

# Spotify Denmark ApS

Vestergade 27, 1. th

1456 Copenhagen K

CVR-nr. 33785348

## Annual Report for 2019

7<sup>th</sup> Financial Year

The annual report has been presented  
and approved at the company's annual  
general meeting on 28 April 2020

---

Peter  
Grandelius  
Chairman of the  
board

---

## Table of Contents

|   |       |
|---|-------|
| Statement by Management on the annual report..... | 3     |
| independent auditor's report .....                | 4-5   |
| Entity details .....                              | 6     |
| Management Report.....                            | 7     |
| income Statement.....                             | 8     |
| Balance Sheet.....                                | 9-10  |
| Notes .....                                       | 11-15 |

## Statement by Management on the annual report

The Board of Directors and the Managing Director have today considered and approved the annual report of Spotify Denmark ApS for the financial year 1 January – 31 December 2019.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2019 and of the results of its operations for the financial year 1 January - 31 December 2019.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 28 April 2020

### Executive Board

Paul Vogel  
Managing Director

### Board of Directors



Peter Grandelius  
Chairman of the Board



Paul Vogel  
Managing Director



## **Independent auditor's report**

**To the shareholders of Spotify Denmark ApS**

### **Opinion**

We have audited the financial statements of Spotify Denmark ApS for the financial year 1 January – 31 December 2019, which comprise income statement, balance sheet and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations for the financial year 1 January – 31 December 2019 in accordance with the Danish Financial Statements Act.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's 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 are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

### **Management's responsibilities for the financial statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines 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, Management 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 in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 and additional requirements applicable in Denmark 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 the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, 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 opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.



## Independent auditor's report

- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- ▶ Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

### Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Aarhus, # 2020  
ERNST & YOUNG  
Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28

-----  
State Authorised  
Public Accountant  
mne26804

## Spotify Denmark ApS

### Entity details

|  |   |
|--|---|
| <b>Entity</b>  | Spotify Denmark ApS<br>Vestergade 27, 1. Th<br>1456 Copenhagen K  |
| <b>CVR-nr.</b>   | 33785348  |
| <b>Founded</b>   | 1. July 2011  |
| <b>Registered office</b>                                   | Copenhagen  |
| <b>Financial Year</b>                                      | 1 January 2019 - 31 December 2019   |
| <b>Board of Directors</b>                                  | Peter Grandelius, Chairman of the Board<br>Paul Vogel, Managing Director  |
| <b>Managing Director</b>                                   | Paul Vogel, Managing Director   |
| <b>Capital owners pursuant to the Danish Companies Act</b> | Spotify AB<br>Regeringsgatan 19<br>SE-111 53 Stockholm<br>Sweden  |
| <b>Parent Company</b>                                      | Spotify Technology S.A.<br>42-44, avenue de la<br>L-1610 Luxembourg   |
| <b>Auditor</b>   | Ernst & Young P/S<br>Godkendt Revisionspartnerselskab<br>Værkmestergade 25<br>Postboks 300<br>8100 Aarhus C.<br>CVR No.: 30700228 |



## Management Report

### Primary activities

The Company's business is to perform advertising services. This primarily consists of display, audio, and video advertising.

### Development in activities and finance

The Company's income statement for the financial year 1 January 2019 - 31 December 2019 shows a profit of DKK 722.624. Revenue has increased by 6% and profits increased by 64% in line with expectations. The company's balance sheet per 31 December 2019 shows a total of DKK 12,615,846 and an equity of DKK 6,612,652.

During the reported period, the principal activity of the Company was sale of advertising services. Gift card revenue was nil for the year. This is due to the entity moving contracts with gift cards to Spotify AB in 2018. Ads revenue also decreased. This is due to that revenue is driven by sales location, during 2019 more of the AD sales was performed out of Sweden and recognized in Spotify AB. As a result of the Ads revenue decrease the cost of sales did decrease during 2019. There is an increase in staff cost due to severance payout.

### Events after the balance sheet date

No events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.

### Expectations for the future

Continued operations are expected in the company in the coming year with expected growth in Advertising revenue and with a positive profit.

### Group structure

The company, Spotify Denmark ApS is owned 100% by Spotify AB located in Sweden. Ultimate owner is Spotify Technology SA, which has its headquarters in Luxembourg and prepares the Group's consolidated accounts.

Spotify Denmark ApS

Income Statement

|  | NOTE | 2019<br>Kr.       | 2018<br>Kr.      |
|--|------|-------------------|------------------|
| Revenue  |      | 18,992,998        | 17,826,287       |
| Cost of sales                                    |      | -902,114          | -6,832,128       |
| Other external expenses                          |      | -5,387,573        | -4,686,180       |
| <b>Gross profit / loss</b>                       |      | <b>12,703,311</b> | <b>6,307,979</b> |
| Staff costs                                      | 2    | - 11,669,141      | -5,673,612       |
| Depreciation and amortization of tangible assets |      | -10,157           | -12,056          |
| <b>Operating profit</b>                          |      | <b>1,024,012</b>  | <b>622,311</b>   |
| Financial expenses                               |      | -10,591           | -185             |
| <b>Profit before tax</b>                         |      | <b>1,013,422</b>  | <b>622,126</b>   |
| Tax on profit for the year                       | 3    | -240,798          | -151,539         |
| <b>Profit for the year</b>                       |      | <b>772,624</b>    | <b>470,587</b>   |





Spotify Denmark ApS

Balance Sheet on 31 December 2019

|                                | NOTE | 2019<br>Kr.       | 2018<br>Kr.      |
|--------------------------------|------|-------------------|------------------|
| <b>LIABILITIES</b>             |      |                   |                  |
| Share capital                  |      | 80,000            | 80,000           |
| Retained earnings              | 5    | 6,136,653         | 5,364,029        |
| <b>Equity</b>                  |      | <b>6,216,653</b>  | <b>5,444,029</b> |
| Long term debt                 | 6    | 66,557            | -                |
| <b>Non-Current liabilities</b> |      | <b>66,557</b>     | <b>-</b>         |
| Trade payables                 |      | 1,743,955         | 715,648          |
| Payables to group companies    |      | 521,409           | -                |
| Corporation tax                |      | 215,879           | 70,402           |
| Other payables                 |      | 3,810,782         | 1,387,607        |
| Deferred income                |      | 40,611            | 19,841           |
| <b>Current liabilities</b>     |      | <b>6,332,637</b>  | <b>2,193,498</b> |
| <b>Liabilities</b>             |      | <b>6,399,194</b>  | <b>2,193,498</b> |
| <b>Equity and liabilities</b>  |      | <b>12,615,846</b> | <b>7,637,527</b> |
| Proposed profit allocation     | 7    |                   |                  |
| Related parties                | 8    |                   |                  |
| Contingent liabilities         | 9    |                   |                  |
| Securities and pledges         | 10   |                   |                  |

## Notes

### 1. Accounting Policies

#### Accounting Class

The Annual Report of Spotify Denmark ApS for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

#### Reporting Currency

The financial statements are presented in Danish kroner.

#### Foreign currency retranslation

Transactions in foreign currency are translated into Danish kroner at the exchange rate at the date of transaction.

Monetary items in foreign currency are translated into Danish kroner at the exchange rates at the balance sheet date. Realized and unrealized exchange gains and losses are recognized in the income statement as financial income/expenses.

#### General

##### General information about recognition and measurement

Revenues are recognized in the income statement when earned, including any adjustments of financial assets and liabilities measured at fair value or amortized cost. In addition, the income statement includes costs taken to achieve the year's earnings, including depreciation, write-downs and provisions and reversals due to changes in accounting estimates of amounts previously recognized in the income statement.

Assets are recognized in the balance sheet when it is probable that future economic benefits will flow to the company and the value of the asset can be measured reliably.

Liabilities are recognized in the balance sheet when it is probable that future economic benefits will leave the company and the value of the liability can be measured reliably.

At initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

The carrying amount of intangible assets and property, plant and equipment is reviewed annually to assess whether there is an indication of impairment in addition to what has been recognized by normal depreciation. If this is the case, write-down is made to the lower recoverable amount.

## Notes

### 1. Accounting policies

#### Income

##### Revenue

Revenue from sale of services is recognized in the income statement when the service is delivered.

##### Cost of sales

Cost of sales include cost of purchase of advertising space, production cost in connection with campaigns, and advertising agency costs.

##### Other external expenses

Other external costs include sales and administration costs.

##### Research and developments costs

Research and development costs that do not meet the criteria for capitalization are recognized in the income statement as incurred.

##### Staff Costs

Staff costs include salaries and wages, severance, pensions and social security costs.

Other staff costs are recognized under other external costs.

##### Amortization/depreciation and write-downs

Depreciation and impairment losses on property, plant and equipment are based on the assessment of the useful lives of the assets in the company. Fixed assets are depreciated on a straight-line basis based on cost, based on the following assessment of useful lives and residual values:

|                             | Useful life | Residual value |
|-----------------------------|-------------|----------------|
| Other fixtures and fittings | 3-5 years   | 0%             |

Profit or loss on disposal of tangible fixed assets is calculated as the difference between the selling price with deduction of selling costs and the carrying amount at the date of sale, and is recognized in income statement under other operating income or expenses.

##### Net financials

Financial income and expenses are recognized in the income statement with the amounts relating to the financial year. Financial income and expenses include interest income and expenses, realized and unrealized gains and losses on loans and advances in foreign currency, as well as surcharges and allowances under the Accrual Tax Scheme.

##### Tax

Tax on profit for the year includes current tax on the expected taxable income for the year and this year's adjustment of deferred tax after deduction of the part of the year's tax related to equity movements. Current and deferred tax related to equity movements are recognized directly in equity.

## **Notes**

### **1. Accounting policies**

#### **Balance Sheet**

##### **Tangible assets**

Property, plant and equipment are measured at cost plus any revaluation and less accumulated depreciation and write-downs. Cost includes the purchase price and costs directly attributable to the acquisition until the time when the asset is ready to be put into operation.

Impairment tests are carried out on property, plant and equipment if there are indications of impairment. The impairment test is carried out for each asset or group of assets. Assets are written down to the highest of the asset or asset group's capital value and net selling price (recoverable amount) if this is lower than the carrying amount.

##### **Financial assets**

Financial assets include deposits that are measured at cost.

##### **Receivables**

Receivables are measured at amortized cost, which usually corresponds to the nominal value. The value is reduced by write-downs for any expected losses.

##### **Deferred tax**

Deferred tax is recognized on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carry forwards, are recognized in the balance sheet at their estimated realizable value, either as a set-off against deferred tax liabilities or as net tax assets or by offsetting deferred tax liabilities in companies within the same legal tax entity and jurisdiction.

Deferred tax is measured on the basis of the tax rules and tax rates that will apply at the balance sheet date when the deferred tax is expected to be triggered as current tax.

##### **Financial Liabilities**

Other liabilities are measured at amortized cost, which generally corresponds to the nominal value.

##### **Current tax liabilities**

Current tax liabilities and Current taxes receivables are recognized in the balance sheet as calculated tax on the expected taxable income for the year, adjusted for tax on previous year's taxable income and paid tax on accrued income.

##### **Prepayments, liabilities**

Period posting items entered as liabilities consist of received payments relating to income in subsequent financial years.

Spotify Denmark ApS

Notes

2. Staff costs

|                             | 2019              | 2018             |
|-----------------------------|-------------------|------------------|
|                             | Kr.               | Kr.              |
| Salaries *                  | 11,097,555        | 5,086,093        |
| Pensions                    | 522,806           | 468,983          |
| Social Security costs       | 48,780            | 118,536          |
|                             | <u>11,669,141</u> | <u>5,673,612</u> |
| Average Number of Employees | <u>4</u>          | <u>5</u>         |

\*The increase in salaries in 2019 is a result of a severance pay in 2019 amounting to DKK 6,526,525.

3. Tax on profit for the year

|                         | 2019            | 2018           |
|-------------------------|-----------------|----------------|
|                         | Kr.             | Kr.            |
| Deferred tax adjustment | -610            | -7,765         |
| Income tax expense      | -240,188        | 159,304        |
|                         | <u>-240,798</u> | <u>151,539</u> |

4. Other fixtures and fittings

|   | 2019                   | 2018                   |
|---|------------------------|------------------------|
|   | Kr.                    | Kr.                    |
| Cost at the beginning                                     | 298,908                | 298,908                |
| <b>Cost at the end of the year</b>                        | <u><b>298,908</b></u>  | <u><b>298,908</b></u>  |
| Depreciation and amortization at the beginning            | -287,905               | -275,849               |
| Depreciation for the year                                 | -10,157                | -12,056                |
| <b>Depreciation and impairment at the end of the year</b> | <u><b>-298,062</b></u> | <u><b>-287,905</b></u> |
| <b>Carrying amount at the end of the year</b>             | <u><b>846</b></u>      | <u><b>11,003</b></u>   |



**Notes**

**5. Changes in equity**

|                                       | Company<br>capital | Transferred<br>earnings | Proposed<br>dividends | Total            |
|---------------------------------------|--------------------|-------------------------|-----------------------|------------------|
| Equity at the beginning of the year   | 80,000             | 5,364,029               | -                     | 5,444,029        |
| Proposals for the profit for the year | -                  | 772,624                 | -                     | 772,624          |
| <b>Balance at year end</b>            | <b>80,000</b>      | <b>6,136,653</b>        | <b>-</b>              | <b>6,216,653</b> |

The company capital has remained unchanged since the company's foundation

**6. Non-current Liabilities**

Of the non-current liabilities DKK 0 will be outstanding debt after 5 years.

**7. Proposed allocation of results**

|                    | 2019<br>Kr.    | 2018<br>Kr.    |
|--------------------|----------------|----------------|
| Transferred result | 722,624        | 470,587        |
|                    | <u>722,624</u> | <u>470,587</u> |

**8. Related Parties**

Determining Influence:  
Spotify AB  
Regeringsgatan 19  
SE-111 53 Stockholm  
Sweden

Spotify Limited  
4th Floor 25 Argyll Street  
London  
United Kingdom, W1F 7TU

The largest and smallest group in which this annual report is consolidated is Spotify Technology S.A. The registered address for Spotify Technology S.A is: 42-44 avenue de la Gare, L-1610 Luxembourg.

**9. Lease commitments**

There is lease liability for rent of t.kr 17.

**10. Security and mortgages**

There are no collaterals or pledges at the balance sheet date.