

SoundCloud Limited

Annual Report

For the year ended 31 December 2021

Registered number 06343600

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Company information

Director	Joseph Puthenveetil
Secretary	Eriska Secretaries Limited
Company number	06343600
Registered office	5 th Floor 25 Berkeley Square London W1J 6HN
Banker	Deutsche Bank CIB GTB Ost Unter den Linden 13-15 10117 Berlin Germany
Auditor	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH United Kingdom

Strategic report

About SoundCloud Limited

SoundCloud is a next generation music entertainment company powered by a community of artists and fans on the pulse of what's next in music. Through its subscription offerings for both creators and listeners, as well as through advertising and artist services, it has a diverse mix of revenue streams. Its strategy is built around leveraging its singular market position as both a music-streaming service for fans and an artist services business.

SoundCloud Limited (the "Company") is a wholly owned subsidiary of SoundCloud Holdings GmbH which serves as the parent company for the purposes of consolidated annual financial filings. Until 30 December 2020, SoundCloud Limited was the main operating entity within SoundCloud. Since then, and in response to the UK's departure from the European Union, SoundCloud Limited is serving as the general partner of a limited partnership under German law and no longer conducts any operational activities: On 31 December 2020, all operating activities were transferred to SoundCloud Global Limited & Co KG in Germany and the Company's principal activity since then is to hold its investment in SoundCloud Global Limited & Co KG.

Given this restructuring, the financial information presented below reflects the activities of SoundCloud Limited on a stand-alone basis. Information consolidated at the level of SoundCloud Holdings GmbH is made available in Germany.

Risks and uncertainties

Operational risks

Given its principal activity of holding its investment in SoundCloud Global Limited & Co KG, SoundCloud Limited is mainly exposed to the financial performance of its core asset. Its sole shareholder, SoundCloud Holdings GmbH, as well as its directors have put in place adequate processes and tools to monitor the performance of its investment and to adequately manage any financial risks resulting from the financial performance of its investment.

Currency risk

Until 30 December 2020, SoundCloud Limited operated internationally and was exposed to foreign currency risk across the two business lines it operated. The prime risk was the exposure to the USD exchange rate, though other currencies also impacted gains and losses. In 2021, SoundCloud Limited's foreign currency transactions mainly related to cash transfers in foreign currencies within the transfer of the operating business and payments related to 2020 being made in 2021. Since then, the Company's currency risk exposure is mainly related to cash held in foreign currencies.

Strategic report (continued)

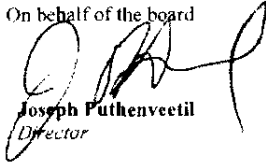
Directors' duties under section 172 of Companies Act 2006

In discharging section 172 duties, our directors are required to have regard of a range of factors set out in section 172 (1) (a)-(f) of the Companies Act 2006.

Until the transfer of all operating activities to SoundCloud Limited & Co KG on 30 December 2020, the director maintained a clear understanding of the needs of the Company and have promoted its operational activities in good faith.

Since the transfer, the directors continue to act in the way they consider to be most likely to promote the Company's principal activity since 31 December 2020, namely the holding of its investment in SoundCloud Global Limited & Co KG.

On behalf of the board



Joseph Puthenveetil
Director

5th Floor 25 Berkeley Street
London
W1J 6HN

Date: 31 October 2022

Directors' report

The Director presents his report and the audited financial statements of SoundCloud Limited ("SoundCloud" or "the Company") for the year ended 31 December 2021.

On 30 December 2020, SoundCloud Limited transferred its entire business including employees to SoundCloud Global Limited & Co. KG, a legal entity based in Berlin, Germany. SoundCloud Limited is therefore no longer carrying out any operational activities from that date. SoundCloud Limited's continues to act as a holding company within the SoundCloud Group.

Director of the company

The director of the company who was in office during the year and up to the date of signing the financial statements, unless otherwise noted was:

Joseph Puthenveetil

Principal activities

Until 30 December 2020, together with its subsidiary undertakings, SoundCloud Limited's principal activity was the provision of an online platform enabling its users to easily upload and share their music, podcasts, and other audio content with a global audience. The Company is operated from Germany and had subsidiaries in the United States, Bulgaria (not operational) and Australia (not operational), which provided business and technical support.

Since 31 December 2020, the principal activity of SoundCloud Limited is to hold and manage its investment in SoundCloud Global Limited & Co KG.

Research and development

Due to the SoundCloud Limited acting as holding company no research and development activities were performed in 2021.

Future developments

Since 31 December 2020, SoundCloud Limited acts as a holding company within the SoundCloud Group.

Donations

Charitable donations were not made in the year 2021 (2020: €20,410).

Employees

Until 30 December 2020, UK based employees have played an important role in SoundCloud Limited's daily business. In addition to engaging actively in building and running the platform, staff in the UK have benefited from a number of policies aimed at proactively involving them. All employee relationships have been transferred to SoundCloud Global Limited & Co KG on 30 December 2020.

Directors' report (continued)


Dividends

No dividends were paid or declared in respect of the year ended 31 December 2021 (2020: €0).

Going Concern

The Company's activities are frequently monitored, and the Director has concluded that they have a reasonable expectation that the Company has adequate resources to continue as a going concern. For details of the going concern assessment, please refer to Note 1.

On behalf of the board



Joseph Puthenveetil
Director

5th Floor 25 Berkeley Street
London
W1J 6HN

Date: 31 October 2022

Statement of directors' responsibilities in respect of the financial statements

The director is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has prepared the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the director must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

So far as the director is aware, there is no relevant audit information of which the company's auditors are unaware and the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors' report to the members of SoundCloud Limited

Report on the audit of the financial statements

Opinion

In our opinion, SoundCloud Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Balance sheet as at 31 December 2021; the Statement of comprehensive income and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the director with respect to going concern are described in the relevant sections of this report.

Independent auditors' report to the members of SoundCloud Limited (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The director is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the director is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The director is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the director is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the director either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Independent auditors' report to the members of SoundCloud Limited (continued)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to potential management bias in accounting estimates and the posting of inappropriate journal entries to manipulate financial results. Audit procedures performed by the engagement team included:

- Discussions with management and those charged with governance, including consideration of any known or suspected instances of non-compliance with laws and regulations and fraud;
- Identifying and testing unusual journal entries;
- Reviewing minutes of meetings of those charged with governance;
- Designing audit procedures to incorporate unpredictability into our testing; and
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent auditors' report to the members of SoundCloud Limited (continued)

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Other matter

The financial statements for the year ended 31 December 2020, forming the corresponding figures of the financial statements for the year ended 31 December 2021, are unaudited.



Jonathan Ford (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
31 October 2022

Statement of comprehensive income
for the year ended 31 December 2021

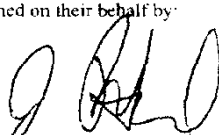
	<i>Note</i>	2021 €000	2020 (Unaudited) €000
Revenue	2	-	127,793
Cost of sales		-	(93,601)
		<hr/>	<hr/>
Gross profit		-	34,192
Administrative expenses		(258)	(55,157)
		<hr/>	<hr/>
Operating loss	3	(258)	(20,965)
Interest receivable and similar income	7	-	2,244
Interest payable and similar expenses	8	-	(46)
		<hr/>	<hr/>
Loss before taxation		(258)	(18,767)
Tax on loss	9	(16)	(13)
		<hr/>	<hr/>
Loss for the financial year		(274)	(18,780)
		<hr/> <hr/>	<hr/> <hr/>

Balance sheet
As at 31 December 2021

	Note	2021		2020 (Unaudited)	
		€000	€000	€000	€000
Fixed assets					
Investments	10		101,458		101,458
			<u>101,458</u>		<u>101,458</u>
Current assets					
Debtors	11	1,301		655	
Cash at bank and in hand		663		14,715	
		<u>1,964</u>		<u>15,370</u>	
Creditors: amounts falling due within one year	12	(217)		(13,349)	
Net current assets			1,747		2,021
Total assets less current liabilities			<u>103,205</u>		<u>103,479</u>
Net assets			<u>103,205</u>		<u>103,479</u>
Capital and reserves					
Called up share capital	13		218,328		218,328
Share premium account			178,520		178,520
Profit and loss account			(293,643)		(293,369)
Total equity			<u>103,205</u>		<u>103,479</u>

The directors acknowledge their responsibility for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements

The financial statements on pages 7 to 17 were approved by the board of directors on 31 October 2022 and were signed on their behalf by:



Joseph Puthenveetil
Director

Company number: 06343600

Statement of changes in equity
for the year ended 31 December 2021

Company	Called up share capital	Share premium account	Profit and loss account	Total equity
	€000	€000	€000	€000
At 1 January 2020	149,848	178,520	(270,767)	57,601
Loss for the financial Year	-	-	(18,780)	(18,780)
Capital contribution for equity-settled share based payments	-	-	367	367
Shareholder withdrawal	-	-	(4,189)	(4,189)
New shares issued	68,480	-	-	68,480
At 31 December 2020 (Unaudited)	218,328	178,520	(293,369)	103,479
Loss for the financial year	-	-	(274)	(274)
At 31 December 2021	218,328	178,520	(293,643)	103,205

Notes to the financial statements

1 Accounting policies

General information

SoundCloud Limited is a private company limited by shares and is incorporated in the United Kingdom and registered in England. The Registered Office is at 5th Floor, 23 Berkeley Street, London W1J 6HN.

Statement of compliance

The financial statements of SoundCloud Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

Basis of preparation

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

The financial statements of SoundCloud Limited were authorised for issue by the Board of Directors. The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are prepared in Euro which is the functional currency of the company and rounded to the nearest €'000.

The financial statements are prepared on a going concern basis, under the historical cost convention.

The company has taken advantage of the exemption in the Companies Act from the requirement to produce a cash flow statement on the grounds that its cash flow is included within the cash flow statement in the consolidated financial statements of SoundCloud Holdings GmbH.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the company.

Exemption from the obligation to prepare and deliver group accounts

In accordance with section 401 of the Companies Act 2006 SoundCloud Limited is exempt from the obligation to prepare and deliver group accounts, as the company and all its subsidiary undertakings are included in the consolidated accounts of SoundCloud Holdings GmbH, Rheinsberger Str. 76/77, 10115 Berlin, Germany.

Going concern

In determining the appropriate basis of preparation of the Annual Report, the Directors are required to consider whether the Company can continue in operational existence for the foreseeable future. The relevant business activities, together with the factors likely to affect its future development, its financial position, its financial risk management objectives and its exposures to liquidity and cash flow risk are described in the Strategic report.

As part of their Going Concern review, the Directors have reviewed SoundCloud's business activities as well as the risks and uncertainties described in the Strategic report.

The Directors have concluded that the Company has adequate resources to continue as a going concern. The financial statements have been prepared accordingly.

Notes to the financial statements (continued)

1 Accounting policies *(continued)*

Investments

Investments in subsidiary undertakings are stated at cost less any impairment losses. At each balance sheet date investments are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

Debtors

Debtors are shown after providing for any amounts which in the opinion of the directors may not be collected in full.

Provisions for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Foreign currencies

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined. All foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are presented within 'Administrative expenses'.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Financial assets

Basic financial assets, including other receivables and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows, discounted at the asset's original effective interest rate. The impairment loss is recognised in the profit or loss statement. If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the profit or loss statement.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party, or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

Basic financial liabilities, including trade and other payables, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of the holding business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the year 2021 no critical accounting judgements and estimation uncertainty occurred.

Notes to the financial statements (continued)

2 Revenue

In 2020, SoundCloud generated revenues in two lines of business: Firstly, its creator business offered tools and services to a number of rights holders; second, its listener business allowed customers to access a sizeable pool of content.

	2021		2020 (Unaudited)
	Total	Listener Business	Creator Business
	€000	€000	€000
USA	-	45,813	26,314
Europe & Other	-	29,984	25,682
	-	75,797	51,996
			127,793

3 Operating loss

The operating loss is stated after charging/(crediting):

	2021	2020 (Unaudited)
	€000	€000
Depreciation of owned assets	-	1,102
Amortisation of software & technology	-	203
Foreign exchange differences	(71)	10,482
Auditors' remuneration (see note 4)	40	69
Operating lease charges	-	2,324

Foreign exchange differences mainly arise from the swing in the foreign exchange rates between Euro and US Dollar in 2021. The rates at the end of the year 2020 stood at 1.23 versus 1.13 at the end of the year 2021.

4 Auditors' remuneration

	2021	2020 (Unaudited)
	€000	€000
Audit of the financial statements	40	-
Non-audit related services	-	69

Notes to the financial statements (continued)

5 Remuneration of directors

The total director's emoluments in 2021 were €0 (2020: €0). Neither benefits under a defined contribution scheme nor share options were granted.

6 Staff costs

	2021 €000	2020 (Unaudited) €000
Wages and salaries	-	22,176
Share based payments	-	367
Social security costs	-	3,248
Other pension costs	-	160
	-	25,951

The average monthly number of employees (including directors) during the year was made up as follows:

	2021	2020 (Unaudited)
Product & Technology	-	184
Operations	-	34
Business	-	15
	-	233

7 Interest receivable and similar income

	2021 €000	2020 (Unaudited) €000
Interest receivable and similar income	-	2,244

Interest income in 2020 was derived from loans to a subsidiary bearing interest of 6%. The loans have been transferred to SC Global Ltd. & Co. KG as of 31 December 2020.

Notes to the financial statements *(continued)*

8 Interest payable and similar expenses

	2021 €000	2020 (Unaudited) €000
Interest payable and similar expenses	-	46

9 Income tax

Tax income included in profit or loss

	2021 €000	2020 (Unaudited) €000
<i>Corporation tax</i>		
Current tax	-	-
Adjustment in respect of prior years	16	13
Total tax charge for the year	16	13

10 Investments

	Shares in group undertakings €000	Total Investments €000
Cost		
At 1 January 2021 (Unaudited)	101,458	101,458
At 31 December 2021	101,458	101,458
Provisions		
At 1 January 2021 (Unaudited)	-	-
At 31 December 2021	-	-
Net book value		
At 31 December 2021	101,458	101,458
At 31 December 2020 (Unaudited)	101,458	101,458

Notes to the financial statements *(continued)*

The companies in which the company's interest at the year-end is more than 20% are as follows:

	Country of incorporation	Principal activity	% of shares held	Registered Office
<i>Subsidiary undertakings</i>				
SoundCloud Global Limited & Co. KG	Germany	Operating SoundCloud's platform	100%	Rheinsberger Str. 76/77, 10115 Berlin
SoundCloud Management GmbH	Germany	Management Services	100%	Rheinsberger Str. 76/77, 10115 Berlin
SoundCloud EOOD	Bulgaria	Dormant	100%	46-48 Opalchenka Street, 1303 Sofia
SoundCloud Pty. Limited	Australia	Dormant	100%	c/o KPMG 38 Barangaroo Ave, Sydney NSW 2000

Investments in subsidiary companies are held at cost less accumulated impairment losses. The investment valuation is dependent on the future cash flows and the directors have concluded that there is no trigger event for impairment.

Notes to the financial statements (continued)

11 Debtors

	2021	2020 (Unaudited)
	€000	€000
Amounts owed by group undertakings	815	-
Other debtors	486	655
	<u>1,301</u>	<u>655</u>

Other debtors of the Company include €0 thousand (2020: €0 thousand) falling due after more than one year.

Amounts owed by group undertakings are unsecured, interest free and are repayable on demand.

12 Creditors: amounts falling due within one year

	2021	2020 (Unaudited)
	€000	€000
Trade creditors	25	-
Amounts owed to group undertakings	26	7,928
Other creditors	44	1,009
Taxation and social security	50	655
Accruals	72	3,757
	<u>217</u>	<u>13,349</u>

Amounts owed to the ultimate controlling party and group undertakings are unsecured, interest free and are repayable on demand.

13 Called up share capital

Whilst there is a number of share classes in existence, they are entirely owned by SoundCloud Holdings GmbH, a subsidiary of the ultimate controlling party, which makes any difference in voting rights immaterial.

	2021	2020 (Unaudited)
	€000	€000
<i>Allotted, called up and fully paid:</i>		
21,829,279,893 Ordinary shares of €0.01 each	218,293	218,293
419,140 A Ordinary shares of €0.01 each	4	4
678,333 A preferred shares of €0.01 each	7	7
818,195 B preferred shares of €0.01 each	8	8
341,846 C preferred shares of €0.01 each	4	4
42,074 C1 preferred shares of €0.01 each	-	-
474,616 D preferred shares of €0.01 each	5	5
724,459 E preferred shares of €0.01 each	7	7
	<u>218,328</u>	<u>218,328</u>

Notes to the financial statements (continued)

14 Commitments

The company has no off-balance sheet arrangements.

15 Pension scheme

The Company operated a defined contribution pension scheme until 30 December 2020. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to €0 thousand (2020: €160 thousand).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

16 Ultimate controlling party

The immediate parent undertaking is SoundCloud Holdings GmbH, Berlin, Germany. The ultimate parent and controlling party is SoundCloud Holdings LLC, Grand Cayman, Cayman Islands.

17 Related party transactions

See notes 10 and 11 for disclosure of amounts owed by group companies and owed to group companies. The company has entered into a service agreement with the subsidiary SoundCloud Global Ltd. & Co. KG and received services of €44 thousand in 2021.

The shares of SoundCloud Global Ltd. & Co. KG are held by SoundCloud Limited and Soundcloud Management GmbH, a limited liability company under German law. SoundCloud Limited acts as the general partner whilst Soundcloud Management GmbH is the sole limited partner. SoundCloud Limited has paid €5 thousand for the trustee activity of SoundCloud Management GmbH in 2021 (2020: €5 thousand).

There were no other material transactions with related parties in the year 2021.

18 Events after the end of the financial year

Russia's invasion of Ukraine on 24 February 2022 has triggered disruptions and uncertainties in the markets, currencies and the global economy, as well as coordinated implementation of sanctions by Switzerland, the United States, the European Union, the United Kingdom and others against Russia and certain Russian entities and nationals. These events, together with potential counter-sanctions and other measures taken by Russia, impact the business of SoundCloud's group. The direct business with Russian business partners accounts for less than 0.5% of the Group's total business. SoundCloud complies with all sanctions and restrictions.

To be placed on file for SoundCloud Limited, company number 06343600

Attestation Exemplar

SoundCloud Holdings GmbH
Berlin

Consolidated Financial Statements and Group Management Report
for the Period Ending December 31, 2021

INDEPENDENT AUDITOR'S REPORT

(Translation - The German text is authoritative)

THESE ACCOUNTS
FORM PART OF THE
GROUP ACCOUNTS
OF COMPANY
No 6343600



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Group Management Report of
SoundCloud Holdings GmbH
for the fiscal year
from January 1 to December 31, 2021

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Group Management report

1. Introduction and company information

SoundCloud Holdings GmbH, Berlin, is a wholly owned subsidiary of SoundCloud Holdings II Limited, Cayman Islands, and serves as the consolidation entity for the group's global operations.

SoundCloud Holdings GmbH consolidated the financial results of several entities, with SoundCloud Global Limited & Co KG (Germany) being the main operating entity. Other operational entities are SoundCloud Inc. (USA), SoundCloud Operations Inc. (USA), Repost Network Inc (USA) and Repost Publishing LLC (USA); SoundCloud EOOD (Bulgaria) and SoundCloud Ltd. Pty (Australia) are dormant; SoundCloud Limited (UK) serves as general partner and trustor of SoundCloud Global Limited & Co KG (Germany), and SoundCloud Management GmbH (Germany) as its limited partner and trustee.

Together and fully consolidated, these entities form the Group which is also being referred to as "SoundCloud" in the consolidated financials. Whilst financial information in the Notes is presented in €'000s, the management report provides information in €M for the ease of reference. Differences in rounding of up to €0.1M may occur.

2. Business model and strategy

SoundCloud is a next generation music entertainment Group powered by a community of artists and fans on the pulse of what is next in music. It combines fan access and artist development through two differentiated offerings: A fan powered music streaming service with a diverse catalogue with 312m tracks as of December 2021, and a portfolio of tools, products and services that empower artists to accelerate their careers including but not limited to: unlimited upload time, being paid fairly and transparently for artist streaming plays (Fan Powered Royalties), advance audience insights and other services that provide different levels of monetization, distribution, and marketing support.

Our fan powered music streaming service allows listeners to consume content through multiple tiers of service. In the ad-supported tier, the fan has access to a limited set of our music library and music consumption can be interrupted by inserted advertising, whilst our ad-free experience is available through paid subscription tiers called SoundCloud Go and Go+. The subscription tiers provide access to our full library of music and additional features such as offline playback. Having launched the service initially in the US, today, it is available in numerous developed countries, including the UK, Canada, Australia, New Zealand and a number of countries in Europe. Content for this offering is provided by rightsholders such as major labels and publishers SoundCloud has contracted with, as well as independent rightsholders and rightsholders directly participating in our own monetization programmes.

For artists, SoundCloud offers tools for hosting and distributing content both on and off its own platform, addressing a global market. Starting with SoundCloud Basic, which allows limited sharing of content, storage and analytics, SoundCloud also offers two subscription products (SoundCloud Pro Unlimited and Repost by SoundCloud), allowing creators to upload and share unlimited content, distribute it to other music streaming services and participate in content monetisation. The Repost Select offering complements the creator product suite with dedicated creator services including promotion and marketing support.

Throughout the financial year ending in December 2020, the business was organised into the SoundCloud Network (generating revenues through listener subscriptions and advertising, as well as SoundCloud's creator subscriptions) on one hand, and Creator Services on the other, comprising the Repost by SoundCloud and Repost Select products.

In January 2021, SoundCloud was reorganised into two Business Units to streamline our operational setup per the below:

1. Fans - operations focused on maintaining a healthy growth of audience and engagement on our platform. These business operations include: (a) Ad sales monetization of music streaming and (b) Ad-free listening subscriptions.
2. Creators - operations focused on increasing the number of creators on platform by providing creators access to tools and services to distribute, monetize their music and better connect directly with their fans.

In January 2022, SoundCloud launched a third Business Unit called "Roster" which is focused on providing full artist support services for premiere emerging and developing music artists.

The group's employees are in Germany, the UK and the US with offices in Berlin, London, New York and Los Angeles. Across the various locations, the Group employed 454 FTE as of 31 December 2021.

3. Performance measurement system

SoundCloud uses several financial performance indicators, which are defined and reviewed on a regular basis. Given SoundCloud's business model, those indicators are specific to the individual business unit and in parts very detailed. At the group level, we focus on the following financial performance indicators to measure our success in financial performance.

Key Performance Indicators	Definition
Revenue growth	Total revenue in current compared to total revenue in prior year
Gross profit	Total revenue less cost of materials & consumables used
Gross margin	Gross profit in relation to total revenue
Operating result	Revenue and other operating income less cost of materials & consumables used, less employee benefits expenses, less other operating expenses and less depreciation and amortisation; excludes financial result and taxes
Cash flows from operating activities	Cash generated by operating activities before capital expenditure and financing

4. Economic developments and industry situation

While the adverse impacts of the coronavirus pandemic on the financial year 2021 were not as significant as 2020, the pandemic still remains a risk factor for the business, particularly on advertisers. The pandemic caused a period of economic contraction and uncertainty at its onset, with online advertising markets experiencing an initial deep contraction followed by heightened volatility. However, the widespread release of coronavirus vaccines in early-to-mid 2021 have assisted the economic recovery. The global digital market was projected to grow 15.6% from 2020 to 2021.¹ More broadly, GDP growth from 2020 to 2021 in most developed economies (including China) was 5% or more.²

The global recorded music market experienced a 24.7% year-over-year increase, which “represented the largest annual growth in modern times.”³ A key driver of this growth was streaming from non-DSP (Digital service provider) sources such as Meta, TikTok, Snap, Peloton, and Twitch. Further, the portion of global recorded music market share attributable to self-releasing artists, which is an important segment served by SoundCloud’s creator offerings, has increased from 2020 to 2021.³

5. Company specific situation and performance

In 2021, SoundCloud continued to benefit from customers’ increased utilisation of digital platforms during the coronavirus pandemic that led to increased platform signup and usage. Despite the global pandemic and increasing inflation, we have performed well and saw revenues from all lines of business improve versus 2020.

Total revenue exceeded expectations and our operating losses were lower than initially targeted. The table below summarises our key financial indicators with the performance and its drivers being outlined thereafter.

€M	2021	2020	Change vs 2020
Revenue	230.7	193.5	+19%
Gross profit	81.7	61.1	+34%
Gross margin	35.4%	31.6%	+12%
Operating result	(21.1)	(15.4)	-37%
Cash Flows from Operating Activities	(1.2)	(13.4)	+91%

Revenues generated by the SoundCloud Fan segment grew strongly across all revenue streams. The increase in revenues from listener subscriptions (+20% year-over-year) contributed to this as our initial expectations for the year were exceeded due to a higher-than-expected subscriber count. In line with our expectations, our advertising business grew 12% over 2020 driven by increased inventory demand via sell-through rates for our key demographics and continued premium CPM rates.

¹ Source: Business Wire’s Global Digital Advertising Market Report.

² Source: Real GDP growth per IMF Datamapper

³ Sources: Music Business Worldwide, MIDiA Research annual report.

Revenues generated by Creator tools and services business also exceeded plan and grew over 24% year-over-year. The increase in Creator revenue was driven by an increase in the number of artists electing to self-release their music driven by organic growth in major DSP (e.g. Spotify, Apple, YouTube) volume as well as increasing monetization from non-DSP platforms (Meta, TikTok, Twitch).

Significant investments were made in our operating infrastructure in 2021, including a reconstitution of the executive team with new experienced executives from the music and entertainment industries. Further, marketing spend was increased substantially (+70%) to drive targeted revenue growth, but was slightly under plan.

Consolidated financial results

Based on the developments described above, we have been able to substantially expand SoundCloud's revenue and gross profit. As mentioned above, we made significant investments in headcount and marketing necessary to propel the company into its next phase of growth. Accordingly, the financial loss in 2021 was larger than 2020 despite higher gross profit.

Given our digital business model, our research and development (R&D) efforts are concentrated on the development of our platform and digital offerings so SoundCloud can remain competitive for the long-term. With those efforts, we consistently enhance and update our products, tools and services, leveraging the strong technology competencies of our engineering and product teams. Relevant expenses represent mostly salaries and dedicated, specialised third-party expenses of the relevant teams, reaching €23.5m during the year. Compared to total revenue for the year, those expenses represented 10% of our 2021 revenues, 1% below the same level it was at for the year before.

€M	2021	2020	Change vs 2020
Revenue	230.7	193.5	+19%
Cost of materials & consumables used	(149.0)	(132.4)	+13%
Gross profit	81.7	61.1	+34%
Operating expenses and other income	(102.8)	(76.6)	+34%
Operating result	(21.1)	(15.4)	-37%
Financial result and taxes	(0.1)	(0.2)	-58%
Result for the year	(21.2)	(15.7)	-35%

Consolidated financial position

Our financial position per the end of 2021 is summarised below:

€M	2021	2020	Change	Change %
Non-current assets	27.5	22.6	4.9	+22%
Current assets	128.9	125.3	3.6	+3%
Total assets	156.4	147.9	8.5	+6%
Non-current liabilities	7.2	7.2	0.0	0%
Current liabilities	82.0	60.4	21.6	+36%
Equity	67.2	80.3	(13.1)	-16%
Total liabilities + equity	156.4	147.9	8.5	+6%

Of note are the following comments on our financial position:

- Throughout the year, total assets grew to €156.4m, an increase of 6% vs 2020. Of this total, cash and short-term deposits represented €42.2m and together with a short-term investment of €22.0m and a fixed deposit of €13.2m adding up to 49% of total assets, decreasing by 2% vs December 2020.
- Contract liabilities grew by €2.2m, an increase of 13% vs. 2020. The increase correlates to the revenue growth of subscriptions.
- Account payables and accrued expenses related to payments for content costs throughout the music industry grew by €16.1m due to phasing of payments.
- Operating cash flow improved by €12.2m with an operating cash usage of €1.2m. Whilst gross profit was up, employee benefits and marketing expense were higher. Cash outflow for investing activities occurred mainly for a short-term investment in money-market funds of €22.0m and a fixed deposit of €13.2m. The purchase of property, plant and equipment was a total of €3.6m for the year ending in December 2021 (up €1.4m vs. 2020). The cash outflow from financing activities of €5.4m mainly comprises of the principal elements of lease payments. In 2020 the fund raising completed in February 2020 led to cash-inflows of 68.5m.

6. Risks and opportunities

For SoundCloud, risks are defined as situations which could result in an adverse effect for the company's operational performance and its financial position. The management of the company is tasked with identifying those risks and with taking potential mitigation actions as needed. This responsibility is being catered to by means of recurring planning and budgeting processes, as well as several status review meetings occurring at regular intervals. Risks resulting from fraudulent activity, be it internal or external, are constantly monitored with established processes; reactions are taken ad-hoc and on a needs-be-basis, subject to the issue at hand. Externalities such as the coronavirus pandemic pose both risks and opportunity at the same time and were responded to as needed.

Risks also arise from the competitive nature of our markets. Both the audio streaming and the creator services markets are contested by well-capitalised companies such as Google, Spotify and Apple on the tech side, and various major labels, distributors and publishers on the established music side. We are confident that we will continue to hold a strong position within the industry, though expect the markets to continue being highly competitive.

Our workforce is highly skilled, leveraging their expertise in their respective fields. They are recruited from a global talent pool which is highly competitive and targeted by a number of attractive internet and technology companies. Attracting and retaining our talent requires ongoing efforts across the organisation and may not always meet the company's aspirations for growth.

SoundCloud is committed to developing and maintaining tools, technologies and processes designed to protect against the use of our platform for the distribution of unauthorised or unlawful material. There are statutory provisions in European law, the federal law of the United States and elsewhere that we operate to limit (but do not generally exclude) the liability of online service providers for hosting unauthorised or unlawful material, provided certain requirements are met. Despite the existence of these statutory provisions in some territories, the law relating to the liability of online service providers is largely unsettled, and in any event the position varies from territory to territory according to local law. Similarly, we could be subject to copyright infringement and patent litigation.

As our business model is largely dependent on information technology (IT), we are exposed to potential risks from cyber-attacks and other fraudulent activities targeting our systems. Those could result from internal or external attacks and may target a few specific systems and critical infrastructure. Among others, potential implications from cyber-attacks and fraudulent activities could impact our ability to attract and retain customers, sensitive data could be compromised, and our services could face interruptions. To prevent this, we rely on both internal and external tools and processes aimed at protecting our IT infrastructure. Specifically, we deploy dedicated software to identify and respond to potential attacks, whilst also actively training our staff to be aware of risks and potential threats. Consequently, we are confident to protect ourselves against potential attacks.

Monetising content from third parties, such as major labels, exposes us to risks of disputes, potential lack of access to content and adverse changes in commercial terms. Possible consequences of those risks include a limited ability to stream and monetise content which could have adverse implications for our financial performance, based on reduced demand for both listener subscription and advertising on our platform.

Operating internationally, we are exposed to foreign exchange risks across the business lines we operate. Specific implications of varying foreign exchange rates could adversely impact our financial performance should foreign exchange rates move materially. The impacts would be recognised in our profit and loss statement and could impact certain balance sheet items such as OCI. This risk is being actively monitored throughout the year.

Consistent with most companies, our business is continually exposed to the risk of economic downturns, inflation, war and other factors that could drive down disposable income and demand for our products. The impact of large economic downturns could adversely impact our growth in Ad Sales demand from advertisers pulling back on their marketing spend and creators, artist or fans reducing their spend on our various product subscriptions.

Lastly, whilst we are making progress towards being profitable, we are still loss-making and therefore exposed to liquidity risks as we consciously invest into the scaling of our business. However, we are well placed given our existing cash reserves and expect additional financings to be available should we decide to conduct another financing round.

Like in prior periods, management views the risks as unlikely to have a material impact on the immediate outlook. Based on our framework for reviewing risks, we are constantly monitoring them to ensure potential implications are identified early and mitigated as needed. Potential implications could be a reduction in revenues and/or margins which management would be prepared to address by means of cost reductions as needed, though overall our risk assessment has not changed materially.

We see opportunities in further scaling our international footprint, particularly in markets where listening activity is *substantial and/or growing fast*. The launch of *Fan Powered Royalties* has had a positive impact on SoundCloud's marketplace reputation as well as constructively altered the negotiating dynamic with major label licensors. Indeed, distributing royalties in a more equitable and transparent way for artists to monetise their content on our platform based on fans' listening habits, should strengthen our footing in the artist community further: the more fans listen to a specific artist, the more they get paid. The company is further planning to expand its support of creator services for select high potential artist through its newly defined Roster function. The function will create individual direct relationships with artist to help develop their careers and reach more fans. SoundCloud first entered creative services business with acquisition of Repost Network Inc in 2019.

Having seen several mergers and acquisitions in our industry, we also see an opportunity in the current consolidation activities within the wider industry. Management continues to monitor those opportunities closely and reserves the right to react quickly to opportunities arising.

On 29 April 2022 SoundCloud purchased 100% of the shares in Musiio Pte Ltd., an artificial intelligence and machine learning company. Musiio will amplify SoundCloud's existing music intelligence capabilities and allow the company to further leverage its vast data to identify what's next in music trends and talent. The company acquired Musiio for cash and equity consideration which included net cash of \$7M. Musiio's technology focuses on B2B audio reference search (AI that can "listen" to music), automated tagging, and playlisting tools for the music industry. By "listening" to more tracks than a human could ever comprehend and identifying characteristics and patterns, its AI allows users to better predict success, which in turn, can increase their 'hit-rate' and ultimately their revenue. With its leading product suite and by deeper integration with SoundCloud, Musiio will become core to SoundCloud's discovery experience and help to identify talent and trends ahead of anybody else.

7. Outlook

Despite the lingering pandemic, rising recessionary and inflationary concerns in the US and around the world, the war in Ukraine and higher oil prices are all factors that could affect consumer spending levels and savings rates that might decrease consumer disposable income spending. With the risk of these potential macro-economic trends, we do still expect our business to grow year over year but likely at a slightly slower pace for 2022. Based on our new strategic positioning as a music entertainment company, we are strengthening our differentiation whilst also creating a commercial model which will continue to result in scaling efficiencies as we grow revenues.

We expect revenues to continue to grow in 2022 and beyond. Our gross profit is expected to grow slightly as we scale revenues with gross margin being at similar, or slightly higher levels as in 2021. We plan to invest into further scaling our Creator and Roster businesses. These investments will be reflected in our operating profit as we focus on improving our creator journey throughout the platform and on new talent for the Roster. Free cash flow from operating activities will therefore continue to be slightly negative in 2022; however, given our access to capital and no current leverage or debt on our balance sheet, we are well placed to make those investments and expect our liquidity resources to accommodate this comfortably.

Berlin, 14 July 2022

Andrew Wilson

Consolidated financial statements and
related notes of
SoundCloud Holdings GmbH

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Consolidated statement of comprehensive income

for the years ended 31 December 2021 and 2020

In EUR thousands	Note #	2021	2020
Revenue	5	230,734	193,536
Other operating income	8	771	5,781
Cost of materials and consumables used	8	(149,036)	(132,390)
Employee benefits expense	8	(53,939)	(48,202)
Depreciation and amortisation expense	8	(6,291)	(5,804)
Other operating expense	8	(43,329)	(28,362)
Operating result		(21,089)	(15,443)
Finance income	8	200	139
Finance costs	8	(275)	(345)
Financial result	8	(75)	(206)
Loss before tax		(21,164)	(15,650)
Income tax	9	(28)	(38)
Loss of the year		(21,192)	(15,688)
Other comprehensive income			
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations	19	7,457	(10,859)
Total other comprehensive income		7,457	(10,859)
Total comprehensive income		(13,735)	(26,547)

Loss of the year and total comprehensive income are attributable to the owners of SoundCloud Holdings GmbH.

Consolidated statement of financial position

as at 31 December 2021 and 2020

In EUR thousands	Note #	Dec 31, 2021	Dec 31, 2020
Assets			
Non-current assets			
Intangible assets	10 11	8,001	8,009
Right-of-use assets	13	11,678	9,935
Property, plant and equipment	12	4,814	2,676
Other financial assets	17	3,009	1,964
Total non-current assets		27,502	22,584
Current assets			
Trade receivables	14	28,710	24,167
Prepayments	15	5,250	7,944
Lease receivables	13	-	1,766
Other assets	16	5,269	1,392
Other financial assets	17	47,454	11,468
Cash and cash equivalents	18	42,231	78,545
Total current assets		128,915	125,282
Total assets		156,417	147,866

Consolidated statement of financial position

as at 31 December 2021 and 2020

In EUR thousands	Note #	Dec 31, 2021	Dec 31, 2020
Liabilities			
Non-current liabilities			
Lease liabilities	13	7,159	7,165
Total non-current liabilities		7,159	7,165
Current liabilities			
Provisions	21	4,547	3,230
Contract liabilities	6, 22	18,592	16,436
Trade payables	23	15,541	7,428
Current tax liabilities		14	33
Lease liabilities	13	4,291	4,779
Other liabilities	24	3,156	3,216
Other financial liabilities	25	35,900	25,288
Total current liabilities		82,041	60,410
Total Liabilities		89,200	67,575
Equity			
Equity			
Share capital	19	25	25
Share premium	19	396,848	396,848
Other capital reserves	19	37,504	36,844
Retained earnings (- losses)	19	(365,447)	(344,255)
Currency translation reserve		(1,713)	(9,170)
Total equity		67,217	80,291
Total equity and liabilities		156,417	147,866

Consolidated statement of changes in equity

for the years ended 31 December 2021 and 2020

In EUR thousands	Share capital	Share premium	Other capital reserves	Retained earnings / (losses)	Currency translation reserve	Total equity
Note #	19	19	19	19	19	
Balance at Jan 1, 2020	149,848	178,520	33,041	(328,567)	1,689	34,531
Other comprehensive income / (expense)					(10,859)	(10,859)
Result for the year				(15,688)		(15,688)
Share-based payments			3,803			3,803
New shares issued	68,480					68,480
Share capital reduction – new parent company	(218,328)	218,328				-
Shares of parent company	25					25
Balance at Dec 31, 2020	25	396,848	36,844	(344,255)	(9,170)	80,291
Other comprehensive income / (expense)					7,457	7,457
Result for the year				(21,192)		(21,192)
Share-based payments			660			660
Balance at Dec 31, 2021	25	396,848	37,504	(365,447)	(1,713)	67,217

Consolidated Statement of Cash Flows

for the year ended 31 December 2021

In EUR thousands	Note #	2021	2020
Cash flows from operating activities			
Loss before tax		(21,164)	(15,650)
<i>Adjustments to reconcile loss before tax to net cash flows</i>			
Depreciation and amortisation expense	8	6,291	5,804
Non-cash employee benefits expense – share based payments	8, 20	660	3,803
Finance costs - net	8	74	206
Net exchange differences		(1,576)	1,278
Decrease / (Increase) in trade receivables	14	(4,543)	(1,878)
Decrease / (Increase) in other operating assets		(2,923)	(8,047)
Increase / (Decrease) in trade payables	23	8,114	2,051
Increase / (Decrease) in contract liabilities	22	2,155	(1,514)
Increase / (Decrease) in other operating liabilities		10,533	1,016
Increase / (Decrease) in provisions	21	1,317	(233)
Cash generated from operations		(1,062)	(13,164)
Interest received	8	200	139
Interest paid	8	(275)	(345)
Income taxes paid	9	(28)	(38)
Net cash flows from / (used in) operating activities		(1,165)	(13,408)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	12	11	230
Purchase of property, plant and equipment	12	(3,593)	(2,230)
Proceeds from sale of intangible assets	10	-	17
Purchase of intangible assets	10	(112)	(236)
Principal elements of lease payments	13	1,766	1,641
Payment for financial assets at fair value through P&L		(33,962)	-
Net cash flows from / (used in) investing activities		(35,891)	(577)
Cash flows from financing activities			
Proceeds from issues of shares	19	-	68,504
Principal elements of lease payments	13	(5,386)	(5,052)
Net cash flows from / (used in) financing activities		(5,386)	63,452

Net increase / (decrease) in cash and cash equivalents		(42,442)	49,468
Cash and cash equivalents at the beginning of the year	18	78,545	39,936
Net foreign exchange difference		6,128	(10,859)
Cash and cash equivalents at year end		42,231	78,545

Notes to the consolidated Financial Statements

1. General information

SoundCloud Holdings GmbH ("the Company"), registered in Berlin, Germany, under the registration number HRB 219600 B, and its subsidiaries (together the "Group" or "SoundCloud") operate an open audio platform, enabling anyone to easily upload and share their music, podcasts, and other audio content with a global audience.

SoundCloud Holdings GmbH is a limited liability company incorporated in Germany. The Registered Office is at Rheinsberger Str. 76/77, 10115 Berlin, Germany.

For the purpose of intra-group restructuring, SoundCloud Holdings GmbH was acquired as a shell company and incorporated as the parent company of SoundCloud Limited. The consolidated financial statements have therefore been prepared at the level of SoundCloud Holdings GmbH.

During the restructuring, the operating business of SoundCloud Limited was transferred to SoundCloud Global Ltd. & Co KG. The shares of SoundCloud Global Ltd. & Co. KG are held by SoundCloud Limited and SoundCloud Management GmbH. SoundCloud Limited acts as the general partner whilst SoundCloud Management GmbH is the sole limited partner.

All shares in SoundCloud Limited were transferred to SoundCloud Holdings GmbH as of 30 December 2020. As a result, all operating subsidiaries under SoundCloud Limited were transferred to SoundCloud Global Limited & Co. KG.

SoundCloud Holdings GmbH has no own business activities and is therefore not a business within the meaning of IFRS 3.

The controlling shareholder within the meaning of IFRS 10, both before and after the transaction, is SoundCloud Holdings II Limited, which holds 100% of the shares in SoundCloud Holdings GmbH.

The 2020 intra-group restructuring is a transaction under common control, which is not subject to IFRS 3. The transaction is accounted for as a capital reorganisation as it does not result in a material economic change in the previously existing reporting entity. In the case of a capital reorganisation, the original carrying amounts of the reporting entity's assets and liabilities in the consolidated financial statements of the old entity are continued in the consolidated financial statements of the new entity. The equity components must be adjusted to the new structure of the reporting entity.

2. Group information

Subsidiaries

The consolidated financial statements of the Group include the following subsidiaries:

Fully consolidated companies	Principal activities	Country of incorporation	% Equity interest
SoundCloud Limited	Holding company	United Kingdom	100
SoundCloud Management GmbH	Management services	Germany	100
SoundCloud Global Ltd. & Co. KG	Operating SoundCloud's platform	Germany	100
SoundCloud Inc	Marketing and content management	United States	100
SoundCloud Ops Inc	US market services	United States	100
Repost Network Inc	Creator services	United States	100
Repost Publishing LLC	Publishing Administration	United States	100
SoundCloud EOOD	Dormant	Bulgaria	100
SoundCloud Pty Ltd.	Dormant	Australia	100

The separate financial statements of the subsidiaries are prepared as of the reporting date of the consolidated financial statements.

The holding companies

The immediate parent undertaking is SoundCloud Holdings II Limited, Cayman Islands. The ultimate parent and controlling party is SoundCloud Holdings LLC, Cayman Islands.

3. Basis of preparation

The consolidated financial statements of SoundCloud Holdings GmbH have been prepared pursuant to Sect. 315e of the German Commercial Code (HGB) in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) as adopted by the European Union.

The consolidated financial statements provide a fair presentation of the company's net assets, financial position and results of operations.

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

The financial statements are prepared in Euro and rounded to the nearest EUR'000 unless otherwise stated. Rounding differences may occur in respect of individual amounts or percentages. The financial statements as of 31 December 2021 are comprised of the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity and the consolidated statement of cash flows and notes.

The consolidated financial statements are prepared on a going concern basis.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group accounting policies.

The presentation of the statement of financial position distinguishes between current and non-current assets as well as current and non-current liabilities. Assets or liabilities due within one year are classified as current. Deferred tax assets and liabilities are classified as non-current. The financial statements have been prepared on a historical cost basis, except for share based compensation measured at fair value. The statement of comprehensive income is prepared according to the nature of expense method and the entity prepares its financial statements, except for the cash flow information, using the accrual basis of accounting.

The management of SoundCloud Holdings GmbH prepared the consolidated financial statements on 14 July 2022 and released them for forwarding to the shareholders' meeting, which must declare, whether it approves the consolidated financial statements.

Application of new or amended standards and interpretations

New accounting standards and interpretations have been published, that are not mandatory in the European Union for 31 December 2021 reporting periods and have not been early adopted by the Group.

Standard	Title	Effective date
Endorsement pending		
IAS 1	Classification of liabilities as current or non-current (Amendment to IAS 1)	01.01.2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendment to IAS 12)	01.01.2023
Amendments to IFRS 17	Initial application of IFRS 17 and IFRS 9 – Comparative information	01.01.2023

Standard	Title	Effective date
Endorsement completed		
Amendments to IFRS 4	Extension of the temporary exemption from the application of IFRS 9	01.01.2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – phase II	01.01.2021
Amendments to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021	01.04.2021
Amendments to IFRS 3, IAS 16, IAS 37 and annual improvements 2018-2020	References to the Framework	01.01.2022
IFRS 17	Insurance contracts including amendments to IFRS 17	01.01.2023
Amendments to IAS 1	Disclosure of accounting policies (Amendment to IAS 1 – Practice statement 2)	01.01.2023
Amendments to IAS 8	Definition of accounting estimates	01.01.2023

The management of SoundCloud assumes that the listed standards and interpretations adopted by the IASB will be applied in the consolidated financial statements of the financial year in which their application is mandatory, provided that relevant cases of application exist. The pending endorsements for 2022 will not affect the consolidated financial statements in the following year. The effects of the pending endorsements for the years beyond 2022 are under review – impact is therefore not known or reasonably estimable at this point in time.

Basis of consolidation

Subsidiaries are all entities over which the group has control. The group controls an entity where the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Foreign Currencies

Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Euro (EUR) and are rounded to thousands. EUR is SoundCloud Holdings GmbH's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions. At each period end foreign currency monetary items are translated using the spot exchange rate at the reporting date. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Differences arising on settlement or translation of monetary items are recognised in profit or loss within 'Other operating expenses' except for monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss.

Group companies

The trading results of Group undertakings are translated into Euro at the spot exchange rates at the dates of the transactions. Unrealized assets and liabilities including goodwill and fair value adjustments arising on acquisition, are translated at the exchange rates ruling at the year-end.

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at the exchange rates at the dates of the transactions, and
- all resulting exchange differences are recognised in other comprehensive income.

Following exchange rates were used:

	Closing rate		Average rate	
	Dec 31, 2021	Dec 31, 2020	2021	2020
1 Euro (EUR) = US Dollar (USD)	1.13224	1.22986	1.18308	1.14174
1 Euro (EUR) = British Pound (GBP)	0.83885	0.90240	0.85994	0.88890
1 Euro (EUR) = Australian Dollar (AUD)	1.56193	1.59972	1.57521	1.65981
1 Euro (EUR) = Bulgarian Lev (BGN)	1.95596	1.95820	1.95583	1.95723

The average rate shown in the table above reflects the average of the daily rates used.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

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

4. Summary of significant accounting policies

Business combinations and goodwill

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognized in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the consideration transferred, the Group re-assesses whether it has correctly identified all the assets acquired and all the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets acquired as part of an acquisition of a business are capitalized separately from goodwill if the fair value can be measured reliably on initial recognition, subject to the constraint that, unless the asset has a readily ascertainable market value, the fair value is limited to an amount that does not create or increase any negative goodwill arising on acquisition.

Intangible assets, excluding development costs, created within the business are not capitalized and expenditure is charged against profits in the year in which it is incurred.

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- *The technical feasibility of completing the intangible asset so that the asset will be available for use*
- Its intention to complete and its ability and intention to use the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in depreciation and amortisation expense. During the period of development, the asset is tested for impairment annually.

The Group has incurred research and development expenses of €23,462 thousand in 2021 (2020: €21,844 thousand) which are included in employee benefits, depreciation and amortisation expense and other operating expense. Development expenditures have been expensed due to not meeting the criteria for the recognition of intangible assets.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

Intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Category	Average useful lives
Software (External & internally generated), licences & technology	5 years
Brand & customer relations	5 to 7 years

Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to acquiring the asset and making it capable of operating as intended.

Depreciation is provided on all property, plant and equipment, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life as follows:

Category	Average useful lives
Technical equipment	3 to 5 years
Office furniture & low value assets	1 to 10 years
Leasehold improvements	3 to 5 years

The assets' depreciation method, residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss in other income or other expenses.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a time period in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities for future lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Category	Average useful lives
Offices	1-5 years
Other equipment	3 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

Group as a lessor

The Group is a sub-lessor of right-of-use assets and classifies the sublease as a finance lease as the lease transfers substantially all the risks and rewards from the right-of-use asset.

The right-of-use asset is derecognised and the net investment of the sublease is recognized. The difference between the right-of-use asset and the net investment is recognized in profit or loss. At the commencement date, the net investment in the finance lease is measured at an amount equal to the present value of the lease payments for the underlying right-of-use assets during the lease term.

Finance income is recognized over the lease term, based on a pattern reflecting a contend period rate of return on the lessor's net investment in the lease.

Taxes

Current income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at a time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws)

that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset, where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Impairment of non-monetary assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

During the reporting period, no non-monetary assets were impaired.

Cash and cash equivalents

Cash and cash equivalents include cash at banks and on hand and short-term deposits with a maturity of less than three months, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, *it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount can be reliably estimated.*

Provisions are not recognized for future operating losses. Provisions with a maturity of up to one year are considered current and provisions with a maturity of more than one year are considered non-current.

When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, *the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain.* The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as interest expense.

Provisions are generally measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Share-based payments

SoundCloud Holdings LLC operates share-based payment schemes for the employees of the group (including senior executives).

The cost of equity-settled transactions is determined using the Black Scholes option-pricing model that reflects a grant's fair market value at the grant date.

As an equity-settled expense, the cost is recognized as an employee expense (see note 8) in the income statement with a corresponding increase in equity (other capital reserves) over the period in which the service and, where applicable, the performance conditions are fulfilled (vesting period).

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the

employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Classification

Financial assets are classified, at initial recognition. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Initial recognition and measurement of financial instruments

SoundCloud measures its financial assets at amortized cost, if the financial assets are held within the framework of a business model whose objective is to hold financial assets in order to collect the contractual cash flows, and the terms of the contract result in cash flows that represent solely payments of principal and interest (SPPI). The company's financial assets falling into this measurement category are trade receivables, other receivables as well as cash and cash equivalents. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss.

Non-derivative financial liabilities are initially measured at fair value less directly attributable transaction costs. Subsequently, these financial liabilities are measured at amortized cost using the effective interest method.

Recognition and derecognition of financial instruments

Regular way purchases and sales of financial assets are recognized on trade date, the date on which the entity commits to purchase or sell the asset. Financial assets are derecognized when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. The transferred assets are measured by considering the rights and obligations that the entity retains.

A financial liability is derecognized if the underlying obligation is settled, cancelled or extinguished. If an existing financial liability is exchanged for another financial liability of the same lender with substantially different contractual terms, or if the terms of an existing liability are substantially changed, such exchange or modification is treated as derecognition of the original liability and recognition of a new liability. The difference between the respective carrying amounts is recognized in profit or loss.

Impairment of financial instruments

The Group recognises an allowance for expected credit losses associated with its debt instruments measured at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

A loss allowance for full lifetime expected credit losses is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition as well as to trade

receivables that do not contain significant financing components in accordance with IFRS 15. For all other financial instruments, expected credit losses are measured at an amount equal to the 12-month expected credit losses.

The Group has applied the practical expedient to make use of the simplified approach to calculate expected credit losses by using a lifetime expected loss allowance for trade receivables and other financial assets, as they do not contain significant financing components. Calculated costs include expected cash collection costs, interests for late payments and potential write-downs based on the Group's historical default rates. Looking forward no events are expected or have occurred which would require changes to these assumptions.

Within other financial assets expected lifetime losses for receivables from subscription payments are recognised for external app stores only. Payments from other channels don't bear a risk of lifetime losses, as these are prepaid.

Financial assets are written off when there is no reasonable expectation of recovery.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

All financial assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets and liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value is unobservable

See note 26 for a table of financial instruments, analysed by classes and categories.

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of the goods and services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services.

As of January 2021, the Group has reorganised the revenue streams into two new Business units, Fans and Creators.

Fans

The consumer-facing offering provides listeners with access to a substantial, and in many cases unique, catalogue of content which can be consumed via the web or on mobile devices; here, revenue is derived from subscriptions and advertising.

Transaction fees resulting from subscription payments carried out through payment and other platform operators are being withheld. As the company is the principal in its dealing with the end customer, gross revenue is recognised, and the corresponding fees are recognised in cost of materials and consumables used.

The performance obligation for the revenue generated through subscriptions is satisfied over the coverage period based on the time elapsed – revenue is therefore recognised over time. Payment is due immediately. Discounts on subscriptions given at a point in time reduce the transaction price over the corresponding coverage period based on the time elapsed.

Advertising revenue is generated through various advertising formats delivered on the platform. Revenue is predominantly generated through indirect partnerships targeting SoundCloud's geographical expansion plans. SoundCloud has guaranteed to provide the technical requirements and to make available a minimum number of impressions per month for Audio and Video advertising inventory in a defined quality.

The company enters into exclusive representation agreements with resellers, where resellers are granted the right to sell advertising on the company's platform exclusively in a specific region over a specific term. For these contracts, it is assessed on a one-on-one basis whether the company is the principal or the reseller is the principal in the dealings with the end-customer and hence, whether revenue must be recognized either gross or net.

The transaction price is typically a cost per thousand advertising impressions delivered. Agreements typically have a specific term. The performance obligation for the revenue generated through advertising is satisfied when advertising inventory has been made available. As the Company's clients receive and consume benefits provided by the Company's performance as it performs, revenue is recognised over time throughout the contract term. The payment is generally due within 30-120 days after the monthly service period.

Creators

SoundCloud's Creator-facing platform generates revenue by providing tools which enable individuals to share content through the internet, using a suite of products and services; revenue is generated through subscriptions.

Transaction fees resulting from subscription payments carried out through payment and other platform operators are being withheld. As the company is the principal in its dealing with the end customer, gross revenue is recognised, and the corresponding fees are recognised in cost of materials and consumables used.

The performance obligation for the revenue generated through subscriptions is satisfied over the coverage period based on the time elapsed – revenue is therefore recognised over time. Payment is due immediately. Discounts on subscriptions given at a point in time reduce the transaction price over the corresponding coverage period based on the time elapsed.

Creator services revenues are generated by monetising the rights of content artists made available to its Creator services business on various online streaming platforms.

As the company is the principal in its dealing with the customer, gross revenue is recognized, and the artists royalties are recognized in cost of materials and consumables used.

The performance obligation for the revenue generated through streaming platforms is satisfied with content being made available for monetisation. As the Company's clients receive and consume benefits provided by the Company's performance as it performs, revenue is recognised over time throughout the contract term. Payment is generally due within 30-60 days after the monthly monetisation period.

Contract balances

i) Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. All trade receivables are classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

ii) Contract liabilities

A contract liability is recognised if a payment is received, or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements require management to make judgements, estimates and assumptions that affect the reported amounts – they are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

i) Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised.

ii) Functional currency

The change of the functional currency of the subsidiaries SoundCloud Limited and SoundCloud Global Limited & Co. KG from Euro to US Dollar was triggered by the growing influence of the US markets and the increase of transactions processed in US Dollar in major functional areas.

ii) Share based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, share price, volatility and dividend yield and making assumptions about them. For the measurement of the fair value of equity-settled transactions with employees at the grant date, the Group uses a Black Scholes option price model. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 20.

iii) Impairment of assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested.

The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 11.

iv) Provisions

Provisions for litigation require management's best estimate of costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows is subject to uncertainty.

v) Leases – estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

vi) Taxes

Deferred tax assets have been recognised in respect of the losses incurred over the years in the past. The group has concluded that deferred tax assets are recoverable to the extent that deferred tax liabilities have been recognised based on the estimated future taxable income (which are derived from approved business plans and budgets for the subsidiaries). If the Group was able to recognise all unrecognised deferred tax assets, profit and equity would have increased by €92,213 thousand. Further details on taxes are disclosed in Note 9.

5. Revenues from contracts with customers

Set out below is the disaggregation of revenue from contracts with customers:

In EUR thousands	2021	2020
Fans	143,441	122,970
Creators	87,293	70,566
Total	230,734	193,536

6. Contract balances

In EUR thousands	Dec 31, 2021	Dec 31, 2020
Trade receivables	28,710	24,167
Contract liabilities	18,592	16,436

Trade receivables increased by 19% correlating to the growth in advertising revenue (Fans) and creator services revenue (Creators).

Contract liabilities as of 31 December 2021 include short-term advances received for subscriptions and are expected to be recognised in the year 2022. All contract liability balances depend on the number of subscriptions.

All contract liabilities at 1 January 2021 were recognised in revenue within 2021. All contract liabilities at 1 January 2020 were recognised in revenue in 2020.

7. Business combinations

Mid of 2019, the Group acquired control of Repost Network Inc, a leading rights management and distribution company through purchase of 100% of the share capital. With the acquisition, SoundCloud is able to provide high-performing, emerging creators a seamless upstream to Repost Network's invite-only tools and services like streaming distribution, analytical dashboards, content protection and more. The acquisition contributes to SoundCloud's goal of developing the most comprehensive set of tools available to creators.

The goodwill was initially recognised at €6,165 thousand in 2019. The effects from exchange differences on translation of foreign operations are recognised within other comprehensive income and have led to changes in the book value of goodwill noting at €6,134 thousand as of end of 2021 (2020: €5,647 thousand).

The contingent consideration of €1,575 thousand has been paid into an escrow account on 16 June 2019. It was released in 2019, 2020 and completed by the final payment in August 2021.

8. Notes to the consolidated statement of comprehensive income

Other operating income

In EUR thousands	2021	2020
Net foreign exchange differences	-	1,965
Recharging of costs to the parent companies	186	2,146
Release of provisions (see note 21)	180	928
Miscellaneous other operating income	405	742
Total	771	5,781

Cost of materials and consumables used

In EUR thousands	2021	2020
Content cost	120,825	105,892
Other cost of materials and consumables used	28,211	26,498
Total	149,036	132,390

The cost of materials and consumables used mainly results from royalties paid to our partners including publishers, music labels and independent artists. Other cost of materials and consumables used contains infrastructure cost and subscription payment fees.

Employee benefits expense

In EUR thousands	2021	2020
Wages and salaries	46,196	38,601
Social security	6,558	5,348
Share-based compensation	660	3,803
Pension cost	233	200
Other	291	250
Total	53,939	48,202

In 2021 the company's contribution to the statutory pension and healthcare schemes and other social security contributions amounted to €6,791 thousand (2020: €5,549 thousand).

The average number of people employed by the company is presented below:

Number of employees	2021	2020
Technology	240	213
Business	121	102
Operations	90	77
Total	451	392

Depreciation and amortisation expense

In EUR thousands	2021	2020
Intangible assets (see note 10)	825	885
Property, plant and equipment (see note 12)	1,746	1,454
Leases (see note 13)	3,719	3,465
Total	6,291	5,804

Other operating expense

In EUR thousands	2021	2020
Marketing expense	22,817	13,446
Professional fees	12,932	9,505
Travel cost	432	329
Net foreign exchange differences	1,321	-
Write-downs of receivables	1	47
Other expense	5,826	5,035
Total	43,329	28,362

Other expense mainly contains of expenses for IT, insurance, short-term leases, communication, fees, repairs and maintenance as well as bank charges and office supplies.

Professional fees include auditor's remuneration as follows:

In EUR thousands	2021	2020
Audit of the financial statements (€105 thousand of the fees in 2021 relate to 2020)	265	140
Non-audit related services	-	15
Total	265	155

Financial result

In EUR thousands	2021	2020
Finance income	200	139
Other interest and similar income	148	-
Interest on lease assets (note 13)	52	139
Finance costs	275	345
Other interest and similar expense	12	46
Interest on lease liabilities (note 13)	225	299
Interest expense related to income tax	1	-
Fair value measurement of other financial assets	37	-
Financial result	75	206

9. Income tax

The major components of income tax expense included in profit or loss for the years are as follows:

In EUR thousands	2021	2020
Current income tax charge	15	-
Adjustment in respect of prior years	13	38
Decrease / (increase) in deferred tax assets	165	165
(Decrease) / increase in deferred tax liabilities	(165)	(165)
Income tax expenses reported in the statement of profit or loss	28	38

The tax credit for the year is higher (2020: higher) than the standard rate of corporation tax in Germany of 30.18% (2020: 30.18%). The following table shows the reconciliation of tax expense and the accounting loss multiplied by SoundCloud's domestic tax rate:

In EUR thousands	2021	2020
Losses before taxation	21,164	15,650
At SoundCloud's income tax rate of 30.18% (2020: 30.18%)	(6,386)	(4,722)
Adjustments recognized in the period for:		
Adjustments in respect of current income tax of previous years	13	38
Non-deductible expenses / income for tax purposes	1,166	(1,911)
Tax losses carried forward and temporary differences	4,742	6,407
Effect of different tax rates	506	236
Other effects	(13)	(10)
Total tax credit / expense	(28)	(38)
Effective income tax rate	0.1%	0.2%

The Group has tax losses carried forward of approximately €295 million (2020: €273 million) which are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose but were only recognised as deferred tax assets to the extent that deferred tax liabilities have been recognised due to the historic loss-making situation of the group.

Deferred tax assets

In EUR thousands	2021	2020
Tax losses	400	653
Lease liabilities	3,195	3,531
Total	3,595	4,184

Deferred tax assets have been recognised in respect of the losses incurred over the years in the past. The group has concluded that deferred tax assets are recoverable to the extent that deferred tax liabilities have been recognised based on the estimated future taxable income (which are derived from approved business plans and budgets for the subsidiaries). As a result, neither deferred tax assets nor deferred tax liabilities are conveyed in the statement of financial position. Deferred tax liabilities arise from:

Deferred tax liabilities

In EUR thousands	2021	2020
Intangible assets acquired in a business combination	400	502
Intangible assets	-	18
Differences arising from unrealised foreign currency revaluation	-	133
Right-of-use assets	3,195	2,999
Lease assets	-	533
Total	3,595	4,184
Netted with deferred taxes assets	(3,595)	(4,184)
Income tax expenses reported in the statement of profit or loss	-	-

Reconciliation Deferred tax balances

In EUR thousands	2021	2020
As at 1 January	-	-
Charged to profit or loss	165	165
Acquisition of a subsidiary	(165)	(165)
As at 31 December	-	-

The amount of deductible temporary differences for which no deferred tax asset has been recognised in 2021 is €18,833 thousand (2020: €15,805 thousand).

10. Intangible assets

In EUR thousands	Software, patents, licences & technology	Brand & customer relations	Goodwill	Total
Cost as of 1 January 2020	1,903	2,177	6,194	10,274
Additions	236	-	-	236
Acquisition of a subsidiary	(17)	-	-	(17)
Foreign exchange differences	(96)	(132)	(547)	(774)
Cost as of 31 December 2020	2,026	2,045	5,647	9,719
Accumulated Amortisation as of 1 January 2020	593	241	-	834
Additions	472	413	-	885
Foreign exchange differences	(9)	-	-	(9)
Accumulated Amortisation as of 31 December 2020	1,056	654	-	1,710
Net carrying amounts as of 1 January 2020	1,310	1,936	6,194	9,440
Net carrying amounts as of 31 December 2020	970	1,391	5,647	8,009
Cost as of 1 January 2021	2,026	2,045	5,647	9,719
Additions	112	-	-	112
Disposals	-	-	-	-
Foreign exchange differences	108	127	487	721
Cost as of 31 December 2021	2,246	2,172	6,134	10,552
Accumulated Amortisation as of 1 January 2021	1,056	654	-	1,710
Additions	412	413	-	825
Foreign exchange differences	66	-	-	66
Accumulated Amortisation as of 31 December 2021	1,484	1,067	-	2,551
Net carrying amounts as of 1 January 2021	970	1,391	5,647	8,009
Net carrying amounts as of 31 December 2021	762	1,105	6,134	8,001

11. Goodwill

For impairment testing, goodwill acquired through business combinations is allocated to the creator services CGU (Cash generating unit). Per the end of 2021, the carrying amounts of goodwill is €6,134 thousand (2020: €5,647 thousand) with changes arising from foreign exchange differences of €487 thousand (2020: €547 thousand) during the year under review.

In March 2020 the World Health organisation categorised COVID-19 as a pandemic. Public health efforts to mitigate the impact of the pandemic include government actions such as travel restrictions, limitations on public gatherings, shelter in place orders and mandatory closures. Although the pandemic has had a substantial impact on the global economy, the Group has not yet experienced material declines in revenue, deterioration of net assets, or adverse effects from the pandemic. Therefore, the pandemic does not qualify as a triggering event.

The group performed its annual impairment test as of 31 December 2021 and considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. As at 31 December 2021, the value determined of the CGU assessed was above the book value of its equity. The recoverable amount of the creator services CGU of €27,913 thousand as at 31 December 2021 has been determined based on a value in use calculation using cash flow projections from forward-looking financial plans approved by senior management covering a ten-year period. The pre-tax discount rate applied to the resulting cash flow projections was 20% (2020: 18%), and cash flows beyond the five-year period were extrapolated applying a 4% growth rate (2020: 4%). It was concluded that the fair value less costs of disposal did not exceed the value in use.

Key assumptions used in value in use calculations and sensitivity to changes in assumptions

The calculation of value in use for the creator services CGU is most sensitive to following assumptions:

- Gross margins
- Discount rates
- Growth rates used to extrapolate cash flows beyond the forecast period

Gross margins are based on average values realised during the three years preceding the beginning of the plan period, and an expected gross margin increasing achieved by expanding the creator services function into new products with potentially higher margins. The gross margins used in the financial model were between 20 and 30% (2020: 25 and 28%).

Discount rates represent the current assessment of the risks specific to the CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on specific circumstances of the Group and its operating entities and is derived from its weighted average cost of capital (WACC).

The rate of 20% (2020: 18%) was applied to the creator services CGU and takes into account the group's current cost of capital. As the group's financing structure is solely based on equity capital, this includes the cost of equity only which was determined using the Capital Asset Pricing Model (CAPM), i.e. an established approach. Applying sensitivities of the discount rate to the fair value suggested that a potential impairment would be required only if the discount rates reached as much as 46% (2020: 34%).

The growth rates of 32% in 2022 and 4% in the years beyond 2022 assumed in the financial forecast reflect strategic and operational ambitions over the next five years. Beyond this initial time frame, conservative growth rates have been assumed reflecting industry research and trends. Management recognises that the speed of technological change and the possibility of new entrants can have a significant impact on growth rate assumptions. However, the effect of new entrants is not expected to have an adverse impact

on the forecasts but could result in alternative scenarios to the estimated growth path through 2031. The sensitivity analysis conducted suggests that growth rates beyond 2022 need to be negative vs the realised and assumed growth rates to result in an impairment.

12. Property, plant and equipment

In EUR thousands	Technical Equipment	Office furniture & low value assets	Leasehold improve- ments	Total
Cost as of 1 January 2020	14,860	2,211	2,165	19,236
Additions	1,956	216	58	2,230
Disposals	(207)	(24)	-	(231)
Exchange differences	(1,408)	(191)	(209)	(1,808)
Cost as of 31 December 2020	15,201	2,212	2,014	19,427
Accumulated Depreciation as of 1 January 2020	12,751	2,178	1,951	16,880
Additions	1,055	121	92	1,454
Disposals	-	(1)	-	(1)
Exchange differences	(1,201)	(189)	(192)	(1,582)
Accumulated Depreciation as of 31 December 2020	12,791	2,109	1,851	16,751
Net carrying amounts as of 1 January 2020	2,109	33	214	2,356
Net carrying amounts as of 31 December 2020	2,410	103	163	2,676
Cost as of 1 January 2021	15,201	2,212	2,014	19,427
Additions	1,055	2,223	315	3,593
Disposals	(37)	(2)	(2)	(41)
Exchange differences	1,357	189	212	1,758
Cost as of 31 December 2021	17,576	4,622	2,539	24,737
Accumulated Depreciation as of 1 January 2021	12,791	2,109	1,851	16,751
Additions	1,453	190	103	1,746
Disposals	(31)	-	-	(31)
Exchange differences	1,114	183	160	1,457
Accumulated Depreciation as of 31 December 2021	15,327	2,482	2,114	19,923
Net carrying amounts as of 1 January 2021	2,410	103	163	2,676
Net carrying amounts as of 31 December 2021	2,249	2,140	425	4,814

13. Leases

Group as a lessee

The Group has lease contracts for items of office buildings and other equipment with lease terms between 1-5 years.

The Group also has certain leases with lease terms of 12 months or less. The Group applies the 'short-term lease' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

In EUR thousands	Office buildings	Equipment	Total
As at 1 January 2020	2,144	7	2,151
Additions (non-cash)	11,876	-	11,876
Depreciation expense	(3,462)	(3)	(3,465)
Currency revaluation	(627)	-	(627)
As at 31 December 2020	9,931	4	9,935
Additions (non-cash)	4,547	12	4,559
Depreciation expense	(3,715)	(4)	(3,719)
Currency revaluation	903	-	903
As at 31 December 2021	11,666	12	11,678

Set out below are the carrying amounts of lease liabilities and the movements during the period:

In EUR thousands	2021	2020
As at 1 January	11,944	5,789
Additions (non-cash)	4,559	11,876
Accretion of interest	225	299
Payments	(5,611)	(5,352)
Currency revaluation	333	(668)
As at 31 December	11,450	11,944

The maturity analysis of lease liabilities is disclosed in Note 26.

The following are the amounts recognised in profit or loss:

In EUR thousands	2021	2020
Depreciation expense of right-of-use assets	3,719	3,465
Interest expense on lease liabilities	225	299
Expense relating to short-term leases (included in other operating expense)	615	274
Total amount recognised in profit or loss	4,559	4,038

The Group had total cash outflows for leases of €6,226 thousand (2020: €5,626 thousand).

Group as a lessor

The Group has entered a sublease of an office building that is not used by the Group. Head lease and sublease have a corresponding term of 3 years ending in 2021. Set out below are the movements of the lease receivables during the period:

In EUR thousands	2021	2020
As at 1 January	1,766	3,737
Accretion of interest	52	139
Payments	(1,818)	(1,781)
Currency revaluation	-	(329)
As at 31 December	-	1,766

14. Trade receivables

In EUR thousands	Dec 31, 2021	Dec 31, 2020
Receivables from third-party customers	28,969	24,419
Allowance for expected credit losses (from contracts with customers)	(259)	(252)
Total trade receivables	28,710	24,167

Trade receivables mainly relate to receivables from contracts with customers. All trade receivables are due within 12 months – generally on terms of 30-120 days.

Expected loss rates of 0.25-2.0 % (Advertising revenue) and 1.0-6.0% (Creator services and creator subscriptions) were used to calculate the allowances based on historical observed default rates which are adjusted for forward-looking estimates.

Set out below is the movement in the allowance for expected credit losses of trade receivables:

In EUR thousands	2021	2020
As at 1 January	252	215
Additions to expected credit losses	46	56
Unused amounts reversed	(62)	-
Currency revaluation	23	(19)
As at 31 December	259	252

The group's exposure to foreign currency risk at the end of the reporting period was as follows:

In EUR thousands	Dec 31, 2021	Dec 31, 2020
US Dollar (USD)	26,854	21,840
Euro (EUR)	402	704
Other currencies	1,454	1,623
Total trade receivables	28,710	24,167

15. Prepayments

<i>In EUR thousands</i>	<i>Dec 31, 2021</i>	<i>Dec 31, 2020</i>
Prepayments related to network services	516	6,007
Prepayments related to creator services	2,845	686
Other prepayments	1,889	1,251
Total prepayments	5,250	7,944

All Prepayments are current and will be utilised within 12 months.

16. Other assets

<i>In EUR thousands</i>	<i>Dec 31, 2021</i>	<i>Dec 31, 2020</i>
Other tax-related assets	5,269	1,392
Total other assets	5,269	1,392

Other assets mainly include receivables related to direct taxes.

17. Other financial assets

<i>In EUR thousands</i>	<i>Dec 31, 2021</i>	<i>Dec 31, 2020</i>
Financial assets held at fair value through profit or loss	22,043	-
Fixed time deposit	13,248	-
Receivables from subscription payments	9,368	7,585
Receivables from parent companies	274	2,230
Loans to parent companies	2,422	-
Deposits	2,700	2,787
Miscellaneous other receivables	408	830
Total other financial assets	50,463	13,432
Thereof current	47,454	11,468
Thereof non-current	3,009	1,964

The financial assets held at fair value through profit or loss reflects a short-term investment in a managed fund with a low risk profile. The fund is traded on an active market.

The carrying amounts of all other current other financial assets are considered to be the same as the fair value. It includes a fixed time deposit which is due in March 2022 and receivables from payment providers collecting subscription payments after deduction of payment fees.

The calculated net expected credit loss on other current financial assets is insignificant. Receivables from subscription payments are pass-through payments. All other categories described in the table above don't bear material risks due to related laws and regulations.

The managed fund, the fixed time deposit, Loans to and receivables from parent companies as well as deposits are mainly held in USD and are therefore exposed to foreign currency risks.

18. Cash and cash equivalents

In EUR thousands	Dec 31, 2021	Dec 31, 2020
Cash at banks and on hand	41,945	78,407
Short-term deposits	286	138
Total cash and cash equivalents	42,231	78,545

Cash at banks earns interest at floating rates based on daily bank deposit rates and are not subject to any restrictions.

19. Equity

Share capital

	€	No. of Shares
Ordinary and preferred shares at 1 January 2020 at €0.01 each	149,848,393	14,984,839,329
Ordinary shares issues in February at €0.01 each	68,479,392	6,847,939,227
Share capital reduction €0.01 each – SoundCloud Limited	(218,327,786)	(21,832,778,556)
Ordinary shares at €1.00 each – acquisition SoundCloud Holdings GmbH	25,000	25,000
Ordinary shares at €1.00 each issued in November	100	100
Ordinary shares at 31 December 2020 at €1.00 each	25,100	25,100
Movements in 2021	-	-
Ordinary shares at 31 December 2021 at €1.00 each	25,100	25,100

SoundCloud Holdings GmbH was acquired in November 2020 and is now the parent company of the Group – resulting in a share capital reduction triggered by the new Group structure. See Note 1 for further information regarding the intra-group restructuring processed in 2020.

	No. of Shares Dec 31, 2021	No. of Shares Dec 31, 2020
Ordinary shares	25,100	25,100
Total no. of shares	25,100	25,100

Share capital

The ordinary shares entitle the holder to participate in dividends, and to share in the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held. The company does not have a limited amount of authorised capital. The shares are issued and fully paid.

Other capital reserves

The value of equity-settled share-based payments provided to employees - including key management personnel - (as part of their remuneration) are recognised in other capital reserves. Refer to Note 20 for further details to these plans.

Retained earnings

Retained earnings include the accumulated losses attributable to the shareholders.

Currency translation reserve

The effects shown within OCI result from exchange differences on translation of foreign operations. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

Capital management

For the purpose of the Group's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity of the parent. The primary objective of the Group's capital management is to maximise shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions. Due to losses carried forward the Group has not processed dividends in the past and the years under review.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 2020.

20. Share-based payments

The financial statements for the Group include expenses related to share based compensation. Following the recapitalisation in 2017, SoundCloud has modified its EUR-denominated share option programme based on plans issued in 2009 and 2012 ("2009 Plan" and "2012 Plan"), adding a new plan with amended terms, denominated in USD ("2017 Plan"). This new plan is issued by SoundCloud's ultimate controlling party, SoundCloud Holdings LLC.

Following this modification, the 2009 and 2012 plans continue to be expensed, although employees are no longer eligible to acquire shares in SoundCloud Limited. Instead, they participate in value creation at the level of SoundCloud Holdings LLC, the Group's controlling party. The plans are accounted as equity-settled.

All employees are eligible to participate in 2017 Plan and participation is coordinated through a dedicated share option management tool, provided a reputable third party. The terms and conditions resemble standard terms with grants vesting over a four-year period, subject to an initial vesting cliff of one year of employment after which 25% of a grant vest; the remaining 75% vest on a quarterly basis thereafter. Once vested, options allow holders to acquire shares in SoundCloud Holdings LLC for a certain exercise price determined by an annual fair market valuation, also conducted by a reputable and independent third party. The strike price reflects the fair market value of the total equity interests in SoundCloud Holdings LLC and serves as a floor over which the equity value needs to increase for option holders to participate in the value creation. Options have a 10-year life from the grant date and are generally available for exercise once vested. In case a participant departs from SoundCloud, they have a limited number of days to exercise their options. Options not exercised during this exercising window are forfeited.

A threshold amount has been set that reflects the fair market value of the total equity interests in the LLC on the grant date and serves to set the "floor" over which the value of the option must increase to entitle the grantee to share in the profits.

In 2021, the Group recognised total expenses of €660 thousand related to employee share based payments in the year (2020: €3,803 thousand).

The amount expensed reflects the modification of the Group's option scheme in 2017. Before this modification, the programme enabled employees to acquire ordinary shares in SoundCloud Limited. After this modification, employees are allowed to acquire LLC-units of the Group's ultimate controlling party, SoundCloud Holdings LLC through options exercisable at strike prices reflecting the valuation of SoundCloud Holdings LLC and its subsidiaries, as laid out above.

There were no cancellations or modifications in 2021 or 2020.

Movements during the year

The following table illustrates the number of, and movement in, share options during the year:

	Number of Shares
Outstanding at 1 January 2020	8,626,039
<i>of which vested</i>	<i>4,374,138</i>
Granted during the year	2,655,100
Forfeited during the year	(431,994)
Exercised during the year	(2,572,370)
Expired during the year	(5,200)
Outstanding at 31 December 2020	8,271,575
<i>of which vested</i>	<i>2,486,934</i>
Granted during the year	1,312,100
Forfeited during the year	(2,261,361)
Exercised during the year	(744,113)
Expired during the year	(12,886)
Outstanding at 31 December 2021	6,565,315
<i>of which vested</i>	<i>2,545,714</i>

The weighted average remaining contractual life for the share options issued by SoundCloud Holdings LLC and outstanding at 31 December 2021 was 5.96 years (2020: 6.01 years).

The weighted average fair value of options granted by SoundCloud Holdings LLC during the year was \$2.36 (2020: \$2.31). The weighted average exercise price at the time of exercise was \$2.34 (2020: \$2.29).

The range of exercise prices for options outstanding at the end of the year was \$0.00 to \$2.36 for the 2017 plan issued by SoundCloud Holdings LLC (2020: \$0.00 to \$2.32) and €0.01 to €61.32 for both the 2009 plan and the 2012 plan issued by SoundCloud Limited (2020: €0.01 to €61.32).

Model inputs

The following table lists the inputs to the model used:

	2021	2020
Weighted average fair values at the measurement date (\$)	\$1.12	\$1.10
Dividend yield (%)	0.00	0.00
Expected volatility (%)	50.81	50.81
Risk-free interest rate (%)	1.01	0.53
Expected life of options (years)	5.96	6.01
Weighted average share price (\$)	\$2.34	\$2.32
Weighted average strike price (\$)	\$2.34	\$2.32
Model used	Black Scholes	Black Scholes

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not be necessarily the actual outcome.

21. Provisions

In EUR thousands	Litigation	Personnel expense	Other	Total
Balance of provisions as of 1 January 2021	52	1,638	1,540	3,230
Additions	132	2,483	1,908	4,523
Utilised	(52)	(1,638)	(1,510)	(3,200)
Foreign currency translation	-	(8)	2	(6)
Unused amounts reversed	-	-	-	-
Balance of provisions as of 31 December 2021	132	2,475	1,940	4,547

In EUR thousands	Litigation	Personnel expense	Other	Total
Balance of provisions as of 1 January 2020	1,249	1,629	585	3,463
Additions	52	1,640	1,569	3,261
Utilised	(349)	(1,629)	(564)	(2,542)
Foreign currency translation	-	(2)	(22)	(24)
Unused amounts reversed	(900)	-	(28)	(928)
Balance of provisions as of 31 December 2020	52	1,638	1,540	3,230

All Provisions are current and are expected to be utilised within 12 months.

The unused amounts reversed in 2020 refer to legal provisions recognised for potential claims referring to previous years that are no longer deemed more likely than not to materialise.

Provisions for litigation

Provisions have been recognised for potential patent and music rights claims based on management's best estimate of costs. Costs include lawyer fees, expected settlement payments and court fees. It is expected that the costs will be incurred in the following financial year. Amounts and timing of cash flows are subject to uncertainty.

Provisions for personnel expense

The provisions for personnel expense include bonuses and commissions based on performance indicators of the Group and other personnel-related costs expected to be incurred in the next financial year.

Other provisions

Other provisions mainly include expected costs for late invoices with costs expected to be incurred in the next financial year.

22. Contract liabilities

In EUR thousands	Dec 31, 2021	Dec 31, 2020
Deferred income related to subscriptions (Fans & Creators)	18,249	16,191
Deferred income related to creator services revenue (Creators)	343	245
Total contract liabilities (see also note 6)	18,592	16,436
Thereof current	18,592	16,436
Thereof non-current	-	-

Deferred income related to subscriptions contains prepayments for creator and listener subscriptions.

23. Trade payables

In EUR thousands	Dec 31, 2021	Dec 31, 2020
Trade payables - miscellaneous	6,131	3,707
Trade payables related to content cost	9,410	3,721
Total	15,541	7,428

Trade and other payables are non-interest bearing and are normally settled within 2 months and therefore classified as current.

24. Other liabilities

In EUR thousands	Dec 31, 2021	Dec 31, 2020
Other tax-related liabilities	3,156	3,216
Total other liabilities	3,156	3,216

Other liabilities mainly include liabilities related to direct taxes, wage taxes and withholding taxes. They are typically settled within the next year and therefore classified as current.

25. Other financial liabilities

In EUR thousands	Dec 31, 2021	Dec 31, 2020
Accrued expenses for music industry partners	35,550	25,156
Other financial liabilities from parent companies	53	-
Miscellaneous other financial liabilities	297	132
Total other financial liabilities	35,900	25,288
Thereof current	35,900	25,288
Thereof non-current	-	-

The carrying amounts of the above listed non-current other financial liabilities are considered to be the same as the fair value.

Accrued expenses are recognised for expected royalty payments to artists and partners within the music industry. The Calculations are based on the number of plays on the platform and contractual terms agreed upon.

26. Financial instruments

Classification of financial instruments

Financial assets and liabilities are measured at amortised cost and include trade receivables, other financial assets, cash and cash equivalents, trade payables and other financial liabilities.

To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

In EUR thousands	Category	Dec 31, 2021		Dec 31, 2020	
		Carrying amount	Fair value	Carrying amount	Fair value
Trade receivables	AC	28,710	n/a	24,167	n/a
Other financial assets	AC	28,420	n/a	13,432	n/a
Other financial assets	FVPL	22,043	22,043	-	n/a
Cash and cash equivalents	AC	42,231	n/a	78,545	n/a
Total financial assets		121,405	n/a	116,144	n/a
Trade payables	AC	15,541	n/a	7,428	n/a
Other financial liabilities	AC	35,900	n/a	25,288	n/a
Total financial liabilities		51,441	n/a	32,716	n/a

Due to the short-term nature of the above listed financial instruments, their carrying amounts are considered to be the same as the fair value. For long term other financial assets (carrying amount as of 31.12.2021: € 3,009 million, 31.12.2020: € 1,964 million) the fair value is approximately the carrying amount.

Fair values

The management assessed that the fair values of cash and cash equivalents, trade and other receivables and trade and other payables approximate their carrying amounts due to the short-term maturities of these instruments.

Objectives and methods of financial risk management

Financial assets consist of trade receivables, other current financial assets as well as cash and cash equivalents that result directly from business activities. The company finances itself exclusively through equity financing.

The Group is exposed to credit risk, market risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's senior management is supported by the finance function which advises on financial risks and the appropriate financial risk government framework of the Group.

Credit risk

Credit risk is the risk that business partners will not meet their contractual payment obligations leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables and other current financial assets).

The company's financial assets include cash and cash equivalents as well as trade receivables and other current financial assets. An impairment analysis is performed at each reporting date to evaluate expected credit losses (see note 14). The calculation reflects the probability-weighted outcome and considers reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than 1 year and are not subject to enforcement activity.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk for the Group is mainly the currency risk. Interest and other price risks are insignificant.

Foreign currency risks arise from fluctuating future cash flows because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency). Currency risks are managed by steering the operations toward the functional currency of the main operational companies (US Dollar) within the Group to minimize effects from foreign currency transactions. 94% of cash and cash equivalents are held in US Dollar as of 31 December 2021.

The following table demonstrates the sensitivity to a reasonably possible change in the most important currencies (US Dollar, British Pounds, Canadian Dollar and Australian Dollar) with all other variables held constant. The Group's exposure to foreign currency changes for all other currencies is not material.

	Change in foreign currency rate	Effect on result before tax	Effect on equity
2021			
US Dollar (USD)	+ 5%	979	(5,888)
	- 5%	(1,028)	6,182
British Pounds (GBP)	+ 5%	(466)	(466)
	- 5%	489	489
Canadian Dollar (CAD)	+ 5%	(242)	(242)
	- 5%	254	254
Australian Dollar (AUD)	+ 5%	(192)	(192)
	- 5%	202	202
2020			
US Dollar (USD)	+ 5%	917	(3,304)
	- 5%	(963)	3,469
British Pounds (GBP)	+ 5%	(107)	(107)
	- 5%	113	113
Canadian Dollar (CAD)	+ 5%	(169)	(169)
	- 5%	178	178
Australian Dollar (AUD)	+ 5%	(193)	(193)
	- 5%	203	203

Liquidity risk

The Group monitors its risk of shortage of funds through liquidity planning of the Company's cash and cash equivalents on the basis of expected cash flows. The tables below show the company's financial liabilities into relevant maturity groupings based on their contractual maturities.

31 December 2020

In EUR thousands	< 1 year	1 - 5 years	> 5 years	Total	Carrying amount
Trade payables	7,427	-	-	7,427	7,427
Other financial liabilities	25,288	-	-	25,288	25,288
Lease liabilities (Note 13)	5,015	7,472	-	12,487	11,944
Total	37,730	7,472	-	45,202	44,659

31 December 2021

In EUR thousands	< 1 year	1 - 5 years	> 5 years	Total	Carrying amount
Trade payables	15,541	-	-	15,541	15,541
Other financial liabilities	35,900	-	-	35,900	35,900
Lease liabilities (Note 13)	4,545	7,233	-	11,778	11,450
Total	55,986	7,233	-	63,219	62,891

27. Other disclosures

Related party transactions

Note 2 provides information about the Group's structure, including details of the subsidiaries and the holding company. In the years reported the Group has not entered into contracts with related parties outside the course of its normal business activities.

Transactions with parent or group companies

The Group provides general administration services to the parent companies with invoices issued in the amount of €186 thousand in 2021 (2020: €2,146 thousand). Balances amounting to €274 thousand (2020: €2,230 thousand) are outstanding at the end of the reporting period in relation to transactions with the parent companies.

In 2021 unsecured revolving credit facilities have been granted to SoundCloud Holdings LLC in the amount of \$5,000 thousand and to SoundCloud Holdings II Ltd. in the amount of \$500 thousand for a 5-year term and at an interest rate of 5.75%. In 2021 \$2,641 thousand were drawn-down by SoundCloud Holdings LLC, \$102 thousand by SoundCloud Holdings II Limited. Interest income of €134 thousand was recognised in 2021. The credit facility balances at year-end add up to €2,422 thousand.

Key management personnel

All directors and certain senior employees who have the authority and responsibility for planning, directing and controlling the activities of the Group are considered to be key management personnel. The compensation of key management personnel of the Group contains short-term employee benefits and share-based payment transactions.

With regard to management compensation, the Company makes use of the exemption provision of § 314 (3) in connection with § 286 (4) HGB.

Contingent liabilities and other financial obligations

There are no off-balance sheet items to be reported in the years under review.

Single financial statements exemption

The subsidiaries SoundCloud Global Ltd. & Co. KG and SoundCloud Management GmbH are making use of the exemption from the obligation to draw up, audit and publish annual financial statements according to §264b and §264 (3) HGB. The resolution of the shareholders of the companies from 2 March 2022 to approve the exemption and the declaration to stand in for the obligations arising in the following year was published in the German commercial register (Handelsregister).

Events after the reporting period

In February 2022 SoundCloud entered into a cooperation with Quality Control's management arm, Solid Foundation. Quality Control is one of the most influential independent hip hop labels in music and is led by co-founders Coach K and P, two of the most renowned people in the industry. The cooperation will strengthen SoundCloud's strategic approach to develop talent for the business unit roster that was launched in January 2022. A reasonable effort to estimate the impact of this cooperation cannot be made.

Russia's invasion of Ukraine on 24 February 2022 has triggered disruptions and uncertainties in the markets, currencies and the global economy, as well as coordinated implementation of sanctions by Switzerland, the United States, the European Union, the United Kingdom and others against Russia and certain Russian entities and nationals. These events, together with potential counter-sanctions and other measures taken by Russia, impact SoundCloud's business. The direct business with Russian business partners accounts for less than 0.5% of the Groups total business. SoundCloud complies with all sanctions and restrictions.

On 29 April 2022 SoundCloud purchased 100% of the shares in Musiio Pte Ltd., an artificial intelligence and machine learning company at the forefront of machine learning technology in music. The purchase price consists of cash components (appr. \$7 million) and equity components. Musiio's technology focuses on B2B audio reference search (AI that can "listen" to music), automated tagging, and playlisting tools for the music industry and will add to the unique portfolio of fan and creator products at SoundCloud.

Berlin, 20 July 2022

Andrew Wilson

Ama Walton

INDEPENDENT AUDITOR'S REPORT

To SoundCloud Holdings GmbH, Berlin

Qualified Audit Opinion on the Consolidated Financial Statements and Audit Opinion on the Group Management Report

We have audited the consolidated financial statements of SoundCloud Holdings GmbH, Berlin, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of SoundCloud Holdings GmbH for the financial year from 1 January to 31 December 2021.

In our opinion, on the basis of the knowledge obtained in the audit,

- except for the effects of the matter described in the “Basis for the Qualified Audit Opinion on the Consolidated Financial Statements and for the Audit Opinion on the Group Management Report” section of our report the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code]. The consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2021, and of its financial performance for the financial year from 1 January to 31 December 2021, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements that comply with German legal requirements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that, except for the qualification of the audit opinion on the consolidated financial statements noted, our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Qualified Audit Opinion on the Consolidated Financial Statements and for the Audit Opinion on the Group Management Report

Contrary to IAS 24.17, key management personnel compensation has not been disclosed in the notes to the consolidated financial statements.

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report” section of our auditor’s report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the consolidated financial statements and our audit opinion on the group management report.

Responsibilities of the Executive Directors for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group’s ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group’s position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to

modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

Berlin, July 21, 2022

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

sgd. Katharina Woythe
Wirtschaftsprüferin
(German Public Auditor)

sgd. ppa. Merle Holland
Wirtschaftsprüferin
(Germany Public Auditor)