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, 2021

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)

42-44, avenue de la Gare
L- 1610 Luxembourg
Grand Duchy of Luxembourg
(Address of principal executive offices)

Eve Konstan
General Counsel
ir@spotify.com
150 Greenwich Street, 63rd Floor
New York, New York 10007
(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: 192,151,811 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 ☒

TABLE OF CONTENTS

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;
- our emphasis on innovation and 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 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;
- the impact of the COVID-19 pandemic and other public health crises;
- 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 and ownership thereof embodied in sound recordings 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 user data security;
- 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;
- our ability to achieve our net zero emissions target or make progress in other environmental, social, and governance initiatives;
- payment-related risks;
- our dependence on key personnel and ability to attract, retain, and motivate highly skilled employees;
- our ability to access capital to support growth;
- risks relating to currency exchange rate fluctuations and foreign exchange controls;
- the impact of economic, social, or political conditions;
- 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 Exchangeable Notes (as defined below);
- 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 the risks actually occur, our business, results of operations, 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 and Operations

- We face significant competition and we might not be successful at attracting and retaining users, including through predicting, recommending, and playing content that our users enjoy, or monetizing our products and services including podcasts 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 business emphasizes rapid innovation and prioritizes long-term user engagement over short-term results. That strategy may not align with the market's expectations.
- 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.
- Failure to convince advertisers of the benefits of our advertising offerings could harm our business, operating results, and financial condition.
- 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 acquisition or investment could divert management's attention and disrupt our operations and harm operating results. We may fail to complete strategic acquisitions or investments.
- Any change to, loss of, or claim that we do not hold any necessary third-party licenses, 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 in our sound recordings and the ownership thereof may impact our ability to perform our obligations under our licenses.
- 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.
- We have limited ability to access online platforms, operating systems, hardware, or networks.
- Failure to maintain the security of user data 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, including those related to copyright, privacy and data security, which may increase compliance costs.
- We may not be able to achieve our net zero emissions target or make progress in other environmental, social, and governance initiatives.
- Other risks such as failure to protect our brand, payments-related risks, fluctuation of our operating results, failure to implement and maintain effective internal control over financial reporting, lack of additional capital to support our growth, a global public health crisis such as COVID-19, changes of 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.
- The accounting method for 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, including new proposals on taxing digital companies, 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 holder may be subject to adverse U.S. federal income tax consequences.

Risks Related to Owning Our Ordinary Shares and Our Status as a Foreign Private Issuer

- 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.
- 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 content across the Service. 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 content across the Service 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, Facebook, 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 us. 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, as SiriusXM and Pandora, or Amazon Music and Wondery, have done, 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 fail to increase or may decline 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, 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, including major internet portals, search engine companies, social media sites, and mobile applications, as well as traditional advertising channels such as terrestrial radio and television.

Large internet companies with strong brand recognition, such as Facebook, Google, Amazon, and Twitter, 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 music 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, artists, performing rights organizations, and other copyright owners;
- difficulties in obtaining license rights to local content;
- increased risk of disputes with and/or lawsuits filed by rights holders in connection with our expansion into 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, including compliance costs associated with our recently adopted Work from Anywhere program, as our dispersed workforce will be subject to many different local laws and regulations;
- application of different laws and regulations of other jurisdictions, including corporate governance, labor and employment, privacy, telecommunications and media, cybersecurity, content moderation, environmental, 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-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 recruit, integrate, and retain skilled and experienced personnel who can demonstrate our value proposition to users, advertisers, and business partners and who can increase the monetization of the music and podcasts streamed on our Service. Continued growth could also strain our ability to maintain reliable service levels for our users, effectively monetize the music and podcasts 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 business emphasizes rapid innovation and prioritizes long-term user engagement over short-term financial condition or results of operations. That strategy may yield results that sometimes do not align with the market's expectations. If that happens, our stock price may be negatively affected.

Our business is growing and becoming more complex, and our success depends on our ability to quickly develop and launch new and innovative products. We believe our culture fosters this goal. Our focus on innovations and quick reactions could result in unintended outcomes or decisions that are poorly received by our users, advertisers, or partners. We have made, and expect to continue to make, significant investments to develop and launch new products, services, and initiatives, which may involve significant risks and uncertainties, including the fact that such offerings may not be commercially viable for an indefinite period of time or at all, or may not result in adequate return of capital on our investments. No assurance can be given that such new offerings will be successful and will not adversely affect our reputation, operating results, and financial condition. Our culture also prioritizes our long-term user engagement over short-term financial condition or results of operations. 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.

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 or podcasts 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 and podcasts 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 users and 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, 2021, had an accumulated deficit of €3,220 million. While for the year ended December 31, 2021, we had operating income of €94 million, for the years ended December 31, 2020 and 2019, our operating losses were €293 million and €73 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 also expect our costs to increase in future periods, which could negatively affect our future operating results and ability to achieve profitability. We expect to continue to expend substantial financial and other resources on:

- securing top quality audio and video content from leading record labels, distributors, aggregators, and podcast creators, as well as the publishing right to any underlying musical compositions;
- creating new forms of original content;
- our technology infrastructure, including website architecture, 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;
- sales and marketing, including a significant expansion of our field sales organization;
- 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;
- continued impact from the COVID-19 pandemic 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 may affect advertisers' spending. For example, we experienced a decline in Ad-Supported revenue growth as a result of headwinds to our advertising business during the early phase of the COVID-19 pandemic. While our advertising business has recovered, given the market uncertainty, it could face headwinds again in the future and adversely affect our business, operating results, and financial condition. Labor shortages and supply chain disruptions may continue to cause logistical challenges, increased input costs, and inventory constraints for our advertisers, which in turn may also halt or decrease advertising spending.

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, which may include their genders and dates of birth, the personal data we have may differ from our users' actual genders and ages. If our users provide us with incorrect or incomplete information regarding their personal data, such as genders, 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 Mozilla, Safari, and Chrome, have made or may make in the future similar changes 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 have introduced Streaming Ad Insertion ("SAI") 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 well as its acceptance by our advertising partners or our ability to scale this technology successfully.

Further, the digital advertising industry is shifting to 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 mobile 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, the ePrivacy Directive, and LGPD (each as defined below), may also impact the way we generate revenue from advertising.

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

Delivering podcasts 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 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 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 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, 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.

The COVID-19 pandemic has had, and could have in the future, an adverse impact on our business, operating results, and financial condition.

The COVID-19 pandemic has created significant volatility, uncertainty, and economic disruption. The full extent to which the COVID-19 pandemic will continue to impact our business, financial condition, and results of operations will depend on numerous evolving factors that we may not be able to accurately predict and that will vary by market, including the duration and scope of the pandemic, including any resurgences, the impact of the pandemic on economic activity, and actions taken by governments, businesses, and individuals in response. The economic disruption caused by the COVID-19 pandemic has adversely affected, and could adversely affect in the future, the levels of advertising spending and consumer spending on discretionary items, which in turn adversely affect our ad sales and Subscriber revenue. Labor shortages and supply chain disruptions may continue to cause logistical challenges, increased input costs, and inventory constraints for our advertisers, which in turn may also halt or decrease advertising spending. Limitations on travel, "stay at home" orders, social distancing requirements, and other governmental actions implemented in response to COVID-19 have caused, and may in the future cause, changes as to how our users consume music and podcasts, and any failure to predict or address such changes in our users' engagement with our Service could adversely affect our business. Any such effect could cause or contribute to the risks and uncertainties enumerated in this report and could materially adversely affect our business, operating results, and financial condition.

Additionally, the majority of our employees are currently working remotely as a result of the COVID-19 pandemic, and in 2021 we adopted the Work from Anywhere program, which allows most employees to elect their work location from physical office space and home mix options. These arrangements could challenge our ability to manage employees and maintain productivity, impact our financial reporting systems and internal controls, heighten the risk of cyber incidents, increase our compliance costs as our dispersed workforce will be subject to many different local laws and regulations, and introduce or heighten operational challenges. In addition, any rapid adoption by us of third-party services designed to enable the transition to a remote workforce also may introduce security risk that is not fully mitigated prior to the use of the services. Recently, organizations worldwide, including governments and commercial enterprises, have seen an increase in cyber-attacks, such as phishing and ransomware attacks, by bad actors taking advantage of the pandemic and remote workforces. Our own systems and the systems of third parties that we work with are subject to such increased threats.

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, 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, nor 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 and other non-music content, if rights holders or content providers do not comply with the terms and conditions of our license agreements as well as the Spotify 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, 2021, this content accounted for approximately 77% of music streams. 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 works enhances their market power. As a result, the loss of rights to a major publisher catalogue 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 that certain material terms of such agreements are 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 of these obligations or any other 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. See "—If we fail to implement and maintain effective internal control over financial reporting, our ability to accurately and timely report our financial results could be adversely affected." 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 pay royalties based on management estimates of the rates that will apply while we negotiate license agreement renewals. 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 (the "Copyright Act") and to a number of direct licenses that we have had with music publishers. Until the rates are determined, our recorded royalty costs, both retrospectively and prospectively, will be based on management estimates of the rates that will apply. When the rates are determined anew, these could either benefit or adversely affect our results of operations and financial condition.

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, 2021, we have estimated future financial commitments of €3.3 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. The enactment of the Music Modernization Act ("MMA") in October 2018 amended the process to obtain a compulsory license under Section 115 of the Copyright Act. In particular, from October 2018 through December 31, 2020, to the extent we did not have a direct license and could not locate the owner of a composition, the law no longer provided a mechanism for us to obtain a compulsory license, but instead 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, and podcasts, as well as visual and related content, such as music videos, clips, album cover art, artist images, and any other media assets that artists and/or labels can add or provide with their tracks. Various laws and regulations govern the copyright and other intellectual property rights associated with audio and visual content, including sound recordings and musical compositions. 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 upon 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, 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.

We currently own the www.spotify.com internet domain name and various other related domain names. Internet regulatory bodies generally regulate domain names. If we lose the ability to use a domain name in a particular country, we may be forced either to incur significant additional expenses to market our Service within that country or, in extreme cases, to elect not to offer our Service in that country. Either result could harm our business, operating results, and financial condition. The regulation of domain names in the United States and in foreign countries is subject to change. Regulatory bodies could establish additional top-level domains, appoint additional domain name registrars, or modify the requirements for holding domain names. As a result, we may not be able to acquire or maintain the domain names that utilize our brand names in the United States or other countries in which we may conduct business in the future.

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 Spotify or make Spotify 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 security of data relating to our users 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 gain unauthorized access to data and software are constantly evolving, and we may be unable to anticipate or prevent unauthorized access to data pertaining to our users, including credit card and debit card information and other personal data about our users, business partners, and employees. Our products and services, which are supported by our own systems and those of third parties that we work with, are vulnerable to software bugs, traditional computer “hackers,” malicious code (such as malware, viruses, internet worms, and ransomware), employee theft, malfeasance, break-ins, misuse or error, phishing, password spraying, and credential stuffing attacks, attempts to overload servers with denial-of-service or other attacks, and similar disruptions from unauthorized use of our and third-party computer systems, any of which could cause loss of critical data or unauthorized access to personal data. In addition to these "traditional" threats, we also face threats from sophisticated organized crime, nation-state, and nation-state supported actors who engage in attacks (including advanced persistent threat intrusions) that add to the risks to our internal systems and the systems of the third parties we work with. 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 internal electronic systems, networks, and/or physical facilities in order to gain access to our data, which could result in significant legal and financial exposure, a loss of confidence in our security, interruptions or malfunctions in our operations, and, ultimately, harm to our future business prospects and revenue. 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.

Computer malware, viruses, and computer hacking, credential stuffing and phishing attacks have occurred on our systems in the past and may occur on our systems in the future. Because of our prominence, we believe that we are a particularly attractive target for such attacks. Moreover, our recently adopted Work from Anywhere program may impact our ability to protect against cyber incidents as our workforce will now be connected from a mix of physical office space and home options. We cannot assure you that the systems and processes that we 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 occurs to our systems or a third party’s systems, we may face actions against us by governmental entities (in particular given the White House, SEC, and other regulators' recent increased focus on companies' cybersecurity vulnerabilities and risks), data protection authorities, consumers, or others that could result in enforcement, litigation 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 and upgrade our security systems, and in most cases 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 data breach by service providers that 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. 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, power loss, telecommunications failures, and similar events. Global climate change could result in certain types of natural disasters occurring more frequently or with more intense effects. They 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, global pandemics and other public health crises, such as the COVID-19 pandemic, 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/or operations in 184 countries and territories around the world. 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. 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. 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, in Europe, 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, including the pending Digital Services Act, which, among other requirements, sets forth rules on the removal of illegal content and on transparency and reporting. 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.

Additionally, under the terms of a withdrawal agreement between the United Kingdom and the EU, the United Kingdom formally left the EU on January 31, 2020, and on January 1, 2021, the United Kingdom left the EU Single Market and Customs Union, as well as all EU policies and international agreements. On December 24, 2020, the European Commission reached a trade agreement with the United Kingdom on the terms of its future cooperation with the EU (the "Trade Agreement"). Although we cannot predict the impact that the Trade Agreement and any future agreements on services will have on our business, it is possible that new terms, as well as the continued uncertainty related to Brexit, may adversely affect consumer confidence and the level of consumer purchases of discretionary items, including our Service. Any such effect could adversely affect our business, operating results, and financial condition.

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 the General Data Protection Regulation ("GDPR"), which came into effect in May 2018 and 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 European Union and the expiry of the transition period, we are subject to UK data protection law, which imposes obligations and penalties similar to the GDPR. We are also 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 Lei Geral de Proteção de Dados ("LGPD"), which went into effect in September 2020, and 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 $11 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.

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 E.U. 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, 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, relationship 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 may not be able to achieve our net zero emissions target or make progress in other environmental, social, and governance initiatives.

In late 2021, we announced our intention to reach net zero emissions within the next decade through a variety of ways. We also joined the Exponential Roadmap Initiative and the United Nations' Race to Zero campaign as a first step on our climate action journey. Our estimates concerning the timing and cost of implementing our targets are subject to risks and uncertainties, and there can be no assurances that our commitments will be achieved.

We have also elected to share publicly our corporate environmental, social and governance ("ESG") initiatives in our annual Sustainability, Equity and Impact Reports. 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. 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 of 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 the Payment Card Industry Data Security Standard v3.2.1, 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 have proposed additional requirements for trial offers for 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, financial condition, and results of operations. 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. In particular, we intend to continue to hire a significant number of personnel in the foreseeable future and may face challenges in hiring such personnel. 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.

If we fail to implement and maintain effective internal control over financial reporting, our ability to accurately and timely report our financial results could be adversely affected.

We are required to maintain internal control over financial reporting and to report any material weaknesses in those controls. If we identify future material weaknesses in our internal control over financial reporting or fail to meet our obligations as a public company, including the requirements of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), we may be unable to accurately report our financial results, or report them within the timeframes required by law or stock exchange regulations, and we could lose investor confidence in the accuracy and completeness of our financial reports, which would cause the price of our ordinary shares to decline. Under Section 404 of the Sarbanes-Oxley Act, we are required to evaluate and determine the effectiveness of our internal control over financial reporting and provide a management report as to internal control over financial reporting. Failure to maintain effective internal control over financial reporting also could potentially subject us to sanctions or investigations by the U.S. Securities and Exchange Commission (the "SEC"), the New York Stock Exchange (the "NYSE"), or other regulatory authorities, or shareholder lawsuits, which could require additional financial and management resources.

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. 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 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 will be affected by currency fluctuations, which may result in losses to us. Fluctuations in the exchange rates between the Euro and other currencies may impact expenses as well as revenue, and consequently have an impact on margin and the reported operating results. This could have a negative impact on our reported operating results. To date, we have engaged in limited 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 and their impact on levels of advertising spending. Expenditures by advertisers generally tend to reflect overall economic conditions, and reductions in spending by advertisers could have a material adverse impact on our business.

Economic conditions may adversely impact levels of consumer spending, which could adversely impact the number of users who purchase our Premium Service on our website and mobile application. 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. For example, the economic disruption caused by the COVID-19 pandemic has adversely affected, and could adversely affect in the future, the levels of advertising spending and consumer spending on discretionary items, which in turn adversely affect our ad sales and Subscriber revenue. See “Risks Related to Our Business Model, Strategy, and Performance—The COVID-19 pandemic has had, and could continue to have, an adverse impact on 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, 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 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, financial condition and results of operations, and impair our ability to satisfy our obligations under the Exchangeable Notes.

As of December 31, 2021, 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, results of operations, 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 us 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.

The accounting method for 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 that are due to changes in own 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 is expected to 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. Income tax accounting often involves complex issues, and judgment is required in determining our worldwide provision for income taxes and other tax liabilities. 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 such audits involve transfer pricing issues. We regularly assess the likely outcomes of these audits in order to determine the appropriateness of our tax reserves as well as tax liabilities going forward. 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 and penalties and interest related thereto in excess of any reserves established therefor, 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, 2021, we had net operating loss carry-forwards of €80 million in Luxembourg, €1,226 million in Sweden, €316 million in the United States relating to federal taxes, and €214 million in the United States relating to state taxes. 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, 2021, we recorded a social cost benefit related to share-based compensation of €32 million compared to a €168 million expense for the year ended December 31, 2020.

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 26% 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 1,761,039 in vested options as of December 31, 2021 compared to a total of 1,716,413 in vested options as of December 31, 2020. 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 share price of awards exercised 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, including new proposals on taxing digital companies, in any of the jurisdictions in which we operate could have a material adverse effect on our business, results of operations, 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, various governments and organizations such as the EU and Organization for Economic Co-operation and Development (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 Rules, which operate to impose a minimum tax rate of 15% calculated on a jurisdictional basis. In the third quarter of 2021, more than 130 countries tentatively signed on to a framework that imposes a minimum tax rate of 15%, among other provisions. The framework calls for law enactment by OECD and G20 members in 2022 to take effect in 2023 and 2024. On December 20, 2021, the OECD published model rules to implement the Pillar Two rules, which are generally consistent with agreement reached by the framework in October 2021. These changes, when enacted by various countries in which we do business, may increase our taxes in these countries. Luxembourg is one of the jurisdictions that has agreed in principle to enforce the global minimum tax rate. As this framework is subject to further negotiation, final approval by the G20, and implementation by each member country, the timing and ultimate impact of any such changes on our tax obligations are uncertain.

The U.S. presidential administration and members of the U.S. Congress have proposed significant changes in U.S. federal income tax law, regulation and government policy within the United States, which could affect us and our business. For example, these proposals include significant changes to the U.S. federal income taxation of business entities including, among others, an increase in the tax rate applicable to global intangible low-taxed income and elimination or restriction of certain related exemptions, and the imposition of minimum taxes or surtaxes on certain types of income. These proposals are being considered by the U.S. Congress, but the likelihood of these or other changes being enacted or implemented is unclear. We are currently unable to predict whether these or other changes will occur and, if so, the ultimate impact on our business. To the extent that such changes have a negative impact on us, our suppliers or our consumers, including as a result of related uncertainty, these changes may materially and adversely impact our business, financial condition, results of operations and cash flow.

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 results of operations and financial condition.

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, 2021, 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 holder 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 (although there is currently a pending legislative proposal to significantly limit the application of these rules). 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 2021, the trading price of our ordinary shares ranged from $205.08 to $364.59. 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, in particular related to the COVID-19 pandemic;
- 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, 2021, our founders, Daniel Ek and Martin Lorentzon, beneficially owned or controlled, directly or indirectly, ordinary shares and beneficiary certificates representing 31.9% and 42.5% of the combined voting power of all of our outstanding voting securities, respectively (or 74.4% 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 1,600,000. 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 regulate 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 companies organized within the United States would have to disclose. 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 42-44, avenue de la Gare L-1610 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 February 14, 2019, we acquired Anchor FM Inc. (“Anchor”), a software company that enables users to create and distribute their own podcasts, for a total purchase consideration of €136 million. The acquisition allows us to leverage Anchor’s creator-focused platform to accelerate our path to becoming the world’s leading audio platform.

On February 15, 2019, we acquired Gimlet Media Inc. (“Gimlet”), an independent producer of podcast content, for a total purchase consideration of €172 million. The acquisition allows us to leverage Gimlet’s in-depth knowledge of original content production and podcast monetization.

On April 1, 2019, we acquired Cutler Media, LLC (“Parcast”), a premier storytelling podcast studio, for a total purchase consideration of €49 million. The acquisition allows us to bolster our content portfolio and utilize Parcast’s writers, producers, and researchers in the production of high-quality content

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 (“Betty Labs”) 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. (“Podz”), 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.

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 these creators.

We are the world's most popular audio streaming subscription service with a community of 406 million MAUs, including 180 million Premium Subscribers, across 184 countries and territories as of December 31, 2021.

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. Global recorded music industry revenues grew 7% to $22 billion in 2020, following on growth of 8% in 2019, 10% in 2018, 8% in 2017, 9% in 2016, and 4% in 2015. Industry-wide streaming revenues grew nearly 20% in 2020, accounting for over 62% 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, 2021, we have paid more than €26 billion in royalties to certain record labels, music publishers, and other rights holders since our launch. In 2021, our expenses for rights holders grew by 19% 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 82 million tracks, including more than 3.6 million podcast titles, through Spotify whenever and wherever they want.

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 music, podcasts, and entertainment that they would never have discovered on their own. If discovery drives delight, and delight 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 are continuing 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, and 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 that help them to better understand their fans, to support themselves, and to be able to live off of 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, including our launch in over 80 new markets across Asia, Africa, the Caribbean, Europe, and Latin America in 2021. On a geographic basis, all four of our major regions are growing. Europe is our largest region with 136 million MAUs, accounting for 33% of our total MAUs as of December 31, 2021, an increase of 14% from the prior year. In our North America region, MAUs increased by 11% from December 31, 2020 to December 31, 2021 and now account for 23% of our MAUs. Our two fastest growing regions are Latin America, with 21% of our MAUs, an increase of 15% from December 31, 2020 to December 31, 2021, and the rest of the world, with 22% of our MAUs, an increase of 35% from December 31, 2020 to December 31, 2021.

Despite the worldwide disruption caused by the COVID-19 pandemic and shifted listening patterns, our Ad-Supported Users and Premium Subscribers continued to spend significant time engaging with our Service. Combined, our audience streamed 110 billion hours of content for the year ended December 31, 2021, an increase of 20% compared to the year ended December 31, 2020.

Premium Service

Our Premium Service provides Premium Subscribers with unlimited online and offline high-quality streaming access to our catalog of music and podcasts. 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 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 both online and offline 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, 2021 and 2020, we had 180 million and 155 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 our Premium Service 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. It 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 and video content.

We generate revenue for our Ad-Supported segment 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 our platform 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. 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.

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 which 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 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 for our Ad-Supported segment is affected primarily by, but not limited to, the number of our Ad-Supported Users, the total hours of content consumed by Ad-Supported MAUs, and our ability to provide innovative advertising products that are relevant to our Ad-Supported Users and podcast listeners and enhance returns for our advertising partners.

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 over 77% of music streams for the year ended December 31, 2021. 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. As of December 31, 2021, we have estimated future financial commitments of €3.3 billion. 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 independent labels, as well as companies known as "aggregators" (for example, Believe Digital, CDBaby, Distrokid, and TuneCore). The majority of these agreements are 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 small number of direct licenses that we have 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, which remain ongoing. Until the rates are finally determined, our royalty costs both retrospectively and prospectively will be based on management estimates of the rates that will apply. Additionally, the most recent proceeding before the Copyright Royalty Board, known as the "Phonorecords IV Proceedings," has begun to set the rates for the Section 115 blanket license for calendar years 2023 to 2027, although the timing for a final determination is unknown. The rates set by the Copyright Royalty Board are also subject to further change as part of future Copyright Royalty Board proceedings.

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, 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 and other non-music content 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.

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, Google Audiobooks, Librivox, Kobo Audiobooks, and Downpour, 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 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 Resources

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. During 2021, we also launched an internal talent marketplace to 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. During 2021, we adopted a Work from Anywhere program 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 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. In response to the COVID-19 pandemic, we have taken a number of actions focused on protecting the health and safety of our employees, including providing our employees with the ability to work from home as well as incremental funds and food allowances to support them through the work-from-home period.

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, building a culture of allyship, and amplifying a sense of belonging. During 2021, we focused on increasing diversity through our inclusive diverse recruiting strategy to ensure that we are attracting and retaining unique, innovative and passionate individuals to Spotify, which includes training for interviewers, metrics to measure improvement for our hiring teams, and the tracking of demographic data through our hiring process. In addition, we launched an internal cross-functional coalition that expands our commitment to raising awareness, providing education opportunities, and pursuing other deliverables around racial equity. We also have 14 autonomous Employee Resource Groups that represent the diversity of our workplace and advocate for communities that are often underrepresented in society.

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

Environmental Sustainability

The climate crisis is a critical global issue and we strive to be part of the solution. In 2021, we announced our intention to reach net zero emissions within the next decade through a variety of ways, including, but not limited to, redesigning and remodeling offices for environmental efficiency, continuing to adopt renewable solutions, and collaborating with suppliers to reduce emissions in our supply chain. Further, in 2021, we joined the Exponential Roadmap Initiative and the United Nations’ Race to Zero campaign to support innovative solutions and engage with the wider community to push the climate action agenda forward.

As we execute our sustainability initiatives, we expect to incur additional costs. Timing and costs of implementing our sustainability initiatives are subject to uncertainties. See “Item 3.D. Risk Factors—Risks Related to Our Operations—We may not be able to achieve our net zero emissions target or make progress in other environmental, social, and governance initiatives.”

C. Organizational Structure

The Company's principal subsidiaries as at December 31, 2021 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 and marketing	100 %	Spain
Spotify GmbH	Sales and marketing	100 %	Germany
Spotify France SAS	Sales and marketing	100 %	France
Spotify Canada Inc.	Sales and marketing	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 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 441,000 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, Russia, Singapore, South Korea, Spain, Taiwan, the United Arab Emirates, and the United Kingdom.

During 2021, to accommodate anticipated future growth, we continued the build-outs at our new and existing leased office spaces in Stockholm, New York, and Los Angeles, among others. In 2021, we capitalized €81 million of fixed assets principally related to these build-outs. We have planned capital expenditures of approximately €24 million in 2022 for additional projects in Stockholm, New York, and Boston, 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.

While 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, we may slow the pace of our investments due to the COVID-19 pandemic. We may also see a shift in investments due to our newly implemented Work from Anywhere program.

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 2020 compared to 2019, 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, 2020, which was filed with the SEC on February 5, 2021.

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 these creators.

We are the world's most popular audio streaming subscription service. With a presence in 184 countries and territories, our platform includes 406 million MAUs and 180 million Premium Subscribers as of December 31, 2021.

We currently monetize our Service through both subscriptions and advertising. Our Premium Subscribers grew 16% year-over-year as of December 31, 2021 to 180 million. Our 406 million MAUs grew 18% year-over-year as of December 31, 2021.

Acquisitions

During the year ended December 31, 2021, the Group made strategic acquisitions to enhance our capabilities in audio and podcast discovery.

On March 29, 2021, we acquired Betty Labs 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. (“Podz”), 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.

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 in the consolidated financial statements included elsewhere in this report for further information regarding our Exchangeable Notes.

Long term investment - Tencent Music Entertainment Group

During the year ended December 31, 2021, the fair value of our holdings in TME decreased by €1,376 million from €2,228 million as of December 31, 2020 to €852 million as of December 31, 2021 due to the decline 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.

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. 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 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 both online and offline 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, 2021 and 2020, we had 180 million and 155 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 our Premium Service 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. It 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 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 our platform 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. 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. These advertising arrangements typically specify the type of advertising product, pricing, insertion dates, and number of impressions in a stated period.

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. We might also offer cash rebates to advertising agencies based on the volume of advertising inventory purchased. These rebates are estimated based on expected performance and historical data and result in a reduction of revenue recognized.

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 which 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 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 elements. 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 Family Plan, Duo Plan, and Student Plan users. 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 un-recouped 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 9%, 11%, and 9% of our total revenue in each of 2021, 2020, and 2019, 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 of our Premium Service. 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, 2021, 2020, and 2019.

	As of December 31,			Change			
	2021	2020	2019	2021 vs. 2020		2020 vs. 2019	
	(in millions, except percentages)						
MAUs	406	345	271	61	18 %	74	27 %

MAUs were 406 million as of December 31, 2021. This represented an increase of 18% from the preceding fiscal year. MAUs benefited from our continued investment in driving the growth of our Service, both through geographic expansion and consumer marketing. MAUs also benefited from continued investment in content and features on our platform, including featured playlists, artist marketing campaigns, podcasts, and original content, to drive increased 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 includes 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, 2021, 2020, and 2019.

	As of December 31,			Change			
	2021	2020	2019	2021 vs. 2020		2020 vs. 2019	
	(in millions, except percentages)						
Premium Subscribers	180	155	124	25	16 %	30	24 %

Premium Subscribers were 180 million as of December 31, 2021. This represented an increase of 16% from the preceding fiscal year. The Family Plan was a meaningful contributor of total gross added Premium Subscribers, while our free trial offers and global campaigns also accounted for a significant portion of gross added 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, 2021, 2020, and 2019.

	As of December 31,			Change			
	2021	2020	2019	2021 vs. 2020		2020 vs. 2019	
	(in millions, except percentages)						
Ad-Supported MAUs	236	199	153	37	19 %	46	30 %

Ad-Supported MAUs were 236 million as of December 31, 2021. This represented an increase of 19% from the preceding fiscal year. Ad-Supported MAUs benefited from our continued investment in driving the growth of our Ad-Supported Service, both through geographic expansion and consumer marketing. Ad-Supported MAUs also benefited from continued investment in content and features on our platform, including featured playlists, artist marketing campaigns, podcasts, and original content, to drive increased 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, 2021, 2020, and 2019.

	Year ended December 31,			Change			
	2021	2020	2019	2021 vs. 2020		2020 vs. 2019	
Premium ARPU	€ 4.29	€ 4.31	€ 4.72	€ (0.02)	— %	€ (0.41)	(9)%

For the year ended December 31, 2021, Premium ARPU was €4.29, which was relatively flat compared to the preceding fiscal year. The decrease of €0.02 was primarily driven by movements in foreign exchange rates, reducing Premium ARPU by €0.05, partially offset by an increase in ARPU for the Family Plan, as a result of price increases, as well as an increase in ARPU for the Duo Plan, as a result of changes in Premium Subscriber mix.

The table below sets forth our average Premium ARPU for the quarters ended December 31, 2021, 2020, and 2019.

	Three months ended December 31, 2021			Change			
	2021	2020	2019	2021 vs. 2020		2020 vs. 2019	
Premium ARPU	€ 4.40	€ 4.26	€ 4.65	€ 0.14	3 %	€ (0.39)	(8)%

For the quarter ended December 31, 2021, Premium ARPU was €4.40. This represented an increase of 3% from the preceding fiscal year. The increase was due principally to movements in foreign exchange rates, increasing Premium ARPU by €0.12, and an increase in ARPU for the Family Plan, as a result of price increases, as well as an increase in ARPU for the Duo Plan, as a result of changes in Premium Subscriber mix.

A. Operating Results

Impact of COVID-19 pandemic

The COVID-19 pandemic has created significant volatility, uncertainty, and economic disruption. In response to the COVID-19 pandemic, we have taken a number of actions focused on protecting the health and safety of our employees, maintaining business continuity, supporting the global music community, including providing the ability to work from home for our employees.

The full impact of the COVID-19 pandemic on our business, financial condition, and results of operations will depend on numerous evolving factors that we may not be able to accurately predict and that will vary by market, including the duration and scope of the pandemic, including any resurgences, the impact of the pandemic on economic activity, and actions taken by governments, businesses, and individuals in response. We will continue to actively monitor and respond accordingly to the changing conditions created by the pandemic. Refer to Part I, "Item 3.D. Risk Factors" in this document for further discussion of the impact of the COVID-19 pandemic on our business, operating results, and financial condition.

Revenue

	Year ended December 31,			Change			
	2021	2020	2019	2021 vs. 2020		2020 vs. 2019	
	(in € millions, except percentages)						
Premium	8,460	7,135	6,086	1,325	19 %	1,049	17 %
Ad-Supported	1,208	745	678	463	62 %	67	10 %
Total	9,668	7,880	6,764	1,788	23 %	1,116	16 %

Premium revenue

For the years ended December 31, 2021 and 2020, Premium revenue comprised 88% and 91% of our total revenue, respectively. For the year ended December 31, 2021, as compared to 2020, Premium revenue increased by €1,325 million or 19%. The increase was attributable primarily to a 16% increase in Premium Subscribers.

Ad-Supported revenue

For the years ended December 31, 2021 and 2020, Ad-Supported revenue comprised 12% and 9% of our total revenue, respectively. For the year ended December 31, 2021, as compared to 2020, Ad-Supported revenue increased by €463 million or 62%. 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 €181 million and €87 million, respectively. Ad sales from our self-serve platform, podcast ad sales from SPAN, The Ringer, and exclusive licensing of the Joe Rogan Experience also contributed to the increase in revenue during the year ended December 31, 2021. Ad-Supported revenue during the year ended December 31, 2020 was impacted by COVID-19.

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, 2021, as compared to 2020, had an unfavorable net impact on our revenue. We estimate that total revenue for the year ended December 31, 2021 would have been approximately €101 million higher if foreign exchange rates had remained consistent with foreign exchange rates for the year ended December 31, 2020.

Cost of revenue

	Year ended December 31,			Change			
	2021	2020	2019	2021 vs. 2020		2020 vs. 2019	
	(in € millions, except percentages)						
Premium	5,986	5,126	4,443	860	17 %	683	15 %
Ad-Supported	1,091	739	599	352	48 %	140	23 %
Total	7,077	5,865	5,042	1,212	21 %	823	16 %

Premium cost of revenue

For the year ended December 31, 2021, as compared to 2020, Premium cost of revenue increased by €860 million, or 17%, and Premium cost of revenue as a percentage of Premium revenue decreased from 72% to 71%. The increase in Premium cost of revenue was driven primarily by the growth in new Premium Subscribers and publishing licensing rate increases, partially offset by benefits from certain marketplace programs, collectively resulting in higher royalty costs of €898 million. The year ended December 31, 2021 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, 2021, as compared to 2020, Ad-Supported cost of revenue increased by €352 million, or 48%, and Ad-Supported cost of revenue as a percentage of Ad-Supported revenue decreased from 99% to 90%. The increase in Ad-Supported cost of revenue was driven primarily by higher royalty and SPAN revenue sharing arrangement costs of €235 million due to growth in both advertising revenue and streams as well as publishing licensing rate increases, partially offset by benefits from certain marketplace programs. There was also an increase in other content costs of €99 million.

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, 2021, as compared to 2020, had a favorable net impact on our cost of revenue. We estimate that total cost for the year ended December 31, 2021 would have been approximately €83 million higher, if foreign exchange rates had remained consistent with foreign exchange rates for the year ended December 31, 2020.

Gross profit and gross margin

	Year ended December 31,			Change			
	2021	2020	2019	2021 vs. 2020		2020 vs. 2019	
	(in € millions, except percentages)						
Gross profit							
Premium	2,474	2,009	1,643	465	23 %	366	22 %
Ad-Supported	117	6	79	111	1,850 %	(73)	(92)%
Consolidated	2,591	2,015	1,722	576	29 %	293	17 %
Gross margin							
Premium	29 %	28 %	27 %				
Ad-Supported	10 %	1 %	12 %				
Consolidated	27 %	26 %	25 %				

Premium gross profit and gross margin

For the year ended December 31, 2021, as compared to 2020, Premium gross profit increased by €465 million and Premium gross margin increased from 28% to 29%. The increase in Premium gross margin was due primarily to benefits from certain marketplace programs and changes in prior period estimates for rights holder liabilities during the year ended December 31, 2021. These gross margin benefits were partially offset by increases in publishing licensing rates.

Ad-Supported gross profit and gross margin

For the year ended December 31, 2021, as compared to 2020, Ad-Supported gross profit increased by €111 million to a gross profit of €117 million, and Ad-Supported gross margin increased from 1% to 10%. The increase in Ad-Supported gross margin was due primarily to a decrease in streaming delivery, ad servicing and production cost as a percentage of revenue. Additionally, podcast revenue growth outpaced podcast costs growth. Certain benefits from marketplace programs also contributed to the increase in gross margin. These benefits were partially offset by increases in publishing licensing rates.

Research and development

	Year ended December 31,			Change			
	2021	2020	2019	2021 vs. 2020		2020 vs. 2019	
	(in € millions, except percentages)						
Research and development	912	837	615	75	9 %	222	36 %
As a percentage of revenue	9 %	11 %	9 %				

For the year ended December 31, 2021, as compared to 2020, research and development costs increased by €75 million, or 9%, 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 salaries, share-based compensation, and other employee benefits of €143 million as a result of increased headcount to support our growth. Included in personnel-related costs for the twelve months ended December 31, 2021 are costs of €21 million in relation to acceleration of certain employee benefits. This increase in personnel-related costs was partially offset by a decrease in social costs of €110 million driven by share price movements. In addition, there was an increase in information technology costs of €33 million due to increase in our usage of cloud computing services and additional software license fees.

Sales and marketing

	Year ended December 31,			Change			
	2021	2020	2019	2021 vs. 2020		2020 vs. 2019	
	(in € millions, except percentages)						
Sales and marketing	1,135	1,029	826	106	10 %	203	25 %
As a percentage of revenue	12 %	13 %	12 %				

For the year ended December 31, 2021, as compared to 2020, sales and marketing expense increased by €106 million, or 10%. The increase was due primarily to an increase in advertising costs of €128 million for marketing campaigns. There was also an increase in personnel-related costs of salaries, share-based compensation, and other employee benefits of €57 million as a result of increased headcount to support our growth, partially offset by a decrease in social costs of €43 million driven by share price movements. In addition, there was a decrease in cost of providing free trials of €35 million as a result of changes in our free trial campaigns.

General and administrative

	Year ended December 31,			Change			
	2021	2020	2019	2021 vs. 2020		2020 vs. 2019	
	(in € millions, except percentages)						
General and administrative	450	442	354	8	2 %	88	25 %
As a percentage of revenue	5 %	6 %	5 %				

For the year ended December 31, 2021, as compared to 2020, general and administrative expense increased by €8 million or 2%. The increase was due primarily to an increase in personnel-related costs for salaries, share-based compensation, and other employee benefits of €29 million, as a result of increased headcount to support our growth, partially offset by a decrease in social costs of €25 million driven by share price movements.

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			
	2021	2020	2019	2021 vs. 2020		2020 vs. 2019	
	(in € millions, except percentages)						
Finance income	246	94	275	152	162 %	(181)	(66)%
As a percentage of revenue	3 %	1 %	4 %				

For the year ended December 31, 2021, as compared to 2020, finance income increased by €152 million. The increase was due primarily to an increase in benefits recognized from the decline in the fair value of the Exchangeable Notes of €117 million. There was also an increase in foreign exchange gains on the remeasurement of monetary assets and liabilities in a transaction currency other than the functional currency of €39 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			
	2021	2020	2019	2021 vs. 2020		2020 vs. 2019	
	(in € millions, except percentages)						
Finance costs	(91)	(510)	(333)	419	(82)%	(177)	53 %
As a percentage of revenue	(1)%	(6)%	(5)%				

For the year ended December 31, 2021, as compared to 2020, finance costs decreased by €419 million. The decrease was due primarily to a decrease in fair value losses recorded for warrants of €302 million. There was also a decrease of €137 million in foreign exchange losses on the remeasurement of monetary assets and liabilities in a transaction currency other than the functional currency. These decreases 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.

Income tax (benefit)/expense

	Year ended December 31,			Change			
	2021	2020	2019	2021 vs. 2020		2020 vs. 2019	
	(in € millions, except percentages)						
Income tax expense/(benefit)	283	(128)	55	411	N/A	(183)	N/A
As a percentage of revenue	3 %	(2)%	1 %				

For the year ended December 31, 2021, income tax expense was €283 million, as compared to income tax benefit of €128 million for the year ended December 31, 2020. The change was due primarily to the derecognition of deferred taxes as a result of the unrealized decrease in the fair value of our long term investment in TME in the current year resulting in expense of €251 million compared to a benefit of €134 million in 2020. The impact of current period share-based compensation deductions recognized in equity also resulted in tax expense of €48 million compared to €18 million of expense in 2020. Additionally, the disposal of long term investment generated a tax charge through other comprehensive income which resulted in an offsetting current year income tax benefit of €30 million.

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 increased by €1,753 million from €1,747 million as of December 31, 2020 to €3,500 million as of December 31, 2021.

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. While the COVID-19 pandemic has not materially impacted our liquidity and capital resources to date, it has led to increased disruption and volatility in capital markets and credit markets. The pandemic and resulting economic uncertainty could adversely affect our liquidity and capital resources in the future. Based on past performance and current expectations, we believe our strong cash and cash equivalents and short term investments position are critical at this time of uncertainty due to the COVID-19 pandemic, and allow us to use our cash resources for working capital needs, capital expenditures, investment requirements, contractual obligations, commitments, and other liquidity requirements associated with our operations. See "Item 3.D. Risk Factors—Risks Related to Our Business Model, Strategy, and Performance—The COVID-19 pandemic has had, and could continue to have, an adverse impact on our business, operating results, and financial condition."

We have planned capital expenditures of approximately €24 million in 2022 for additional projects in Stockholm, New York, and Boston, among others.

While 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, we may slow the pace of our investments due to the COVID-19 pandemic. We may also see a shift in investments due to our newly implemented Work from Anywhere program.

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. 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,		
	2021	**2020**	**2019**
		(in € millions)	
Net cash flows from operating activities	361	259	573
Net cash flows used in investing activities	(187)	(372)	(218)
Net cash flows from/(used in) financing activities	1,250	285	(203)

For the year ended December 31, 2021, as compared to 2020, net cash flows from operating activities increased by €102 million. The increase was due primarily to an increase in operating income and non-cash items including depreciation, amortization, and share-based compensation expense of €450 million. This increase was partially offset by unfavorable changes in working capital movement of €353 million, principally trade and other liabilities and trade receivables and other assets.

For the year ended December 31, 2021, as compared to 2020, net cash flows used in investing activities decreased by €185 million. The decrease was due primarily to a decrease in cash consideration used in business combinations, net of cash acquired, of €211 million. There was also an increase in proceeds from sales of long term investments of €144 million. These increases were partially offset by a decrease in net cash inflows from purchases and sales and maturities of short term investments of €189 million.

For the year ended December 31, 2021, as compared to 2020, net cash flows from financing activities increased by €965 million. The increase was due primarily to net proceeds of €1,223 million from the issuance of Exchangeable Notes, partially offset by a decrease in proceeds from the exercise of stock options of €152 million and an increase in repurchases of ordinary shares of €89 million.

Free Cash Flow:

We define "Free Cash Flow" as net cash flows from/(used in) 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,		
	2021	**2020**	**2019**
		(in € millions)	
Net cash flows from operating activities	361	259	573
Capital expenditures	(85)	(78)	(135)
Change in restricted cash	1	2	2
Free Cash Flow	277	183	440

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/(used in) 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, 2021, as compared to 2020, Free Cash Flow increased by €94 million. The increase in Free Cash Flow was due primarily to an increase in net cash flows from operating activities of €102 million, as described above.

Indebtedness

As of December 31, 2021, 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, 2021:

Contractual obligations:	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	Payments due by period				
	(in € millions)				
Minimum guarantees (1)	3,279	788	2,491	—	—
Exchangeable Notes (2)	1,319	—	—	1,319	—
Lease obligations (3)	890	92	185	178	435
Purchase obligations (4)	797	362	435	—	—
Deferred and contingent consideration (5)	65	28	24	13	—
Total	**6,350**	**1,270**	**3,135**	**1,510**	**435**

(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 the Group has entered into, but had not yet commenced as of December 31, 2021. Lease obligations relate to our office space. The lease terms are up to thirteen 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 commitments.
(5) Included in deferred consideration are obligations to transfer €47 million of cash consideration over the next four years to former owners of certain entities we have acquired. Included in contingent consideration is the obligation to transfer a maximum of €18 million of contingent cash payment consideration over the next year to former owners of an entity we acquired if specified user engagement targets are achieved.

C. Research and Development, Patents and Licenses

For a detailed analysis of research and development 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 2021, we launched a total of three programs 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, 2021 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 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 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 our platform 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. 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 is recognized based on the number of impressions delivered. We might also offer cash rebates to advertising agencies based on the volume of advertising inventory purchased. These rebates are estimated based on expected performance and historical data and result in a reduction of revenue recognized.

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. Until the rates are determined, our recorded royalty costs both retrospectively and prospectively will be based on management estimates of the rates that will apply. When the rates are determined anew, these could either benefit or adversely affect our results of operations and financial condition.

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, 2021 and December 31, 2020, approximately €308 million and €418 million, respectively, relate to liabilities that were incurred more than twelve months prior to the date of the statement of financial position. Of the December 31, 2021 amount, €4 million was expensed in the year ended December 31, 2021 due to an increase of estimates included in the financial statements for the year ended December 31, 2020.

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 (loss)/income 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 costs (net) 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 costs (net) 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 have not been recorded when we believe we will not 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	38	Founder, Chief Executive Officer, Chairman, and Director
Martin Lorentzon	52	Co-Founder and Director
Paul Vogel	48	Chief Financial Officer
Katarina Berg	53	Chief Human Resources Officer
Dustee Jenkins	43	Global Head of Public Affairs
David Kaefer	48	Global Head of Business Affairs
Eve Konstan	53	General Counsel
Alex Norström	45	Chief Freemium Business Officer
Dawn Ostroff	61	Chief Content & Advertising Business Officer
Gustav Söderström	45	Chief Research & Development Officer
Christopher Marshall	53	Lead Independent Director
Barry McCarthy	68	Director
Shishir Mehrotra	42	Director
Heidi O'Neill	57	Director
Ted Sarandos	57	Director
Thomas Staggs	61	Director
Cristina Stenbeck	44	Director
Mona Sutphen	54	Director
Padmasree Warrior	61	Director

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, Mr. Kaefer, Ms. Konstan, Ms. Ostroff, 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 2021. 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 2021. 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.

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. He serves as a member of the board of directors of WorldRemit where he chairs the audit committee. Before joining Spotify, 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.

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 across 184 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 as President-Elect of New York Women in Communications.

David Kaefer is our Global Head of Business Affairs. In this capacity, he leads the Company’s work on a wide range of content licensing negotiations and operations spanning music, podcast, and video. Mr. Kaefer joined Spotify in this role in 2018 after spending 19 years at Microsoft Corporation, ultimately serving as the General Manager and Business Development leader for Microsoft’s Windows, Devices, and Microsoft Research divisions. In that role, he led a team responsible for technology, sales, content and marketing partnerships, as well as M&A. Throughout his career, he has been involved in numerous licensing, acquisition, divestiture, regulatory, and litigation matters involving a diverse array of intellectual property in the areas of software, hardware, and digital content. Mr. Kaefer graduated from the University of Virginia with a Bachelor of Arts degree in Economics and Government.

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 Spotify 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 Chief Freemium Business Officer. As our Chief Freemium Business Officer, Mr. Norström is responsible for overseeing strategy, marketing, global partnerships, and product offerings for our subscription business. Mr. Norström was previously our Vice President of Growth and our Vice President of Subscription. 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 also has a private investment company, Fragrant Harbour Capital AB, based and registered in Stockholm, Sweden. Mr. Norström holds a Master of Science in Business & Economics with a Major in Finance from the Stockholm School of Economics.

Dawn Ostroff is our Chief Content & Advertising Business Officer. She is responsible for overseeing the Company’s global content and distribution operations, including all original content and industry and creator relationships. Ms. Ostroff is also responsible for managing our global advertising sales business. She serves as a member of the board of directors of Activision Blizzard, Inc. where she serves on the compensation committee and chairs the workplace responsibility committee, and as a member of the board of advisors of Autograph, an NFT company. Prior to joining Spotify, Ms. Ostroff served as President of Condé Nast Entertainment, a studio and distribution network with entertainment content across film, television, premium digital video, social, and virtual reality. She was previously President of Entertainment for The CW broadcast network, a joint venture of CBS and Warner Bros. that she helped launch in 2006, and before that, President of the UPN broadcast network. Ms. Ostroff holds a Bachelor of Science in Journalism from Florida International University.

Gustav Söderström is our Chief Research & Development Officer. He oversees the product, design, data, and engineering teams at Spotify and is responsible for our product strategy. Mr. Söderström is a startup seed investor and also has been an advisor to Tictail since 2013 and was formerly an advisor to 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.

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 2021. 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 2021. 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 a member of the boards of directors of MSD Acquisition Corp. and 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, and Chegg from 2010 to 2015 (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 2021. 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 2021. 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 2021. 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 and Chief Content Officer of Netflix and has led content acquisition for 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 2021. In addition to his role on our board of directors, Mr. Staggs serves as the co-Chairman and co-CEO of Candle Media LLC, Executive Chairman of Vejo, Inc, Executive Chairman of Bertsch Industries, GmbH, co-CEO and co-Chairperson of the board of directors of Forest Road Acquisition Corp. II, Chairman of PureForm Global Inc., and a director of Weta Digital Limited. He also serves on the board of advisors of the University of Minnesota Carlson School of Management and the board of trustees of the Center for Early Education. 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 2021. 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 2021. 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 and is a member of the Council on Foreign Relations. Ms. Sutphen is an Independent Director for Pattern Energy and a Trustee of Putnam Mutual Funds. 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.

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 2021. In addition to her role on our board of directors, Ms. Warrior serves on the boards 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 2021 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 serves as our Chief Content & Advertising Business Officer;
- Gustav Söderström, who serves as our Chief Research & Development Officer; and
- Alex Norström, who serves as our Chief Freemium 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 2021.

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 national 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, make 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, determines his total compensation for the coming year.

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 2020, the people experience and compensation committee approved the compensation peer group (the "Peer Group") for fiscal year 2021. The Peer Group for 2021 consisted of the following companies:

Activision Blizzard	Autodesk	Booking Holdings	Discovery
eBay	Electronic Arts	Expedia Group	IAC/InterActiveCorp
Intuit	Live Nation Entertainment	MercadoLibre	Netflix
PayPal Holdings	Sirius XM Holdings	Snap	Take-Two Interactive
Trip.com Group	Twitter	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 2021, 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 2021), 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 shareholders 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 salaries were 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 our executive leadership team members, including the named executive officers, are reviewed periodically by our people experience and compensation committee, and adjustments are made as deemed appropriate.

As of July 1, 2017, our CEO does not receive 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 2019, 2020 or 2021.

As of the end of fiscal year 2021, our named executive officers were entitled to the following annual base salaries:

Named Executive Officer	**Annual Base Salary**
Daniel Ek[(1)(2)]	$ —
Paul Vogel	$ 600,000
Dawn Ostroff	$ 1,000,000
Gustav Söderström[(2)]	$ 331,858
Alex Norström[(2)]	$ 345,133

(1) As of July 1, 2017, Mr. Ek does not receive a base salary.
(2) Messrs. Ek, Söderström, and Norström are each paid in Swedish Krona. Such amounts are based on the exchange rate of SEK 9.04 per dollar as of December 31, 2021 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.

In 2019, we established a new incentive mix program, which provides 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%. The amount of any cash award chosen will be 90% of the dollar amount the employee allocates to cash. The number of RSUs provided is 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 is equal to four times the dollar amount the employee allocates to such stock options divided by such closing price. The number of out-of-the-money stock options provided is equal to eight times the dollar amount the employee allocates to stock options divided by such closing price. 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 further information on our equity award programs please see “—Stock Options,” “—Restricted Stock Units” and “—Cash Program” below.

In 2021, 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 allocated 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 ($)	2021 At-the-Money Stock Option Allocation	2021 Out-of-the-Money Stock Option Allocation	2021 RSU Allocation	2021 Cash Allocation ($)
Paul Vogel	4,000,000	24,900	—	6,225	—
Dawn Ostroff	6,400,000	59,761	—	4,980	—
Gustav Söderström	7,000,000	87,151	—	—	—
Alex Norström	6,200,000	38,596	—	9,649	—

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, 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 annual salary. 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, 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 property provides Ms. Ostroff with meeting and working space in Los Angeles during a time that our corporate offices are closed as a result of the COVID-19 pandemic. Ms. Ostroff reimburses 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 "2021 Summary Compensation Table" below. In addition, the personal safety of our employees, including our NEOs, is of the highest importance to us and in 2021 we paid for personal security services for certain NEOs 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 NEOs in the "2021 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.

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.

In 2011, Mr. Ek entered into a new employment agreement that replaced his prior agreement. Mr. Ek's employment agreement provides for an indefinite term that automatically expires upon Mr. Ek's retirement at age 65. The agreement provides for a fixed monthly salary, although the board of directors determined that, commencing July 1, 2017, Mr. Ek would no longer receive an annual salary. Mr. Ek is also entitled to an annual cash bonus payment, at the sole discretion of the board of directors. Mr. Ek's employment agreement also provides for a six-month notice period prior to termination, though 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 also will be 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 will pay Mr. Ek, in monthly installments during his restricted period, 12 times his monthly salary, less any income from future employment, in an amount 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.

In 2017, each of Messrs. Norström and Söderström entered into revised employment agreements (the "2017 Agreements") that provide for an indefinite employment period. The 2017 Agreements also provide for a base salary and participation in our benefit plans. The 2017 Agreements provide that we can terminate Messrs. Norström's or Söderström's employment without "Cause" (each as defined in the 2017 Agreement) upon three months' notice. In addition, upon a termination without Cause, Messrs Norström and Söderström would be entitled to a severance amount equal to their respective base salaries for six months and subsidized health benefits for six months. If Messrs. Norström's or Söderström's employment is terminated within 12 months after a change in control of the Company, or if either Messrs Norström or Söderström are required to perform duties that are materially inconsistent with those normally performed by them, respectively, or is otherwise constructively dismissing following the change in control, Messrs. Norström or Söderström 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.

Effective July 2018, we entered into an employment agreement with Ms. Ostroff (the "Ostroff Agreement"). The Ostroff Agreement provides for substantially similar terms to the terms described above for the 2017 Agreements, except that the Ostroff Agreement provides for a signing bonus of $2,000,000, payable in two equal installments on the date Ms. Ostroff's first base salary payment is made and on the 12-month anniversary of such date, respectively. Payment of each installment is subject to Ms. Ostroff's continued employment through the 12-month period following the applicable installment payment date. If Ms. Ostroff's employment is terminated during either such 12-month period, she will be required to repay the amount received on the applicable installment payment date, prorated for the number of fully completed months of employment during such 12-month period.

In 2018, Mr. Vogel entered into a new employment agreement that replaced his prior agreement (the "Vogel Agreement"). The Vogel Agreement provides for an indefinite employment period. The agreement also provides for a base salary and participation in our benefit plans. The Vogel Agreement provides that we can terminate Mr. Vogel without Cause (as defined in the Vogel Agreement) upon three months' notice. In addition, upon a termination with Cause, Mr. Vogel is entitled to a severance amount equal to his base salary for three months and subsidized health benefits for three months. In addition, if we terminate Mr. Vogel at any time during the three month notice period, Mr. Vogel will also be entitled to 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. In January 2020, in connection with Mr. Vogel's promotion to Chief Financial Officer, Mr. Vogel received an increase in his annual base salary from $400,000 to $600,000. The remaining terms and conditions of the Vogel Agreement remain in effect following such promotion.

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, Shishir Mehrotra, and Cristina Stenbeck. 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; 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; and
- such other matters that are specifically delegated to our audit committee by our board of directors from time to time.

D. Employees

In 2021, 2020, and 2019, we had 6,617, 5,584, and 4,405 full-time employees on average, respectively. The following table describes our average number of employees by department per fiscal year:

	December 31,			% Change	
	2021	2020	2019	2021 vs. 2020	2020 vs. 2019
Content Production and Customer Service	705	580	371	22 %	56 %
Sales and Marketing	1,654	1,436	1,192	15 %	20 %
Research and Development	3,175	2,624	2,094	21 %	25 %
General and Administrative	1,083	944	748	15 %	26 %

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

	December 31,		
	2021	2020	2019
United States	3,435	2,746	2,121
Sweden	1,845	1,688	1,437
United Kingdom	576	463	353

Additionally, for the years ended December 31, 2021, 2020, and 2019, we had an average of approximately 761, 687, and 494 employees, respectively, in the aggregate in Australia, Belgium, Brazil, Canada, Denmark, Finland, France, Germany, India, Italy, Japan, Mexico, Netherlands, Russia, Singapore, South Africa, South Korea, Spain, Switzerland, Taiwan, Turkey, and United Arab Emirates. From time to time, we have engaged temporary employees to fill open positions. As of December 31, 2021, 72 employees of The Ringer, 58 employees of Gimlet, and 56 employees of Parcast, wholly-owned indirect subsidiaries of the Company, were represented by the Writer's 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. Collective bargaining with the Parcast union has commenced, but an agreement has not been reached.

E. Share Ownership

The following table provides information regarding share ownership by our officers and directors as of December 31, 2021.

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]	30,723,633	16.0 %	—	$ —	—	—	800,000	$ 281.63
	—	— %	—	$ —	—	—	800,000	$ 190.09
Martin Lorentzon [2]	20,965,699	10.9 %	18,602	$ 219.33	6/28/2024	446	—	$ —
	—	— %	3,758	$ 180.93	5/29/2025	—	—	$ —
	—	— %	7,517	$ 271.40	5/29/2025	—	—	$ —
	—	— %	11,260	$ 362.36	5/31/2026	—	—	$ —
Paul Vogel	10,394	*	28,520	$ 123.13	3/31/2023	13,892	—	$ —
	—	— %	21,191	$ 138.00	3/1/2024	—	—	$ —
	—	— %	51,050	$ 137.12	3/1/2025	—	—	$ —
	—	— %	24,900	$ 321.28	3/1/2026	—	—	$ —
Katarina Berg	27,409	*	2,720	$ 123.13	3/31/2023	18,462	—	$ —
	—	— %	32,609	$ 138.00	3/1/2024	—	—	$ —
	—	— %	23,337	$ 137.12	3/1/2025	—	—	$ —
	—	— %	9,960	$ 321.28	3/1/2026	—	—	$ —
Horacio Gutierrez [3]	18,343	*	1,133	$ 138.00	3/1/2024	40,005	—	$ —
	—	— %	42,090	$ 142.55	12/1/2024	—	—	$ —
Alex Norström	1,160	*	36,600	$ 50.70	3/31/2022	20,146	—	$ —
	—	— %	130,800	$ 123.13	3/31/2023	—	—	$ —
	—	— %	153,623	$ 138.00	3/1/2024	—	—	$ —
	—	— %	87,515	$ 137.12	3/1/2025	—	—	$ —
	—	— %	38,596	$ 321.28	3/1/2026	—	—	$ —
Dawn Ostroff	21,451	*	25,077	$ 180.12	3/31/2023	40,738	—	$ —
	—	— %	16,003	$ 138.00	3/1/2024	—	—	$ —
	—	— %	43,757	$ 137.12	3/1/2025	—	—	$ —
	—	— %	59,761	$ 321.28	3/1/2026	—	—	$ —
Gustav Söderström	5,920	*	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	—	—	$ —
Christopher Marshall [4]	71,649	*	4,651	$ 146.22	6/28/2024	446	—	$ —
	—	— %	9,301	$ 219.33	6/28/2024	—	—	$ —
	—	— %	7,517	$ 180.93	5/29/2025	—	—	$ —

	—	— %	5,630	$ 241.57	5/31/2026	—	—	$ —
Barry McCarthy [5]	449,867	*	15,033	$ 271.40	5/29/2025	—	—	$ —
	—	— %	5,630	$ 241.57	5/31/2026	—	—	$ —
Shishir Mehrotra	59,836	*	13,952	$ 219.33	6/28/2024	1,088	—	$ —
	—	— %	11,275	$ 271.40	5/29/2025	—	—	$ —
	—	— %	11,260	$ 362.36	5/31/2026	—	—	$ —
Heidi O’Neill	5,999	*	2,325	$ 146.22	6/28/2024	4,134	—	$ —
Ted Sarandos	12,632	*	4,651	$ 146.22	6/28/2024	1,151	—	$ —
	—	— %	9,301	$ 219.33	6/28/2024	—	—	$ —
	—	— %	3,758	$ 180.93	5/29/2025	—	—	$ —
	—	— %	5,630	$ 241.57	5/31/2026	—	—	$ —
Thomas Staggs [6]	37,375	*	7,386	$ 146.22	6/28/2024	783	—	$ —
	—	— %	7,959	$ 180.93	5/29/2025	—	—	$ —
	—	— %	2,981	$ 241.57	5/31/2026	—	—	$ —
	—	— %	5,961	$ 362.36	5/31/2026	—	—	$ —
Cristina Stenbeck	46,762	*	4,651	$ 219.33	6/28/2024	2,374	—	$ —
	—	— %	3,758	$ 271.40	5/29/2025	—	—	$ —
Padmasree Warrior	5,937	*	4,651	$ 219.33	6/28/2024	446	—	$ —
	—	— %	3,758	$ 180.93	5/29/2025	—	—	$ —
	—	— %	2,815	$ 241.57	5/31/2026	—	—	$ —
Mona Sutphen	—	— %	4,222	$ 241.57	5/31/2026	—	—	$ —
	—	— %	2,815	$ 362.36	5/31/2026	—	—	$ —

* Represents beneficial ownership of less than 1%.

(1) Includes 14,091,664 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) Limted (“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 20,959,762 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) Horacio Gutierrez served as the Company's Head of Global Affairs and Chief Legal Officer until he left the Company as of January 1, 2022.

(4) Includes (i) 52,911 ordinary shares held by Marshall Carroll 2000 Trust; (ii) 688 ordinary shares held by Marshall Partners; (iii) 18,050 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”); (iv) 27,099 non-qualified stock options held by Mr. Marshall for the benefit of TCV VII Management and TCV VIII Management; and (v) 446 ordinary shares issuable upon vesting of RSUs 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 18,050 ordinary shares, the 27,099 non-qualified stock options, and the 446 ordinary shares issuable upon vesting of the RSUs 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 177,000 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 31,040 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 implemented in 2019. 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 implemented in 2019. 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 September 1 falling more than three months from the date of grant and subject to the holder's continued employment with us. In addition to time-vesting, one of the following events or dates also has to occur in order for such RSUs granted prior to 2018 to fully vest: (i) the six-month anniversary of an initial public offering, (ii) a change in control, and (iii) September 1 of the third year following the date of grant, subject to the holder's continued employment through such date. If one of such events or dates occurs prior to final time-vesting of an award of RSUs, then the RSUs will continue to be subject to time-vesting following such event or date, and will fully vest upon the final time-vesting date. 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 2021, 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 2019, 2020, and 2021, 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 October 17, 2016, Mr. Ek purchased, through D.G.E. Investments, an entity indirectly wholly owned by him, 3,200,000 non-compensatory warrants in the Company, pursuant to a subscription agreement. Each warrant was purchased for $5.76. The terms and conditions for the warrants provide that D.G.E. Investments may purchase the ordinary shares underlying the warrants for $50.61 per share at any time prior to October 17, 2019. On October 4, 2019, the Company issued 1,600,000 ordinary shares and 16,000,000 beneficiary certificates to Mr. Ek, through D.G.E. Investments, upon the exercise of 1,600,000 warrants that were granted on October 17, 2016, for cash of €74 million. On October 17, 2019, the Company issued 905,285 ordinary shares and 9,052,850 beneficiary certificates to Mr. Ek, through D.G.E. Investments, upon the effective net settlement of the remaining 1,600,000 warrants that were granted on October 17, 2016.

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 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

2021 Summary Compensation Table

The following table sets forth information concerning the compensation of our named executive officers for the years ended December 31, 2021, 2020 and 2019.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Option Awards ($)[1]	Stock Awards ($)[2]	All Other Compensation ($)	Total ($)
Daniel Ek (CEO)	2021	— (3)	— (3)	—	—	104,885 (4)	104,885
	2020	— (3)	— (3)	—	—	490,334	490,334
	2019	— (3)	— (3)	—	—	336,462	336,462
Paul Vogel (CFO)	2021	600,000	—	2,431,812	1,999,968	8,700 (5)	5,040,480
	2020	595,386 (6)	—	1,663,708	1,750,063	8,550	4,017,707
Dawn Ostroff (Chief Content & Advertising Business Officer)	2021	1,000,000	—	5,836,456	1,599,974	389,550 (7)	8,825,980
	2020	1,000,000	—	2,139,061	6,750,006	87,250	9,976,317
	2019	1,000,000	1,000,000	1,500,679	3,974,952	8,400	7,484,031
Gustav Söderström (Chief Research & Development Officer)	2021	331,858 (9)	—	8,511,467	—	95,172 (8)	8,938,497
	2020	364,520 (9)	—	6,464,706	—	95,889	6,925,115
	2019	320,514 (9)	—	6,682,200	—	113,494	7,116,208
Alex Norström (Chief Freemium Business Officer)	2021	345,133 (9)	—	3,769,411	3,100,031	92,919 (8)	7,307,494
	2020	379,101 (9)	—	2,852,095	3,000,048	102,290	6,333,534
	2019	333,335 (9)	—	6,002,664	—	91,379	6,427,378

(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) 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 2019, 2020, or 2021.

(4) For 2021, amount reflects $104,885 for home security services. These 2021 dollar amounts are based on a currency translation of EUR 1.13 per dollar as published by Reuters on December 31, 2021.

(5) Amount reflects matching contributions to the 401(k) plan.

(6) 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.

(7) Amount reflects $8,700 for matching contributions to the 401(k) plan and $380,850 for use of a corporate apartment.
(8) Amount reflects contributions to the Swedish retirement plan.
(9) Messrs. Söderström and Norström were each paid in Swedish Krona in 2019, 2020, and 2021. The 2019 dollar amounts are based on a currency translation of SEK 9.36 per dollar as published by Reuters on December 31, 2019. 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 amounts include vacation pay received by Messrs. Söderström and Norström pursuant to Swedish standards.

Grants of Plan-Based Awards in 2021

The following table sets forth information regarding grants of plan-based awards made to our named executive officers during the year ended December 31, 2021:

Name	Grant Date	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	3/1/2021	—	24,900	321.28	2,431,812
	3/1/2021	6,225	—	—	1,999,968
Dawn Ostroff	3/1/2021	—	59,761	321.28	5,836,456
	3/1/2021	4,980	—	—	1,599,974
Gustav Söderström	3/1/2021	—	87,151	321.28	8,511,467
Alex Norström	3/1/2021	—	38,596	321.28	3,769,411
	3/1/2021	9,649	—	—	3,100,031

(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 2021 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.

Outstanding Equity Awards at 2021 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, 2021:

Name	Grant Date	Option Awards: Number of Securities Underlying Unexercised Options (#) Exercisable	Option Awards: Number Of Securities Underlying Unexercised Options (#) Unexercisable		Option Awards: Option Exercise Price ($)	Option Awards: Option Expiration Date	Ordinary Share Awards: Number Of Ordinary Shares That Have Not Vested (#)		Ordinary Share Awards: Market Value of Ordinary Shares That Have Not Vested ($)(3)
Daniel Ek	—	—	—		—	—	—		—
Paul Vogel	3/1/2018	28,520	—	(1)	123.13	3/31/2023	—		—
	3/1/2019	14,568	6,623	(2)	138.00	3/1/2024	—		—
	3/1/2019	—	—		—	—	1,656	(4)	387,554
	3/1/2020	22,335	28,715	(2)	137.12	3/1/2025	—		—
	3/1/2020	—	—		—	—	7,179	(5)	1,680,101
	3/1/2021	4,669	20,231	(2)	321.28	3/1/2026	—		—
	3/1/2021	—	—		—	—	5,057	(6)	1,183,490
Dawn Ostroff	8/1/2018	16,718	8,359	(1)	180.12	3/31/2023	—		—
	3/1/2019	4,001	12,002	(2)	138.00	3/1/2024	—		—
	3/1/2019	—	—		—	—	9,002	(6)	2,106,738
	3/1/2020	6,837	36,920	(2)	137.12	3/1/2025	—		—
	3/1/2020	—	—		—	—	27,690	(5)	6,480,291
	3/1/2021	11,206	48,555	(2)	321.28	3/1/2026	—		—
	3/1/2021	—	—		—	—	4,046	(6)	946,885
Gustav Söderström	3/1/2018	145,360	—	(1)	123.13	3/31/2023	—		—
	3/1/2019	117,572	53,442	(2)	138.00	3/1/2024	—		—
	3/1/2020	86,785	111,581	(2)	137.12	3/1/2025	—		—
	3/1/2021	16,341	70,810	(2)	321.28	3/1/2026	—		—
Alex Norström	3/1/2017	36,600	—	(1)	50.70	3/31/2022	—		—
	3/1/2018	130,800	—	(1)	123.13	3/31/2023	—		—
	3/1/2019	105,615	48,008	(2)	138.00	3/1/2024	—		—
	3/1/2020	38,288	49,227	(2)	137.12	3/1/2025	—		—
	3/1/2020	—	—		—	—	12,307	(5)	2,880,207
	3/1/2021	7,237	31,359	(2)	321.28	3/1/2026			
	3/1/2021	—	—		—	—	7,839	(6)	1,834,561

(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 thereafter 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 $234.03 closing price of our ordinary shares, as reported on the NYSE on December 31, 2021.

(4) Of each RSU grant, 3/48ths of such RSU grant vested on June 1, 2019 and thereafter 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 thereafter 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 thereafter 1/48th vests on the first day of each calendar month thereafter, subject to continued employment.

2021 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, 2021:

Name	Option Awards: Number of Ordinary Shares Acquired on Exercise (#)	Option Awards: Value Realized on Exercise ($)[1]	Stock Awards: Number of Ordinary Shares Acquired on Vesting (#)		Stock Awards: Value Realized on Vesting ($)[2]
Daniel Ek	—	—	—		—
Paul Vogel	1,520	362,824	5,684	(3)	1,501,968
Dawn Ostroff	57,278	4,711,436	20,442	(4)	5,475,399
Gustav Söderström	155,280	33,076,346	—		—
Alex Norström	159,000	33,005,380	7,279	(5)	1,916,205

(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 2,403 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 shares.
(4) Includes 10,817 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 shares.
(5) Includes 4,067 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 shares.

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 new incentive mix program, which provides 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 2021, 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 ($)	2021 At-the-Money Stock Option Allocation	2021 Out-of-the-Money Stock Option Allocation	2021 RSU Allocation	2021 Cash Allocation ($)
Martin Lorentzon	340,000	—	11,260	—	—
Christopher Marshall	340,000	5,630	—	—	—
Barry McCarthy	340,000	5,630	—	—	—
Shishir Mehrotra	340,000	—	11,260	—	—
Heidi O'Neill	340,000	—	—	1,407	—
Ted Sarandos	340,000	5,630	—	—	—
Thomas Staggs	360,000	2,981	5,961	—	—
Cristina Stenbeck	340,000	—	11,260	—	—
Mona Sutphen	340,000	4,222	2,815	—	—
Padmasree Warrior	340,000	2,815	—	—	153,000

2021 Director Compensation

The following table sets forth information concerning the compensation of our non-employee directors during the year ended December 31, 2021:

Name(1)	Fees Earned or Paid in Cash ($)	Stock Awards ($)(2)	Stock Options ($)(3)	Total ($)(4)
Martin Lorentzon	—	—	521,687	521,687
Christopher Marshall	—	—	417,430	417,430
Barry McCarthy	—	—	417,430	417,430
Shishir Mehrotra	—	—	521,687	521,687
Heidi O’Neill	—	339,889	—	339,889
Ted Sarandos	—	—	417,430	417,430
Thomas Staggs	—	—	497,201	497,201
Cristina Stenbeck	—	—	521,687	521,687
Mona Sutphen	—	—	443,457	443,457
Padmasree Warrior	153,000	—	208,715	361,715

(1) Mr. Ek serves on our board of directors. His compensation is fully reflected in the Summary Compensation Table.

(2) Amounts reflect the aggregate grant-date fair value of the RSUs computed in accordance with IFRS 2, rather than the amounts paid to or realized by the named individual.

(3) Amounts reflect the aggregate grant-date Black-Scholes value of the stock options granted during 2021 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 to executive officers 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, 2021 by each non-employee director who was serving as of December 31, 2021.

Name	Restricted Stock Units Outstanding at Fiscal Year End	Stock Options Outstanding at Fiscal Year End
Martin Lorentzon	446	41,137
Christopher Marshall	446	27,099
Barry McCarthy	—	20,663
Shishir Mehrotra	1,088	36,487
Heidi O’Neill	4,134	2,325
Ted Sarandos	1,151	23,340
Thomas Staggs	783	24,287
Cristina Stenbeck	2,374	19,669
Mona Sutphen	—	7,037
Padmasree Warrior	446	11,224

Item 7. Major Shareholders and Related Party Transactions.

A. Major Shareholders

The following table sets forth, as of December 31, 2021 (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, 2021, the registrar and transfer agent for our Company reported that 157,079,672 of our ordinary shares were held by 379 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, 2021. 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 192,151,811 total ordinary shares and 350,514,260 total beneficiary certificates outstanding as of December 31, 2021.

	Ordinary Shares		Beneficiary Certificates[7]		Percent of Total
Name	Number	Percent	Number	Percent	Voting Power
Daniel Ek[(1)(6)]	32,323,633	16.7 %	140,916,640	40.2 %	31.9 %
Martin Lorentzon[(2)]	20,988,551	10.9 %	209,597,620	59.8 %	42.5 %
Baillie Gifford & Co[(3)]	22,136,902	11.5 %	—	—	4.1 %
Morgan Stanley[(4)]	17,293,378	9.0 %	—	—	3.2 %
T. Rowe Price[(5)]	14,252,970	7.4 %	—	—	2.6 %
Tencent[(6)]	16,631,969	8.7 %	—	—	— (8)

(1) Includes 14,091,664 ordinary shares that are held by D.G.E. Investments. Also includes 1,600,000 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, 2021. 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 Panagouli, 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 20,959,762 ordinary shares held by Rosello. Also includes 22,406 ordinary shares issuable pursuant to options and 446 ordinary shares issuable pursuant to RSUs that are held of record by Mr. Lorentzon that, in each case, are exercisable or settled within 60 days of December 31, 2021. 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 26, 2022, Baillie Gifford has the following powers with respect to our ordinary shares: (i) sole voting power: 17,031,396; (ii) shared voting power: 0; (c) sole dispositive power: 22,136,902; 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 jointly by Morgan Stanley and Morgan Stanley Investment Management Inc. with the SEC on February 12, 2021, Morgan Stanley has the following powers with respect to our ordinary shares: (i) sole voting power: 0; (ii) shared voting power: 13,810,257; (c) sole dispositive power: 0; and (iv) shared dispositive power: 17,293,378, and Morgan Stanley Investment Management Inc. has the following powers with respect to our ordinary shares: (i) sole voting power: 0; (ii) shared voting power: 11,506,732; (iii) sole dispositive power: 0; and (iv) shared dispositive power: 12,660,602. The business address for Morgan Stanley is 1585 Broadway, New York, NY 10036 and the business address of Morgan Stanley Investment Management Inc. is 522 5th Avenue 6th Floor, New York, NY 10036.

(5) Based on information reported on Schedule 13G/A, as filed by T. Rowe Price Associates, Inc. ("T. Rowe Price") with the SEC on February 16, 2021, T. Rowe Price has the following powers with respect to our ordinary shares: (i) sole voting power: 5,851,418; (ii) shared voting power: 0; (iii) sole dispositive power: 14,252,970; and (iv) shared dispositive power: 0. The business address of T. Rowe Price is 100 E. Pratt St, Baltimore, MD 21202.

(6) 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.

(7) 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 held of record to entities beneficially owned by our founders, Daniel Ek and Martin Lorentzon, for a total of 350,514,260 beneficiary certificates outstanding as of December 31, 2021. 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."

(8) 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 approval 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 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 2021 (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 2019). The maximum aggregate CIT and MBT rate consequently amounts to 24.94% in 2021 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 Company from Qualified Subsidiaries 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 of the initial listing, 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 acquires 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 considering an investment in our ordinary shares should consult their tax advisers regarding the U.S. federal income tax consequences of acquiring, 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 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 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 shares generally will equal the cost of such 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 own tax adviser 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. Prospective investors 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.

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, and investment 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 arising from the COVID-19 pandemic 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 on the impact of the COVID-19 pandemic on our business, operating results, and financial condition.

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 due to the COVID-19 pandemic, 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, 2021. The sensitivity associated with a 10% weakening of a particular currency would be equal and opposite. This assumes that each currency moves in isolation.

2021	SEK	USD
	(in € millions)	
Increase/(decrease) in income before tax	(14)	94

Translation Exposure Sensitivity

The impact on our equity would be approximately €126 million if the Euro weakened by 10% against all translation exposure currencies, based on the exposure at December 31, 2021.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will have a negative impact on earnings and cash flow.

Our exposure to interest rate risk is related to our interest-bearing assets, primarily 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 €7 million for the year ended December 31, 2021.

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.

The impact on the fair value of the Exchangeable Notes, using reasonably possible alternative assumptions, of a decrease or increase in share price of 10% results in a range of €1,187 million to €1,219 million at December 31, 2021.

The impact on the fair value of the warrants of an increase or decrease in the Company's ordinary share price of 10% would have resulted in a range of €52 million to €95 million at December 31, 2021.

The impact on the accrual for social costs on outstanding share-based compensation awards of an increase or decrease in the Company's ordinary share price of 10% would have resulted in a change of €18 million at December 31, 2021.

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. The impact on the fair value of our long term investment in TME, using reasonably possible alternative assumptions, of an increase or decrease of TME's share price used to value our equity interest of 10% results in a range of €767 million to €937 million at December 31, 2021.

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, 2021, 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, 2021. 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, 2021. The effectiveness of our internal control over financial reporting as of December 31, 2021 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, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We have not experienced any material impact to our internal control over financial reporting despite the fact that our employees are currently working remotely due to the COVID-19 pandemic. We are continually monitoring and assessing the COVID-19 situation to minimize the impact of the pandemic on the design and operating effectiveness of 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, 2021.

Item 16C. Principal Accountant Fees and Services

Ernst & Young AB have acted as our principal accountants for the years ended December 31, 2021 and 2020, respectively. The following table summarizes the charge for professional fees rendered in those periods:

	2021	2020
	(in € thousands)	
Audit fees	5,548	5,179
Audit-related fees	560	100
Tax fees	4	4
All other fees	—	—
Total	6,112	5,283

"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 permitted 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 2021 and 2020 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.

The authorization of the previous share repurchase program, announced on November 5, 2018, expired on April 21, 2021. There were no repurchases made under this program during 2021.

2021	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	—		$ —		—	$ —
February	—		$ —		—	$ —
March	—		$ —		—	$ —
April	1,000,000	(2)	$ —	(3)	—	$ —
May	—		$ —		—	$ —
June	—		$ —		—	$ —
July	—		$ —		—	$ —
August	128,229		$ 222.94		128,229	$ 971,412,806
September	29,281		$ 222.54		29,281	$ 964,896,626
October	54,227		$ 221.27		54,227	$ 952,897,867
November	1,000,000	(2)	$ —	(4)	—	$ 952,897,867
December	246,497		$ 222.67		246,497	$ 898,010,062
Total	**2,458,234**				**458,234**	**$ 898,010,062**

(1) This column includes all the shares repurchased as a part of the repurchase program announced on August 20, 2021, as further described above. As of December 31, 2021, we had repurchased a total of approximately $102 million under the share repurchase program.

(2) On April 26, 2021 and November 17, 2021, 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 $0.000755 per share, as of the date of purchase.

(4) Price paid per share is equal to the USD equivalent of par value, or $0.000707 per share, as of the date of purchase.

During the year ended December 31, 2021, the average price paid per share for share repurchases was equal to €195.79, 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 December 31, 2021. As of December 31, 2021, the maximum value of shares that may yet be purchased under the share repurchase program is approximately €790 million, translated into Euro from U.S. Dollars at the exchange rate as published by Reuters on December 31, 2021.

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 comprised of four members, and we believe three 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.

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.
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.
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 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).
4.26	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).
4.27	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).
4.28	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).
4.29	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).
4.30	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).
4.31	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).
4.32	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).
4.33	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).
4.34	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).
4.35	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).
4.36	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).

4.37	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.
4.38	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).
4.39	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).
4.40	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).
4.41	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).
4.42	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	Interactive Data Files.

* 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 3, 2022

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INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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, 2021 and 2020, the related consolidated statements of operations, comprehensive (loss)/income, changes in equity and cash flows for each of the three years in the period ended December 31, 2021, 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, 2021 and 2020 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, 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, 2021, 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 3, 2022 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, 2021, the Company's cost of revenue was €7,077 million. As of December 31, 2021, trade payables and accrued fees to rights holders was €534 million and €1,378 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 and in circumstances where rights holders have several years to claim royalties for musical compositions.
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, and where rights holders have several years to claim. We performed the following audit procedures, among others, related to cost of revenue and rights holder liabilities: recalculated royalty cost amounts, tested calculation variables, tested claim data and performed sensitivity analyses. 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, and where rights holders have several years to claim.

/s/ Ernst & Young AB

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

Stockholm, Sweden

February 3, 2022

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, 2021, 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, 2021, 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, 2021 and 2020, the related consolidated statements of operations, comprehensive (loss)/income, changes in equity and cash flows for each of the three years in the period ended December 31, 2021, and the related notes and our report dated February 3, 2022 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 3, 2022

Consolidated statement of operations

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

	Note	2021	2020	2019
Revenue	4	9,668	7,880	6,764
Cost of revenue		7,077	5,865	5,042
Gross profit		**2,591**	**2,015**	**1,722**
Research and development		912	837	615
Sales and marketing		1,135	1,029	826
General and administrative		450	442	354
		2,497	**2,308**	**1,795**
Operating income/(loss)		**94**	**(293)**	**(73)**
Finance income	9	246	94	275
Finance costs	9	(91)	(510)	(333)
Finance income/(costs) - net		**155**	**(416)**	**(58)**
Income/(loss) before tax		**249**	**(709)**	**(131)**
Income tax expense/(benefit)	10	283	(128)	55
Net loss attributable to owners of the parent		**(34)**	**(581)**	**(186)**
Loss per share attributable to owners of the parent				
Basic	11	(0.18)	(3.10)	(1.03)
Diluted	11	(1.03)	(3.10)	(1.03)
Weighted-average ordinary shares outstanding				
Basic	11	191,298,397	187,583,307	180,960,579
Diluted	11	193,943,455	187,583,307	180,960,579

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

Consolidated statement of comprehensive (loss)/income

for the year ended December 31
(in € millions)

	Note	2021	2020	2019
Net loss attributable to owners of the parent		**(34)**	**(581)**	**(186)**
Other comprehensive (loss)/income				
Items that may be subsequently reclassified to consolidated statement of operations (net of tax):				
Change in net unrealized gain or loss on short term investments	**18, 24**	(8)	4	5
Change in net unrealized gain or loss on cash flow hedging instruments	**18, 24**	(1)	1	(3)
Change in foreign currency translation adjustment	**18**	71	(43)	4
Items not to be subsequently reclassified to consolidated statement of operations (net of tax):				
(Losses)/gains in the fair value of long term investments	**18, 24**	(981)	615	(117)
Other comprehensive (loss)/income for the year (net of tax)		**(919)**	**577**	**(111)**
Total comprehensive loss for the year attributable to owners of the parent		**(953)**	**(4)**	**(297)**

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

Consolidated statement of financial position

As at December 31
(in € millions)

	Note	2021	2020
Assets			
Non-current assets			
Lease right-of-use assets	**12**	437	444
Property and equipment	**13**	372	313
Goodwill	**14**	894	736
Intangible assets	**14**	89	97
Long term investments	**24**	916	2,277
Restricted cash and other non-current assets	**15**	77	78
Deferred tax assets	**10**	13	15
		2,798	**3,960**
Current assets			
Trade and other receivables	**16**	621	464
Income tax receivable	**10**	5	4
Short term investments	**24**	756	596
Cash and cash equivalents	**24**	2,744	1,151
Other current assets	**17**	246	151
		4,372	**2,366**
Total assets		**7,170**	**6,326**
Equity and liabilities			
Equity			
Share capital	**18**	—	—
Other paid in capital	**18**	4,746	4,583
Treasury shares	**18**	(260)	(175)
Other reserves	**18**	853	1,687
Accumulated deficit		(3,220)	(3,290)
Equity attributable to owners of the parent		**2,119**	**2,805**
Non-current liabilities			
Exchangeable Notes	**20**	1,202	—
Lease liabilities	**12**	579	577
Accrued expenses and other liabilities	**22**	37	42
Provisions	**23**	7	2
		1,825	**621**
Current liabilities			
Trade and other payables	**21**	793	638
Income tax payable	**10**	23	9
Deferred revenue	**4**	458	380
Accrued expenses and other liabilities	**22**	1,841	1,748
Provisions	**23**	22	20
Derivative liabilities	**24**	89	105
		3,226	**2,900**
Total liabilities		**5,051**	**3,521**
Total equity and liabilities		**7,170**	**6,326**

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, 2019		**180,856,081**	**—**	**(77)**	**3,801**	**875**	**(2,523)**	**2,076**
Loss for the year		—	—	—	—	—	(186)	(186)
Other comprehensive loss		—	—	—	—	(111)	—	(111)
Repurchases of ordinary shares		(3,679,156)	—	(433)	—	—	—	(433)
Issuance of shares upon exercise of stock options and restricted stock units	**18**	3,557,405	—	140	14	—	—	154
Issuance of shares upon exercise of, or net settlement of, warrants	**24**	3,591,627	—	—	377	—	—	377
Issuance of share-based compensation in conjunction with business combinations	**5**	—	—	—	—	13	—	13
Restricted stock units withheld for employee taxes		—	—	—	—	(6)	—	(6)
Share-based compensation	**19**	—	—	—	—	127	—	127
Income tax impact associated with share-based compensation	**10**	—	—	—	—	26	—	26
Balance at December 31, 2019		**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**

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	2021	2020	2019
Operating activities				
Net loss		(34)	(581)	(186)
Adjustments to reconcile net loss to net cash flows				
Depreciation of property and equipment and lease right-of-use assets	**12 , 13**	94	86	71
Amortization of intangible assets	**14**	33	25	16
Share-based compensation expense	**19**	223	176	122
Finance income	**9**	(246)	(94)	(275)
Finance costs	**9**	91	510	333
Income tax expense/(benefit)	**10**	283	(128)	55
Other		6	7	13
Changes in working capital:				
Increase in trade receivables and other assets		(245)	(187)	(27)
Increase in trade and other liabilities		137	425	454
Increase in deferred revenue		67	73	59
Increase/(decrease) in provisions		5	6	(35)
Interest paid on lease liabilities		(50)	(55)	(37)
Interest received		3	4	14
Income tax paid		(6)	(8)	(4)
Net cash flows from operating activities		**361**	**259**	**573**
Investing activities				
Business combinations, net of cash acquired	**5**	(115)	(336)	(331)
Purchases of property and equipment	**13**	(85)	(78)	(135)
Purchases of short term investments	**24**	(497)	(1,354)	(901)
Sales and maturities of short term investments	**24**	375	1,421	1,163
Sales of long term investments	**24**	144	—	—
Change in restricted cash	**15**	1	2	2
Other		(10)	(27)	(16)
Net cash flows used in investing activities		**(187)**	**(372)**	**(218)**
Financing activities				
Payments of lease liabilities	**12**	(35)	(24)	(17)
Lease incentives received	**12**	7	20	15
Repurchases of ordinary shares	**18**	(89)	—	(438)
Proceeds from exercise of stock options	**19**	167	319	154
Proceeds from exercise of warrants	**24**	—	—	74
Proceeds from issuance of warrants	**24**	31	—	15
Proceeds from issuance of Exchangeable Notes, net of costs	**24**	1,223	—	—
Payments for employee taxes withheld from restricted stock unit releases	**19**	(54)	(30)	(6)
Net cash flows from/(used in) financing activities		**1,250**	**285**	**(203)**
Net increase in cash and cash equivalents		**1,424**	**172**	**152**
Cash and cash equivalents at January 1	**24**	1,151	1,065	891
Net foreign exchange gains/(losses) on cash and cash equivalents		169	(86)	22
Cash and cash equivalents at December 31	**24**	**2,744**	**1,151**	**1,065**
Supplemental disclosure of cash flow information				
Non-cash investing and financing activities				
Deferred consideration liability recognized in conjunction with business combination	**5**	9	32	2
Recognition of lease right-of-use asset in exchange for lease liabilities	**12**	23	29	136
Purchases of property and equipment in trade and other liabilities	**13**	13	16	14
Issuance of shares upon exercise of, or effective net settlement of, warrants	**24**	—	267	303

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

Notes to the 2021 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 42-44 avenue de la Gare, L1610, Luxembourg, Grand Duchy of Luxembourg.

The principal activity of the Company and its subsidiaries (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 ("IO"), 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 advertisement 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, 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 of the Premium Service. 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 thirteen 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, podcast 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, and 10 years for podcast 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 are comprised of 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 are primarily comprised of 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 are primarily comprised of 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 (loss)/income 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;
- 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.

(t) 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 twelve 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 2021, 2020, and 2019.

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 fulfil 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, 2021 that have a material impact to the consolidated financial statements.

New standards and interpretations issued not yet effective

In January 2020, the International Accounting Standard Board ("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, effective for annual reporting periods beginning on or after January 1, 2023. The amendment would 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.

There are no other IFRS or IFRS Interpretations Committee ("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 non-employees 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 fiscal loss carry-forwards, tax credits and deductible temporary differences. 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, 2021 and 2020, the Group had deferred revenue of €458 million and €380 million, respectively. The increase in deferred revenue in 2021 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 up to a year.

Revenue recognized that was included in the contract liability balance at the beginning of the years ended December 31, 2021, 2020, and 2019 is €372 million, €301 million, and €248 million, respectively.

5. Business combinations

The following sections describe the Group’s material acquisitions during the years ended December 31, 2021 and 2020.

Betty Labs Incorporated

On March 29, 2021, the Group acquired 100% of Betty Labs Incorporated (“Betty Labs”), a technology and content creation company focused on creating groundbreaking live audio experiences. The acquisition allows the Group to accelerate its entry into the live audio space.

The fair value of the purchase consideration was €57 million in cash paid at closing. The acquisition was accounted for under the acquisition method.

Of the total purchase consideration, €52 million has been recorded to goodwill, €2 million to acquired intangible assets, €4 million to cash and cash equivalents, and €1 million to deferred tax liabilities.

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 recognized is expected to be deductible for tax purposes. The goodwill was included in the Ad-Supported segment.

Podz Incorporated

On June 17, 2021, the Group acquired 100% of Podz, Inc. (“Podz”), a technology company focused on the podcast discovery experience.

The fair value of the purchase consideration was €45 million with €36 million in cash paid at closing and €9 million in deferred consideration. The acquisition was accounted for under the acquisition method. Of the total purchase consideration, €44 million was recorded to goodwill, €2 million to acquired intangible assets and €1 million to deferred tax liabilities.

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 recognized is expected to be deductible for tax purposes. The goodwill was included in the Ad-Supported segment.

For the year ended December 31, 2021, revenues and operating results of the acquired businesses were not significant to the Group's consolidated statement of operations.

Bill Simmons Media Group, LLC

On March 6, 2020, the Group acquired 100% of Bill Simmons Media Group, LLC (“The Ringer”), a leading creator of sports, entertainment, and pop culture content. The acquisition allows the Group to expand its content offering, audience reach, and podcast monetization.

The fair value of the purchase consideration was €170 million, comprising €138 million in cash paid at closing and a liability of €32 million, being the present value of payments of €44 million over five years. The acquisition was accounted for under the acquisition method. Of the total purchase consideration, €140 million has been recorded to goodwill, €26 million to acquired intangible assets, €1 million to cash and cash equivalents, and €3 million to other tangible net assets. The Group incurred €3 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 an increase in content development capabilities, an experienced workforce, and expected future synergies. The goodwill recognized is expected to be deductible for tax purposes. The goodwill was included in the Ad-Supported segment.

The intangible assets, which consist of trade names, were valued by the Group using the relief from royalty method under the income approach. The relief from royalty method is based on the application of a royalty rate to forecasted revenue under the trade names. The assets have useful lives ranging from five to eight years.

In addition to the purchase consideration, there are cash payments of €47 million that are contingent on the continued employment of certain The Ringer employees. In addition, €12 million of equity instruments were offered to and accepted by certain The Ringer 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 five years, if not forfeited by the employees.

Megaphone LLC

On December 8, 2020, the Group acquired 100% of Megaphone LLC ("Megaphone"), a podcast technology company that provides hosting and ad-insertion capabilities for publishers and targeted advertising sales for brand partners. The acquisition allows the Group to expand and scale its podcast monetization and product offering for advertisers.

The fair value of the purchase consideration was €195 million in cash paid at closing. The acquisition was accounted for under the acquisition method. Of the total purchase consideration, €164 million has been recorded to goodwill, €22 million to acquired intangible assets, €14 million to trade and other receivables, €1 million to cash and cash equivalents, and €6 million to other tangible net 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. The goodwill recognized is expected to be deductible for tax purposes. The goodwill was included in the Ad-Supported segment.

The intangible assets acquired relate to existing technology and publisher relationships, which have a useful life of five and ten years, respectively. The Group valued the existing technology and publishers relationships using the relief from royalty method and discounted cash flow method, respectively, under the income approach.

In addition to the purchase consideration, €6 million of equity instruments were offered to and accepted by Megaphone employees, which have vesting conditions contingent on continued employment and are accounted for as equity-settled, share-based compensation transactions. These 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.

The amount for business combinations, net of cash acquired, within the consolidated statement of cash flows for the year ended December 31, 2021 includes €12 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 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. The operations of businesses acquired during each of the years ended December 31, 2020 and 2021 are included in the Ad-Supported 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:

	2021	2020	2019
		(in € millions)	
Premium			
Revenue	8,460	7,135	6,086
Cost of revenue	5,986	5,126	4,443
Gross profit	**2,474**	**2,009**	**1,643**
Ad-Supported			
Revenue	1,208	745	678
Cost of revenue	1,091	739	599
Gross profit	**117**	**6**	**79**
Consolidated			
Revenue	9,668	7,880	6,764
Cost of revenue	7,077	5,865	5,042
Gross profit	**2,591**	**2,015**	**1,722**

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 income/(loss) before tax is as follows:

	2021	2020	2019
		(in € millions)	
Segment gross profit	**2,591**	**2,015**	**1,722**
Research and development	(912)	(837)	(615)
Sales and marketing	(1,135)	(1,029)	(826)
General and administrative	(450)	(442)	(354)
Finance income	246	94	275
Finance costs	(91)	(510)	(333)
Income/(loss) before tax	**249**	**(709)**	**(131)**

Revenue by country

	2021	2020	2019
		(in € millions)	
United States	3,692	2,947	2,542
United Kingdom	994	836	727
Luxembourg	6	5	4
Other countries	4,976	4,092	3,491
Total	**9,668**	**7,880**	**6,764**

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 consists of property and equipment and lease right-of-use assets.

	2021	2020	2019
		(in € millions)	
Sweden	148	151	154
United States	549	504	525
United Kingdom	58	65	79
Other countries	54	37	22
Total	**809**	**757**	**780**

As of December 31, 2021, 2020, and 2019, the Group held no property and equipment in Luxembourg.

7. Personnel expenses

	2021	2020	2019
		(in € millions, except employee data)	
Wages and salaries	860	694	541
Social costs	85	265	111
Contributions to retirement plans	40	32	26
Share-based compensation	223	176	122
Other employee benefits	124	97	88
Total	**1,332**	**1,264**	**888**
Average full-time employees	**6,617**	**5,584**	**4,405**

8. Auditor remuneration

	2021	2020	2019
		(in € millions)	
Auditor fees	6	5	5

9. Finance income and costs

	2021	2020	2019
		(in € millions)	
Finance income			
Fair value movements on derivative liabilities (Note 24)	53	49	182
Fair value movements on Exchangeable Notes (Note 24)	117	—	—
Interest income	11	17	31
Other financial income	6	8	1
Foreign exchange gains	59	20	61
Total	**246**	**94**	**275**
Finance costs			
Fair value movements on derivative liabilities (Note 24)	(5)	(307)	(235)
Fair value movements on Exchangeable Notes (Note 24)	(5)	—	—
Interest expense on lease liabilities	(40)	(41)	(38)
Interest, bank fees and other costs	(11)	(13)	(5)
Transaction costs in relation to issuance of Exchangeable Notes	(18)	—	—
Foreign exchange losses	(12)	(149)	(55)
Total	**(91)**	**(510)**	**(333)**

10. Income tax

	2021	2020	2019
		(in € millions)	
Current tax expense			
Current year	37	25	45
Changes in estimates in respect to prior year	2	(9)	(1)
	39	**16**	**44**
Deferred tax (benefit)/expense			
Temporary differences	5	(137)	27
Change in recognition of deferred tax	241	(7)	(17)
Change in tax rates	(1)	—	1
Changes in estimates in respect to prior years	(1)	—	—
	244	**(144)**	**11**
Income tax expense/(benefit)	**283**	**(128)**	**55**

For the years ended December 31, 2021, 2020, and 2019, the Group recorded an income tax expense/(benefit) of €(268) million, €163 million, and €(31) million, respectively, in other comprehensive (loss)/income related to components of other comprehensive (loss)/income. Subsequently, €30 million of a current tax charge was reclassified to accumulated deficit relating to the sale of a long term investment.

In 2021, the Group recognized current income tax expense of €2 million for uncertain tax positions and has cumulatively recorded liabilities of €6 million for uncertain tax positions at December 31, 2021, of which €2 million is reasonably expected to be resolved within twelve months. The 2021 increase reflects estimates of uncertain tax positions that have a gross impact of €35 million (before utilization of loss carry forwards). Interest and penalties included in income tax expense were not material in any of the periods presented.

A reconciliation between the reported tax expense 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 income before tax for each of the years ended December 31, 2021, 2020, and 2019 is shown in the table below:

	2021	2020	2019
		(in € millions)	
Income/(loss) before tax	**249**	**(709)**	**(131)**
Tax using the Luxembourg tax rate	62	(177)	(33)
Effect of tax rates in foreign jurisdictions	1	12	2
Permanent differences	(35)	54	58
Change in unrecognized deferred taxes	239	(9)	29
Adjustments in respect of previous years	1	(9)	(1)
Foreign withholding taxes	12	1	—
Other	3	—	—
Income tax expense/(benefit)	**283**	**(128)**	**55**

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. We may also be subject to current tax expense in future periods as a result of share-based compensation.

The major components of deferred tax assets and liabilities are comprised of the following:

	2021	2020
	(in € millions)	
Intangible assets	(66)	(61)
Share-based compensation	8	27
Tax losses carried forward	53	224
Property and equipment	58	91
Unrealized (gains)/losses	(43)	(276)
Other	3	10
Net deferred tax assets	**13**	**15**

A reconciliation of net deferred tax is shown in the table below:

	2021	2020	2019
		(in € millions)	
At January 1	**15**	**7**	**6**
Movement recognized in consolidated statement of operations	(240)	144	(11)
Movement recognized in consolidated statement of changes in equity and other comprehensive income	239	(136)	18
Movement due to acquisition	(1)	—	(6)
At December 31	**13**	**15**	**7**

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	2021	2020
	(in € millions)	
Deferred tax assets	13	15

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.

	2021	2020
	(in € millions)	
Intangible assets	74	72
Share-based compensation	122	198
Tax losses carried forward	316	201
Tax credits carried forward	51	28
Unrealized (gains)/ losses	7	1
Other	60	35
Total	**630**	**535**

At December 31, 2021, no deferred tax liability had been recognized on investments in subsidiaries. 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, 2021 were expected to expire as follows:

Expected expiry	2022 - 2031	2032 and onwards	Unlimited	Total
		(in € millions)		
Tax loss carry-forwards	—	473	1,426	1,899
Research and development credit carry-forward	—	52	—	52

The Group has significant net operating loss carry-forwards in the United States and Sweden. 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 Sweden, 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.

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 the Group formation, the Group has raised capital through the issuance of capital stock on several occasions, and the Group may continue to do so, 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.

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 Swedish, U.S. and other foreign tax authorities for tax years from 2013-2018. 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 ordinary shares during the period. Potential ordinary shares which are based on the weighted-average ordinary shares underlying outstanding stock options, restricted stock units, restricted stock awards, 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:

	2021	2020	2019
	(in € millions, except share and per share data)		
Basic loss per share			
Net loss attributable to owners of the parent	(34)	(581)	(186)
Shares used in computation:			
Weighted-average ordinary shares outstanding	191,298,397	187,583,307	180,960,579
Basic loss per share attributable to owners of the parent	**(0.18)**	**(3.10)**	**(1.03)**
Diluted loss per share			
Net loss attributable to owners of the parent	(34)	(581)	(186)
Fair value gains on dilutive Exchangeable Notes	(112)	—	—
Fair value gains on dilutive warrants	(53)	—	—
Net loss used in the computation of diluted loss per share	(199)	(581)	(186)
Shares used in computation:			
Weighted-average ordinary shares outstanding	191,298,397	187,583,307	180,960,579
Exchangeable Notes	2,424,921	—	—
Warrants	220,137	—	—
Diluted weighted average ordinary shares	193,943,455	187,583,307	180,960,579
Diluted loss per share attributable to owners of the parent	**(1.03)**	**(3.10)**	**(1.03)**

Potential dilutive securities that were not included in the diluted loss per share calculations because they would be anti-dilutive were as follows:

	2021	2020	2019
Employee options	8,695,348	9,041,288	12,153,772
Restricted stock units	1,425,196	1,320,193	638,350
Restricted stock awards	—	—	41,280
Other contingently issuable shares	108,720	156,190	162,320
Warrants	800,000	800,000	2,400,000

12. Leases

The Group leases certain properties under non-cancellable lease agreements that relate to office space. The expected lease terms up to thirteen 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, 2020	**587**
Increases	29
Acquired in business combinations	3
Decreases	(3)
Exchange differences	(35)
At December 31, 2020	**581**
Increases	23
Decreases	(2)
Exchange differences	30
At December 31, 2021	**632**
Accumulated depreciation	
At January 1, 2020	**(98)**
Depreciation charge	(49)
Decreases	3
Exchange differences	7
At December 31, 2020	**(137)**
Depreciation charge	(53)
Decreases	2
Exchange differences	(7)
At December 31, 2021	**(195)**
Cost, net accumulated depreciation	
At December 31, 2020	**444**
At December 31, 2021	**437**

Below is the roll-forward of lease liabilities:

Lease liabilities	2021	2020
	(in € millions)	
At January 1	**608**	**628**
Increases	23	32
Acquired in business combinations	—	3
Payments [(1)]	(85)	(79)
Interest expense	40	41
Lease incentives received [(1)]	7	20
Increases in lease incentives receivable	(2)	(1)
Exchange differences	32	(36)
At December 31	**623**	**608**

(1) Included within the consolidated statement of cash flows

Below is the maturity analysis of lease liabilities:

Lease liabilities	**December 31, 2021**
Maturity Analysis	**(in € millions)**
Less than one year	90
One to five years	360
More than five years	433
Total lease commitments	**883**
Impact of discounting remaining lease payments	(254)
Lease incentives receivable	(6)
Total lease liabilities	**623**
Lease liabilities included in the consolidated statement of financial position	
Current	44
Non-current	579
Total	**623**

Excluded from the lease commitments above are short term leases. Expenses relating to short term leases were approximately €7 million and €9 million for the year ended December 31, 2021 and 2020, respectively. Additionally, the Group has entered into certain lease agreements with approximately €7 million of commitments, which had not commenced as of December 31, 2021, 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 6.3% as of December 31, 2021 and December 31, 2020.

13. Property and equipment

	Property and equipment	Leasehold improvements	Total
		(in € millions)	
Cost			
At January 1, 2020	**54**	**295**	**349**
Additions	6	73	79
Disposals	(1)	(1)	(2)
Exchange differences	(3)	(21)	(24)
At December 31, 2020	**56**	**346**	**402**
Additions	26	55	81
Disposals	(1)	(1)	(2)
Exchange differences	2	22	24
At December 31, 2021	**83**	**422**	**505**
Accumulated depreciation			
At January 1, 2020	**(29)**	**(29)**	**(58)**
Depreciation charge	(9)	(28)	(37)
Disposals	—	1	1
Exchange differences	2	3	5
At December 31, 2020	**(36)**	**(53)**	**(89)**
Depreciation charge	(9)	(32)	(41)
Disposals	1	1	2
Exchange differences	(2)	(3)	(5)
At December 31, 2021	**(46)**	**(87)**	**(133)**
Cost, net accumulated depreciation			
At December 31, 2020	**20**	**293**	**313**
At December 31, 2021	**37**	**335**	**372**

There were no impairment charges recognized for the year ended December 31, 2021 and 2020, respectively.

The Group had €4 million and €59 million of leasehold improvements that were not placed into service as of December 31, 2021 and 2020, respectively.

14. Goodwill and intangible assets

	Internal development costs and patents	Acquired intangible assets	Total	Goodwill	Total
			(in € millions)		
Cost					
At January 1, 2020	**45**	**47**	**92**	**478**	**570**
Additions	19	—	19	—	19
Acquisition, business combination (Note 5)	—	48	48	304	352
Exchange differences	—	(4)	(4)	(46)	(50)
At December 31, 2020	**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**
Accumulated amortization					
At January 1, 2020	**(19)**	**(15)**	**(34)**	**—**	**(34)**
Amortization charge	(12)	(13)	(25)	—	(25)
Exchange differences	—	1	1	—	1
At December 31, 2020	**(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)**
Cost, net accumulated amortization					
At December 31, 2020	**33**	**64**	**97**	**736**	**833**
At December 31, 2021	**31**	**58**	**89**	**894**	**983**

Amortization charges related to intangible assets of €25 million, €18 million and €14 million in 2021, 2020, and 2019, respectively, are included in research and development in the consolidated statement of operations. Research and development costs that are not eligible for capitalization have been expensed in the period incurred. There were no impairment charges for goodwill or intangible assets in 2021, 2020, and 2019, 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 the segment that is 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 2021	Ad-Supported 2021	Premium 2020	Ad-Supported 2020
		(in € millions)		
Goodwill	129	765	125	611

Valuation methodology

The Group performed its annual impairment test in the fourth quarter of 2021. 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 approaches. The income approach is calculated by discounting the projected cash flows of each of the operating segments. The market valuation is calculated by 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. 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

In 2021, the Group weighted the income and market approaches 50% and 50%, respectively, for each of its operating segments. The key assumptions used in the income approach was the discount rate based on the weighted-average cost of capital. The discount rate was 7.5% and 9.5% for the Group's Premium and Ad-Supported segments, respectively. The key assumptions used in the market approach 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. Revenue multiples used in the market approach ranged from 3.0 to 7.0.

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

	2021	2020
	(in € millions)	
Restricted cash		
Lease deposits and guarantees	51	48
Other	1	1
Other non-current assets	25	29
Total	**77**	**78**

16. Trade and other receivables

	2021	2020
	(in € millions)	
Trade receivables	443	323
Less: allowance for expected credit losses	(6)	(4)
Trade receivables – net	437	319
Other	184	145
Total	**621**	**464**

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:

	2021	2020
	(in € millions)	
Current	268	218
Overdue 1 – 30 days	86	62
Overdue 31 – 60 days	43	26
Overdue 60 – 90 days	17	8
Overdue more than 90 days	23	5
	437	**319**

The movements in the Group's allowance for expected credit losses are as follows:

	2021	2020
	(in € millions)	
At January 1	**4**	**5**
Provision for expected credit losses	7	7
Reversal of unutilized provisions	(2)	(5)
Receivables written off	(3)	(3)
At December 31	**6**	**4**

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

	2021	2020
	(in € millions)	
Content assets	161	92
Prepaid expenses and other	74	47
Derivative assets	11	12
Total	**246**	**151**

Content asset amortization of €122 million, €48 million, and €20 million is included in cost of revenue in the consolidated statement of operations for the year ended December 31, 2021, 2020, and 2019, respectively.

18. Issued share capital and other reserves

As at each of December 31, 2021, 2020, and 2019, the authorized and subscribed share capital was comprised of 403,032,520 shares, at a par value €0.000625 each. As at December 31, 2021, 2020, and 2019, the Company had 195,614,910, 193,614,910, and 187,492,667 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 held of record to entities beneficially owned by our founders, Daniel Ek and Martin Lorentzon, for a total of 350,514,260 beneficiary certificates outstanding as of December 31, 2021. 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 October 17, 2016, the Company issued, for €27 million in cash, warrants to acquire 5,120,000 ordinary shares to certain members of key management. The exercise price of each warrant was US$50.61, which was equal to 1.2 times the fair market value of ordinary shares on the date of issuance. On October 4, 2019, the Company issued 1,600,000 ordinary shares and 16,000,000 beneficiary certificates upon the exercise of 1,600,000 of these warrants, for cash of €74 million. On October 17, 2019, the Company issued 1,991,627 shares and 19,916,270 beneficiary certificates upon the effective net settlement of the remaining 3,520,000 warrants.

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 are exercisable at any time through 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. Through December 31, 2021, 458,234 shares were repurchased for €89 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, 2021 and 2020, the Company repurchased, in total, 2,458,234 and 5,038,200 of its own ordinary shares, respectively, and reissued 2,397,198 and 4,802,847 treasury shares, respectively, upon the exercise of stock options, restricted stock units, and contingently issuable shares. As of December 31, 2021 and 2020, the Company had 3,463,099 and 3,402,063 ordinary shares held as treasury shares, respectively.

As of December 31, 2021 and 2020, the Group's founders held 350,514,260 and 365,014,840 beneficiary certificates, respectively.

Other reserves

	2021	2020	2019
		(in € millions)	
Currency translation			
At January 1	**(54)**	**(11)**	**(15)**
Currency translation	71	(43)	4
At December 31	**17**	**(54)**	**(11)**
Short term investments			
At January 1	**5**	**1**	**(4)**
(Losses)/gains on fair value that may be subsequently reclassified to consolidated statement of operations	(8)	8	7
Gains reclassified to consolidated statement of operations	(2)	(3)	—
Deferred tax	2	(1)	(2)
At December 31	**(3)**	**5**	**1**
Long term investments			
At January 1	**1,059**	**444**	**561**
(Losses)/gains on fair value not to be subsequently reclassified to consolidated statement of operations	(1,218)	777	(149)
Gain on sale of long term investment reclassified to accumulated deficit	(134)	—	—
Tax effect of gain on sale of long term investment reclassified to accumulated deficit	30	—	—
Deferred tax	237	(162)	32
At December 31	**(26)**	**1,059**	**444**
Cash flow hedges			
At January 1	**(3)**	**(4)**	**(1)**
(Losses)/gains on fair value that may be subsequently reclassified to consolidated statement of operations	(11)	5	(7)
Losses/(gains) reclassified to revenue	51	(15)	10
(Gains)/losses reclassified to cost of revenue	(40)	11	(7)
Deferred tax	(1)	—	1
At December 31	**(4)**	**(3)**	**(4)**
Share-based compensation			
At January 1	**680**	**494**	**334**
Share-based compensation (Note 19)	222	181	127
Income tax impact associated with share-based compensation (Note 10)	21	34	26
Issuance of share-based compensation in conjunction with business combinations (Note 5)	—	—	13
Restricted stock units withheld for employee taxes	(54)	(29)	(6)
At December 31	**869**	**680**	**494**
Other reserves at December 31	**853**	**1,687**	**924**

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.

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 on 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.

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	Number of Awards	Weighted average grant date fair value	Number of Awards	Weighted average grant date fair value
		US$		US$		US$
Outstanding at January 1, 2019	**100,383**	**63.87**	**61,880**	**90.65**	**—**	**—**
Granted	715,224	137.15	—	—	162,320	145.21
Forfeited	(48,754)	118.96	—	—	—	—
Released	(128,503)	98.52	(20,600)	90.65	—	—
Outstanding at December 31, 2019	**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**

In the table above, the number of RSUs 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, 2019	**12,243,526**	**77.63**
Granted	4,152,565	147.11
Forfeited	(719,860)	105.01
Exercised	(3,478,660)	49.41
Expired	(43,799)	117.79
Outstanding at December 31, 2019	**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**
Exercisable at December 31, 2019	**5,553,650**	**84.18**
Exercisable at December 31, 2020	**4,022,751**	**113.91**
Exercisable at December 31, 2021	**4,453,983**	**152.64**

The weighted-average contractual life for the stock options outstanding at December 31, 2021, 2020, and 2019 is 2.7 years, 2.9 years, and 2.9 years, respectively. The weighted-average share price at exercise for options exercised during 2021, 2020, and 2019 was US$280.08, US$198.10, and US$141.82, respectively. The weighted-average fair value of options granted during the year ended at December 31, 2021, 2020, and 2019 was US$78.65 per option, US$36.82 per option, and US$34.63 per option, and, respectively.

The stock options outstanding at December 31, 2021, 2020, and 2019 are comprised of the following:

			2021		2020		2019	
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)**
1.65	to	45.00	3,533	1.8	195,207	0.3	2,130,161	0.9
45.01	to	90.00	415,340	0.2	1,243,833	1.2	2,482,270	2.2
90.01	to	135.00	1,659,359	1.8	2,234,257	2.7	2,946,838	3.4
135.01	to	180.00	3,076,253	2.5	3,671,417	3.5	3,318,423	4.1
180.01	to	498.98	3,540,863	3.7	1,696,574	3.6	1,276,080	3.7
			8,695,348	2.7	**9,041,288**	2.9	**12,153,772**	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, 2021, 2020, and 2019:

	2021	2020	2019
Expected volatility (%)	34.1 – 43.1	30.0 – 42.8	30.1 – 35.2
Risk-free interest rate (%)	0.2 – 1.1	0.1 – 1.7	1.4 – 2.6
Expected life of stock options (years)	2.6 – 4.8	2.6 – 4.8	2.5 – 4.8
Weighted-average share price (US$)	283.15	162.82	136.09

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 2021. The following table shows the impact of these changes on stock option expense for the options granted in 2021:

	2021
	(in € millions)
Actual stock option expense	56
Stock option expense increase/(decrease) under the following assumption changes	
Volatility decreased by 10%	(13)
Volatility increase by 10%	16
Expected life decrease by 1 year	(8)
Expected life increase by 1 year	9

The expense recognized in the consolidated statement of operations for share-based compensation is as follows:

	2021	2020	2019
		(in € millions)	
Cost of revenue	9	8	4
Research and development	119	84	61
Sales and marketing	41	34	27
General and administrative	54	50	30
Total	**223**	**176**	**122**

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 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 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, 2021.

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, 2021 was €1,202 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

	2021	2020
	(in € millions)	
Trade payables	534	434
Value added tax and sales taxes payable	229	181
Other current liabilities	30	23
Total	**793**	**638**

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

	2021	2020
	(in € millions)	
Non-current		
Other accrued liabilities	37	42
Total	**37**	**42**
Current		
Accrued fees to rights holders	1,378	1,265
Accrued salaries, vacation, and related taxes	92	65
Accrued social costs for options and RSUs	84	169
Other accrued expenses	287	249
Total	**1,841**	**1,748**

23. Provisions

	Legal contingencies	Indirect tax	Onerous contracts	Other	Total
			(in € millions)		
Carrying amount at January 1, 2020	**5**	**4**	**1**	**5**	**15**
Charged/(credited) to the consolidated statement of operations:					
Additional provisions	2	9	5	4	20
Reversal of unutilized amounts	(1)	(2)	(4)	(2)	(9)
Utilized	(2)	—	(1)	(1)	(4)
Carrying amount at December 31, 2020	**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**
As at December 31, 2020					
Current portion	**4**	**11**	**1**	**4**	**20**
Non-current portion	**—**	**—**	**—**	**2**	**2**
As at December 31, 2021					
Current portion	**4**	**8**	**6**	**4**	**22**
Non-current portion	**—**	**—**	**4**	**3**	**7**

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 which 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 458,234 ordinary shares for €89 million has been repurchased since the commencement of the share repurchase program through December 31, 2021.

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, 2021 and 2020, the financial credit risk was equal to the consolidated statement of financial position value of cash and cash equivalents and short term investments of €3,500 million and €1,747 million, respectively. No credit losses were incurred during 2021 or 2020 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.

	2021	2020
	(in € millions)	
Liquidity		
Short term investments	756	596
Cash equivalents	1,970	685
Cash at bank and on hand	774	466
Liquidity position	**3,500**	**1,747**

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, 2021 and 2020. 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.

2021	**SEK**	**USD**
	(in € millions)	
Increase/(decrease) in income before tax	(14)	94

2020	**SEK**	**USD**
	(in € millions)	
(Increase)/decrease in loss before tax	(13)	67

(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 €126 million and €105 million if the EUR weakened by 10% against all translation exposure currencies, based on the exposure at December 31, 2021 and 2020, 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, primarily its 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 €7 million and €6 million for the years ended December 31, 2021 and 2020, 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. An increase of share price will increase 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 €18 million and €27 million at December 31, 2021 and December 31, 2020, 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 the foreign exchange contracts hedging the revenue and cost of revenue line items in the consolidated statement of operations was approximately €1,185 million and €835 million respectively, as of December 31, 2021 and approximately €992 million and €703 million as of December 31, 2020, 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, 2021:

	Notional amount in foreign currency					
	Australian dollar (AUD)	British pound (GBP)	Canadian dollar (CAD)	Norwegian krone (NOK)	Swedish krona (SEK)	U.S. dollar (USD)
	(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**

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, 2020:

	Notional amount in foreign currency					
	Australian dollar (AUD)	British pound (GBP)	Canadian dollar (CAD)	Norwegian krone (NOK)	Swedish krona (SEK)	U.S. dollar (USD)
	(in millions)					
Hedged line item in consolidated statement of operations						
Revenue	274	379	239	809	1,384	32
Cost of revenue	199	274	166	543	938	24
Total	**473**	**653**	**405**	**1,352**	**2,322**	**56**

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, 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**

Financial assets and liabilities by fair value hierarchy level	Level 1	Level 2	Level 3	December 31, 2020
		(in € millions)		
Financial assets at fair value				
Cash equivalents				
Money market funds	685	—	—	685
Short term investments:				
Money market funds	25	—	—	25
Government securities	198	31	—	229
Agency securities	—	4	—	4
Corporate notes	—	276	—	276
Collateralized reverse purchase agreements	—	62	—	62
Derivatives (designated for hedging):				
Foreign exchange forwards	—	12	—	12
Long term investments	2,228	—	49	2,277
Total financial assets at fair value by level	**3,136**	**385**	**49**	**3,570**
Financial liabilities at fair value				
Derivatives (not designated for hedging):				
Warrants	—	—	89	89
Derivatives (designated for hedging):				
Foreign exchange forwards	—	16	—	16
Contingent consideration	—	—	30	30
Total financial liabilities at fair value by level	**—**	**16**	**119**	**135**

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, 2021 and 2020 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. 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 long term investments 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:

	2021	2020	2019
		(in € millions)	
At January 1	**2,228**	**1,481**	**1,630**
Changes in fair value recorded in other comprehensive loss/income	(1,376)	747	(149)
At December 31	**852**	**2,228**	**1,481**

The impact on the fair value of the Group's long term investment in TME using reasonably possible alternative assumptions with an increase or a decrease of TME's share price used to value its equity interests of 10% results in a range of €767 million to €937 million at December 31, 2021 and €2,005 million to €2,451 million at December 31, 2020.

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 October 17, 2016, the Company sold, for €27 million, warrants to acquire 5,120,000 ordinary shares to certain holders that are employees and management of the Group. The exercise price of each warrant is US$50.61, which was equal to 1.2 times the fair market value of ordinary shares on the date of issuance.

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. The warrants are exercisable at any time through July 2020.

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. The warrants are exercisable at any time through July 1, 2022. Refer to Note 26.

On October 4, 2019, the Company issued 1,600,000 ordinary shares upon the exercise of 1,600,000 warrants that were granted on October 17, 2016, for cash of €74 million. On October 17, 2019, the Company issued 1,991,627 shares upon the effective net settlement of the remaining 3,520,000 warrants that were granted on October 17, 2016. Refer to Note 26.

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 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:

	2021	2020	2019
Expected term (years)	0.5 – 2.65	1.5	0.5 – 2.5
Risk free rate (%)	0.19 – 0.89	0.11	1.58 – 1.59
Volatility (%)	40.0 - 45.0	50.0	32.5
Share price (US$)	234.03	314.66	149.55

The table below presents the changes in the warrants liability:

	2021	2020	2019
		(in € millions)	
January 1	**89**	**98**	**333**
Issuance of warrant for cash	31	—	15
Issuance of shares upon exercise of, or net settlement of, warrants	—	(267)	(303)
Non cash changes recognized in profit or loss			
Changes in fair value recognized in consolidated statement of operations	(53)	263	35
Effect of changes in foreign exchange rates	5	(5)	18
At December 31	**72**	**89**	**98**

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.

The impact on the fair value of the warrants with an increase or decrease in the Company's ordinary share price of 10% results in a range of €52 million to €95 million at December 31, 2021 and €72 million to €106 million at December 31, 2020.

Long term investments – Other

The Group has interests in certain long term investments, the most significant of which is our equity investment in DK Holdco, LLC ("DistroKid"), an independent digital music distribution service. These long term investments primarily represent unlisted equity securities carried at fair value through other comprehensive (loss)/income. 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 the exit multiple 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 equity markets overall.

The table below presents the changes in the other long term investments:

	2021	2020	2019
		(in € millions)	
At January 1	**49**	**16**	**16**
Initial recognition of long term investment	2	9	—
Changes in fair value recorded in other comprehensive (loss)/income	158	29	—
Changes in fair value recognized in consolidated statement of operations	(4)	(4)	—
Sale of long term investment	(144)	—	—
Effect of changes in foreign exchange rates	3	(1)	—
At December 31	**64**	**49**	**16**

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 €104 million has been reclassified from other comprehensive (loss)/income 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 is valued by the Group using a simulation of user engagement outcomes. The change in the fair value of the contingent consideration is recognized within general and administrative expenses in the consolidated statement of operations.

The table below presents the changes in the contingent consideration liability:

	2021	2020	2019
	(in € millions)		
At January 1	**30**	**27**	—
Initial recognition of contingent consideration included in purchase consideration of acquisition	—	—	13
Contingent consideration payments	(17)	(7)	—
Changes in fair value recognized in consolidated statement of operations	2	13	14
Effect of changes in foreign exchange rates	2	(3)	—
At December 31	**17**	**30**	**27**

As of December 31, 2021, the remaining maximum potential contingent consideration payout is €18 million over the next year.

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:

	2021
	(in € millions)
At January 1	—
Initial recognition	1,232
Changes in fair value recognized in consolidated statement of operations	(112)
Effect of changes in foreign exchange rates	82
At December 31	**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:

	December 31, 2021
Risk free rate (%)	1.15
Discount rate (%)	3.9
Volatility (%)	40.0
Share price (US$)	234.03

The impact on the fair value of the Exchangeable Notes of using reasonably possible alternative assumptions with a decrease or increase in volatility of 10% results in a range of €1,170 million to €1,238 million at December 31, 2021. The impact on the fair value of the Exchangeable Notes of using reasonably possible alternative assumptions with a decrease or increase in share price of 10% results in a range of €1,187 million to €1,219 million at December 31, 2021.

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:

	2021	2020	2019
		(in € millions)	
Not later than one year	788	317	657
Later than one year but not more than 5 years	2,491	3,259	383
Total	**3,279**	**3,576**	**1,040**

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 commitments as at December 31:

	2021	2020	2019
		(in € millions)	
Not later than one year	362	279	56
Later than one year but not more than 5 years	435	619	144
Total	**797**	**898**	**200**

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 arising out of alleged infringement of intellectual property; alleged violations of consumer regulations; employment-related matters; and disputes arising out of supplier and other contractual relationships. 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 with music publishers. Until the final rates are finally determined, our recorded royalty costs, both retrospectively and prospectively, will be based on management estimates of the rates that will apply. When the rates are determined anew, these could either benefit or adversely affect our results of operations and financial condition.

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.

	2021	2020	2019
		(in € millions)	
Key management compensation			
Short term employee benefits	4	5	5
Share-based compensation	26	30	22
Total	**30**	**35**	**27**

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 are exercisable at any time through July 1, 2022.

On October 4, 2019, the Company issued 1,600,000 ordinary shares and 16,000,000 beneficiary certificates to Mr. Ek, through D.G.E. Investments Limited, upon the exercise of 1,600,000 warrants that were granted on October 17, 2016, for cash of €74 million.

On October 17, 2019, the Company issued 905,285 ordinary shares and 9,052,850 beneficiary certificates to Mr. Ek, through D.G.E. Investments Limited, upon the effective net settlement of the remaining 1,600,000 warrants that were granted on October 17, 2016.

On October 17, 2019, the Company issued 1,086,342 ordinary shares and 10,863,420 beneficiary certificates to Martin Lorentzon, a member of the board of directors of the Company, through Rosello Company Limited, an entity indirectly wholly owned by him, upon the effective net settlement of 1,920,000 warrants that were granted on October 17, 2016.

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, 2021 and December 31, 2020, the Company issued 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. There were no such transactions during the year ended December 31, 2019.

27. Group information

The Company's principal subsidiaries as at December 31, 2021 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 and marketing	100 %	Spain
Spotify GmbH	Sales and marketing	100 %	Germany
Spotify France SAS	Sales and marketing	100 %	France
Spotify Canada Inc.	Sales and marketing	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 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

Subsequent to the end of the reporting period, the Company issued 1,198,000 ordinary shares 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 RSU releases under the Company's stock option and RSU plans.

« SPOTIFY TECHNOLOGY S.A. »

société anonyme

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R.C.S. Luxembourg, section B numéro 123 052

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STATUTS COORDONNES à la date du **28 janvier 2022**

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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

2.1. The registered office of the Company is established in the City of Luxembourg.

2.2. 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.

2.3. 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

3.1. 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.

3.2. 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.

3.3. 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.

3.4. The Company may borrow in any kind or form and privately issue bonds or notes.

3.5. 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 eight euro point zero six eight seven five (EUR 123,008.06875) divided into one hundred and ninety-six million eight hundred and twelve thousand nine hundred and ten (196,812,910) 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 eighty-seven euro point two five six two five (EUR 128,887.25625) divided into two hundred and six million two hundred and nineteen thousand six hundred and ten (206,219,610) 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.

5.4. 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

6.1. The ordinary shares are and shall remain in registered form only.

6.2. 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.

6.3. Ordinary shares may be held in trust by one or several shareholders.

6.4. 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.

6.5. 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.

6.6. 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.

6.7. 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.

6.8. 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.

6.9. 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.

6.10. 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 depositary or any sub-depositary (any depositary and any sub-depositary being referred to hereinafter as a "**Depositary**"), the Company - subject to having received from the Depositary a certificate in proper form - will permit the Depositary 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 Depositary 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

7.1. 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.

7.2. 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.

7.3. 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.

7.4. 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.

7.5. 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

9.1. 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.

9.2. There are currently three hundred and fifty million five hundred and fourteen thousand two hundred and sixty (350,514,260) 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.

9.3. 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.

9.4. 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.

9.5. 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).

9.6. 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.

9.7. 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.

9.8. 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.

9.9. 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.

9.10. 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

10.1. 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.

10.2. 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

12.1. 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.

12.2. 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.

12.3. 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.

12.4. 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.

12.5. Every Board meeting shall be held in Luxembourg or such other place as the Board of Directors may from time to time determine.

12.6. 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.

12.7. 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.

12.8. 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.

12.9. 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.

12.10. 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

13.1. 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.

13.2. 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

16.1. 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.

16.2. 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.

16.3. 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.

16.4. 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

18.1. 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.

18.2. 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.

18.3. 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

20.1. 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.

20.2. A statutory auditor may be removed at any time, without notice and with or without cause by the general meeting of shareholders.

20.3. The statutory auditor(s) have an unlimited right of permanent supervision and control of all transactions of the Company.

20.4. 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.

20.5. 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

23.1. 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.

23.2. 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.

23.3. 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.

23.4. 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.

23.5. 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

24.1. 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.

24.2. 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.

24.3. 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.

24.4. 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.

24.5. The Board of Directors may determine all other conditions that must be fulfilled in order to take part in General Meeting.

24.6. 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.

24.7. One vote is attached to each outstanding ordinary share. Each Beneficiary Certificate entitles its holder to one vote.

24.8. 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

26.1. 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.

26.2. 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.

26.3. 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

27.1. 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.

27.2. 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.

27.3. 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 aout 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 huit virgule zéro six huit sept cinq euros (EUR 123.008,06875) divisé en cent quatre-vingt-seize millions huit cent douze mille neuf cent dix (196.812.910) 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 quatre-vingt-sept virgule deux cinq six deux cinq euros (EUR 128.887,25625) divisé en deux cent six millions deux cent dix-neuf mille six cent dix (206.219.610) 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 ou 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'ai 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 cinquante millions cinq cent quatorze mille deux cent soixante (350.514.260) 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 couriel 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 déférer 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 payement 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 **28 janvier 2022.**

**DESCRIPTION OF THE REGISTRANT'S SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934**

Spotify Technology S.A. (the "Company," "we," "us" and "our") has the following series of securities registered pursuant to Section 12(b) of the Exchange Act:

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

The Company's authorized share capital is fixed at the amount stated in our Amended and Restated Articles of Association (the "Articles"). No persons have preferential subscription rights for such authorized capital.

The following is a summary of some of the terms of the Ordinary Shares based on our Articles and Luxembourg law. The following summary is not complete and is subject to, and is qualified in its entirety by reference to, the provisions of the Articles and Luxembourg law.

Issuance of Ordinary Shares and Preemptive Rights

Pursuant to Luxembourg law, the issuance of our Ordinary Shares requires approval by a quorum of the general meeting of shareholders, and a majority is required for the amendment of the Articles. The general meeting of shareholders may approve an authorized share capital and authorize the board of directors to issue Ordinary Shares up to the maximum amount of such authorized share capital for a maximum period of five years after the date that the minutes of the relevant general meeting approving such authorization are published in the Luxembourg official gazette (*Mémorial C, Recueil des Sociétés et Associations*, or *Recueil électronique des Sociétés et Associations*, as applicable). The general meeting may amend, renew, or extend such authorized share capital and such authorization to the board of directors to issue Ordinary Shares. Our Articles provide that no fractional Ordinary Shares shall be issued.

The board of directors resolve on the issuance of Ordinary Shares out of the authorized share capital (*capital autorisé*) in accordance with the quorum and voting thresholds set forth in the Articles. The board of directors also resolve on the applicable procedures and timelines to which such issuance will be subjected. If the proposal of the board of directors to issue new Ordinary Shares exceeds the limits of our authorized share capital, the board of directors must then convene the shareholders to an extraordinary general meeting to be held in the presence of a Luxembourg notary for the purpose of increasing the issued share capital. Such meeting will be subject to the quorum and majority requirements required for amending the Articles. If the capital call proposed by the board of directors consists of an increase in the shareholders' commitments, the board of directors must convene the shareholders to an extraordinary general meeting to be held in the presence of a Luxembourg notary for such purpose. Such meeting will be subject to the unanimous consent of the shareholders.

Under Luxembourg law, existing shareholders benefit from a preemptive subscription right on the issuance of Ordinary Shares for cash consideration. However, our shareholders have, in accordance with Luxembourg law, authorized the board of directors to suppress, waive, or limit any preemptive subscription rights of shareholders provided by law to the extent that the board of directors deems such suppression, waiver, or limitation advisable for any issuance or issuances of Ordinary Shares within the scope of our authorized share capital. The general meeting of shareholders duly convened to consider an amendment to the Articles also may, by two-thirds majority vote, limit, waive, or cancel such preemptive rights or renew, amend, or extend them, in each case for a period not to exceed five years. Such 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. The Ordinary Shares also may be issued by way of incorporation of available reserves, including share premium.

Repurchase of Ordinary Shares

Spotify Technology S.A. cannot subscribe for its own Ordinary Shares. Spotify Technology S.A. may, however, repurchase issued Ordinary Shares or have another person repurchase issued Ordinary Shares for its account, subject to the following conditions:

- prior authorization by a simple majority vote at an ordinary general meeting of shareholders, which authorization sets forth:
    - the terms and conditions of the proposed repurchase and in particular the maximum number of Ordinary Shares to be repurchased;
    - the duration of the period for which the authorization is given, which may not exceed five years; and
    - in the case of repurchase for consideration, the minimum and maximum consideration per share, provided that the prior authorization shall not apply in the case of Ordinary Shares acquired by either Spotify Technology S.A., or by a person acting in his or her own name on its behalf, for the distribution thereof to its staff or to the staff of a company with which it is in a control relationship;
- only fully paid-up Ordinary Shares may be repurchased;
- the voting and dividend rights attached to the repurchased shares will be suspended as long as the repurchased Ordinary Shares are held by Spotify Technology S.A.; and
- the acquisition offer must be made on the same terms and conditions to all the shareholders who are in the same position, except for acquisitions which were unanimously decided by a general meeting at which all the shareholders were present or represented. In addition, listed companies may repurchase their own shares on the stock exchange without an acquisition offer having to be made to our shareholders.

The authorization will be valid for a period ending on the earlier of five years from the date of such shareholder authorization and the date of its renewal by a subsequent general meeting of shareholders. Pursuant to such authorization, the board of directors is authorized to acquire and sell Spotify Technology S.A.'s Ordinary Shares under the conditions set forth in Article 430-15 of the Luxembourg Company Law. Such purchases and sales may be carried out for any authorized purpose or any purpose that is authorized by the laws and regulations in force. The purchase price per ordinary share to be determined by the board of directors or its delegate shall represent (i) not less than the par value, and (ii) not more than the fair market value of such ordinary share.

The general meeting of shareholders of the Company held on April 21, 2021 authorized the board of directors of the Company to repurchase up to 10 million Ordinary Shares during a period of five years, for a redemption price to be determined by the board of directors within the following limits: at least the par value and at the most recent fair market value. That authorization to repurchase will expire on April 21, 2026 unless renewed by decision of a general meeting of shareholders of the Company. Pursuant to that authorization, in August 2021, the board of directors approved a share repurchase program up to the amount of $1 billion. See "Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers" for more information.

In addition, pursuant to Luxembourg law, Spotify Technology S.A. may directly or indirectly repurchase Ordinary Shares by resolution of its board of directors without the prior approval of the general meeting of shareholders if such repurchase is deemed by the board of directors to be necessary to prevent serious and imminent harm to Spotify Technology S.A., or if the acquisition of Ordinary Shares has been made with the intent of distribution to its employees and/or the employees of any entity having a controlling relationship with it (i.e., its subsidiaries or controlling shareholder).

Form and Transfer of Ordinary Shares

Our Ordinary Shares are issued in registered form only and are freely transferable under Luxembourg law and the Articles. Our board of directors may, however, impose transfer restrictions for Ordinary Shares that are registered, listed, quoted, dealt in, or that have been placed in certain jurisdictions in compliance with the requirements applicable therein. Luxembourg law does not impose any limitations on the rights of Luxembourg or non-Luxembourg residents to hold or vote our Ordinary Shares.

Under Luxembourg law, the ownership of registered Ordinary Shares is prima facie established by the inscription of the name of the shareholder and the number of Ordinary Shares held by him or her in the shareholders' register.

Without prejudice to the conditions for transfer by book entry where Ordinary Shares are recorded in the shareholders' register on behalf of one or more persons in the name of a depository, each transfer of Ordinary Shares shall be effected by written declaration of transfer to be recorded in the shareholders' register, with such declaration to be dated and signed by the transferor and the transferee or by their duly appointed agents. We may accept and enter into the shareholders' register any transfer effected pursuant to an agreement or agreements between the transferor and the transferee, true and complete copies of which have been delivered to us.

The Articles provide that we may appoint registrars in different jurisdictions, each of whom may maintain a separate register for the Ordinary Shares entered in such register, and that the holders of Ordinary Shares shall be entered into one of the registers. Shareholders may elect to be entered into one of these registers and to transfer their Ordinary Shares to another register so maintained. Entries in these registers will be reflected in the shareholders' register maintained at our registered office.

Our Ordinary Shares are listed on the NYSE and the laws of the State of New York apply to the property law aspects of the Ordinary Shares reflected in the register administered by our transfer agent.

In addition, a shareholders' register will be maintained by us at our registered office in Luxembourg. Transfer of record ownership of Ordinary Shares is effected by a written deed of transfer acknowledged by us or by our transfer agent and registrar acting as our agent on our behalf.

Liquidation Rights and Dissolution

In the event of our dissolution, liquidation, or winding-up, any surplus of the assets remaining after allowing for the payment of all of our liabilities will be paid out to the shareholders pro rata according to their respective shareholdings. The decisions to dissolve, liquidate, or wind-up require approval by an extraordinary general meeting of our shareholders.

Merger and De-Merger

A merger by absorption whereby one Luxembourg company, after its dissolution without liquidation, transfers all of its assets and liabilities to another company in exchange for the issuance of ordinary shares in the acquiring company to the shareholders of the company being acquired, or a merger effected by transfer of assets to a newly incorporated company, must, in principle, be approved at an extraordinary general meeting of shareholders of the Luxembourg company, enacted in front of a Luxembourg notary. Similarly, a de-merger of a subsidiary of a Luxembourg company is generally subject to the approval by an extraordinary general meeting of shareholders, enacted in front of a Luxembourg notary.

No Appraisal Rights

Neither Luxembourg law nor the Articles provide for appraisal rights of dissenting shareholders.

General Meeting of Shareholders

Any regularly constituted general meeting of shareholders represents the entire body of our shareholders.

Any holder of our share capital is entitled to attend our general meeting of shareholders, either in person or by proxy, to address the general meeting of shareholders and to exercise voting rights, subject to the provisions of the Articles. Each ordinary share entitles the holder to one vote at a general meeting of shareholders, unless such holder has a beneficiary certificate. The Articles provide that our board of directors may determine all other conditions that must be fulfilled in order to take part in the general meeting of shareholders.

When convening a general meeting of shareholders, we will send a convening notice by registered mail to the registered address of each shareholder at least eight days before the meeting. The convening notices for every general meeting shall contain the agenda and shall take the form of announcements filed with the register of commerce and companies, published on the Luxembourg official gazette (*Recueil Electronique des Sociétés et Associations*), and published in a Luxembourg newspaper at least 15 days before the meeting. No proof is required that this formality has been complied with.

The Articles provide that the general meeting also will be convened in accordance with the publicity requirements of any regulated market on which our Ordinary Shares are listed.

A shareholder may participate in general meetings of shareholders by appointing another person as his or her proxy, the appointment of which shall be in writing. The Articles also provide that, in the case of Ordinary Shares held through the operator of a securities settlement system or depository, a holder of such Ordinary Shares wishing to attend a general meeting of shareholders should receive from such operator or depository a certificate certifying the number of Ordinary Shares recorded in the relevant account on the record date. Such certificates, as well as any proxy forms, should be submitted to us no later than three business days before the date of the general meeting unless our board of directors provides for a different period.

The annual general shareholder meeting must be held within six months from the end of the respective financial year at our registered office or in any other place in Luxembourg as notified to the shareholders.

Luxembourg law provides that the board of directors is obliged to convene a general meeting of shareholders if shareholders representing, in the aggregate, 10% of the issued share capital so request in writing with an indication of the meeting agenda. In such case, the general meeting of shareholders must be held within one month of the request. If the requested general meeting of shareholders is not held within one month, shareholders representing, in the aggregate, 10% of the issued share capital may petition the competent president of the district court in Luxembourg to have a court appointee convene the meeting. Luxembourg law provides that shareholders representing, in the aggregate, 10% of the issued share capital may request that additional items be added to the agenda of a general meeting of shareholders. That request must be made by registered mail sent to our registered office at least five days before the general meeting of shareholders.

Voting Rights

Each ordinary share entitles the holder thereof to one vote. Additionally, each beneficiary certificate entitles its holder to one vote. Pursuant to the Articles, 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. The beneficiary certificates carry no economic rights and are issued to provide the holders of such beneficiary certificates additional voting rights. The beneficiary certificates, subject to certain exceptions, are non-transferable and shall automatically be canceled for no consideration in case of sale or transfer of the ordinary share to which they are linked. However, 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 of directors may also recalculate the ratio described above 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. Additionally, the Articles state that all the beneficiary certificates shall be automatically canceled if the number of Ordinary Shares held by entities beneficially owned by our founders, in the aggregate, falls under 7,564,400 Ordinary Shares. Our founders, who exercise substantial control over the Company and are members of the board of directors, are currently the sole recipients of beneficiary certificates.

Neither Luxembourg law nor the Articles contain any restrictions as to the voting of our Ordinary Shares by non-Luxembourg residents.

As described further below, Luxembourg law distinguishes general meetings of shareholders and extraordinary general meetings of shareholders with respect to voting rights.

Ordinary General Meeting. At an ordinary general meeting, there is no quorum requirement and resolutions are adopted by a simple majority of validly cast votes. Abstentions are not considered “votes.”

Extraordinary General Meeting. Extraordinary resolutions are required for any of the following matters, among others: (i) an increase or decrease of the authorized or issued capital, (ii) a limitation or exclusion of preemptive rights, (iii) approval of a statutory merger or de-merger (*scission*), (iv) our dissolution and liquidation, and (v) any and all amendments to the Articles. Pursuant to the Articles, for any resolutions to be considered at an extraordinary general meeting of shareholders, the quorum shall be at least one half (50%) of our issued share capital unless otherwise mandatorily required by law. If the said quorum is not present, a second meeting may be convened, for which Luxembourg law does not prescribe a quorum. Any extraordinary resolution shall be adopted at a quorate general meeting, except otherwise provided by law, by at least a two-thirds majority of the votes validly cast on such resolution by shareholders and holders of beneficiary certificates. When the resolution of the general meeting of shareholders changes the respective rights attached to the beneficiary certificates, the resolution must, in order to be valid, fulfill the above-mentioned conditions as to attendance and majority with respect to the holders of beneficiary certificates. Abstentions are not considered “votes.”

Minority Action Right. Luxembourg law provides for a provision whereby the shareholders and/or holders of the beneficiary certificates holding, in the aggregate, 10% of the securities who have a right to vote at the general meeting may act on our behalf to discharge the members of the board of directors for misconduct against our interests, a violation of the law, or a violation of the articles of association.

Dividend Rights

In case of a dividend payment, each shareholder is entitled to receive a dividend right pro rata according to his or her respective shareholding. The dividend entitlement lapses upon the expiration of a five-year prescription period from the date of the dividend distribution. The unclaimed dividends return to our accounts. Holders of beneficiary certificates shall not be entitled to receive any dividend payments with respect to such beneficiary certificate.

Board of Directors

The board of directors will be composed of Class A directors and Class B directors who need not be shareholders. The board of directors may appoint a chairman from among its members. It also may 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. The board of directors will meet upon call by the chairman. A meeting must be convened if any of two directors so require. The chairman will preside at all meetings of the board of directors and, if required, of the shareholders, except that in his or her absence the board of directors may appoint another director as chairman and the general meeting of shareholders may appoint another person as chairman, in each case pro tempore by vote of the majority present or represented at such meeting.

A quorum of the board of directors shall be either one Class A director and one Class B director present at the meeting or, in the event that no Class A or Class B directors have been appointed, three directors holding office, and resolutions are adopted by the simple majority vote of members of the board of directors present or represented. No valid decision of the board of directors may be taken if the necessary quorum has not been reached. In case of an equality of votes, the chairman shall have the right to cast the deciding vote. Such casting vote shall be personal to the appointed chairman and will not transfer to any other director acting as chairman of a meeting of the board of directors in the absence of the appointed chairman. The board of directors also may take decisions by means of resolutions in writing signed by all directors. Each director has one vote.

The general shareholders' meeting elects directors and decides their respective terms. Under Luxembourg law, directors may be reelected, but the term of their office may not exceed six years. The general shareholders' meeting may dismiss one or more directors at any time, with or without cause, by a simple majority of votes cast at a general meeting of shareholders. If the board of directors has a vacancy, the remaining directors have the right to fill such vacancy on a temporary basis pursuant to the affirmative vote of a majority of the remaining directors. The term of a temporary director elected to fill a vacancy expires at the end of the term of office of the replaced director, provided, however, that the next general shareholders' meeting shall be requested definitively to elect any temporary director. For a discussion of the differences in shareholders' rights under Luxembourg law and Delaware law, see "—Differences in Corporate Law."

Within the limits provided for by Luxembourg law, our board of directors may delegate our daily management and the authority to represent us to one or more persons. 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. In addition, once granted an authorization from the general meeting of shareholders, our board of directors may set up an executive committee and entrust the latter with any powers of the board of directors, with the exception of (i) our general strategic direction, and (ii) those acts reserved to the board of directors by Luxembourg law. For a discussion of the differences in directors' fiduciary duties under Luxembourg law and Delaware law, see "—Differences in Corporate Law."

No director, solely as a result of being a director, shall be prevented from contracting with us with regard to his tenure in any office or place of profit, or as vendor, purchaser, or in any other manner whatsoever. No contract in which any director is in any way interested shall be voided solely on account of his position as director and no director who is so interested shall account to us or the shareholders for any remuneration, profit, or other benefit realized by the contract solely by reason of the director holding that office or of the fiduciary relationship thereby established.

Any director having a direct or indirect personal and financial interest in a transaction submitted for approval to the board of directors may not participate in the deliberations and vote thereon, if the transaction is not in the ordinary course of our business and conflicts with our interest, in which case the director shall be obliged to advise the board of directors thereof and to cause a record of his statement to be included in the minutes of the meeting. He or she may not take part in these deliberations or vote on such a transaction. At the next general meeting, before any other resolution is put to a vote, a special report shall be made on any transactions in which any of the directors may have had an interest that conflicts with our interest.

The Articles provide that directors and officers, past and present, will be entitled to indemnification from us to the fullest extent permitted by Luxemburg law against liability and all 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. However, no indemnification will be provided against any liability to our directors or officers (i) by reason of willful misfeasance, bad faith, gross negligence, or reckless disregard of the duties of a director or officer, (ii) with respect to any matter as to which any director or officer shall have been finally adjudicated to have acted in bad faith and not in our interest, or (iii) in the event of a settlement, unless approved by a court of competent jurisdiction or the board of directors.

There is no mandatory retirement age for directors under Luxembourg law and no minimum shareholding requirement for directors.

Amendment of Articles of Association

Shareholder Approval Requirements. Luxembourg law requires an extraordinary general meeting of shareholders to resolve upon an amendment of the articles of association to be made by extraordinary resolution. The agenda of the extraordinary general meeting of shareholders must indicate the proposed amendments to the articles of association. An extraordinary general meeting of shareholders convened for the purposes of amending the articles of association must have a quorum of at least 50% of our issued share capital. If the said quorum is not present, a second meeting may be convened at which Luxembourg law does not prescribe a quorum. Irrespective of whether the proposed amendments will be subject to a vote at any duly convened extraordinary general shareholders' meeting, the amendment is subject to the approval of at least two-thirds of the votes cast at such extraordinary general meeting of shareholders by shareholders and holders of beneficiary certificates. When the resolution of the general meeting of shareholders is to change the respective rights attached to the beneficiary certificates, the resolution must, in order to be valid, fulfill the above-mentioned conditions as to attendance and majority with respect to the holders of beneficiary certificates.

Formalities. Any resolutions to amend the Articles must be taken before a Luxembourg notary, and such amendments must be published in accordance with Luxembourg law.

Differences in Corporate Law

We are incorporated under the laws of Luxembourg. The following discussion summarizes certain material differences between the rights of holders of our Ordinary Shares and the rights of holders of the Ordinary Shares of a typical corporation incorporated under the laws of the state of Delaware, which result from differences in governing documents and the laws of Luxembourg and Delaware.

Board of Directors

Luxembourg:	Delaware:
Pursuant to Luxembourg law, our board of directors must be composed of at least three directors. They are appointed by the general meeting of shareholders (by proposal of the board of directors, the shareholders, or a spontaneous candidacy) by a simple majority of the votes cast. Directors may be reelected, but the term of their office may not exceed six years. Pursuant to the Articles, directors are elected by a simple majority vote at a general meeting. Abstentions are not considered "votes." The Articles will provide that in case of a vacancy the remaining members of the board of directors may elect a director to fill the vacancy, on a temporary basis and for a period of time not exceeding the initial mandate of the replaced member of the board of directors, until the next general meeting of shareholders, which shall resolve on the permanent appointment in compliance with the applicable legal provisions and the articles of association. Under Luxembourg law, the Articles may provide for different classes of directors. The Articles provide for different classes of directors, and each director has one vote. The Articles will provide that the board of directors may set up committees and determine their composition, powers, and rules.	A typical certificate of incorporation and bylaws would provide that the number of directors on the board of directors will be fixed from time to time by a vote of the majority of the authorized directors. Under Delaware law, a board of directors can be divided into classes, and cumulative voting in the election of directors is only permitted if expressly authorized in a corporation's certificate of incorporation.

Interested Shareholders

Luxembourg:	**Delaware:**
Under Luxembourg law, no restriction exists as to the transactions that a shareholder may engage in with us. The transaction must, however, be in our corporate interest and be made on arm's length terms.	Section 203 of the Delaware General Corporation Law generally prohibits a Delaware corporation from engaging in specified corporate transactions (such as mergers, stock and asset sales, and loans) with an "interested shareholder" for three years following the time that the shareholder becomes an interested shareholder. Subject to specified exceptions, an "interested shareholder" is a person or group that owns 15% or more of the corporation's outstanding voting stock (including any rights to acquire stock pursuant to an option, warrant, agreement, arrangement, or understanding, or upon the exercise of conversion or exchange rights, and stock with respect to which the person has voting rights only), or is an affiliate or associate of the corporation and was the owner of 15% or more of the voting stock at any time within the previous three years. A Delaware corporation may elect to "opt out" of, and not be governed by, Section 203 of the Delaware General Corporation Law through a provision in either its original certificate of incorporation, or an amendment to its original certificate or bylaws that was approved by majority shareholder vote. With a limited exception, this amendment would not become effective until 12 months following its adoption.

Amendment of Governing Documents

Luxembourg:	**Delaware:**

Under Luxembourg law, amendments to the Articles require an extraordinary general meeting of shareholders held in front of a public notary at which at least one half (50%) of the share capital is represented.

The notice of the extraordinary general meeting shall set out the proposed amendments to the articles of association.

If the aforementioned quorum is not reached, a second meeting may be convened by means of a notice published in the Luxembourg official electronic gazette (*Mémorial C, Recueil des Sociétés et Associations*, or *Recueil Electronique des Sociétés et Associations*, as applicable) and in a Luxembourg newspaper 15 days before the meeting. The second meeting shall be validly constituted regardless of the proportion of the share capital represented.

At both meetings, resolutions will be adopted if approved by at least two-thirds of the votes cast by shareholders and holders of beneficiary certificates (unless otherwise required by Luxembourg law or the articles of association). Where classes of shares exist and the resolution to be adopted by the general meeting of shareholders changes the respective rights attaching to such shares, the resolution will be adopted only if the conditions as to quorum and majority set out above are fulfilled with respect to each class of shares. This also applies with respect to the beneficiary certificates. An increase of the commitments of its shareholders require, however, the unanimous consent of the shareholders.

The Articles provide that for any extraordinary resolutions to be considered at a general meeting, the quorum shall be at least one-half of our issued share capital. If the said quorum is not present, a second meeting may be convened at which Luxembourg law does not prescribe a quorum. Any extraordinary resolution shall be adopted at a quorate general meeting (save as otherwise provided by mandatory law) by a two-thirds majority of the votes validly cast on such resolution by shareholders and holders of beneficiary certificates. Abstentions are not considered "votes."

In very limited circumstances, the board of directors may be authorized by the shareholders to amend the articles of association, albeit always within the limits set forth by the shareholders at a duly convened shareholders' meeting. This is the case in the context of our authorized share capital within which the board of directors is authorized to issue further Ordinary Shares or in the context of a share capital reduction and cancellation of Ordinary Shares. The board of directors is then authorized to appear in front of a notary public to record the capital increase or decrease and to amend the share capital set forth in the articles of association. The above also applies in case of the transfer of our registered office outside the current municipality.

Under the Delaware General Corporation Law, amendments to a corporation's certificate of incorporation require the approval of shareholders holding a majority of the outstanding shares entitled to vote on the amendment. If a class vote on the amendment is required by the Delaware General Corporation Law a majority of the outstanding stock of such class is required, unless a greater proportion is specified in the certificate of incorporation or by other provisions of the Delaware General Corporation Law. Under the Delaware General Corporation Law, the board of directors may amend bylaws if so authorized in the charter. The shareholders of a Delaware corporation also have the power to amend bylaws.

Meetings of Shareholders

Luxembourg:

Delaware:

Annual and Special Meetings:

Pursuant to Luxembourg law, at least one general meeting of shareholders must be held each year within six months as from the close of the financial year. The purpose of such annual general meeting is to approve the annual accounts, allocate the results, proceed to statutory appointments, and grant discharge to the directors. The annual general meeting must be held within six months of the end of each financial year.

Other meetings of shareholders may be convened.

Pursuant to Luxembourg law, the board of directors is obliged to convene a general meeting so that it is held within a period of one month of the receipt of a written request of shareholders representing one-tenth of the issued capital. Such request must be in writing and indicate the agenda of the meeting.

Quorum Requirements:

Luxembourg law distinguishes ordinary resolutions and extraordinary resolutions.

Extraordinary resolutions relate to proposed amendments to the articles of association and certain other limited matters. All other resolutions are ordinary resolutions.

Ordinary Resolutions:

Pursuant to Luxemburg law, there is no requirement of a quorum for any ordinary resolutions to be considered at a general meeting and such ordinary resolutions shall be adopted by a simple majority of votes validly cast on such resolution. Abstentions are not considered "votes."

Extraordinary Resolutions:

Extraordinary resolutions are required for any of the following matters, among others: (i) an increase or decrease of the authorized or issued capital, (ii) a limitation or exclusion of preemptive rights, (iii) approval of a statutory merger or de-merger (*scission*), (iv) dissolution, and (v) an amendment of the articles of association.

Pursuant to Luxembourg law for any extraordinary resolutions to be considered at a general meeting, the quorum shall generally be at least one half (50%) of the issued share capital. If the said quorum is not present, a second meeting may be convened at which Luxembourg law does not prescribe a quorum. Any extraordinary resolution shall be adopted at a quorate general meeting (except as otherwise provided by mandatory law) by a two-thirds majority of the votes validly cast on such resolution by shareholders and holders of beneficiary certificates. Abstentions are not considered "votes."

Typical bylaws provide that annual meetings of shareholders are to be held on a date and at a time fixed by the board of directors. Under the Delaware General Corporation Law, a special meeting of shareholders may be called by the board of directors or by any other person authorized to do so in the certificate of incorporation or the bylaws.

Under the Delaware General Corporation Law, a corporation's certificate of incorporation or bylaws can specify the number of shares that constitute the quorum required to conduct business at a meeting, provided that in no event shall a quorum consist of less than one-third of the shares entitled to vote at a meeting.

Shareholder Approval of Business Combinations

Luxembourg:

Delaware:

Under Luxembourg law and the Articles, the board of directors has the widest power to take any action necessary or useful to achieve the corporate objective. The board of directors' powers are limited only by law and the Articles. Any type of business combination that would require an amendment to the articles of association, such as a merger, de-merger, consolidation, dissolution, or voluntary liquidation, requires an extraordinary resolution of a general meeting of shareholders. Transactions such as a sale, lease, or exchange of substantial company assets require only the approval of the board of directors. Neither Luxembourg law nor the Articles contain any provision specifically requiring the board of directors to obtain shareholder approval of the sale, lease, or exchange of substantial assets of ours.	Generally, under the Delaware General Corporation Law, completion of a merger, consolidation, dissolution, or the sale, lease, or exchange of substantially all of a corporation's assets requires approval by the board of directors and by a majority (unless the certificate of incorporation requires a higher percentage) of outstanding stock of the corporation entitled to vote. The Delaware General Corporation Law also requires a special vote of shareholders in connection with a business combination with an "interested shareholder" as defined in section 203 of the Delaware General Corporation Law. See "—Interested Shareholders" above.

Shareholder Action Without a Meeting

Luxembourg:	**Delaware:**
A shareholder meeting must always be called if the matter to be considered requires a shareholder resolution under Luxembourg law or the Articles. Pursuant to Luxembourg law, shareholders of a public limited liability company may not take actions by written consent. All shareholder actions must be approved at an actual meeting of shareholders held before a notary public or under private seal, depending on the nature of the matter. Shareholders may vote by proxy.	Under the Delaware General Corporation Law, unless otherwise provided in a corporation's certificate of incorporation, any action that may be taken at a meeting of shareholders may be taken without a meeting, without prior notice, and without a vote if the holders of outstanding stock, having not less than the minimum number of votes that would be necessary to authorize such action, consent in writing. It is not uncommon for a corporation's certificate of incorporation to prohibit such action.

Repurchases and Redemptions

Luxembourg:

Pursuant to Luxembourg law, we (or any party acting on our behalf) may repurchase our own Ordinary Shares and hold them in treasury, provided that:

- the shareholders at a general meeting have previously authorized the board of directors to acquire our Ordinary Shares. The general meeting shall determine the terms and conditions of the proposed acquisition and in particular the maximum number of shares to be acquired, the period for which the authorization is given (which may not exceed five years), and, in the case of acquisition for value, the maximum and minimum consideration, provided that the prior authorization shall not apply in the case of Ordinary Shares acquired by either us or by a person acting in his or her own name but our behalf for the distribution thereof to our staff or to the staff of a company with which we are in a control relationship;

- the acquisitions, including Ordinary Shares previously acquired by us and held by us and shares acquired by a person acting in his or her own name but on our behalf, may not have the effect of reducing the net assets below the amount of the issued share capital plus the reserves (which may not be distributed by law or under the articles of association);

- the Ordinary Shares repurchased are fully paid-up; and

- the acquisition offer must be made on the same terms and conditions to all the shareholders who are in the same position, except for acquisitions which were unanimously decided by a general meeting at which all the shareholders were present or represented. In addition, listed companies may repurchase their own shares on the stock exchange without an acquisition offer having to be made to our shareholders.

No prior authorization by shareholders is required (i) if the acquisition is made to prevent serious and imminent harm to us, provided that the board of directors informs the next general meeting of the reasons for and the purpose of the acquisitions made, the number and nominal values or the accounting value of the Ordinary Shares acquired, the proportion of the subscribed capital which they represent, and the consideration paid for them, and (ii) in the case of Ordinary Shares acquired by either us or by a person acting on our behalf with a view to redistributing the Ordinary Shares to our staff or our controlled subsidiaries, provided that the distribution of such shares is made within 12 months from their acquisition.

Luxembourg law provides for further situations in which the above conditions do not apply, including the acquisition of shares pursuant to a decision to reduce our capital or the acquisition of shares issued as redeemable shares. Such acquisitions may not have the effect of reducing net assets below the aggregate of subscribed capital and reserves (which may not be distributed by law and are subject to specific provisions on reductions in capital and redeemable shares under Luxembourg law).

Any Ordinary Shares acquired in contravention of the above provisions must be resold within a period of one year after the

Delaware:

Under the Delaware General Corporation Law, any corporation may purchase or redeem its own shares, except that generally it may not purchase or redeem these shares if the capital of the corporation is impaired at the time or would become impaired as a result of the redemption. A corporation may, however, purchase or redeem out of capital shares that are entitled upon any distribution of its assets to a preference over another class or series of its shares if the shares are to be retired and the capital reduced.

acquisition or be cancelled at the expiration of the one-year period.

As long as Ordinary Shares are held in treasury, the voting rights attached thereto are suspended. Further, to the extent the treasury shares are reflected as assets on our balance sheet a non-distributable reserve of the same amount must be reflected as a liability. The Articles provide that Ordinary Shares may be acquired in accordance with the law.

Transactions with Officers or Directors

Luxembourg:	**Delaware:**

Luxembourg:	Delaware:
There are no rules under Luxembourg law preventing a director from entering into contracts or transactions with us to the extent that the contract or the transaction is in our corporate interest. Luxembourg law prohibits a director from participating in deliberations and voting on a transaction if (i) such director has a direct or indirect personal and financial interest therein, and (ii) the interests of such director or conflict with our interests. The relevant director must disclose his or her personal financial interest to the board of directors and abstain from voting. The transaction and the director's interest therein shall be reported to the next succeeding general meeting of shareholders. The Articles may require that certain transactions between a director and us be submitted for the approval of our board of directors and/or shareholders. No director, solely as a result of being a director, shall have any duty to refrain from any decision or action to enforce his or her rights under any agreement or contract with us. A director who has a direct or indirect personal and financial interest in a transaction carried out other than in the ordinary course of business that conflicts with our interests must advise the board of directors accordingly and have the statement recorded in the minutes of the meeting. The director concerned may not take part in the deliberations concerning that transaction. A special report on the relevant transaction is submitted to the shareholders at the next General Meeting, before any vote on the matter.	Under the Delaware General Corporation Law, some contracts or transactions in which one or more of a corporation's directors has an interest are not void or voidable because of such interest, provided that some conditions, such as obtaining the required approval and fulfilling the requirements of good faith and full disclosure, are met. Under the Delaware General Corporation Law, either (i) the shareholders or the board of directors must approve in good faith any such contract or transaction after full disclosure of the material facts, or (ii) the contract or transaction must have been "fair" as to the corporation at the time it was approved. If the board of directors' approval is sought, the contract or transaction must be approved in good faith by a majority of disinterested directors after full disclosure of material facts, even though less than a majority of a quorum.

Dissenters' Rights

Luxembourg:	Delaware:
Neither Luxembourg law nor the Articles provide for appraisal rights.	Under the Delaware General Corporation Law, a shareholder of a corporation participating in some types of major corporate transactions may, under varying circumstances, be entitled to appraisal rights pursuant to which the shareholder may receive cash in the amount of the fair market value of his or her shares in lieu of the consideration he or she would otherwise receive in the transaction.

Cumulative Voting

Luxembourg:	Delaware:

Not applicable.	Under the Delaware General Corporation Law, a corporation may adopt in its bylaws that its directors shall be elected by cumulative voting. When directors are elected by cumulative voting, a shareholder has a number of votes equal to the number of shares held by such shareholder times the number of directors nominated for election. The shareholder may cast all of such votes for one director or among the directors in any proportion.

Anti-Takeover Measures

Luxembourg:	Delaware:
Pursuant to Luxembourg law, it is possible to create an authorized share capital from which the board of directors is authorized by the shareholders to issue further Ordinary Shares and, under certain conditions, to limit, restrict, or waive preferential subscription rights of existing shareholders. The rights attached to the Ordinary Shares issued within the authorized share capital will be equal to those attached to existing Ordinary Shares and set forth in the Articles. The authority of the board of directors to issue additional Ordinary Shares is valid for a period of up to five years starting from the date of the publication of the minutes of the extraordinary general meeting resolving upon such authorization in the Luxembourg official gazette (*Mémorial C, Recueil des Sociétés et Associations*, or *Recueil Electronique des Sociétés et Associations*, as applicable), unless renewed by vote of the holders of at least two-thirds of the votes cast at a shareholders meeting by shareholders and holders of beneficiary certificates. The Articles authorize 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 or its delegates may decide for a period ending five years after the date of the publication of the minutes of the extraordinary general meeting resolving upon such authorization in the Luxembourg official gazette (*Mémorial C, Recueil des Sociétés et Associations*, or *Recueil Electronique des Sociétés et Associations*, as applicable), unless such period is extended, amended or renewed. Accordingly, our board of directors will be authorized to issue Ordinary Shares up to the limits of authorized share capital until such date. We currently intend to seek renewals and/or extensions as required from time to time.	Under the Delaware General Corporation Law, the certificate of incorporation of a corporation may give the board of directors the right to issue new classes of preferred shares with voting, conversion, dividend distribution, and other rights to be determined by the board of directors at the time of issuance, which could prevent a takeover attempt and thereby preclude shareholders from realizing a potential premium over the market value of their shares. In addition, Delaware law does not prohibit a corporation from adopting a shareholder rights plan, or “poison pill,” which could prevent a takeover attempt and also preclude shareholders from realizing a potential premium over the market value of their shares.

Fiduciary Duties of Directors

Luxembourg:	Delaware:

The board of directors must act as a collegial body in the corporate interest of a company and has the power to take any action necessary or useful to realize the corporate objects of a company, with the exception of the powers reserved by Luxembourg law or by the articles of association to the general meeting of shareholders. Luxembourg law imposes a duty on directors of a Luxembourg company to: (i) act in good faith with a view to the best interests of the company; and (ii) exercise the care, diligence, and skill that a reasonably prudent person would exercise in a similar position and under comparable circumstances. The standard of care required from directors in the execution of their mandate vis-à-vis the company is the standard that an ordinary prudent or reasonable person would apply to his or her own affairs. The standard of care is more onerous where a director has special skills or where such director receives remuneration for his or her office. In addition, Luxembourg law imposes specific duties on directors and officers of a company to comply with Luxembourg law and the articles of association of a company.	Under the Delaware General Corporation Law, except as otherwise provided in a company's certificate of incorporation, the board of directors of a Delaware company bears the ultimate responsibility for managing the business and affairs of a corporation. In discharging this function, directors of a Delaware company owe fiduciary duties of care and loyalty to a company and its shareholders. Delaware courts have decided that the directors of a Delaware company are required to exercise an informed business judgment in the performance of their duties. An informed business judgment means that the directors have informed themselves of all material information reasonably available to them. Delaware courts have also subjected directors' actions to enhanced scrutiny in certain situations, including if directors take certain actions intended to prevent a threatened change in control of a company or in connection with transactions involving a conflicted controlling shareholder. In addition, under Delaware law, when the board of directors of a Delaware corporation determines to sell or break-up a corporation, the board of directors may, in certain circumstances, have a duty to obtain the highest value reasonably available to the shareholders at that time.

Shareholder Suits

Luxembourg:	**Delaware:**
Under Luxembourg law, the board of directors has sole authority to decide whether to initiate legal action to enforce a company's rights (other than, in certain circumstances, an action against board members). Shareholders do not have the authority to initiate legal action on a company's behalf. However, a company's shareholders may vote at a general meeting to initiate legal action against directors on grounds that the directors have failed to perform their duties. Luxembourg law does not provide for class action lawsuits.	Under Delaware law, a shareholder may bring a derivative action on a company's behalf to enforce the rights of a company. An individual also may commence a class action lawsuit on behalf of himself or herself and other similarly situated shareholders if the requirements for maintaining a class action lawsuit under Delaware law are met. An individual may institute and maintain a class action lawsuit only if such person was a shareholder at the time of the transaction that is the subject of the lawsuit or his or her shares thereafter devolved upon him or her by operation of law. In addition, the plaintiff must generally be a shareholder through the duration of the lawsuit. Delaware law requires that a derivative plaintiff make a demand on the directors of the corporation to assert the corporate claim before the lawsuit may be prosecuted, unless such demand would be futile.

Exhibit 4.3

TERMS AND CONDITIONS FOR WARRANTS 2021/2024 IN SPOTIFY TECHNOLOGY S.A.

§ 1 Definitions

The following terms shall have the following meaning when used herein:

"Board of Directors" the board of directors of the Company;

"Beneficiary Certificates" Luxembourg beneficiary certificates (*parts bénéficiaires*) that do not represent share capital of the Company;

"Bonus Issue" shall have the meaning set out in Section 9(a);

"Business Day" a day on which banks are open for business generally (and not for internet banking only) in Luxembourg and the United States;

"Change of Control" shall have the meaning set out in Section 4;

"Companies' Law" the Luxembourg law dated 10 August 1915 on commercial companies, as amended;

"Company" Spotify Technology S.A., a Luxembourg *société anonyme*, with registered address at 42-44 avenue de la Gare, L-1610 Luxembourg, registered with the Luxembourg Trade and Companies Register under number B 123.052;

"Directed Share Issue" share issue whereby Shares are not offered to all shareholders of the Company in accordance article 420-26 of the Companies' Law;

"dividend" shall have the meaning set out in Section 9(d);

"Early Exercise Period" shall have the meaning set out in Section 4;

"Exchange Act" shall have the meaning set out in Section 4;

"Exercise Period" period when a Warrant may be exercised in accordance with Section 3;

"Group" the group of companies to which the Company belongs and which are, directly or indirectly, controlled by the same person or entity, or is under common control with, such person or entity. For the purpose of this definition, "control" and the correlative meanings of the terms "controlled by" and "under common control with" means (i) the right to appoint and/or remove a majority of managers or directors of an entity, or (ii) the ownership of shares carrying more than fifty percent (50%) of the voting rights exercisable at a general meeting and/or at resolutions of an entity, as applicable, or (iii) the control, alone or jointly with other persons or entities by virtue of an agreement, of a majority of voting rights exercisable at a general meeting and/or at resolutions of an entity, as applicable;

"Incumbent Directors" shall have the meaning set out in Section 4;

"Issue of Shares" shall have the meaning set out in Section 9(b);

"Last Reported Sale Price" with respect to any trading day, means the closing sale price per Share (or, if no closing sale price is reported, the average of the last bid price and the last ask price per Share or, if more than one in either case, the average of the average last bid prices and the average last ask prices per Share) on such trading day according to the securities exchange on which the Shares are primarily listed (i.e., the New York Stock Exchange as of the date of the issuance of the Warrants);

"Net Settlement" shall have the meaning set out in Section 5;

"Net Shares" shall have the meaning set out in Section 5;

"Number of Shares Exercised Upon" shall have the meaning set out in Section 5;

"Offer" shall have the meaning set out in Section 9(c);

"Period" shall have the meaning set out in Section 9(c) and 9(e);

"Physical Settlement" means the settlement of a Subscription other than pursuant to Net Settlement;

"Purchase Rights" shall have the meaning set out in Section 9(c);

"Share" a share in the share capital of the Company. For the avoidance of doubt, "Shares" does not include Beneficiary Certificates;

"Subscription" subscription for new, or (at the Company's sole discretion) acquisition of existing, Shares, through exercise of a Warrant in accordance with these terms and conditions and the Companies' Law;

"Subscription Price" the price at which Subscription for new, or acquisition of existing, Shares may occur;

"Successor Entity" shall have the meaning set out in Section 4;

"Warrant" a right to subscribe for new, or acquire existing, Shares in the Company against payment in cash in accordance with these terms and conditions; and

"Warrant Holder" holder of a Warrant.

Save where the context otherwise requires, definitions in singular includes the plural and vice versa.

§ 2 Warrants

The number of Warrants amounts to 800,000.

The Warrants shall be issued at a subscription price corresponding to the market value of such Warrants at the time of their issuance.

The Warrants shall, as soon as practically possible following issuance, be registered with the register of Warrant Holders held at the registered office of the Company.

§ 3 Subscription for Shares

During the period from the date of issuance of the Warrants up to and including August 23, 2024 (the "Exercise Period"), or the earlier date set forth in Section 9 below, Warrant Holders are entitled to subscribe for, or acquire, one (1) Share in the Company for each Warrant held at a Subscription Price corresponding to $281.63. As stated in Section 9 below, recalculation may take place of both the Subscription Price and the number of Shares that each Warrant entitles the Warrant Holder to subscribe for or acquire, the Subscription Price can however not in the case of new Shares fall under the nominal value of the Shares.

The Warrant Holder may, on one or several occasions, subscribe for, or acquire, not more than the total number of Shares that his Warrants entitle him to. The Company is obliged to issue or transfer the number of Shares (and, if applicable, to pay cash in lieu of any fractional Share) specified in Section 5 with respect to any Subscription if the Warrant Holder so calls for it during the above mentioned period and provided, in the case of a Physical Settlement, the Warrant Holder has paid the Subscription Price in accordance with Section 6.

§ 4 Change of Control

In the event of a Change of Control, the Board of Directors, in its sole discretion, may resolve that Subscription of Shares shall be made not later than a date that occurs earlier than the end of the Exercise Period (the "Early Exercise Period"). If so, the Company shall notify the Warrant Holder in writing of the Early Exercise Period within reasonable time prior to the anticipated date of a Change of Control. The Subscription shall in such case be conditional upon a Change of Control being consummated and the allotment of Shares shall only be made in immediate conjunction with the consummation of the Change of Control.

"Change of Control" shall mean and include each of the following:

(i) a transaction or series of transactions (other than an offering of Shares to the general public through a registration statement filed with the Securities and Exchange Commission) whereby any "person" or related "group" of "persons" (as such terms are used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended from time to time (the "Exchange Act")) directly or indirectly acquires beneficial ownership (within the meaning of Rules 13d-3 and 13d-5 under the Exchange Act) of securities of the Company possessing more than 50% of the total combined voting power of the Company's securities outstanding immediately after such acquisition; provided, however, that the following acquisitions shall not constitute a Change of Control: (w) any acquisition by the Company; (x) any acquisition by an employee benefit plan maintained by the Company; (y) any acquisition which complies with clauses (iii)(I)-(III) below; or (z) in respect of a Warrant held by a particular Warrant Holder, any acquisition by the Warrant Holder or any group of persons including the Warrant Holder (or any entity controlled by the Warrant Holder or any group of persons including the Warrant Holder);

(ii) the Incumbent Directors cease for any reason to constitute a majority of the Board of Directors;

(iii) the consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination, (y) a sale or other disposition of all or substantially all of the Company's assets in any single transaction or series of related transactions or (z) the acquisition of assets or stock of another entity, in each case other than a transaction: (I) which results in the Company's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company's assets or otherwise succeeds to the business of the Company (the Company or such person, the "Successor Entity")) directly or indirectly, at least a majority of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction, and (II) after which no person or group beneficially owns voting securities representing 50% or more of the combined voting power of the Successor Entity; provided, however, that no person or group shall be treated for purposes of this clause (II) as beneficially owning 50% or more of the combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction; and (III) after which at least a majority of the members of the board of directors (or the analogous governing body) of the Successor Entity were members of the Board of Directors at the time of the Board of Director's approval of the execution of the initial agreement providing for such transaction; or

(iv) the date which is 10 Business Days prior to the completion of a liquidation or dissolution of the Company.

"Incumbent Directors" shall mean for any period of 12 consecutive months, individuals who, at the beginning of such period, constitute the Board of Directors together with any new director(s) (other than a director designated by a person who shall have entered into an agreement with the Company to effect a transaction described in clauses (i) or (iii) of the definition of Change of Control) whose election or nomination for election to the Board of Directors was approved by a vote of at least a majority (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director without objection to such nomination) of the directors then still in office who either were directors at the beginning of the 12-month period or whose election or nomination for election was previously so approved. No individual initially elected or nominated as a director of the Company as a result of an actual or threatened election contest with respect to directors or as a result of any other actual or threatened solicitation of proxies by or on behalf of any person other than the Board of Directors shall be an Incumbent Director.

§ 5 Application for Subscription

In order for any Subscription to be executed, the Warrant Holder shall submit to the Company a written notification indicating the number of Shares that the Warrant Holder wishes to subscribe for or acquire (the "Number of Shares Exercised Upon"). At the Warrant Holder's election, such written notification may specify that the settlement of the Subscription represented by such written notification will be by "Net Settlement". If such written notification does not specify that settlement of such Subscription will be by Net Settlement, then such Subscription will be settled by Physical Settlement.

Notifications of Subscription are binding and may not be revoked.

When exercising the Warrants, the Number of Shares Exercised Upon must be a whole number of Shares representing the theretofore unexercised Warrants that the Warrant Holder wishes to exercise at the same occasion.

Where a notification of Subscription is not filed within the period set forth in Section 3, any and all rights pursuant to the Warrants shall expire, subject to the final paragraph of this Section 5.

A Subscription to be settled by Physical Settlement will be effected through the payment of the Subscription Price, the issuance of any new, or the transfer of any existing, Shares, and the registration of Shares in the name of the Warrant Holder in the share register of the Company. A Subscription to be settled by Net Settlement will be effected by the issuance of a number of new, or the transfer of a number of existing, Shares (the "Net Shares"), and the registration of Net Shares in the name of the Warrant Holder in the share register of the Company, equal to the greater of (1) zero and (2) the following:

$$\frac{N\times(LRSP - SP)}{LSRP}$$

where,

N = the Number of Shares Exercised Upon, which shall be set forth in the written notification for such Subscription;
LRSP = the Last Reported Sale Price on the trading day immediately preceding the date the Warrant Holder delivers to the Company the written notification for such Subscription; and
SP = the Subscription Price applicable to such Subscription.

However, if such number of Net Shares is not a whole number, then, in lieu of issuing or transferring any fractional Share, the Company will pay the Warrant Holder a cash amount equal to the product of the fractional Share and the Last Reported Sale Price per Share on the trading day immediately preceding the date the Warrant Holder delivers to the Company the written notification for such Subscription.

If, as of the close of business on the last day of the Exercise Period, any Warrants remain unexercised and the Last Reported Sale Price per Share for the immediately preceding trading day exceeds the Subscription Price, then the Warrants then unexercised will be deemed to be automatically exercised, with the same force and effect as if the Warrant Holder had delivered to the Company, on the last day of the Exercise Period, a written notification of Subscription with respect to all then unexercised Warrants specifying that Net Settlement will apply to such Subscription.

In the event the Shares are not listed on a stock exchange or other recognised exchange for the public trading in shares and the Warrant Holder has elected a Net Settlement, a corresponding Net Settlement shall take place. The Company's value shall in such case replace the Last Reported Sale Price in the above sections and formula. The value of the Company shall be determined by an independent appraiser appointed by the Company or the Company's auditor, as determined by the Company in its sole discretion. A decision by the independent appraiser or the Company's auditor, as applicable, shall be binding for both the Company and the Warrant Holder. The cost for engaging the independent appraiser or auditor shall be borne by the Company.

§ 6 Payment

If Physical Settlement applies to any Subscription, then payment for the Shares shall be made in cash immediately following Subscription, and prior to the issuance of the new, or the transfer of existing, Shares, which payment shall be made to an account designated by the Company. If the Board of Directors decides on an Early Exercise Period in accordance with Section 4, the Company shall return to the Warrant Holder the Subscription Price, if any, that the Warrant Holder paid to the Company when applying for Subscription in case a Change of Control is not consummated within 90 calendar days of payment. For the avoidance of doubt, no payment will be required by the Warrant Holder in the case of any Subscription to be settled by Net Settlement.

§ 7 Registration of Shares

Shares issued or transferred as a result of exercise of Warrants shall immediately be registered in the name of the Warrant Holder in the Company's share register.

§ 8 Dividends in respect of Shares

Shares issued or transferred upon Subscription shall entitle the Warrant Holder to dividend from the date the Warrant Holder is registered as holder of the Shares in the Company's share register.

§ 9 Adjustment of Subscription Price and of number of Shares conferred by the Warrants

If exercise of Warrants is not requested at such a time that the Shares the Warrant Holder would thereby receive carries an entitlement to participate in the actions described in this Section 9 as set out below, the Subscription Price and the number of Shares each Warrant entitles to shall be recalculated as set forth below, the Subscription Price being however in the case of new Shares at all times at least equal to the nominal value of the Shares. For the avoidance of doubt, an issuance of Beneficiary Certificates by the Company shall not entitle to any recalculation of the Subscription Price and the number of Shares conferred by the Warrants under this Section 9.

(a) Bonus issue

Where the Company carries out a bonus issue of shares, or a share split or a reverse share split (a "Bonus Issue"), a corresponding recalculation shall be made of the Subscription Price and/or of the number of Shares that each Warrant entitles the Warrant Holder to subscribe for or acquire. The recalculations, which shall be made by the Company, shall be made in the following manner.

(recalculated Subscription Price) = (previous Subscription Price) x (the number of Shares in the Company prior to the Bonus Issue) / (the number of Shares in the Company after the Bonus Issue)

(recalculated number of Shares that each Warrant confers right to subscribe for or acquire) = (the previous number of Shares that each Warrant confers right to subscribe for or acquire) x (the number of Shares in the Company after the Bonus Issue) / (the number of Shares in the Company prior to the Bonus Issue)

When recalculation shall be made as mentioned in the above table, the recalculated Subscription Price and the recalculated number of Shares that each Warrant confers the right to subscribe for or acquire shall be fixed by the Company two banking days at the latest after the Bonus Issue resolution.

If a Warrant Holder has not requested exercise of Warrants at such a time that the Shares the Warrant Holder would receive upon exercise of the relevant Warrants would carry an entitlement to participate in the Bonus Issue, the exercise of the relevant Warrants will not be effective until three banking days after the date the recalculations has been fixed.

In connection with a recalculation as contemplated in this Section 9 (a), the Company may, notwithstanding the above, resolve to recalculate the number of outstanding Warrants so that each Warrant continues to confer the right to subscribe for or acquire one Share. The Subscription Price for each Share shall in such case be recalculated such that the total value of the Warrants is maintained unchanged, but no recalculation shall be made as to the number of Shares that each Warrant confers the right to subscribe for or acquire.

(b) Issue of Shares

Where the Company carries out a new issue of Shares (“Issue of Shares”) in accordance with the principles of preferential rights with respect to shares in accordance with article 420-26 of the Companies’ Law the following recalculation formula shall apply.

(recalculated Subscription Price) = (previous Subscription Price) x (the average market price of the Share during the subscription period fixed pursuant to the Issue of Shares resolution (“the average Share price”)) / ((the average Share price) + (the theoretical value of the subscription right (“the value of the subscription right”)))

(recalculated number of Shares that each Warrant confers right to subscribe for or acquire) = (the previous number of Shares that each Warrant confers right to subscribe for or acquire) x ((the average price of the Share) + (the value of the subscription right)) / (the average Share price))

The average Share price shall be deemed to equal the average of the mean of the highest and lowest prices paid for the Share each trading day during the subscription period fixed pursuant to the issue resolution according to the exchange list on which the Share is primarily quoted. In the absence of quoted price paid, the quoted bid price shall be included in the calculation instead. If neither paid price nor bid price is quoted on a given day, that day shall be excluded from the calculation.

The value of the subscription right shall be calculated in accordance with the following formula, provided that the value of the subscription right shall be deemed to be zero if the resulting value is negative:

(the value of the subscription right) = (the maximum number of new Shares that can be issued according to the Issue of Shares resolution) x ((the average Share price) – (the subscription price for each new Share)) / (the number of Shares in the Company prior to the new issue)

When recalculation shall be made as mentioned above, the recalculated Subscription Price and the recalculated number of Shares that each Warrant confers right to subscribe for or acquire shall be fixed by the Company two banking days at the latest after the Issue of Shares resolution.

If a Warrant Holder has not requested exercise of Warrants at such a time that the Shares the Warrant Holder would receive upon exercise of the relevant Warrants would carry an entitlement to participate in the Issue of Shares, the exercise of the relevant Warrants will not be effective until three banking days after the date the recalculations has been fixed.

In case the Company carries out an Issue of Shares with preferential rights as set out above, the Company shall be entitled to offer the Warrant Holders the same preferential rights as the shareholders of the Company under the authorized share capital of the Company. Each Warrant Holder shall be deemed to have the number of Shares that he would have had, had he exercised all his Warrants. No recalculation as set out above shall be made in case the Company decides to give the Warrant Holders preferential rights in accordance with this paragraph.

What has been stated in this section shall not apply in case the Company carries out Directed Share Issue. In such case, no recalculation shall be made with respect to the

Subscription Price and/or of the number of Shares that each Warrant entitles the Warrant Holder to subscribe for or acquire.

(c) Certain other offers to the shareholders

Where the Company in other cases than those described in Section (a)-(b) above (i) carries out an offer to the shareholders in accordance with the principles of preferential rights with respect to Shares in article 420-26 and with respects of convertible bonds or similar instruments in article 420-27 of the Companies' Law, to subscribe any securities or rights from the Company, or (ii) distributes to the shareholders, pursuant to such preferential right, any such securities or rights with no consideration in return other than the nominal value of the relevant Shares (in both cases the "Offer" and the "Purchase Rights") the following recalculation formula shall apply.

(recalculated Subscription Price) = (previous Subscription Price) x (the average market price of the Share during the acceptance period of the offer or, in case of distribution, during the period of 25 trading days starting on the day on which the Share is quoted without right to any part of the distribution ("the average Share price")) / ((the average Share price) + (the theoretical value of the right to participate in the offer ("the value of the Purchase Right")))

(recalculated number of Shares that each Warrant confers right to subscribe for or acquire) = (the previous number of Shares that each Warrant confers right to subscribe for or acquire) x ((the average Share price) + (the value of the Purchase Right)) / (the average Share price)

The average Share price shall be calculated with analogous application of the provisions of Section 9.b above.

If the shareholders receive Purchase Rights and these are subject to market quotation, the value of the Purchase Right shall be deemed to equal the average of the mean of the highest and lowest prices paid for the Purchase Right each trading day during the acceptance period of the Offer according to the exchange list on which the Purchase Right is primarily quoted. In the absence of quoted price paid, the quoted bid price shall be included in the calculation instead. If neither paid price nor bid price is quoted on a given day, that day shall be excluded from the calculation.

If the shareholders do not receive any Purchase Rights, or if the Purchase Rights are not subject to market quotation, but the securities or rights being the subject of the Offer either are already subject to market quotation or become subject to market quotation in connection with the Offer, the value of the Purchase Right shall be deemed to equal (i) if the securities or rights are already subject to market quotation, the average of the mean of the highest and lowest prices paid for such security or right each trading day during the acceptance period of the Offer or, in case of distribution, during the period of twenty-five (25) trading days starting on the day on which the share is quoted without right to any part of the distribution according to the exchange list on which the security or right is primarily quoted, less any consideration payable for them in connection with the Offer, or (ii) if the securities or rights become subject to market quotation in connection with the Offer, the average of the mean of the highest and lowest prices paid for such security or right each trading day during the period of twenty-five (25) trading days starting on the first day of such market quotation according to the exchange list on which the security or right is primarily quoted. In the absence of quoted price paid, the quoted bid price shall be included in the calculation instead. If neither paid price nor bid price is quoted on a given day, that day shall be excluded from the calculation. When the value of the Purchase Right shall be determined pursuant to (ii) of this paragraph, then in the recalculation of the Subscription Price and the number of Shares that each Warrant confers right to subscribe for or acquire in accordance with the above formulas the average Share price shall relate to the 25-trading day period mentioned in (ii) of this paragraph instead of the period mentioned in the above formulas.

If the shareholders do not receive any Purchase Rights, or if the Purchase Rights are not subject to market quotation, and the securities or rights being the subject of the Offer neither already are subject to market quotation nor become subject to market quotation in connection with the Offer, the value of the Purchase Right shall to the extent possible be determined based upon the change in the market value of the Company's Shares which, according to an independent appraiser retained by the Company or the Company's auditor, as determined by the Company in its sole discretion, may be deemed to have occurred as a consequence of the Offer. A decision by the independent appraiser or the Company's auditor, as applicable, shall be binding for both the Company and the Warrant Holder. The cost for engaging the independent appraiser or auditor shall be borne by the Company.

When recalculation shall be made as mentioned above, the recalculated Subscription Price and the recalculated number of Shares that each Warrant confers right to subscribe for or acquire shall be fixed by the Company two banking days after the expiry of the period during which the average Share price shall be calculated for the above recalculations at the latest (the "Period").

If a Warrant Holder has not requested exercise of Warrants at such a time that the Shares the Warrant Holder would receive upon exercise of the relevant Warrants would carry an entitlement to participate in the Offer, the exercise of the relevant Warrants will not be effective until three banking days after date the recalculations has been fixed.

In case the Company carries out an Offer as set out above, the Company shall be entitled to offer the Warrant Holders the same preferential rights as the shareholders of the Company. Each Warrant Holder shall be deemed to have the number of Shares that he would have had, had he exercised all his Warrants. No recalculation as set out above shall be made in case the Company decides to give the Warrant Holders preferential rights in accordance with this paragraph.

(d) Dividend

In case the Board of Directors announces its intention to submit a proposal to the general meeting regarding dividend (the "dividend") the following recalculation formula shall apply.

(recalculated Subscription Price) = (previous Subscription Price) x (the average market price of the Share during the period of 25 trading days starting on the day on which the share is quoted without right to the dividend ("the average Share price")) / ((the average Share price) + (the dividend paid per Share))

(recalculated number of Shares that each Warrant confers right to subscribe for or acquire) = (the previous number of Shares that each Warrant confers right to subscribe for or acquire) x ((the average Share price) + (the dividend paid per Share)) / (the average Share price)

The average share price shall be calculated with analogous application of the provisions of Section 9.b above.

When recalculation shall be made as above-mentioned, the recalculated Subscription Price and the recalculated number of Shares that each Warrant confers right to subscribe for or acquire shall be fixed by the Company two banking days after the expiry of the above-mentioned 25-trading day period at the latest.

If a Warrant Holder has not requested exercise of Warrants at such a time that the Shares the Warrant Holder would receive upon exercise of the relevant Warrants would carry an entitlement to dividend, the exercise of the relevant Warrants will not be effective until three (3) banking days after the date the recalculations has been fixed.

(e) Reduction of share capital

In case the Company effects a compulsory reduction of the Company's share capital by way of repayment to the Company's shareholders the following recalculation formula shall apply.

(recalculated Subscription Price) = (previous Subscription Price) x (the average market price of the Share during the period of 25 trading days starting on the day on which the Share is quoted without right to repayment ("the average Share price")) / ((the average Share price) + (the actual amount repaid per Share))

(recalculated number of Shares that each Warrant confers right to subscribe for or acquire) = (the previous number of Shares that each Warrant confers right to subscribe for or acquire) x ((the average Share price) + (the actual amount repaid per Share)) / (the average Share price)

If the reduction is carried out through redemption of Shares, then instead of using the actual amount repaid per Share in the above-mentioned recalculation of the Subscription Price and the number of Shares each Warrant confers right to subscribe for or acquire, a calculated amount repaid per Share determined as follows shall be applied:

(calculated amount repaid per Share) = ((the actual amount repaid per Share) – (the average market price of the Share during the period of 25 trading days immediately preceding the day on which the Share is quoted without right to participate in the reduction ("the average Share price"))) /((the number of Shares in the Company which entitle to the reduction of one Share) – 1)

The average Share price shall be calculated with analogous application of the provisions of Section 9.b above.

When recalculation shall be made as above-mentioned, the recalculated Subscription Price and the recalculated number of Shares that each Warrant confers right to subscribe for or acquire shall be fixed by the Company two banking days after the expiry of the latest 25-trading days period applicable for the above recalculations to occur at the latest (the "Period")

If a Warrant Holder has not requested exercise of Warrants at such a time that the Shares the Warrant Holder would receive upon exercise of the relevant Warrants would carry an entitlement to participate in the Offer, the exercise of the relevant Warrants will not be effective until five (5) banking days after the Period.

If the Company effects (i) a reduction of its share capital with repayment to the shareholders through redemption of Shares, and such reduction is not compulsory, or (ii) a repurchase of Shares in the Company (without effecting a reduction of its share capital), and where, in the opinion of the Company, such reduction or repurchase due to its technical structure and financial effects is equivalent to a compulsory reduction, the above provisions in this section shall apply and a recalculation of the Subscription Price and the number of Shares to which each Warrant confers right to subscribe for or acquire shall be made, to the extent possible, in accordance with the principles set forth in this section.

(f) Adjustment of recalculation etc.

If the Company carries out an action in accordance with (a) to (e) above and, in the Company's sole discretion, the above-mentioned procedures for recalculations would, due to its technical structure or otherwise, not be possible or if the compensation which the Warrant Holders would be entitled to would not be considered reasonable in comparison to the compensation received by the Company's shareholders, the Subscription Price and the number of Shares each Warrant entitles to shall be recalculated by the Company, an independent appraiser retained by the Company or the Company's auditor, as determined by the Company in its sole discretion, whereby the recalculation shall aim at achieving a reasonable result in relation to the Company's shareholders.

In the event the Shares are not listed on a stock exchange or other recognised exchange for the public trading in shares and the Company carries out an action in accordance with (b) to (e) above, a corresponding recalculation shall take place. The Company's value shall in such case replace the average Share price in the above sections and formula. The value of the Company shall be determined by an independent appraiser appointed by the Company or the Company's auditor, as determined by the Company in its sole discretion. A decision by the independent appraiser or the Company's auditor, as applicable, shall be binding for both the Company and the Warrant Holder. The cost for engaging the independent appraiser or auditor shall be borne by the Company.

(g) Liquidation

If it is decided that the Company shall enter into liquidation pursuant to the Companies' Law, an application for Subscription may not be made thereafter, regardless of the liquidation grounds. The right to request Subscription ceases as a result of the decision to liquidate, notwithstanding the fact that the decision may not have gained legal force. The Warrant Holders shall be informed through written notice of the planned liquidation not later than two (2) months before the shareholders' meeting considers whether the Company should enter into voluntary liquidation. The notice shall include a reminder that an application for Subscription may not be made after the shareholders' meeting has resolved to liquidate. If the Company gives notice of a planned liquidation as stated above, Warrant Holders are – notwithstanding the provisions of Section 3 above regarding the time for Subscription – entitled to apply for Subscription until and including the tenth calendar day prior to the shareholders' meeting at which the issue of the Company's liquidation is to be considered.

(h) Merger plan in accordance with Chapter II of the Companies' Law

If the board of directors of the Company intends to publish a merger plan in accordance with Chapter II of the Companies' Law — whereby the Company shall become part of another company, application for Subscription may not be made thereafter. The Warrant Holders shall be informed of such merger plan in writing not later than five (5) weeks before the publication of the merger plan. The notice shall include a report on the principal terms of the proposed merger plan and the date of its publication and shall remind the Warrant Holders that Subscription may be applied for not later than ten (10) calendar days prior to the publication of the de-merger plan. Should the Company give notice of the planned merger as stated above, the Warrant Holders shall – notwithstanding the provisions of Section 3 above have the right to apply for Subscription until and including the tenth calendar day prior to the publication of the merger plan.

(i) De-merger plan in accordance with Chapter III of the Companies' Law

If the board of directors of the Company intends to publish a de-merger plan in accordance with Chapter III of the Companies' Law — whereby the Company shall be split up and some, or all, of the Company's assets and debts shall be overtaken by one or several other companies, application for Subscription may not be made thereafter. The Warrant Holders shall be informed of such de-merger plans in writing not later than five (5) weeks before the publication of the de-merger plan. The notice shall include a report on the principal terms of the proposed de-merger plan and the date of its publication and shall remind the Warrant Holders that Subscription may be applied for not later than ten (10) calendar days prior to the publication of the de-merger plan until the de-merger becomes effective. Should the Company give notice of the planned de-merger as stated above, the Warrant Holders shall – notwithstanding the provisions of Section 3 above - have the right to apply for Subscription until and including the tenth calendar day prior to the publication of the de-merger plan.

Notwithstanding the above provisions by virtue of which Subscription may not applied for following a decision to liquidate, following approval or signing of a merger plan or following approval or signing of a de-merger plan, the right to apply for Subscription will be reinstated where the liquidation is revoked, or the merger plan or the de-merger plan are not implemented.

(j) Bankruptcy

In the event the Company enters into bankruptcy, notification for Subscription may not thereafter take place. In the event the order regarding the Company's bankruptcy is annulled by a court of higher instance, Subscription may take place.

§ 10 Special undertaking by the Company

The Company agrees not to undertake any adjustment measure described in Section 9 above which would result in an adjustment of the Subscription Price to an amount which is less than the nominal value of the Shares in the Company.

§ 11 Re-domiciliation

Anything in these Warrant terms and conditions to the contrary notwithstanding, if the Board of Directors of the Company determines that it is in the best interests of the Company to re-domicile to a jurisdiction other than Luxembourg, whether by operation of law, through a share exchange, whereby the Shares are exchanged for shares of a different entity establishing a new holding company structure, or other re-domiciliation arrangements, the Company will strive to ensure that the Warrant Holders will be offered the corresponding rights in any new entity, and if so requested by the Company, the Warrant Holders shall take any and all actions reasonably required in order to accomplish such exchange of Warrants for warrants with equivalent rights in a new entity.

§ 12 Notifications

Notices concerning these Warrant terms and conditions shall be given to each Warrant Holder and each other right holders to the address mentioned in the Warrant register or to the address notified to the Company in writing.

§ 13 Limitation of the liability

The Company shall be relieved from liability for a failure to perform any obligation under these conditions due to circumstances such as changes in the laws of Luxembourg or foreign laws and regulations or the interpretation thereof, acts of Luxembourg or foreign authorities, war, strike, boycott, lock-out or other circumstances of similar importance. The reservation for strike, boycott and lock-out is valid even if the Company takes or is subject to such measures.

The Company shall, provided that the Company has not acted negligently, be relieved from liability for any damage. The Company is under no circumstances liable for any indirect damage.

If the Company is prevented from performing any obligation under these conditions, such as paying, due to any circumstance described in this section, paragraph 1, the performance may be postponed until the obstacle is removed. If the Company has undertaken to pay interest in the case of a postponed payment, the Company shall pay the interest rate in effect on the due date. If no such undertaking has been made, the Company is not obligated to pay any interest rate exceeding the official reference rate established by Sweden's central bank (*Sw. Riksbanken*) with an additional two percentage units.

If the Company is prevented from receiving payment due to any circumstance described in this, paragraph 1, the Company is only entitled to receive interest in accordance with the terms in effect on the due date.

§ 14 Miscellaneous

The Warrants are freely transferable, constitute securities and may be transferred or otherwise disposed of in accordance with these Warrant terms and conditions.

The Company shall be entitled to decide on changes in these Warrant terms insofar as such changes are required by legislation, court decisions or decisions by public authorities, applicable stock exchange regulations or rules of any other recognised exchange for the public trading in shares, or if in the opinion of the Company, such actions otherwise are appropriate or necessary for practical reasons and the rights of the Warrant Holders are not adversely affected in any respect.

§ 15 Confidentiality, governing law and disputes

Except as to matters with respect to Luxembourg corporate law, which shall be governed by Luxembourg corporate law, these Warrant terms and conditions shall be governed by the material laws of Sweden without regard to its rules on conflict of laws.

In the event of a dispute arising under these Warrant terms and conditions, the parties involved undertake to attempt to resolve such dispute by mutual agreement through good faith discussions for a period of at least two weeks prior to formally commencing arbitration.

Any dispute, controversy or claim arising out of or in connection with these Warrant terms and conditions, shall be finally settled by arbitration administered at the Arbitration Institute of the Stockholm Chamber of Commerce ("**SCC Institute**"). Where the amount in dispute does not exceed €100,000, the SCC Institute's Rules for Expedited Arbitrations shall apply. Where the amount in dispute exceeds €100,000, the Rules of the SCC Institute shall apply. Where the amount in dispute exceeds €100,000, but not €1,000,000, the Arbitral Tribunal shall be composed of a sole arbitrator. Where the amount in dispute exceeds €1,000,000 the Arbitral Tribunal shall be composed of three arbitrators. The amount in dispute includes the claimant's claims in the request for arbitration and any counterclaims in the respondent's reply to the request for arbitration. The proceedings shall take place in Stockholm and shall be conducted in the English language unless the parties agree otherwise. The arbitration proceedings and all information and documentation related thereto shall be confidential, unless otherwise agreed between the parties in writing.

LIST OF SUBSIDIARIES

The following is a list of subsidiaries of Spotify Technology S.A. as of December 31, 2021:

Name of Subsidiary	Jurisdiction of Incorporation or Organization
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

Exhibit 12.1

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.

Exhibit 12.1

Date: February 3, 2022

/s/ Daniel Ek

Daniel Ek

Chief Executive Officer

Exhibit 12.2

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.

Exhibit 12.2

Date: February 3, 2022

/s/ Paul Vogel

Paul Vogel

Chief Financial Officer

Exhibit 13.1

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, 2021, 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 3, 2022

/s/ Daniel Ek

Daniel Ek

Chief Executive Officer

Exhibit 13.2

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, 2021, 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 3, 2022

/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. 333-255574) 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.,

(2) 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.,

(3) 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.,

(4) 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.,

(5) 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.,

(6) 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

(7) 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;

of our reports dated February 3, 2022, 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, 2021.

/s/ Ernst & Young AB

Stockholm, Sweden
February 3, 2022