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## The year in brief

2021 was yet another successful year for Epidemic Sound. The Epidemic Sound Group strengthened its position in key markets and accelerated product development as well as music procurement. Epidemic Sound is in an expansion phase and has built a strong organization to ensure both short- and long-term growth. In 2021, the Group took important steps in line with its long-term strategy and achieved good results.

At the beginning of the year, Blackstone Growth, EQT Growth, Alecta, AMF, and TIN were welcomed as new investors. Several key leadership roles were appointed, and the Group achieved a greater organizational and strategic maturity. At the end of the year, Andrew Fisher was appointed Chairperson of the Board, and Kirsten Wolberg and Adrienne Gormley as directors.

Epidemic Sound Holding II AB acquired all shares in the former Epidemic Sound Holding AB Group on March 10, 2021, and thus became the new Group parent. As a result, the new consolidated income statement is made up of a shortened period, ten months. Net sales for this period were SEK 691 million. If the business acquisition had taken place on January 1, 2021, net sales would have amounted to SEK 808 million. The average number of employees increased from 336 at the beginning of the year to 439 at the end of the year. Operating profit before depreciation (EBITDA) was SEK -13 million.



## Letter from the CEO

2021 has been a very successful year for Epidemic Sound. During the year, we have accelerated our product development and continued to invest in high-quality music in many different genres in order to deliver the best possible experience to our customers.

At the beginning of the year, we had the pleasure of welcoming Blackstone Growth, EQT Growth, Alecta, AMF, and TIN as new investors. The demand for restriction-free music is increasing sharply and we will invest even more aggressively in the core of our business: the customer experience. Furthermore, we will increase the pace of our international expansion, both in existing and new markets, not least through continued investments in new music.

During the year, we made a number of key recruitments, including Sara Börsvik, Chief Financial Officer; Greg Funk, Chief Product Officer; and Christina Källenfors, General Counsel. At the end of the year, we also had the pleasure of welcoming Andrew Fisher as the new Chairperson of the Board, and Kirsten Wolberg and Adrienne Gormley as directors. At the same time, I am very happy that Vania Schlogel, our former Chairperson, remains on the Board as a director.

Pinterest, TikTok, and Mindbody are three examples of important partnerships that we launched in 2021. The partnerships give us an opportunity to reach out to and establish relationships with millions of new creators, which also creates opportunities for our music creators to be visible through our partners' global networks. The partnerships also serve as proof that we have a world-class music catalog.

As in 2020, the year has been characterized by the pandemic, not least in that our employees have had to continue to work remotely during parts of the year. In 2021, we hired more than 100 people and I am incredibly proud of both new and old employees' way of coping with the remote working situation.

At the end of 2021, 439 people were employed full-time at Epidemic Sound, across our offices around the world, with Stockholm as our headquarters. We put great emphasis on both

recruitment and the personal development of our employees. In 2021, we launched a number of key sustainability initiatives, especially diversity and inclusion, which I am very pleased about.

In summary, 2021 has been both an eventful and successful year for Epidemic Sound and I have a bright outlook for 2022. I appreciate the trust that our shareholders show us and our ambitious plans, and I am grateful for the continued support.



Oscar Höglund, CEO

Stockholm, March 2022



## Epidemic Sound

### History

Epidemic Sound was established in Stockholm, Sweden, in 2009 by the entrepreneurs Jan Zachrisson, Oscar Höglund, and Hjalmar Winbladh, together with the songwriters Per Åström and David Stenmarck. The aim was, on the one hand, to make music available for use in audiovisual production across the globe, and on the other hand to create a legal, modern compensation model for music creators. The first music license agreement was signed with Swedish TV companies in 2010.

In 2014, the music service Spaces was launched, focused on hotels, shops, gyms, restaurants, and other physical environments. Epidemic Sound also initiated its expansion abroad and in the following year set up offices in Germany and the Netherlands. During that year, Creandum joined the Group as a shareholder.

In 2015, the company's first digital subscription service for online creators was launched, mainly aimed at YouTube users.

During 2016, the company opened its first office in the USA (New York) and also set up the business area Streaming.

In 2017, EQT became a shareholder in the Group. Epidemic Sound expanded the American presence further by opening an office in Los Angeles.

In 2020, Epidemic Sound's new digital subscription service for small and medium enterprises ("Commercial Plan") really accelerated. Epidemic Sound also signed its first major partnership agreements with Adobe, Getty, Canva, and others.

In 2021, Blackstone Growth, EQT Growth, Alecia, AMF, and TIN became shareholders in the Group. Several major partnership agreements were signed during the year, including with Pinterest, TikTok, and Mindbody. At the end of the year, Andrew Fisher came in as the new Chairperson of the Board, and Kirsten Wolberg and Adrienne Gormley as Board members.

### Mission statement

Epidemic Sound is on a mission to soundtrack the world.

The goal of the Epidemic Sound business is to facilitate both music creators and customers to achieve creative and commercial success. This is achieved through close cooperation with professional music creators and by using the large network of customers to ensure that their music reach as many users, platforms, and people as possible.

### The music

Over a period of more than ten years, Epidemic Sound has built up a world-class music catalog by working closely with amazing music creators. The access to music is unique. The innovative rights structure means it can be used for all of the client's production requirements with no reporting requirements or royalty demands. The model of creating music where copyright for the musical work is acquired and then fully owned by Epidemic Sound allows Epidemic Sound to offer customers flexible and economic licensing models.

Epidemic Sound has a music department which is responsible for the quality and range of the music catalog and which works closely with and provides coaching to music creators. At the end of 2021, our music catalog included more than 35,000 songs and covered more than 160 genres. The music department works hard to find ways to cooperate with new music creators, extend the catalog within various genres, monitor music trends, and to refine the packaging of the music catalog within the different business areas of Epidemic Sound.

### Product offering and customers

Epidemic Sound licenses the music catalog to customers within a range of different business areas. The primary business is to offer customers a license in the form of a subscription, under which the customer is permitted to use and publish video productions containing music from the music catalog. Epidemic Sound also sells individual licenses to use individual productions. In addition, the music catalog generates revenues through different forms of partnership, for example through streaming platforms and other digital resellers where Epidemic Sound has an indirect client relationship.



## Management Report 2021

The Board of directors and CEO of Epidemic Sound Holding II AB (publ) (company registration no. 559286-5231) hereby present the following annual report and consolidated financial statements for the financial year 12/01/2020 - 12/31/2021. Epidemic Sound Holding II AB is the parent company of the Group formed on December 1, 2020, and these consolidated financial statements therefore reflect an extended financial year. As this is the first year of operation of the new Group, no comparative figures are provided for 2020. The operating Epidemic Sound Group of companies was acquired on 03/10/2021 and the consolidated income statement therefore relates to only a shortened period of 10 months. The parent company for the previously prepared consolidated financial statements for 2020 is Epidemic Sound Holding AB, company registration no. 559134-9492, where historical comparative figures can be found. The Group's registered office is in Stockholm, at Västgötagatan 2, 118 27 Stockholm. The Annual Report is presented in Swedish krona (SEK) unless otherwise stated.

### General information

The Epidemic Sound Group operates in the tech and music industry. Through its network of music creators, it has built a world-class music catalog which it offers to its customers to use through a simple licensing model. The music creators include composers, artists, producers, vocalists, and musicians. Epidemic Sound's clients range from individual storytellers who need music for smaller productions posted on social media, to global companies that use music in, for example, customer communications, films, advertising productions, or TV programs. Customers also include companies that design sound for physical environments, major digital licensing retailers, and streaming platforms. Epidemic Sound offers its customers a simple, global licensing model that enables them to use music that is owned and controlled by Epidemic Sound.

Epidemic Sound offers a wide-ranging music catalog that is continually being updated and includes vocal and instrumental musical works within more than 160 different genres. At the end of 2021, the music catalog included more than 35,000 works and has been built up over more than ten years, together with a host of hand-picked, talented music creators. Epidemic Sound works closely with the music creators and ensures that all the music purchased and added to the music catalog is of high quality.

The Group is in an expansion phase and has set up a strong organization to ensure growth in both the short and the long term. During 2021, the Group took some important steps in line with its long-term strategy and achieved good results.

The Group's head office is located in Stockholm in Sweden, but it also operates through subsidiaries in the USA, Germany, Australia, and South Korea. In addition, Epidemic Sound has branch offices in the Netherlands and Spain. The operations in the Netherlands and Germany were set up in 2014; in the USA in 2016, and the Australian and South Korean operations in 2019. Epidemic Sound AB was established in 2009 and now has customers all over the world.



## Key figures

SEK thousands	2021
Revenue	694 203
EBITDA	-54 819
Adjusted EBITDA	-13 538
EBIT	-406 014
Adjusted EBIT	-364 733
Items affecting comparability	41 281

See key figures on page 56. For definitions and reconciliation of alternative key figures, see pages 57-58.

## Significant events during the year

- Kirsten Wolberg and Adrienne Gormley joined as Board members.
- Vania Schlogel stepped down as Chairperson of the board and became a Board member.
- Andrew Fisher took office as the new Chairperson of the board.
- Epidemic Sound Holding II AB was established on December 1, 2020.  
On March 10, 2021, Epidemic Sound Holding II AB acquired all the shares in the former Epidemic Sound Holding AB Group and thereby became the new parent company of the new group. There is 100% ownership between the companies. For details of the acquisition and the prepared acquisition analysis, please refer to note 20.
- At the same time, Epidemic Sound Holding II AB also acquired the companies Epidemic Sound Mepco AB and Epidemic Sound Mepco 2 AB. There is also 100% ownership between these companies.
- The first consolidation in the new group will take place as of December 31, 2021. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). Since the operating Epidemic Sound Group was acquired on March 10, 2021, the consolidated income statement relates to only a shortened period of ten months. However, the first financial year is extended and relates to the period of December 1, 2020, to December 31, 2021, as the parent company Epidemic Sound Holding II AB was established on December 1, 2020. For a comparative picture of the full year results of the largest operating company, please refer to Epidemic Sound AB's annual report.
- After another year of the Covid-19 pandemic, Epidemic Sound has established work-from-home practices and successfully transitioned the organization to a digital business model.

## Net sales and profit development

The Group's net sales amounted to SEK 691 million and related to revenues for 10 months in the new Epidemic Sound Group. If the business acquisition had taken place on January 1, 2021, net sales would have amounted to SEK 808 million. Sales are primarily generated by the Direct Sales segment. Revenues were slightly positively impacted during the year by a stronger US dollar against the Swedish krona, the Group's reporting currency.

Capitalized work for own account of SEK 29.1 million, which relates to product development costs for external use.

Other external costs amounted to SEK -438 million as a result of Epidemic Sound's long-term growth strategy. Personnel costs amounted to SEK -339 million. Following a successful recruitment drive, the Group appointed several key people to senior positions in an effort to build strong, high-quality teams to accelerate, among other things, product development and new customer acquisition.

Depreciation of fixed assets amounted to SEK -351 million. The amounts are largely due to amortization of leases under IFRS 16 and amortization of intangible assets (music catalog, customer contact and customer relations, and the technical platform).

The operating result amounted to SEK -406 million, primarily as a consequence of depreciation of fixed assets.

The year was also affected by items affecting comparability amounting to SEK 41 million, all of which relate to consultancy costs in connection with the restructuring of the Group. These costs have not been charged to the results of the operating segments, i.e., Direct Sales and Partnership Sales, but are allocated to the Group-wide segment.

## Financial position

The Group's balance sheet total on December 31, 2021, was SEK 13,060 million. The Group's equity amounted to SEK 11,527 million.



## Cash flow and liquid assets

Cash flow from operating activities in 2021 amounted to SEK -52 million, mainly related to contract liabilities and contract assets.

Cash flow from investing activities amounted to SEK -3,414 million, mainly related to the acquisition of subsidiaries when the new group was formed. Investments in tangible and intangible fixed assets totaled SEK -79 million and relate mainly to proprietary systems.

Cash flow from financing activities amounted to SEK 4,274 million, mainly related to the new share issue on formation of the new group.

## Research and development

Epidemic Sound has a strong focus on the development of its own products and services. The development work is led from the head office in Stockholm. The Group's product development is capitalized when the criteria of IAS 38 are met. In 2021, SEK 29.1 million of the company's total payroll costs of SEK 339 million were capitalized.

## Segment

### Direct Sales

The Direct Sales segment relates to the sale of licensing subscriptions targeted at smaller customers (such as influencers and podcasters), and small and medium-sized enterprises and larger global companies.

SEK thousands	2021
Revenue	493 990
EBITDA	66 357

For definitions and reconciliation of alternative key metrics, see pages 57-58.

Following successful marketing and sales efforts, the Group has demonstrated its ability to attract new subscription customers and retain them over time in a cost-effective way. Costs of attracting new customers are incurred at the time of acquisition, while revenues follow throughout the future lifetime of the customers.

### Partnership Sales

The Partnership Sales segment helps to broaden Epidemic Sound's network of storytellers to include indirect customers through strategic partnerships. In addition to generating revenue, these partnerships are expected to benefit other business areas in various ways in the long term. The segment also includes other revenue streams where Epidemic Sound generates revenue through indirect customer relationships, e.g., through streaming and video platforms (*Digital Rights*).

SEK thousands	2021
Revenue	197 491
EBITDA	73 676

For definitions and reconciliation of alternative key metrics, see pages 57-58.

The relatively stronger result (EBITDA) in Partnership Sales compared to Direct Sales is primarily attributed to external marketing costs incurred at the time of acquisition in Direct Sales for the acquisition of new customers. Partnership Sales does not include this type of marketing cost in the same way.

### Group-wide

The Group-wide segment brings together Group-wide functions such as management functions and administrative support in IT and finance. It also includes joint development of the technical platforms used within the Group.

SEK thousands	2021
Other operating income	2 721
EBITDA	-194 851



Other operating income consists mainly of leasing income from rental contracts. The operating result amounted to SEK -194,851 thousand and includes items affecting comparability of SEK 41,281 thousand net.

### **Employees**

On December 31, 2021, the number of employees was 439. The average number of employees in 2021 was 418, the number of women was 204.

Recruiting, retaining, and developing people with the right skills and attitude is extremely important and Epidemic Sound invests heavily in internal development and training. The Group's ambition is for all employees to feel involved and responsible for the company's development and it places high demands on personal responsibility and initiative.

Information on remuneration paid to senior executives is disclosed in Note 7 - Employees and personnel expenses.

### **Investments, depreciation and amortization**

During the year, the Group's investments in tangible fixed assets amounted to SEK 3,102 thousand. The investments are mainly attributable to changes in the IT environment.

The Group's product development is capitalized, and amortization commences when the product or service is completed. At the acquisition date in March 2021, capitalized product development amounted to SEK 29,529 thousand. During the year, further development of own products and services of SEK 29,129 thousand was capitalized. As of December 31, 2021, the total capitalized product development after amortization amounted to SEK 53,386 thousand. Amortization of capitalized product development during the year amounted to SEK -5,273 thousand.

Intangible assets related to music purchases were acquired during the year for SEK 47,629 thousand and the amortization of these assets during the year amounted to SEK -12,373 thousand.

For the full year, depreciation amounted to SEK 349,649 thousand and impairment losses to SEK -1,546 thousand related to all fixed assets.

### **Parent company**

Epidemic Sound Holding II AB is the parent company of the Epidemic Sound Group. These activities include financing of the Group's activities. Assets amounted to SEK 11,727 million and equity to SEK 11,619 million.

### **Effects of Covid-19**

#### *Direct Sales*

Epidemic Sound is benefiting from the strong global trend of growing volumes of production and consumption of digital (video) content, and is well positioned to continue to capture market share and acquire new customers in line with this trend. In 2021, the trend was sustained and also seemed to strengthen in certain geographies and/or customer segments during the pandemic, which may have benefited Epidemic Sound (although it is difficult for Epidemic Sound to estimate the extent to which the pandemic may have benefited the segment). Epidemic Sound expects continued growth in the segment in 2022.

#### *Partnership Sales*

In 2021, some companies in different parts of the world continued to be affected by the market uncertainty caused by Covid-19. This probably affected Partnership Sales to some extent, mainly in the digital advertising market. Some customer segments in Partnership Sales, notably *Spaces* (music in physical, commercial environments) were negatively affected by the pandemic. It is difficult to quantify a net impact of the pandemic on the segment, but in general terms the segment performed in line with the Group's expectations.

#### *Group-wide*

This segment was not significantly affected by the pandemic in 2021.

### **Expected future development**

The Group's expansion will continue in line with its current strategy. All the Group's business areas are developing well, and further resources are planned to be invested in them. The Group continues to focus on technological development and on reaching increased



brand awareness in the markets in which it operates. The Group plans to develop its products and customer offerings further in the hope of further accelerating growth and enabling strong future profitability.

### Risks and uncertainties

Risks and risk-taking are an inherent part of the Epidemic Sound business. A good understanding of the risks, together with an effective way of identifying, assessing, and managing risks, is essential to the short-term and long-term success of Epidemic Sound. Epidemic Sound has a formal process at corporate level to identify, plan, and mitigate identified risks within the business. Some of the identified risks are within the control of Epidemic Sound, while others are outside the Group's control. There is a description below, in no particular order and without claiming to be exhaustive, of the risks that are considered to be of material importance and which have been identified in the context of the Epidemic Sound risk management process. For financial risks, please refer to note 22 page 48.

Risk	Risk description	Opportunities and actions
Risks related to technical platform	Epidemic Sound relies heavily on its technology platform for day-to-day operations. A slowdown or disruption in the technology platform could damage Epidemic Sound's reputation and affect its ability to acquire, retain, and serve its customers.	Epidemic Sound has well-developed processes and procedures aimed at eliminating disruptions and minimizing the consequences should a technical outage occur.
Key persons, employees, and recruitment	Part of Epidemic Sound's future success depends on its ability to recruit, integrate, and retain qualified employees, particularly in senior management and key personnel in the business development and governance of Epidemic Sound.	Epidemic Sound has a good track record in employee surveys and focuses on maintaining and improving the working environment for key individuals and employees in order to remain an attractive employer.

### Sustainability Report

In accordance with Swedish Annual Accounts Act (ÅRL) Chapter 6 section 11, Epidemic Sound has chosen to prepare the statutory sustainability report as a separate document from the annual report, which can be found at [www.epidemicsound.com](http://www.epidemicsound.com)

### Events after the end of the reporting period

In line with its business plan, the Spanish branch office of Epidemic Sound AB was liquidated in January 2022. A liquidation of the Australian company is also underway.

In January 2022, Epidemic Sound acquired the music production company A-P Records AB and its subsidiary Marbel Songs AB. See more information on the acquisitions in note 20 Business combinations.

### Management assessment of continued operation

The management and the Board of directors are continuously monitoring the development of the business during the current pandemic in order to further manage quickly and effectively any risks and situations that may arise. It is the company's assessment that it currently has the liquidity to continue operations in 2022 and that there is no obstacle to continuing to operate in accordance with established strategies and to meet its short-term and long-term obligations.

### Proposed appropriation of non-restricted equity (SEK)

The 2022 Annual General Meeting will be held in Stockholm on May 12, 2022. The Board of directors proposes that no dividend be paid and that the profit for the year and the retained earnings together with the remaining share premium be carried forward. As regards the position of the Group and the parent company in other respects, reference is made to the following income statements and balance sheets with the related notes.



Parent company	2021-12-31
The following profits are at the disposal of the Annual General Meeting (SEK):	
Share premium	11 711 307 367
Retained profit	-
Profit for the year	-93 274 813
The Board proposes that all non-restricted funds be allocated to	
carried forward	11 618 032 554

## Financial reports





## Consolidated statement of comprehensive income\*

Amount in SEK thousands	Note	2020-12-01 2021-12-31
Net sales	3	691 481
Other operating income	4	2 721
		<b>694 203</b>
Other external costs	5,6	-438 207
Capitalized work for own account		29 129
Personnel costs	7	-339 944
<b>Operating profit before depreciation and amortization (EBITDA)</b>		<b>-54 819</b>
Depreciation and amortization of tangible and intangible fixed assets	3,6,10,11,12	-351 195
<b>Operating profit (EBIT)</b>		<b>-406 014</b>
Financial income	8	674
Financial expenses	8	-8 175
<b>Profit before tax</b>		<b>-413 515</b>
Income tax	9	60 469
<b>Profit for the year</b>		<b>-353 046</b>
<b>Profit for the year attributable to:</b>		
Parent company shareholders		-353 046
Non-controlling interests		-
<b>Total</b>		<b>-353 046</b>

\*The Epidemic Sound group of companies was acquired in March 2021 and the consolidated income statement therefore relates to only 10 months



		2020-12-01
Consolidated statement of comprehensive income	Note	2021-12-31
Profit for the year		-353 046
<i>Items that have been reclassified or may subsequently be reclassified to the income statement</i>		
Translation difference for the year on translation of foreign operations		2 489
Change in market value of short-term investments	13	-90
<b>Other comprehensive income for the year</b>		<b>2 399</b>
<b>Comprehensive income for the year</b>		<b>-350 646</b>
<b>Comprehensive income for the year attributable to:</b>		
Owners of the parent company		-350 646
Non-controlling interests		-



## Group statement of financial position

Amount in SEK thousands	Note	2021-12-31
<b>Assets</b>		
<b>Fixed assets</b>		
<b>Intangible fixed assets</b>		
Goodwill	10	6 513 808
Other intangible assets	10,16	5 166 818
Capitalized expenditure on development work	10,16	53 386
<b>Total intangible assets</b>		<b>11 734 011</b>
<b>Tangible fixed assets</b>		
Equipment, tools, fixtures and fittings	11,12	15 197
Right-of-use assets	6,16	166 188
<b>Total tangible assets</b>		<b>181 385</b>
<b>Financial fixed assets</b>		
Deferred tax assets	16	47 105
Other financial fixed assets	17	22 494
<b>Total financial assets</b>		<b>69 599</b>
<b>Total fixed assets</b>		<b>11 984 996</b>
<b>Current assets</b>		
Trade receivables	3,13,21,22	26 493
Current tax asset		11 711
Other receivables		33 298
Prepaid expenses and accrued income	14	44 867
Short-term investments	13	121 496
Cash and cash equivalents	13,15	811 380
<b>Total current assets</b>		<b>1 049 246</b>
<b>TOTAL ASSETS</b>		<b>13 034 242</b>



<b>EQUITY AND LIABILITIES</b>	<b>Note</b>	<b>2021-12-31</b>
<b>Equity capital</b>	<b>19</b>	
Share capital		615
Other paid in capital		11 876 923
Reserve		2 399
Retained earnings including profit for the year		-353 046
<b>Equity attributable to parent company shareholders</b>		<b>11 526 891</b>
Non-controlling interests		-
<b>Total equity</b>		<b>11 526 891</b>
<b>Long-term liabilities</b>		
Deferred tax liabilities	16	1 034 244
Leasing liabilities	6,22,25	146 992
Long-term provisions	22,23	645
<b>Total long-term liabilities</b>		<b>1 181 881</b>
<b>Current liabilities</b>		
Trade payables	13,22	65 815
Leasing liabilities	6,22,25	25 549
Other liabilities	13,22	60 473
Short-term provisions	22,23	5 916
Accrued charges and deferred income	13,24	167 716
<b>Total current liabilities</b>		<b>325 469</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>13 034 242</b>



## Group statement on changes in equity

Amount in SEK thousands	Share capital	Unregistered capital	Other paid in capital	Translation reserve	Fair value reserve	Retained earnings including profit for the year	Equity attributable to parent company's shareholders	Total equity
<b>Amount at incorporation</b>	<b>25</b>	-	-	-	-	-	<b>25</b>	<b>25</b>
Profit for the year	-	-	-	-	-	-353 046	-353 046	-353 046
Other comprehensive income	-	-	-	2 489	-90	-	2 399	2 399
<b>Comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 489</b>	<b>-90</b>	<b>-353 046</b>	<b>-350 646</b>	<b>-350 646</b>
<i>Transactions with group owners</i>								
New share issue <sup>1</sup>	583	7	11 379 524	-	-	-	11 380 114	11 380 114
Shareholder contribution received	-	-	497 399	-	-	-	497 399	497 399
<b>Total</b>	<b>583</b>	<b>7</b>	<b>11 876 923</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11 877 513</b>	<b>11 877 513</b>
<b>Utgående eget kapital 2021-12-31</b>	<b>608</b>	<b>7</b>	<b>11 876 923</b>	<b>2 489</b>	<b>-90</b>	<b>-353 046</b>	<b>11 526 866</b>	<b>11 526 891</b>

<sup>1</sup> No issue costs were incurred for the new share issue

## Group cash flow statement

Amount in SEK thousands	Note	2020-12-01 2021-12-31
<b>Current operations</b>		
Operating result		-406 014
Adjustment for items not included in cash flow		-
Depreciation and amortization		349 649
Impairments		1 546
Changes in provisions	23	6 561
Capital gains		-11
Non-cash translation in other currencies		-830
Interest received		674
Interest paid		-6 907
Income tax paid		-731
<b>Cash flow from operating activities before changes in working capital</b>		<b>-56 063</b>
<b>Cash flow from changes in working capital</b>		
Changes in operating receivables		-31 885
Changes in operating liabilities		36 371
<b>Cash flow from operating activities</b>		<b>-51 577</b>
<b>Investment activities</b>		
Business combinations	20	-3 211 534
Acquisition of tangible fixed assets	11	-3 432
Acquisition of intangible assets	10	-75 343
Acquisition of financial fixed assets		-2 037
Investments in financial instruments	13	-121 496
Sale of fixed assets	11	314
<b>Cash flow from investing activities</b>		<b>-3 413 529</b>
<b>Financing activities</b>	25	
New share issue		4 545 784
Repayment of loans to credit institutions	25	-251 078
Amortization of leasing liabilities	22,25	-20 488
<b>Cash flow from financing activities</b>		<b>4 274 218</b>
<b>Cash flow for the year</b>		<b>809 112</b>
Cash and cash equivalents at the beginning of the year		-
Exchange rate difference in cash and cash equivalents		2 269
<b>Cash and cash equivalents at the end of the year</b>	<b>15</b>	<b>811 380</b>



## Parent company income statement

Amount in SEK thousands	Note	2020-12-01
		2021-12-31
Other operating income		720
		<b>720</b>
Other external costs	5	-88 211
Personnel costs	7	-756
Other operating expenses		-3
<b>Operating result</b>		<b>-88 250</b>
Financial income	8	587
Financial expenses	8	-5 612
<b>Profit after financial items</b>		<b>-93 275</b>
<b>Profit before tax</b>		<b>-93 275</b>
Tax on profit for the year		-
<b>Profit for the year</b>		<b>-93 275</b>

Parent company statement of comprehensive income	2020-12-01
	2021-12-31
Profit for the year	-93 275
<i>Items that have been reclassified or may subsequently be reclassified to the income statement</i>	
Change in market value of short-term investments	-54
<b>Other comprehensive income for the year</b>	<b>-54</b>
<b>Comprehensive income for the year</b>	<b>-93 383</b>



## Parent company balance sheet

Amount in SEK thousands	Note	2021-12-31
<b>ASSETS</b>		
<b>Fixed assets</b>		
<i>Financial fixed assets</i>		
Shares in group companies	18	11 312 753
<b>Total financial fixed assets</b>		<b>11 312 753</b>
<b>Total fixed assets</b>		<b>11 312 753</b>
<i>Current assets</i>		
Current tax asset		11 304
Other receivables		1
Short-term investments	13	65 207
Cash and bank	13,15	337 790
<b>Total current assets</b>		<b>414 301</b>
<b>TOTAL ASSETS</b>		<b>11 727 054</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity capital</b>	19	
<i>Restricted equity</i>		
Share capital		615
		<b>615</b>
<i>Non-restricted equity</i>		
Share premium		11 711 307
Profit for the year		-93 275
		<b>11 618 033</b>
<b>Total equity of the parent company</b>		<b>11 618 647</b>
<b>Current liabilities</b>		
Trade payables		11
Liabilities to group companies		97 900
Other liabilities	13,22	4 952
Accrued charges and deferred income	13,24	5 544
<b>Total current liabilities</b>		<b>108 407</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>11 727 054</b>



## Parent company statement on changes in equity

Amount in SEK thousands	Restricted equity		Non-restricted equity				Total equity
	Share capital	Unregistered capital	Share premium	Retained earnings including profit for the year	Fair value reserve		
<b>Amount at incorporation</b>	<b>25</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>25</b>
<b>Comprehensive income</b>							
Profit for the year	-	-	-	-93 275	-		-93 275
Other comprehensive income	-	-	-	-	-54		-54
<b>Total comprehensive income</b>	<b>25</b>	<b>-</b>	<b>-</b>	<b>-93 275</b>	<b>-54</b>		<b>-93 329</b>
Transactions with owners of the parent company							
New share issue <sup>1</sup>	583	7	11 213 963	-	-		11 214 553
Shareholder contribution received	-	-	-	497 399	-		497 399
<b>Total transactions with shareholders</b>	<b>583</b>	<b>7</b>	<b>11 213 963</b>	<b>497 399</b>	<b>-</b>		<b>11 711 951</b>
<b>Utgående eget kapital 2021-12-31</b>	<b>608</b>	<b>7</b>	<b>11 213 963</b>	<b>404 124</b>	<b>-54</b>		<b>11 618 647</b>

<sup>1</sup> No issue costs were incurred for the new share issue



## Parent company cash flow statement

Amount in SEK thousands	Note	2020-12-01 2021-12-31
<b>Current operations</b>		
Operating result		-88 250
Adjustment for items not included in cash flow		
Interest received		1 034
<b>Cash flow from operating activities before changes in working capital</b>		<b>-87 216</b>
<b>Cash flow from changes in working capital</b>		
Changes in operating receivables		-11 304
Changes in operating liabilities		102 348
<b>Cash flow from operating activities</b>		<b>3 828</b>
<b>Investment activities</b>	<b>18</b>	
Investments in subsidiaries	20	-3 981 616
Investment in financial instruments	13	-65 261
<b>Cash flow from investing activities</b>		<b>-4 046 877</b>
<b>Financing activities</b>		
New share issue		4 380 839
<b>Cash flow from financing activities</b>		<b>4 380 839</b>
<b>Cash flow for the year</b>		<b>337 790</b>
Cash and cash equivalents at the beginning of the year		-
<b>Cash and cash equivalents at the end of the year</b>	<b>15</b>	<b>337 790</b>



Parent company (SEK thousands)	2021
Net sales	1
Operating result	-88 250
<b>Key figures</b>	
Equity ratio (%)	99%
Balance sheet total	11 727 054



# NOTES ON THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS

## Note 1 - Significant accounting policies

### General information

This annual report and consolidated financial statements comprise the Swedish parent company Epidemic Sound II Holding AB (publ), company registration number 559286-5231, and its subsidiaries. Epidemic Sound operates within the music industry player and produces, owns, and licenses musical works in a number of markets. The main business is licensing to customers who create and design sound for audiovisual productions, such as broadcasters, production companies, influencers, advertising agencies, and other video production companies. The Group also licenses music to commercial physical environments, such as stores, hotels, and restaurants, and publishes music on streaming platforms.

The parent company is a limited liability company registered in Sweden and with its registered office in Stockholm. The address of the head office is Västgötagatan 2, 118 27, Stockholm.

On March 8, 2022, the Board of directors approved this Annual Report and Consolidated Financial Statements, which will be presented for adoption at the Annual General Meeting on May 12, 2022.

### Regulatory framework and basis for reporting

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) as adopted by the European Union (EU). In addition, the consolidated financial statements comply with the recommendation of the Swedish Financial Reporting Board RFR 1 "Supplementary Accounting Rules for Corporate Groups" and that the annual accounts comply with the Annual Accounts Act (1995:1554).

The parent company Epidemic Sound Holding II AB was established on December 1, 2020, and this is the company's first financial year, which is extended. These consolidated financial statements are the first to be prepared by the new parent company Epidemic Sound Holding II AB. Consolidated accounts were previously prepared in the subsidiary Epidemic Sound Holding AB. Since the operating Epidemic Sound Group was acquired on March 10, 2021, the consolidated income statement relates to only a shortened period of ten months. No

comparative year is presented as this is the first year of preparation of consolidated financial statements.

Unless otherwise stated, the accounting policies set out below have been applied consistently to all periods presented in the Group's financial statements. The Group's accounting policies have been consistently applied by the Group companies.

The parent company applies the same accounting policies as the Group except as indicated in the section "Accounting policies of the parent company".

### New standards, amendments, and interpretations applied by the Group

The International Accounting Standards Board (IASB) and the International Financial Committee (IFRIC) have issued, and the EU has adopted, new and revised standards and interpretations applicable from the financial year 2021. These have not had a material impact on the Group's financial performance and position.

A number of new standards, amendments, and interpretations have been published but have not yet entered into force. The Group has assessed that these will not have a material impact on the Group's financial performance and position.

### Valuation basis

Assets and liabilities are stated at cost except for certain financial assets and liabilities which are measured at fair value.

### Currency

The functional currency is the currency of the primary economic environments in which firms operate. The parent company's functional currency is the Swedish krona, which is also the reporting currency for the parent company and the Group. This means that the financial reports are presented in Swedish krona. All amounts are rounded to the nearest thousand (SEK) unless otherwise stated.

### Classification

Non-current assets and non-current liabilities consist essentially of amounts expected to be recovered or paid after more than twelve months from the balance sheet date. Current assets and current liabilities consist essentially of amounts expected to be recovered or paid within twelve months of the balance sheet date.

### Consolidation

#### Subsidiaries

Subsidiaries are companies under the control of the parent company. An investor has a controlling influence over a company when the investor is exposed to, or has the right to,



variable returns from its involvement in the company and can affect those returns through its influence.

Subsidiaries are included in the consolidated financial statements from the date on which control is transferred to the Group. They are excluded from the consolidated financial statements from the date on which control ceases.

Subsidiaries are accounted for using the acquisition method. This method means that the acquisition of a subsidiary is considered to be a transaction whereby the Group indirectly acquires the subsidiary's assets and assumes its liabilities. The acquisition analysis determines the fair value at the acquisition date of the identifiable assets acquired and liabilities assumed and any non-controlling interests. Transaction costs incurred, except those attributable to the issue of equity or debt instruments, are recognized directly in profit or loss for the year. In business combinations where the consideration transferred exceeds the fair value of the assets acquired and liabilities assumed, which are recognized separately, the difference is recognized as goodwill. When the difference is negative, known as a bargain purchase, it is recognized directly in profit or loss.

#### *Transactions eliminated on consolidation*

Intra-group receivables and payables, income or expenses, and unrealized gains or losses arising from intra-group transactions between group companies are eliminated in their entirety in preparing the consolidated financial statements. Unrealized gains arising from transactions with associates are eliminated to the extent of the Group's ownership interest in the entity. Unrealized losses are eliminated in the same way, but only to the extent that there is a need for impairment.

#### **Segment reporting**

The Group has voluntarily elected to comply with IFRS 8 Operating Segments, which requires an entity to report financial and detailed information for its respective reporting segments:

- Reporting segments are operating segments or aggregations of operating segments that meet certain criteria.
- An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses and for which stand-alone financial information is available and whose operating results are regularly reviewed by the entity's chief operating decision maker.

The chief operating decision maker is the function responsible for allocating resources and assessing the performance of the operating segments in accordance with IFRS 8.7; this function

has been identified for the Group to be the responsibility of the CEO, who is therefore considered to be the chief operating decision maker. In addition, the Group is structured so that a Chief Operating Officer (COO) reports directly to the CEO for both *Direct Sales* and *Partnership Sales* (identified as the Group's two operating segments under IFRS 8.5-10). In addition, there is also the *Group-wide* segment, which includes income and expenses not directly attributable to the operating segments, and captures the Group's total income and expenses.

The Group's operating results are monitored on a monthly basis by the CEOs of the two segments. Both of these segments generate revenues and incur expenses for which stand-alone financial information is available. Group management has concluded that the two operating segments cannot be aggregated.

The assessment is based on the following:

- The *Direct Sales* segment is characterized by a broad customer base where the customer relationship with the end user is owned.
- The *Partnership Sales* segment is characterized by larger contractual transactions where the relationship with the end customer is held by the contractual partner, and where the license is distributed through other channels.

The two operating segments are responsible for their own revenues, operating profit (EBITDA), and operating margin, with net revenues and EBITDA in both segments monitored by the CEO on a monthly basis in the internal reporting. The music catalog content is used by both operating segments and depreciation and amortization of tangible and intangible assets is not allocated to the respective segments, therefore results below EBITDA are not considered to be relevant measures for financial monitoring for the operating segments. Operating segments are not monitored on the basis of assets and liabilities, but goodwill is allocated by segment.

#### **Currency conversion**

##### *Transactions in foreign currency*

Foreign currency transactions are translated into the functional currency at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate prevailing at the balance sheet date.

Exchange differences arising on translation are recognized in profit or loss for the year. Exchange rate gains and losses on operating receivables and operating payables are included in



operating profit, and exchange rate gains and losses on financial assets and liabilities are included in financial items.

#### *Translation of foreign operations*

Assets and liabilities of foreign operations, including goodwill and other consolidated surpluses and deficits, are translated from the functional currency of the foreign operation into the Group's reporting currency, Swedish krona, at the exchange rate prevailing at the balance sheet date. Revenues and expenses of a foreign operation are translated into Swedish krona using a weighted average exchange rate, which approximates the exchange rates prevailing at the dates of the transactions. Translation differences arising on the translation of foreign operations are recognized in other comprehensive income and accumulated in a separate component of equity. On disposal of a foreign operation, the cumulative translation differences attributable to that operation are realized and reclassified from other comprehensive income to profit or loss for the period.

#### **Revenue from contracts with customers**

In order for the Group to recognize revenue from contracts with customers, the customer contracts are analyzed in accordance with the five-step model below:

Step 1: Identify a contract between at least two parties, where there is a right and a commitment.

Step 2: Identify the different performance commitments.

Step 3: Determine the transaction price, i.e., the amount of consideration the company expects to receive in exchange for the promised goods or services. The transaction price should be adjusted for variable elements, for example any discounts.

Step 4: Allocate the transaction price to the different performance commitments.

Step 5: Recognize revenue when performance obligations are met, i.e., when control is transferred to the customer. This is done at one time or over time if any of the criteria specified in the standard are met.

The Group's revenue is primarily derived from the sale of a right to use an intangible asset (use or exploitation of music), i.e., a license.

IFRS 15 distinguishes between two types of licenses. One type of license is a right-to-use license, i.e., a license which grants the right to use the intellectual property as it stands at the time the license is granted. In other words, this is a commitment made at a point in time, where the asset cannot be replaced or updated during the period. This is then a performance commitment that is fulfilled at a given time, when the license is granted.

The second type of license is a "right to access", i.e., a license that grants a right to use the intellectual property during the license period. This is a commitment that is fulfilled continuously over time, where the asset can be replaced and updated on an ongoing basis during the license period. In this way, the performance obligation is fulfilled over time because the licensor performs an activity, and the benefits of it are received by the licensee. The update cannot be purchased separately. The licensor has not fulfilled its commitments by granting the license and has additional obligations in the form of updates during the license period

Epidemic Sound has different types of revenue streams and license types under the operating segments, where it is the accounting that controls whether the revenue is taken at a given point in time or over the license period.

#### **Direct Sales**

##### *Subscriptions*

Subscription revenue refers to a license that gives the user the right-to-access the intangible asset during the license period. This is a commitment that is fulfilled continuously over time and as the music library is updated and controlled by Epidemic Sound.

##### *Single track licenses/One-offs*

Revenues from the sale of a license linked to a specific song that is transferred to the buyer at a given time and can then be used by the buyer in their production (right-to-use license). After transferring the song, Epidemic Sound is not able to carry out any activities that would materially change the song.

##### *Revenue via resellers*

Epidemic Sound has agreements with several retailers who sell both *Subscriptions* and *One-offs*. These revenues follow the same accounting policies as described under the *Direct Sales* segment above for subscription revenues and one-off licenses.

#### **Partnership Sales**

##### *Revenue through digital partnerships*

Revenue received from digital partnerships, such as streaming via Spotify and Amazon, and other digital partnerships refers to remuneration for the music that is made available for an end user to listen to via these partners' digital platforms or where music is made available for an end user to consume on the partner's digital platform. Revenues are considered to be primarily licenses with the right-to-access the intangible asset during the license period.



Some of the partnership agreements have variable payments based on end-user usage or revenue received by our partner from the end-user. These variable payments are recognized when the sale or use occurs and the performance commitment is fulfilled, whichever is later. In some of the contracts defined as right-to-access, a minimum guarantee is included in the contract with our partner. The guaranteed remuneration is recognized on a straight-line basis over the license period and additional revenue is recognized when the variable remuneration exceeds the guaranteed remuneration.

#### *Revenue from other partnerships*

The segment also includes revenues attributable to Digital Rights, among other things, which are revenues generated from the unauthorized use of Epidemic Sound's music on online platforms such as YouTube. This type of revenue is deemed to be a right-to-use license. When it is discovered that one of Epidemic Sound's musical works has been used without an authorized license, Epidemic Sound receives compensation for the unauthorized use. The license therefore does not meet the definition of a right-to-access license and the revenue is taken at the time when unlicensed use of the music is discovered and reported.

#### **Financial income**

Financial income consists of interest income and any income realized on financial fixed assets. Interest income is recognized in accordance with the effective interest method. The effective interest rate is the rate that discounts estimated future cash receipts and payments through the expected life of a financial instrument to the net carrying amount of the financial asset or liability. The calculation includes all fees paid or received by the contracting parties that are part of the effective interest rate, transaction costs, and all other premiums and discounts.

Foreign exchange gains and losses are recorded net in financial items.

Dividends received are recognized when the right to receive the dividend is established.

#### **Employee benefits**

##### *Short-term benefits*

Short-term employee benefits consist of salaries, social security contributions, paid annual leave, paid sick leave, and bonuses. Benefits are expensed in the period in which the employees render the services.

##### *Pensions*

The Group only has defined contribution pension plans. A defined contribution plan is a pension plan according to which

the Group pays fixed contributions to a separate legal entity. The Group has no legal or constructive obligation to pay additional contributions if this legal entity does not have sufficient assets to pay all employee benefits related to the employees' service in the current or prior periods. The Group therefore has no additional risk. The Group's obligations in relation to contributions to defined contribution plans are recognized as an expense in the income statement as they are earned by employees for services rendered to the Group during a period.

#### *Benefits on termination*

An expense for employee termination benefits is recognized only if it can be demonstrated that the company is committed to a formal detailed plan to terminate an employee's employment before the normal retirement date without realistic possibility of withdrawal. When benefits are provided as an offer to encourage voluntary redundancy, an expense is recognized if it is probable that the offer will be accepted and the number of employees who will accept the offer can be reliably estimated.

#### **Financial expenses**

Financial expenses consist mainly of interest expense on debt calculated using the effective interest method. Financial expenses are recognized in the period to which they relate.

Interest expenses on loans are recognized at the effective interest rate.

Foreign exchange gains and losses are recorded net in financial items.

#### **Taxes**

Income taxes consist of current tax and deferred tax. Income taxes are recognized in profit or loss except when the underlying transaction is recognized in other comprehensive income or in equity, in which case the related tax effect is recognized in other comprehensive income or in equity.

Current tax is the tax payable or receivable in relation to the current year, using tax rates enacted or substantively enacted at the balance sheet date. Current tax also includes adjustments to current tax relating to prior periods.

Deferred tax is recognized in full, using the balance sheet method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Temporary differences relating to investments in subsidiaries that are not expected to be recovered in the foreseeable future are not taken into account. The valuation of deferred tax is based on how the underlying assets or liabilities are expected to



be realized or settled. Deferred tax is calculated using tax rates and tax regulations that have been enacted or announced by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets relating to deductible temporary differences and tax loss carry-forwards are recognized only to the extent that it is probable that they will be able to be utilized. The value of deferred tax assets is reduced when it is no longer probable that they can be utilized. The value of deferred tax assets is reduced when it is no longer probable that they can be utilized within the next few years.

### **Intangible fixed assets**

Intangible fixed assets in the Group consist of capitalized development expenditure for product development, music purchases for the music catalog, brand, customer contracts and relationships, technical platform, and goodwill and are valued at cost less amortization and any impairment losses.

Intangible assets are recognized only when it is probable that the future economic benefits that can be attributed to the asset will flow to the entity and the cost can be measured reliably.

#### *Capitalized expenditure on product development*

Intangible assets with a finite useful life are stated at cost less amortization and any impairment losses. Intangible assets are amortized systematically over the estimated useful lives of the assets. The useful life is reviewed at each balance sheet date and adjusted as necessary. In determining the depreciable amount of assets, the residual value of the asset is taken into account where appropriate.

Development expenditure is capitalized when it meets the criteria of IAS 38 and is expected to be material to the development project as a whole. Otherwise, development costs are expensed as normal operating expenses. The main criteria for capitalization are that the final product of the development work has a demonstrable future revenue or cost saving and cash flow, and that the technical and financial conditions exist to complete the development work when it is started.

#### *Amortization principles*

Amortization can begin when the asset is available for use, i.e., when it is in the location and condition required for it to be used in the manner intended by management.

Amortization is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such useful lives are indefinite. Capitalized work for own account that is not yet ready for use is tested for impairment

annually and also whenever there is an indication that the asset may be impaired.

The estimated useful lives are:

- Capitalized expenditure on music purchases	10 years
- Capitalized expenditure on product development	5 years
- Customer contracts and customer relations	10 years
- Technical platform	10 years

The depreciation methods used, residual values, and useful lives are reassessed at each year-end.

### **Tangible fixed assets**

Tangible fixed assets are physical assets used in the company's operations with an expected useful life exceeding three years and are stated at Group level at cost less accumulated depreciation and any impairment losses. The cost includes the purchase price and expenditure directly attributable to bringing the asset to its location and condition for use in accordance with the purpose for which it was acquired.

The carrying amount of an asset is derecognized on retirement or disposal or when no future economic benefits are expected from its use. The gain or loss arising on the retirement or disposal of an asset is the difference between the selling price and the carrying amount of the asset less direct selling costs. Profit or loss is recognized as other operating income/expense.

#### *Additional expenditure*

Additional expenditure is added to the cost of the asset only if it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other additional expenditure is recognized as an expense in the period in which it is incurred. Repairs are charged on an ongoing basis.

#### *Amortization principles*

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. The estimated useful lives are:

- Equipment, tools, fixtures and fittings	3-5 years
- Improvement expenditure on another party's property	10 years

The depreciation methods used, residual values, and useful lives are reassessed at each year-end.

Improvement costs on another party's property refer to installation costs and other costs for improvements on leased



office space. The depreciation period is considered to be the same as the useful life of the leased asset.

### **Impairment of non-financial assets**

Assets with an indefinite useful life, such as goodwill or trademarks, are not depreciated but are tested annually for impairment. Assets that are depreciated are assessed in relation to a reduction in value whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized 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 selling costs and its value in use. When assessing impairment, assets are grouped at the lowest levels where there are separate identifiable cash flows (cash-generating units). When impairment is identified for a cash-generating unit (group of units), the amount of the impairment loss is allocated primarily to goodwill. A proportional depreciation is then applied to the other assets included in the unit (group of units).

Previously recognized impairment losses are reversed if the recoverable amount is deemed to exceed the carrying amount. However, reversals are not made in an amount greater than what the carrying amount would have been had no impairment loss been recognized in previous periods. However, goodwill impairment is never reversed.

### **Financial assets and liabilities**

Financial instruments are any form of contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity.

#### *Accounting and removal*

A financial asset or financial liability is recognized in the balance sheet when the company becomes a party to the contractual terms of the instrument. Financial instruments recognized in the statement of financial position include, on the asset side, cash and cash equivalents, trade receivables, and short-term investments. Trade receivables are included in the balance sheet when the invoice has been sent and the company's right to reimbursement is unconditional. The liabilities side includes trade payables, amounts due to credit institutions, accrued expenses, and deferred income and other liabilities. A debt is incurred when the other party has provided performance and there is a contractual obligation to pay, even if an invoice has not yet been received. Trade payables are recognized when the invoice is received.

A financial asset is derecognized when the rights under the contract are realized, expire, or the Group loses control of them.

The same applies to part of a financial asset. A financial liability is derecognized when the obligation under the contract is discharged or otherwise extinguished. The same applies to part of a financial liability.

A financial asset or financial liability is offset and recognized in the balance sheet at a net amount only when there is a legal right to set off the amounts and an intention to settle the items at a net amount or to realize the asset and settle the liability simultaneously.

Gains and losses from derecognition and modification are recognized in profit or loss to the extent that hedge accounting is not applied.

#### *Classification and valuation of financial assets*

A financial instrument is classified at initial recognition based on the purpose for which it was acquired, among other things. The classification determines how the financial instrument is measured after initial recognition.

Debt instruments: the classification of financial assets that are debt instruments, including embedded derivatives, is based on the Group's business model for managing the asset and the nature of the asset's contractual cash flows. The instruments are classified into:

- amortized cost
- fair value through other comprehensive income, or
- fair value through profit or loss.

Financial assets classified at amortized cost are initially measured at fair value plus transaction costs. Subsequent to initial recognition, assets are measured at amortized cost less a provision for expected credit losses. Assets classified at amortized cost are held according to the business model to collect contractual cash flows which are payments of principal and interest only on the principal amount outstanding. Trade receivables and cash and cash equivalents are classified at amortized cost, i.e., net of gross value and loss reserve.

Financial assets classified at fair value through other comprehensive income consist of short-term investments held under a business model under which the objectives can be achieved both by collecting contractual cash flows and selling financial assets. The contractual terms of the financial asset give rise at specified times to cash flows that are payments of principal and interest only on the principal amount outstanding.

#### *Impairment of financial assets*

The Group's impairment model under IFRS 9 is based on expected credit losses and takes into account forward-looking



information. A provision for losses is made when there is an exposure to credit risk, usually at the initial recognition of an asset or receivable. A loss reserve is recognized, under the simplified model, for the expected remaining life of the receivable and asset, which is expected to be less than one year for all receivables. The simplified model is applied to trade receivables and contract assets and is based on historical customer losses combined with forward-looking factors.

For other items subject to expected credit losses, a three-stage impairment model is applied. Initially, and at each balance sheet date, a loss reserve is recognized for the next twelve months, or for a shorter period depending on the remaining maturity (stage 1). If there has been a significant increase in credit risk since initial recognition, a loss reserve is recognized for the remaining life of the asset (stage 2). For assets deemed to be credit impaired, provisions continue to be made for expected credit losses for the remaining maturity (stage 3). For impaired assets and receivables, the calculation of interest income is based on the carrying amount of the asset, net of provision for losses, as opposed to the gross amount as in previous stages.

The Group's assets have been assessed to be in stage 1, i.e., there has been no material increase in credit risk.

Other receivables and assets are impaired using a rating-based method. Expected credit losses are measured as the product of the probability of default, the loss given default, and the exposure at default. Both external credit rating and internally developed rating methodology are used. For impaired assets and receivables, an individual assessment is made taking into account historical, current, and prospective information. The valuation of expected credit losses takes into account any collateral and other credit enhancements in the form of guarantees.

If the impairment loss decreases in a subsequent period and the decrease can be objectively related to an event occurring after the impairment loss was recognized, the reversal of the previously recognized impairment loss is recognized in the consolidated income statement.

#### *Classification and measurement of financial liabilities*

Financial liabilities are classified at amortized cost with the exception of derivatives. Financial liabilities carried at amortized cost are initially measured at fair value including transaction costs. After initial recognition, they are measured using the effective interest method.

All the Group's financial liabilities are classified at amortized cost.

#### *Contract assets and contract liabilities*

If the Group has complied with its commitment and transferred promised services to a customer before the customer pays the consideration or before payment is due, the Group classifies the consideration as a contract asset to the extent that it has not yet been invoiced. If the consideration has been invoiced, the Group recognizes a receivable instead (see separate paragraph on accounting policies for financial assets).

If the customer pays the consideration before the Group has transferred the promised goods/services, the Group recognizes a contract liability when the payment is made or when the payment is due (whichever is earlier).

#### *Trade receivables*

Receivables from contracts with customers are recognized as trade receivables. Payment terms for the company's contract customers are by default 20 days, but other payment terms also arise.

#### *Cash and cash equivalents*

Cash and cash equivalents consist of cash on hand and balances with banks and similar institutions and short-term liquid investments with a maturity of less than three months from the date of acquisition. Cash and cash equivalents are subject to the loss reserve requirements for expected credit losses.

#### *Provisions*

Provisions are recognized when the company has, or can be deemed to have, an obligation as a result of a past event and it is probable that payments will be required to settle the obligation. It is a prerequisite that it is possible to make a reliable estimate of the amount to be paid.

#### **Group as lessee**

The Group accounts for leases in accordance with IFRS 16 Leases. Following the adoption of IFRS 16, the parent company continues to apply the exemption in RFR 2 for legal entities and recognizes all leases as an expense in the income statement.

#### *Right-of-use assets*

The Group recognizes right-of-use assets in the statement of financial position at the commencement date of the lease (i.e., the date on which the underlying asset becomes available for use). Right-of-use assets are valued at cost less accumulated depreciation and any impairment losses and are adjusted for revaluations of the lease liability. The cost of a right-of-use asset includes the initial value recognized for the attributable lease liability, initial direct expenses, and any advance payments made on or before the lease commencement date, net of any incentives received. Provided that the Group is not reasonably



certain that ownership of the underlying asset will pass at the end of the lease term, the right-of-use asset is depreciated on a straight-line basis over the lease term.

#### *Leasing liabilities*

At the commencement date of a lease, the Group recognizes a lease liability equal to the present value of the lease payments to be made during the lease term. The lease term is determined as the non-cancellable period together with periods to extend or terminate the lease if the Group is reasonably certain of exercising those options. Lease payments include fixed payments (net of any benefits to be received related to signing the lease), variable lease payments that depend on an index or a price (e.g., a reference interest rate), and amounts expected to be paid under residual value guarantees. Lease payments also include the exercise price of an option to purchase the underlying asset or penalties payable on termination under a termination option, if such options are reasonably certain to be exercised by the Group. Variable lease payments that do not depend on an index or a price are recognized as an expense in the period to which they relate.

To calculate the present value of the lease payments, the Group uses the implicit interest rate of the lease if it can be easily determined and otherwise uses the Group's marginal borrowing rate at the commencement date of the lease. After the commencement date of a lease, the lease liability increases to reflect the interest on the lease liability and decreases with lease payments made. In addition, the value of the lease liability is revalued as a result of changes in the lease agreement, changes in the lease term, changes in lease payments, or changes in an assessment to purchase the underlying asset.

#### *Application of practical exceptions*

The Group applies the practical exceptions for short-term leases and leases where the underlying asset is of low value. Short-term leases are defined as leases with an initial lease term of no more than 12 months after taking into account any options to extend the lease. Lease payments for short-term leases and leases where the underlying asset is of low value are expensed on a straight-line basis over the lease term.

#### **Accounting policies of the parent company**

The parent company has prepared its annual accounts in accordance with the Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2 "Accounting for Legal Entities".

The differences between the accounting policies of the Group and the parent company are set out below. The accounting policies of the parent company set out below have been applied

consistently to all periods presented in the parent company financial statements unless otherwise stated.

#### *Subsidiaries*

Investments in subsidiaries are accounted for in the parent company in accordance with the cost method. This means that they are stated at cost less any impairment losses. Transaction costs are included in the carrying amount of investments in subsidiaries.

#### *Group contributions and shareholder contributions*

The parent company recognizes both Group contributions received and made as disposals under the alternative treatment rule. Shareholder contributions made by the parent company are charged directly to the equity of the recipient and accounted for as shares in the parent company. Shareholder contributions received are recognized as an increase in unrestricted equity.

#### *Financial assets and liabilities*

Due to the link between accounting and taxation, the parent company does not recognize the assets at fair value but applies the cost method in accordance with the Swedish Annual Accounts Act. In the parent company, financial assets are therefore valued at cost less any impairment and current financial assets at the lower of cost or market.

#### *Leasing*

The parent company applies the exemption provided by RFR 2 for legal entities and recognizes all leases as an expense in the income statement.

#### **Note 2 - Significant estimates and judgments**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual outcomes may differ from these estimates.

Estimates and assumptions are evaluated on an ongoing basis. Changes in estimates are recognized in the period in which the change is made if the change affects only that period, or in the period in which the change is made and future periods if the change affects both the current period and future periods.

The areas in which estimates and judgments are significant to the company and which could affect the income statement and balance sheet if changed are described below.



### Key assessments

The Group's goodwill and trademarks are tested for impairment annually, or more frequently if necessary. The value of the estimated future cash flow is decisive in this assessment. For more information on the management approach, see note 10 Intangible fixed assets.

Deferred tax assets are calculated and recognized on the tax loss carry-forward when management has assessed that it is

highly probable that the company will generate future income against which the losses can be utilized.

For the Group's right-of-use assets, an assessment is made of the duration of contracts where the contracts include renewal and termination options. The Group considers both business strategy and contract-specific conditions to determine whether the Group is reasonably certain to exploit them.



### Note 3 - Operating segments and revenues

The Group's total revenues and results are allocated to the following segments.

2021

SEK thousands	Direct Sales	Partnership Sales	Group-wide	Total
Total revenue	493 990	197 491	2 721	694 203
<b>Operating profit before depreciation and amortization (EBITDA)</b>	<b>66 357</b>	<b>73 676</b>	<b>-194 851</b>	<b>-54 819</b>
<b>EBITDA margin</b>	<b>13,4%</b>	<b>37,3%</b>	<b>-</b>	<b>-7,9%</b>
Depreciation and amortization			-351 195	-351 195
<b>Operating result</b>	<b>66 357</b>	<b>73 676</b>	<b>-546 046</b>	<b>-406 014</b>
Financial income and expenses			-7 501	-7 501
<b>Profit before tax</b>	<b>66 357</b>	<b>73 676</b>	<b>-553 547</b>	<b>-413 515</b>

The Group's operating segments are identified on the basis of internal reporting to the company's chief operating decision maker. The Group has identified two sales-driven operating segments: Direct Sales and Partnership Sales. No sales are made between the two segments.

The Group does not monitor assets and liabilities at segment level, but goodwill is allocated by segment. The same accounting policies are applied within the segments as for the company.

#### Revenue from contracts with customers

The Group's net sales are allocated to the following geographical markets, based on the location of the contract customer.

#### Sales by geographic market, net sales

2021	Direct Sales	Partnership Sales	Total
USA	216 613	115 451	332 064
Sweden	27 553	27 428	54 981
United Kingdom	38 611	7 405	46 016
Germany	30 412	2 283	32 695
Netherlands	11 151	11 547	22 698
Australia	13 781	8 156	21 937
Canada	20 098	356	20 453
Japan	10 850	2 130	12 980
Russia	5 697	3 715	9 412
Finland	7 017	2 189	9 206
Other markets <sup>1</sup>	112 209	16 830	129 038
<b>Total for group</b>	<b>493 990</b>	<b>197 491</b>	<b>691 481</b>

<sup>1</sup> Other markets include countries with net sales of less than SEK 9 million.



The Group's net turnover is allocated to the following revenue recognition dates:

	<b>Group</b>	
	<b>2021</b>	
<b>Timing of revenue recognition</b>	<b>Direct sales</b>	<b>Partnership sales</b>
Performance commitments met over time	473 031	133 653
Performance commitments to be met at a specific time	20 960	63 837
<b>Total</b>	<b>493 990</b>	<b>197 491</b>

Of the Group's customers, one accounts for 10% of net sales. This is included in the Partnership Sales segment and amounts to SEK 70,071 thousand.

All revenue from contracts with customers relates to external customers.

<b>Contractual balances</b>	<b>Group</b>
	<b>2021-12-31</b>
Trade receivables	26 493
Contractual assets	32 075
Contractual liabilities	79 931
<b>Total</b>	<b>138 499</b>

The majority of the contract balances are in the Swedish business Epidemic Sound AB.

The Group's trade receivables are generally due for payment within 20-30 days, but 60 and 90 days also occur. Contract assets, i.e., the Group's accrued income, arise primarily when the Group is entitled to revenue based on services rendered. These assets are subsequently reclassified as trade receivables when the invoice is issued. Trade payables refer to the Group's deferred income, i.e., receivables paid by customers in advance for services and goods not yet delivered to the customer.

#### *Performance commitments*

The Group's sales of licenses are made against invoice, normally with payment terms of 20-30 days. For further information on the Group's performance obligations, see Note 1 Accounting Policies.

The table below summarizes the total amount of the transaction price allocated to the performance commitments that are unfulfilled (or partially unfulfilled) at the balance sheet date.

<b>Performance commitments not yet met</b>	<b>Group</b>
	<b>2021-12-31</b>
Within a year	79 764
After more than a year	168
<b>Total</b>	<b>79 931</b>

The performance obligations that are expected to be fulfilled later than one year from the balance sheet date relate primarily to subscriptions to customers in the *Direct Sales* segment.



#### Note 4 - Other operating income

	Group	Parent company
Other operating income	2021-12-31	2021-12-31
Rental income	1 787	-
Other operating income	588	-
Re-invoiced costs	-	720
<b>Total</b>	<b>2 375</b>	<b>720</b>

#### Note 5 - Auditor's fees

	Group	Parent company
Ernst &Young AB	2021-12-31	2021-12-31
Audit assignment	1 450	750
Other auditing activities	820	-
Tax advice	-	-
Other services	170	-
<b>Total</b>	<b>2 440</b>	<b>750</b>

An audit engagement is defined as a statutory audit of the annual accounts and financial statements and the management of the Board of directors and the CEO, as well as an audit carried out in accordance with an agreement or contract. This includes other work that is the responsibility of the company's auditor, as well as advice or other assistance resulting from observations made during such an audit or the performance of such other work.

Other services include accounting advice and advice on processes and internal control.

#### Note 6 - Leasing

Contract balances	Right-of-use assets Real estate	Leasing liabilities
<b>Ingående eget kapital 2020-12-01</b>	-	-
Acquisition through business combinations	186 187	-190 492
Additional agreements	2 537	-
Depreciation and amortization	-22 536	-
Contracts concluded	-	-
Re-evaluation of contracts	-	-
Interest costs	-	-
Adjustment of previous contracts	-	20 488
Leasing fees	-	-2 537
<b>Utgående balans 2021-12-31</b>	<b>166 188</b>	<b>-172 541</b>

The amounts recognized in the consolidated income statement during the year relating to leasing activities are presented below:



	2020-12-01
	2021-12-31
Depreciation of right-of-use assets	-22 536
Interest expenses on leasing liabilities	-5 900
Short-term leasing	-921
<b>Total</b>	<b>-29 357</b>

The Group recognizes a cash outflow related to leases amounting to SEK 26,451 thousand for the financial year 2021.

In accordance with the standard, the Group excludes leases with a lease term of less than 12 months (short-term leases) and leases of low-value assets of less than approximately SEK 50,000.

During the full year of 2021, the Group expensed lease payments related to short-term leases amounting to SEK 921 thousand that do not fall under IFRS 16 Leases.

#### Note 7 - Employees and personnel costs

	2021	
Average number of employees	Average number of employees	Of which women, percentage %
Subsidiaries in Germany	5	60%
Subsidiaries in Sweden	363	47%
Subsidiaries in the USA	46	59%
Subsidiaries in South Korea	3	67%
<b>Total subsidiaries</b>	<b>416</b>	<b>49%</b>
<b>Parent company</b>	<b>2</b>	<b>50%</b>
<b>Total group</b>	<b>418</b>	<b>49%</b>

	2021-12-31	
Gender distribution, Board of directors and senior executives	Number at balance sheet date	Of which women, percentage %
Board members	11	27%
Chief Executive Officer and other senior executives	4	50%
<b>Total group</b>	<b>15</b>	<b>33%</b>



	2020-12-01
Personnel costs	2021-12-31
<b>Parent company</b>	
Board of directors and other senior executives	
Salaries and other benefits	485
Social security contributions	173
Pension costs	81
<b>Total</b>	<b>739</b>
Other personnel costs	17
<b>Total personnel costs, parent company</b>	<b>756</b>
<b>Subsidiaries</b>	
<i>Board of directors and other senior executives</i>	
Salaries and other benefits	5 328
Social security contributions	1 653
Pension costs	1 123
<b>Total</b>	<b>8 104</b>
<i>Other employees</i>	
Salaries and other benefits	230 972
Social security contributions	67 372
Pension costs	17 838
<b>Total</b>	<b>316 182</b>
Other personnel costs	14 901
<b>Total personnel costs subsidiaries</b>	<b>339 187</b>
<b>Total personnel costs group</b>	<b>339 944</b>



2021	Base salary, Board member fees	Pension cost	Variable remuneration	Benefits	Share-based payments	Total
<b>Chairman of the Board</b>						
Andrew Fisher		-	-	-	-	-
<b>Board member</b>						
Johan Svenström	-	-	-	-	-	-
Victor Englesson	-	-	-	-	-	-
Jan Zachrisson	1 133	177	-	-	-	1 309
Staffan Helgesson	-	-	-	-	-	-
Johan Bergqvist	-	-	-	-	-	-
Hjalmar Winbladh	-	-	-	-	-	-
Kirsten Wolberg	-	-	-	-	-	-
Adrienne Gormley	-	-	-	-	-	-
Vincent Letteri	-	-	-	-	-	-
Vania Schlogel	363	-	-	-	-	363
<b>Chief Executive Officer</b>						
Oscar Höglund	1 881	404	-	-	-	2 285
Other senior executives (4)	4 612	952	-	-	-	5 563
<b>Total</b>	<b>7 989</b>	<b>1 532</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9 521</b>

#### Remuneration and terms for senior executives

Remuneration to the CEO and other senior executives consists of base salary, variable remuneration, and pension benefits. Other senior executives are those persons who, together with the CEO, constitute the Group management. Variable remuneration refers to performance-based remuneration such as bonuses. No variable remuneration has been paid to the Board of directors and senior executives.

Staff pension costs are defined contribution.

The CEO has a notice period of twelve months if the termination is initiated by the Group. If the CEO chooses to terminate their employment, the notice period is six months. The pension benefit for the CEO is 4.5 % of pensionable salary up to 7.5 income base amount and 30% of salary between 7.5 and 30 income base amount.

For other senior executives, there is mutual notice period of up to six months and a pension benefit of 4.5% of salary up to 7.5 income base amounts and 30% of salary between 7.5 and 30 income base amounts.

#### Severance pay

If the Group dismisses the CEO, a severance payment of twelve months' salary is paid to the employee in a lump sum. In addition, the Group has not entered into any agreement with any member of the Group's administrative, management, or supervisory bodies that entitles such member to a pension or similar benefit upon termination of service.



## Note 8 - Result from financial items

	2020-12-01
Group	2021-12-31
<b>Financial income</b>	
Foreign exchange gains	263
Interest income	411
<b>Total</b>	<b>674</b>
<b>Financial expenses</b>	
Interest costs	
- Borrowing	-459
- Other interest expenses	-588
Exchange rate losses	-1 268
Interest cost leasing liability	-5 859
<b>Total</b>	<b>-8 175</b>
<b>Result from financial items</b>	<b>-7 501</b>

  

	2020-12-01
Parent company	2021-12-31
<b>Financial income</b>	
Foreign exchange gains	263
Interest income	324
<b>Total</b>	<b>587</b>
<b>Financial expenses</b>	
Interest costs	
- Other interest expenses	-1
Currency exchange fees	-5 611
<b>Total</b>	<b>-5 612</b>
<b>Result from financial items</b>	<b>-5 025</b>

## Note 9 - Taxes

### Tax recorded

	2020-12-01
Tax cost	2021-12-31
<b>Deferred tax</b>	
Change in deferred tax relating to temporary differences	-62 694
Change in deferred tax on tax loss carryforwards	1 901
<b>Total deferred tax</b>	<b>-60 793</b>
<b>Current tax</b>	
Current tax	324
<b>Total current tax</b>	<b>324</b>
<b>Tax recognized in the income statement</b>	<b>-60 469</b>



	2020-12-01
Reconciliation of effective tax rate	2021-12-31
<b>Profit before tax</b>	-413 515
Tax at the group's current rate	84 784
Tax effect of:	
Non-deductible expenses	-9 608
Tax effect on tax asset/tax liability due to change in tax rate	
Increase/decrease in tax loss carryforwards without corresponding capitalization of deferred tax	-16 716
Other	96
<b>Recognized tax on deficit</b>	<b>60 469</b>
Effective tax rate	15%

The Group has no tax items recognized in other comprehensive income or directly in equity.

Total tax loss carry-forward for Epidemic Sound AB as of December 31, 2021, amounted to SEK 230,041 thousand, of which deferred tax asset is recognized on SEK 222,312 thousand. Deferred tax assets are recognized on these in the Group's and Epidemic Sound AB's balance sheet. The tax loss carry-forward has no time limit. No additional deferred tax asset has been recognized in the Group for losses relating to the financial year 2021.

#### Note 10 - Intangible fixed assets

	Capitalized work for own account	Goodwill	Trademark	Customer contracts and customer relations	Technical platform	Musical works	Total
<b>2020-12-01</b>							
<b>Cost</b>							
Initial cost	-	-	-	-	-	-	-
Increase through business combinations	29 529	6 513 808	1 435 000	326 000	704 471	2 973 650	11 982 458
Acquisitions in the year	29 129	-	-	-	-	47 629	76 758
Product development	-	-	-	-	-	-1 415	-1 415
Impairment	-	-	-	-	-	-1 546	-1 546
<b>Realized cost</b>	<b>58 658</b>	<b>6 513 808</b>	<b>1 435 000</b>	<b>326 000</b>	<b>704 471</b>	<b>3 018 318</b>	<b>12 056 255</b>
<b>Depreciation and amortization</b>							
Incoming depreciation	-	-	-	-	-	-	-
Depreciation for the year	-5 273	-	-	-24 450	-52 835	-239 686	-322 244
<b>Outstanding depreciation</b>	<b>-5 273</b>	<b>-</b>	<b>-</b>	<b>-24 450</b>	<b>-52 835</b>	<b>-239 686</b>	<b>-322 244</b>
<b>Carrying amount 2021-12-31</b>	<b>53 386</b>	<b>6 513 808</b>	<b>1 435 000</b>	<b>301 550</b>	<b>651 636</b>	<b>2 778 632</b>	<b>11 734 011</b>

#### Impairment testing

The Group's intangible assets consist of capitalized expenditure on product development, musical works (music catalog), brand, customer contracts and relationships, technical platform, and goodwill. The Group's goodwill and trademarks are tested annually or more frequently for impairment in accordance with IAS 36. The impairment test consists of assessing whether the recoverable amount of the asset is higher than its carrying amount. The recoverable amount has been calculated on the basis of the value in use of the asset, which represents the present value of the asset's expected future cash flows without taking into account any future business expansion and restructuring.



Goodwill is tested on the respective operating segments: Direct Sales and Partnership Sales. In the discounted cash flow analyses for each segment, a WACC of 12.2% is used in the calculation. The forecast period extends to 2026, after which a growth rate of 2% per annum has been assumed. The discount rates used are pre-tax and reflect the pre-tax weighted average cost of capital (pre-tax WACC).

The discounted cash flow model involves forecasting future cash flows from operations, including estimates of revenue volumes and cost of sales. The key assumptions driving expected cash flows are sales capacity, i.e., sales and marketing resources and the ability to renew customer contracts.

The calculations and the prepared sensitivity analysis do not indicate an impairment need and they do not indicate that any reasonably possible changes in key assumptions would lead to an impairment need.

#### Sensitivity analysis of goodwill

The recoverable amount exceeds the carrying amount of goodwill by a good margin. This also applies to the assumptions individually if:

- the pre-tax discount rate had been 1 percentage point higher,
- the estimated growth rate for extrapolating cash flows beyond the five-year period had been 0%.

Significant assumptions used in the value-in-use calculations:

Pre-tax discount rate <sup>1)</sup> , %	12.2
Long-term growth rate <sup>2)</sup> , %	2.0

<sup>1)</sup>The pre-tax discount rate used in NPV calculation of estimated future cash flows.

<sup>2)</sup>Growth rate used to extrapolate cash flows beyond the budget period.

## Note 11 - Tangible fixed assets

### Equipment, tools, fixtures and fittings

	2021-12-31
Initial cost	-
Increase through business combinations	16 372
Acquisitions in the year	3 102
sales and disposals	-314
Exchange rate differences	310
<b>Remaining cumulative cost</b>	<b>19 470</b>
Incoming depreciation	-
Depreciation for the year	-4 827
Exchange rate differences	-135
<b>Outstanding accumulated depreciation</b>	<b>-4 961</b>
<b>Carrying amount</b>	<b>14 508</b>



## Note 12 - Improvement expenditure on another party's property

	2021-12-31
Initial cost	-
Increase through business combinations	412
Acquisitions in the year	330
<b>Remaining cumulative cost</b>	<b>743</b>
Incoming depreciation	-
Depreciation for the year	-54
<b>Outstanding accumulated depreciation</b>	<b>-54</b>
<b>Carrying amount</b>	<b>689</b>

## Note 13 - Financial instruments

For disclosure purposes, a fair value for interest-bearing liabilities is calculated by discounting future cash flows of principal and interest discounted at current market rates. For trade receivables, accrued income, and cash and cash equivalents, the carrying amount is a good approximation of fair value. The same applies to other financial liabilities.

Group 2021-12-31	Financial assets at amortized cost	Financial assets at fair value through profit or loss comprehensive income	Financial liabilities at amortized cost	Carrying value
<b>Financial assets</b>				
Trade receivables	26 493	-	-	26 493
Cash and cash equivalents	811 380	-	-	811 380
Other receivables	32 206	-	-	32 206
Rent deposit	22 178	-	-	22 178
Short-term investments	-	121 496	-	121 496
<b>Total financial assets</b>	<b>892 258</b>	<b>121 496</b>	<b>-</b>	<b>1 013 754</b>
<b>Financial liabilities</b>				
Amounts owed to credit institutions	-	-	-	-
Trade payables	-	-	65 815	65 815
Other liabilities	-	-	60 473	60 473
Accrued charges and deferred income	-	-	161 171	161 171
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>287 459</b>	<b>287 459</b>



Parent company 2021-12-31	Financial assets at amortized cost	Financial assets at fair value through profit or loss comprehensive income	Financial liabilities at amortized cost	Carrying value
<b>Financial assets</b>				
Cash and cash equivalents	337 790	-	-	337 790
Other receivables	625	-	-	625
Short-term investments	-	65 207	-	65 207
<b>Total financial assets</b>	<b>338 415</b>	<b>65 207</b>	<b>-</b>	<b>403 621</b>
<b>Financial liabilities</b>				
Trade payables	-	-	11	11
Liabilities to group companies	-	-	97 900	97 900
Other liabilities	-	-	4 951	4 951
Accrued charges and deferred income	-	-	5 544	5 544
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>108 406</b>	<b>108 406</b>

#### Calculation of fair value

The table below shows financial instruments measured and recognized at fair value, based on the classification in the fair value hierarchy. The different levels are defined:

##### Level 1 Financial instruments

Quoted prices (unadjusted) in active market for identifiable assets or liabilities

##### Level 2 Financial instruments

Observable data for the asset or liability other than quoted prices included in Level 1, either directly (i.e., as price quotations) or indirectly (i.e., derived from price quotations).

##### Level 3 Financial instruments

Where one or more significant inputs are not based on observable market information, the instrument concerned is classified in Level 3.

The following table shows the Group's financial assets and liabilities measured at fair value on December 31, 2021.

Group	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
<i>Financial assets at fair value through other comprehensive income</i>				
Short-term investments	121 496	-	-	121 496
<b>Total financial assets</b>	<b>121 496</b>	<b>-</b>	<b>-</b>	<b>121 496</b>



#### Note 14 - Prepaid expenses and accrued income

Group	2021-12-31
Contractual assets	32 075
Other deferred costs	12 792
<b>Carrying value</b>	<b>44 867</b>

#### Note 15 - Cash and cash equivalents

Group	2021-12-31
Bank deposits	811 380
<b>Carrying value</b>	<b>811 380</b>

Parent company	2021-12-31
Bank deposits	337 790
<b>Carrying value</b>	<b>337 790</b>

#### Note 16 - Deferred tax

	Amount at the beginning of the year	Increase through business combinations	Recognized in the income statement	Translation differences	Amounts at year-end
<b>Group 2021</b>					
<b>Deferred tax liabilities</b>	-		-	-	-
Temporary difference attributable to excess values in customer contracts and relationships	-	67 156	-5 037	-	62 119
Temporary difference attributable to excess brand value	-	295 610	-	-	295 610
Temporary difference attributable to excess values in technical platform	-	145 121	-10 884	-	134 237
music catalog	-	589 051	-46 773	-	542 278
<b>Total deferred tax liabilities</b>	-	<b>1 096 938</b>	<b>-62 694</b>	-	<b>1 034 244</b>
<b>Deferred tax assets</b>					
Reserve for unsecured receivables					
Financial leasing	-	887	420	2	1 309
Unused tax losses	-	48 117	-2 321	-	45 796
<b>Total deferred tax assets</b>	-	<b>49 004</b>	<b>-1 901</b>	<b>2</b>	<b>47 105</b>
<b>Total</b>	-	<b>1 047 935</b>	<b>-60 793</b>	<b>-2</b>	<b>987 139</b>

Temporary differences exist where the carrying amounts of assets or liabilities are different from their tax bases.

Temporary differences relating to the above items have resulted in deferred tax liabilities and deferred tax assets.

Deferred tax assets relating to tax loss carry-forwards are recognized to the extent that it is probable that they can be utilized against taxable income. Total tax loss carry-forward for Epidemic Sound AB for 2020 amounted to SEK 247,312 thousand. Deferred tax assets are recognized on these in the Group's and Epidemic Sound AB's balance sheet. The tax loss carry-forward has no time limit. No additional deferred tax asset has been recognized in the Group or Epidemic Sound AB for losses relating to financial year 2021.



## Note 17 - Other financial fixed assets

Group	2021-12-31
Rent deposit	22 178
Other deposit	317
<b>Carrying amount</b>	<b>22 494</b>

## Note 18 - Investments in group companies

Parent company	2021-12-31
Initial cost	-
Acquisition of subsidiaries	10 622 753 338
Shareholder contributions	690 000 000
<b>Carrying amount</b>	<b>11 312 753 338</b>

### The Parent Company holds shares in the following subsidiaries:

Subsidiaries	Organization number	Registered office	Capital share %	Number of shares	Carrying value
					2021-12-31
Epidemic Sound Holding AB	559134-9492	Stockholm	100	1 640 916 318	11 309 658 336
Epidemic Sound MepCo AB	559156-8398	Stockholm	100	501 420 881	2 645 002
Epidemic Sound MepCo 2 AB	559240-7448	Stockholm	100	500 070 339	450 000
<b>Carrying amount</b>					<b>11 312 753 338</b>

Subsidiaries	Organization number	Equity capital	Profit/loss
Epidemic Sound Holding AB	559134-9492	2 536 520	-160
Epidemic Sound MepCo AB	559156-8398	2 892	25
Epidemic Sound MepCo 2 AB	559240-7448	674	-1

Indirect subsidiaries	Company registration number	Registered office	Number of shares	Capital share %
Epidemic Sound Management AB	559132-9700	Stockholm	1 609 999 995	100
Epidemic Sound AB	556781-0899	Stockholm	1 711 786	100
Epidemic Sound GmbH	HRB133056	Hamburg	-	100
Epidemic Sound US Inc.	32-0480315	New York	-	100
Epidemic Sound AU	63630393006	Sydney	10	100
Epidemic Sound Korea	110114-0250148	Seoul	2 000	100
SOFO Royale AB	556990-2322	Stockholm	500	100

## Note 19 – Share capital

### Share capital

On December 31, 2021, the registered share capital comprised 8,322,333,337 Series B ordinary shares, 378,733,349 Series H-1 ordinary shares, and 3,461,416,663 Series A preference shares, all share types with a par value of SEK 0.00005. In the event of a dividend or other transfer of value, the preference shares have priority in an amount equal to the highest of a) the sum of what the holders of the preference shares have contributed to the company in the form of subscription liquidity, less profit distributions made to the preference shares and b) an amount equal to what the holder of the preference shares would be entitled to if the share in question was converted into a Class B ordinary share immediately before the dividend was paid. Thereafter, Class B ordinary shares will have equal dividend rights until the Class B shares have received an amount equal to a specific threshold (i.e., an amount of SEK



1.10 in 2021). Thereafter, the remaining amount will be allocated among all Class B and Class H-1 common shares, pro rata to the number of shares owned within those classes. Series A and Series B shares have ten votes and Series H-1 shares have one vote per share.

	Transaction	Number of shares	Share capital	Number of ordinary shares	Number of preference shares	Number of ordinary H-1 shares	Quotient value
<b>Opening balance 2020-12-01</b>		-	-	-	-	-	-
December 2020	Company registration	500 000 000	25 000	500 000 000	-	-	0,00005
March 2021	New share issue	2 202 013 888	110 101	595 138 888	1 606 875 000	-	0,00005
March 2021	Issue in kind	2 183 848 291	109 192	2 183 848 291	-	-	0,00005
March 2021	Issue in kind	1 794 881 119	89 744	1 794 881 119	-	-	0,00005
March 2021	Issue in kind	304 110 215	15 206	-	-	304 110 215	0,00005
March 2021	Issue in kind	3 345 363 184	167 268	3 345 363 184	-	-	0,00005
March 2021	New share issue	1 757 643 518	87 882	436 435 185	1 321 208 333	-	0,00005
June 2021	New share issue	74 626 865	3 731	-	-	74 623 134	0,00005
<b>Utgående balans 2021-12-31</b>		<b>12 162 487 080</b>	<b>608 124</b>	<b>8 855 666 667</b>	<b>2 928 083 333</b>	<b>378 733 349</b>	<b>0,00005</b>

## Group

### Translation reserve

The translation reserve comprises all exchange differences arising on the translation of the financial statements of foreign operations that have prepared their financial statements in a currency other than the currency in which the Group's financial statements are presented. The Group presents its financial statements in Swedish krona. Cumulative translation differences are recognized in profit or loss on disposal of foreign operations.

Translation reserve	2021-12-31
Initial carrying amount	-
Change in the year	2 489
<b>Carrying amount</b>	<b>2 489</b>

## Note 20 - Business combinations

The acquisitions below relate to the former Epidemic Sound Group, where the previous parent company was Epidemic Sound Holding AB. The transaction took place as of March 10, 2021, whereby the first consolidated income statement refers to 10 months. If the business combination had taken place at the beginning of the financial year, the Group estimates that the former Epidemic Sound Group would have contributed SEK 116,069 thousand to the Group's revenue and SEK -13,394 thousand to the Group's profit after tax.

The transaction when Epidemic Sound Holding II AB was formed involved a purchase price consisting of both cash consideration and a non-cash issue. The acquisition concerns 100% of the shares and votes in the acquired company. The following are details of net assets acquired and goodwill. No part of the goodwill arising from the acquisition is expected to be tax deductible.

Purchase price	2021-03-10
Issue in kind	7 331 137
Cash and cash equivalents	3 288 521
<b>Total remuneration transferred</b>	<b>10 619 658</b>



<b>Acquired fair values</b>	<b>2021-03-10</b>
Intangible fixed assets	1 576 749
Tangible fixed assets	16 784
Right-of-use assets	186 187
Financial fixed assets	69 446
Current assets	69 608
Cash and cash equivalents	76 987
Interest-bearing liabilities	-251 078
Deferred tax liabilities	-56 253
Leasing liabilities	-190 492
Non-interest-bearing liabilities	-243 113
Current tax liabilities	-638
<b>Net assets acquired</b>	<b>1 254 187</b>
<b>Excess value</b>	<b>9 365 471</b>
<b>Distribution of surplus value</b>	
Music catalog	2 586 397
Trademark	1 435 000
Technical platform	704 471
Customer contracts and customer relations	326 000
Deferred tax liability	-1 040 685
Goodwill	5 354 287
<b>Net cash flow on acquisition 2021-03-10</b>	
Cash compensation	-3 288 521
Reversed: Acquired cash and cash equivalents	76 987
<b>Net cash flow</b>	<b>-3 211 534</b>

#### **Business combinations after the end of the reporting period**

On January 10, 2022, Epidemic Sound Holding II AB acquired the music production companies A-P Records AB and its subsidiary Marbel Songs AB. For more information on the business combination, please refer to Note 28 Events after the reporting period.



## Note 21 - Trade receivables

Group	2021-12-31
Trade receivables	27 498
Provision for bad debt	-1 006
<b>Trade receivables - net</b>	<b>26 493</b>
Trade receivables by currency	
SEK	18 690
USD	5 203
EUR	2 464
Other currencies	135
<b>Total</b>	<b>26 493</b>

## Note 22 - Financial risks

Epidemic Sound's financial risk management is governed by the treasury policy established by the Board of directors. The treasury policy forms a framework of guidelines and rules in the form of risk mandates and limits for financial risks, with ongoing monthly reporting of the treasury policy to the Board of directors. The company's financial transactions and risks are managed by the Director of Treasury and the company's other senior executives together with the Board of directors.

The company's activities expose it to various types of financial risks such as credit risk, market risk (currency risk, interest rate risk, and other price risk), and liquidity risk.

The company's overall objective for financial risks is to mitigate adverse effects and reduce volatility on the company's results due to market changes or other external environmental factors.

### Credit risk

Credit risk is the risk that the Group's counterparty in a financial instrument will not be able to discharge its obligation and thereby cause a financial loss to the Group. The Group has no significant concentration of credit risk.

#### Financial credit risk

The company only enters into financial transactions with counterparties with a high credit rating. The company invests excess liquidity in financial instruments whose framework is stipulated in the treasury policy where credit risk is minimized by the counterparty's credit rating not falling below the equivalent of Standard & Poor's and LT BBB's rating.

#### Credit risk in trade receivables

The company has established guidelines to ensure that sales and services are provided to customers with appropriate credit backgrounds. Payment terms amount to a weighted average of 28 days for 2021 and credit losses are not material in relation to the company's turnover.

Change in provision for bad debt	2021-12-31
Initial carrying amount	-
Reduction through business combinations	-3 501
Recognized customer losses	2 711
Reservations for the year	1 795
<b>Carrying amount</b>	<b>1 006</b>

### Provision for expected credit losses

The table below sets out the expected credit loss on receivables outstanding at the balance sheet date.



Group	Not due	Due between 1-30 days	Due between 31-60 days	Due between 61- 90 days	Due > 90 days	Due > 90 days other	Total
<b>2021-12-31</b>							
Expected loss rate, %	0,7%	1%	3%	11%	26%	50%	2%
Carrying amount of trade receivables, gross	17 305	5 856	1 239	513	2 255	330	27 498
Carrying amount contract assets, gross	32 075						32 075
<b>Credit loss reserve</b>	<b>-119</b>	<b>-43</b>	<b>-34</b>	<b>-56</b>	<b>-588</b>	<b>-165</b>	<b>-1 006</b>

#### Expected credit losses, simplified method

Receivables consist mainly of trade receivables for which the Group has elected to apply the simplified method of accounting for expected credit losses. This means that expected credit losses are reserved for the remaining maturity, which is expected to be less than one year for all receivables. The Group provides for expected credit losses based on historical credit losses and forward-looking information. The majority of the Group's customers are a homogeneous group with similar risk profiles, so credit risk is initially assessed collectively for all customers. Any large individual claims are assessed individually for each counterparty. Epidemic Sound writes off a receivable when there is no longer any expectation of receiving payment and when active measures to obtain payment have been completed.

The assessment has been made that there has been no material increase in credit risk for any of the Group's financial assets.

The credit quality of receivables that are not past due or impaired is considered good.

#### Expected credit losses, general method

The financial assets covered by the provision for expected credit losses under the general approach are cash and cash equivalents. Epidemic Sound applies a ratings-based approach in combination with other known information and forward-looking factors to assess expected credit losses. The Group has defined default as when payment of a receivable is overdue or when other factors indicate that a default exists. As of the balance sheet date, no significant increase in credit risk has been identified for any receivable or asset.

#### Market risk

Market risk means that the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks are classified by IFRS into three types - currency risk, interest rate risk, and other price risks.

##### Currency risk

Currency risk is the risk that arises where transactions and financial consolidation are denominated in a currency other than the company's functional currency of SEK.

The company operates a global business where both trade receivables and trade payables are denominated in foreign currencies, thus creating transaction risk. The company's transaction risk is mainly in USD, EUR, and GBP. Overall transaction risk management consists of matching foreign currency revenues with foreign currency expenses in an effort to minimize volatility on the company's financial results. The company is also exposed to translation risk as foreign subsidiaries are consolidated into the company's functional currency SEK. No currency hedging is done as of December 31, 2021, for either transaction or translation risk.

##### Interest rate risk

Interest rate risk is the risk where market movements in interest rates affect the company's financial performance.

The company's interest rate risk is in the financial instruments in which excess cash is invested. The interest rate risk in the financial instruments is mitigated through the treasury policy framework where no investment may exceed 18 months in maturity. The purpose of the company's financial investments is to invest the surplus liquidity that may arise in financial instruments at a yield in excess of the prevailing bank deposit rate. The company aims to hold all purchased instruments until maturity.



The company has no other overall interest rate risk as of December 31, 2021. The company's previous external debt, an RCF agreement with SEB, was repaid in full in 2021. Therefore, there is no interest rate risk as the company has no outstanding external debt to any credit institution. The company therefore has no covenants to report as of December 31, 2021.

### Liquidity risk

The company categorizes liquidity risk into refinancing risk and market liquidity risk.

#### Refinancing risk

Refinancing risk refers to the risk that financing cannot be obtained or can be obtained only at significantly increased cost and on unfavorable and undesirable terms in order to have access to funds when payments fall due. The risk is mitigated by monitoring the maturity structure of external debt and future liquidity needs. As of December 31, 2021, the company has no outstanding loan portfolio and a solid cash position.

#### Market liquidity risk

The company defines market liquidity risk as the risk that the company cannot transform assets into liquidity without significant financial losses. As of December 31, 2021, the company has market liquidity risk in the financial instruments in which it invests. The framework for these investments is set out in the treasury policy. The risk is mitigated by ensuring that investments in financial instruments are only made in highly rated and liquid instruments.

### Maturity analysis

Group	<3 months	3-12 months	1-3 years	3-5 years	>5 years	Total
<b>Per 2021-12-31</b>						
Leasing liability	-7 887	-23 650	-51 077	-49 145	-65 526	-197 286
Trade payables	-65 815	-	-	-	-	-65 815
Provision for interest and charges	-1 479	-4 437	-645	-	-	-6 561
Other current liabilities	-9 172	-27 517	-12 478	-	-	-49 168
<b>Total</b>	<b>-84 354</b>	<b>-55 604</b>	<b>-64 200</b>	<b>-49 145</b>	<b>-65 526</b>	<b>-318 830</b>

Parent company	<3 months	3-12 months	1-3 years	3-5 years	>5 years	Total
<b>Per 2021-12-31</b>						
Trade payables	-11	-	-	-	-	-11
Other current liabilities	-4 951	-	-	-	-	-4 951
<b>Total</b>	<b>-4 962</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-4 962</b>



## Note 23 - Provisions for interest and charges

Group	Provision for interest and charges
<b>Incoming provisions 2020-12-01</b>	-
Additional provisions	6 561
<b>Outstanding provisions 2021-12-31</b>	<b>6 561</b>
Long-term portion	645
Short-term portion	5 916

Following a closer examination of our handling of VAT on online sales, we have identified some shortcomings. As a result, and in our pursuit of tax compliance, we intend to (i) contact the respective tax authorities and settle our VAT, (ii) make payment for VAT and any interest and fees, and (iii) apply proper VAT management for 2022 onwards.

Provisions relate to interest and estimated penalties payable to the tax authorities of the respective countries. The outcome will depend on the conclusion of each authority in the future.

## Note 24 - Accrued charges and deferred income

Group	2021-12-31
Accrued social security contributions on salary and holiday pay	10 178
Holiday pay liabilities	14 867
Accrued salaries	6 245
Contractual liabilities	79 931
Accrued rental expenses USA	7 054
Accrued sales-related costs	35 501
Other accrued charges	13 940
<b>Carrying value</b>	<b>167 716</b>

  

Parent company	2021-12-31
Accrued social security contributions on salary and holiday pay	86
Holiday pay liabilities	208
Other external services	4 596
Accrued audit fees	655
<b>Carrying value</b>	<b>5 544</b>

For contract liabilities, this refers to prepayments on future services expected to be utilized between 1-3 months. Some contracts that are less significant are also invoiced on an annual basis.

Other accrued expenses mainly relate to consultancy costs.



## Note 25 - Cash flow statement

Group	12/01/2020	Cash impact			Non-cash	
		Increase through business combinations	Amortization	Net change	Other	2021-12-31
Short-term liabilities to credit institutions	-	251 078	-251 078	-	-	-
Non-current leasing liabilities	-	166 233	-	166 233	-19 241	146 992
Current leasing liabilities	-	24 259	-	24 259	1 290	25 549
<b>Total</b>	<b>-</b>	<b>441 570</b>	<b>-251 078</b>	<b>190 492</b>	<b>-17 951</b>	<b>172 541</b>

## Note 26 - Collateral provided

Collateral pledged for own liabilities to credit institutions:	2021-12-31
For own liabilities and provisions	-
Shares and participations in group companies	-
Corporate bonds	5 000
<b>Total</b>	<b>5 000</b>

The parent company has no collateral or contingent liabilities in respect of 2021.



#### Note 27 - Transactions with related parties

Transactions between the company and its subsidiaries, which are related parties to the company, have been eliminated on consolidation and therefore information on these transactions is not disclosed in this note.

For 2021, no director or executive officer of the Group has had any direct or indirect involvement in any business transactions between themselves and the Group that are or were unusual in nature with respect to the terms during the current financial year. Nor has the Group made loans, given guarantees, or entered into a surety bond for any of the members of the Board of directors or senior executives of the company

For information on remuneration of senior executives, see Note 7 Employees and personnel costs.

#### Note 28 - Events after the end of the reporting period

In line with its business plan, the Spanish branch office of Epidemic Sound AB was liquidated in January 2022. A liquidation of the Australian subsidiary has also been initiated.

In January 2022, Epidemic Sound acquired the music production companies A-P Records AB and its subsidiary Marbel Songs AB. The acquisitions contribute an estimated annual turnover of SEK 90 million and offer services within Epidemic Sound's Partnership Sales segment in the form of streaming revenues. This acquisition is an important part of Epidemic Sound's growth strategy with the goal of soundscaping the world as it contributes to strengthening the company's position in the mood music space by developing its ability to soundscape people's lives via streaming platforms.



## Declaration of the Board of directors

In the opinion of the Board of directors and the Chief Executive Officer, the consolidated financial statements and the annual financial statements have been prepared in accordance with IFRS as adopted by the EU and with generally accepted accounting principles and give a true and fair view of the position and performance of the Group and the parent company. The Management Report for the Group and the parent company gives a true and fair view of the Group's and the parent company's activities, position, and results and describes the principal risks and uncertainties that the parent company and its subsidiaries face. The results and other position of the Group and the parent company are shown in the income statements and balance sheets, cash flow statements, and notes included in the annual accounts.

Stockholm, March 8, 2022

Andrew Fisher  
*Chairperson of the Board*

Staffan Helgesson  
*Board member*

Vania Schlogel  
*Board member*

Hjalmar Winbladh  
*Board member*

Johan Svanström  
*Board member*

Kirsten Wolberg  
*Board member*

Victor Englesson  
*Board member*

Johan Bergqvist  
*Board member*

Vincent Letteri  
*Board member*

Jan Zachrisson  
*Board member*

Adrienne Gormley  
*Board member*

Oscar Höglund  
*Chief Executive Officer*

Our audit report was submitted on March 9, 2022

Ernst & Young AB

Andreas Nyberg  
*Certified Public Accountant*



## Audit Report





## Key figures

Epidemic Sound presents certain financial measures and alternative performance measures (APM) in the Annual Report that are not defined as performance measures under IFRS. Epidemic Sound believes that these metrics provide valuable additional information to the company's management as they enable evaluation of trends and performance. Since not all companies calculate financial measures in the same way, they are not always comparable with metrics used by other companies. These financial metrics should therefore not be considered as a substitute for measures defined under IFRS. For definitions and reconciliation of alternative key metrics, see pages 57-58.

Group (SEK thousands)	2021
Net sales	691 481
Total revenue	694 203
Operating profit before depreciation and amortization, EBITDA	-54 819
Adjusted operating profit before depreciation and amortization, EBITDA	-13 538
Operating profit, EBIT	-406 014
Adjusted operating profit, EBIT	-364 733
Profit after financial items	-413 515
Profit after tax	-353 046
Cash flow from operating activities	-51 577
Cash and cash equivalents at the balance sheet date	811 380
<b>Key figures</b>	
Gross margin (%)	91%
Operating margin EBITDA (%)	-8%
Adjusted operating margin EBITDA (%)	-2%
Operating margin EBIT (%)	-58%
Adjusted operating margin (%)	-53%
Equity ratio (%)	88%
Number of employees at the end of the period	439
Average number of employees	418
Equity per share, SEK	0,95
Balance sheet total	13 034 242



## Reconciliation of Alternative Performance Metrics (APM)

SEK thousands	2020-12-01	2021-12-31
<b>Gross profit</b>		
Total revenue	694 203	
Selling expenses	-62 715	
<b>Gross profit</b>	<b>631 488</b>	
<b>Gross profit margin (%)</b>		
Total revenue	694 203	
Gross profit	631 488	
<b>Gross profit margin (%)</b>	<b>91%</b>	
<b>Adjusted operating result, EBITDA</b>		
Operating result, EBITDA	-54 819	
Items affecting comparability	41 281	
<b>Adjusted operating result, EBITDA</b>	<b>-13 538</b>	
<b>Adjusted operating margin, EBITDA (%)</b>		
Total revenue	694 203	
Adjusted operating result, EBITDA	-13 538	
<b>Adjusted operating margin, EBITDA (%)</b>	<b>-2%</b>	
<b>Adjusted operating profit, EBIT</b>		
Operating profit, EBIT	-406 014	
Items affecting comparability	41 281	
<b>Adjusted operating profit, EBIT</b>	<b>-364 733</b>	
<b>Adjusted operating margin, EBIT (%)</b>		
Total revenue	694 203	
Adjusted operating profit, EBIT	-364 733	
<b>Adjusted operating margin, EBIT (%)</b>	<b>-53%</b>	

Items affecting comparability	2021
<b>EBITDA</b>	
<i>Adjustment for items affecting comparability</i>	
Acquisition-related costs	41 281
<b>Total items affecting comparability</b>	<b>41 281</b>



## Definitions

Key figures	Definition	Comment
<b>Sales growth</b>	Development of net sales compared to the same period last year.	Used by management to assess the Group's growth rate.
<b>Gross margin</b>	(Net turnover - Cost of raw materials and supplies) / Net turnover	Used by management to monitor the Group's sales performance, including direct costs of raw materials and supplies.
<b>EBITDA</b>	Operating profit before depreciation and amortization.	Provides management with information on the efficiency and profitability of the organization.
<b>EBITDA margin, %</b>	Operating profit before depreciation and amortization, as a percentage of revenue for the period	Provides management with information on the effectiveness of the organization.
<b>EBIT</b>	Operating result	Provides management with information on the efficiency and profitability of the organization.
<b>EBIT margin, %</b>	Operating profit, as a percentage of revenue for the period	Provides management with information on the efficiency and profitability of the organization.
<b>Cash flow from operating activities</b>	Cash flow before investing and financing activities	Provides management with information on the ability of the business to generate capital and the ability to cover investment costs in addition to external financing.
<b>Return on equity</b>	Profit for the year attributable to equity holders of the parent / Average equity	Provides information on the financial value that the business creates for the shareholder.
<b>Balance sheet total</b>	Total assets	Provides management with information on the capital commitment of the business
<b>Equity ratio</b>	Total equity / Total assets	Provides management with information on the financial sustainability of the business during a period of negative performance and the proportion of the business financed by equity and external capital.
<b>Number of employees at balance sheet date</b>	Number of employees converted to full-time equivalents in the last month of the period.	Provides information on future personnel costs
<b>Average number of employees</b>	The number of persons employed in the enterprise converted into full-time equivalents, i.e., the number of full-time hours worked during the period.	Enables calculation of the average personnel cost.
<b>Items affecting comparability</b>	In order to facilitate the understanding of the business, we consider it appropriate to analyze certain measures and ratios excluding items affecting comparability. Items affecting comparability include items that are non-recurring in nature, have a significant impact, and are considered important for understanding the development/performance of the business when comparing between periods.	Provides management with information on non-recurring costs not directly related to the operating segments.





## Contacts

Epidemic Sound Holding II AB  
Company Registration No. 559286-5231  
[epidemicsound.com](https://www.epidemicsound.com)  
Västgötagatan 2, 118 27 Stockholm  
SWEDEN

Oscar Höglund, CEO  
[pressoffice@epidemicsound.com](mailto:pressoffice@epidemicsound.com)