contingently issuable shares. As of December 31, 2022 and 2021, the Company had 3,565,542 and 3,463,099 ordinary shares held as treasury shares, respectively.

Other reserves

	2022	2021	2020
	(in € millions)		
Currency translation			
At January 1	17	(54)	(11)
Currency translation	83	71	(43)
At December 31	100	17	(54)
Short term investments			
At January 1	(3)	5	1
(Losses)/gains on fair value that may be subsequently reclassified to consolidated statement of operations	(23)	(8)	8
Gains reclassified to consolidated statement of operations	4	(2)	(3)
Deferred tax	4	2	(1)
At December 31	(18)	(3)	5
Long term investments			
At January 1	(26)	1,059	444
(Losses)/gains on fair value not to be subsequently reclassified to consolidated statement of operations	212	(1,218)	777
Losses/(gains) on sale of long term investment reclassified to accumulated deficit	2	(134)	—
Tax effect of gains on sale of long term investment reclassified to accumulated deficit	(5)	30	—
Deferred tax	(22)	237	(162)
At December 31	161	(26)	1,059
Exchangeable Notes			
At January 1	—	—	—
Gains on fair value attributable to changes in credit risk	4	—	—
Deferred tax	(1)	—	—
At December 31	3	—	—
Cash flow hedges			
At January 1	(4)	(3)	(4)
(Losses)/gains on fair value that may be subsequently reclassified to consolidated statement of operations	4	(11)	5
Losses/(gains) reclassified to revenue	32	51	(15)
(Gains)/losses reclassified to cost of revenue	(20)	(40)	11
Deferred tax	(2)	(1)	—
At December 31	10	(4)	(3)
Share-based compensation			
At January 1	869	680	494
Share-based compensation (Note 19)	385	222	181
Income tax impact associated with share-based compensation (Note 10)	51	21	34
Restricted stock units withheld for employee taxes	(40)	(54)	(29)
At December 31	1,265	869	680
Other reserves at December 31	1,521	853	1,687

Currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations into the reporting currency.

Short term investment reserve recognizes the unrealized fair value gains and losses on debt instruments held at fair value through Other Comprehensive Income (“OCI”).

Long term investment reserve recognizes the unrealized fair value gains and losses on equity instruments held at fair value through OCI.

Exchangeable Notes reserve recognizes the change in fair value gains and losses that is attributable to changes in the Group's own credit risk on Exchangeable Notes which are designated at fair value through profit and loss.

Cash flow hedge reserve recognizes the unrealized gains and losses on the effective portion of foreign exchange forward contracts designated for hedging.

Share-based compensation reserve recognizes the grant date fair value of equity-settled awards provided to employees as part of their remuneration. For further details, please see Note 19.

19. Share-based compensation

Stock Option Plans

During 2020 and 2021, the Company implemented new Employee Stock Option Plans (“ESOP”) and Director Stock Option Plans (together, the “Stock Options Plans”). Under the Stock Option Plans, stock options of the Company are granted to certain employees of the Group and members of its board of directors. For options granted under the Stock Option Plans, the exercise price is equal to the fair value of the ordinary shares on grant date or equal to 150% of the fair value of the ordinary shares on grant date. The exercise price is included in the grant date fair value of the award. The exercise price for options is payable in the EUR value of a fixed USD amount; therefore, the Group considers these options to be USD-denominated. The options granted to participants under the Stock Option Plans have a first vesting period of three or eight months from date of grant and vest monthly or annually thereafter until fully vested. The options are granted with a term of five years.

Restricted Stock Unit Program

During 2020 and 2021, the Company implemented new restricted stock unit (“RSU”) programs for employees and for members of its board of directors (together, the “RSU Plans”). The RSU Plans are accounted for as equity-settled share-based compensation transactions. The RSUs are measured based on the fair market value of the underlying ordinary shares on the date of grant. The RSUs granted to participants under the RSU Plans have a first vesting period of three or eight months from date of grant and vest monthly or annually thereafter until fully vested four years from date of grant. The valuation of the RSUs was consistent with the fair value of the ordinary shares.

Restricted Stock Awards and Other

In connection with an acquisition during 2017, the Group issued 61,880 restricted stock awards (“RSAs”) to certain employees of the acquiree. Vesting of the RSAs is contingent upon continued employment of these employees. The awards are accounted for as equity-settled share-based compensation transactions. The RSAs vest over a two- and three-year period from the acquisition date. The valuation of the RSAs was consistent with the fair value of the ordinary shares. As of December 31, 2020, there are no longer any RSAs outstanding.

In connection with the acquisition of Anchor during 2019 and The Ringer during 2020, the Company granted 162,320 and 34,450 equity instruments to certain employees of Anchor and The Ringer, respectively. Each instrument effectively represents one ordinary share of the Company, which will be issued to the holder upon vesting. The instruments vest annually over a four-year and five-year period, respectively, from the acquisition date, and vesting of the instruments is contingent on continued employment. The instruments are accounted for as equity-settled share-based compensation transactions and are measured based on the fair market value of the underlying ordinary shares on the date of grant. The grant date fair value of each equity instrument granted to certain employees of Anchor and The Ringer was US \$145.21 and US\$145.14, respectively.

In connection with the acquisition of Podsights during 2022, the Company granted 30,824 equity instruments to certain employees of Podsights. The instruments vest annually over a four-year period from the acquisition date and the vesting is contingent upon continued employment. The instruments are accounted for as equity-settled share-based payment transactions and are measured based on the fair market value of the underlying ordinary shares on the date of grant. The grant date fair value for each equity instrument granted to employees of Podsights was US \$162.21.

Activity in the Group's RSUs, RSAs, and other contingently issuable shares outstanding and related information is as follows:

	RSUs		RSAs		Other	
	Number of RSUs	Weighted average grant date fair value US\$	Number of Awards	Weighted average grant date fair value US\$	Number of Awards	Weighted average grant date fair value US\$
Outstanding at January 1, 2020	638,350	134.79	41,280	90.65	162,320	145.21
Granted	1,127,149	161.50	—	—	34,450	145.14
Forfeited	(91,613)	143.13	—	—	—	—
Released	(353,693)	138.66	(41,280)	90.65	(40,580)	145.21
Outstanding at December 31, 2020	1,320,193	155.98	—	—	156,190	145.19
Granted	793,337	277.21	—	—	22,988	261.00
Forfeited	(175,751)	190.26	—	—	—	—
Released	(512,583)	178.19	—	—	(70,458)	182.98
Outstanding at December 31, 2021	1,425,196	211.25	—	—	108,720	145.19
Granted	2,914,248	121.42	—	—	30,824	162.21
Forfeited	(359,238)	173.04	—	—	(20,357)	145.21
Released	(844,799)	173.76	—	—	(47,470)	145.20
Outstanding at December 31, 2022	3,135,407	142.23	—	—	71,717	152.50

In the table above, the number of RSUs and other contingently issuable shares released include ordinary shares that the Group has withheld for settlement of employees' tax obligations due upon the vesting of RSUs.

Activity in the stock options outstanding and related information is as follows:

	Options	
	Number of options	Weighted average exercise price US\$
Outstanding at January 1, 2020	12,153,772	107.68
Granted	2,356,040	180.12
Forfeited	(855,051)	131.30
Exercised	(4,556,908)	78.87
Expired	(56,565)	146.69
Outstanding at December 31, 2020	9,041,288	138.60
Granted	2,164,070	315.86
Forfeited	(414,317)	191.43
Exercised	(2,074,572)	96.12
Expired	(21,121)	196.25
Outstanding at December 31, 2021	8,695,348	190.19
Granted	9,640,611	141.55
Forfeited	(1,332,946)	215.07
Exercised	(620,143)	78.33
Expired	(377,980)	130.86
Outstanding at December 31, 2022	16,004,890	164.56
Exercisable at December 31, 2020	4,022,571	113.91
Exercisable at December 31, 2021	4,453,983	152.64
Exercisable at December 31, 2022	6,402,109	172.69

The weighted-average contractual life for the stock options outstanding at December 31, 2022, 2021, and 2020 is 3.3 years, 2.7 years, and 2.9 years, respectively. The weighted-average share price at exercise for options exercised during 2022, 2021, and 2020 was US \$158.59, US \$280.08, and US \$198.10, respectively. The weighted-average fair value of options granted during the year ended at December 31, 2022, 2021, and 2020 was US \$43.56 per option, US \$78.65 per option, and US \$36.82 per option, and, respectively.

The stock options outstanding at December 31, 2022, 2021, and 2020 are comprised of the following:

			2022		2021		2020	
Range of exercise prices (US\$)			Number of options	Weighted average remaining contractual life (years)	Number of options	Weighted average remaining contractual life (years)	Number of options	Weighted average remaining contractual life (years)
7.59	to	45.00	2,289	1.1	3,533	1.8	195,207	0.3
45.01	to	90.00	1,147,396	4.8	415,340	0.2	1,243,833	1.2
90.01	to	135.00	4,036,371	3.3	1,659,359	1.8	2,234,257	2.7
135.01	to	180.00	6,741,590	3.1	3,076,253	2.5	3,671,417	3.5
180.01	to	498.98	4,077,244	3.0	3,540,863	3.7	1,696,574	3.6
			16,004,890	3.3	8,695,348	2.7	9,041,288	2.9

In determining the fair value of the stock options, the Group uses the Black-Scholes option-pricing model. The Company does not anticipate paying any cash dividends in the near future and therefore uses an expected dividend yield of zero in the option valuation model. The expected volatility is based on the historical volatility of public companies that are comparable to the Group over the expected term of the award. The risk-free rate is based on U.S. Treasury zero-coupon rates as the exercise price is based on a fixed USD amount. The expected life of the stock options is based on historical data and current expectations.

The following table lists the inputs to the Black-Scholes option-pricing models used for stock options for the years ended December 31, 2022, 2021, and 2020:

	2022	2021	2020
Expected volatility (%)	35.9 – 60.0	34.1 – 43.1	30.0 – 42.8
Risk-free interest rate (%)	0.9 – 4.5	0.2 – 1.1	0.1 – 1.7
Expected life of stock options (years)	2.6 – 4.8	2.6 – 4.8	2.6 – 4.8
Weighted-average share price (US\$)	124.47	283.15	162.82

Valuation assumptions are determined at each grant date and, as a result, are likely to change for share-based awards granted in future periods. Changes to the input assumptions could materially affect the estimated fair value of share-based compensation awards.

The sensitivity analysis below shows the impact of increasing and decreasing expected volatility by 10% as well as the impact of increasing and decreasing the expected life by one year. This analysis was performed on stock options granted in 2022. The following table shows the impact of these changes on stock option expense for the options granted in 2022:

	2022 (in € millions)
Actual stock option expense	142
Stock option expense increase/(decrease) under the following assumption changes	
Volatility decreased by 10%	(25)
Volatility increase by 10%	34
Expected life decrease by 1 year	(19)
Expected life increase by 1 year	24

The expense recognized in the consolidated statement of operations for share-based compensation is as follows:

	2022	2021	2020
	(in € millions)		
Cost of revenue	8	9	8
Research and development	218	119	84
Sales and marketing	73	41	34
General and administrative	82	54	50
Total	381	223	176

20. Exchangeable Notes

On March 2, 2021, the Company's wholly owned subsidiary, Spotify USA Inc. (the "Issuer"), issued US \$1,500 million aggregate principal amount of 0% Exchangeable Senior Notes due 2026 (the "Exchangeable Notes"), which included the initial purchasers' exercise in full of their option to purchase an additional US \$200 million principal amount of the Exchangeable Notes. The Exchangeable Notes will mature on March 15, 2026, unless earlier repurchased, redeemed or exchanged. The Exchangeable Notes are fully and unconditionally guaranteed, on a senior, unsecured basis by the Company.

The net proceeds from the issuance of the Exchangeable Notes were €1,223 million after deducting transaction costs of €18 million. The transaction costs were immediately expensed and included in finance costs in the consolidated statement of operations.

The Exchangeable Notes are the Issuer's senior unsecured obligations and are equal in right of payment with the Issuer's future senior, unsecured indebtedness, senior in right of payment to the Issuer's future indebtedness that is expressly subordinated to the Exchangeable Notes and effectively subordinated to the Issuer's future secured indebtedness, to the extent of the value of the collateral securing that indebtedness. The Exchangeable Notes will be structurally subordinated to all future indebtedness and other liabilities, including trade payables, and (to the extent the Issuer is not a holder thereof) preferred equity, if any, of the Issuer's subsidiaries.

The noteholders may exchange their Exchangeable Notes at their option into consideration that consists, at the Issuer's election, of cash, ordinary shares of the Company, or a combination of cash and ordinary shares, but only in the following circumstances:

- (1) during any calendar quarter commencing after the calendar quarter ending on June 30, 2021, if the last reported sale price per ordinary share exceeds 130% of the exchange price for each of at least 20 trading days during the 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter;
- (2) during the five consecutive business days immediately after any 10 consecutive trading day period (such 10 consecutive trading day period, the "measurement period") in which the trading price per \$1,000 principal amount of Exchangeable Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price per ordinary share on such trading day and the exchange rate on such trading day;
- (3) upon the occurrence of certain corporate events or distributions on the ordinary shares as set forth in the indenture governing the Exchangeable Notes (the "Indenture");
- (4) if the Issuer calls such Exchangeable Notes for redemption; and
- (5) at any time from, and including, December 15, 2025 until the close of business on the second scheduled trading day immediately before the maturity date.

The initial exchange rate is 1.9410 ordinary shares per US \$1,000 principal amount of Exchangeable Notes, which represents an initial exchange price of approximately US \$515.20 per ordinary share. The exchange rate and exchange price will be subject to customary adjustments upon the occurrence of certain events as set forth in the Indenture. In addition, if certain corporate events that constitute a make-whole fundamental change occur as set forth in the Indenture, then the exchange rate will, in certain circumstances, be increased for a specified period of time.

The circumstances required to allow the noteholders to exchange their Exchangeable Notes were not met during the year ended December 31, 2022.

The Exchangeable Notes will not be redeemable prior to March 20, 2024, except in the event of certain tax law changes as set forth in the Indenture. The Exchangeable Notes will be redeemable, in whole or in part, at the Issuer's option at any time, and from time to time, on or after March 20, 2024 and on or before the 40th scheduled trading day immediately

before the maturity date, at a cash redemption price equal to the principal amount of the Exchangeable Notes to be redeemed, plus accrued and unpaid special and additional interest, if any, but only if the last reported sale price per ordinary share exceeds 130% of the exchange price on:

- (1) each of at least 20 trading days, whether or not consecutive, during the 30 consecutive trading days ending on, and including, the trading day immediately before the date the Issuer sends the related redemption notice; and
- (2) the trading day immediately before the date the Issuer sends such notice.

In addition, the Issuer will have the right to redeem all, but not less than all, of the Exchangeable Notes if certain changes in tax law as set forth in the Indenture occur. In addition, calling any Exchangeable Note for redemption will constitute a make-whole fundamental change with respect to that Exchangeable Note, in which case the exchange rate applicable to the exchange of that Exchangeable Note will be increased in certain circumstances if it is exchanged after it is called for redemption.

Upon the occurrence of a “fundamental change” as set forth in the Indenture, noteholders may require the Issuer to repurchase their Exchangeable Notes at a cash repurchase price equal to the principal amount of the Exchangeable Notes to be repurchased, plus accrued and unpaid special and additional interest, if any, to, but excluding, the fundamental change repurchase date as set forth in the Indenture.

The Group accounted for the Exchangeable Notes at fair value through profit and loss using the fair value option in accordance with IFRS 9, Financial Instruments. Under this approach, the Exchangeable Notes are accounted for in their entirety at fair value, with any change in fair value after initial measurement being recorded in finance income or cost in the consolidated statement of operations, except that changes in fair value that are due to changes in own credit risk are presented separately in other comprehensive (loss)/income and will not be reclassified to the consolidated statement of operations.

The fair value of the Exchangeable Notes as of December 31, 2022 was €1,128 million. See Note 24 for information regarding the key inputs and assumptions used to estimate the fair value of the Exchangeable Notes.

21. Trade and other payables

	2022	2021
	(in € millions)	
Trade payables	588	534
Value added tax and sales taxes payable	244	229
Other current liabilities	13	30
Total	845	793

Trade payables generally have a 30-day term and are recognized and carried at their invoiced value, inclusive of any value added tax that may be applicable.

22. Accrued expenses and other liabilities

	2022	2021
	(in € millions)	
<i>Non-current</i>		
Other accrued liabilities	28	37
Total	28	37
<i>Current</i>		
Accrued fees to rights holders	1,665	1,378
Accrued salaries, vacation, and related taxes	120	92
Accrued social costs for options and RSUs	7	84
Accrued operating liabilities	194	188
Other accrued expenses	107	99
Total	2,093	1,841

23. Provisions

	Legal contingencies	Indirect tax	Onerous contracts (in € millions)	Other	Total
Carrying amount at January 1, 2021	4	11	1	6	22
Charged/(credited) to the consolidated statement of operations:					
Additional provisions	—	4	12	1	17
Reversal of unutilized amounts	—	(6)	(2)	—	(8)
Utilized	—	(1)	(1)	—	(2)
Carrying amount at December 31, 2021	4	8	10	7	29
Charged/(credited) to the consolidated statement of operations:					
Additional provisions	6	4	19	—	29
Reversal of unutilized amounts	—	(4)	(2)	(1)	(7)
Exchange differences	1	1	1	—	3
Utilized	(1)	(1)	(23)	—	(25)
Carrying amount at December 31, 2022	10	8	5	6	29
As at December 31, 2021					
Current portion	4	8	6	4	22
Non-current portion	—	—	4	3	7
As at December 31, 2022					
Current portion	10	8	5	3	26
Non-current portion	—	—	—	3	3

Legal contingencies

Various legal actions, proceedings, and claims are pending or may be instituted or asserted against the Group. The results of such legal proceedings are difficult to predict and the extent of the Group's financial exposure is difficult to estimate. The Group records a provision for contingent losses when it is both probable that a liability has been incurred, and the amount of the loss can be reasonably estimated.

As of April 2019, the Group's settlement of the *Ferrick et al. v. Spotify USA Inc.*, No. 1:16-cv-8412-AJN (S.D.N.Y.), putative class action lawsuit, which alleged that the Group unlawfully reproduced and distributed musical compositions without obtaining licenses, was final and effective. Even with the effectiveness of the settlement, we may still be subject to claims of copyright infringement by rights holders who have purported to opt out of the settlement or who may not otherwise be covered by its terms. The Music Modernization Act of 2018 contains a limitation of liability with respect to such lawsuits filed on or after January 1, 2018. Rights holders may, nevertheless, file lawsuits, and may argue that they should not be bound by this limitation of liability. For example, in August 2019, the *Eight Mile Style, LLC et al v. Spotify USA Inc.*, No. 3:19-cv-00736-AAT, lawsuit was filed against us in the U.S. District Court for the Middle District of Tennessee, alleging both that the Group does not qualify for the limitation of liability in the Music Modernization Act and that the limitation of liability is unconstitutional and, thus, not valid law. The Group intends to vigorously defend this lawsuit, including plaintiffs' challenges to the limitation of liability in the Music Modernization Act.

Indirect tax

The Group has indirect tax provisions that relate primarily to potential non-income tax obligations in various jurisdictions. The Group recognizes provisions for claims or indirect taxes when it determines that an unfavorable outcome is probable and the amount of loss can be reasonably estimated.

Onerous contracts

Onerous contracts represent contracts where the unavoidable cost of meeting the obligations exceeds the expected revenue.

Other

The Group has obligations under lease agreements to return the leased assets to their original condition. An obligation to return the leased asset to their original condition upon expiration of the lease is accounted for as asset retirement obligations. The obligations are expected to be settled at the end of the lease terms.

24. Financial risk management and financial instruments

Financial risk management

The Group's operations are exposed to financial risks. To manage these risks efficiently, the Group has established guidelines in the form of a treasury policy that serves as a framework for the daily financial operations. The treasury policy stipulates the rules and limitations for the management of financial risks.

Financial risk management is centralized within Treasury which is responsible for the management of financial risks. Treasury manages and executes the financial management activities, including monitoring the exposure of financial risks, cash management, and maintaining a liquidity reserve. Treasury operates within the limits and policies authorized by the board of directors.

Capital management

The Group's objectives when managing capital (cash and cash equivalents, short term investments, Exchangeable Notes, and equity) is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's capital structure and dividend policy is decided by the board of directors. Treasury continuously reviews the Group's capital structure considering, amongst other things, market conditions, financial flexibility, business risk, and growth rate. We have never declared or paid any cash dividends on our share capital, and we do not expect to pay dividends or other distributions on our ordinary shares in the foreseeable future.

On November 5, 2018, the Company announced a share repurchase program beginning in the fourth quarter of 2018 which expired on April 21, 2021. The total aggregate amount of repurchased shares under that program was 4,366,427 for a total of approximately €510 million.

On August 20, 2021, the Company announced that the board of directors had approved a program to repurchase up to \$1.0 billion of the Company's ordinary shares. Repurchases of up to 10,000,000 of the Company's ordinary shares were authorized at the Company's general meeting of shareholders on April 21, 2021. The repurchase program will expire on April 21, 2026. An aggregate of 469,274 ordinary shares for €91 million has been repurchased since the commencement of the share repurchase program through December 31, 2022.

The timing and actual number of shares repurchased depends on a variety of factors, including price, general business and market conditions, and alternative investment opportunities. The repurchase program is executed consistent with the Company's capital allocation strategy of prioritizing investment to grow the business over the long term. The repurchase program does not obligate the Company to acquire any particular amount of ordinary shares, and the repurchase program may be suspended or discontinued at any time at the Company's discretion. The Company uses current cash and cash equivalents and the cash flow it generates from operations to fund the share repurchase program.

The Group is not subject to any externally imposed capital requirements.

Credit risk management

Financial assets with respect to cash and cash equivalents and short term investments carry an element of risk that counterparties may be unable to fulfill their obligations. This exposure arises from the investments in liquid funds of banks and other counterparties. The Group mitigates this risk by adopting a risk averse approach in relation to the investment of surplus cash. The main objectives for investments are first, to preserve principal and secondarily, to maximize return given the rules and limitations of the treasury policy. Surplus cash is invested in counterparties and instruments considered to carry low credit risk. Investments are subject to credit rating thresholds and at the time of investment, no more than 10% of surplus cash can be invested in any one issuer (excluding certain government bonds and investments in cash management banks). The weighted-

average maturity of the portfolio shall not be greater than 2 years, and the final maturity of any investment is not to exceed 5 years. The Group shall maintain the ability to liquidate the majority of all investments (classified as cash and cash equivalents and short term investments) within 90 days. At December 31, 2022 and 2021, the financial credit risk was equal to the consolidated statement of financial position value of cash and cash equivalents and short term investments of €3,350 million and €3,500 million, respectively. No credit losses were incurred during 2022 or 2021 on these investments.

The credit risk with respect to the Group's trade receivables is diversified geographically and among a large number of customers, private individuals, as well as companies in various industries, both public and private. The majority of the Group's revenue is paid monthly in advance significantly lowering the credit risk incurred for these specific counterparties. Solvency information is generally required for credit sales within the Ad sales and Partner subscription business to minimize the risk of bad debt losses and is based on information provided by credit and business information from external sources.

Liquidity risk management

Liquidity risk is the Group's risk of not being able to meet the short term payment obligations due to insufficient funds. The Group has internal control processes and contingency plans for managing liquidity risk. A centralized cash pooling process enables the Group to manage liquidity surpluses and deficits according to the actual needs at the group and subsidiary level. The liquidity management takes into account the maturities of financial assets and financial liabilities and estimates of cash flows from operations.

The Group's policy is to have a strong liquidity position in terms of available cash and cash equivalents, and short term investments.

	2022	2021
	(in € millions)	
Liquidity		
Short term investments	867	756
Cash equivalents	1,836	1,970
Cash at bank and on hand	647	774
Liquidity position	3,350	3,500

Cash equivalents include investments in money market funds measured at fair value and classified as level 1 financial instruments in the fair value hierarchy.

Currency risk management

Transaction exposure relates to business transactions denominated in foreign currency required by operations (purchasing and selling) and/or financing (interest and amortization). The Group's general policy is to hedge a portion of its transaction exposure on a case-by-case basis under the Group's cash-flow hedging program by entering into multiple foreign exchange forward contracts. The Group does not enter into foreign exchange forward contracts greater than one year. The Group's currency pairs used for cash flow hedges are Euro / U.S. dollar, Euro / Australian dollar, Euro / British pound, Euro / Swedish krona, Euro / Canadian dollar, and Euro / Norwegian krone. Translation exposure relates to net investments in foreign operations. The Group does not conduct translation risk hedging.

(i) Transaction exposure sensitivity

In most cases, the Group's customers are billed in their respective local currency. Major payments, such as salaries, consultancy fees, and rental fees are settled in local currencies. Royalty payments are primarily in EUR and USD. Hence, the operational need to net purchase foreign currency is due primarily to a deficit from such settlements.

The table below shows the immediate impact on net income/loss before tax of a 10% strengthening in the closing exchange rate of significant currencies to which the Group had exposure, at December 31, 2022 and 2021. The impact on net income/loss before tax is due primarily to monetary assets and liabilities in a transactional currency other than the functional currency of a subsidiary within the Group. The sensitivity associated with a 10% weakening of a particular currency would be equal and opposite. This assumes that each currency moves in isolation.

2022	Swedish krona (SEK)	British pound (GBP)	U.S. dollar (USD)
	(in € millions)		
(Increase)/decrease in loss before tax	(13)	(18)	68
2021	Swedish krona (SEK)	British pound (GBP)	U.S. dollar (USD)
	(in € millions)		
(Increase)/decrease in income before tax	(14)	(8)	94

(ii) *Translation exposure sensitivity*

Translation exposure exists due to the translation of the results and financial position of all of the Group entities that have a functional currency different from the presentation currency of Euro. The impact on the Group's equity would be approximately €140 million and €126 million if the Euro weakened by 10% against all translation exposure currencies, based on the exposure at December 31, 2022 and 2021, respectively.

Interest rate risk management

Interest rate risk is the risk that changes in interest rates will have a negative impact on the Group's earnings and cash flow. The Group's exposure to interest rate risk is related to its interest-bearing assets, including its cash and cash equivalents and debt securities held at fair value through other comprehensive income. Fluctuations in interest rates impact the yield of the investment. The sensitivity analysis considered the historical volatility of short term interest rates and we determined that it was reasonably possible that a change of 100 basis points could be experienced in the near term. A hypothetical 100 basis points increase in interest rates would have impacted interest income by €36 million and €35 million for the years ended December 31, 2022 and 2021, respectively.

Financing risk management

The Group finances its operations through external borrowings, equity offerings, and cash flow from operations. The funding strategy has been to diversify funding sources. The external debt consisted of the Exchangeable Notes and lease liabilities.

Share price risk management

Share price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in the fair value of the Company's ordinary share price. The Group's exposure to this risk relates primarily to the outstanding Exchangeable Notes and warrants.

Both the Exchangeable Notes and the warrants are re-measured at each reporting date using valuation models using input data based on the Company's share price. Changes in the fair value of these instruments are recognized in finance income or cost. All else being equal, an increase or decrease of share price will increase or decrease the value of both the Exchangeable Notes and the warrants. The Group has not entered into any hedging arrangement to mitigate these fluctuations.

Other share price risk

Social costs are payroll taxes associated with employee salaries and benefits, including share-based compensation that the Group is subject to in various countries in which the Group operates. Social costs are accrued at each reporting period based on the number of vested stock options and awards outstanding, the exercise price, and the Company's share price. Changes in the accrual are recognized in operating expenses. An increase in share price will increase the accrued expense for social costs, and when the share price decreases, the accrued expense will become a reduction in social costs expense, all other things being equal, including the number of vested stock options and exercise price remaining constant. The impact on the accrual for social costs on outstanding share based payment awards of an increase or decrease in the Company's ordinary share price of 10% would result in a change of €1 million and €18 million at December 31, 2022 and December 31, 2021, respectively.

Investment risk

The Group is exposed to investment risk as it relates to changes in the market value of its long term investments, due primarily to volatility in the share price used to measure the investment and exchange rates. The majority of the Group's long term investments relate to TME.

Insurance risk management

Insurance coverage is governed by corporate guidelines and includes a common package of different property and liability insurance programs. The business is responsible for assessing the risks to decide the extent of actual coverage. Treasury manages the common Group insurance programs.

Financial instruments

Foreign exchange forward contracts

Cash flow hedges

The Group's currency pairs used for cash flow hedges are Euro / U.S. dollar, Euro / Australian dollar, Euro / British pound, Euro / Swedish krona, Euro / Canadian dollar, and Euro / Norwegian krone. The notional principal of foreign exchange contracts hedging the revenue and cost of revenue line items in the consolidated statement of operations was approximately €1,214 million and €859 million respectively, as of December 31, 2022 and approximately €1,185 million and €835 million as of December 31, 2021, respectively. The following table summarizes the notional principal of the foreign currency exchange contracts by hedged line item in the statement of operations as of December 31, 2022:

	Notional amount in foreign currency					U.S. dollar (USD)
	Australian dollar (AUD)	British pound (GBP)	Canadian dollar (CAD)	Norwegian krone (NOK)	Swedish krona (SEK)	
	(in millions)					
Hedged line item in consolidated statement of operations						
Revenue	336	453	293	905	1,504	69
Cost of revenue	246	321	209	599	992	52
Total	582	774	502	1,504	2,496	121

The following table summarizes the notional principal of the foreign currency exchange contracts by hedged line item in the statement of operations as of December 31, 2021:

	Notional amount in foreign currency					U.S. dollar (USD)
	Australian dollar (AUD)	British pound (GBP)	Canadian dollar (CAD)	Norwegian krone (NOK)	Swedish krona (SEK)	
	(in millions)					
Hedged line item in consolidated statement of operations						
Revenue	327	429	274	870	1,446	54
Cost of revenue	240	304	190	573	959	43
Total	567	733	464	1,443	2,405	97

Fair values

The carrying amounts of certain financial instruments, including cash and cash equivalents, trade and other receivables, restricted cash, trade and other payables, and accrued expenses and other liabilities approximate fair value due to their relatively short maturities. The Group measures its lease liabilities as described in Note 2. All other financial assets and liabilities are accounted for at fair value.

The following tables summarize, by major security type, the Group's financial assets and liabilities that are measured at fair value on a recurring basis, and the category using the fair value hierarchy. The different levels have been defined in Note 2.

Financial assets and liabilities by fair value hierarchy level	Level 1	Level 2	Level 3	December 31, 2022
	(in € millions)			
Financial assets at fair value				
Cash equivalents:				
Money market funds	1,543	—	—	1,543
Time deposits	293	—	—	293
Short term investments:				
Money market funds	125	—	—	125
Government securities	245	5	—	250
Corporate notes	—	309	—	309
Fixed income funds	183	—	—	183
Derivatives (designated for hedging):				
Foreign exchange forwards	—	31	—	31
Long term investments	1,095	—	43	1,138
Total financial assets at fair value by level	3,484	345	43	3,872
Financial liabilities at fair value				
Exchangeable Notes	—	—	1,128	1,128
Derivatives (not designated for hedging):				
Warrants	—	—	1	1
Derivatives (designated for hedging):				
Foreign exchange forwards	—	20	—	20
Total financial liabilities at fair value by level	—	20	1,129	1,149
Financial assets and liabilities by fair value hierarchy level	Level 1	Level 2	Level 3	December 31, 2021
	(in € millions)			
Financial assets at fair value				
Cash equivalents				
Money market funds	1,970	—	—	1,970
Short term investments:				
Money market funds	25	—	—	25
Government securities	204	18	—	222
Corporate notes	—	308	—	308
Collateralized reverse purchase agreements	—	67	—	67
Fixed income funds	134	—	—	134
Derivatives (designated for hedging):				
Foreign exchange forwards	—	11	—	11
Long term investments	852	—	64	916
Total financial assets at fair value by level	3,185	404	64	3,653
Financial liabilities at fair value				
Exchangeable Notes	—	—	1,202	1,202
Derivatives (not designated for hedging):				
Warrants	—	—	72	72
Derivatives (designated for hedging):				
Foreign exchange forwards	—	17	—	17
Contingent consideration	—	—	17	17
Total financial liabilities at fair value by level	—	17	1,291	1,308

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels at the end of each reporting period. During the years ended December 31, 2022 and 2021 there were no transfers between levels in the fair value hierarchy.

Recurring fair value measurements

Long term investment – Tencent Music Entertainment Group

The Group's approximate 8% investment in TME is carried at fair value through other comprehensive income/(loss). The fair value of ordinary shares of TME is based on the ending New York Stock Exchange American depository share price. The fair value of the investment in TME may vary over time and is subject to a variety of risks including: company performance, macro-economic, regulatory, industry, USD to Euro exchange rate, and systemic risks of the equity markets overall.

The table below presents the changes in the investment in TME:

	2022	2021	2020
	(in € millions)		
At January 1	852	2,228	1,481
Changes in fair value recorded in other comprehensive income/(loss)	242	(1,376)	747
At December 31	1,094	852	2,228

A 10% decrease or increase in TME's share price would have resulted in a fair value of the Group's long term investment in TME ranging from €985 million to €1,204 million at December 31, 2022 and €767 million to €937 million at December 31, 2021.

The following sections describe the valuation methodologies the Group uses to measure its Level 3 financial instruments at fair value on a recurring basis.

Warrants

On July 13, 2017, the Company sold, for €9 million, a warrant to acquire 1,600,000 ordinary shares to certain holders that are employees and management of the Group. The exercise price of each warrant is US \$89.73, which was equal to 1.3 times the fair market value of ordinary shares on date of issuance. On July 13, 2020, the Company issued 1,084,043 ordinary shares to Mr. Ek, through D.G.E. Investments Limited, upon the effective net settlement of the 1,600,000 warrants that were granted on July 13, 2017. Refer to Note 26.

On July 1, 2019, the Company sold, for €15 million, warrants to acquire 800,000 ordinary shares to Mr. Ek, through D.G.E. Investments Limited, an entity indirectly wholly owned by him. The exercise price of each warrant is US \$190.09, which was equal to 1.3 times the fair market value of ordinary shares on the date of issuance. On July 1, 2022 the warrants expired unexercised. Refer to Note 26.

On August 23, 2021, the Company issued, for €31 million, warrants to acquire 800,000 ordinary shares to Daniel Ek, the Company's Chief Executive Officer, through D.G.E. Investments Limited, an entity indirectly wholly owned by him. The exercise price of each warrant is US \$281.63, which was equal to 1.3 times the fair market value of ordinary shares on the date of issuance. The warrants are exercisable at any time through August 23, 2024. Refer to Note 26.

The outstanding warrants are measured on a recurring basis in the consolidated statement of financial position and are Level 3 financial instruments recognized at fair value through the consolidated statement of operations. The warrants are valued using a Black-Scholes option-pricing model, which includes inputs determined from models that include the value of the Company's ordinary shares, as determined above and additional assumptions used to estimate the fair value of the warrants in the option pricing model as follows:

	2022	2021	2020
Expected term (years)	1.65	0.5 – 2.65	1.5
Risk free rate (%)	4.52	0.19 – 0.89	0.11
Volatility (%)	55.0	40.0 - 45.0	50.0
Share price (US\$)	78.95	234.03	314.66

The table below presents the changes in the warrants liability:

	2022	2021	2020
	(in € millions)		
January 1	72	89	98
Issuance of warrant for cash	—	31	—
Issuance of shares upon exercise of, or net settlement of, warrants	—	—	(267)
<i>Non cash changes recognized in profit or loss</i>			
Changes in fair value recognized in consolidated statement of operations	(74)	(53)	263
Effect of changes in foreign exchange rates	3	5	(5)
At December 31	1	72	89

The warrant liability is included in derivative liabilities on the consolidated statement of financial position. The change in estimated fair value is recognized within finance income or costs in the consolidated statement of operations.

A 10% decrease or increase in the Company's ordinary share price would have resulted in a fair value of the warrants ranging from €1 million to €2 million at December 31, 2022 and €52 million to €95 million at December 31, 2021.

Long term investments – other

The Group has interests in certain long term investments, the most significant of which is our equity investment in DistroKid, an independent digital music distribution service. These long term investments primarily represent unlisted equity securities carried at fair value through other comprehensive income/(loss). The fair values of these equity investments are generally determined using business enterprise values based on market transactions or by (i) applying market multiples to the projected financial performance and (ii) discounting the future value to its present value equivalent. The key assumptions used to estimate the fair value of these equity investments include market multiples of revenue or earnings before interest, income taxes, depreciation and amortization for benchmark companies used to estimate business enterprise value and discount rate.

The fair value of the long term investments may vary over time and is subject to a variety of risks including: company performance, macroeconomic, regulatory, industry, USD to Euro exchange rate, and systemic risks of the overall equity markets.

The table below presents the changes in the other long term investments:

	2022	2021	2020
	(in € millions)		
At January 1	64	49	16
Initial recognition of long term investment	3	2	9
Changes in fair value recorded in other comprehensive (loss)/income	(25)	158	29
Changes in fair value recognized in consolidated statement of operations	(1)	(4)	(4)
Sale of long term investment	—	(144)	—
Effect of changes in foreign exchange rates	2	3	(1)
At December 31	43	64	49

On October 1, 2021, the Group completed the sale of two-thirds of its equity interest in DistroKid. Proceeds from the sale were €144 million and the realized gain on the sale was €134 million. The after tax gain of €109 million has been reclassified from other comprehensive income/(loss) to accumulated deficit. See Note 18.

Contingent consideration

On April 1, 2019, the Group acquired Cutler Media, LLC ("Parcast"), a premier storytelling podcast studio. Included in the purchase price was €13 million related to the estimated fair value of contingent consideration. The contingent consideration was valued by the Group using a simulation of user engagement outcomes. The change in the fair value of the contingent consideration was recognized within general and administrative expenses in the consolidated statement of operations.

The table below presents the changes in the contingent consideration liability:

	2022	2021	2020
	(in € millions)		
At January 1	17	30	27
Contingent consideration payments	(17)	(17)	(7)
Changes in fair value recognized in consolidated statement of operations	—	2	13
Effect of changes in foreign exchange rates	—	2	(3)
At December 31	—	17	30

As of June 30, 2022, the contingent consideration was fully paid.

Exchangeable Notes

On March 2, 2021, the Company's wholly owned subsidiary, Spotify USA Inc. issued US \$1,500 million aggregate principal amount of 0% Exchangeable Notes due 2026, which included the initial purchasers' exercise in full of their option to purchase an additional US \$200 million principal amount of the Exchangeable Notes. The Exchangeable Notes will mature on March 15, 2026, unless earlier repurchased, redeemed or exchanged. The Exchangeable Notes are fully and unconditionally guaranteed, on a senior, unsecured basis by the Company.

The table below presents the changes in the Exchangeable Notes:

	2022	2021
	(in € millions)	
At January 1	1,202	—
Initial recognition	—	1,232
Changes in fair value recognized in consolidated statement of operations	(144)	(112)
Changes in fair value recorded in other comprehensive loss	(4)	—
Effect of changes in foreign exchange rates	74	82
At December 31	1,128	1,202

The change in estimated fair value is recognized within finance income/(costs) in the consolidated statement of operations, excluding changes in fair value due to changes in the Group's own credit risk, which are recognized in other comprehensive (loss)/income and will not be reclassified to the consolidated statement of operations.

The fair value of the Exchangeable Notes was estimated using a combination of a binomial option pricing model and prices observed for the Exchangeable Notes in an over-the-counter market on the last trading day of the reporting period. A weight of 75% was applied to the binomial option pricing model and a weight of 25% was applied to the price of the Exchangeable Notes in the over-the-counter market on the last trading day of the reporting period. The key assumptions used in the binomial option pricing model for the Exchangeable Notes were as follows:

	2022	2021
Risk free rate (%)	4.20	1.15
Discount rate (%)	7.0	3.9
Volatility (%)	45.0	40.0
Share price (US\$)	78.95	234.03

A decrease or increase of 10 percentage points in volatility would have resulted in a fair value of the Exchangeable Notes ranging from €1,126 million to €1,132 million at December 31, 2022. A 10% decrease or increase in the Company's ordinary share price would have resulted in a fair value of the Exchangeable Notes ranging from €1,127 million to €1,129 million at December 31, 2022. A decrease or increase of 100 basis points in credit spread would have resulted in a fair value of the Exchangeable Notes ranging from €1,154 million to €1,102 million at December 31, 2022.

25. Commitments and contingencies

Obligations under leases

See Note 12 for lease obligations.

Commitments

The Group is subject to the following minimum guarantees relating to the content on its Service, the majority of which relate to minimum royalty payments associated with its license agreements for the use of licensed content, as at December 31:

	2022	2021	2020
	(in € millions)		
Not later than one year	1,111	788	317
Later than one year but not more than 5 years	298	2,491	3,259
Total	1,409	3,279	3,576

In addition, the Group is subject to various non-cancelable purchase obligations and service agreements with minimum spend commitments, including a service agreement with Google for the use of Google Cloud Platform and certain podcast and marketing commitments as at December 31:

	2022	2021	2020
	(in € millions)		
Not later than one year	485	362	279
Later than one year but not more than 5 years	334	435	619
More than 5 years	98	—	—
Total	917	797	898

Contingencies

Various legal actions, proceedings, and claims are pending or may be instituted or asserted against the Group. These may include but are not limited to matters relating to intellectual property, data protection, consumer protection, employment, and contractual rights. As a general matter, the music and other content made available on the Group's Service are licensed to the Group by various third parties. Many of these licenses allow rights holders to audit the Group's royalty payments, and any such audit could result in disputes over whether the Group has paid the proper royalties. If such a dispute were to occur, the Group could be required to pay additional royalties, and the amounts involved could be material. The Group expenses legal fees as incurred. The Group records a provision for contingent losses when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. An unfavorable outcome to any legal matter, if material, could have an adverse effect on the Group's operations or its financial position, liquidity, or results of operations.

On August 11, 2020, the United States Court of Appeals for the D.C. Circuit issued an opinion which, as of the issuance of the formal "mandate" on October 26, 2020, vacated the Copyright Royalty Board's determination of the royalty rates for applicable mechanical rights in the United States for calendar years 2018 to 2022. These rates apply both to compositions that we license under compulsory license pursuant to Section 115 of the Copyright Act of 1976 and to a number of direct licenses that we have had with music publishers. On July 1, 2022, the Copyright Royalty Board issued its initial ruling to set those rates in light of the D.C. Circuit's opinion. That ruling will need to be adapted into regulations, which, when issued by the U.S. Copyright Office, will become law. Until the final rates are determined, our recorded royalty costs will be based on management estimates of the rates that will apply. The rates set by the Copyright Royalty Board are also subject to further change as part of future Copyright Royalty Board proceedings. Changes to these estimates could either benefit or adversely affect our results of operations and financial condition.

In 2022, the proceedings known as "Phonorecords IV Proceedings" began to set the rates for the Section 115 compulsory license for calendar years 2023 to 2027. In August 2022, we and other services reached an agreement in principle with publisher organizations for rates and terms for U.S. mechanical royalties beginning in 2023 and asked the Copyright Royalty Board to adopt those rates and terms on an industry-wide basis. In December 2022, the Copyright Royalty Board issued final regulations adopting the parties' proposed rates and terms on an industry-wide basis for the Phonorecords IV period.

26. Related party transactions

Key management compensation

Key management includes members of the Company's senior management and the board of directors. The compensation paid or payable to key management for Board and employee services includes their participation in share-based compensation arrangements. The disclosure amounts are based on the expense recognized in the consolidated statement of operations in the respective year.

	2022	2021	2020
	(in € millions)		
Key management compensation			
Short term employee benefits	6	4	5
Share-based compensation	37	26	30
Total	43	30	35

On July 1, 2019, the Company issued, for €15 million, warrants to acquire 800,000 ordinary shares to Mr. Ek, through D.G.E. Investments Limited. The exercise price of each warrant is US \$190.09, which was equal to 1.3 times the fair market value of ordinary shares on the date of issuance. On July 1, 2022 the warrants expired unexercised.

On July 13, 2020, the Company issued 1,084,043 ordinary shares and 10,840,430 beneficiary certificates to Mr. Ek, through D.G.E. Investments Limited, upon the effective net settlement of the 1,600,000 warrants that were granted on July 13, 2017.

On August 23, 2021, the Company issued, for €31 million, warrants to acquire 800,000 ordinary shares to Mr. Ek, through D.G.E. Investments Limited. The exercise price of each warrant is US \$281.63, which was equal to 1.3 times the fair market value of ordinary shares on the date of issuance. The warrants are exercisable at any time through August 23, 2024.

During the years ended December 31, 2022, December 31, 2021, and December 31, 2020 the Company issued 1,198,000, 2,000,000, and 5,038,200 ordinary shares, respectively, to its Netherlands subsidiary at par value and subsequently repurchased those shares at the same price. These shares are held in treasury in order to facilitate the fulfillment of option exercises and restricted stock unit releases under the Company's stock option and restricted stock unit plans.

27. Group information

The Company's principal subsidiaries as at December 31, 2022 are as follows:

Name	Principal activities	Proportion of voting rights and shares held (directly or indirectly)	Country of incorporation
Spotify AB	Main operating company	100 %	Sweden
Spotify USA Inc.	USA operating company	100 %	USA
Spotify Ltd	Sales, marketing, contract research and development, and customer support	100 %	UK
Spotify Spain S.L.	Sales, marketing and other support services	100 %	Spain
Spotify GmbH	Sales, marketing and other support services	100 %	Germany
Spotify France SAS	Sales, marketing and other support services	100 %	France
Spotify Canada Inc.	Sales, marketing and other support services	100 %	Canada
Spotify Australia Pty Ltd	Sales and marketing	100 %	Australia
Spotify Brasil Serviços De Música LTDA	Sales and marketing	100 %	Brazil
Spotify Japan K.K.	Sales and marketing	100 %	Japan
Spotify India LLP	Sales, distribution and marketing	100 %	India
S Servicios de Música México, S.A. de C.V.	Sales and marketing	100 %	Mexico
Spotify Singapore Pte Ltd.	Sales and marketing	100 %	Singapore
Spotify Italy S.r.l.	Sales and marketing	100 %	Italy

There are no restrictions on the net assets of the Group companies.

28. Events after the reporting period

On January 23, 2023, the Company announced a reduction in its employee base. We estimate that we will incur approximately €35 million to €45 million in severance-related charges.

Subsequent to the end of the reporting period, we signed license agreements with certain music labels and publishers. Included in these agreements are minimum guarantee and spend commitments of approximately €116 million over the next three years.

« SPOTIFY TECHNOLOGY S.A. »

société anonyme

L-1610 Luxembourg, 42-44, Avenue de la Gare

R.C.S. Luxembourg, section B numéro 123 052

STATUTS COORDONNES à la date du 14 avril 2022

CHAPTER I. FORM, NAME, REGISTERED OFFICE, OBJECT, DURATION

Article 1.- Form, Name

The company is formed as a “société anonyme”, governed by the laws of the Grand Duchy of Luxembourg, especially the law of August 10th, 1915 on commercial companies (the “**Law**”), as amended, and by the present articles of association (the “**Articles of Association**”) (the “**Company**”).

The Company exists under the name of “**SPOTIFY TECHNOLOGY S.A.**”.

Article 2.- Registered Office

1. The registered office of the Company is established in the City of Luxembourg.
2. The registered office may be transferred to any other place within the City of Luxembourg or to any other municipality in the Grand Duchy of Luxembourg by a resolution of the Board of Directors. Branches or other offices may be established either in the Grand Duchy of Luxembourg or abroad by resolution of the Board of Directors. Subsequently, the Board of Directors is authorized to amend the Articles of Association to reflect the change of municipality of the registered office of the Company and to record it in front of a notary.
3. In the event that in the view of the Board of Directors extraordinary political, economic or social developments occur or are imminent that would interfere with the normal activities of the Company at its registered office or with the ease of communications with such office or between such office and persons abroad, it may temporarily transfer the registered office abroad, until the complete cessation of these abnormal circumstances. Such temporary measures will have no effect on the nationality of the Company, which, notwithstanding the temporary transfer of the registered office, will remain a company governed by the laws of the Grand Duchy of Luxembourg.

Article 3.- Object

1. The object of the Company is the acquisition and holding of direct or indirect interests in Luxembourg and/or in foreign undertakings, as well as the administration, development and management of its holdings.
2. The Company may provide any financial assistance to subsidiaries, affiliated companies or other companies forming part of the group of which the Company belongs, such as, among others, the providing of loans and the granting of guarantees or securities in any kind or form.
3. The Company may also use its funds to invest in real estate, in intellectual property rights or any other movable or immovable assets in any kind or form.
4. The Company may borrow in any kind or form and privately issue bonds or notes.
5. In a general fashion the Company may carry out any commercial, industrial or financial operation, which it may deem useful in the accomplishment and development of its purposes.

Article 4.- Duration

The Company is established for an unlimited duration. It may be dissolved by a decision of the sole shareholder or by a general meeting of shareholders voting with the quorum and majority rules provided by law and the present Articles of Association.

CHAPTER II. CAPITAL, SHARES

Article 5.- Capital

5.1. The corporate subscribed share capital is set at one hundred twenty-three thousand thirty-six point seven five six eight seven five euro (EUR 123,036.756875) divided into one hundred and ninety-six million eight hundred and fifty-eight thousand eight hundred and eleven (196,858,811) shares having a nominal value of zero point zero zero zero six two five euro (EUR 0.000625) each.

5.2. The company's authorized share capital is fixed at one hundred twenty-eight thousand eight hundred fifty-eight point five six eight one two five euro (EUR 128,858.568125) divided into two hundred and six million one hundred and seventy-three thousand seven hundred and nine (206,173,709) shares with a nominal value of zero point zero zero zero six two five euro (EUR 0.000625) each.

5.3. The Board of Directors is authorized to sub-delegate to one of the Company's Directors or officer of the Company or to any other duly authorized person, during a period ending five (5) years after the date of publication of the minutes of the extraordinary general meeting of shareholders held on 14 March 2018, in the RESA, Recueil Electronique des Sociétés et Associations, (i) to realise any increase of the corporate capital within the limits of the authorized capital in one or several successive tranches, by the issue of new ordinary shares, with or without share premium, in consideration for a payment in cash or in kind (a) following the exercise of subscription rights and/or (b) following the exercise of conversion rights granted by the Board of Directors under the terms of warrants (which may be separate or attached to ordinary shares, notes or similar instruments), convertible notes or similar instruments issued from time to time by the Company, (c) by conversion of claims or (d) in any other manner; (ii) to determine the place and date of the issue, the issue price, the terms and conditions of the subscription and the payment of the newly issued ordinary shares; and (iii) to withdraw or restrict the preferential subscription right of the shareholders.

- a. The ordinary shares may be issued above, at, or below market value, but in any event not below the nominal value or below the accounting par value per ordinary share.

Article 6.- Shares

1. The ordinary shares are and shall remain in registered form only.
2. No fractional ordinary share shall be issued or exist at any time. The Board of Directors shall however be authorized to provide at its discretion for the payment in cash in lieu of any fraction of an ordinary share of the Company.
3. Ordinary shares may be held in trust by one or several shareholders.
4. A register of shareholders will be kept by the Company at its registered office, where it will be available for inspection by any shareholder. This register will contain the precise designation of each shareholder and the indication of the number of ordinary shares held, the indication of the payments made on the ordinary shares as well as the transfers of ordinary shares and the dates thereof. Ownership of ordinary shares will be established by inscription in the said register or in the event separate registrars have been appointed pursuant to Article 6.5, in such separate register(s). Without prejudice to the conditions for transfer by book entries provided for in Article 6.7 of these Articles of Association, a transfer of ordinary shares shall be carried out by means of a declaration of transfer entered in the relevant register, dated and signed by the transferor and the transferee or by their duly authorized representatives or by the Company upon notification of the transfer or acceptance of the transfer by the Company. The Company may accept and enter in the relevant register a transfer on the basis of correspondence or other documents recording the agreement between the transferor and the transferee.
5. The Company may appoint registrars in different jurisdictions who may each maintain a separate register for the ordinary shares entered therein. Shareholders may elect to be entered into one of these registers and to transfer their ordinary shares to another register so maintained. The Board of Directors may however impose transfer restrictions for ordinary shares that are registered, listed, quoted, dealt in or have been placed in certain jurisdictions in compliance with the requirements applicable therein. A transfer to the register kept at the Company's registered office may always be requested.
6. Subject to the provisions of these Article 6.7 and Article 6.9, the Company may consider the person in whose name the ordinary shares are registered in the register of shareholders as the full owner of such shares. In the event that a holder of ordinary shares does not provide an address in writing to which all notices or announcements from the Company may be sent, the Company may permit a notice to this effect to be entered into the register of shareholders and such holder's address will be deemed to be at the registered office of the Company or such other address as may be so entered by the Company from time to time, until a different address shall be provided to the Company by such holder in writing. The holder may, at any time, change his

address as entered in the register of shareholders by means of written notification to the Company.

7. The ordinary shares may be held by a holder (the "**Holder**") through a securities settlement system or a Depositary (as this term is defined below). The Holder of ordinary shares held in such fungible securities accounts has the same rights and obligations as if such Holder held the ordinary shares directly. The ordinary shares held through a securities settlement system or a Depositary shall be recorded in an account opened in the name of the Holder and may be transferred from one account to another in accordance with customary procedures for the transfer of securities in book-entry form. However, the Company will make dividend payments, if any, and any other payments in cash, ordinary shares or other securities, if any, only to the securities settlement system or Depositary recorded in the register of shareholders or in accordance with the instructions of such securities settlement system or Depositary. Such payment will grant full discharge of the Company's obligations in this respect.
8. In connection with a general meeting of shareholders, the Board of Directors may decide that no entry shall be made in the register of shareholders and no notice of a transfer shall be recognized by the Company and the registrar(s) during the period starting on the Record Date (as hereinafter defined) and ending on the closing of such general meeting.
9. All communications and notices to be given to a registered shareholder shall be deemed validly made if made to the latest address communicated by the shareholder to the Company in accordance with Article 6.5 or, if no address has been communicated by the shareholder, the registered office of the Company or such other address as may be so entered by the Company in the register from time to time according to Article 6.7.
10. Where ordinary shares are recorded in the register of shareholders in the name of or on behalf of a securities settlement system or the operator of such system and recorded as book-entry interests in the accounts of a professional depository or any sub-depository (any depository and any sub-depository being referred to hereinafter as a "**Depository**"), the Company - subject to having received from the Depository a certificate in proper form - will permit the Depository of such book-entry interests to exercise the rights attaching to the ordinary shares corresponding to the book-entry interests of the relevant Holder, including receiving notices of general meetings, admission to and voting at general meetings, and shall consider the Depository to be the holder of the ordinary shares corresponding to the book-entry interests for purposes of this Article 6 of the present Articles of Association. The Board of Directors may determine the formal requirements with which such certificates must comply.

Article 7.- Increase and Reduction of Capital

1. The authorized capital and the subscribed capital of the Company may be increased or reduced in one or several times by a resolution of the shareholders voting with the quorum and majority rules set by these Articles of Association or, as the case may be, by the law for any amendment of these Articles of Association.
2. The subscribed capital of the Company may also be increased in one or several times by a resolution of the Board of Directors within the limits of the authorized capital.
3. The new ordinary shares to be subscribed for by contribution in cash will be offered by preference to the existing shareholders in proportion to the part of the capital which those shareholders are holding. The Board of Directors shall determine the period within which the preferred subscription right shall be exercised. This period may not be less than fourteen days from the date of dispatch of a registered mail or any other means of communication individually accepted by the addressees and ensuring access to the information sent to the shareholders announcing the opening of the subscription period.
4. Notwithstanding the above, the general meeting, voting with the quorum and majority rules required for any amendment of the Articles of Association, may suppress, waive or limit the preferential subscription right or authorize the Board of Directors to do so,

to the extent that the Board of Directors deems such suppression, waiver or limitation advisable for any issuance or issuances of shares within the scope of the authorized share capital.

5. If after the end of the subscription period not all of the preferential subscription rights offered to the existing shareholder(s) have been subscribed by the latter, third parties may be allowed to participate in the share capital increase, except if the Board of Directors decides that the preferential subscription rights shall be offered to the existing shareholders who have already exercised their rights during the subscription period, in proportion to the portion their ordinary shares represent in the share capital; the modalities for the subscription are determined by the Board of Directors. The Board of Directors may also decide in such case that the share capital shall only be increased by the amount of subscriptions received by the shareholder(s) of the Company.

Article 8.- Acquisition of own shares

The Company may acquire or repurchase its own ordinary shares. The acquisition and holding of its own ordinary shares will be in compliance with the conditions and limits established by the law.

Article 9.- Beneficiary Certificates

1. The Company may issue, from time to time, beneficiary certificates (“parts bénéficiaires”) having the rights set forth in these Articles of Association (the “**Beneficiary Certificates**”). The Board of Directors is hereby authorized to issue up to one billion four hundred million (1,400,000,000) Beneficiary Certificates without reserving to the existing shareholders a pre-emptive right to subscribe for the Beneficiary Certificates issued. The Beneficiary Certificates may only be issued to shareholders of the Company. The Board of Directors shall determine, in its absolute discretion, to which shareholders such Beneficiary Certificates shall be issued. At the time of their issuance, the Board of Directors shall link the Beneficiary Certificates to one or more ordinary shares of the Company held by the shareholder(s) to whom they are being issued based on a specific ratio applicable to such shareholder as determined by the Board of Directors at time of issuance, with such ratio to be between 1:1 and 20:1 of Beneficiary Certificates to ordinary shares.
2. There are currently three hundred and forty-nine million eight hundred and seventy-six thousand forty (349,876,040) Beneficiary Certificates outstanding out of the four hundred and nineteen million seven hundred and ninety-seven thousand nine hundred (419,797,900) Beneficiary Certificates issued.
3. In the event that the Board of Directors proceeds to an issue of Beneficiary Certificates in accordance with the provisions of this Article 9, it shall take, or cause to be taken, all steps necessary to amend the Articles of Association to reflect such issuance.
4. The Beneficiary Certificates shall be issued in registered form only and the ownership of each Beneficiary Certificate shall be established by an entry in a register of Beneficiary Certificates (the “**BC Register**”). The BC Register shall constitute evidence of ownership of the Beneficiary Certificates and the person whose name appears in the BC Register as a holder shall be treated as the owner of the Beneficiary Certificates registered in his name.
5. The BC Register may be maintained by the Company at its registered office or may be entrusted by the Company to a transfer agent. The BC Register shall contain the identity of the holders, the number of Beneficiary Certificates held by each of them as well as their address and the date of entry. In case of transfer, redemption or cancellation in accordance with the provisions of these Articles of Association, appropriate entries shall be made.

The Company shall recognize only one single owner per Beneficiary Certificate. If one or more Beneficiary Certificates are jointly owned, or if fractions of a Beneficiary Certificate are held by several holders or if the ownership of such Beneficiary Certificate(s) is disputed, all persons claiming a right to such Beneficiary Certificate(s), or holding a fraction of a Beneficiary Certificate respectively, have to appoint one single attorney

to represent such Beneficiary Certificate(s) towards the Company. The failure to appoint such attorney implies a suspension of the voting right(s) attached to such Beneficiary Certificate(s).

1. The Beneficiary Certificates shall not carry any right to participate in any dividend, share premium repayment or any other kind of distributions, including the distribution of any liquidation proceeds, made by the Company.
2. Each Beneficiary Certificate shall carry one (1) vote at any general meeting of the Company and each Beneficiary Certificate will be taken into consideration for the calculation of quorum and majority required for any such general meeting of the Company.
3. The Beneficiary Certificates may not be transferred and shall automatically be cancelled in case of sale or transfer of the share(s) to which they are linked, provided that exceptions to transfers of Beneficiary Certificates or to their cancellation upon sale or transfer of the respective underlying ordinary shares to which they are linked may be made by the Board of Directors on a case-by-case basis and in its absolute discretion, at which time the Board may also recalculate the ratio and, if applicable, re-allocate any such non-cancelled Beneficiary Certificates to the remaining applicable ordinary shares (which are already linked to other Beneficiary Certificates) on a pro rata basis. In case of any permitted recalculation of ordinary shares as a result of a share split, bonus issue of ordinary shares, subdivision or split of shares or a combination of shares through a reverse split or similar actions, the Beneficiary Certificates shall be treated in the same manner as the ordinary shares to which they are linked.
4. In the same manner, all the Beneficiary Certificates shall automatically be cancelled in case the number of ordinary shares held by Rosello Company Limited and D.G.E Investments Ltd, including their respective successors, in the aggregate, falls under seven million five hundred sixty-four thousand six hundred (7,564,600) ordinary shares.
5. Any amendment to the rights of the holders of Beneficiary Certificates set out in the Articles of Association shall require a decision of the general meeting of shareholders adopted with the quorum and majority required for an amendment to the Articles of Association. In addition, the same quorum and majority shall also be reached in a meeting of the holders of Beneficiary Certificates as if the same were voting as a separate class.

CHAPTER III. BOARD OF DIRECTORS, STATUTORY AUDITORS

Article 10.- Board of Directors

1. The Company will be managed and administered by a board of directors (the "**Board of Directors**") composed of class A directors (the "**A Directors**") and B Directors (the "**B Directors**") who need not be shareholders (the "**Directors**"). The Board of Directors shall always be composed of at least three (3) Directors.
2. The Directors will be elected by the shareholders' meeting which will determine the duration of their mandate, and they will hold office until their successors are elected. They may be re-elected for successive terms and they may be removed at any time, with or without cause, by a resolution of the shareholders' meeting.

Article 11.- Vacancy in the office of the Board of Directors

In the event of a vacancy in the office of a member of the Board of Directors because of death, legal incapacity, bankruptcy, resignation or otherwise, this vacancy may be filled on a temporary basis and for a period of time not exceeding the initial mandate of the replaced member of the Board of Directors by the remaining members of the Board of Directors until the next general meetings of the shareholders of the Company which shall resolve on the permanent appointment in compliance with the applicable legal provisions and present Articles of Association.

Article 12.- Meetings of the Board of Directors

- i. The Board of Directors may appoint from among its members a chairman (the “**Chairman**”). It may also appoint a secretary, who need not be a Director and who will be responsible for keeping the minutes of the meetings of the Board of Directors and of the shareholders.
- ii. The Board of Directors will meet upon call by the Chairman. A meeting of the Board of Directors must be convened if any of two Directors so require.
- iii. The Chairman will preside at all meetings of the Board of Directors and of the shareholders (if required), except that in his absence the Board of Directors may appoint another Director and the general meeting of shareholders may appoint any other person as chairman pro tempore by vote of the majority present or represented at such meeting.
- iv. Except in cases of urgency or with the prior consent of all those entitled to attend, at least twenty-four hours’ written notice of board meetings shall be given in writing, by fax, by mail, by e-mail or by any other mean of written communication. Any such notice shall specify the time and place of the meeting as well as the agenda and the nature of the business to be transacted. The notice may be waived by the consent in writing, by fax, by mail or by e-mail of each Director. No separate notice is required for meetings held at times and places specified in a schedule previously adopted by resolution of the Board of Directors.
- v. Every Board meeting shall be held in Luxembourg or such other place as the Board of Directors may from time to time determine.
- vi. Any Director may act at any meeting of the Board of Directors by appointing in writing, by fax, by email or by mail another Director as his proxy.
- vii. A quorum of the Board of Directors shall be one (1) A Director and one (1) B Director present at the meeting or, in the event that no category A or category B director have been appointed, three (3) Directors holding office. When the Section 303A.03 of the New York Stock Exchange Listed Company Manual requires that, at least once a year, only independent directors of the Company may hold a meeting, the quorum required for a meeting of the Board of Directors can be disregarded and the independent directors must all be present or represented at this meeting.
- viii. All business arising at any meeting of the Board of Directors shall be determined by resolution passed by a majority of votes cast. In the case of an equality of votes, the Chairman shall have the right to cast the deciding vote (the “**Casting Vote**”). The Casting Vote shall be personal to the Chairman and will not transfer to any other Director acting as a chairman of a meeting of the Board of Directors in the Chairman’s absence.
- ix. One or more Directors may participate in a meeting by means of a conference call, by videoconference or by any similar means of communication enabling thus several persons participating therein to simultaneously communicate with each other. Such participation shall be deemed equivalent to a physical presence at the meeting.
- x. A written decision, signed by all the Directors, is proper and valid as though it had been adopted at a meeting of the Board of Directors which was duly convened and held. Such a decision can be documented in a single document or in several separate documents having the same content and each of them signed by one or several Directors.

Article 13.- Minutes of Meetings of the Board of Directors

1. The minutes of any meeting of the Board of Directors will be signed by the Chairman of the meeting and by the secretary (if any). Any proxies will remain attached thereto.
2. Copies or extracts of such minutes which may be produced in judicial proceedings or otherwise will be signed by the Chairman and by the secretary (if any) or by any two members of the Board of Directors.

Article 14.- Powers of the Board of Directors

The Board of Directors is vested with the broadest powers (except for those powers which are expressly reserved by law to the sole shareholder or the general meeting of shareholders) to perform all acts necessary or useful for accomplishing the Company's object. All powers not expressly reserved by law or by the Articles of Association to the sole shareholder or the general meeting of shareholders are in the competence of the Board of Directors.

Article 15.- Delegation of Powers

According to article 441-10 of the Law, the daily management of the Company as well as the representation of the Company in relation with this management may be delegated to one or more Directors (the "**Managing Director(s)**"), officers, managers or other agents, associate or not, acting alone or jointly. Their nomination, revocation and powers shall be settled by a resolution of the Board of Directors. The delegation to a member of the Board of Directors shall entail the obligation for the Board of Directors to report each year to the ordinary general meeting on the salary, fees and any advantages granted to the delegate. The Company may also grant special powers by authentic proxy or power of attorney by private instrument.

Article 16.- Conflict of Interests

1. Save as otherwise provided by the Law, any member of the Board of Directors who has, directly or indirectly, a financial interest conflicting with the interest of the Company in connection with a transaction falling within the competence of the Board of Directors, must inform the Board of Directors of such conflict of interest and must have his declaration recorded in the minutes of the meeting of the Board of Directors. The relevant member of the Board of Directors may not take part in the discussions relating to such transaction nor vote on such transaction. Any such conflict of interest must be reported to the next general meeting of shareholders of the Company prior to such meeting taking any resolution on any other item.
2. Where, by reason of conflicting interests, the number of members of the Board of Directors required in order to validly deliberate is not met, the Board of Directors may decide to submit the decision on this specific item to the general meeting of shareholders.
3. The conflict of interest rules shall not apply where the decision of the Board of Directors relates to day-to-day transactions entered into under normal conditions.
4. The daily manager(s) of the Company, if any, are subject to articles 16.1 to 16.3 of these Articles of Association provided that if only one daily manager has been appointed and is in a situation of conflicting interests, the relevant decision shall be adopted by the Board of Directors.

Article 17.- Committees of the board of directors

The Board of Directors may establish one or more committees, including without limitation, an audit committee and a remuneration committee, and for which it shall, if one or more of such committees are set up, appoint the members who may be but do not need to be members of the Board of Directors (subject always, if the ordinary shares of the Company are listed on a foreign stock exchange, to the requirements of such foreign stock exchange applicable to the Company and/or of such regulatory authority competent in relation to such listing), determine the purpose, powers and authorities as well as the procedures and such other rules as may be applicable thereto.

Article 18.- Indemnification

1. The members of the Board of Directors are not held personally liable for the indebtedness or other obligations of the Company. As agents of the Company, they

are responsible for the performance of their duties. Subject to the exceptions and limitations listed in Article 18.2 and mandatory provisions of law, every person who is, or has been, a member of the Board of Directors or officer of the Company shall be indemnified by the Company to the fullest extent permitted by law against liability and against all expenses reasonably incurred or paid by him in connection with any claim, action, suit or proceeding which he becomes involved as a party or otherwise by virtue of his or her being or having been a director or officer and against amounts paid or incurred by him or her in the settlement thereof. The words "claim", "action", "suit" or "proceeding" shall apply to all claims, actions, suits or proceedings (civil, criminal or otherwise including appeals) actual or threatened and the words "liability" and "expenses" shall include without limitation attorneys' fees, costs, judgments, amounts paid in settlement and other liabilities.

2. No indemnification shall be provided to any director, officer or shareholder (i) against any liability by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his or her office (ii) with respect to any matter as to which he or she shall have been finally adjudicated to have acted in bad faith and not in the interest of the Company or (iii) in the event of a settlement, unless the settlement has been approved by a court of competent jurisdiction or by the Board of Directors.
3. The right of indemnification herein provided shall be severable, shall not affect any other rights to which any director or officer may now or hereafter be entitled, shall continue as to a person who has ceased to be such director or officer and shall inure to the benefit of the heirs, executors and administrators of such a person. Nothing contained herein shall affect or limit any rights to indemnification to which corporate personnel, including directors and officers, may be entitled by contract or otherwise under law. The Company shall specifically be entitled to provide contractual indemnification to and may purchase and maintain insurance for any corporate personnel, including directors and officers of the Company, as the Company may decide upon from time to time.

Article 19.- Representation of the Company

The Company will be bound towards third parties by the joint signature of any A Director and any B Director or by the sole signature of the person to whom the daily management of the Company has been delegated, within such daily management or by the joint signatures or sole signature of any persons to whom such signatory power has been delegated by the Board of Directors, but only within the limits of such power.

Article 20.- Statutory Auditors

1. The transactions of the Company shall be supervised by one or several statutory auditors (commissaires). The general meeting of shareholders shall appoint the statutory auditor(s) and shall determine their term of office, which may not exceed six (6) years.
2. A statutory auditor may be removed at any time, without notice and with or without cause by the general meeting of shareholders.
3. The statutory auditor(s) have an unlimited right of permanent supervision and control of all transactions of the Company.
4. If the general meeting of shareholders of the Company appoints one or more independent auditors (réviseurs d'entreprises agréés) in accordance with Article 69 of the law of 19 December 2002 regarding the trade and companies register and the accounting and annual accounts of undertakings, as amended, the institution of statutory auditors is no longer required.
5. An independent auditor may only be removed by the general meeting of shareholders for cause or with his approval.

CHAPTER IV. MEETING OF SHAREHOLDERS

Article 21.- Powers of the Meeting of Shareholders

The general meeting of shareholders and holders of Beneficiary Certificates shall represent all the shareholders and all the holders of Beneficiary Certificates of the Company (the "**General Meeting**"). It has the powers conferred upon it by law.

Article 22.- Annual General Meeting

The annual General Meeting shall be held within six (6) months of the end of each financial year in the Grand Duchy of Luxembourg at the registered office of the Company or at such other place in the Grand Duchy of Luxembourg as may be specified in the convening notice of such meeting. Other General Meetings may be held at such place and time as may be specified in the respective convening notices. Holders of bonds are not entitled to attend General Meetings.

Article 23.- Other General Meetings

1. The Board of Directors may convene other General Meetings. Such meetings must be convened if shareholders representing at least ten percent (10%) of the Company's capital so require.
2. General Meetings, including the annual General Meeting, may be held abroad if, in judgment of the Board of Directors, which is final, circumstances of force majeure so require.
3. General Meetings shall be convened in accordance with the provisions of the law and if the ordinary shares of the Company are listed on a foreign stock exchange, in accordance with the requirements of such foreign stock exchange applicable to the Company.
4. If the ordinary shares of the Company are listed on a foreign stock exchange, all shareholders recorded in any register of shareholders of the Company, the Holder or the Depositary as case may be, and the holders of Beneficiary Certificates, are entitled to be admitted to the General Meeting; provided, however, that the Board of Directors may determine a date and time preceding the General Meeting as the record date for admission to the general meeting of shareholders (the "**Record Date**"), which may not be less than five (5) days before the date of such meeting.
5. Any shareholder of the Company, Holder or Depositary, as the case may be, and any holder of Beneficiary Certificates may attend the General Meeting by appointing another person as his or her proxy, the appointment of which shall be in writing, in a manner to be determined by the Board of Directors in the convening notice. In case of ordinary shares held through the operator of a securities settlement system or with a Depositary designated by such Depositary, a holder of ordinary shares wishing to attend a General Meeting should receive from such operator or Depositary a certificate certifying the number of ordinary shares recorded in the relevant account on the Record Date and that such ordinary shares are blocked until the closing of the General Meeting to which it relates. The certificate should be submitted to the Company no later than three (3) business days prior to the date of such general meeting. If the shareholder or holder of Beneficiary Certificates votes by means of a proxy, the proxy shall be deposited at the registered office of the Company or with any agent of the Company, duly authorized to receive such proxies, at the same time. The Board of Directors may set a shorter period for the submission of the certificate or the proxy.

Article 24.- Procedure, Vote

1. Shareholders and holders of Beneficiary Certificates will meet upon call by the Board of Directors or the auditor(s) made in compliance with Luxembourg law. The notice sent to the shareholders and to the holders of Beneficiary Certificates in accordance with the law will specify the time and place of the meeting as well as the agenda and the nature of the business to be transacted.
2. If all the shareholders and holders of Beneficiary Certificates are present or represented at a General Meeting and if they

- state that they have been informed of the agenda of the meeting, the General Meeting may be held without prior notice.
3. Shareholders and holders of Beneficiary Certificates may act at any General Meeting by appointing in writing, by fax, mail, email or by any other mean of written communication, as his proxy another person who need not be a shareholder nor a holder of Beneficiary Certificates.
 4. Each shareholder and each holder of Beneficiary Certificates may vote at a General Meeting through a signed voting form sent by mail or facsimile or by any other means of communication authorized by the Board of Directors and delivered to the Company's registered office or to the address specified in the convening notice. The shareholders and holders of Beneficiary Certificates may only use voting forms provided by the Company which contain at least the place, date and time of the meeting, the agenda of the meeting, the proposals submitted to the resolution of the General Meeting, as well as for each proposal three boxes allowing the shareholder and holder of Beneficiary Certificates to vote in favor of or against the proposed resolution or to abstain from voting thereon by ticking the appropriate boxes. The Company will only take into account voting forms received no later than three (3) business days prior to the date of the General Meeting to which they relate. The Board of Directors may set a shorter period for the submission of the voting forms.
 5. The Board of Directors may determine all other conditions that must be fulfilled in order to take part in General Meeting.
 6. Except as otherwise required by law or by the present Articles of Association, resolutions will be taken by a simple majority of votes irrespective of the number of shareholders and holders of Beneficiary Certificates present or represented at the General Meeting.
 7. One vote is attached to each outstanding ordinary share. Each Beneficiary Certificate entitles its holder to one vote.
 8. Copies of extracts of the minutes of the meeting to be produced in judicial proceedings or otherwise will be signed by any two members of the Board of Directors or by the Chairman of the Board of Directors.

CHAPTER V. FINANCIAL YEAR, DISTRIBUTION OF PROFITS

Article 25.- Financial Year

The Company's financial year begins on the first day of January and ends on the last day of December in every year. The Board of Directors shall prepare annual accounts in accordance with the requirements of Luxembourg law and accounting practice.

Article 26.- Appropriation of Profits

- i. From the annual net profits of the Company, five per cent (5%) shall be allocated to the reserve required by law. That allocation will cease to be required as soon and as long as such reserve amounts to ten per cent (10%) of the subscribed capital of the Company.
- ii. The General Meeting shall determine how the remainder of the annual net profits will be disposed of. It may decide to allocate the whole or part of the remainder to a reserve or to a provision reserve, to carry it forward to the next following financial year or to distribute it to the shareholders as dividend.

- iii. Subject to the conditions fixed by law, the Board of Directors may pay out an advance payment on dividends. The Board of Directors fixes the amount and the date of payment of any such advance payment.

CHAPTER VI. DISSOLUTION, LIQUIDATION

Article 27.- Dissolution, Liquidation

1. The Company may be dissolved by a decision of the General Meeting voting with the same quorum and majority as for the amendment of these Articles of Association, unless otherwise provided by law.
2. Should the Company be dissolved, the liquidation will be carried out by one or more liquidators appointed by the General Meeting, which will determine their powers and their compensation.
3. After payment of all the debts of and charges against the Company and of the expenses of liquidation, the net assets shall be distributed equally to the holders of the ordinary shares pro rata to the number of the ordinary shares held by them.

CHAPTER VII. AMENDMENT OF THE ARTICLES OF ASSOCIATION

Article 28.- Amendments of the Articles of Association

These Articles of Association may be amended by a resolution of the General Meeting adopted under a quorum of fifty per cent (50%) of the share capital of the Company and a majority of two thirds of the votes of the shareholders and holders of Beneficiary Certificates of the Company, provided that the agenda of the General Meeting indicates the proposed amendments and that a copy of the coordinated articles of association is made available at the registered office of the Company at least eight (8) days prior to the general meeting of shareholders and holders of Beneficiary Certificates.

Article 29.- Change of nationality

The shareholders may change the nationality of the Company by a resolution of the General Meeting adopted in the manner required for an amendment of these Articles of Association.

CHAPTER VIII. APPLICABLE LAW

Article 30.- Applicable Law

All matters not governed by these Articles of Association shall be determined in accordance with the Law. Where any matter contained in these Articles of Association conflicts with the provisions of a shareholders' agreement as may be concluded from time to time by the shareholders of the Company, the terms of such shareholders' agreement shall prevail inter partes and to the extent permitted by Luxembourg law."

Suit la traduction en français du texte qui précède :

CHAPITRE Ier.- FORME, DÉNOMINATION, SIÈGE, OBJET, DURÉE

Article 1er. Forme, Dénomination

La société est constituée sous la forme d'une société anonyme, régie par les lois du Grand-Duché de Luxembourg et notamment la loi du 10 août 1915 sur les sociétés commerciales (la « **Loi** »), telle que modifiée, ainsi que par les présents statuts (les « **Statuts** ») (la « **Société** »).

La Société adopte la dénomination « **SPOTIFY TECHNOLOGY S.A.** ».

Article 2. Siège Social

2.1 Le siège social de la Société est établi à Luxembourg-Ville.

2.2 Le siège social peut être transféré à tout autre endroit de la Ville de Luxembourg ou dans toute autre commune du Grand-Duché de Luxembourg par décision du Conseil d'Administration. Des succursales ou autres bureaux peuvent être établis soit au Grand-Duché de Luxembourg, soit à l'étranger par une décision du Conseil d'Administration. Par la suite, le Conseil d'Administration est autorisé à modifier les Statuts afin de refléter le changement de commune du siège social de la Société et d'acter cette modification devant un notaire.

2.3 Dans l'hypothèse où le Conseil de d'Administration estimerait que des événements exceptionnels d'ordre politique, économique ou social ou des catastrophes naturelles se sont produits ou seraient imminents, de nature à interférer avec l'activité normale de la Société à son siège social, il pourra transférer provisoirement le siège social à l'étranger jusqu'à la cessation complète de ces circonstances exceptionnelles. Ces mesures provisoires n'auront toutefois aucun effet sur la nationalité de la Société, laquelle, nonobstant ce transfert provisoire du siège social, restera une société régie par les lois du Grand-Duché de Luxembourg.

Article 3. Objet

3.1 La Société a pour objet la prise de participations et la détention de participations directes ou indirectes dans des entreprises luxembourgeoises et/ou étrangères ainsi que l'administration, la gestion et la mise en valeur de ces participations.

3.2 La Société peut accorder toute assistance financière à des filiales, des sociétés affiliées ou à d'autres sociétés appartenant au même groupe de sociétés que la Société, notamment des prêts, garanties ou sûretés sous quelque forme que ce soit.

3.3 La Société peut employer ses fonds en investissant dans l'immobilier ou les droits de propriété intellectuelle ou tout autre actif mobilier ou immobilier sous quelque forme que ce soit.

3.4 La Société peut emprunter sous toutes formes et procéder à l'émission d'obligations.

3.5 D'une manière générale, la Société peut effectuer toute opération commerciale, industrielle ou financière qu'elle jugera utile à l'accomplissement et au développement de son objet social.

Article 4. Durée

La Société est établie pour une durée illimitée. Elle peut être dissoute par décision de l'associé unique ou par une assemblée générale des actionnaires votant avec le quorum et la majorité prévus par la loi et les présents Statuts.

CHAPITRE II.- CAPITAL, ACTIONS

Article 5. Capital Social

5.1 Le capital social souscrit émis est fixé à cent vingt-trois mille trente-six virgule sept cinq six huit sept cinq euros (EUR 123.036,756875) divisé en cent quatre-vingt-seize millions huit cent cinquante-huit mille huit cent onze (196.858.811) actions d'une valeur nominale de zéro virgule zéro zéro zéro six deux cinq euros (0,000625 EUR) chacune.

5.2. Le capital autorisé de la Société est fixé à cent vingt-huit mille huit cent cinquante-huit virgule cinq six huit un deux cinq euros (EUR 128.858,568125) divisé en deux cent six millions cent soixante-treize mille sept cent neuf (206.173.709) actions d'une valeur nominale de zéro virgule zéro zéro zéro six deux cinq euros (0,000625 EUR) chacune.

5.3 Le Conseil d'Administration est autorisé à sous-déléguer à un des Administrateurs de la Société, fondé de pouvoir de la Société, ou toute autre personne dûment autorisée, pendant une période se terminant cinq (5) ans après la date de publication du procès-verbal de l'assemblée générale extraordinaire des actionnaires tenue le 14 mars 2018, au RESA, Recueil Electronique des Sociétés et Association, de (i) réaliser toute augmentation du capital social dans les limites du capital autorisé en une ou plusieurs tranches successives par l'émission de nouvelles actions ordinaires avec ou sans prime d'émission, en contrepartie d'un paiement en espèces ou en nature, (a) suivant l'exercice des droits de souscription et/ou (b) suivant l'exercice des droits de conversion accordés par le Conseil d'Administration sous les conditions de bons de souscription (pouvant être attachés ou séparés d'actions ordinaires, d'obligations ou autres instruments similaires), d'obligations convertibles ou d'autres instruments similaires émis de temps en temps par la Société, (c) par la conversion de créances ou (d) de toute autre manière, (ii) déterminer le lieu et la date d'émission, le prix d'émission, les conditions générales de souscription et de libération des nouvelles actions ordinaires et (iii) supprimer ou limiter le droit préférentiel de souscription des actionnaires.

5.4 Les actions ordinaires peuvent être émises à une valeur supérieure, égale ou inférieure à leur valeur de marché, mais en aucun cas à une valeur inférieure à leur valeur nominale ou à la valeur nette comptable d'une action ordinaire.

Article 6. Actions

6.1 Les actions ordinaires sont et devront être uniquement sous forme nominative.

6.2 Aucune fraction d'action ordinaire ne peut exister ou être émise. Le Conseil d'Administration est cependant autorisé à organiser de façon discrétionnaire le paiement en espèces au lieu de toute fraction d'action ordinaire de la Société.

6.3 Les actions ordinaires peuvent être détenues en fiducie par un ou plusieurs actionnaires.

6.4 Un registre des actionnaires sera tenu par la Société à son siège social où il sera mis à disposition aux fins de vérifications par tout actionnaire. Ce registre contiendra la désignation précise de chaque actionnaire et l'indication du nombre de ses actions ordinaires, l'indication des paiements effectués sur ses actions ordinaires ainsi que les transferts des actions ordinaires avec leur date. La propriété des actions ordinaires sera établie par l'inscription sur ledit registre ou dans le cas où des teneurs de registres séparés ont été nommés conformément à l'Article 6.5 des Statuts, dans ce(s) registre(s) séparé(s). Sans préjudice des conditions de transfert par inscriptions prévues à l'Article 6.7 des Statuts, un transfert d'actions ordinaires devra être effectué au moyen d'une déclaration de transfert inscrite dans le registre concerné, datée et signée par le cédant et le cessionnaire ou par leurs représentants dûment autorisés ou par la Société suite à la notification de la cession ou de l'acceptation de la cession par la Société. La Société peut accepter et inscrire un transfert dans le registre approprié sur la base d'une correspondance ou de tout autre document actant un accord entre le cédant et le cessionnaire.

6.5 La Société peut nommer des teneurs de registre dans différentes juridictions qui pourront tenir chacun un registre séparé pour les actions ordinaires qui y seront inscrites. Les actionnaires pourront choisir d'être inscrits dans l'un des registres et de transférer leurs actions ordinaires dans un autre registre tenu de cette façon. Le Conseil d'Administration peut toutefois imposer des restrictions au transfert pour les actions ordinaires inscrites, cotées, traitées ou placées dans certaines juridictions conformément aux exigences applicables dans ces juridictions. Un transfert dans le registre tenu au siège social de la Société peut toujours être demandé.

6.6 Sous réserve des dispositions de l'Article 6.7 et l'Article 6.9, la Société peut considérer la personne au nom de laquelle les actions ordinaires sont inscrites dans le registre des actionnaires comme étant le propriétaire unique desdites actions ordinaires. Dans le cas où un détenteur d'actions ordinaires n'a pas fourni par voie écrite d'adresse à laquelle toutes les notifications et communications de la Société pourront être envoyées, la Société pourra permettre l'inscription de cette information dans le registre des actionnaires et l'adresse de ce détenteur sera considérée comme étant au siège social de la Société ou à tout autre adresse que la Société pourra inscrire au fil du temps jusqu'à ce que ce détenteur ait fourni par écrit une adresse différente à la Société. Le détenteur peut modifier à tout moment son adresse figurant au registre des actionnaires au moyen d'une notification écrite faite à la Société.

6.7 Les actions ordinaires peuvent être tenues par un porteur (le «**Porteur**») au travers d'un système de compensation ou d'un Dépositaire (tel que ce terme est défini ci-dessous). Le Porteur d'actions ordinaires détenues dans ces comptes de titres fongibles a les mêmes droits et obligations que si ce Porteur détenait directement les actions ordinaires. Les actions ordinaires détenues au travers d'un système de compensation ou d'un Dépositaire doivent être consignées dans un compte ouvert au nom du Porteur et peuvent être transférées d'un compte à un autre, conformément aux procédures habituelles pour le transfert de titres sous forme d'inscription en compte. Toutefois, la Société versera les dividendes, s'il y en a, ainsi que tout autre paiement en espèces, actions ordinaires ou autres titres, s'il y en a, uniquement au profit du système de compensation ou du Dépositaire inscrits dans le registre des actionnaires ou conformément aux instructions de ce système de compensation ou du Dépositaire. Ce paiement déchargera complètement la Société de ses obligations à cet égard.

6.8 Dans le cadre d'une assemblée générale des actionnaires, le Conseil d'Administration peut décider qu'aucune inscription ne soit faite dans le registre des actionnaires et qu'aucun avis de transfert ne soit reconnu par la Société et le(s) teneur(s) de registre durant la période commençant à la Date d'Inscription (telle que définie ci-après) et se terminant à la clôture de cette assemblée générale.

6.9 Toutes les communications et avis à donner à un actionnaire inscrit sont réputés valablement faits s'ils sont faits à la dernière adresse communiquée par l'actionnaire à la Société conformément à l'Article 6.5 ou, si aucune adresse n'a été communiquée par l'actionnaire, au siège social de la Société ou à toute autre adresse que la Société pourra inscrire dans le registre au fil du temps conformément à l'Article 6.7.

6.10 Lorsque les actions ordinaires sont enregistrées dans le registre des actionnaires au nom ou pour le compte d'un système de compensation ou de l'opérateur d'un tel système et enregistrées comme des entrées dans les comptes d'un dépositaire professionnel ou de tout sous-dépositaire (tout dépositaire et tout sous-dépositaire sera désigné ci-après comme un «**Dépositaire**»), la Société – sous réserve d'avoir reçu du Dépositaire un certificat en bonne et due forme – permettra au Dépositaire de telles entrées en compte d'exercer les droits attachés aux actions ordinaires correspondant aux entrées en compte du Porteur concerné, y compris de recevoir les convocations aux assemblées générales, l'admission et le vote aux assemblées générales et devra considérer le Dépositaire comme étant le porteur des actions ordinaires correspondant aux entrées en compte aux fins du présent Article 6 des présents Statuts. Le Conseil d'Administration peut déterminer les conditions de forme auxquelles devront répondre ces certificats.

Article 7. Augmentation et Réduction du Capital Social

7.1 Le capital autorisé et le capital émis de la Société peut être augmenté ou réduit, en une ou en plusieurs fois, par une résolution de l'assemblée générale des actionnaires, selon le cas, adoptée aux conditions de quorum et de majorité exigées par les présents Statuts ou, le cas échéant, par la loi pour toute modification des Statuts.

7.2 Le capital souscrit de la Société peut également être augmenté à une ou plusieurs reprises par une résolution du Conseil d'Administration, dans les limites du capital autorisé.

7.3 Les nouvelles actions ordinaires à souscrire par apport en numéraire seront offertes par préférence aux actionnaires existants proportionnellement à la part du capital qu'ils détiennent. Le Conseil d'Administration fixera le délai pendant lequel le droit préférentiel de souscription devra être exercé. Ce délai ne pourra pas être inférieur à quatorze jours à compter de la date d'envoi d'une lettre recommandée ou de tout autre moyen de communication accepté individuellement par les destinataires et garantissant l'accès aux informations transmises aux actionnaires annonçant l'ouverture de la période de souscription.

7.4 Par dérogation à ce que est dit ci-dessus, l'assemblée générale, délibérant aux mêmes conditions de quorum et de majorité que celles exigées pour toute modification des Statuts, peut supprimer, renoncer ou limiter le droit préférentiel de souscription ou autoriser le Conseil d'Administration à le faire, dans la mesure où le Conseil d'Administration jugera cette suppression, renonciation ou limitation opportune pour toute émission ou émissions d'actions dans la cadre du capital autorisé.

7.5 Si après la fin de la période de souscription, tous les droits préférentiels de souscription offerts aux actionnaires existants n'ont pas été exercés par ces derniers, des tiers peuvent être autorisés à participer à l'augmentation du capital social, sauf si le Conseil d'Administration décide que les droits préférentiels de souscription seront offerts aux actionnaires existants qui ont déjà exercé leurs droits pendant la période de souscription, proportionnellement à la part de leurs actions ordinaires dans le capital social; les modalités de souscription sont déterminées par le Conseil d'Administration. Le Conseil d'Administration peut également décider dans ce cas que le capital social ne sera augmenté qu'à concurrence du montant des souscriptions reçues par le(s) actionnaire(s) de la Société

Article 8. Rachat d'actions

La Société peut acquérir ou racheter ses propres actions ordinaires.

L'acquisition et la détention de ses propres actions ordinaires se fera conformément aux conditions et dans les limites fixées par la loi.

Article 9. Parts Bénéficiaires

9.1 La Société peut émettre à tout moment des parts bénéficiaires disposant de droits fixés par les Statuts (les "**Parts Bénéficiaires**"). Le Conseil d'Administration est autorisé à émettre jusqu'à un milliard quatre cent millions (1.400.000.000) de Parts Bénéficiaires sans qu'un droit préférentiel de souscription soit réservé aux actionnaires existants pour les Parts Bénéficiaires émises. Les Parts Bénéficiaires ne pourront être émises qu'aux actionnaires de la Société. La décision d'émettre des Parts Bénéficiaires à un actionnaire relève de l'entière discrétion du Conseil d'Administration. Au moment de leur émission, le Conseil d'Administration devra lier les Parts Bénéficiaires à une ou plusieurs actions ordinaires de la Société détenues par l' (les) actionnaire(s) en faveur duquel (desquels) elles ont été émises, sur base d'un ratio applicable à cet actionnaire tel que fixé par le Conseil d'Administration au moment de l'émission, ce ratio devant se situer entre 1:1 et 20:1 des Parts Bénéficiaires aux actions ordinaires.

9.2 Il y a actuellement trois cent quarante-neuf millions huit cent soixante-seize mille quarante (349.876.040) Parts Bénéficiaires en circulation sur les quatre cent dix-neuf millions sept cent quatre-vingt-dix-sept mille neuf cents (419.797.900) Parts Bénéficiaires émises.

9.3 Dans l'hypothèse où le Conseil d'Administration procède à une émission des Parts Bénéficiaires conformément aux dispositions du présent Article 9, il prend, ou fait prendre, tous les étapes nécessaires à la modification des Statuts afin qu'ils reflètent cette émission.

9.4 Les Parts Bénéficiaires seront émises uniquement sous forme nominative et la propriété de chaque Part Bénéficiaire s'établit par inscription au registre des Parts Bénéficiaires (le "**Registre PB**"). Le Registre PB constitue la preuve de la propriété des Parts Bénéficiaires et toute personne dont le nom figure au Registre PB comme titulaire est considérée propriétaire des Parts Bénéficiaires enregistrées à son nom.

9.5 Le Registre PB pourra être tenu par la Société à son siège social ou pourra être confié par la Société à un agent de transfert. Le Registre PB doit contenir l'identité des détenteurs de Parts Bénéficiaires, le nombre des Parts Bénéficiaires détenues par chacun d'eux ainsi que leur adresse et date d'entrée. En cas de transfert, rachat ou annulation effectués conformément aux dispositions des Statuts, les écritures correspondantes devront être inscrites au registre.

La Société ne reconnaît qu'un seul propriétaire par Part Bénéficiaire. Si la propriété de la Part Bénéficiaire est indivise, ou si des fractions d'une Part Bénéficiaire sont détenues par plusieurs détenteurs de Parts Bénéficiaires ou si la propriété de ces Parts Bénéficiaires est contestée, l'ensemble des personnes invoquant un droit sur cette (ces) Part(s) Bénéficiaire(s), ou disposant d'une fraction d'une Part Bénéficiaire respectivement, doivent nommer un mandataire spécial pour représenter cette (ces) Part(s) Bénéficiaire(s) envers la Société. Le manquement à cette obligation de nomination pourra entraîner la suspension du (des) droit(s) de vote rattaché(s) à de telle(s) Part(s) Bénéficiaire(s).

9.6 Les Parts Bénéficiaires ne donnent pas le droit aux dividendes, remboursement de primes d'émission ou à des distributions de quelque type que ce soit, y compris la distribution du boni de liquidation réalisée par la Société.

9.7 Chaque Part Bénéficiaire donne droit à une (1) voix à toute assemblée générale des actionnaires de la Société et chaque Part Bénéficiaire sera prise en considération dans le calcul du quorum et de la majorité requis pour les assemblées générales de la Société.

9.8 Les Parts Bénéficiaires ne peuvent pas être transférées et devront être automatiquement annulées en cas de cession ou de transfert de(s) l'action(s) à laquelle (auxquelles) elles sont liées, étant donné que les exceptions aux transferts des Parts Bénéficiaires ou à leur annulation lors de la cession ou du transfert des actions ordinaires sous-jacentes auxquelles elles sont liées seront décidées par le Conseil d'Administration au

cas par cas et relèveront de son entière discrétion, à cette occasion, le Conseil d'Administration pourra aussi recalculer le ratio et, le cas échéant, répartir les Parts Bénéficiaires non annulées aux actions ordinaires éligibles restantes (déjà liées à d'autres Parts Bénéficiaires) au prorata. En cas d'un calcul autorisé d'actions ordinaires résultant d'un fractionnement d'actions, d'attribution d'actions ordinaires gratuites, d'une subdivision ou division des actions ou combinaison d'actions à travers une consolidation ou action similaire, les Parts Bénéficiaires sont traitées de la même manière que les actions ordinaires auxquelles elles sont liées.

9.9 De la même façon, toutes les Parts Bénéficiaires seront automatiquement annulées dans l'hypothèse où le nombre d'actions ordinaires total détenu par Rosello Company Limited et D.G.E Investments Ltd, et leurs successeurs, descendrait en dessous de sept millions cinq cent soixante-quatre mille six cents (7.564.600) actions ordinaires.

9.10 Toute modification affectant les droits des détenteurs de Parts Bénéficiaires fixés dans les Statuts requiert une décision de l'assemblée générale des actionnaires prise aux conditions de quorum et de majorité requises pour une modification des Statuts. En outre, les mêmes quorum et majorité devront également être atteints à une assemblée des titulaires des Parts Bénéficiaires comme s'ils votaient en tant que catégorie distincte.

CHAPITRE III.- ADMINISTRATEURS, COMMISSAIRE AUX COMPTES

Article 10. Conseil d'Administration

10.1 La Société est gérée et administrée par un conseil d'administration (le "**Conseil d'Administration**") composé de membres de catégorie A (les "**Administrateurs A**") et de membres de catégorie B (les "**Administrateurs B**"), associés ou non (les "**Administrateurs**"). Le Conseil d'Administration doit toujours être composé au minimum de trois (3) Administrateurs.

10.2 Les Administrateurs seront nommés par l'assemblée générale qui détermine la durée de leur mandat, et ils resteront en fonction jusqu'à ce que leurs successeurs soient élus. Ils peuvent être réélus pour des mandats successifs et ils peuvent être révoqués à tout moment, avec ou sans motif par décision de l'assemblée générale.

Article 11. Vacance d'un poste de membre du Conseil d'Administration

En cas de vacance d'un membre du Conseil d'administration en raison d'un décès, d'une incapacité légale, d'une faillite, d'une démission ou autre, ce poste peut être pourvu de manière temporaire et pour une durée n'excédant pas le mandat initial du membre remplacé du Conseil d'Administration, par les autres membres du Conseil d'Administration jusqu'à la prochaine assemblée générale des actionnaires de la Société qui se prononcera sur la nomination permanente dans le respect des dispositions légales applicables et des présents Statuts.

Article 12. Réunions du Conseil d'Administration

12.1 Le Conseil d'Administration peut choisir parmi ses membres un président (le « **Président** »). Il pourra également nommer un secrétaire qui n'a pas besoin d'être membre du Conseil d'Administration et qui sera responsable de la tenue des procès-verbaux des réunions du Conseil d'Administration et des actionnaires.

12.2 Le Conseil d'Administration se réunira sur convocation du Président. Une réunion du Conseil d'Administration doit être convoquée si deux Administrateurs le demandent.

12.3 Le Président présidera toutes les réunions du Conseil d'Administration et les assemblées générales des actionnaires (si nécessaires), mais en son absence le Conseil d'Administration pourra désigner un autre membre du Conseil d'Administration et l'assemblée générale des actionnaires pourra désigner toute autre personne comme président pro tempore à la majorité des membres présents ou représentés.

12.4 Sauf en cas d'urgence ou avec l'accord écrit préalable de tous ceux qui ont le droit d'y assister, une convocation écrite de toute réunion du Conseil

d'Administration devra être transmise, vingt-quatre heures au moins avant la date prévue pour la réunion, par télécopie, par courrier, par courriel ou tout autre moyen de communication. La convocation indiquera la date, l'heure et le lieu de la réunion ainsi que l'ordre du jour et la nature des affaires à traiter. Il pourra être passé outre cette convocation avec l'accord écrit transmis par télécopie, par courrier ou par courriel de chaque membre du conseil d'Administration. Une convocation spéciale ne sera pas requise pour les réunions se tenant à une date et à un endroit déterminés dans une résolution préalablement adoptée par le Conseil d'Administration.

12.5 Toute réunion du Conseil d'Administration se tiendra à Luxembourg ou tout autre endroit que le Conseil d'Administration pourra déterminer d'un temps à l'autre.

12.6 Tout membre du Conseil d'Administration pourra se faire représenter aux réunions du Conseil d'Administration en désignant par écrit, par télécopie, par courriel ou par courrier un autre membre du Conseil d'Administration comme son mandataire.

12.7 Le quorum du Conseil d'Administration est d'un (1) Administrateur A et d'un (1) Administrateur B présent à la réunion ou, dans l'hypothèse où aucun administrateur de catégorie A ou de catégorie B n'ait été nommé, trois (3) Administrateurs en fonction. Dans le cas où, la Section 303A.03 du manuel des sociétés cotées de la bourse de New-York (New-York Stock Exchange Listed Company Manual), exige qu'une réunion des administrateurs indépendants prenne place au moins une fois par an, le quorum requis pour une réunion du Conseil d'Administration pourra être ignoré et tous les administrateurs indépendants devront alors être présents ou représentés à cette réunion.

12.8 Toutes les affaires à l'ordre du jour de toute réunion du Conseil d'Administration seront déterminées par une résolution passée à la majorité des voix en faveur de la résolution. Dans le cas d'une égalité de voix, le Président aura une voix prépondérante (la « **Voix Prépondérante**»). La Voix Prépondérante sera personnelle au Président et ne pourra être transférée à un Administrateur agissant comme président de la réunion du Conseil d'Administration, en l'absence du Président.

12.9 Un ou plusieurs Administrateurs peuvent participer à une réunion par conférence téléphonique, visioconférence ou par tout autre moyen de communication similaire permettant ainsi à plusieurs personnes y participant de communiquer simultanément l'une avec l'autre. Une telle participation sera considérée équivalente à une présence physique à la réunion.

12.10 Une décision écrite signée par tous les Administrateurs est régulière et valable comme si elle avait été adoptée à une réunion du Conseil d'Administration, dûment convoquée et tenue. Une telle décision pourra être consignée dans un seul ou plusieurs écrits séparés ayant le même contenu et signé par un ou plusieurs Administrateurs.

Article 13. Procès-verbaux des Réunions du Conseil d'Administration

13.1 Les procès-verbaux de toute réunion du Conseil d'Administration seront signés par le Président de la réunion et par le secrétaire (s'il y a un). Les procurations resteront annexées aux procès-verbaux.

13.2 Les copies ou extraits de ces procès-verbaux, destinés à servir en justice ou ailleurs, seront signés par le Président et le secrétaire (s'il y en a) ou par deux membres du Conseil d'Administration.

Article 14. Pouvoirs du Conseil d'Administration

Le Conseil d'Administration est investi de tous les pouvoirs (à l'exception de ceux qui sont expressément réservés par la loi à l'associé unique ou à l'assemblée générale des actionnaires) pour accomplir tout acte nécessaire pour accomplir l'objet social de la Société. Tous pouvoirs qui ne sont pas expressément réservés par la loi ou par les Statuts à l'associé unique ou à l'assemblée générale des actionnaires sont dans la compétence du Conseil d'Administration.

Article 15. Délégation de Pouvoirs

La gestion journalière de la Société ainsi que la représentation de la Société en ce qui concerne cette gestion pourront, conformément à l'article 441-10 de la Loi, être déléguées à un ou plusieurs Administrateurs (le(s) « **Administrateur(s) Délégué(s)** »), directeurs, gérants et autres agents, associés ou non, agissant seuls ou conjointement. Leur nomination, leur révocation et leurs attributions seront réglées par une décision du Conseil d'Administration. La délégation à un membre du Conseil d'Administration impose au conseil d'Administration l'obligation de rendre annuellement compte à l'assemblée générale ordinaire, des traitements, émoluments et avantages quelconques alloués au délégué. La Société peut également conférer tous mandats spéciaux par procuration authentique ou sous seing privé.

Article 16. Conflit d'Intérêts

16.1 Sauf dispositions contraires de la Loi, tout membre du Conseil d'Administration qui a, directement ou indirectement, un intérêt de nature patrimoniale opposé à celui de la Société à l'occasion d'une opération relevant du Conseil d'Administration est tenu d'en prévenir le Conseil d'Administration et de faire mentionner cette déclaration dans le procès-verbal de la séance. L'administrateur concerné ne peut prendre part ni aux discussions relatives à cette opération, ni au vote y afférent. Ce conflit d'intérêts doit également faire l'objet d'un rapport aux actionnaires, lors de la prochaine assemblée générale des actionnaires, et avant toute prise de décision de l'assemblée générale des actionnaires sur tout autre point à l'ordre du jour.

16.2 Lorsque, en raison d'un conflit d'intérêts, le nombre d'administrateurs requis afin de délibérer valablement n'est pas atteint, le Conseil d'Administration peut décider de déferer la décision sur ce point spécifique à l'assemblée générale des actionnaires.

16.3 Les règles relatives aux conflits d'intérêts ne s'appliquent pas lorsque la décision du Conseil d'Administration se rapporte à des opérations courantes conclues dans des conditions normales.

16.4 Le(s) délégués à la gestion journalière de la Société le cas échéant, sont soumis aux articles 16.1 à 16.3 des présents Statuts à condition qu'un seul délégué à la gestion journalière de la Société ait été désigné et se trouve en situation conflit d'intérêts, la décision visée devant être adoptée par le Conseil d'Administration.

Article 17. Comité du Conseil d'Administration

Le Conseil d'Administration peut créer un ou plusieurs comités, incluant sans limitation, un comité d'audit et un comité de rémunération, et pour lesquels il doit, si un ou plusieurs de ces comités sont mis en place, nommer les membres qui peuvent, mais ne doivent pas nécessairement, être des membres du Conseil d'Administration (si les actions ordinaires de la Société sont cotées à une bourse étrangère toujours sous réserve des exigences de cette bourse étrangère applicables à la Société et/ou de l'autorité de régulation compétente en relation avec cette cotation), déterminer le but, les pouvoirs et compétences ainsi que les procédures et les autres règles pour autant que de besoin.

Article 18. Indemnisation

18.1 Les membres du Conseil d'Administration ne sont pas tenus personnellement responsables des dettes ou des autres obligations de la Société. En tant que mandataires de la Société, ils sont responsables de l'exercice de leurs fonctions. Sous réserve des exceptions et limites prévues à l'Article 18.2 ainsi que des dispositions impératives de la loi, toute personne qui est, ou a été, membre du Conseil d'Administration ou dirigeant de la Société devra être indemnisé par la Société, dans toute la mesure permise par la loi, pour toute responsabilité et toute dépense raisonnablement engagées ou payées par lui en rapport avec toute réclamation, action, poursuite ou procédure dans lesquelles il est impliqué en tant que partie ou pour être ou avoir été un administrateur ou un dirigeant, et pour les sommes payées ou engagées par lui dans le règlement de celles-ci. Les mots «demande», «action», «poursuite» ou «procédure» s'appliqueront à toutes les demandes, actions, poursuites ou procédures (civiles, pénales ou autres, y compris les appels) actuelles ou menacées et les mots « responsabilité » et «dépenses» comprennent, sans limitation les frais d'avocat, les coûts, les jugements, les montants payés en transaction et autres passifs.

18.2 Aucune indemnisation ne sera due à tout administrateur, dirigeant ou actionnaire (i) contre toute responsabilité en raison de fautes intentionnelles, de mauvaise foi, de négligence grave ou d'une imprudence flagrante des tâches concernées dans l'exercice de sa fonction (ii) à l'égard de toute affaire dans laquelle il/elle aura été finalement condamné pour avoir agi de mauvaise foi et non contre l'intérêt de la Société ou (iii) dans le cas d'une transaction, à moins que la transaction ait été approuvée par un tribunal d'une juridiction compétente, ou par le Conseil d'Administration.

18.3 Le droit à indemnisation prévu ici est divisible, ne doit pas porter atteinte à tout autre droit auquel tout administrateur ou dirigeant peut présentement ou postérieurement avoir droit et doit continuer pour une personne qui a cessé d'être un tel administrateur ou dirigeant et bénéficiera aux héritiers, exécuteurs testamentaires et administrateurs d'une telle personne. Aucune de ces dispositions ne peut affecter ou limiter les droits à indemnisation dont le personnel de l'entreprise, y compris les administrateurs et dirigeants, peuvent avoir droit par contrat ou autrement en vertu de la loi. La Société est expressément habilitée à fournir une indemnisation contractuelle et peut souscrire et maintenir une assurance pour tout membre du personnel de l'entreprise, y compris les administrateurs et dirigeants de la Société, à tout moment.

Article 19. Représentation de la Société

Vis-à-vis des tiers, la Société sera engagée par la signature conjointe d'un Administrateur A et d'un Administrateur B, ou par la signature individuelle de la personne à laquelle la gestion journalière de la Société a été déléguée dans les limites d'une telle délégation, ou par la signature conjointe ou par la signature individuelle de toutes personnes à qui un tel pouvoir de signature aura été délégué par le Conseil d'Administration, mais seulement dans les limites de ce pouvoir.

Article 20. Commissaires aux Comptes

20.1 Les transactions de la Société devront être contrôlées par un ou plusieurs commissaires aux comptes. L'assemblée générale des actionnaires devra nommer le(s) commissaire(s) aux comptes et devra déterminer leur mandat, lequel ne peut excéder six (6) ans.

20.2 Un commissaire aux comptes peut être révoqué à tout moment, sans préavis et avec ou sans motif, par l'assemblée générale des actionnaires.

20.3. Le(s) commissaire(s) aux comptes dispose(nt) d'un droit de regard et de contrôle permanent et illimité sur toutes les opérations de la Société.

20.4. Si l'assemblée générale des actionnaires de la Société nomme un ou plusieurs réviseurs d'entreprises agréés conformément à l'article 69 de la loi du 19 décembre 2002 relative au registre du commerce et des sociétés et à la comptabilité et aux comptes annuels des entreprises, telle que modifiée, la nomination des commissaires aux comptes n'est plus requise.

20.5. Un auditeur indépendant ne peut être révoqué que par l'assemblée générale des actionnaires pour un motif valable ou avec son approbation.

CHAPITRE IV.- ASSEMBLÉE GÉNÉRALE DES ACTIONNAIRES

Article 21. Pouvoirs de l'Assemblée Générale des Actionnaires

L'assemblée générale des actionnaires de la Société et les détenteurs de Parts Bénéficiaires représentent l'ensemble des actionnaires et l'ensemble des détenteurs de Parts Bénéficiaires de la Société (l' « **Assemblée Générale** »). L'Assemblée Générale a tous les pouvoirs qui lui sont réservés par la loi.

Article 22. Assemblée Générale Annuelle

L'Assemblée Générale annuelle devra se tenir dans les six (6) mois suivant la fin de chaque exercice social au Grand-Duché de Luxembourg, au siège social de la Société ou à tout autre endroit au Grand-Duché de Luxembourg tel qu'indiqué dans la convocation de cette assemblée. D'autres Assemblées Générales peuvent être tenues au lieu et à l'heure spécifiés dans leurs convocations respectives. Les porteurs d'obligations n'ont pas le droit d'assister aux Assemblées Générales.

Article 23. Autres Assemblées Générales

23.1 Le Conseil d'Administration peut convoquer d'autres Assemblées Générales. De telles assemblées doivent être convoquées à la demande des actionnaires représentant au moins dix pour cent (10%) du capital social.

23.2 Les Assemblées Générales, y compris l'Assemblée Générale annuelle, peuvent se tenir à l'étranger chaque fois que des circonstances de force majeure, appréciées souverainement par le Conseil d'Administration, le requièrent.

23.3 Les Assemblées Générales sont convoquées conformément aux dispositions de la loi et si les actions ordinaires de la Société sont cotées sur une bourse étrangère, conformément aux exigences de cette bourse étrangère applicables à la Société.

23.4 Si les actions ordinaires de la Société sont cotées sur une bourse étrangère, tous les actionnaires inscrits dans un registre des actionnaires de la Société, le Porteur ou le Dépositaire, selon le cas, et les détenteurs de Parts Bénéficiaires, ont le droit d'être admis à l'Assemblée Générale; cependant, le Conseil d'Administration pourra déterminer une date et une heure antérieures à l'Assemblée Générale comme date de référence pour l'admission à l'assemblée générale des actionnaires (la «**Date d'Inscription** »), qui ne pourra être inférieure à cinq (5) jours avant la date de cette assemblée.

23.5 Tout actionnaire de la Société, Porteur ou Dépositaire, selon le cas, et tout détenteur de Parts Bénéficiaires peut assister à l'Assemblée Générale en nommant une autre personne comme son mandataire, une telle nomination doit être faite par écrit d'une manière devant être déterminée par le Conseil d'Administration dans la convocation. Dans le cas d'actions ordinaires détenues par l'opérateur d'un système de compensation ou par un Dépositaire désigné par un tel Dépositaire, un porteur d'actions ordinaires qui souhaite assister à une Assemblée Générale doit recevoir de ces mêmes opérateurs ou Dépositaires un certificat attestant le nombre d'actions ordinaires inscrites dans le compte correspondant à la Date d'Inscription et attestant que ces actions ordinaires sont bloquées jusqu'à la clôture de l'Assemblée Générale en question. Le certificat devra être présenté à la Société au plus tard trois (3) jours ouvrables avant la date de cette assemblée générale. Si l'actionnaire ou le détenteur de Parts Bénéficiaires vote au moyen d'une procuration, la procuration doit être déposée au siège social de la Société ou chez tout autre agent de la Société, dûment autorisé à recevoir ces procurations, dans le même temps. Le Conseil d'Administration peut fixer un délai plus court pour le dépôt du certificat ou de la procuration.

Article 24. Procédure, Vote

24.1 Les actionnaires et les détenteurs de Parts Bénéficiaires se réunissent après convocation du Conseil d'Administration ou des commissaires aux comptes, conformément aux conditions fixées par la loi. La convocation envoyée aux actionnaires et détenteurs de Parts Bénéficiaires indiquera la date, l'heure et le lieu de l'Assemblée Générale ainsi que l'ordre du jour et la nature des affaires à traiter lors de l'Assemblée Générale des actionnaires.

24.2 Si tous les actionnaires et détenteurs de Parts Bénéficiaires sont présents ou représentés à une Assemblée Générale et déclarent avoir eu connaissance de l'ordre du jour de l'Assemblée Générale, celle-ci peut se tenir sans convocation préalable.

24.3 Un actionnaire et un détenteur de Parts Bénéficiaires peuvent agir à toute Assemblée Générale en désignant par écrit, par télécopie, par courriel, par courrier ou tout autre moyen de communication écrit, un mandataire qui ne doit pas obligatoirement être un actionnaire ou un détenteur de Parts Bénéficiaires.

24.4 Chaque actionnaire et chaque détenteur de Parts Bénéficiaires peut voter à une Assemblée Générale par un formulaire de vote signé envoyé par courrier ou par télécopie ou par tout autre moyen de communication autorisé par le Conseil d'Administration, et livré au siège social de la Société ou à l'adresse figurant dans la convocation. Les actionnaires et détenteurs de Parts Bénéficiaires ne peuvent utiliser que les formulaires de vote fournis par la Société qui contiennent au moins le lieu, la date et l'heure de la réunion, l'ordre du jour de la réunion, les propositions soumises aux décisions de l'Assemblée Générale ainsi que pour chaque proposition, trois cases permettant à l'actionnaire et au détenteur de Parts Bénéficiaires de voter en faveur ou contre la résolution proposée ou de s'abstenir de voter en cochant les cases appropriées. La Société ne tiendra

compte que des formulaires de vote reçus au plus tard trois (3) jours ouvrables avant la date de l'Assemblée Générale à laquelle ils se rapportent. Le Conseil d'Administration peut fixer une période plus courte pour la réception des formulaires de vote.

24.5. Le Conseil d'Administration peut déterminer toutes les autres conditions à remplir pour participer à l'Assemblée Générale.

24.6. Sauf disposition contraire de la loi ou des présent Statuts, les décisions seront prises à la majorité simple des voix, quel que soit le nombre d'actionnaires et de détenteurs de Parts Bénéficiaires présents ou représentés à l'Assemblée Générale.

24.7. Un vote est attaché à chaque action ordinaire émise. Chaque Part Bénéficiaire donne droit à une voix à son détenteur.

24.8. Des copies des extraits du procès-verbal de l'assemblée à produire en justice ou autrement seront signées par deux Administrateurs ou par le Président du Conseil d'Administration.

CHAPITRE V.- ANNÉE SOCIALE, RÉPARTITION DES BÉNÉFICES

Article 25. Année Sociale

L'année sociale de la Société commence le premier janvier de chaque année et finit le trente et un décembre de la même année. Le Conseil d'Administration doit préparer les comptes annuels de la société conformément à la loi luxembourgeoise et à la pratique comptable.

Article 26. Répartition des Bénéfices

26.1 Sur les bénéfices nets de la Société il sera prélevé cinq pour cent (5 %) pour la formation d'un fonds de réserve légale. Ce prélèvement cesse d'être obligatoire lorsque et aussi longtemps que la Réserve Légale atteindra dix pour cent (10%) du capital émis.

26.2 L'Assemblée Générale décide de l'affectation du solde des bénéfices annuels nets. Elle peut décider de verser la totalité ou une partie du solde à un compte de réserve ou de provision, de le reporter à nouveau ou de le distribuer aux actionnaires comme dividendes.

26.3 Dans les conditions établies par la loi, le Conseil d'Administration peut payer une avance sur les dividendes. Le Conseil d'Administration détermine la date et le montant de tout paiement d'acompte sur dividendes.

CHAPITRE VI.- DISSOLUTION, LIQUIDATION

Article 27. Dissolution, Liquidation

27.1 La Société peut être dissoute par une résolution de l'Assemblée Générale délibérant aux mêmes conditions de quorum et de majorité que celles exigées pour toute modification des Statuts, sauf dispositions contraires de la loi.

27.2 En cas de dissolution de la Société, la liquidation sera effectuée par un ou plusieurs liquidateurs nommés par l'Assemblée Générale et qui fixera les pouvoirs et émoluments de chacun des liquidateurs.

27.2 Le surplus résultant de la réalisation de l'actif et du paiement de l'ensemble des dettes sera réparti entre les actionnaires en proportion du nombre des actions ordinaires qu'ils détiennent dans la Société.

CHAPITRE VII. MODIFICATION DES STATUTS

Article 28. Modifications des Statuts

Les présents Statuts peuvent être modifiés par une résolution de l'Assemblée Générale adoptée à un quorum de cinquante pour cent (50%) du capital social de la Société et une majorité des deux tiers des voix des actionnaires et des détenteurs de Parts Bénéficiaires de la Société, à condition que l'ordre du jour de l'Assemblée Générale indique les modifications proposées et qu'une copie des statuts coordonnés soit mise à disposition au siège social de la Société au moins huit (8) jours avant l'assemblée générale des actionnaires et des détenteurs de Parts Bénéficiaires.

Article 29. Changement de nationalité

Les actionnaires peuvent changer la nationalité de la Société par une résolution de l'Assemblée Générale adoptée de la manière requise pour une modification des Statuts.

CHAPITRE VIII.- LOI APPLICABLE

Article 30. Loi Applicable

Toutes les questions qui ne sont pas régies par les présents Statuts seront déterminées conformément à la Loi. En cas de contradiction entre les dispositions d'un pacte d'actionnaires qui pourrait être conclu à tout moment par les actionnaires de la Société, les termes de ce pacte prévaudront inter partes et dans la mesure permise par loi luxembourgeoise.

STATUTS COORDONNES, délivrés à la société sur sa demande.

Belvaux, le **14 avril 2022**.

Signé par Maître Frédérique HENGEN, notaire de résidence à Rambrouch, Grand-Duché de Luxembourg, agissant en vertu d'un mandat verbal, en remplacement de son collègue Maître Jean-Joseph WAGNER, momentanément absent.

LIST OF SUBSIDIARIES

The following is a list of subsidiaries of Spotify Technology S.A. as of December 31, 2022:

<u>Name of Subsidiary</u>	<u>Jurisdiction of Incorporation or Organization</u>
Spotify AB	Sweden
Spotify USA Inc.	Delaware, United States of America
Spotify Ltd	United Kingdom
Spotify Spain S.L.	Spain
Spotify GmbH	Germany
Spotify France SAS	France
Spotify Canada Inc.	Canada
Spotify Australia Pty Ltd	Australia
Spotify Brasil Serviços De Música LTDA	Brazil
Spotify Japan K.K.	Japan
Spotify India LLP	India
S Servicios de Música México, S.A. de C.V.	Mexico
Spotify Singapore Pte Ltd.	Singapore
Spotify Italy S.r.l.	Italy

CERTIFICATIONS

I, Daniel Ek, certify that:

1. I have reviewed this annual report on Form 20-F of Spotify Technology S.A.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: February 2, 2023

/s/ Daniel Ek

Daniel Ek

Chief Executive Officer

CERTIFICATIONS

I, Paul Vogel, certify that:

1. I have reviewed this annual report on Form 20-F of Spotify Technology S.A.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: February 2, 2023

/s/ Paul Vogel

Paul Vogel

Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
UNDER SECTION 906 OF THE SARBANES-OXLEY
ACT OF 2002, 18 U.S.C. SECTION 1350**

I, Daniel Ek, Chief Executive Officer of Spotify Technology S.A. (the "Company"), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(a) The Annual Report on Form 20-F of the Company for the year ended December 31, 2022, as filed with the Securities and Exchange Commission (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(b) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 2, 2023

/s/ Daniel Ek

Daniel Ek

Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
UNDER SECTION 906 OF THE SARBANES-OXLEY
ACT OF 2002, 18 U.S.C. SECTION 1350**

I, Paul Vogel, Chief Financial Officer of Spotify Technology S.A. (the “Company”), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(a) The Annual Report on Form 20-F of the Company for the year ended December 31, 2022, as filed with the Securities and Exchange Commission (the “Report”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(b) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 2, 2023

/s/ Paul Vogel

Paul Vogel

Chief Financial Officer

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-8 No. 333-264508) pertaining to the Terms and Conditions Governing Director Stock Options 2022/2026 in Spotify Technology S.A., Terms and Conditions Governing Director Restricted Stock Units 2022/2026 in Spotify Technology S.A., Terms and Conditions Governing Consultant Stock Options 2022/2026 in Spotify Technology S.A. and Terms and Conditions Governing Consultant Restricted Stock Units 2022/2026 in Spotify Technology S.A.,
 - (2) Registration Statement (Form S-8 No. 333-255574) pertaining to the Terms and Conditions Governing Director Stock Options 2021/2026 in Spotify Technology S.A. and the Terms and Conditions Governing Director Restricted Stock Units 2021/2026 in Spotify Technology S.A.,
 - (3) Registration Statement (Form S-8 No. 333-252806) pertaining to the Terms and Conditions Governing Employee Stock Options 2021/2026 in Spotify Technology S.A., Terms and Conditions Governing Employee Restricted Stock Units 2021/2026 in Spotify Technology S.A., Terms and Conditions Governing Consultant Stock Options 2021/2026 in Spotify Technology S.A., and the Terms and Conditions Governing Consultant Restricted Stock Units 2021/2026 in Spotify Technology S.A.,
 - (4) Registration Statement (Form S-8 No. 333-237908) pertaining to the Terms and Conditions Governing Director Stock Options 2020/2025 in Spotify Technology S.A., and Terms and Conditions Governing Director Restricted Stock Units 2020/2025 in Spotify Technology S.A.,
 - (5) Registration Statement (Form S-8 No. 333-235746) pertaining to the Terms and Conditions Governing Employee Stock Options 2020/2025 in Spotify Technology S.A., Terms and Conditions Governing Employee Restricted Stock Units 2020/2025 in Spotify Technology S.A., Terms and Conditions Governing Stock Options for Consultants 2020/2025 in Spotify Technology S.A., and Terms and Conditions Governing Restricted Stock Units for Consultants 2020/2025 in Spotify Technology S.A.,
 - (6) Registration Statement (Form S-8 No. 333-231102) pertaining to the Terms and Conditions Governing Director Stock Options 2019/2023 in Spotify Technology S.A. and Terms and Conditions Governing Director Restricted Stock Units 2019/2023 in Spotify Technology S.A.,
 - (7) Registration Statement (Form S-8 No. 333-229623) pertaining to the Terms and Conditions Governing Employee Stock Options 2019/2024 in Spotify Technology S.A., Terms and Conditions Governing Employee Stock Options 2019/2024 Interim in Spotify Technology S.A., and Terms and Conditions Governing Restricted Stock Units 2019/2024 in Spotify Technology S.A., and
 - (8) Registration Statement (Form S-8 No. 333-223908) pertaining to the Terms and Conditions Governing Employee Stock Options 2014/2019 in Spotify Technology S.A., Terms and Conditions Governing Employee Stock Options 2015/2020 in Spotify Technology S.A., Terms and Conditions Governing Employee Stock Options 2016/2021 in Spotify Technology S.A., Terms and Conditions Governing Employee Stock Options 2017/2022 in Spotify Technology S.A., Terms and Conditions Governing Employee Stock Options 2018/2023 in Spotify Technology S.A., Terms and Conditions Governing Restricted Stock Units 2018/2023 in Spotify Technology S.A., Terms and Conditions Governing Director Restricted Stock Units 2018/2022 in Spotify Technology S.A., and The Echo Nest Corporation 2007 Stock Option and Grant Plan;
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of our reports dated February 2, 2023, with respect to the consolidated financial statements of Spotify Technology S.A. and the effectiveness of internal control over financial reporting of Spotify Technology S.A. included in this Annual Report (Form 20-F) of Spotify Technology S.A. for the year ended December 31, 2022.

/s/ Ernst & Young AB

Stockholm, Sweden

February 2, 2023