

Epidemic Sound Holding II AB

Annual report 2022



Discover Browse Saved



Featured playlists & themes



Black History Month
56 tracks



Now Trending
30 tracks



Epidemic Essentials
19 playlists



Creator's Picks
100 playlists



Travel
11 playlists



Storytelling techniques
7 playlists



Latin Love
30 tracks



Workout & Wellness
12 playlists



Corporate
5 playlists



Ads, Promos & Trailers
7 playlists



Technology
5 playlists



Vlogs
5 playlists



Staff Picks
Our favorite tracks right now — updated weekly.



Almost

3:29

House



Discover

Hottest tracks right now

More of what you like

Discover



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Message from our CEO

Yo!

What a year it has been for Epidemic Sound, its crew, the content creators that we serve, and the artists that we work with. The creator economy continued to expand and reached all-time highs in revenue created and the number of people participating in it.

As the largest global provider of restriction-free music and one of the leading music tech companies, we provide the musical mood and emotions for the world's storytellers and are perfectly positioned to continue to benefit from the creator economy's great momentum, both today and in the future.

You will hear Epidemic Sound's music played 2.5 billion times a day across Youtube and TikTok alone, as we fulfill our mission to soundtrack the world.

How would I describe the soundtrack for our industry in 2022*?

For many companies, 2022 was a slow crawl out of the global pandemic, abruptly by the crash of war that has continued to rumble and shake the foundations of the global economy. The mood music for many has been gloomy, even fearful.

But as a creator platform, Epidemic Sound makes its own beat. I'd define our sound for 2022 as a steady crescendo - getting progressively louder and faster, sounding more confident across the year.

I'm in a position to say this because of the way we've built and honed the business and pursued a clear, effective strategy from the get-go.

Over 13 years we have had a clear and singular vision to do one thing and one thing well - to make outstanding music that is easily accessible to the world's storytellers.

While others have diversified, we've consolidated. We have consciously put our creativity and passion behind giving our customers not just the best music and sounds but, with astute partnerships and amazing products, connecting creators seamlessly to our music across all platforms and all devices. Our music continues to go from strength to strength, building an enviable lineup of world-class, award-winning artists across all genres, including adding further depth and quality this year with our acquisition of AP records - leading producers of the world's biggest trend of mood music. We want Epidemic Sound to be heard everywhere.

This year we've turned up the volume on that ambition - from launching our first-ever app, to pursuing our global expansion plans by introducing a Spanish, German and French-speaking service, above and beyond English. We also localized music content for our LATAM customers and released several software features, such as EAR (Epidemic Audio Reference) that uses audio to find music - all of which have strengthened our position as the go-to choice for content creators. We have also shipped Epidemic Sound Connect, a new way to integrate our product



and make it even more accessible, enabling more partnerships in the future.

These innovations have continued to propel us at a fast pace, and kept us ahead of the market with continued 46 percent revenue growth in 2022.

Our financial position is equally strong, and we ended the year with a Net cash position of SEK 860 million, providing us with the luxury of having an infinite “runway”. This will mean choice for us: We can, if considered financially attractive, continue to hire top talent and pursue accelerated market efforts and/or selective M&A activities as the market is starting to consolidate.

As the macro-environment has become more volatile, we have prioritized both growth and profitability. We do not see this as an either-or decision, but rather a modus operandi that will be beneficial as the market environment will be more demanding in general.

This year we’ve also benefited from the direction of our newly configured Board to drive our ambitions as a scale-up business. With the experience of the board members, including expertise within music tech, software as a service (SaaS), and digital transformation, Epidemic Sound will continue to grow its market share and improve profitability.

We enter 2023 knowing that we’re in a great position financially and strategically, with a strengthened leadership team that will help us make the most of both our planned and anticipated opportunities for the year ahead.

As always, stay metal!

*P.s. If you’re wondering what the soundtrack for the internet was in 2022, then check out our first-ever [Sound of the Internet](#) report. It identifies the top music trends among content creators using data from over half a trillion uses of our music in 2022.

Oscar Höglund, VD
Stockholm, March 2023



Epidemic Sound at a glance

Epidemic Sound enables content creators across the globe to add music and sound to their content. At the same time, Epidemic Sound empowers artists to make a living from their music and grow their audience.

Epidemic Sound was founded in 2009 by five Swedish entrepreneurs with roots in the TV production and music industries. In their work, they identified two problems: it was too complicated to license music for use in audiovisual productions as it entailed many different parties, limitations, payment streams, and intermediaries; and it was difficult for artists to make a living in music.

The traditional music industry is characterized by lagging, and often low, royalties, and it is hard to predict if a track will be successful or not. From this frustration grew a vision of an alternative system of music licensing. A system with fewer intermediaries benefits those who create the music, those who use it, and everyone who consumes it.

Fast forward to 2022, Epidemic Sound has a high-quality music catalog consisting of close to 40,000 tracks in more than 160 genres, as well as more than 90,000 sound effects. Its music software enables creators to easily find and adjust the music to fit their content, before being deployed seamlessly across multiple platforms. Epidemic Sound's model helps content creators take their content to the next level, and empowers artists to make a living in music.

An Epidemic Snapshot

Our Vision

is a world where music flows freely and fairly. By that, we mean that music is powerful. It touches our emotions and influences our actions. That's why everyone should be able to create and use music without complexity.

Our Mission

is to soundtrack the world. In the world, as we envision it, creators flourish and music can easily be shared through any channel, anywhere in the world at any time. Therefore, we work to break down barriers to create, find and use music - allowing everyone to soundtrack the world.

Our values

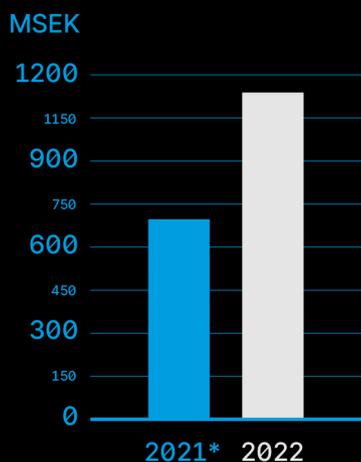
- Rebel without a pause
- Let's celebrate
- Be a force for good
- Come together

Employees and countries

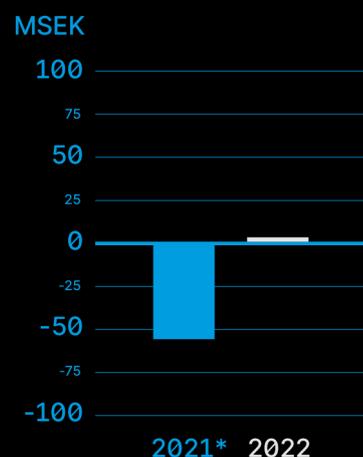
497 employees in 5 countries across Europe, North America, and Asia Pacific.

The year in brief

Net Sales



EBITDA



Highlights of the year

1,181 MSEK
Net sales

46% Net sales growth¹

86% Gross margin

860 MSEK
Net cash²

*2021 is only including 10 months, compared to 12 months in 2022.

1) compared to proforma FY 2021 Net Sales
2) excluding leasing liabilities



Main press releases

H1

[Epidemic Sound sets the mood with its acquisition of independent record label, A-P Records](#)

[StreamTV, and Epidemic Sound launched a partnership to help streamers soundtrack their live streams and avoid takedowns](#)

[Epidemic Sound launched audio-based search tool to supercharge music discovery for content creators](#)

[Epidemic Sound teamed up with iStock to make it easier for businesses to create engaging video with new music offering](#)

[Epidemic Sound appointed Lars Torstensson as Head of Investor Relations & Communications](#)

[Epidemic Sound and Artists Unite collaborated to soundtrack the 17 sustainable development goals](#)

[Epidemic Sound presented new composition of its Board of Directors](#)

H2

[Epidemic Sound launched YouTube series to showcase journeys of the artists 'Behind the Sound'](#)

[Epidemic Sound Strengthend Management Team and appointed Omio and former Airbnb executive Julian Persaud as Chief Commercial Officer and Google and former Mojang executive Rikard Herlitz as Chief Technology Officer](#)

[Rob Bullough joined Epidemic Sound as Global Brand Director](#)

[Epidemic Sound's Sound of the Internet Report 2022 Reveals The Top Music Trends Among Content Creators](#)

[Epidemic Sound receives Great Place To Work certification](#)



This is Epidemic Sound

Services

Epidemic Sound is a subscription-based software-as-a-service company that offers content creators and storytellers of all kinds worldwide access to a catalog of close to 40,000 high-quality, royalty-free tracks and more than 90,000 sound effects for use in their videos, podcasts, social media posts, and stories. The company is the only one with 100 percent affiliated-free songs and sounds and owns its music to 100 percent.

Epidemic Sound offers subscriptions for:

Personal Content Creators - from hobbyists to influencers, everyone creating videos and podcasts for channels of all sizes across YouTube, Facebook, Instagram, Twitch, TikTok, and podcast platforms.

Commercial Content Creators - for freelancers, businesses, and agencies looking to soundtrack content that can be published anywhere in the world, on any online platform. It also features simple solutions for third-party agencies and freelancers needing to clear videos that will be published on clients' channels.

Enterprises - for broadcasters, and global brands such as Sephora, Squarespace, SoHo House, and GoPro that need music to soundtrack a variety of productions, purposes, and stories. Subscriptions are tailored to the specific needs of each client and include dedicated music curation and clearing assistance from a Customer Success Manager.

On top of watertight subscriptions, Epidemic Sound boasts a variety of state-of-the-art music discovery software features that aim to make it as easy and fast as possible for content creators to find the right track for their video or production. These include:

Sophisticated search and filtering options - the ability to filter tracks based on genre, mood, length, tempo, and vocal or instrumental.

Personalized recommendations:

- **Based on your YouTube channel** - based on recently uploaded videos to your connected YouTube channel(s), we'll provide you with music recommendations for tracks commonly used in similar types of videos.
- **Based on your previous downloads** - music recommendations based on the tracks you've downloaded previously from Epidemic Sound.

Epidemic Audio Reference (EAR) - an audio-based search tool that lets you use a selected piece of music in the Epidemic Sound catalog to search for music with a similar tone and sound.

Featured Lists - music recommendations and 'Now Trending' tracks.

Staff Picks - a regularly updated list showcasing the newest and most interesting tracks, hand-picked by our expert music curators.



Find Similar - the ability to find similar tracks to a track that feels almost perfect for your production

Stems - all tracks come in four 'stems' (drums, bass, instrument, and melody) and you can either download a full track or each stem separately, depending on what fits best for your content

Playlist Collaboration - the ability to invite anyone, including non-subscribers, to collaborate on playlists. They can then add and remove tracks, share the playlist with others and change its name.

Epidemic Sound App - the app enables content creators to search, discover and save music for their projects, whilst out and about and on the go.

Epidemic Sound Connect - Connect is an API integration that enables third-party app users to sign up for or access their existing personal Epidemic Sound experience directly inside participating content creation apps. This includes "liked" tracks and playlists and enables creators to soundtrack content directly within their workflow.

Partnerships - partnerships with Pinterest, Adobe, Canva, Getty, and TikTok enable the creator communities of the world's foremost creative tech companies to soundtrack content using Epidemic Sound music.

Epidemic Sound also provides a simple solution for businesses needing [In Store Music](#). Our dedicated app, Spaces, provides everyone from one-site business owners to multinational +1000 site brands with the ability to soundtrack their space with music that sets the perfect vibe. Expertly curated playlists with thousands of regularly updated tracks are available for a monthly subscription.

On its mission to soundtrack the world, Epidemic Sound's music has continued to see success on music streaming platforms where it is soundtracking people's lives. In February 2022, the company acquired the mood music record label A-P Records to strengthen its position within this field, continue collaborating with world-class musicians, and grow its ability to soundtrack people's lives.

Music

Epidemic Sound works with a roster of the most talented and diverse artists in the world. Epidemic Sound's player consists of close to 40,000 tracks across 160+ genres, and more than 90,000 sound effects.

Epidemic Sound's music is heard across the world's biggest news channels and podcasts and is used in ads by some of the world's most renowned brands, such as lululemon, Walmart, and Estée Lauder. Thanks to Epidemic Sound's innovative digital rights model, our music is safe to use across social media platforms such as YouTube, TikTok, Twitch, Instagram, and Facebook.

The use of Epidemic Sound's music in videos and content by creators from all corners of the world has led to a global spread of our music. Today, our music is heard 2 billion times a day on YouTube alone and 14 billion times per month on TikTok.

Epidemic Sound's music is also distributed across all major streaming platforms such as Spotify, Apple Music, Deezer, and more. The reach of content creators using our music to soundtrack their videos has resulted in more people searching for and finding Epidemic Sound's music on streaming platforms.

Artists

Epidemic Sound's vision is to create a world where music flows freely and fairly. Helping artists make a living in music and having time – more than just spare time – to create, is key. The company's aim is to not only pay artists for their work but to also provide them with predictability and stability in their profession. This means paying them for the work that they put in, as well as for commercial success.

Epidemic Sound's commitment to artists is based on three cornerstones: offering artists predictability and financial stability, helping them thrive creatively, and giving them access to a global audience.



Remuneration model

Epidemic Sound's remuneration offers a simple solution that allows artists (at Epidemic Sound artists, composers, producers, and studio musicians all go under the all-encompassing phrase 'artists') to be paid upfront, and with fewer intermediaries diluting their revenue.

At the heart of the company's remuneration model is the idea that artists should be remunerated for the work that they do, as well as for commercial success. It is not tied to exclusive agreements. Epidemic Sound wants its remuneration model to be transparent and to enable artists to make informed choices.

This is what it looks like:

Payment upfront - As of Q1 2022, Epidemic Sound pays an upfront fee of USD 1,200-6,000 per track when acquiring the rights to a track. The price depends on the complexity of the track, customer demand, the role of the artists, and their comparative experience. At Epidemic Sound the upfront fee is always paid out directly to artists before the track is even made available, and is not recouped against any future royalties.

50/50 split on all streaming royalties - Epidemic Sound distributes and markets all the music from our catalog on streaming platforms. We share the revenues from streaming equally with our roster of artists.

A quarterly soundtrack bonus - Epidemic Sound also offers a quarterly soundtrack bonus – a fixed pool that is distributed proportionally among artists based on popularity among our users. In 2022, the bonus was set at USD 2 million. We have said that the soundtrack bonus will grow as Epidemic Sound's business grows. As a result, the bonus will increase to USD 2.5 million in 2023.

Inviting music creators to participate in the value creation at Epidemic Sound

- As of 2021, Epidemic Sound also offered all its active artists the opportunity to participate in the Company's long-term incentive program. This enables them to take part in our value creation as a company.

In an ever-changing world, it is Epidemic Sound's ambition to continuously develop its remuneration model.

Inviting all active artists to participate in Epidemic Sound's long-term incentive program reflects our commitment to constantly evolving and improving how artists can make a living in music. By the end of 2022, Epidemic Sound will also distribute streaming royalties and the quarterly bonus to session musicians, exceeding industry standards.

Artists who work with Epidemic Sound earn over 50,000 USD on average per year with our top earners making more than 200,000 USD per year.



How Epidemic Sound works with artists

An artist that Epidemic Sound works with can be everything from a composer, producer, musician, or vocalist – or one person may hold all those roles at the same time. The company gets in touch with artists in many different ways, for example via its website where artists may apply, or through scouts and our extended network who recommend artists.

Predictable income - Epidemic Sound plans ahead and agrees with each artist on a quarterly basis on how many tracks we will commission from them during the coming quarter. This predictable and steady stream of income allows artists to make plans for their personal and professional life, which otherwise is complicated when compensation is unpredictable and ad hoc.

Swift distribution of revenue - Epidemic Sound pays artists with as little delay as possible. The upfront fee is paid before the track is even added to our catalog, creating security and freedom for its roster of artists to be able to work without pressure and worry about how their music will perform. Epidemic Sound distributes its soundtrack bonus as well as the revenue from streaming platforms on a quarterly basis. Both of these revenue streams are also paid out to artists who no longer work with the company.

Data-informed briefs - Epidemic Sound commissions tracks based on business needs and customer demand, identified using data-informed models. This enables the company to give our roster of artists a creative brief when Epidemic Sound commissions music.

Support and mentorship - It's important to Epidemic Sound that artists grow creatively when working with the company. Epidemic Sound's team of talented A&Rs works closely with each artist from their initial demos to the final mixes. The A&Rs serve as mentors and sounding boards, supporting and guiding each artist to help them achieve their full potential. Epidemic Sound continuously organizes events like writing camps and workshops. The company also develops album artwork for all artists and music videos for some.

Furthermore, the mental health of Epidemic Sound's roster of artists is key to the company, which is why Epidemic Sound offers support through the digital health service provider Mindler in Sweden and BetterHelp in the U.S.

Non-exclusive agreements - Epidemic Sound's agreements are non-exclusive, and its roster of artists are free to also create music for other entities. However, as many collecting societies have exclusive affiliation agreements, Epidemic Sound is currently only able to work with artists who aren't members of such organizations.



Access to a worldwide network of storytellers -

Epidemic Sound enables music to travel through its network of online video creators, broadcasters, small businesses, media agencies, and brands, while also distributing music to streaming platforms and pitching to playlists with millions of followers. The company credits its artists in the way that they want to be known and encourages its customers to do the same.

Collaborations with storytellers - Epidemic Sound organizes events and opportunities for content creators and artists to collaborate, and reach a wider audience by doing so. The collaboration between [artist Ooyy and video creator Peter McKinnon is one such example.](#)

Geographical coverage

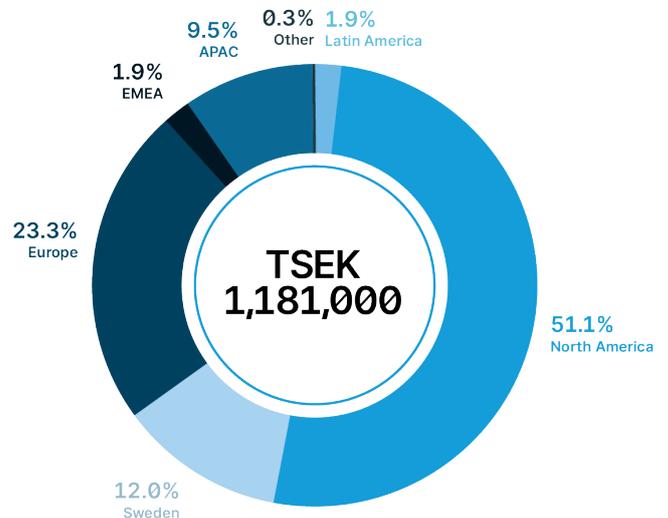
Epidemic Sound operates worldwide and in 2022 the company took the first step in localizing for more markets. During the first half of 2022 Epidemic Sound successfully launched a Spanish-language experience. The expansion to Spanish-speaking markets was a success, and Epidemic Sound can finally provide its service to a broader audience. In the second half of 2022, Epidemic Sound continued its expansion and launched localized experiences for Germany and France with equal immediate success.

For 2023 the goal is to continue the expansion in multiple markets across the globe. Epidemic Sound's aim is to make music easily accessible for all storytellers in the world and to overcome gaps such as language barriers and payment methods.

Customers, creators, and storyteller

Epidemic Sound's customer base consists of a variety of content creators and storytellers operating globally. Predominantly, the Epidemic Sound catalog is accessed and used by:

- Online content creators (publishing content across YouTube, Facebook, Instagram, Twitch, TikTok, and podcast platforms) such as Roberto Blake, Joshua Mayo, Heather Robertson, Cecilia Blomdahl
- Global broadcasters and publishers such as The Guardian and The BBC
- Production companies such as Westbrook, Uninterrupted and Hartbeat
- Media and advertising agencies such as Shuttlerock, VaynerMedia and Leo Burnett
- Multinational retailers and brands of all sizes including Sephora, Squarespace, LA Clippers and GoPro



Geographic Net Sales Split 2022.



Market and strategy

Our market

The creator economy is booming, supported by strong structural tailwinds such as:

- Increased use of music in content creation
- Creators leveraging several platforms, such as YouTube, TikTok, and Instagram, to attract and monetize their content
 - Short-form videos are less than 10 minutes long and used to attract followers, but are less effective when it comes to monetization.
 - Long-form videos are more than 10 minutes long and used by creators to monetize interest among their followers.
- Growing focus on the protection of IP rights and as a consequence, more platforms are developing tools similar to YouTube's content ID
 - Content ID is YouTube's automated and scalable system that enables copyright owners to identify YouTube videos that include content they own.
- Professionalization of content with a higher standard and with more advanced tools for discoverability and adaptation of sound and music to fit the length and mood of the content.

Mood music is becoming more and more popular, with robust underlying trends such as:

- Mood music becoming a larger part of everyday life, and the popularity of mood music playlists has increased.
- The way people think about music has changed, being more aware of how it makes them feel, and turning to mood music to soundtrack different parts of their life and even help [improve well-being](#).

The mood music market is expected to continue to grow, thanks to its growing popularity and usage on DSPs/streaming platforms.

The outlook for the creator economy

The positive development for the creator economy is driven by continued growth in the numbers of creators in general and by the number of creators using music in content and willingness to pay for music (both one-off and via subscription), in particular. Additionally, content is continuing to move away from still images towards video, a trend that will continue to grow, leading to more storytellers wanting to soundtrack their creative work.



Our strategy

Epidemic Sound enables storytellers across the globe to add music to their content. At the same time, Epidemic Sound empowers artists to make a living from their music and grow their audience.

Adding music to content has not always been easy. The traditional rights model includes many intermediaries which make it complicated for storytellers to add music to their content and dilutes the revenue for music creators.

Epidemic Sound's innovative digital rights model, on the other hand, provides simple music licensing for storytellers across platforms and geographies and offers artists financial stability and predictability.

The foundation for Epidemic Sound's success and the road to becoming the category winner for restriction-free music is based on:

- 1) An innovative digital rights and legal model,
- 2) A broad, high-quality music and sound effects library,
- 3) A roster of the most diverse and talented artists in the world, and
- 4) A state-of-the-art software platform with a wide range of value-adding features driving superior user experience

Innovative digital rights model

Epidemic Sound's innovative digital rights model is solving the industry's biggest pain points and mastering complexity with simplicity.

There are several areas of friction for creators when adding music to their content. The most obvious are:

- The procurement of music can be complex, including multiple rights dimensions
- Additionally, rights need to be cleared per platform and by geography, and
- Regulatory compliance has a tendency to be complicated

These complexities are on top of the overarching issue of finding music that grasps the attention of the audience.

Epidemic Sound's solution uses its unique procurement model to deliver restriction-free music, helping storytellers overcome these challenges.

This is done through:

- Access to full library access of quality music and sounds at competitive subscription pricing
- Platform-agnostic solution cleared globally
- Simple model without legal hassle with 100 percent IP ownership
- Worldclass music asset portfolio to help content creators stand out

A broad, high-quality music and sound library

Epidemic Sound holds a clearly differentiated market-leading position and is the undisputed category winner in its niche.

The company is the only one with 100 percent affiliated-free songs and sounds and owns its music 100 percent. This creates several benefits:

- Unmatched pricing power and margin advantages underpinned by 100 percent IP ownership
- Extensive music and sound library without reporting requirements
- Platform-agnostic solution cleared globally creating a hassle-free experience for enterprise customers

Epidemic Sound has two distinct and highly complementary delivery and sourcing models with a superior value proposition to artists. Epidemic Sound works with unaffiliated musicians, while A-P Records works with affiliated musicians. Both venues support the development of artists, mentoring each to reach their full potential and using a decade's worth of data collection to help guide music production. Additionally, Epidemic Sound and A-P Records help artists to get world-reaching distribution through content creators and DSPs, generating strong network effects. Finally, both Epidemic Sound and A-P Records provide competitive compensation (see more in the section "remuneration model") to allow artists to live on their craft.



A state-of-the-art software platform

Epidemic Sound is providing a state-of-the-art software platform to its content creators, storytellers, and brands, with a wide range of value-adding features driving superior user experience. The platform is both web-based and mobile, to cater to different needs. The software provides the ability to search the library by moods, genres, duration, BPM, and vocals. Additionally, it provides the ability to access melody, vocals, and instruments in stems, allowing for the adaptation of songs and sounds. Lastly, it helps with discoverability through advanced and AI-powered search functionality.

Our value chain (of music and sounds)

Epidemic Sound has a two-sided business model, supporting both artists and storytellers to reach (commercial) success. It is in the integration and fusion of sound and music into stories that Epidemic Sound creates value for both artists and content creators. With its mission to soundtrack the world, Epidemic Sound will always push the limits to enable content creators to soundtrack their stories and to help artists reach commercial and creative success.

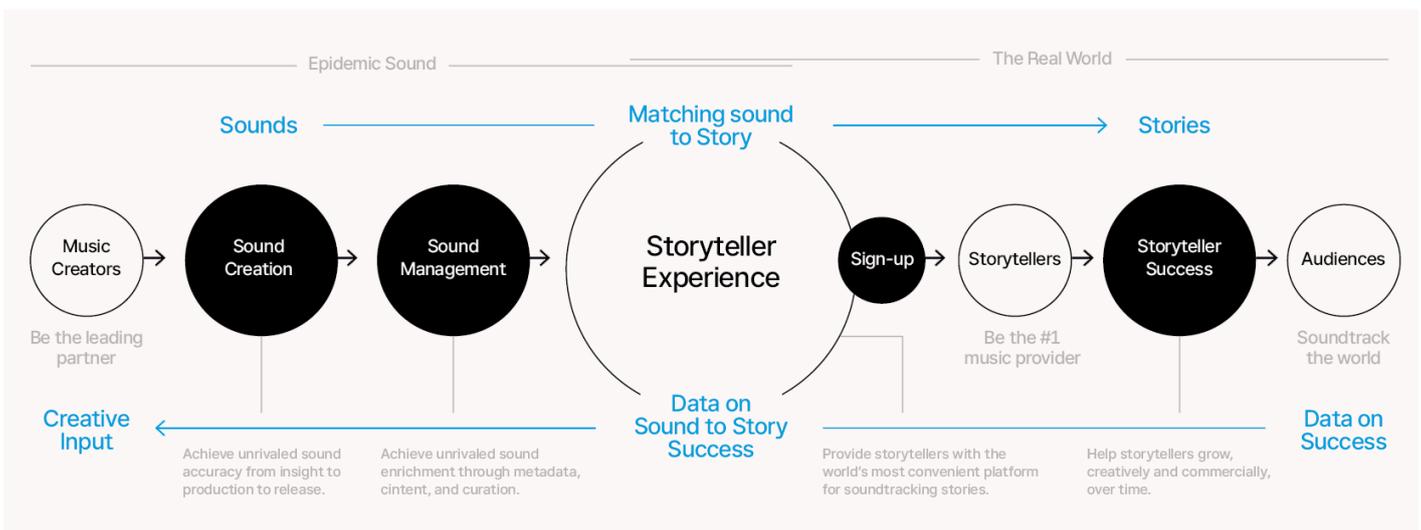
On one hand, Epidemic Sound’s talented roster of artists, create and curate the highest quality music, and sound, tailored for the creator world, distributed over the company’s platform, or through partnerships via API.

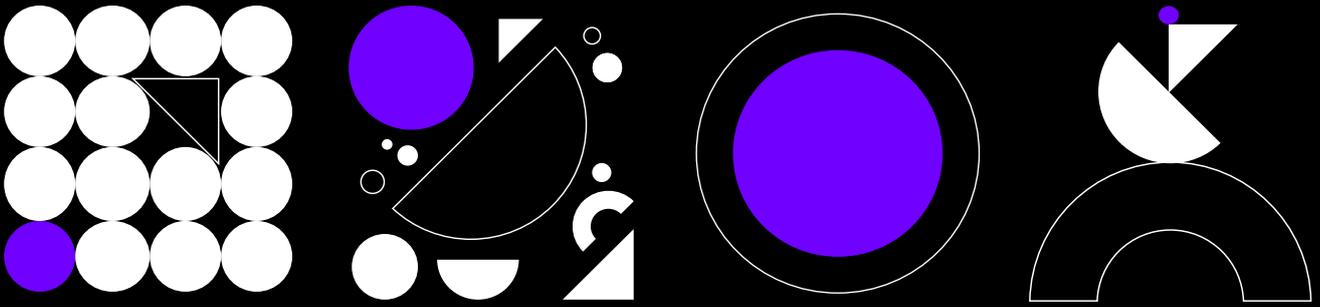
On the other hand, Epidemic Sound provides storytellers (individuals, SMBs, and enterprises) with the world's most convenient platform for soundtracking stories.

Through the music library, discoverability capabilities, and adaptation of sound functionality available on the platform, Epidemic Sound helps storytellers grow creatively and commercially, over time, ensuring a hassle-free experience with regard to copyrights compliance.

Through data gathered across the value chain, Epidemic Sound is able to provide artists with insights and detailed briefs on what music and sounds are trending and creating storyteller success. This can be used as creative input and support for artists when developing new music and sound effects to match future stories. Additionally, successful stories and creator content that integrate Epidemic Sound’s music will help drive interest in the artist's music, driving traffic to DSPs, and generating additional royalty revenue. Additionally, by leveraging usage data, Epidemic Sound is able to continue developing new product features to make the experience for storytellers as friction-free as possible.

Our value chain of sounds to stories focuses on Storyteller Experience





Our culture and values

At Epidemic Sound our values define our culture and how we act. Centered around four pillars, we envision our values as the core of how we act and operate.

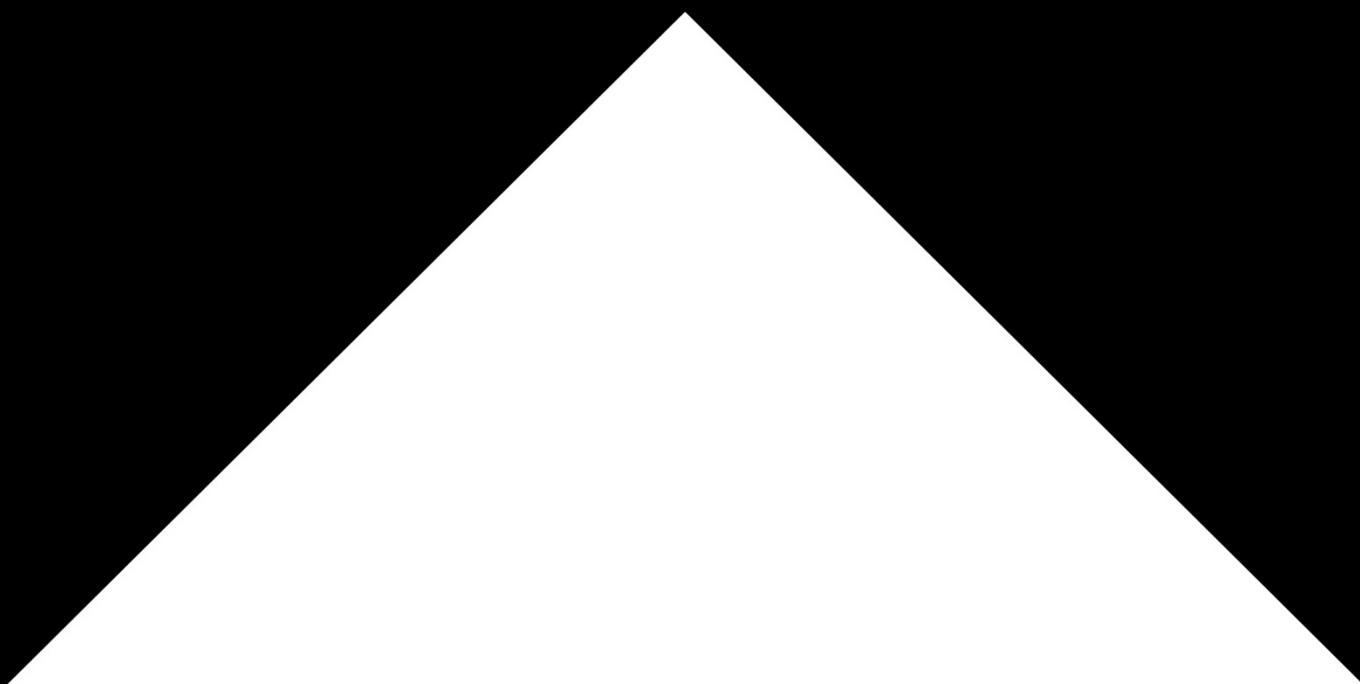
Come together - We are united behind Epidemic Sound's mission. We revel in coming together, recognizing that being in each others' company is a spark for creativity. We work collaboratively, crossing boundaries, crushing hierarchies, and channeling talent because we know the best ideas can come from anywhere. We assume good intent, welcoming debate, discourse, and even disagreement before committing together behind our decisions.

Rebel without a pause - We break new ground by being bold, resilient innovators and problem solvers. We are restless to keep moving forward. We recognize that shipping stuff is just the beginning of the journey. Our achievements motivate us to look at what we can do better, and where we need to go next to stay ahead.

Let's celebrate - We are creators, of stories, of music, of moments. We don't lose sight of why we are here and what we are here to do. We bring joy into the world and that drives us to do more. We lift others; promote equitable opportunities and embrace our differences to overcome challenges with determination and a solution-focus, and celebrate our learning and wins.

Be a force for good - Our vision to make music flow freely and fairly, is a noble one. We know the positive power of music and storytelling as a force for good and we unite behind that. We aim to have a positive net effect: in the industry, as employers, as colleagues, as people. We make tough decisions and act boldly when needed, but not at any cost. We want to achieve something better than what we started with, every day.

Management report 2022





Management Report 2022

The Board of directors and CEO of Epidemic Sound Holding II AB (publ) (company registration no. 559286-5231) hereby present the following annual report and consolidated financial statements for the financial year 01/01/2022 - 12/31/2022. Epidemic Sound Holding II AB is the parent company of the Group which was founded on 12/01/2020. The previous year was the Group's first year of operation and the operating Epidemic Sound Group of companies was acquired on 03/10/2021, so the comparison figures for the consolidated income statement only relate to a shortened period of ten months. The parent company for the previously prepared consolidated financial statements for 2020 is Epidemic Sound Holding AB, company registration no. 559134-9492, where historical comparative figures can be found. The Group's registered office is in Stockholm, at Västgötagatan 2, 118 27 Stockholm. The Annual Report is presented in Swedish kronor (SEK) thousands, unless otherwise stated.

The company

The Epidemic Sound Group operates in the tech and music industry. Through its network of music creators, it has built a world-class music catalog which it offers to its customers to use through a simple licensing model. The music creators include composers, artists, producers, vocalists and musicians. Epidemic Sound's clients range from individual storytellers who need music for smaller productions posted on social media, to global

companies that use music in, for example, customer communications, films, advertising productions or TV programs. Customers also include companies that design sound for physical environments, major digital licensing retailers and streaming platforms. Epidemic Sound offers its customers a simple, global licensing model that enables them to use music that is owned and controlled by Epidemic Sound.

Epidemic Sound offers a wide-ranging music catalog that is continually being updated and includes vocal and instrumental musical works within more than 160 different genres. At the end of 2022, the music catalog included almost 40,000 works and has been built up over more than ten years, together with a host of hand-picked, talented music creators. Epidemic Sound works closely with the music creators and ensures that all the music purchased and added to the music catalog is of high quality.

The Group is in an expansion phase and has set up a strong organization to ensure growth in both the short and the long term. During 2022, the Group took some important steps in line with its long-term strategy and achieved good results.

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



Key figures

The operating Epidemic Sound group was acquired in March 2021; comparative figures for 2021 therefore refer to only 10 months of a financial year of 13 months.

KSEK	2022	2021	%
Net sales	1 181 181	694 203	70%
EBITDA	2 818	-54 819	105%
Adjusted EBITDA	9 761	-13 538	172%
EBIT	-491 566	-406 014	-21%
Adjusted EBIT	-484 623	-364 733	-33%

See key figures on page 87. For definitions and reconciliation of alternative key figures, see page 88.

Significant events during the year

- In January, A-P Records AB and its subsidiary Marbel Songs AB were acquired. This acquisition is an important part of Epidemic Sound's growth strategy and contributes to the strengthening of the company's position in the mood music area, as well as increasing Epidemic Sound's offerings on streaming platforms. See note 19 on page 70.
- In August, Epidemic Sound Holding AB, Epidemic Sound Management AB, Epidemic Sound Mepco AB and Epidemic Sound Mepco 2 AB merged with Epidemic Sound Holding II AB in an upstream merger.
- In line with the defined business plan, the businesses in Spain and Australia were wound up during the financial year and the subsidiary Epidemic Sound AU and branch office Epidemic Sound ES entered liquidation. The effect of the liquidations on Group profit was KSEK 570.
- During 2022, Epidemic Sound recruited to a number of key positions to continue to strengthen its organization and thereby to increase momentum towards the goal of bringing sound to the world. Julian Persaud, from Omio and previously a manager at AirBnB, was recruited into the commercial manager role (CCO). Rikard Herlitz, from Google and previously a manager at Mojang, was recruited into the technical manager role (CTO). Frida Jonas, from Klarna, and Lars Torstensson, from MTG, were recruited into the roles of Senior Vice President Enterprise & DRM and Head of Communications & IR respectively.
- The composition of the board changed during the year and now consists of six members - Chair Andrew Fisher, Kirsten Wolberg and Adrienne Gormley, who bring to the board their expertise in music tech, software and Software as a Service (SaaS). The other board members are Victor Englesson, Vincent Letteri and Jan Zachrisson. Vania Schlogel resigned from the position of board member.



- Epidemic Sound has continued to develop the services it offers during the year. For example, the company launched the sound-based search engine "EAR" to help creative designers find music to suit their style and to take the friction out of searching for sounds or music for their next production.
- Epidemic Sound continued to build strong relationships with their artists and during the year launched the joint YouTube series "Behind the Sound" to describe what a collaboration between musicians and Epidemic Sound can be like. Working with a selection of its artists, Epidemic Sound also set to music the 17 sustainability goals, in partnership with the United Nations Development Program (UNDP).
- During 2022, Epidemic Sound presented several strategic partnerships, such as iStock and StreamTV.

Net sales and profit

Income statement in summary

KSEK	2022	2021	
Net sales	1 177 982	691 481	70%
Operating profit before depreciation, EBITDA	2 818	-54 819	105%
Operating profit, EBIT	-491 566	-406 014	-21%
Profit for the year	-411 388	-353 046	-17%

The Group's net sales amounted to SEK 1,178 million (SEK 691 million). The comparison with the previous year refers to income for 10 months in the new Epidemic Sound Group, which was founded in 2021. If the business acquisition had taken place on January 1, 2021, net sales would have amounted to SEK 808 million. The acquired business contributed SEK 140 million to sales. There was a slightly positively impact on income during the year from a stronger US dollar against the Swedish krona, which is the Group's reporting currency.

In line with the Group's long-term strategy, investments have continued in music, product development and customer acquisition. Other external costs amounted to SEK -505 million (SEK -375 million). Personnel costs amounted to SEK -541 million (SEK -340 million). Capitalized work for own account amounted to SEK 33 million (SEK 29 million), which relates to product development costs for external use.

Operating profit before depreciation amounted to SEK 3 million (SEK -55 million).

Depreciation of fixed assets amounted to SEK -494 million (SEK -351 million). The amounts are largely due to amortization of intangible assets (music catalog, customer contact and customer relations, and the technical platform), which derive from when the Group was established in March 2021.

Operating profit amounted to SEK -492 million (SEK -406 million), primarily as a consequence of depreciation of fixed assets.

The year also had items affecting comparability amounting to SEK -7 million (SEK -41 million). The costs for 2022 relate to personnel costs in the restructuring of the organization and consultation costs in connected with acquisition. The costs for 2021 relate to consultation costs in connection with restructuring of the Group. See table of items affecting comparability on page 88. The costs affecting comparability have been distributed to the operating segment's profit using the same distribution key as for other operating costs.



Segment

Direct Sales

The Direct Sales segment refers to sales of subscriptions aimed at private individuals, small and medium-sized companies and large, global companies.

KSEK	2022	2021	%
Total revenue	746 194	493 990	51%
EBITDA	-22 164	-64 837	66%

For definitions and reconciliation of alternative key figures, see page 88.

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

Partnership Sales

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

KSEK	2022	2021	%
Total revenue	434 987	200 213	117%
EBITDA	24 982	10 018	149%

For definitions and reconciliation of alternative key figures, see page 88.

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



Financial position

Balance sheet in summary

KSEK	2022-12-31	2021-12-31
Fixed assets	11 961 801	11 984 996
Current assets	1 026 632	1 049 246
Total assets	12 988 433	13 034 242
Equity	11 322 423	11 526 891
Long-term liabilities	1 154 494	1 181 881
Current liabilities	511 516	325 469
Total equity and liabilities	12 988 433	13 034 242

The Group's balance sheet total amounted to SEK 12,988 million (SEK 13,034 million) at the end of the period. Equity in the Group amounted to SEK 11,322 million (SEK 11,527 million), which corresponds to an equity ratio of 87 (88) percent.

Cash flow and liquid assets

KSEK	2022	2021
Cash flow from current activities	84 788	-51 577
Cash flow from investing activities	-213 492	-3 413 529
Cash flow from financing activities	-18 162	4 274 218
Cash flow for the period	-146 867	809 112

Reported cash flow for the year amounted to SEK -147 million (SEK 809 million).

Cash flow from operating activities during the period amounted to SEK 85 million (SEK -52 million), mainly related to contract liabilities and contract assets.

Cash flow from investment activities amounted to SEK -213 million (SEK -3,414 million), mainly in connection with investments in intangible fixed assets, financial instruments and the acquisition of A-P Records AB and its subsidiary Marbel Songs AB. The previous year's cash flow related to the acquisition of subsidiaries when the new Group was formed. Investments in tangible and intangible fixed assets totaled SEK -117 million (SEK -79 million) and relate mainly to proprietary systems.

Cash flow from financing activities amounted to SEK -18 million (SEK 4,274 million), mainly related to the new share issue and amortization of lease liabilities. The previous year's cash flow mainly related to the new share issue when the new Group was formed.

Research and development

Epidemic Sound has a strong focus on the development of its own products and services. The development work is led from the head office in Stockholm. The Group's product development is capitalized when the criteria for development in IAS 38 are met. In 2022, SEK 32 million (SEK 29 million) of the company's total payroll costs of SEK -541 million (SEK -339 million) were capitalized.

Employees

The number of employees at the end of the period was 497 (439). The average number of employees in 2022 was 436 (418), the number of women was 214 (204).

Recruiting, retaining and developing people with the right skills and attitude is extremely important and Epidemic Sound invests heavily in internal development and training. The Group's ambition is for all employees to feel involved and responsible for the company's development and places high demands on personal responsibility and initiative. Creating a multi-faceted and inclusive work culture that is free of discrimination and harassment is a prerequisite for success, and is a matter of the greatest importance and focus for Epidemic Sound.



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

Investments, depreciation and amortization

During the year, the Group's investments in tangible assets amounted to SEK 12 million (SEK 3 million). The investments are mainly attributable to changes in the IT environment.

The Group's product development is capitalized and planned depreciation commences when the product or service is completed. During the year, the newly-capitalized development of its own products and services amounted to SEK 32 million (SEK 29 million). As of December 31, 2022, the total capitalized product development after depreciation amounted to SEK 75 million (SEK 53 million). Depreciation of capitalized product development during the year amounted to SEK -10 million (SEK -5 million).

Intangible fixed assets related to music purchases acquired during the year for SEK 73 million (SEK 46 million) and the depreciation of these assets during the year amounted to SEK -21 million (SEK -12 million).

For the full year, depreciation amounted to SEK 494 million (SEK -351 million) and impairment to SEK 0 million (SEK -2 million) related to all fixed assets.

Ownership structure

Epidemic Sound's largest owners per December 31, 2022 are shown in the following table:

Ownership of the parent company is distributed as follows:	Andel aktier, %	Andel röster, %
EQT	32%	33%
Founders and incentive program	22%	19%
Blackstone Growth	18%	18%
Creandum	12%	12%
Other	16%	18%
Total	100%	100%

Market and future prospects

The Group's expansion continues in line with its current strategy. All the Group's business areas are developing well and further resources are planned to be invested in them. The Group continues to focus on technological development and on reaching increased brand awareness in the markets in which it operates. The Group plans to develop its products and customer offerings further in the hope of further accelerating growth and enabling strong future profitability.

Sustainability Report

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

Essential key figures

Epidemic Sound uses alternative financial measurements that are not defined by IFRS. Epidemic Sound considers that these alternative performance metrics (APM) give valuable information to readers of the financial reports since they represent a complementary valuation of Epidemic Sound's performance. The key figures that Epidemic Sound has chosen to present are relevant observations of the business, as well as in relation to the financial goals for growth, margins and capital structure. In the definitions on page 89, we note how Epidemic Sound defines its key figures, as well as the purpose of each key figure. On page 87 there is complementary information about the derivation of the key figures.



Guidelines for remuneration to senior executives

Remuneration to senior executives is reported in Note 7 Personnel costs.

Parent company

Epidemic Sound Holding II AB is the parent company of the Epidemic Sound Group. These activities include financing of the Group's activities. Assets amounted to SEK 11,881 million (SEK 11,727 million) and equity to SEK 11,813 million (SEK 11,619 million).

The parent company's share capital amounted to KSEK 641 (KSEK 615) at year end 2022. For changes in share capital between 2021 and 2022, see "Report on changes in equity" for the Group. For a description of number of shares and nominal value for Epidemic Sound, see Note 18 Equity.

During 2022, the parent company have had an unrealized currency effect from intercompany liabilities amounting to KSEK 17 726, which have been recorded in Other operating expenses.

Events after the end of the reporting period

On 1 March 2023, at an extraordinary general meeting, the shareholders of Epidemic Sound Holding II AB approved a new incentive program for existing and new employees. This program consists of so-called Restricted Stock Units ("RSU"). The total number of shares (and RSUs) reserved and available for grant and issuance pursuant to the program is 210,000,000.

Management assessment of continued operation

The management and the Board of directors are continuously monitoring the development of the business in order to further manage quickly and effectively any risks and situations that may arise. It is the company's assessment that it currently has the liquidity to continue operations in 2023 and that there is no obstacle to continuing to operate in accordance with established strategies and to meet its short-term and long-term obligations.

Annual General Meeting

The 2023 Annual General Meeting will be held in Stockholm on May 15, 2023.

Proposed appropriation of non-restricted equity (SEK)

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

Parent company	2022-12-31
The following profits are at the disposal of the Annual General Meeting (SEK):	
Share premium reserve	11 912 625 459
Retained earnings	-66 704 438
Profit for the year	-33 400 294
The Board proposes that all non-restricted funds be carried forward	
	11 812 520 727



Risks and Risk Management

Active risk management is a basic prerequisite for Epidemic Sound's operations, and effective risk management is a necessity for building a stable and profitable company. It will facilitate the decision-making process and the ability to achieve strategic goals.

Epidemic Sound has a formally implemented process for the group to identify, plan, manage, and reduce risks that are outside the company's desired risk appetite and report to the Board at least yearly. The process is designed to create good control over the group's total risk exposure and to ensure efficient, systematic, and value-creating management of opportunities and risks in the business.

The most significant risks are identified based on impact and likelihood assessment and presented below and divided into four main risk categories; External, Strategic, Operational, and Financial risks.

External risks

Macroeconomic conditions, regulatory changes, technological innovation, and cyber security are external factors that impact the environment in which Epidemic Sound operates. The Board and executive management team of Epidemic Sound monitor the development in key markets and proactively assess external risks as well as opportunities that may influence the Group's strategy and operations.



Risk	Definition of risk	Treatment and comments for the year
Macroeconomic and geopolitical factors	Existing economic uncertainty factors such as recession and ongoing geopolitical strife add complexity to the risk assessment that could cause unpredictable fluctuations and impact our ability to meet our strategic financial targets.	<p>We will continue to take into account and follow up on 'worst-case' -scenario analyses to understand how our financial results and targets are affected by inflation, for example, exchange rates, interest rates, and increased electricity prices</p> <p>In regards to the situation in Ukraine, Epidemic Sound has complied with the global sanctions and has been able to compensate for the minor loss of revenues in these countries with increased growth in other countries and new markets. However, Epidemic Sound continues to monitor the political climate.</p>
Technological innovation and industry trends	The digital landscape and innovation keep evolving with sophisticated new technologies, particularly AI. The ongoing AI improvements allow more and more automation of advanced creative work such as music adaption and composition. Human-assisted and generative AI is seen as both a risk as well an opportunity for Epidemic Sound. The risk of not evolving with it could lead to less customer uptake and engagement but at the same time, there is a complexity in terms of copyright law. The opportunities with AI would be that together with artists, further leverage its high-quality, stem-based music, and sound library.	<p>Epidemic Sound continues to develop and keeps exploring opportunities as well as the risks related to AI technology.</p> <p>During 2023 Epidemic Sound will continue to improve and establish algorithmic development for both core user experience and music.</p>
Regulatory changes	Regulatory risks are related to the business' s ability to manage the effects of new legislation and regulation. Regulatory changes within copyright law are something that could have an impact on our business and financial targets.	Epidemic Sound monitors and analyzes the legal development in relevant areas to adopt and ensure compliance in our operations with applicable laws and regulations.
Cyber security	Risks related to phishing and ransomware, unauthorized access, and sensitive data leakage.	To soundtrack the world, we need to ensure our internal systems are secure and free from unauthorized access. Preventing phishing attacks is critical to protect those systems. We have taken many actions during the year to put controls in place to mitigate the risk to the extent possible, and we continue to conduct mandatory phishing and awareness training for our staff. We continuously develop routines and tests and optimize the controls around data-sharing practices with both tools and training to reassure that we have enough capacity to protect ourselves.



Strategic risks

Epidemic Sound's strategy is closely linked to the external world and to internal factors which may affect the Group's execution of its strategy. Epidemic Sound's board and management continuously revise the strategic framework to ensure it is up to date and its business divisions are focused to create economic value. The Group's operational units manage potential execution risks related to the strategic priorities.

Risk	Definition of risk	Treatment and comments for the year
Reputational risk	A good reputation is of great importance to Epidemic Sound's success and building a strong brand. To continue to establish strong credibility towards employees, customers, music creators, and collaboration partners is of utmost importance.	Epidemic Sound works to continuously provide employees as well as external stakeholders with correct, transparent, and reliable communication in order to prevent the appearance of reputational risk through trust building. Information and training about the company's values and business principles must be value-creating, thereby strengthening the reputation and brand.



Operational risks

The Group's ability to improve operational performance and create value is linked to achieving outstanding customer innovation with a clear focus on profitable growth and continuous improvements. Executing these requires support from effective operational processes and its people, but at the same time balanced with operational compliance in relation to the company's desired risk appetite. The Group has internal bodies that proactively monitor and manage operational risks.

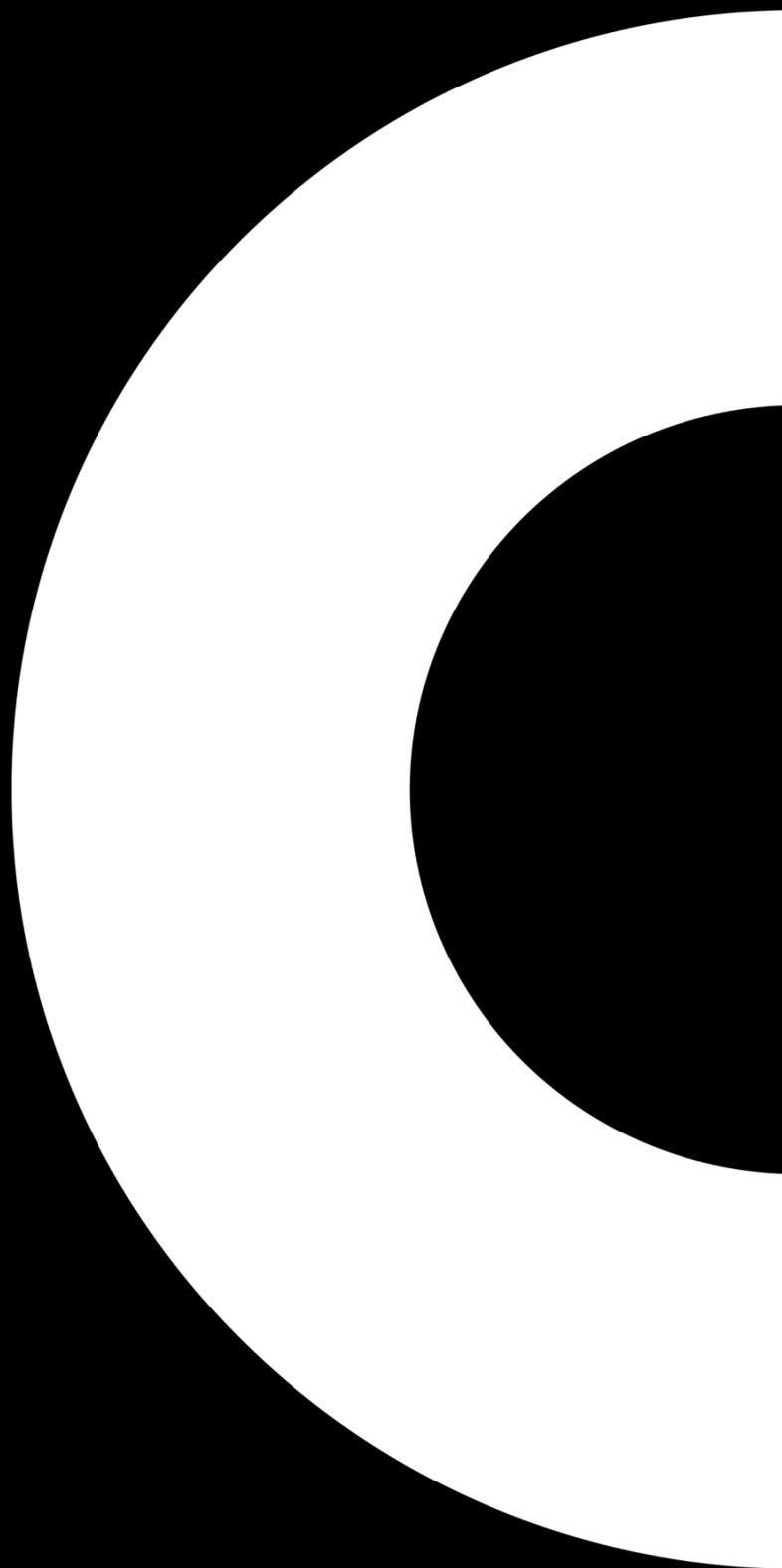
Risk	Definition of risk	Treatment and comments for the year
Technical platform and IT-support	Epidemic Sound is highly dependent on its technology platform for day-to-day operations. A disruption of the technical platform could damage Epidemic Sound's reputation and affect the company's ability to acquire, retain and serve its customers and stakeholders. Updates and development of IT systems are critical to streamlining the company's processes.	Epidemic Sound has well-developed processes and routines that aim to eliminate operational disruptions and minimize the consequences if a technical interruption would occur. Epidemic Sound works continuously to ensure long-term management and control of the security of the IT infrastructure to support business operations.
Talent, Leadership, and Retention	Dedicated employees and leaders with the right skills and attitude play a crucial role in Epidemic Sound achieving its vision and targets. It is therefore critical to both attract and retain competencies and employees and make sure to have well-functioning and diverse teams.	<p>As a global company, it is important to ensure and nurture a collaborative and learning culture where everyone applies the same principles of conduct and company values. Epidemic Sound can show good results in employee and workplace surveys. Still, it will continue to maintain and improve a diverse and effective working environment for all employees in order to continue to be an attractive employer.</p> <p>Leadership courses are conducted for all managers at all levels within the Group. Epidemic Sound also conducts "ethics programs" for all employees encompassing both ethics training and introduction to the whistle-blowing system.</p>

Financial risks

Epidemic Sound operates on a global market and is exposed to various financial risks that could lead to fluctuations in financial results, cash flow, and balance sheet accounts. The financial risks are managed centrally at Epidemic Sound by the Treasury function within the Finance department, described in the Treasury policy. The financial status and compliance with the policy are regularly reported to the group management and to the Board. The Treasury policy is approved by the Board yearly.

The central Treasury function manages the control of financial risks, financing, liquidity planning, and payment solutions. For further risk-specific details and mitigating actions please see disclosure 20, Financial risks.

Financial Reports





Financial reports

Consolidated statement of comprehensive income*

Amount in KSEK	Note	2022-01-01	2020-12-01
		2022-12-31	2021-12-31*
Net sales	3	1 177 982	691 481
Other operating income	4	3 199	2 721
		1 181 181	694 203
		-163 794	-62 715
Other external costs	5,6	-504 701	-375 493
Capitalized work for own account		32 508	29 129
Personnel costs	7	-540 820	-339 944
Other operating expenses		-1 555	-
Operating profit before depreciation and amortization (EBITDA)		2 818	-54 819
Depreciation and amortization	3,6,10,11	-494 384	-351 195
Operating profit (EBIT)		-491 566	-406 014
Financial income	8	11 637	674
Financial expenses	8	-13 277	-8 175
Profit before tax		-493 206	-413 515
Income tax	9	81 818	60 469
Profit for the year		-411 388	-353 046
Profit for the year attributable to:			
Parent company shareholders		-411 388	-353 046
Total		-411 388	-353 046

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



Consolidated statement of comprehensive income*

Amount in KSEK	Note	2022-01-01 2022-12-31	2020-12-01 2021-12-31*
Profit for the year		-411 388	-353 046
<i>Items that have been reclassified or may subsequently be reclassified to the income statement</i>			
Translation difference for the year on translation of foreign operations		5 739	2 489
Change in market value of short-term investments	12	-110	-90
Other comprehensive income for the year		5 630	2 399
Comprehensive income for the year		-405 759	-350 646
Comprehensive income for the year attributable to:			
Owners of the parent company		-405 759	-350 646

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



Group statement of financial position

Amount in KSEK	Note	2022-12-31	2021-12-31
Assets			
Fixed assets			
Intangible assets			
Goodwill	10	6 573 654	6 513 808
Other intangible assets	10	5 058 271	5 166 818
Capitalized expenditure on development work	10	75 036	53 386
Total intangible assets		11 706 960	11 734 011
Tangible assets			
Equipment, tools, fixtures and fittings	11	22 234	15 197
Right-of-use assets	6	161 741	166 188
Total tangible assets		183 975	181 385
Financial assets			
Deferred tax assets	15	47 506	47 105
Other financial fixed assets	16	23 359	22 494
Total financial assets		70 865	69 599
Total fixed assets		11 961 801	11 984 996
Current assets			
Trade receivables	3,12,20	49 058	26 493
Current tax asset		-	11 711
Other receivables		40 143	33 298
Prepaid expenses and accrued income	13	77 517	44 867
Short-term investments	12	192 266	121 496
Cash and cash equivalents	12,14	667 647	811 380
Total current assets		1 026 632	1 049 246
TOTAL ASSETS		12 988 433	13 034 242



EQUITY AND LIABILITIES	Note	2022-12-31	2021-12-31
Equity capital	18		
Share capital		641	615
Other paid in capital		12 078 187	11 876 923
Reserve		8 029	2 399
Retained earnings including profit for the year		-764 434	-353 046
Equity attributable to parent company shareholders		11 322 423	11 526 891
Total equity		11 322 423	11 526 891
Long-term liabilities			
Deferred tax liabilities	15	1 001 184	1 034 244
Conditional additional purchase price	12,19,20	15 682	-
Leasing liabilities	6,20,23	137 144	146 992
Long-term provisions	21,23	484	645
Total long-term liabilities		1 154 494	1 181 881
Current liabilities			
Trade payables	12,20	136 997	65 815
Current tax liabilities		12 402	-
Leasing liabilities	6,20,23	24 272	25 549
Other liabilities	12,20	60 667	60 473
Conditional additional purchase price	12,19,20	27 309	-
Short-term provisions	21,23	3 492	5 916
Accrued charges and deferred income	12,22	246 378	167 716
Total current liabilities		511 516	325 469
TOTAL EQUITY AND LIABILITIES		12 988 433	13 034 242



Group statement on changes in equity

Amount in KSEK	Share capital	Unregistered capital	Other paid in capital	Translation reserve	Fair value reserve	Retained earnings	Total earnings attr. to owners of the parent	Total Equity
Amount at incorporation	25	-	-	-	-	-	25	25
Profit for the year	-	-	-	-	-	-353 046	-353 046	-353 046
Other comprehensive income	-	-	-	2 489	-90	-	2 399	2 399
Comprehensive income for the year	25	-	-	2 489	-90	-353 046	-350 646	-350 646
<i>Transactions with group owners</i>								
New share issue ¹	583	7	11 379 524	-	-	-	11 380 114	11 380 114
Shareholder contribution received	-	-	497 399	-	-	-	497 399	497 399
Total	583	7	11 876 923	-	-	-	11 877 513	11 877 513
Closing balance, equity 2021-12-31	608	7	11 876 923	2 489	-90	-353 046	11 526 891	11 526 891

¹ No issue costs were incurred for the new share issue

² All shareholder contributions received are unconditional

Amount in KSEK	Share capital	Unregistered capital	Other paid in capital	Translation reserve	Fair value reserve	Retained earnings	Total earnings attr. to owners of the parent	Total Equity
Opening balance, equity 2022-01-01	608	7	11 876 923	2 489	-90	-353 046	11 526 891	11 526 891
Profit for the year	-	-	-	-	-	-411 388	-411 388	-411 388
Other comprehensive income	-	-	-	5 739	-110	-	5 630	5 630
Comprehensive income for the year	-	-	-	5 739	-110	-411 388	-405 759	-405 759
<i>Transactions with group owners</i>								
New share issue ¹	33	-7	201 264	-	-	-	201 290	201 290
Total	33	-7	201 264	-	-	-	201 290	201 290
Closing balance, equity 2022-12-31	641	-	12 078 187	8 229	-200	-764 434	11 322 423	11 322 423

¹ No issue costs were incurred for the new share issue

Group cash flow statement

Amount in KSEK	Not	2022-01-01 2022-12-31	2020-12-01 2021-12-31
Current operations			
Operating result		-491 566	-406 014
Adjustment for items not included in cash flow			
Depreciation and amortization	10,11	494 384	351 195
Impairment losses		418	-
Exchange rate gains		-2 969	-
Changes in provisions	21	-2 585	6 561
Capital gains		-	-11
Non-cash translation in other currencies		-	-830
Interest received		5 229	674
Interest paid		-2 575	-6 907
Income tax paid		-6 526	-731
Cash flow from operating activities before changes in working capital		-6 190	-56 063
Cash flow from changes in working capital			
Changes in operating receivables		-37 177	-31 885
Changes in operating liabilities		128 155	36 371
Cash flow from operating activities		84 788	-51 577
Investment activities			
Business combinations	19	-25 041	-3 211 534
Acquisition of tangible fixed assets	11	-12 422	-3 432
Acquisition of intangible assets	10	-104 367	-75 343
Acquisition of financial fixed assets		-888	-2 037
Investments in financial instruments	12	-70 774	-121 496
Sale of fixed assets	11	-	314
Cash flow from investing activities		-213 492	-3 413 529
Financing activities			
New share issue	23	11 264	4 545 784
Repayment of loans to credit institutions	23	-	-251 078
Amortization of leasing liabilities	20,23	-29 426	-20 488
Cash flow from financing activities		-18 162	4 274 218
Cash flow for the year		-146 867	809 112
Cash and cash equivalents at the beginning of the year		811 380	-
Exchange rate difference in cash and cash equivalents		3 133	2 269
Cash and cash equivalents at the end of the year	14	667 647	811 380



Parent company income statement

Amount in KSEK	Note	2022-01-01 2022-12-31	2020-12-01 2021-12-31
Other operating income	4	4 203	720
		4 203	720
Other external costs	5	-6 341	-88 211
Personnel costs	7	-10 638	-756
Other operating expenses		-17 712	-3
Operating profit		-30 488	-88 250
Interest income and similar profit items	8	929	587
Interest costs and similar profit items	8	-3 841	-5 612
Profit after financial items		-33 401	-93 275
Profit before tax		-33 401	-93 275
Tax on profit for the year		-	-
Profit for the year		-33 401	-93 275

Parent company statement of comprehensive income

Parent company statement of comprehensive income	2022-01-01 2022-12-31	2020-12-01 2021-12-31
Profit for the year	-33 401	-93 275
<i>Items that have been reclassified or may subsequently be reclassified to the income statement</i>		
Change in market value of short-term investments	54	-54
Other comprehensive income for the year	54	-54
Comprehensive income for the year	-33 292	-93 383

Parent company balance sheet

Amount in KSEK	Note	2022-12-31	2021-12-31
ASSETS			
Fixed assets			
<i>Financial fixed assets</i>			
Shares in group companies	17	11 879 953	11 312 753
Total financial fixed assets		11 879 953	11 312 753
Total fixed assets		11 879 953	11 312 753
<i>Current assets</i>			
Current tax asset		760	11 304
Other receivables		57	1
Prepaid expenses and accrued income		99	-
Short-term investments	12	-	65 207
Cash and bank	12,14	-	337 790
Total current assets		917	414 301
TOTAL ASSETS		11 880 870	11 727 054
EQUITY AND LIABILITIES			
Equity capital			
<i>Restricted equity</i>			
Share capital	18	641	615
		641	615
<i>Non-restricted equity</i>			
Share premium		11 912 625	11 711 307
Profit/loss carried forward		-66 704	-
Profit for the year		-33 400	-93 275
		11 812 521	11 618 033
Total equity of the parent company		11 813 162	11 618 647
Non-current liabilities			
Conditional additional purchase price	12,19,20	15 682	-
Total long-term liabilities		15 682	-
Current liabilities			
Conditional additional purchase price	12,19,20	27 309	-
Trade payables		742	11
Liabilities to group companies	14	21 542	97 900
Other liabilities	12,20	418	4 952
Current tax liabilities		28	-
Accrued expenses and deferred income	12,22	1 987	5 544
Total current liabilities		52 026	108 407
TOTAL EQUITY AND LIABILITIES		11 880 870	11 727 054



Parent company statement on changes in equity

Amount in KSEK	Restricted equity		Non-restricted equity			Total equity
	Share capital	Unregister ed capital	Share premium	Retained earnings including profit for the year	Fair value reserve	
Amount at incorporation	25	-	-	-	-	25
Comprehensive income						
Profit for the year	-	-	-	-93 275	-	-93 275
Other comprehensive income	-	-	-	-	-54	-54
Total comprehensive income	25	-	-	-93 275	-54	-93 329
<i>Transactions with owners of the parent company</i>						
New share issue ¹	583	7	11 213 963	-	-	11 214 553
Shareholder contribution received ²	-	-	-	497 399	-	497 399
Total transactions with shareholders	583	7	11 213 963	497 399	-	11 711 951
Closing balance, equity 2021-12-31	608	7	11 213 963	404 124	-54	11 618 647

¹ No issue costs were incurred for the new share issue

² All shareholder contributions received are unconditional.

Amount in KSEK	Restricted equity		Non-restricted equity			Total equity
	Share capital	Unregister ed capital	Share premium	Retained earnings including profit for the year	Fair value reserve	
Opening balance, equity 2022-01-01	608	7	11 213 963	404 124	-54	11 618 647
Comprehensive income						
Profit for the year	-	-	-	-33 401	-	-33 401
Other comprehensive income	-	-	-	-	54	54
Merger income	-	-	-	26 570	-	26 570
Total comprehensive income	-	-	-	-6 830	54	-6 776
<i>Transactions with owners of the parent company</i>						
New share issue ¹	33	-7	201 264	-	-	201 290
Total transactions with shareholders	33	-7	201 264	-	-	201 290
Closing balance, equity 2022-12-31	641	-	11 415 227	397 294	-	11 813 161

¹ No issue costs were incurred for the new share issue



Parent company cash flow statement

Amount in KSEK	Not	2022-01-01 2022-12-31	2020-12-01 2021-12-31
Current operations			
Operating result		-30 488	-88 250
Adjustment for items not included in cash flow			
Unrealised exchange rate losses		17 726	-
Interest received		557	1 034
Interest paid		-283	-
Paid taxes		28	-
Cash flow from operating activities before changes in working capital		-12 460	-87 216
Cash flow from changes in working capital			
Changes in operating receivables		18 553	-11 304
Changes in operating liabilities		-114 387	102 348
Cash flow from operating activities		-108 294	3 828
Investment activities			
	17		
Investments in subsidiaries	19	-68 099	-3 981 616
Investment in financial instruments	12	65 261	-65 261
Shareholder contributions	17	-260 000	-
Merged funds from subsidiary	24	22 052	-
Cash flow from investing activities		-240 786	-4 046 877
Financing activities			
New share issue		11 290	4 380 839
Cash flow from financing activities		11 290	4 380 839
Cash flow for the year			
Cash and cash equivalents at the beginning of the year		337 790	-
Cash and cash equivalents at the end of the year	14	-	337 790

Group and Parent Company notes

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Note 1 - General financial reporting and valuation principles

General financial reporting principles

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

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

On [March 8, 2023](#), the Board of directors approved this Annual Report and Consolidated Financial Statements, which will be presented for adoption at the Annual General Meeting on May 15, 2023.

Regulatory framework and basis for reporting

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

The parent company Epidemic Sound Holding II AB was established on December 1, 2020, and this is the company's second financial year. These consolidated financial statements are the second to be prepared by the new parent company Epidemic Sound Holding II AB. Consolidated accounts were previously prepared in the subsidiary Epidemic Sound Holding AB. Since the operating Epidemic Sound Group was acquired on

March 10, 2021, the comparative figures for the consolidated income statement for 2021 relate only to a shortened period of ten months.

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

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

New standards, amendments and interpretations applied by the Group

The International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRIC) have issued, and the EU has adopted, new and revised standards and interpretations applicable from the financial year 2022. These have not had a material impact on the Group's financial performance and position.

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

Valuation basis

Assets and liabilities are stated at cost (acquisition value) except for certain financial assets and liabilities which are measured at fair value. The consolidated financial statements have been prepared on the going concern principle.

Classification of long-term and current items

Assets and liabilities are classified as long-term and current. Long-term assets and liabilities consist essentially of amounts expected to be recovered or paid after more than twelve months from the balance sheet date. Current assets and liabilities consist essentially of amounts expected to be recovered or paid within twelve months of the balance sheet date.



Consolidated financial statements

Subsidiaries

Subsidiaries are companies under the control of the parent company. An investor has a controlling influence over a company when the investor is exposed to, or has the right to, variable returns from its involvement in the company and can influence those returns through its influence.

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

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

Transactions eliminated on consolidation

Intra-group receivables and payables, income or costs and unrealized gains or losses arising from intra-group transactions between group companies are eliminated in their entirety in preparing the consolidated financial statements.

Currency conversion

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

Transactions in foreign currency

Foreign currency transactions are translated into the functional currency at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate prevailing at the balance sheet date. Exchange differences arising on translation are recognized in profit or loss. Non-monetary items that are assessed at historical acquisition value in a foreign currency are not converted. Exchange rate gains and losses on operating receivables and operating payables are included in operating profit and exchange rate gains and losses on financial assets and liabilities are included in financial items.

Translation of foreign subsidiaries and other foreign operations

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

Accounting policies of the parent company

The parent company has prepared its financial reports in accordance with the Annual Reports Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2 "Accounting for Legal Entities". For the parent company, the income statement and balance sheet have been drawn up according to the formats of the Annual Reports Act, while the statements on comprehensive income, changes in equity and cash flow are based on IAS 1 Presentation of Financial Statements and IAS 7 Statement of Cash Flows respectively.



The differences between the accounting policies of the Group and the parent company are set out below. The accounting policies of the parent company set out below have been applied consistently to all periods presented in the parent company financial statements, unless otherwise stated.

Subsidiaries

Investments in subsidiaries are accounted for in the parent company in accordance with the cost method. This means that they are stated at cost less any impairment losses. Transaction costs are included in the reported value of investments in subsidiaries. In the event that book value exceeds the company's consolidated value, an impairment is performed and recognized on the income statement. An analysis of any need for impairment is performed at the end of each reporting period. In the event that an earlier impairment is no longer justified, a reversal is carried out.

Note 2 - Significant estimates and judgment

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. These judgements are based on experience and assumptions that management deems reasonable under the circumstances. Actual outcomes may differ from these estimates.

The estimates and assumptions are evaluated on an ongoing basis and are not considered to present a significant risk of material adjustments in the reported values of assets and liabilities in the following financial year. Changes in estimates are recognized in the period in which the change is made if the change affects only that period, or in the period in which the change is made and future periods if the change affects both the current period and future periods.

The areas in which estimates and judgments are significant to the company and which could affect the income statement and report on financial reporting if changed are described below.

Group contributions and shareholder contributions

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

Leasing

The parent company applies the exemption in RFR 2 for legal persons and recognizes all leases as costs in a straight line over the lease period in the income statement.

Impairment testing of fixed assets

The most material fixed assets where impairment testing is judged to be critical are goodwill and trademarks. The need for impairment is tested based on management's best assessment of the recoverable value. The estimated recoverable value of identified cash generating units is based on future cash flow on the basis of internal business plans and forecasts. Changes in these could result in material effects on the recoverable value. The Group's goodwill and trademarks are tested for impairment annually, or more frequently if necessary. For more information on the management approach, see note 10 Intangible assets.

Reporting of deferred tax assets

Judgements are made to determine when deferred tax assets are reported in the Group. Deferred tax assets are reported as receivables when it is judged to be probable that the deferred tax assets will be able to be used to offset future taxable gains. Other assumptions regarding the outcome for these future taxable gains, as well as changes in tax rates and taxation rules, can result in significant differences in the valuation of deferred tax assets. Deferred tax assets in the Group are calculated and recognized on



the tax loss carry-forward only when management has assessed that it is highly probable that the company will generate future income against which the losses can be utilized in the near future. For more information about the amount, see Note 9 Tax.

Right of use and leasing liability

In the valuation of lease agreements and right-of-use assets according to IFRS 16, the Group makes an assessment of the duration of contracts where the contracts include renewal and termination options. The Group considers both business strategy and contract-specific conditions to determine whether the Group is reasonably certain to exploit them. The greater part of the Group's lease contracts consist of

rental contracts for office premises. For more information, see Note 6 Leasing.

Capitalization of development costs

The Group is engaged in product development for the technical platform. To report on proprietary intangible assets, the Group must make judgements about the future. Decisions on capitalizing an asset are based on an assessment of whether it is technically possible to complete the asset, which the Group assesses, as well as that it is probable that the asset will generate future financial benefits. For more information on amounts and depreciation times, see note 10 Intangible assets.

Note 3 – Net sales and segment reporting

Financial reporting principles

Net sales

The Group reports income when the Group fulfils a performance commitment, which is when a promised product or service is delivered to the customer and the customer assumes control of the product or service. Control of a performance commitment can be transferred over time or on one occasion. The income consists of the amount that the Group expects to receive as payment for the transferred products or services.

The Group's income is primarily derived from the sale of a right to use an intangible asset (use or exploitation of music), i.e. a license. The performance commitment is distinct and separately identifiable, with prices allocated to each commitment.

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

The second type of license is a "right to access", i.e. a license that grants a right to gain access to the intellectual property during the license period. This is a commitment that is fulfilled continuously over time, where the asset can be replaced and updated on an

ongoing basis during the license period. In this way, the performance commitment is fulfilled over time because the licensor performs an activity, and the benefits of it are received by the licensee. The update cannot be purchased separately. The licensor has not fulfilled its commitments by granting the license and has additional obligations in the form of updates during the license period.

Epidemic Sound has different types of income streams and license types under the operating segments, where it is the fulfilment of the performance commitment and transfer of control to the customer that controls whether the income is taken at a given point in time or over the license period.

Direct Sales

Subscriptions

Subscription income refers to a license that gives the user the right-to-access the intangible asset during the license period. This is a commitment that is fulfilled continuously over time and as the music library is updated and controlled by Epidemic Sound. Subscription income is based on the time that has elapsed in relation to the period the customer is expected to use the license.

Single track licenses/One-offs

Income from the sale of a license linked to a specific song that is transferred to the buyer at a given time and can then be used by the buyer in their production



(right-to-use license). After transferring the song, Epidemic Sound is not able to carry out any activities that would materially change the song.

Income via resellers

Epidemic Sound has agreements with many customers that are resellers and who sell both *Subscriptions* and *One-offs*. This income follows the same accounting policies and is reported in the same way as described under the *Direct Sales* segment above for subscription income and one-off licenses.

Partnership Sales

Income via digital partnerships

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

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

Income via other partnerships

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

when unlicensed use of the music is discovered and reported. Compensation is based on the amount of advertising income that has been generated by the content when the creator has used the music unlawfully.

Segment reporting

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

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

The chief operating decision maker is the function responsible for allocating resources and assessing the performance of the operating segments, and has been identified for the Group to be the responsibility of the CEO, who is therefore considered to be the chief operating decision maker. Beyond this, the Group is structured so that a Chief Commercial Officer (CCO) reports directly to the CEO for both Direct Sales and Partnership Sales.

The segment's costs consist of directly attributable costs, such as transaction and commission costs and customer acquisition costs to the Direct Sales segment, and streaming-related costs and tools to track unauthorized use of music on online platforms to the Partnership Sales segment. Other external costs and personnel costs are distributed to each segment according to a distribution key.

The music catalog content is used by both operating segments and depreciation and impairment of tangible and intangible assets is not allocated to the respective segments, for which reason results under EBITDA are not considered to be relevant measures for financial monitoring for the operating segments. Operating segments are not monitored on the basis of assets and liabilities, however goodwill is allocated by segment.



The Group's income from external customers and profits are allocated to the following segments. No sales are made between the two segments.

2022			
KSEK	Direct Sales	Partnership Sales	consolidated
Total revenue	746 194	434 987	1 181 181
Operating profit before depreciation and amortization (EBITDA)	-22 164	24 982	2 818
EBITDA margin	-3%	6%	-
Depreciation and amortization	-	-	-494 384
Operating profit (EBIT)	-22 164	24 982	-491 566
Financial income	-	-	11 637
Financial expenses	-	-	-13 277
Profit before tax	-22 164	24 982	-493 206

2021			
KSEK	Direct Sales	Partnership Sales	consolidated
Total revenue	493 990	200 213	694 203
Operating profit before depreciation and amortization (EBITDA)	-64 837	10 018	-54 819
EBITDA margin	-13%	5%	-8%
Depreciation and amortization	-	-	-351 195
Operating profit (EBIT)	-64 837	10 018	-406 014
Financial income	-	-	674
Financial expenses	-	-	-8 175
Profit before tax	-64 837	10 018	-413 515

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

Conversion of previous years' comparative figures

Part of the Group's operating costs which had been classified the previous year as group-wide have been allocated during the year to the operating segments with the aid of a conversion key as a basis for distribution, since these costs, which mainly refer to the costs of various support functions, are of importance to the respective operating segments.

Bridge 2021	Direct Sales	Partnership sales	Other	Total
Income				
Reported segment previous year	493 990	197 491	2 721	694 203
Adjustment	-	2 721	-2 721	-
New segment	493 990	200 213	-	694 203
EBITDA				
Reported segment previous year	66 357	73 676	-194 851	-54 819
Adjustment	-131 194	-63 658	194 851	-
New segment	-64 837	10 018	-	-54 819



Income from contracts with customers

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

Sales by geographic market, net sales

KSEK	2022	2021
	Total	Total
North America	602 589	364 939
Europe (excl Sweden)	274 982	180 065
Sweden	142 222	41 118
Asia Pacific area	112 121	76 358
Latin America	23 358	15 876
Middle East and Africa	22 824	15 846
Other markets	3 085	-
Total for group	1 181 181	694 203

The operating Epidemic Sound group was acquired in March 2021; comparative figures therefore refer to only 10 months.

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

KSEK	Group			
	2022		2021	
Timing of revenue recognition				
Performance commitments met over time	722 527	327 104	473 031	133 653
Performance commitments to be met at a specific time	24 202	104 148	20 960	63 837
Sum	746 729	431 252	493 991	197 491

Of the Group's customers, there was no customer that accounted for more than 10% of net sales in 2022. In 2021, there was one customer in the Partnership Sales segment where net sales amounted to KSEK 70,071.

All income from contracts with customers relates to external customers.

Contractual balances	Group	
	2022-12-31	2021-12-31
Trade receivables	49 058	26 493
Contractual assets	60 453	32 075
Contractual liabilities	124 954	79 931
Sum	234 466	138 499

The majority of the contract balances are in the Swedish business Epidemic Sound AB. Contractual liabilities are recognised in Accrued expenses and deferred income, and contractual assets are recognised in Prepaid expenses and accrued income.

The Group's trade receivables are generally due for payment within 20-30 days, but 60 and 90 days also occur. Contract assets, i.e. the Group's accrued income, arise primarily when the Group is entitled to income based on services rendered, i.e. when the

contract assets are conditional on continued performance in accordance with agreement. These assets are later reclassified as trade receivables when invoices are issued, i.e. when the company's right to payment is unconditional. Trade payables refer to the Group's deferred income, i.e. receivables paid by customers in advance for services and goods not yet delivered to the customer.



The Group's subscription products are non-returnable. However, there are exceptions in order to comply with consumer protection rules and in certain cases there may be exceptions in agreements if the counterparty is entitled to early termination of a prepaid subscription. Any guarantees vary between different customer agreements. If guarantees are given, these are typically regarding non-intrusion in intellectual property rights and are typically accompanied by customary limitations of liability.

Of the KSEK 79,931 reported as contractual liability as at December 31, 2021 KSEK 79,764 was reported as income in 2022.

Revenue recognized during the year	Group	
	2022-01-01	2022-12-31
Included in contract liabilities at January 1		79 764
Total		79 764

Performance commitments

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

The table below summarizes the total amount of the transaction price allocated to the performance commitments that are not fulfilled (or are partially fulfilled) at the balance sheet date.

Performance commitments not yet met	Group	
	2022-12-31	2021-12-31
Within a year	122 879	79 764
After more than a year	2 075	168
Total	124 954	79 931

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

Geographical distribution of fixed assets

Fixed assets consist of intangible, tangible and financial fixed assets.

Geographical distribution fixed assets	2022-12-31	2021-12-31
Sweden	11 930 872	11 973 140
USA	30 410	10 347
Germany	-	186
Netherlands	238	1 227
South Korea	281	95
Total	11 961 801	11 984 996



Note 4 - Other operating income

	Group		Parent company	
	2022-01-01 2022-12-31	2020-12-01 2021-12-31	2022-01-01 2022-12-31	2020-12-01 2021-12-31
Other operating income				
Rental income	2 662	1 787	-	-
Other operating income	537	934	-	-
Re-invoiced costs	-	-	4 203	720
Total	3 199	2 721	4 203	720

Note 5 - Auditor's fees

	Group		Parent company	
	2022-01-01 2022-12-31	2020-12-01 2021-12-31	2022-01-01 2022-12-31	2020-12-01 2021-12-31
Ernst & Young AB				
Audit assignment	1 917	1 450	908	750
Other auditing activities	484	820	484	-
Tax advice	127	-	-	-
Other services	618	170	-	-
Total	3 146	2 440	1 392	750

An audit engagement is defined as a statutory audit of the annual accounts and financial statements and the management of the Board of Directors and the CEO, as well as an audit carried out in accordance with an agreement or contract. This includes other work that is the responsibility of the company's

auditor, as well as advice or other assistance resulting from observations made during such an audit or the performance of such other work.

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

Note 6 - Leasing

Financial reporting principles

Epidemic Sound as a lessee

When entering into an agreement, the Group determines whether the agreement is or contains a lease agreement, based on the substance of the agreement. An agreement is or contains a lease agreement if the agreement transfers for a certain period the right to decide on the use of an identified asset against payment. The parent company still applies the exemption provided by RFR 2 for legal persons and recognizes all leases as a cost in the income statement.

Right-of-use assets

The Group recognizes right-of-use assets in the statement of financial position at the commencement

date of the lease (i.e. the date on which the underlying asset becomes available for use). Right-of-use assets are valued at cost less accumulated depreciation and any impairment losses, and adjusted for revaluations of the lease liability. The cost of a right-of-use asset includes the initial value recognized for the attributable lease liability, initial direct costs and any advance payments made on or before the lease commencement date, net of any incentives received. Provided that the Group is not reasonably certain that ownership of the underlying asset will pass at the end of the lease term, the right-of-use asset is depreciated on a straight-line basis over the shorter of the lease period and the useful life.



Leasing liabilities

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

To calculate the present value of the lease payments, the Group uses the implicit interest rate of the lease if

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

Application of practical exceptions

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

KSEK	Right-of-use assets	
	Real estate	Leasing liabilities
Opening balance 2022-01-01	166 188	-172 541
Acquisition through business combinations	1 383	-1 388
Additional agreements	22 504	-23 887
Depreciation and amortization	-28 334	-
Interest expense	-	6 974
Leasing fees	-	29 426
Closing balance 2022-12-31	161 741	-161 416

See the distribution of short and long-term lease liabilities in Note 23 Cash flow analysis.

KSEK	Right-of-use assets	
	Real estate	Leasing liabilities
Opening balance 2020-12-01	-	-
Acquisition through business combinations	186 187	-190 492
Additional agreements	2 537	-2 537
Depreciation and amortization	-22 536	-
Interest expense	-	5 961
Leasing fees	-	14 527
Closing balance 2021-12-31	166 188	-172 541



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

KSEK	2022-01-01	2020-12-01
	2022-12-31	2021-12-31
Depreciation of right-of-use assets	-28 334	-22 536
Interest expenses on leasing liabilities	-7 007	-5 900
Short-term leasing	-4 922	-921
Total	-40 263	-29 357

The Group recognizes a cash outflow related to leases amounting to KSEK 33,456 (KSEK 26,451) for the financial year 2022.

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

During the full year of 2022, the Group expensed lease payments related to low-value agreements amounting to KSEK 4,922 (KSEK 921). Income from sub-letting of lease agreements in 2022 amounted to KSEK 2,662 (KSEK 1,787).

For information about maturity analysis of lease liabilities, see Note 20 Financial risks.

Note 7 - Employees and personnel costs

Financial reporting principles

Short-term benefits

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

Pensions

The Group only has defined contribution pension plans. A defined contribution plan is a pension plan according to which the Group pays fixed contributions to a separate legal entity. The Group has no legal or constructive obligation to pay additional contributions if this legal entity does not have sufficient assets to pay all employee benefits related to the employees' service in the current or prior periods. The Group therefore has no additional risk. The Group's obligations in relation to contributions to defined

contribution plans are recognized as an expense in the income statement as they are earned by employees for services rendered to the Group during a period.

Benefits on termination

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



Average number of employees	2022			2021		
	Average number of employees	Of which women, percentage %	Of which men, percentage %	Average number of employees	Of which women, percentage %	Of which men, percentage %
Subsidiaries in Germany	4	45%	55%	5	60%	40%
Subsidiaries in Sweden	370	49%	51%	363	47%	53%
Subsidiaries in the USA	49	48%	52%	46	59%	41%
Netherlands ¹	7	43%	57%	-	-	-
Subsidiaries in South Korea	4	51%	49%	3	67%	33%
Total subsidiaries	434	49%	51%	416	49%	51%
Parent company	2	50%	50%	2	50%	50%
Total group	436	49%	51%	418	49%	51%

¹ The previous year the Netherlands was a branch of Epidemic Sound AB, the number of employees for the Netherlands in 2021 is therefore included in Sweden and consisted of three women and four men

Gender distribution, Board of directors and senior executives	2022-12-31			2021-12-31		
	Number at balance sheet date	Of which women, percentage %	Of which men, percentage %	Number at balance sheet date	Of which women, percentage %	Of which men, percentage %
Board members	6	33%	67%	11	27%	73%
Chief Executive Officer and other senior executives	4	50%	50%	4	50%	50%
Total group	10	40%	60%	15	33%	67%



	2022-01-01 2022-12-31	2020-12-01 2021-12-31
Personnel costs		
Parent company		
<i>Board of directors and other senior executives</i>		
Salaries and other benefits	7 140	485
Social security contributions	2 037	173
Pension costs	1 358	81
Total	10 535	739
Other personnel costs	103	17
Total personnel costs, parent company	10 638	756
Subsidiaries		
<i>Board of directors and other senior executives</i>		
Salaries and other benefits	3 668	5 328
Social security contributions	1 360	1 653
Pension costs	858	1 123
Total	5 886	8 104
<i>Other employees</i>		
Salaries and other benefits	357 417	230 972
Social security contributions	101 627	67 372
Pension costs	33 784	17 838
Total	492 828	316 182
Other personnel costs	31 468	14 901
Total personnel costs subsidiaries	530 182	339 187
Total personnel costs group	540 820	339 944

2022	Base salary, Board member fees	Pension cost	Variable remuneration	Benefits	Share-based payments	Total
Chairman of the Board						
Andrew Fisher	1 155	-	-	-	-	1 155
Board member						
Victor Englesson	-	-	-	-	-	-
Jan Zachrisson	-	-	-	-	-	-
Kirsten Wolberg	658	-	-	-	-	658
Adrienne Gormley	658	-	-	-	-	658
Vincent Letteri	-	-	-	-	-	-
Chief Executive Officer						
Oscar Höglund	2 448	596	-	-	-	3 044
Other senior executives (3)	5 854	1 375	-	-	-	7 229
Total	10 773	1 971	-	-	-	12 744



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

Remuneration and terms for senior executives

Fees for board members are paid according to a decision by the annual general meeting. Remuneration to senior executives is paid according to the guidelines decided by the annual general meeting.

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

Staff pension costs are defined contribution.

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

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

Note 8 - Profit from financial items

Financial reporting principles

Financial income and costs

Financial income consists of interest income and income realized on financial fixed assets. Interest income is recognized in accordance with the effective interest method. The effective interest rate is the rate that discounts estimated future cash receipts and payments through the expected life of a financial

instrument to the net carrying amount of the financial asset or liability. The calculation includes all fees paid or received by the contracting parties that are part of the effective interest rate, transaction costs and all other premiums and discounts. Financial income is recognized in the period to which it relates.



Financial costs consist mainly of interest costs on debt calculated using the effective interest method and of interest costs on lease liabilities and additional purchase price. Financial costs are recognized in the period to which they relate.

Foreign exchange gains and losses on financial receivables and liabilities are recorded in financial items.

Group	2022-01-01	2020-12-01
Financial income	2022-12-31	2021-12-31
Foreign exchange gains	5 838	263
Interest income	5 141	411
Other financial income	658	-
Total	11 637	674
	2022-01-01	2020-12-01
Financial expenses	2022-12-31	2021-12-31
Interest expenses		
- Borrowing	-1	-459
- Other interest expenses	-86	-588
Exchange rate losses	-3 086	-1 268
Interest expense leasing liability	-6 974	-5 859
Interest expense contingent consideration	-3 113	-
Other financial expenses	-17	-
Total	-13 277	-8 175
	2022-01-01	2020-12-01
Parent company	2022-12-31	2021-12-31
Financial income		
Interest income group companies	554	-
Foreign exchange gains	372	263
Interest income	-	324
Other financial income	3	-
Total	929	587
	2022-01-01	2020-12-01
Financial expenses	2022-12-31	2021-12-31
Interest expenses		
- Other interest expenses	-1	-1
Currency exchange fees	-498	-5 611
Interest expense contingent consideration	-3 113	-
Interest expense group companies	-1	-
Other financial expenses	-228	-
Total	-3 841	-5 612

Interest expenses for contingent consideration consist of discount effects for liabilities regarding contingent considerations.



Note 9 - Taxes

Financial reporting principles

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

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

Reported tax

Tax expense	2022-01-01 2022-12-31	2020-12-01 2021-12-31
Deferred tax		
Change in deferred tax relating to temporary differences	88 657	62 694
Change in deferred tax on tax loss carryforwards	-	-1 901
Total deferred tax	88 657	60 793
Current tax		
Current tax	-6 263	-324
Adjustment for previous years	-576	-
Total current tax	-6 839	-324
Tax recognized in the income statement	81 818	60 469

Reconciliation of effective tax rate	2022-01-01 2022-12-31	2020-12-01 2021-12-31
Profit before tax	-493 206	-413 515
Tax at the group's current rate	101 600	85 184
Tax effect of:		
Effect of different tax rates in foreign subsidiaries	628	-400
Non-taxable income	392	1 913
Non-deductible expenses	-4 778	-9 608
Increase/decrease in tax loss carryforwards without corresponding capitalization of deferred tax	-15 174	-16 716
Adjustment for previous years	-576	-
Other	-275	96
Recognized tax on deficit	81 818	60 469
Effective tax rate	17%	15%

The Group has no tax items recognized in other comprehensive income or directly in equity for 2021 or 2022.

Total tax loss carry-forward for Epidemic Sound AB as of December 31, 2022 amounted to KSEK 301,373

(KSEK 239,250), of which deferred tax asset is recognized at KSEK 222,312 (KSEK 222,312). Deferred tax assets are recognized on these in the Group's and Epidemic Sound AB's balance sheet. The tax loss carry-forward has no time limit.



Note 10 Intangible assets

Financial reporting principles

The Group's intangible assets, consisting of capitalized development costs for product development, music purchase for the music catalog, trademarks, customer contracts and relations and technical platforms, have been acquired in connection with business combinations. The assets are valued at fair value on the date of acquisition. The Group has also acquired music for the music catalog, which was initially valued at cost value. In subsequent financial reporting, the other intangible assets are valued at cost value minus accumulated depreciation and any accumulated impairment.

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

Capitalized expenditure on product development

Capitalized expenditure on product development in the Group consists of digital product development of the technical platform so as to create innovative new products, services and experiences for users of the music catalog.

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

The Group's internal development projects are divided into two phases in accordance with IAS 38: the research phase and the development phase. Costs that arise during the research phase are expensed as they occur and never capitalized later. Costs that arise during the development phase are capitalized as intangible assets when they fulfil the criteria for capitalization according to IAS 38, they are considered to be material amounts for the development effort as a whole,

when in management's assessment it is probable that they will result in future financial benefits for the Group and the costs can be reliably measured. The main criteria for capitalization are that the final product of the development work has a demonstrable future income or cost saving and cash flow, and that the technical and financial conditions exist to complete the development work when it is started.

The costs that are capitalized include costs for direct salaries and consultancy costs that relate to the project's costs. All other costs that do not fulfil the criteria for capitalization are expensed to profit as they arise. During the development phase, capitalized costs for product development are reported at cost value minus any accumulated impairment.

Depreciation principles

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

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets, unless such useful lives are indefinite.

The estimated useful lives are:

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

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

All intangible assets are tested for impairment need annually or earlier if there are indications that the asset in question has lost value.



	Capitalized work for own account	Goodwill	Trademark	Customer contracts and customer relations	Technical platform	Musical works	Total
2022-01-01							
Cost							
Initial cost	58 658	6 513 808	1 435 000	326 000	704 471	3 014 501	12 052 438
Increase through business combinations	-	59 846	-	49 000	-	219 000	327 846
Acquisitions in the year	31 556	-	-	-	-	72 811	104 367
Realized cost	90 214	6 573 654	1 435 000	375 000	704 471	3 306 312	12 484 651
Depreciation and amortization							
Incoming depreciation	-5 273	-	-	-24 450	-52 835	-235 869	-318 427
Depreciation for the year	-9 906	-	-	-37 500	-70 447	-341 411	-459 264
Outstanding depreciation	-15 178	-	-	-61 950	-123 282	-577 280	-777 691
Carrying amount 2022-12-31	75 036	6 573 654	1 435 000	313 050	581 189	2 729 032	11 706 960

	Capitalized work for own account	Goodwill	Trademark	Customer contracts and customer relations	Technical platform	Musical works	Total
2020-12-01							
Cost							
Initial cost	-	-	-	-	-	-	-
Increase through business combinations	29 529	6 513 808	1 435 000	326 000	704 471	2 973 650	11 982 458
Acquisitions in the year	29 129	-	-	-	-	40 851	69 980
Realized cost	58 658	6 513 808	1 435 000	326 000	704 471	3 014 501	12 052 438
Depreciation and amortization							
Incoming depreciation	-	-	-	-	-	-	-
Depreciation for the year	-5 273	-	-	-24 450	-52 835	-235 869	-318 427
Outstanding depreciation	-5 273	-	-	-24 450	-52 835	-235 869	-318 427
Carrying amount 2021-12-31	53 386	6 513 808	1 435 000	301 550	651 636	2 778 632	11 734 011

Goodwill

Goodwill represents the difference between cost value on a business combination and the fair value of net acquired assets. Goodwill is measured at cost value minus any cumulative depreciation. Goodwill is distributed among cash-generating units that are expected to benefit from the synergy effects of the business combination. The factors that comprise reported goodwill are mainly related to expertise and organizational structure. The goodwill item belonging to the Group mainly arose in connection of the acquisition of the old Epidemic Sound Holding group in March 2021. Goodwill is considered to have an

indefinite useful life and is therefore tested at least annually for any impairment need. For more information about goodwill on acquisition, see Note 19 Business combinations.

Impairment testing

The Group's goodwill, trademarks and other intangible assets are tested annually or more frequently for impairment. The impairment test consists of assessing whether the recoverable amount of the asset is higher than its carrying amount. The recoverable amount has been calculated on the basis of the value in use of the asset, which represents the present value of the asset's expected future cash



flows without taking into account any future business expansion and restructuring.

Impairment testing of goodwill and trade marks is based on the cash-generating units, which equate to the Group's reported segments: Direct Sales and Partnership Sales. In the discounted cash flow

Goodwill per segment	2022-12-31	2021-12-31
Direct sales	4 251 782	4 236 821
Partnership sales	2 321 872	2 276 987
Total	6 573 654	6 513 808

Trademark per segment	2022-12-31	2021-12-31
Direct sales	933 377	933 377
Partnership sales	501 623	501 623
Total	1 435 000	1 435 000

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

The company has used a forecast period of 10 years, based on historical growth and external market data showing that the market is growing and will grow more quickly than other markets in the coming 10 years. This means that a shorter forecast period would not be representative of the value of the assets.

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

Note 11 - Tangible assets

Financial reporting principles

Tangible assets are reported as assets in the statement of financial position if it is likely that future financial benefits will come to the company and the cost value of the asset can be reliably measured.

Tangible assets are physical assets used in the company's operations and reported in the Group at cost less accumulated depreciation and any impairment losses. The cost includes the purchase price and costs directly attributable to bringing the asset to its location and condition for use in

analyses for each segment, a WACC of 15.3% is used in the calculation. The forecast period extends to 2032 after which a growth rate of 2% per annum has been assumed. The discount rates used are pre-tax and reflect the pre-tax weighted average cost of capital (pre-tax WACC).

Sensitivity analysis of goodwill and trademarks

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

- the pre-tax discount rate had been 25 percent higher,
- cash flow had been 25 percent lower,
- the estimated growth rate for extrapolating cash flows beyond the ten-year period had been 1%.

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

Pre-tax discount rate ¹⁾ , %	15.3
Long-term growth rate ²⁾ , %	2.0

¹⁾ The pre-tax discount rate used in discounting estimated future cash flows.

²⁾ The growth rate used to extrapolate cash flows beyond the forecasted period of 10 years.

accordance with the purpose for which it was acquired.

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



Additional expenditure

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

Depreciation principles

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

The estimated useful lives are:

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

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

Improvement costs on another party's property refer to installation costs and other costs for improvements on leased office space. The depreciation period is considered to be the same as the useful life of the right-of-use asset.

Equipment, tools, fixtures and fittings

	Equipment, tools, fixtures and fittings	Improvement costs others' property	Total
2022-01-01			
Cost			
Initial cost	19 470	743	20 213
Increase through business combinations	6	-	6
Acquisitions in the year	10 647	1 775	12 422
Sales and disposals	-418	-	-418
Exchange rate differences	1 113	-	1 113
Remaining cumulative cost	30 818	2 518	33 336
Depreciation and amortization			
Incoming depreciation	-4 961	-54	-5 016
Depreciation for the year	-5 289	-103	-5 392
Exchange rate differences	-695	-	-695
Outstanding accumulated depreciation	-10 945	-157	-11 102
Carrying amount 2022-12-31	19 873	2 361	22 234



	Equipment, tools, fixtures and fittings	Improvement costs others' property	Total
2020-12-01			
Cost			
Initial cost	-	-	-
Increase through business combinations	16 372	412	16 784
Acquisitions in the year	3 102	330	3 432
Sales and disposals	-314	-	-314
Exchange rate differences	310	-	310
Remaining cumulative cost	19 470	743	20 213
Depreciation and amortization			
Incoming depreciation	-	-	-
Depreciation for the year	-4 827	-54	-4 881
Exchange rate differences	-135	-	-135
Outstanding accumulated depreciation	-4 961	-54	-5 016
Carrying amount 2021-12-31	14 508	689	15 197

Note 12 - Financial instruments

Financial reporting principles

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

Financial reporting and removal

A financial asset or financial liability is included in the statement of financial position when the company becomes party to the instrument's agreement terms. A financial liability is included when another party has performed and there is a liability under an agreement to pay.

A financial asset is removed from the statement of financial position when the rights in the agreement have been realized or reach maturity or the Group loses control over them. The same applies to part of a financial asset. A financial liability is removed from the statement of financial position when the obligation in the agreement is fulfilled or cancelled in some other way. The same applies to part of a financial liability.

A financial asset or financial liability is offset and recognized in the statement of financial position at a net amount only when there is a legal right to set off the amounts and an intention to settle the items at a

net amount or to realize the asset and settle the liability simultaneously.

Classification and valuation of financial assets

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

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

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

Financial assets classified at accrued cost value are initially measured at fair value plus transaction costs. Subsequent to initial recognition, assets are measured at accrued cost value in accordance with the effective interest method, less a provision for expected credit losses. Assets classified at accrued cost value are



held according to the business model to collect contractual cash flows which are only payments of principal and interest on the principal amount outstanding. Trade receivables and cash and cash equivalents are classified at amortized cost, i.e. net of gross value and loss reserve.

Financial assets classified at fair value through other comprehensive income consist of short-term investments held under a business model under which the objectives can be achieved both by collecting contractual cash flows and selling financial assets. The contractual terms of the financial asset give rise

at specified times to cash flows that are only payments of principal and interest on the principal amount outstanding.

Classification and measurement of financial liabilities

Financial liabilities are classified at accrued cost value. Financial liabilities reported at accrued cost value are initially measured at fair value including transaction costs. After initial recognition, they are measured using the effective interest method.

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

Group 2022-12-31	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss	Carrying value
Financial assets				
Trade receivables	49 058	-	-	49 058
Cash and cash equivalents	667 647	-	-	667 647
Other receivables	48 769	-	-	48 769
Rent deposit	23 359	-	-	23 359
Short-term investments	-	192 266	-	192 266
Total financial assets	788 834	192 266	-	981 100
Financial liabilities				
Contingent consideration	-	-	42 990	42 990
Trade payables	136 997	-	-	136 997
Other liabilities	60 667	-	-	60 667
Accrued charges and deferred income	246 378	-	-	246 378
Total financial liabilities	444 042	-	42 990	487 033



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

The reported value of the Group's financial instruments is considered to be a good approximation of fair value.

The Group has no financial assets or liabilities that have been offset in the financial reporting or that are subject to a legally binding agreement on netting.

The assets' maximum credit risk amounts to the net amount of the reported values in the tables above. The Group has not received any pledged assets for the net financial assets.

Parent company 2022-12-31	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss	Carrying value
Financial assets				
Other receivables	57	-	-	57
Total financial assets	57	-	-	57
Financial liabilities				
Contingent consideration	-	-	42 990	42 990
Trade payables	742	-	-	742
Liabilities to group companies	21 542	-	-	21 542
Other liabilities	418	-	-	418
Accrued charges and deferred income	1 987	-	-	1 987
Total financial liabilities	24 689	-	42 990	67 680



2021-12-31	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss	Carrying value
Financial assets				
Cash and cash equivalents	337 790	-	-	337 790
Other receivables	1	-	-	1
Short-term investments	-	65 207	-	65 207
Total financial assets	337 790	65 207	-	402 997
Financial liabilities				
Trade payables	11	-	-	11
Liabilities to group companies	97 900	-	-	97 900
Other liabilities	4 951	-	-	4 951
Accrued charges and deferred income	5 544	-	-	5 544
Total financial liabilities	108 406	-	-	108 406

Calculation of fair value

Fair value is the price that, at the time of valuation, would be obtained on the sale of an asset or paid on transfer of a liability through an arranged transaction between market participants.

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

Level 1 financial instruments

Listed prices (unadjusted) in an active market for identifiable assets or liabilities. A market is considered to be active if listed prices from a stock exchange, broker, industry group, price-setting service or supervisory authority are easily available and regularly accessible and these prices represent fair and regularly occurring market transactions at arm's length.

Level 2 financial instruments

Observable data for the asset or liability other than listed prices included in level 1, either directly (i.e. as price listings) or indirectly (i.e. derived from price listings). Examples of observable data in level 2 include:

- Listed prices of similar assets and liabilities
- Data that can represent a basis for assessing price, such as market interest and return curves.

Level 3 financial instruments

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

Determination of fair value

Epidemic Sound uses the following methods and assumptions for determining the fair value of the financial instruments that are reported.

- **Current investments** - Current investments in interest-bearing securities are valued in level 1. Valuation is based on the difference between the price of the security according to contract and the market price that can be subscribed to on the balance sheet date.
- **Additional purchase price** - Additional purchase price for acquisitions of shares in subsidiaries is valued in level 3 at the present value of the future cash flow, which is based on a forecast of the company's future performance. Material assumptions in this estimate are the rate of future growth and profitability and are based on forecasts of the company's future performance. For more information about additional purchase price for the acquisition of subsidiaries, see Note 19 Business combinations.



The following table shows the Group's financial assets and liabilities measured at fair value:

Group 2022	Level 1	Level 2	Level 3	Total
Financial assets				
<i>Financial assets at fair value through other comprehensive income</i>				
Short-term investments	192 266	-	-	192 266
Total financial assets	192 266	-	-	192 266
Financial liabilities				
<i>Financial liabilities at fair value through other comprehensive income</i>				
Contingent consideration	-	-	42 990	42 990
Total financial liabilities	-	-	42 990	42 990

Group 2021	Level 1	Level 2	Level 3	Total
Financial assets				
<i>Financial assets at fair value through other comprehensive income</i>				
Short-term investments	121 496	-	-	121 496
Total financial assets	121 496	-	-	121 496

Note 13 - Prepaid expenses and accrued income

Group	2022-12-31	2021-12-31
Contractual assets	60 453	32 075
Other deferred costs	17 063	12 792
Carrying value	77 517	44 867
Parent company	2022-12-31	2021-12-31
Other deferred costs	99	-
Carrying value	99	-

Note 14 Cash and cash equivalents

Financial reporting principles

Cash and cash equivalents consist of cash on hand and balances with banks and similar institutions and short-term liquid investments with a maturity of less

than three months from the date of acquisition. Cash and cash equivalents are subject to the loss reserve requirements for expected credit losses.

Group	2022-12-31	2021-12-31
Bank deposits	667 647	811 380
Carrying value	667 647	811 380



Parent company	2022-12-31	2021-12-31
Bank deposits	-	337 790
Carrying value	-	337 790

Bank deposits for the parent company in 2022 are included in the item liabilities to group companies, since the company is included in the subsidiary Epidemic Sound AB's cash pool. Bank deposits in December 2022 amount to KSEK 82,955, which is settled against liabilities to group companies.

Note 15 - Deferred tax

Financial reporting principles

Deferred tax is reported in full, using the balance sheet method, on all temporary differences arising between the tax bases of assets and liabilities and their reported values. The valuation of deferred tax is based on how and in what jurisdiction the underlying assets or liabilities are expected to be realized or settled. Deferred tax is calculated using tax rates and tax regulations that have been enacted or substantively enacted by the balance sheet date and are expected to apply in that jurisdiction when the related deferred tax asset is realized or the deferred tax liability is settled.

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

Deferred tax assets and deferred tax liabilities are offset if there is a legal right to offset current tax assets against current tax liabilities and the deferred tax relates to the same unit in the Group and the same tax authority.

KSEK	Amount at the beginning of the year	Increase through business	Recognized in the income statement	Translation differences	Amounts at year-end
Group 2022					
Deferred tax liabilities					
Temporary difference attributable to excess values in customer contracts and relationships	62 119	10 094	-7 725	-	64 488
Temporary difference attributable to excess brand value	295 610	-	-	-	295 610
Temporary difference attributable to excess values in technical platform	134 237	-	-14 512	-	119 725
Temporary difference attributable to excess values in music catalog	542 278	45 114	-66 031	-	521 361
Right-of-use assets	34 235	-	-916	-	33 319
Total deferred tax liabilities	1 068 479	55 208	-89 184	-	1 034 503
Deferred tax assets					
Financial leasing	35 543	-	-528	13	35 029
Unused tax losses	45 796	-	-	-	45 796
Total deferred tax assets	81 340	-	-528	13	80 825
Total	987 139	55 208	-88 657	-13	953 678



KSEK	Amount at the beginning of the year	Increase through business	Recognized in the income statement	Translation differences	Amounts at year-end
Group 2021					
Deferred tax liabilities					
Temporary difference attributable to excess values in customer contracts and relationships	-	67 156	-5 037	-	62 119
Temporary difference attributable to excess brand value	-	295 610	-	-	295 610
Temporary difference attributable to excess values in technical platform	-	145 121	-10 884	-	134 237
Temporary difference attributable to excess values in music catalog	-	589 051	-46 773	-	542 278
		38 355	-4 120		34 235
Total deferred tax liabilities	-	1 135 293	-66 814	-	1 068 479
Deferred tax assets					
Financial leasing	-	39 241	-3 700	2	35 543
Unused tax losses	-	48 117	-2 321	-	45 796
Total deferred tax assets	-	87 358	-6 021	2	81 340
Total	-	1 047 935	-60 793	-2	987 139

Deferred tax liabilities relating to right-of-use assets amounting to KSEK 33,319 (KSEK 34,235) have been offset against deferred tax assets relating to lease liabilities amounting to KSEK 35,029 (KSEK 35,543) in

accordance with the rules on offsetting. Thus, in the statement of financial position, the following net deferred tax assets and tax liabilities have been presented:

Deferred tax on lease agreements	2022-12-31	2021-12-31
Deferred tax assets	-33 319	-34 235
Deferred tax liabilities	35 029	35 543
Total	1 710	1 309

Temporary differences exist where the reported values of assets or liabilities are different from their taxable values.

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

Deferred tax assets relating to tax loss carry-forwards are reported to the extent that it is probable that they

can be utilized against taxable income. Total tax loss carry-forward for Epidemic Sound AB for 2020 amounted to KSEK 222,312. Deferred tax assets are recognized on these in the Group's and Epidemic Sound AB's balance sheet. The tax loss carry-forward has no time limit. No additional deferred tax asset has been recognized in the Group or Epidemic Sound AB for losses relating to the financial years 2021 and 2022.

Note 16 - Other financial assets

Group	2022-12-31	2021-12-31
Rent deposit	22 994	22 178
Other deposit	365	317
Carrying amount	23 359	22 494



Note 17 - Investments in group companies

Financial reporting principles

Investments in subsidiaries are accounted for in the parent company in accordance with the cost method. An impairment test is performed if there is an indication that the shares in the subsidiary have fallen in value. Any impairment is reported in the income

statement. Shareholder contributions are reported as an increase in shares in subsidiaries.

Parent company	2022-12-31	2021-12-31
Initial cost	11 312 753	-
Acquisition of subsidiaries	310 294	10 622 753
Shareholder contributions	256 905	690 000
Carrying amount	11 879 953	11 312 753

In 2022, Epidemic Sound Holding AB, Epidemic Sound Management AB, Epidemic Sound Mepco AB and Epidemic Sound Mepco 2 AB were merged upstream. For more information, see Note 24 Information about merger.

Acquisition of subsidiaries in 2022 refers to A-P Records AB and its subsidiary Marbel Songs AB. For more information see Note 19 Business combinations.

The Parent Company holds shares in the following subsidiaries:

Subsidiaries	Organization number	Registered office	Capital share %	Number of shares	Carrying value	
					2022-12-31	2021-12-31
Epidemic Sound AB	556781-0899	Stockholm	100	1 711 786	11 569 658	-
A-P Records AB	559123-4199	Stockholm	100	1 000	310 294	-
Epidemic Sound Holding AB	559134-9492	Stockholm	-	-	-	11 309 658
Epidemic Sound MepCo AB	559156-8398	Stockholm	-	-	-	2 645
Epidemic Sound MepCo 2 AB	559240-7448	Stockholm	-	-	-	450
Carrying amount					11 879 953	11 312 753

Subsidiaries	Organization number	Equity capital	Profit/loss
Epidemic Sound AB	556781-0899	968 562	-66 949
A-P Records AB	559123-4199	42 270	4 613

Indirect subsidiaries	Company registration			Number of shares	Capital share %
	number	Registered office			
Epidemic Sound GmbH	HRB133056	Hamburg		-	100
Epidemic Sound US Inc.	32-0480315	New York		-	100
Epidemic Sound BV	85593907	Amsterdam		1 000	100
Epidemic Sound Korea	110114-0250148	Seoul		2 000	100
Marbel Songs AB	559016-1534	Stockholm		500	100
SOFO Royale AB	556990-2322	Stockholm		500	100



Note 18 Equity

Share capital

On December 31, 2022, the registered share capital comprised 8,512,333,337 Series B ordinary shares, 592,406,426 Series H-1 ordinary shares and 3,461,416,663 Series A preference shares, all share types with a nominal value of SEK 0.00005. All shares have been paid for in full. No shares are owned by the company itself or its subsidiaries. No shares are reserved for transfer according to option or agreement on sale of shares. In the event of a dividend or other transfer of value, the preference shares have priority in an amount equal to the highest of a) the sum of what the holders of the preference shares have contributed to the company in the form

of subscription liquidity, less profit distributions made to the preference shares and b) an amount equal to what the holder of the preference shares would be entitled to if the share in question was converted into a Class B ordinary share immediately before the dividend was paid. Thereafter, Class B ordinary shares will have equal dividend rights until the Class B shares have received an amount equal to a specific threshold (i.e. an amount of SEK 1.10 in 2022). Thereafter, the remaining amount will be allocated among all Class B and Class H-1 common shares, pro rata to the number of shares owned within those classes. Series A and Series B shares have ten votes and Series H-1 shares have one vote per share.

	Transaction	Number of shares	Share capital	Number of ordinary shares	Number of preference shares	Antal stam H-1 aktier	Quotient value
Opening balance 2020-12-01		-	-	-	-	-	-
December 2020	Company registration	500 000 000	25 000	500 000 000	-	-	0,00005
March 2021	New share issue	2 202 013 888	110 101	595 138 888	1 606 875 000	-	0,00005
March 2021	Issue in kind	2 183 848 291	109 192	2 183 848 291	-	-	0,00005
March 2021	Issue in kind	1 794 881 119	89 744	1 794 881 119	-	-	0,00005
March 2021	Issue in kind	304 110 215	15 206	-	-	304 110 215	0,00005
March 2021	Issue in kind	3 345 363 184	167 268	3 345 363 184	-	-	0,00005
March 2021	New share issue	1 757 643 518	87 882	436 435 185	1 321 208 333	-	0,00005
June 2021	New share issue	74 626 865	3 731	-	-	74 623 134	0,00005
Closing balance 2021-12-31		12 162 487 080	608 124	8 855 666 667	2 928 083 333	378 733 349	0,00005
January 2022	New share issue	64 006 289	3 200	-	-	64 003 089	0,00005
January 2022	New share issue	65 418 507	3 271	-	-	65 415 236	0,00005
January 2022	Offset issue	190 000 000	9 500	190 000 000	-	-	0,00005
January 2022	New share issue	37 313 431	1 866	-	-	37 313 431	0,00005
January 2022	New share issue	12 686 565	634	-	-	12 686 565	0,00005
January 2022	New share issue	11 940 190	597	-	-	11 940 190	0,00005
February 2022	New share issue	11 194 027	560	-	-	11 194 027	0,00005
February 2022	New share issue	1 007 453	50	-	-	1 007 453	0,00005
May 2022	New share issue	10 970 145	549	-	-	10 970 145	0,00005
May 2022	New share issue	11 828 332	591	-	-	11 828 332	0,00005
July 2022	New share issue	1 865 671	93	-	-	1 865 671	0,00005
July 2022	New share issue	4 104 468	205	-	-	4 104 468	0,00005
December 2022	Decrease in share capital	-18 655 529	-933	-	-	-18 655 529	0,00005
December 2022	Bonus issue	-	12 537	-	-	-	-
Closing balance 2022-12-31		12 566 166 629	640 846	9 045 666 667	2 928 083 333	592 406 426	0,00005



Group

Other paid in capital

This item refers to equity paid in by the owners. On the balance sheet date, other paid in capital amounted to KSEK 12,078,187 (KSEK 11,876,923). During the year, other paid in capital increased by KSEK 201,264 (KSEK 11,876,923) of which KSEK 11,273 (KSEK 11,379,524) refers to new share issue.¹ No issue costs were incurred for the new share issue

Translation reserve

The translation reserve comprises all exchange differences arising on the translation of the financial statements of foreign operations that have prepared

their financial statements in a currency other than the currency in which the Group's financial statements are presented. Cumulative translation differences are recognized in profit or loss on disposal of foreign operations. At present, there is translation exposure in USD, EUR and KRW. The translation reserve on the balance sheet date amounts to KSEK 8,196 (KSEK 2,489).

Fair value reserve

The fair value reserve comprises the effective portion of the valuation at fair value of current investments held on the balance sheet date. The fair value reserve on the balance sheet date amounts to KSEK 200 (KSEK 90)

Note 19 - Business combinations

Financial reporting principles

Business combinations are reported according to the acquisition method. This method means that the acquisition of a subsidiary is deemed to be a transaction where Epidemic Sound indirectly acquires the subsidiary's assets and assume its liabilities and contingent liabilities.

At the time of acquisition, an acquisition analysis is created which determines the cost value of the shares or operation and also the fair value on the day of acquisition of identifiable assets, liabilities and contingent liabilities. A positive difference between purchase price and fair value of identifiable acquired net assets is reported as goodwill. If the purchase price is lower than the fair value of the acquired company's net assets, this difference is reported as income on the income statement.

Transaction costs directly related to the acquisition are expensed on an ongoing basis as items affecting comparability. Any contingent consideration that is to be paid after the acquisition date is reported as

liability at fair value. Thereafter, valuation at fair value is performed on an ongoing basis and changes in value are reported in the income statement as items affecting comparability. However, if a change in value occurs before the acquisition analysis is determined and is of such a nature that it derives from the time of acquisition, valuation is via the balance sheet.

Acquisition-related liabilities refer to contingent considerations. Valuation at fair value is performed on an ongoing basis and changes in value are reported in the income statement as items affecting comparability. However, if a change in value occurs before the acquisition analysis is determined, within 12 months, and is of such a nature that it derives from the time of acquisition, valuation is via the balance sheet.

Fair value is estimated as defined for level 3 in IFRS 13, that is to say, based on input data that is not observable on the markets.

Acquisitions 2022

On January 10, 2022 the Group completed the acquisition of the music production company A-P Records AB and its subsidiary Marbel Songs AB, with the acquisition of 100 percent of the shares. A-P Records and Marbel Songs offer services in the

Partnership Sales segment in the form of streaming income and are an important part of Epidemic Sound's growth strategy with the aim of soundscaping the world. This acquisition contributes to strengthening the company's position in the mood music space by



developing its ability to soundscape people's lives via streaming platforms.

The total purchase price including contingent consideration amounted to KSEK 310,294. Of the total purchase price, KSEK 190,000 was paid through a directed new share issue to the sellers of A-P Records of 190,000,000 new B series shares in Epidemic Sound Holding II, which were paid for by offset. Of the total purchase price, KSEK 80,418 refers to cash settlement in the first quarter of 2022, of which net cash flow amounted to KSEK 37,360. In addition to the cash payments and offset, Epidemic Sound will pay performance based contingent considerations, at a discounted value on the date of acquisition of KSEK 39,877. The amount of the contingent considerations depends on A-P Records' financial figures during 2022-2023 and will be paid in two stages, one in 2023 and one in 2024. Transaction related costs consisted of legal consultancy costs,

which are reported under other external costs on the income statement, and for 2022 amounted to KSEK 1,117.

Estimated goodwill for A-P Records is based on a number of factors. These include A-P Records' strong position in the mood music area and strong potential for group-wide synergies with Epidemic Sound's existing employee expertise and organizational structure, as well as a strong position in the streaming area. This will facilitate a further increase in streaming income on a number of streaming platforms for the existing music catalog, as well as new tunes, and business improvements within the organization. No part of the goodwill arising from the acquisition is expected to be tax deductible.

A-P Records was acquired on January 10, 2022, and have for the financial year contributed KSEK 140,863 to Group income and KSEK 4,589 to Group profit after tax.

Purchase price	2022-01-10
Payment with Epidemic shares	190 000
Contingent consideration and other adjustments, unpaid	39 877
Cash and cash equivalents	80 418
Total remuneration transferred	310 294
Acquired fair values	2022-01-10
Net assets	-5 401
Liquid assets	43 058
Deferred tax liability	-55 208
Intangible assets	268 000
Net assets acquired	250 449
Goodwill	59 846
Total	310 294
Net cash flow on acquisition 2022-01-10	
Cash compensation	-80 418
Reversed: Acquired cash and cash equivalents	43 058
Net cash flow	-37 360

Acquisitions 2021

The acquisitions below relate to the former Epidemic Sound Group, where the previous parent company was Epidemic Sound Holding AB. The transaction took place as of March 10, 2021, whereby the first consolidated income statement refers to 10 months. If the business combination had taken place at the beginning of the financial year, the Group estimates that the former Epidemic Sound Group would have

contributed KSEK 116,069 to the Group's revenue and KSEK -13,394 to the Group's profit after tax.



The transaction when Epidemic Sound Holding II AB was formed involved a purchase price consisting of both cash consideration and a non-cash issue. The acquisition concerns 100% of the shares and votes in

the acquired company. The following are details of net assets acquired and goodwill. No part of the goodwill arising from the acquisition is expected to be tax deductible.

Purchase price	2021-03-10
Issue in kind	7 331 137
Cash and cash equivalents	3 288 521
Total remuneration transferred	10 619 658
Acquired fair values	2021-03-10
Net assets	1 177 201
Liquid assets	76 987
Deferred tax liability	-1 040 685
Intangible assets	5 051 868
Net assets acquired	5 265 371
Goodwill	5 354 287
Total	10 619 658
Net cash flow on acquisition 2021-03-10	
Cash compensation	-3 288 521
Reversed: Acquired cash and cash equivalents	76 987
Net cash flow	-3 211 534

Contingent consideration

Calculation of contingent considerations is based on parameters in each acquisition agreement.

Contingent consideration on business combinations	2022-12-31	2021-12-31
Opening balance	-	-
Contingent considerations on acquisition added during the year	39 877	-
Discount effect contingent considerations	3 113	-
Closing balance	42 990	-

During the financial year 2022, a contingent consideration of KSEK 42,990 has been reported as a liability (KSEK 0), relating to the acquisition of A-P Records AB and its subsidiary Marbel Songs AB. For information about the distinction between short and long-term parts, see Note 20 Financial risks.

Note 20 - Financial risks

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

company's other senior executives together with the Board of directors.

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



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

Credit risk

Credit risk is the risk that the Group's counterparty in a financial instrument will not be able to discharge its obligation and thereby cause a financial loss to the Group. The Group's credit risk arises mainly through receivables, including agreement assets from significant customers, as well as from investment of liquid assets with counterparty banks.

Financial credit risk

The Group only enters into financial transactions with counterparties with a high credit rating. The Group invests excess liquidity in financial instruments whose framework is stipulated in the treasury policy where

credit risk is minimized by the counterparty's credit rating not falling below the equivalent of Standard & Poor's and LT BBB's rating. Regarding bank funds, the treasury policy instead stipulates that the counterparty's credit rating may not fall below the equivalent of Standard & Poor's rating A-. In the latter case, exceptions are accepted if the bank's home country has a lower rating.

Credit risk in trade receivables

Payment terms amount to a weighted average of 26 (28) days for 2022 and credit losses are not material in relation to the company's turnover. The Group defines default as it being judged improbable that the counterparty will meet its obligations because of indicators such as financial weakness and missed payments. The Group writes off a receivable when it is judged that no possibility exists of further cash flow.

Change in provision for bad debt	2022-12-31	2021-12-31
Initial carrying amount	1 006	-
Reduction through business combinations	-	-3 501
Recognized customer losses	1 124	2 711
Reservations for the year	1 258	1 795
Carrying amount	3 387	1 006

Provision for expected credit losses

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

Group	Not due	Due		Due		Due > 90 days	Due > 90 days other	Total
		Due between 1-30 days	between 31-60 days	between 61-90 days	between 91-180 days			
2022-12-31								
Expected loss rate, %	0,7%	1%	3%	11%	26%	50%-100%		3%
Carrying amount of trade receivables, gross	34 236	9 213	2 294	1 012	3 598	2 051		52 405
Carrying amount contract assets, gross	60 453	-	-	-	-	-		60 453
Credit loss reserve	-236	-68	-62	-110	-938	-1 972		-3 387
2021-12-31								
Expected loss rate, %	0,7%	1%	3%	11%	26%	50%		2%
Carrying amount of trade receivables, gross	17 305	5 856	1 239	513	2 255	330		27 498
Carrying amount contract assets, gross	32 075	-	-	-	-	-		32 075
Credit loss reserve	-119	-43	-34	-56	-588	-165		-1 006



Expected credit losses, simplified method

Receivables consist mainly of trade receivables and agreement assets for which the Group has elected to apply the simplified method of accounting for expected credit losses. These are reported on the income statement under other external costs. This means that a provision is made for expected credit losses when an exposure to credit risk exists, normally on the first reporting occasion, for the remaining time to maturity regardless of whether the credits are credit impaired or not. These are expected to be less than a year for all receivables. The Group makes provision for expected credit losses based on historical credit losses and forward-looking information where a probability-weighted outcome is considered based on historical data. The maximum credit risk exposure is the book value of the exposed assets. The majority of the Group's customers are a homogeneous group with similar risk profiles, so credit risk is initially assessed collectively for all customers. Any large individual claims are assessed individually for each counterparty. Epidemic Sound writes off a receivable when there is no longer any expectation of receiving payment and when active measures to obtain payment have been completed.

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

The credit quality of receivables that have not fallen due or been impaired is judged to be good based on historically low customer losses and taking forward factors into consideration.

Expected credit losses, general method

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

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

The financial assets covered by the provision for expected credit losses under the general approach are cash and cash equivalents and current investments. Epidemic Sound applies a ratings-based approach in combination with other known information and forward-looking factors to assess expected credit losses. The Group has defined default as when payment of a receivable is overdue or when other factors indicate that a default exists. Provisions for credit loss in liquid assets are reported on the income statement under financial items. For 2022, no provisions were made for credit losses on current investment since the investments were in instruments with a higher rating than the Group's defined baseline for credit loss provisions.

Market risk

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

Currency risk

The Group's currency exposure comprises both transaction exposure and translation exposure. Currency risk arises where transactions and financial consolidation are denominated in a currency other than the company's functional currency of SEK.

The company operates a global business where both trade receivables and trade payables are denominated in foreign currencies, thus creating transaction risk. The company's transaction risk is mainly in USD, EUR and GBP. Exchange rate differences linked to translation of trade receivables and trade payables that are reported in operations amounted in 2022 to KSEK -1,187 (KSEK 484). Exchange rate differences linked to liquid assets that are reported as financial items amounted in 2022 to KSEK 2,752 (KSEK -1 268).

Overall transaction risk management consists of matching foreign currency revenues with foreign currency expenses in an effort to minimize volatility on the company's financial results. The company is also exposed to translation risk as foreign subsidiaries are consolidated into the company's functional



currency SEK. No currency hedging is undertaken as per December 31, 2022 for either transaction or translation risk.

The following table presents trade receivables by currency on the balance sheet date.

Group	2022-12-31	2021-12-31
Trade receivables by currency		
SEK	32 060	18 690
USD	13 628	5 203
EUR	3 077	2 464
Other currencies	294	135
Total	49 058	26 493

Sensitivity analysis of currency exposure in foreign currencies

Epidemic Sound is primarily exposed in the currencies USD, EUR and GBP through transaction exposure. The currencies represent both inflow and outflow compared with the functional currency. A five percent

change in the Swedish krona against the subsidiaries' currencies in conversion of operating profit would have an approximate effect on the operating profit of +/- KSEK 29,453. The effect is distributed as in the following table:

Parent company	USD	EUR	GBP	Total
Transaction outflow	610 908	247 056	70 446	928 410
Transaction inflow	-275 525	-55 563	-8 268	-339 356
Transactions, net	335 383	191 492	62 179	589 054
Change if SEK falls by +/- 5 percent	16 769	9 575	3 109	29 453

The estimates are based on everything else being equal and do not take into account any changes in prices and customer behavior with a change in exchange rates.

Epidemic Sound is primarily exposed in the currencies USD, EUR and KRW through translation exposure.

Translation exposure is the effect of exchange rate changes when the foreign subsidiaries' income statement and statement of financial position are translated to the Group's reporting currency (SEK). A five percent change in the Swedish krona against the subsidiaries' currencies on conversion would have an effect on equity of +/- KSEK 2,731.

Interest rate risk

Interest rate risk means that the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The company's interest rate risk is in the financial instruments in which excess cash is invested. The interest rate risk in the financial instruments is mitigated through the treasury policy framework

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

The company has no other overall interest rate risk as of December 31, 2022.

Liquidity risk

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

Refinancing risk

Refinancing risk refers to the risk that financing cannot be obtained or can be obtained only at significantly increased cost and on unfavorable and undesirable terms in order to have access to funds when payments fall due. As of December 31, 2022, the company has no outstanding loan portfolio and a solid cash position.



Market liquidity risk

The company defines market liquidity risk as the risk that the company cannot transform assets into liquidity without significant financial losses. As at December 31, 2022, the company has market liquidity risk in the financial instruments in which it invests. The framework for these investments is set out in the treasury policy. The risk is mitigated by ensuring that investments in financial instruments are only made in highly rated and liquid instruments.

The Group's contractual and undiscounted interest payments and repayments of financial liabilities are shown in the table below. Financial instruments with variable interest rate have been calculated with the interest rate on the balance sheet date. Liabilities have been included in the period when repayment can be claimed at the earliest.

Maturity analysis

Group	<3 months	3-12 months	1-3 years	3-5 years	>5 years	Total
Per 2022-12-31						
Leasing liability	-8 355	-21 980	-56 931	-56 556	-48 869	-192 691
Trade payables	-136 997	-	-	-	-	-136 997
Contingent consideration	-	-27 309	-15 682	-	-	-42 991
Other current liabilities	-24 699	-22 904	-13 065	-	-	-60 668
Total	-170 051	-72 193	-85 678	-56 556	-48 869	-433 347
Per 2021-12-31						
Leasing liability	-7 887	-23 650	-51 077	-49 145	-65 526	-197 286
Trade payables	-65 815	-	-	-	-	-65 815
Other current liabilities	-9 172	-27 517	-12 478	-	-	-49 167
Total	-82 874	-51 167	-63 555	-49 145	-65 526	-312 268
Parent company						
Per 2022-12-31						
Contingent consideration	-	-27 309	-15 682	-	-	-42 990
Trade payables	-742	-	-	-	-	-742
Other current liabilities	-418	-	-	-	-	-418
Total	-1 160	-27 309	-15 682	-	-	-44 150
Per 2021-12-31						
Trade payables	-11	-	-	-	-	-11
Other current liabilities	-4 951	-	-	-	-	-4 951
Total	-4 962	-	-	-	-	-4 962



Note 21 - Provisions for interest and charges

Financial reporting principles

A provision differs from other liabilities in that there is uncertainty about the date of payment or the amount needed to settle the provision. Provisions are recognized when the company has, or can be deemed to have, an obligation as a result of a past event and it is probable that payments will be required to settle the obligation. It is a prerequisite that it is possible to make a reliable estimate of the amount to be paid.

Where the effect of when payment occurs is significant, provisions are calculated by discounting the anticipated future cash flow at an interest rate for tax that reflects current market assessments of the time value of money and, if appropriate, the risks that are associated with the liability. Provisions are retested on each closing date.

Group	Provision for interest and charges	
	2022-12-31	2021-12-31
Opening provisions	6 561	-
Additional provisions	960	6 561
Adjusted during the period	-281	-
Reversed during the period	-3 264	-
Closing provisions	3 976	6 561
Long-term portion	484	645
Short-term portion	3 492	5 916

Provisions refer to interest and estimated charges related to value added tax on online sales. The outcome will depend on the conclusions of each country's tax authority in the future. In 2022, no interest or charges regarding provisions for value added tax have been paid.

Note 22 - Accrued cost and deferred income

Group	2022-12-31	2021-12-31
Accrued social security contributions on salary and holiday pay	14 373	10 178
Holiday pay liabilities	17 940	14 867
Accrued salaries	9 271	6 245
Contractual liabilities	124 954	79 931
Accrued rental expenses USA	6 814	7 054
Accrued sales-related costs	52 225	35 501
Accrued marketing costs	8 171	-
Other accrued costs	12 630	13 940
Carrying value	246 378	167 716
Parent company	2022-12-31	2021-12-31
Accrued social security contributions on salary and holiday pay	392	86
Holiday pay liabilities	235	208
Other external services	638	4 596
Accrued audit fees	723	655
Carrying value	1 987	5 544

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

Other accrued costs mainly relate to consultancy costs.



Note 23 - Cash flow statement

Changes in liabilities from financing activities	2021-12-31	Cash impact			Non-cash		2022-12-31
		Increase through business combinations	Amortization	Net change	Other		
Group							
Long-term leasing liabilities	137 661	-	-	137 661	-517	137 144	
Current leasing liabilities	25 549	-	-	25 549	-1 277	24 272	
Total	172 541	-	-	163 209	-1 794	161 416	

Note 24 - Information about mergers

Financial reporting principles

Mergers are reported in accordance with BFNAR 2020:5 Reporting of mergers. Merged subsidiaries' assets and liabilities are reported by the parent

company at the value these had in the consolidated financial reporting.

The following group companies merged with Epidemic Sound Holding II AB during the financial year 2022.

Company name	Company registration no	Merger date
Epidemic Sound Management AB	559132-9700	2022-08-25
Epidemic Sound Holding AB	559134-9492	2022-08-25
Epidemic Sound MepCo AB	559156-8398	2022-08-25
Epidemic Sound MepCo 2 AB	559240-7448	2022-08-25

The transfer of the accounts took place on August 25, 2022. Assets and liabilities were absorbed into the overtaking company at their consolidated value. A

summary of the balance sheets and information about net sales and operating profit for each company before merger are presented below.

Epidemic Sound Management AB (KSEK)	2022-08-25
Financial fixed assets	2 726 015
Short-term receivables	4 460
Cash and bank	490
TOTAL ASSETS	2 730 966
Restricted equity	161
Non-restricted equity	2 730 797
Current liabilities	8
Total equity and liabilities	2 730 966

Net sales amounted to KSEK 0 and profit before tax amounted to KSEK -2 in 2022.



Epidemic Sound Holding AB (KSEK)	2022-08-25
Financial fixed assets	2 775 365
Short-term receivables	57
Cash and bank	21 091
TOTAL ASSETS	2 796 513
Restricted equity	164
Non-restricted equity	2 796 349
Total equity and liabilities	2 796 513

Net sales amounted to KSEK 0 and profit before tax amounted to KSEK -7 in 2022.

Epidemic Sound MepCo AB (KSEK)	2022-08-25
Short-term receivables	2 645
Cash and bank	247
TOTAL ASSETS	2 892
Restricted equity	50
Non-restricted equity	2 841
Total equity and liabilities	2 892

Epidemic Sound MepCo2 AB (KSEK)	2022-08-25
Short-term receivables	450
Cash and bank	224
TOTAL ASSETS	674
Restricted equity	25
Non-restricted equity	649
Total equity and liabilities	674

Nettoomsättning uppgick till 0 TSEK och resultat före skatt uppgick till 0 TSEK under år 2022.

Note 25 Pledged assets and contingent liabilities

Financial reporting principles

Information about contingent liabilities is given when there is a possible obligation that is dependent on whether uncertain future events may occur or when

there is an existing obligation where payment is not probable or cannot be reliably estimated.

Collateral pledged for own liabilities to credit institutions:	2022-12-31	2021-12-31
Corporate bonds	-	5 000
Total	-	5 000

The parent company has no pledged collateral or contingent liabilities in respect of 2022.



[Note 26 - Transactions with related parties](#)

Transactions between the company and its subsidiaries, which are related parties to the company, have been eliminated on consolidation and therefore information on these transactions is not disclosed in this note. Information about the Group's subsidiaries may be found in Note 17 Investments in group companies.

In 2022, a senior executive performed services relating to consultation from the company Ten Tiny Tales Entertainment AB at a value of KSEK 1,264. The transactions were on market terms.

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

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

[Note 27 - Events after the end of the reporting period](#)

On 1 March 2023, at an extraordinary general meeting, the shareholders of Epidemic Sound Holding II AB approved a new incentive program for existing and new employees. This program consists of so-called Restricted Stock Units ("RSU"). The total number of shares (and RSUs) reserved and available for grant and issuance pursuant to the program is 210,000,000.



Declaration of the Board of directors

In the opinion of the Board of directors and the Chief Executive Officer, the consolidated financial statements and the annual financial statements have been prepared in accordance with IFRS as adopted by the EU and with generally accepted accounting principles and give a true and fair view of the position and performance of the Group and the parent company. The Management Report for the Group and the parent company gives a true and fair view of the

Group's and the parent company's activities, position and results and describes the principal risks and uncertainties that the parent company and its subsidiaries face. The results and position in general of the Group and the parent company are shown in the income statements and balance sheets, cash flow statements and notes included in the annual accounts.

Stockholm, March 8, 2023

Andrew Fisher
Chairman of the Board

Jan Zachrisson
Board member

Adrienne Gormley
Board member

Victor Englesson
Board member

Kirsten Wolberg
Board member

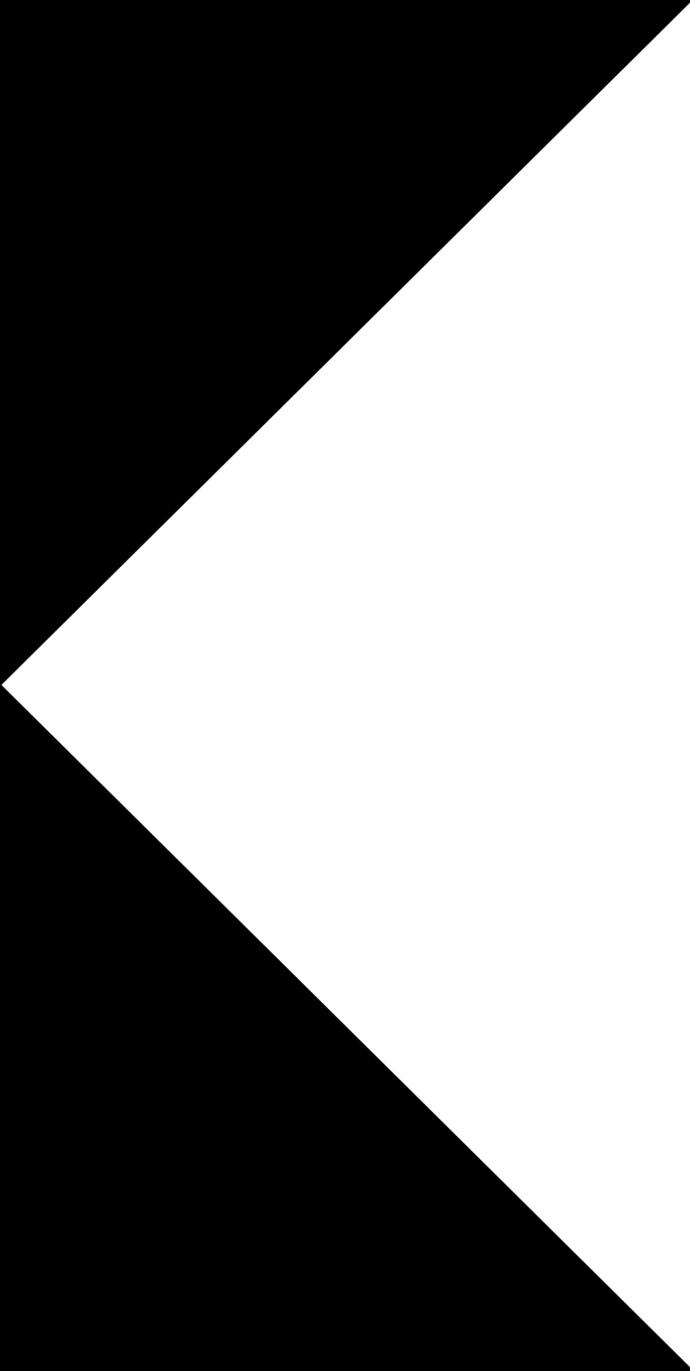
Vincent Letteri
Board member

Oscar Höglund
Chief Executive Officer

Our audit report was submitted on March 8, 2023
Ernst & Young AB

Andreas Nyberg Selvring
Certified Public Accountant

Auditor's report





Auditor's report

To the general meeting of the shareholders of Epidemic Sound Holding II AB, corporate identity number 559286-5231

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Epidemic Sound Holding II AB for the year 2022 (the financial year 2022-01-01 – 2022-12-31). The annual accounts and consolidated accounts of the company are included on pages 17-81 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2022 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as 31 December 2022 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of the parent company and the group

in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical 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 opinions.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-16 and 87-90. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in



accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden 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 annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, 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 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 control.

- Obtain an understanding of the company's internal control relevant to our 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 the Board of Directors [and the Managing Director].
- Conclude on the appropriateness of the Board of Directors' [and the Managing Director's] use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and 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 our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. 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 a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.



- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Epidemic Sound Holding II AB for the year 2022 (the financial year 2022-01-01 – 2022-12-31) and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical 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 opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.



Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

Stockholm 8th of March 2023

Ernst & Young AB

Andreas Nyberg Selvring
Authorized Public Accountant



Key figures

Epidemic Sound presents certain financial measures and alternative performance metrics (APM) in the Annual Report that are not defined as performance measures under IFRS. Epidemic Sound believes that these metrics provide valuable additional information to the company's management as they enable evaluation of trends and performance. Since not all

companies calculate financial measures in the same way, they are not always comparable with metrics used by other companies. These financial metrics should therefore not be considered as a substitute for measures defined under IFRS or the Annual Reports Act. For definitions and reconciliation of alternative key metrics, see page 88.

Group (KSEK)	2022	2021
Net sales	1 177 982	691 481
Total revenue	1 181 181	694 203
Operating profit before depreciation and amortization, EBITDA	2 818	-54 819
Adjusted operating profit before depreciation and amortization, EBITDA	9 761	-13 538
Operating profit, EBIT	-491 566	-406 014
Adjusted operating profit, EBIT	-484 623	-364 733
Profit before tax	-493 206	-413 515
Profit for the year	-411 388	-353 046
Cash flow from operating activities	84 788	-51 577
Cash and cash equivalents at the balance sheet date	667 647	811 380
Key figures		
Gross margin (%)	86%	91%
Operating margin EBITDA (%)	0%	-8%
Adjusted operating margin EBITDA (%)	1%	-2%
Operating margin EBIT (%)	-42%	-58%
Adjusted operating margin (%)	-41%	-53%
Equity ratio (%)	87%	88%
Number of employees at the end of the period	497	439
Average number of employees	436	418
Equity per share, SEK	0,90	0,95
Balance sheet total	12 988 433	13 034 242

Parent company (KSEK)	2022	2021
Other operating income	4 203	720
Operating profit, EBIT	-30 488	-88 250
Key figures		
Equity ratio (%)	99%	99%
Balance sheet total	11 880 870	11 727 054



Reconciliation of Alternative Performance Metrics (APM)

KSEK	2022-01-01 2022-12-31	2020-12-01 2021-12-31
Gross profit		
Total revenue	1 181 181	694 203
Cost of services sold	-163 794	-62 715
Gross profit	1 017 387	631 488
Gross profit margin (%)		
Total revenue	1 181 181	694 203
Gross profit	1 017 387	631 488
Gross profit margin (%)	86%	91%
Adjusted operating profit, EBITDA		
Operating profit, EBITDA	2 818	-54 819
Items affecting comparability	6 943	41 281
Adjusted operating profit, EBITDA	9 761	-13 538
Adjusted operating margin, EBITDA (%)		
Total revenue	1 181 181	694 203
Adjusted operating profit, EBITDA	9 761	-13 538
Adjusted operating margin, EBITDA (%)	1%	-2%
Adjusted operating profit, EBIT		
Operating profit, EBIT	-491 566	-406 014
Items affecting comparability	6 943	41 281
Adjusted operating profit, EBIT	-484 623	-364 733
Adjusted operating margin, EBIT (%)		
Total revenue	1 181 181	694 203
Adjusted operating profit, EBIT	-484 623	-364 733
Adjusted operating margin, EBIT (%)	-41%	-53%

Items affecting comparability	2022	2021
EBITDA		
<i>Adjustment for items affecting comparability</i>		
Acquisition-related costs	1 117	41 281
Termination costs	5 827	-
Total items affecting comparability	6 943	41 281

The acquisition-related costs mainly relate to payment to consultants and lawyers for financial and legal consultancy, both when Epidemic Sound Holding

II AB created the new parent company in 2021 and also at the time of the acquisition of A-P Records AB and Marbel Songs AB in 2022.



Definitions

Key figures	Definition	Comment
Sales growth	Development of net sales compared to the same period last year.	Used by management to assess the Group's growth rate.
Gross profit margin	$(\text{Net sales} - \text{Sales costs}) / \text{Net sales}$	Used by management to monitor the Group's sales performance, including direct costs of raw materials and supplies.
EBITDA	Operating profit before depreciation and amortization.	Shows the business's underlying development, adjusted for the effect of depreciation, in relation to sales, which is valuable as an indication of the business's underlying cash generating abilities and provides the management with information about the organization's efficiency and profitability.
EBITDA margin, %	Operating profit before depreciation and amortization, as a percentage of income for the period	
Adjusted operating profit, EBITDA	Calculated as operating profit before depreciation and impairment excluding items affecting comparability.	The adjusted metric gives a better understanding of the business's profit.
Adjusted operating margin (%)	Adjusted operating margin, excluding non-comparable items	
EBIT	Operating profit - Profit before tax and financial items.	Provides management with information on the efficiency and profitability of the organization.
EBIT margin, %	Operating profit, as a percentage of income for the period	
Balance sheet total	Total assets	Provides management with information on the capital commitment of the business
Equity ratio	Equity at end of period in relation to total assets at end of period	Provides management with information on the financial sustainability of the business during a period of negative performance and the proportion of the business financed by equity and external capital.
Net cash	Interest-bearing liabilities (excluding leasing liabilities) less interest-bearing assets, short-term investments, and cash and cash equivalents.	Provides management with information on the financial status of the business.
Items affecting comparability	Items affecting comparability are items that are of a non-recurring nature, such as costs in connection with restructuring, and with considerable effect on the company's financial results, which affect comparability between different periods.	Specific reporting of items that disrupt comparability between different periods gives an increased understanding of the company's financial results.
Equity per share	Equity, including holdings without a controlling influence, divided by the average number of shares outstanding	Gives shareholders an opportunity to compare book value with market value.

Contacts

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epidemicsound.com

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SWEDEN

Oscar Höglund, CEO

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