Attestation Exemplar

SoundCloud Holdings GmbH
Berlin

Consolidated Financial Statements and Group Management Report
for the Period Ending December 31, 2020

INDEPENDENT AUDITOR'S REPORT

(Translation - The German text is authoritative)

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Group Management Report of SoundCloud Holdings GmbH for the fiscal year from January 1 to December 31, 2020

Group Management report

1. Introduction and company information

SoundCloud Holdings GmbH, Berlin, is a wholly owned subsidiary of SoundCloud Holdings II Limited, Cayman Islands, and serves as the consolidation entity for the group's global operations. This structure was put in place on 30 December 2020 in response to the UK's departure from the European Union and involved two steps: Firstly, SoundCloud Holdings GmbH, Berlin, was interposed between SoundCloud Holdings II Limited, Cayman Islands, and SoundCloud Limited, UK. Secondly, all shares in SoundCloud Limited were transferred to SoundCloud Holdings GmbH as of 30 December 2020 and the operational activities of SoundCloud Limited, UK, were transferred to SoundCloud Global Limited & Co KG, a limited partnership under German law.

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

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

2. Business model and strategy

SoundCloud is a next generation music entertainment Group powered by a community of artists and fans on the pulse of what is next in music. It combines fan access and artist development through two differentiated offerings: A music streaming service with a diverse catalogue with 265m tracks as of December 2020 for fans, and an artist development service that empowers artists to accelerate their careers by providing them with products and services such monetization, distribution, and marketing.

The music streaming service allows listeners to consume content through a freemium model. In its free-tier, music consumption is interrupted by advertising, whilst an ad-free experience is available to subscribers of SoundCloud's Go and Go+ consumer subscriptions. Having launched the service initially in the US, today, it is available in numerous developed countries, including the UK, Canada, Australia, New Zealand and a number of countries in Europe. Content for this offering is provided by rightsholders such as major labels and publishers SoundCloud has contracted with, as well as independent rightsholders and rightsholders participating in our own monetisation programmes.

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

Throughout the financial year ending in December 2020, the business was organised into the SoundCloud Network (generating revenues through listener subscriptions and advertising, as well as SoundCloud's creator subscriptions) on one hand, and Creator Services on the other, comprising the Repost by SoundCloud and Repost Select products. This replaced the prior organisation into listener and creator businesses and reflects the way we have managed the Company throughout 2020.

As of January 2021, we have reorganised this into two Business Units to streamline our operational setup per the below:

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

The group's employees are located in Germany, the UK and the US with offices in Berlin, London, New York and Los Angeles. Across the various locations, the Group employed 359 FTE as of 31 December 2020.

3. Performance measurement system

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

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

4. Economic developments and industry situation

The developments of the financial year 2020 were dominated by the events surrounding the global pandemic caused by the coronavirus. Having started in late 2019, the pandemic spread around the world in the first quarter of 2020 and impacted economic developments significantly. Other than in China, GDP growth around the world was mostly negative throughout 2020 with substantial volatilities observed in both developed and developing countries[1].

The pandemic caused a period of economic contraction and uncertainty, online advertising markets experienced a substantial level of volatility. The second quarter of 2020 in particular saw advertising budgets cut or postponed. However, given factors such as the presidential elections in the US and ad clients' desires to actively reach consumers at home, the market for online ads rebounded, especially during the second half of the year[2]. The consumption of digital content served as a welcome source of relief for large parts of the population around the world. Not being able to attend work, school or various means of leisure activities, customers turned to digital products to both communicate with others, as well as to consume content. Compared to 2019, the 2020 total global music market grew +7% during the first year of the pandemic. (Source: Midia Research "Recorded music market 2020").

The market for independent artists, which is particularly important for SoundCloud, continued its growth trajectory throughout the year. The market for independent musicians continued to be the fastest growing segment of the wider music industry[3].

5. Company specific situation and performance

In 2020, Soundcloud benefited from customers' changing consumption patterns during the Corona pandemic that led to increased platform signup and usage. Despite the global pandemic, we have performed well and saw all financial KPIs improve versus 2019. The successful fundraising completed in February 2020 when Sirius XM invested $75M through acquiring a minority stake in the Company's ultimate parent company, SoundCloud Holdings LLC, was a key event of the year and contributed to our sound financial position.

Compared to our initial expectations for the year, total revenue exceeded expectations and our operating losses were lower than initially planned. The table below summarises our key financial indictors with the performance and its drivers being outlined thereafter.

€M	**2020**	**2019**	***Change vs 2019***
Revenue	193.5	147.6	*+31%*
Gross profit	61.1	40.0	*+53%*
Operating result	(15.4)	(26.2)	*-41%*
Cash Flows from Operating Activities	(13,4)	(24,7)	*-46%*

Revenues generated by the SoundCloud Network grew strongly across all revenue streams. The increase in revenues from listener subscriptions contributed to this in particular as our initial expectations for the year were exceeded due to a higher-than-expected subscriber count and higher ARPUs (average revenue per user) throughout the year. In line with global developments, our advertising business experienced substantial volatility in the second quarter of 2020 with revenues hitting lows in March and April after what was an encouraging start to the year in January and February. However, once advertising customers

[1] Source: Real GDP growth per IMF Datamapper
[2] Source: Business Wire's Global Digital Advertising Market Report, indicating a growth of 5.6%
[3] Sources: Music Business Worldwide, IFPI, BofA Global Research, MIDiA Research showing that the share of directly signed artists in the recorded music industry has grown from 2% in 2015 to almost 5% in 2020; it is expected to grow to 10% by 2025

had adjusted to the new normal, our US-reseller partner was able to recover lost ground swiftly and as a result our advertising revenues continued to increase throughout the remainder of the year, growing to record levels during the fourth quarter. Key driver of this growth was strong demand from our reseller's clients. As we progressed our path to consolidating reseller partners internationally, we continued to see growth so that the relative share of the non-US revenues was steady throughout the year.
We took the decision to run a special promotion campaign for our creator subscriptions in March and April in response to the socioeconomic challenges of the pandemic and managed to generate a significant increase in subscriber count. A reduced ARPU resulting from this temporary price reduction was compensated by an increase in subscriber count so that we have largely met our revenue targets for the year in this revenue line.

Revenues generated by Creator Services also grew strongly and from our point of view benefited from two developments in 2020. First, independent artists continue to see "self-publishing" their music to streaming services as a viable option. Second, due to continued migration to digital streaming, we experienced increases in both subscription and advertising revenues seen at other streaming services. Due to this, we saw both volumes of artists grow throughout the year as well the revenues generated per artist. The launch of Repost by SoundCloud, our subscription-based distribution offering, in the second quarter of 2020 also contributed to the growth so that the Creator Services businesses ended the year with healthy growth rates.

Having conducted a cost optimisation programme in response to the Corona outbreak and being cost conscious throughout the year, we also incurred lower costs than initially planned. Whilst we continued to invest into the business, including a larger workforce, our administrative costs grew less than revenue as a consequence, and also less than our initial expectations for the year, resulting in a substantial reduction in our operating loss for the year when compared to 2019.

The successful fund raising completed in February 2020 was closed shortly before the most severe spreading of the global Corona pandemic. The funds raised substantially enhanced the Group's financial position throughout the remainder of year.

Consolidated financial results

Based on the developments described above, we have been able to substantially improve SoundCloud's financial performance. With revenues growing by 31% versus 2019, we have benefited from scaling effects at both our gross profit level, as well as at the bottom line, reducing losses further compared to previous years.

We have particularly benefited from the growth in our advertising and creator services businesses. This helped to drive total gross profit growth of 53%, but also increased our gross margin to by more than 4 percentage-points throughout the year, reaching 32%.

Given our digital business model, our research and development (R&D) efforts are concentrated on the development of our platform and digital offerings. With those efforts, we consistently enhance and update our products and services, leveraging the strong technology competencies of our engineering and product teams. Relevant expenses represent mostly salaries and dedicated, specialised third-party expenses of the relevant teams, reaching €21.8m during the year. Compared to total revenue for the year, those expenses represented 11% of our 2020 revenues, the same level it was at for the year before.

Being cost conscious throughout the year, our net operating expenses (operating expenses less other income) grew less than our gross profit contribution. Indeed, whilst we were in the fortunate position not to reduce our workforce in response to the pandemic, we temporarily reduced hiring velocity and delayed non-essential capital investments whilst also ensuring that marketing spending was cost-efficient, especially for our performance marketing. In combination with targeted investments into our platform and product offerings in the form of engineering and development capacities, these efforts helped us manage our cost basis throughout the year while growing revenues.

€M	**2020**	**2019**	***Change vs 2019***
Revenue	193.5	147.6	*+31%*
Cost of materials & consumables used	(132.4)	(107.5)	*+23%*
Gross profit	**61.1**	**40.0**	***+53%***
Operating expenses and other income	(76.6)	(66.2)	*+16%*
Operating result	**(15.4)**	**(26.2)**	***-41%***
Financial result and taxes	(0.2)	0.6	*n/a*
Result for the year	**(15.7)**	**(25.6)**	***-39%***

Consolidated financial position

Our financial position per the end of 2020 is summarised below:

€M	2020	2019	Change	Change %
Non-current assets	22.6	16.9	5.7	+34%
Current assets	125.3	77.7	47.6	+61%
Total assets	**147.9**	**94.6**	**53.3**	**+56%**
Non-current liabilities	7.2	5.5	1.7	+31%
Current liabilities	60.4	54,7	5,7	+10%
Equity	80.3	34.5	45.8	+133%
Total liabilities + equity	**147.9**	**94.6**	**53.3**	**+56%**

Of note are the following comments on our financial position:

- Throughout the year, total assets grew to €147.9m, an increase of 56% vs 2019. Of this total, cash and short-term deposits represented €78.5m, i.e. 53% of total assets, increasing by 97% vs December 2019.
- The increase in cash was driven by the investment round completed in February 2020 when Sirius XM became a minority shareholder in our ultimate holding company SoundCloud Holdings LLC, investing $75m; other factors adding to the growth in assets include the extension of our property leases in Berlin and New York which have been accounted for with relevant rights-of-use assets per IFRS 16.
- Liabilities also grew with the new real estate contracts signed in 2020 and its corresponding entries for lease liabilities per IFRS 16. Other working capital used for operating activities decreased, however, whilst we continued to be debt free, relying on equity financing only.
- Operating cash flow continued to be negative though operating cash burn of €13.4m has been reduced by €11.3m throughout the year. Key drivers for were the reduced operating losses as well as ongoing efforts to optimise our working capital positions. Cash outflow for investing activities occurred mainly for the purchase of property, plant and equipment and was a total of €(0.6)m for year ending in December 2021. This was substantially lower than in 2019 when the acquisition of Repost Network Inc. was completed (2019: €(7.0)m). The cash flow from financing activities of €63.5m reflects the fund raising completed in February 2020 and was substantially better compared to 2019 when it was €(3.3)m, mainly reflecting the principal elements of lease payments.

6. Risks and opportunities

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

Against this general background, and at the time of writing this report, the Covid-19 pandemic was far from over and continued to be the major external risk. Whilst vaccination programmes around the world had been initiated, traction was particularly slow in Europe as several mutations meant that the virus was continuing to spread. Having observed a degree of resilience to this externality, management continues to monitor the situation closely with the objective of being prepared for a potential sudden reduction in demand for our products and/or the implications of the virus, and measures taken against it, on our workforce.

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

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

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

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

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

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

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

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

Against the backdrop of various risks, there are also several opportunities the group could benefit from. Additional lockdown measures taken to address the Corona pandemic could result in incremental demand for our products and services. Coupled with the potential from further improvements to our products, we see an opportunity in retaining customers for our subscription products for longer, generating incremental life-time-value which could lead to gross profit and margins improving vs today's levels. This could be the case for both listener and creator subscriptions.

Whilst we have grown the number of countries where we monetise our listener business, we see opportunities in further scaling our international footprint, particularly in markets where listening activity is substantial and/or growing fast. The launch of our Fan Powered Royalties could lead to increased demand for our creator products and we expect to benefit from further improvements in the user experience of our product suite in general. Indeed, deploying this more equitable and transparent way for independent artists to monetise their content on our platform based on fans' listening habits, should strengthen our strong footing in the creator community further: the more fans listen to a specific creator, the more they get paid.

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

7. Outlook

Despite the ongoing pandemic, we expect our growth trajectory to continue. Based on our new strategic positioning as a music entertainment Group, we are strengthening our differentiation whilst also creating a commercial model which will continue to result in scaling efficiencies as we grow revenues.

With vaccination programmes making good progress in the US, we expect the situation in Europe to also improve providing further momentum for economic recovery in our geographical markets. User behaviour and working patterns of our staff may have changed indefinitely as the result of the pandemic, though we see ourselves as well placed to cope with the implications. We are monitoring the developments around the consolidation of the industry and may decide to actively participate, subject to opportunities presenting themselves.

Against this backdrop, we expect revenues to continue to grow in 2021 and beyond, reaching similar growth rates to those of 2020. Our gross profit is expected to grow further as we scale revenues with gross margin being at similar, or slightly higher levels as in 2020. As we plan to invest into further scaling of the Group to meet our targets for 2021 and beyond, we expect our operating loss in the financial year 2021 to be higher than in 2020. This will likely be driven by conscious investments into our resources, including talent, as we reposition SoundCloud as a music entertainment. Free cash flow from operating activities will therefore continue to be negative, potentially ever more so than in 2020. However, given our fund raising in 2020, we are well placed to make those investments and expect our liquidity resources to accommodate this comfortably.

Compared to 2020 and 2021, we also expect continued strong growth significant improvements in the relevant performance indicators such as revenue growth, gross profit, operating result and cash flows from operating activities.

Berlin, 18 January 2022

Jan Gackenholz

Consolidated financial statements of SoundCloud Holdings GmbH for the fiscal year from January 1 to December 31, 2020

Consolidated statement of comprehensive income

for the years ended 31 December 2020 and 2019

In EUR thousands	Note	2020	2019
Revenue	5	**193,536**	**147,555**
Other operating income	8	**5,781**	7,858
Cost of materials and consumables used	8	**(132,390)**	**(107,534)**
Employee benefits expense	8	**(48,202)**	(40,395)
Depreciation and amortisation expense	8	**(5,804)**	(4,124)
Other operating expense	8	**(28,362)**	(29,535)
Operating result		**(15,443)**	**(26,176)**
Finance income	8	**139**	243
Finance costs	8	**(345)**	(503)
Financial result	8	**(206)**	**(260)**
Loss before tax		***(15,650)***	***(26,436)***
Income tax	9	**(38)**	821
Loss of the year		**(15,688)**	**(25,615)**
Other comprehensive income			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	19	**(10,859)**	1,688
Total other comprehensive income		**(10,859)**	**1,688**
Total comprehensive income		**(26,547)**	**(23,927)**

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

Consolidated statement of financial position

as at 31 December 2020, 2019 and 1 January 2019

In EUR thousands	Note	Dec 31, 2020	Dec 31, 2019	Jan 1, 2019
Assets				
Non-current assets				
Intangible assets	10, 11	**8,009**	9,440	462
Right-of-use assets	13	**9,935**	2,151	4,270
Property, plant and equipment	12	**2,676**	2,356	1,935
Lease receivables	13	-	1,766	3,737
Other financial assets	17	**1,964**	1,176	540
Total non-current assets		**22,584**	**16,889**	**10,944**
Current assets				
Trade receivables	14	**24,167**	22,290	12,458
Prepayments	15	**7,944**	2,239	13,042
Lease receivables	13	**1,766**	1,971	1,671
Other assets	16	**1,392**	1,297	2,205
Other financial assets	17	**11,468**	10,008	10,025
Cash and cash equivalents	18	**78,545**	39,936	73,232
Total current assets		**125,282**	**77,741**	**112,634**
Total assets		**147,866**	**94,630**	**123,578**

Consolidated statement of financial position

as at 31 December 2020, 2019 and 1 January 2019

In EUR thousands	Note	Dec 31, 2020	Dec 31, 2019	Jan 1, 2019
Liabilities				
Non-current liabilities				
Contract liabilities	6, 22	-	-	4,371
Lease liabilities	13	**7,165**	2,715	5,737
Other financial liabilities	25	-	2,729	2,741
Total non-current liabilities		**7,165**	**5,444**	**12,849**
Current liabilities				
Provisions	21	**3,230**	3,463	10,398
Contract liabilities	6, 22	**16,436**	17,950	10,642
Trade payables	23	**7,428**	5,376	3,873
Current tax liabilities		**33**	12	114
Lease liabilities	13	**4,779**	3,074	3,600
Other liabilities	24	**3,216**	2,583	687
Other financial liabilities	25	**25,288**	22,197	26,506
Total current liabilities		**60,410**	**54,655**	**55,820**
Total Liabilities		**67,575**	**60,099**	**68,669**
Equity				
Equity				
Share capital	19	**25**	149,848	149,498
Share premium	19	**396,848**	178,520	178,504
Other capital reserves	19	**36,844**	33,042	29,859
Retained earnings (- losses)	19	**(344,255)**	(328,567)	(302,952)
Currency translation reserve		**(9,170)**	1,689	-
Total equity		**80,291**	**34,531**	**54,909**
Total equity and liabilities		**147,866**	**94,630**	**123,578**

Consolidated statement of changes in equity

for the years ended 31 December 2020 and 2019

In EUR thousands	Share capital	Share premium	Other capital reserves	Retained earnings / (losses)	Currency translation reserve	Total equity
Note	19	19	19	19	19	
Balance at Jan 1, 2019	**149,498**	**178,504**	**29,859**	**(302,952)**	**-**	**54,909**
Other comprehensive income / (expense)					1,689	**1,689**
Result for the year				(25,615)		**(25,615)**
Share-based payments			3,182			**3,182**
New shares issued	350	16				**366**
Balance at Dec 31, 2019	**149,848**	**178,520**	**33,041**	**(328,567)**	**1,689**	**34,531**
Other comprehensive income / (expense)					(10,859)	**(10,859)**
Result for the year				(15,688)		**(15,688)**
Share-based payments			3,803			**3,803**
New *shares issued*	68,480					**68,480**
Share capital reduction – new parent company	(218,328)	218,328				**-**
Shares of parent company	25					**25**
Balance at Dec 31, 2020	**25**	**396,848**	**36,844**	**(344,255)**	**(9,170)**	**80,291**

Consolidated statement of cash flows

for the year ended 31 December 2020

In EUR thousands	Note	2020	2019
Cash flows from operating activities			
Loss before tax		**(15,650)**	(26,437)
Adjustments to reconcile loss before tax to net cash flows			
Depreciation and amortisation expense	8	**5,804**	4,124
Non-cash employee benefits expense – share based payments	8, 20	**3,803**	3,182
Finance costs - net	8	**206**	260
Net exchange differences		**1,278**	(17)
Decrease / (Increase) in trade receivables	14	**(1,878)**	(8,371)
Decrease / (Increase) in other operating assets		**(8,047)**	11,107
Increase / (Decrease) in trade payables	23	**2,051**	634
Increase / (Decrease) in contract liabilities	22	**(1,514)**	2,937
Increase / (Decrease) in other operating liabilities		**1,016**	(2,814)
Increase / (Decrease) in provisions	21	**(233)**	(9,110)
Cash generated from operations		**(13,164)**	(24,503)
Interest received	8	**139**	243
Interest paid	8	**(345)**	(503)
Income taxes paid	9	**(38)**	58
Net cash flows from / (used in) operating activities		**(13,408)**	**(24,705)**
Cash flows from investing activities			
Payment for acquisition of subsidiary, net of cash acquired	7	**-**	(6,621)
Proceeds from sale of property, plant and equipment	12	**230**	79
Purchase of property, plant and equipment	12	**(2,230)**	(1,883)
Proceeds from sale of intangible assets	10	**17**	-
Purchase of intangible assets	10	**(236)**	(291)
Principal elements of lease payments	13	**1,641**	1,672
Net cash flows from / (used in) investing activities		**(577)**	**(7,044)**
Cash flows from financing activities			
Proceeds from issues of shares	19	**68,504**	366
Principal elements of lease payments	13	**(5,052)**	(3,626)
Net cash flows from / (used in) financing activities		**63,452**	**(3,260)**

Net increase / (decrease) in cash and cash equivalents		**49,468**	**(35,009)**
Cash and cash equivalents at the beginning of the year	18	**39,936**	*73,232*
Net foreign exchange difference		**(10,859)**	1,713
Cash and cash equivalents at year end		**78,545**	**39,936**

Notes to the consolidated Financial Statements

1. General information

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

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

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

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

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

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

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

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

Since the consolidated financial statements of Soundcloud Limited have so far been prepared in accordance with UK GAAP, the general regulations of IFRS 1 (First-time adoption of International Financial Reporting Standards) are relevant for the consolidated financial statements of SoundCloud Holdings GmbH.

As the capital reorganisation occurred in the financial year 2020 these first consolidated financial statements under IFRS 1 contain the comparative information of SoundCloud Limited for the equity components.

2. Group information

Subsidiaries

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

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

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

The holding companies

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

3. Basis of preparation

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

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

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

The financial statements are prepared in Euro and rounded to the nearest EUR'000 unless otherwise stated. Rounding differences may occur in respect of individual amounts or percentages. The financial statements as of 31 December 2020 are comprised of the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity and the consolidated statement of cash flows and notes.

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

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

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

The management of SoundCloud Holdings GmbH prepared the consolidated financial statements on January 18, 2022 and released them for forwarding to the shareholders' meeting, which must declare whether it approves the consolidated financial statements.

First-time adoption of IFRS and reconciliations to previous GAAP

The previous group financial statements have been prepared pursuant to UK GAAP. The Group applied all IFRS standards and interpretations that were effective as of 31 December 2020 retrospectively. The consolidated financial statements presented here were prepared according to the rules of IFRS 1 (First-time adoption of IFRS) with a corresponding opening balance sheet as of 1 January 2019.

The reconciliation of equity as of 1 January 2019 and 31 December 2019 is shown below:

In EUR thousands	Dec 31, 2019	Jan 1, 2019
Equity according to UK GAAP	**34,391**	**54,568**
Differences, which increase (decrease) equity:		
Adoption IFRS 16 - right-of-use and lease assets	98	341
Adjustment of acquisition cost (IFRS 3)	(1,060)	-
Adjustment of depreciation of goodwill (IFRS 3)	421	-
Adjustment of deferred taxes (IFRS 3)	667	-
Other adjustments	14	-
Equity according to IFRS	**34,531**	**54,909**

The reconciliation for the statement of comprehensive income for the period ending on 31 December 2019 is shown in the following table:

In EUR thousands	2019
Result for the period according to UK GAAP	**(23,727)**
Differences, which increase (decrease) the result:	
Adoption IFRS 16 - right-of-use and lease assets	(242)
Adjustment of acquisition cost (IFRS 3)	(1,060)
Adjustment of depreciation of goodwill (IFRS 3)	421
Adjustment of deferred tax assets (IFRS 3)	667
Adjustments functional currency change	(1,674)
Result for the period according to IFRS	**(25,615)**
Changes of items, which are recognized directly in equity:	
Currency translation differences	1,688
Comprehensive income according to IFRS	**(23,927)**

The differences result mainly from discrepancies between UK GAAP and IFRS accounting standards described below:

In Comparison to IFRS (IFRS 16) – UK GAAP did not require to disclose right-of use assets and lease assets (sublease). On 1 January 2019 lease liabilities and right-of-use assets were both recognised with €9,338 thousand using the approach according to IFRS 1 D9B (b) (ii). According to IFRS 1 D9D the company elected not to apply to the requirements in IFRS 1 D9B (b) ii to leases for which the lease term ends within

12 months of the date of transition to IFRS. Instead, these leases were accounted for as if they were short-term leases in accordance with paragraph 6 of IFRS 16.

The adoption of IFRS 16 led to an increase in equity amounting to €341 thousand resulting from the difference between the disposal of a right-of-use asset (€5,067 thousand) and the recognition of a net investment for a lease where the group is the lessor (€5,408 thousand), see also note 13 for further details. For lease liabilities and right-of-use assets measured on 1 January 2019 the incremental borrowing rate at the date of the transition was used (IFRS 1 D9B (a)).

In comparison to UK GAAP – IFRS determines that acquisition-related costs are expensed as incurred and included in other operating expense (IFRS 3).

Goodwill according to UK GAAP is measured at cost and amortised on a straight-line basis, under IFRS goodwill is measured at cost less any accumulated impairment losses.

For 2020 the evaluation of recognising deferred tax assets on tax losses carried forward has changed. In 2019 deferred tax assets had not been recognised in respect of the evaluation, that losses may not be used to offset taxable profits within the Group. In 2020 the situation was re-evaluated based on existing tax planning opportunities in the near future.

Other comprehensive income changed due to the functional currency of SoundCloud Limited and SoundCloud Global Limited & Co. KG being determined as US Dollar and the respective currency effects arising from the translation to the presentational currency Euro. Given the growing influence of the US markets and the rise of transactions processed in US Dollar in major functional areas of the respective subsidiaries US Dollar was determined to be the functional currency as of 1 January 2019.

Cash outflows from investing activities according to IFRS amount to €7,045 thousand in 2019 and are €2,707 thousand lower as in prior year´s financial statements under UK GAAP – which can be traced back to the acquisition costs being expensed as incurred (€1,060 thousand)and to the adoption of IFRS 16 and that principle elements of sublease payments being recognised in this category (€ 1,672 thousand).

Cash outflows from financing activities according to IFRS in 2019 amount to €3,665 thousand and are €3,932 thousand higher as in prior year´s financial statements under UK GAAP – this mainly goes back to the adoption of IFRS 16 and therefore principal elements of lease payments (€4,031 thousand) being recognised in this category (instead of cash outflows from operating activities).

Application of new or amended standards and interpretations

New accounting standards and interpretations have been published, that are not mandatory in the European Union for 31 December 2020 reporting periods and have not been early adopted by the Group.

Standard	**Title**	**Effective date**
Endorsement pending		
IAS 8	Definition of accounting estimates (Published: 12 February 2021)	01.01.2023
IAS 1	Classification of liabilities as current or non-current (Amendment to IAS 1)	01.01.2023
IAS 1	Disclosure of Accounting Policies (Amendment to IAS 1 – Practice statement 2)	01.01.2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendment to IAS 12)	01.01.2023

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

The management of SoundCloud assumes that the listed standards and interpretations adopted by the IASB will be applied in the consolidated financial statements of the financial year in which their application is mandatory, provided that relevant cases of application exist. The pending endorsements for 2021 will not affect the consolidated financial statements in the following year. The effects of the pending endorsements for the years beyond 2021 are under review – impact is therefore not known or reasonably estimable at this point in time.

Basis of consolidation

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

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

Foreign Currencies

Functional and presentation currency

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

Transactions and balances

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

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

The Group uses the exemption of IFRS 1 D13.

Group companies

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

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

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

- all resulting exchange differences are recognised in other comprehensive income.

Following exchange rates were used:

	Closing rate		Average rate	
	Dec 31, 2020	Dec 31, 2019	2020	2019
1 Euro (EUR) = US Dollar (USD)	1.22986	1.12128	1.14174	1.12001
1 Euro (EUR) = British Pound (GBP)	0.90240	0.85432	0.88890	0.87428
1 Euro (EUR) = Australian Dollar (AUD)	1.59972	1.60055	1.65981	1.60647
1 Euro (EUR) = Bulgarian Lev (BGN)	1.95820	1.95714	1.95723	1.95649

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

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

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

4. Summary of significant accounting policies

Business combinations and goodwill

Business combinations are accounted for using the acquisition cost method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. Acquisition-related costs are expensed as incurred and included in other operating expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organized workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

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

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.
Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Intangible assets

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

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

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

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

The Group has incurred research and development expenses of €21,844 thousand in 2020 (2019: €15,909 thousand) which are included in employee benefits, depreciation and amortisation expense and other operating expense.

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

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

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

Property, plant and equipment

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

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

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

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

Leases

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

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

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

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

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

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

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

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

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

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

Taxes

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

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

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

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

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

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

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

Impairment of non-monetary assets

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

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

Cash and cash equivalents

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

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

Provisions

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

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

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

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

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

Share-based payments

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

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

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

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

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

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An *additional expense, measured as at the date of modification, is recognised for any modification that* increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

Financial instruments

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

Classification and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset´s contractual cash flow characteristics and the Group´s business model for managing them.

Measurement of financial instruments

SoundCloud measures its financial assets at amortized cost, if the financial assets are held within the framework of a business model whose objective is to hold financial assets in order to collect the contractual cash flows, and the terms of the contract result in cash flows that represent only principal and interest payments on the outstanding principal. All of the company's financial assets, which are trade receivables, other receivables as well as cash and cash equivalents, fall into this measurement category. The entity did not hold any further financial assets during the reporting periods, hence no financial assets measured at fair value exist.

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

Offsetting of financial instruments

Financial assets and liabilities are only offset and the net amount recognized in the statement of financial position if there is a legal right at the present time to offset the recognized amounts and if the intention is to settle on a net basis or to simultaneously realize the respective asset and replace the corresponding liability.

Recognition and derecognition of financial instruments

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

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

Impairment of financial instruments

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

A loss allowance for full lifetime expected credit losses is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition as well as to trade receivables that do not contain significant financing components in accordance with IFRS 15. For all other financial instruments, expected credit losses are measured at an amount equal to the 12-month expected credit losses.

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

Within other financial assets expected lifetime losses for receivables from subscription payments related to network revenue are recognised for external app stores only. Payments from other channels don´t bear a risk of lifetime losses, as these are prepaid.

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

Fair value measurement

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

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

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

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

Revenue from contracts with customers

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

The Group operates two lines of business:

Network revenue

SoundCloud's network generates revenue by providing tools to creators on the one side which enable individuals to share content through the internet, using a suite of products and services; revenue is generated through subscriptions.

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

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

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

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

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

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

Creator services revenue

Creator services are generated by monetising the rights of content artists made available to its Creator services business (formerly known as Repost Networks Inc.) on various online streaming platforms.

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

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

Contract balances

i) Trade receivables

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

ii) Contract liabilities

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

Significant accounting judgements, estimates and assumptions

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

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

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

ii) Functional currency

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

ii) Share based payments

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

iii) Impairment of assets

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

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

iv) Provisions

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

v) Leases – estimating *the incremental borrowing rate*

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

vi) Taxes

Deferred tax assets have been recognised in respect of the losses incurred over the years in the past. The group has concluded that deferred tax assets are recoverable to the extent that deferred tax liabilities have been recognised based on the estimated future taxable income (which are derived from approved business plans and budgets for the subsidiaries). If the Group was able to recognise all unrecognised deferred tax assets, profit and equity would have increased by €81,631 thousand. Further details on taxes are disclosed in Note 9.

5. Revenues from contracts with customers

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

In EUR thousands	2020	2019
Network revenue	**175,128**	140,377
Creator services	**18,408**	7,178
Total	**193,536**	**147,555**

6. Contract balances

In EUR thousands	Dec 31, 2020	Dec 31, 2019	Jan 1, 2019
Trade receivables	**24,167**	22,290	12,458
Contract liabilities	**16,436**	17,950	15,013

Following a new strategic partnership commencing in 2019 and the acquisition of a subsidiary in 2019 trade receivables increased substantively.

Contract liabilities as of 31 December 2020 include short-term advances received for subscriptions and are expected to be recognised in the year 2021. The decline as of end of 2020 is related to a one-off long-term advance payment for advertising revenue received in 2018 and utilised in 2020 (€ 4,371 thousand). Putting the mentioned advertising revenue advance payment aside, all other contract liability balances depend on the number of subscriptions.

All contract liabilities at 1 January 2020 were recognised in revenue within 2020. Contract liabilities at 1 January 2019 were recognised in revenue in 2019 in the amount of €10,642 thousand.

7. Business combinations

On 13 June 2019, the Group acquired control of Repost Network Inc, a leading rights management and distribution company through purchase of 100% of the share capital for a total consideration of €8,301 thousand. With the acquisition, SoundCloud is able to provide high-performing, emerging creators a seamless upstream to Repost Network's invite-only tools and services like streaming distribution, analytical dashboards, content protection and more. The acquisition contributes to SoundCloud's goal of developing the most comprehensive set of tools available to creators.

Assets acquired and liabilities assumed

In EUR thousands	Book values	Adjustments	Fair Value
Intangible assets	**24**	3,051	3,075
Cash and cash equivalents	**1,680**	-	1,680
Trade and other receivables	**1,475**	-	1,475
Trade and other payables	**3,331**	-	3,331
Deferred tax liabilities	-	763	763
Total identifiable net assets	**(152)**	2,288	2,136
Goodwill			6,165
Purchase consideration transferred			**8,301**

The adjustments arising on acquisition were in respect of the recognition of intangible assets including brand, technology and customer relations as well as corresponding deferred taxes.

The goodwill of €6,165 thousand arising from the acquisition is attributable to the economies of scale expected from combining the operations into the group. None of the goodwill recognized is expected to be deductible for income tax purposes.

Consideration components

In EUR thousands	
Cash	**6,726**
Contingent consideration	**1,575**
Total consideration	**8,301**

The contingent consideration has been paid into an escrow account on 16 June 2019. It was released in 2019, 2020 with the final payment in August 2021.

Transaction costs of €1,060 thousand were expensed and are included in other operating expenses.

From the date of acquisition, Repost Network Inc contributed €7,178 thousand of revenue and €370 thousand profit before tax from continuing operations of the Group in 2019. If the combination had taken place at the beginning of the year 2019, revenue from continuing operations would have been €12,861 thousand and loss before tax from continuing operations of the Group would have been €982 thousand.

Analysis of cash flows on acquisition

In EUR thousands	
Cash consideration	8,301
Directly attributable costs	1,060
Less cash and cash equivalents acquired	(1,680)
Total consideration	**7,681**

8. Notes to the consolidated statement of comprehensive income

Other operating income

In EUR thousands	2020	2019
Net foreign exchange differences	1,965	-
Recharging of costs to the parent companies	2,146	453
Release of provisions (see note 21)	928	5,075
Miscellaneous other operating income	742	2,330
Total	**5,781**	**7,858**

Cost of materials and consumables used

In EUR thousands	2020	2019
Content cost	105,892	83,586
Other cost of materials and consumables used	26,498	23,948
Total	**132,390**	**107,534**

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

Employee benefits expense

In EUR thousands	2020	2019
Wages and salaries	38,601	31,695
Social security	5,348	4,548
Share-based compensation	3,803	3,182
Pension cost	200	166
Other	250	804
Total	**48,202**	**40,395**

In 2020 the company's contribution to the statutory pension and healthcare schemes and other social security contributions amounted to €5,548 thousand (2019: €4,714 thousand).

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

Number of employees	2020	2019
Technology	213	170
Business	102	80
Operations	77	83
Total	**392**	**333**

Depreciation and amortisation expense

In EUR thousands	2020	2019
Intangible assets (see note 10)	885	560
Property, plant and equipment (see note 12)	1,454	1,367
Leases (see note 13)	3,465	2,197
Total	**5,804**	**4,124**

Other operating expense

In EUR thousands	2020	2019
Marketing expense	13,446	12,465
Professional fees	9,505	9,125
Travel cost	329	1,437
Net foreign exchange differences	-	1,156
Other expense	5,082	5,352
Total	**28,362**	**29,535**

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

Professional fees include auditor's remuneration as follows:

In EUR thousands	2020	2019
Audit of the financial statements	140	81
Non-audit related services	15	116
Total	**155**	**197**

Financial result

In EUR thousands	2020	2019
Finance income	**139**	243
Other interest and similar income	-	-
Interest on lease assets (note 13)	**139**	243
Finance costs	**345**	503
Other interest and similar expense	**46**	56
Interest on lease liabilities (note 13)	**299**	405
Interest expense related to income tax	-	42
Financial result	**206**	**260**

9. Income tax

The major components of income tax expense included in profit or loss for the years ended 31 December 2020 and 2019 are:

In EUR thousands	2020	2019
Current income tax charge	-	-
Adjustment in respect of prior years	38	(58)
Decrease / (increase) in deferred tax assets	165	(667)
(Decrease) / increase in deferred tax liabilities	(165)	(96)
Income tax expenses reported in the statement of profit or loss	**38**	**(821)**

The tax credit for the year is higher (2019: higher) than the standard rate of corporation tax in Germany of 30.18% (2019: 30.18%). The following table shows the reconciliation of tax expense and the accounting loss multiplied by SoundCloud´s domestic tax rate:

In EUR thousands	2020	2019
Losses before taxation	15,650	26,436
At SoundCloud´s income tax rate of 30.18% (2019: 30.18%)	(4,722)	(7,977)
Adjustments recognized in the period for:		
Adjustments in respect of current income tax of previous years	38	(58)
Non-deductible expenses / income for tax purposes	(1,911)	2,642
Tax losses carried forward	*6,407*	*4,033*
Effect of different tax rates	236	539
Other effects	(10)	-
Total tax credit / expense	**38**	**(821)**
Effective income tax rate	0.2%	(3.1%)

The Group has tax losses carried forward of approximately €273 million (2019: €245 million) which are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose, but were not recognised as deferred tax assets due to the historic loss making situation of the group.

Deferred tax assets

In EUR thousands	2020	2019
Tax losses	653	886
Provisions for litigation	-	271
Total	**653**	**1,157**

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

Deferred tax liabilities

In EUR thousands	**2020**	2019
Intangible assets acquired in a business combination	**502**	667
Intangible assets	**18**	49
Differences arising from unrealised foreign currency revaluation	**133**	441
Income tax expenses reported in the statement of profit or loss	**653**	**1,157**

Reconciliation Deferred tax balances

In EUR thousands	**2020**	2019
As at 1 January	**-**	-
Charged to profit or loss	**165**	667
Acquisition of a subsidiary	**(165)**	(667)
As at 31 December	-	**-**

10. Intangible assets

In EUR thousands	Software, patents, licences & technology	Brand & customer relations	Goodwill	Total
Cost as of 1 January 2019	**728**	-	-	**728**
Additions	315	-	-	315
Acquisition of a subsidiary	861	2,190	6,165	9,216
Foreign exchange differences	(1)	(13)	29	15
Cost as of 31 December 2019	**1,903**	**2,177**	**6,194**	**10,274**
Accumulated Depreciation as of 1 January 2019	**266**	-	-	**266**
Additions	319	241	-	560
Foreign exchange differences	8	-	-	8
Accumulated Depreciation as of 31 December 2019	**593**	**241**	-	**834**
Net carrying amounts as of 1 January 2019	**462**	-	-	**462**
Net carrying amounts as of 31 December 2019	**1,310**	**1,936**	**6,194**	**9,440**
Cost as of 1 January 2020	**1,903**	**2,177**	**6,194**	**10,274**
Additions	236	-	-	236
Disposals	(17)	-	-	(17)
Foreign exchange differences	(96)	(132)	(547)	(774)
Cost as of 31 December 2020	**2,026**	**2,045**	**5,647**	**9,719**
Accumulated Depreciation as of 1 January 2020	**593**	**241**	-	**834**
Additions	472	413	-	885
Foreign exchange differences	(9)	-	-	(9)
Accumulated Depreciation as of 31 December 2020	**1,056**	**654**	-	**1,710**
Net carrying amounts as of 1 January 2020	**1,310**	**1,936**	**6,194**	**9,440**
Net carrying amounts as of 31 December 2020	**970**	**1,391**	**5,647**	**8,009**

11. Goodwill

For impairment testing, goodwill acquired through business combinations is allocated to the creator services CGU (Cash generating unit). Per the end of 2020, the carrying amounts of goodwill is €5,647 thousand (2019: €6,194 thousand) with changes arising from foreign exchange differences of €547 thousand during the year under review.

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

The group performed its annual impairment test as of 31 December 2020 and considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. As at 31 December 2020, the value determined of the CGU assessed was above the book *value of its equity. The recoverable amount of the creator services CGU of €15,948 thousand as at* 31 December 2020 has been determined based on a value in use calculation using cash flow projections from forward-looking financial plans approved by senior management covering a ten-year period. The pre-tax discount rate applied to the resulting cash flow projections was 18%, and cash flows beyond the five-year period were extrapolated applying a 4% growth rate. It was concluded that the fair value less costs of disposal did not exceed the value in use.

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

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

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

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

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

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

The growth rates assumed in the financial forecast reflect strategic and operational ambitions over the next five years. Beyond this initial time frame, conservative growth rates have been assumed reflecting industry research and trends. Management recognises that the speed of technological change and the possibility of new entrants can have a significant impact on growth rate assumptions. However, the effect of new entrants is not expected to have an adverse impact on the forecasts but could result in alternative scenarios to the estimated growth path through 2030. The sensitivity analysis conducted suggests that growth rates need to significantly reduce vs the realised and assumed growth rates to result in an impairment.

12. Property, plant and equipment

In EUR thousands	Technical Equipment	Office furniture & low value assets	Leasehold improve-ments	Total
Cost as of 1 January 2019	**12,109**	**1,891**	**1,944**	**15,944**
Additions	1,752	130	-	1,882
Disposals	(43)	(61)	-	(104)
Exchange differences	1,042	251	221	1,514
Cost as of 31 December 2019	**14,860**	**2,211**	**2,165**	**19,236**
Accumulated Amortisation as of 1 January 2019	**10,739**	**1,656**	**1,614**	**14,009**
Additions	1,005	267	119	1,391
Disposals	(23)	(2)	-	(25)
Exchange differences	1,030	257	218	1,505
Accumulated Amortisation as of 31 December 2019	**12,751**	**2,178**	**1,951**	**16,880**
Net carrying amounts as of 1 January 2019	**1,370**	**235**	**330**	**1,935**
Net carrying amounts as of 31 December 2019	**2,109**	**33**	**214**	**2,356**
Cost as of 1 January 2020	**14,860**	**2,211**	**2,165**	**19,236**
Additions	1,956	216	58	2,230
Disposals	(207)	(24)	-	(231)
Exchange differences	(1,408)	(191)	(209)	(1,808)
Cost as of 31 December 2020	**15,201**	**2,212**	**2,014**	**19,427**
Accumulated Amortisation as of 1 January 2020	**12,751**	**2,178**	**1,951**	**16,880**
Additions	1,241	121	92	1,454
Disposals	-	(1)	-	(1)
Exchange differences	(1,201)	(189)	(192)	(1,582)
Accumulated Amortisation as of 31 December 2020	**12,791**	**2,109**	**1,851**	**16,751**
Net carrying amounts as of 1 January 2020	**2,109**	**33**	**214**	**2,356**
Net carrying amounts as of 31 December 2020	**2,410**	**103**	**163**	**2,676**

13. Leases

Group as a lessee

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

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

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

In EUR thousands	Office buildings	Equipment	Total
As at 1 January 2019	**4,259**	**11**	**4,270**
Additions	-	-	-
Depreciation expense	(2,193)	(4)	(2,197)
Currency revaluation	78	-	78
As at 31 December 2019	**2,144**	**7**	**2,151**
Additions (non-cash)	*11,876*	-	*11,876*
Depreciation expense	(3,462)	(3)	(3,465)
Currency revaluation	(627)	-	(627)
As at 31 December 2020	**9,931**	**4**	**9,935**

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

In EUR thousands	2020	2019
As at 1 January	**5,789**	**9,337**
Additions (non-cash)	**11,876**	-
Accretion of interest	**299**	405
Payments	**(5,352)**	(4,032)
Currency revaluation	**(668)**	79
As at 31 December	**11,944**	**5,789**

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

The following are the amounts recognised in profit or loss:

In EUR thousands	2020	2019
Depreciation expense of right-of-use assets	**3,465**	2,197
Interest expense on lease liabilities	**299**	405
Expense relating to short-term leases (included in other operating expense)	**274**	564
Total amount recognised in profit or loss	**4,038**	**3,166**

The Group had total cash outflows for leases of €5,626 thousand (2019: €4,595 thousand).

Group as a lessor

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

In EUR thousands	2020	2019
As at 1 January	**3,737**	**5,408**
Accretion of interest	**139**	243
Payments	**(1,781)**	(1,914)
Currency revaluation	**(329)**	-
As at 31 December	**1,766**	**3,737**

The reconciliation of undiscounted future lease payments to the net investment in the lease as of 31 December 2020 is shown in following table:

In EUR thousands	< 1 year
Undiscounted lessee payments	**1,816**
Accretion of interest	**(50)**
Net Investment as at 31 December 2020	**1,766**

At the date of this report all outstanding payments have been received, therefore the calculated net expected credit loss is zero.

14. Trade receivables

In EUR thousands	Dec 31, 2020	Dec 31, 2019	Jan 1, 2019
Receivables from third-party customers	24,419	22,505	12,615
Allowance for expected credit losses (from contracts with customers)	(252)	(215)	(157)
Total trade receivables	**24,167**	**22,290**	**12,458**

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

Expected loss rates of 0.20 % (Advertising revenue) and 0.25% (Creator services and creator subscriptions) were used to calculate the allowances based on annual revenue.

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

In EUR thousands	2020	2019
As at 1 January	**215**	**157**
Additions to expected credit losses	**56**	54
Receivables written off during the year as uncollectible	-	-
Unused amounts reversed	-	-
Currency revaluation	**(19)**	3
As at 31 December	**252**	**215**

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

In EUR thousands	Dec 31, 2020	Dec 31, 2019
US Dollar (USD)	21,840	20,422
Euro (EUR)	704	489
Other currencies	1,623	1,379
Total trade receivables	**24,167**	**22,290**

The composition of receivables in foreign currency as of January 1, 2019, is comparable to the composition as of December 31, 2019.

15. Prepayments

In EUR thousands	Dec 31, 2020	Dec 31, 2019	Jan 1, 2019
Prepayments related to network services	6,007	827	11,788
Prepayments related to creator services	686	45	-
Other prepayments	1,251	1,367	1,254
Total prepayments	**7,944**	**2,239**	**13,042**

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

16. Other assets

In EUR thousands	Dec 31, 2020	Dec 31, 2019	Jan 1, 2019
Other tax-related assets	**1,392**	1,297	2,205
Total other assets	**1,392**	**1,297**	**2,205**

Other assets mainly include receivables related to direct taxes.

17. Other financial assets

In EUR thousands	Dec 31, 2020	Dec 31, 2019	Jan 1, 2019
Receivables from subscription payments related to network revenue	**7,585**	5,089	4,657
Receivables from parent companies	**2,230**	803	228
Deposits	**2,787**	3,591	2,257
Miscellaneous other receivables	**830**	1,701	3,422
Total other financial assets	**13,432**	**11,184**	**10,565**
Thereof current	**11,468**	10,008	10,025
Thereof non-current	**1,964**	1,176	540

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

Other current financial assets mainly include receivables from payment providers collecting subscription payments after deduction of payment fees.

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

18. Cash and cash equivalents

In EUR thousands	Dec 31, 2020	Dec 31, 2019	Jan 1, 2019
Cash at banks and on hand	78,407	39,936	73,232
Short-term deposits	138	-	-
Total cash and cash equivalents	**78,545**	**39,936**	**73,232**

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

19. Equity

Share capital

	€	No. of Shares
Ordinary and preferred shares at 1 January 2019 at €0.01 each	**149,497,596**	**14,949,759,659**
Ordinary shares issues in February at €0.01 each	350,109	35,010,900
Ordinary shares issues in December at €0.01 each	688	68,770
Ordinary and preferred shares at 31 December 2019 at €0.01 each	**149,848,393**	**14,984,839,329**
Ordinary shares issues in February at €0.01 each	68,479,392	6,847,939,227
Share capital reduction €0.01 each – SoundCloud Limited	(218,327,786)	(21,832,778,556)
Ordinary shares at €1.00 each – acquisition SoundCloud Holdings GmbH	25,000	25,000
Ordinary shares at €1.00 each issued in November	100	100
Ordinary shares at 31 December 2020 at €1.00 each	**25,100**	**25,100**

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

	No. of Shares Dec 31, 2020	No. of Shares Dec 31, 2019	No. of Shares Jan 1, 2019
Ordinary shares at €0.01 each	-	14,981,340,666	14,946,260,996
A ordinary shares at €0.01 each	-	419,140	419,140
A preferred shares at €0.01 each	-	678,333	678,333
B preferred shares at €0.01 each	-	818,195	818,195
C preferred shares at €0.01 each	-	341,846	341,846
C1 preferred shares at €0.01 each	-	42,074	42,074
D preferred shares at €0.01 each	-	474,616	474,616
E preferred shares at €0.01 each	-	724,459	724,459
Ordinary shares at €1.00 each	**25,100**	-	-
Total no. of shares	**25,100**	**14,984,839,329**	**14,949,759,659**

Share capital

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

Share premium

The share premium was increased in the same amount (€218,328 thousand) as the reduction of share capital due to the new parent company now holding the shares of the former parent company.

A share premium of €16 thousand was generated in relation to the issuance of ordinary shares in December 2019.

Other capital reserves

The value of equity-settled share-based payments provided to employees - including key management personnel - (as part of their remuneration) are recognised in other capital reserves. Refer to Note 19 for further details to these plans.

Retained earnings

Retained earnings include the accumulated losses attributable to the shareholders.

Currency translation reserve

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

Capital management

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

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

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 2019.

20. Share-based payments

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

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

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

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

In 2020, the Group recognised total expenses of €3,803 thousand related to employee share based payments in the year (2019: €3,182 thousand).

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

There were no cancellations or modifications in 2020 or 2019.

Movements during the year

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

	Number of Shares
Outstanding at 1 January 2019	**8,179,912**
of which vested	*3,410,026*
Granted during the year	1,103,561
Forfeited during the year	(336,686)
Exercised during the year	(249,858)
Expired during the year	(70,890)
Outstanding at 31 December 2019	**8,626,039**
of which vested	*4,374,138*
Granted during the year	2,655,100
Forfeited during the year	(431,994)
Exercised during the year	(2,572,370)
Expired during the year	(5,200)
Outstanding at 31 December 2020	**8,271,575**
of which vested	*2,486,934*

The weighted average remaining contractual life for the share options issued by SoundCloud Holdings LLC and outstanding at 31 December 2020 was 6.01 years (2019: 6.03 years).

The weighted average fair value of options granted by SoundCloud Holdings LLC during the year was $2.31 (2019: $2.26). The weighted average exercise price at the time of exercise was $2.29 (2019: $2.27).

The range of exercise prices for options outstanding at the end of the year was $0.00 to $2.32 for the 2017 plan issued by SoundCloud Holdings LLC (2019: $0.00 to $2.28) and €0.01 to €61.32 for both the 2009 plan and the 2012 plan issued by SoundCloud Limited (2019: €0.01 to €61.32).

Model inputs

The following table lists the inputs to the model used:

	2020	2019
Weighted average fair values at the measurement date	**$1.10**	$1.12
Dividend yield (%)	**0.00**	0.00
Expected volatility (%)	**50.81**	50.81
Risk-free interest rate (%)	**0.53**	1.76
Expected life of options (years)	**6.01**	6 03
Weighted average share price	**$2.32**	$2.28
Weighted average strike price	**$2.32**	$2.28
Model used	**Black Scholes**	Black Scholes

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

21. Provisions

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

In EUR thousands	Litigation	Personnel expense	Other	Total
Balance of provisions as of 1 January 2019	**6,835**	**2,026**	**1,537**	**10,398**
Acquisition of a subsidiary	-	198	61	259
Additions	242	1,581	563	2,386
Utilised	(919)	(2,022)	(1,582)	(4,523)
Foreign currency translation	11	1	6	18
Unused amounts reversed	(4,920)	(155)	-	(5,075)
Balance of provisions as of 31 December 2019	**1,249**	**1,629**	**585**	**3,463**

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

The unused amounts reversed refer to legal provisions recognised for potential claims referring to previous years that either have been resolved (2019: € 1,3 million) or are no longer deemed more likely than not to materialise (2020: € 0,9 million, 2019: € 3,6 million).

Provisions for litigation

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

Provisions for personnel expense

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

Other provisions

Other provisions mainly include expected costs for late invoices.

22. Contract liabilities

In EUR thousands	Dec 31, 2020	Dec 31, 2019	Jan 1, 2019
Deferred income related to network revenue	16,191	17,950	15,013
Deferred income related to creator services revenue	245	-	-
Total contract liabilities (see also note 6)	**16,436**	**17,950**	**15,013**
Thereof current	16,436	17,950	10,642
Thereof non-current	-	-	4,371

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

23. Trade payables

In EUR thousands	Dec 31, 2020	Dec 31, 2019	Jan 1, 2019
Trade payables - miscellaneous	3,707	3,257	1,984
Trade payables related to content cost	3,721	2,119	1,889
Total	**7,428**	**5,376**	**3,873**

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

24. Other liabilities

In EUR thousands	Dec 31, 2020	Dec 31, 2019	Jan 1, 2019
Other tax-related liabilities	**3,216**	2,583	687
Total other liabilities	**3,216**	**2,583**	**687**

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

25. Other financial liabilities

In EUR thousands	Dec 31, 2020	Dec 31, 2019	Jan 1, 2019
Accrued expenses for music industry partners	**25,156**	21,383	26,324
Other financial liabilities from parent companies	**-**	439	87
Miscellaneous other financial liabilities	**132**	3,104	2,836
Total other financial liabilities	**25,288**	**24,926**	**29,247**
Thereof current	**25,288**	22,197	26,506
Thereof non-current	**-**	2,729	2,741

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

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

The final tranch of an agreement for previous years led to the decline in non-current miscellaneous other financial liabilities in 2020.

26. Financial instruments

Classification of financial instruments

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

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

		Dec 31, 2020		Dec 31, 2019		Jan 1, 2019	
In EUR thousands	**Category**	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Trade receivables	AC	24,167	n/a	22,290	n/a	12,458	n/a
Other financial assets	AC	13,432	n/a	11,184	n/a	10,565	n/a
Cash and cash equivalents	AC	78,545	n/a	39,936	n/a	73,232	n/a
Total financial assets		**116,144**	n/a	**73,410**	n/a	**96,255**	**n/a**
Trade payables	AC	7,428	n/a	5,376	n/a	3,873	n/a
Other financial liabilities	AC	25,288	n/a	24,926	n/a	29,247	n/a
Total financial liabilities		**32,716**	n/a	**30,302**	n/a	**33,120**	**n/a**

Due to the short-term nature of the above listed financial instruments, their carrying amounts are considered to be the same as the fair value. For long term other financial assets (carrying amount as of 31.12.2020: € 1,964 million, 31.12.2019: € 1,177 million, 01.01.2019 € 540 thousand) the fair value is approximately the carrying amount.

Fair values

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

Objectives and methods of financial risk management

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

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

Credit risk

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

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

Market risk

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

Foreign currency risks arise from fluctuating future cash flows because of changes in foreign exchange rates. The Group´s exposure to the risk of changes in foreign exchange rates relates primarily to the Group´s operating activities (when revenue or expense is denominated in a foreign currency). Currency risks are managed by steering the operations toward the functional currency of the main operational companies (US Dollar) within the Group to minimize effects from foreign currency transactions. 90% of cash and cash equivalents are held in US Dollar as of 31 December 2020.

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

	Change in foreign currency rate	Effect on result before tax	Effect on equity
2020			
US Dollar (USD)	+ 5%	917	(3,304)
	- 5%	(963)	3,469
British Pounds (GBP)	+ 5%	(107)	(107)
	- 5%	113	113
Canadian Dollar (CAD)	+ 5%	(169)	(169)
	- 5%	178	178
Australian Dollar (AUD)	+ 5%	(193)	(193)
	- 5%	203	203
2019			
US Dollar (USD)	+ 5%	1,750	3,298
	- 5%	(1,837)	(3,387)
British Pounds (GBP)	+ 5%	(509)	(509)
	- 5%	534	534
Canadian Dollar (CAD)	+ 5%	(170)	(170)
	- 5%	179	179
Australian Dollar (AUD)	+ 5%	(184)	(184)
	- 5%	193	193

Liquidity risk

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

1 January 2019

In EUR thousands	< 1 year	1 - 5 years	> 5 years	Total	Carrying amount
Trade payables	3,873	-	-	3,873	3,873
Other financial liabilities	26,506	2,741	-	29,247	29,247
Lease liabilities (Note 13)	4,002	6,029		10,031	9,337
Total	**34,381**	**8,770**	**-**	**43,151**	**42,457**

31 December 2019

In EUR thousands	< 1 year	1 - 5 years	> 5 years	Total	Carrying amount
Trade payables	5,376	-	-	5,376	5,376
Other financial liabilities	22,197	2,729	-	24,926	24,926
Lease liabilities (Note 13)	3,298	2,786	-	6,084	5,789
Total	**30,871**	**5,515**	**-**	**36,386**	**36,091**

31 December 2020

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

27. Other disclosures

Related party transactions

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

Transactions with parent or group companies

The Group provides general administration services to the parent companies with invoices issued in the amount of €2,146 thousand in 2020 (2019: €453 thousand). Balances amounting to €2,230 thousand (2019: €365 thousand) are outstanding at the end of the reporting period in relation to transactions with the parent companies.

Key management personnel

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

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

Contingent liabilities and other financial obligations

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

Single financial statements exemption

The subsidiaries SoundCloud Global Ltd. & Co. KG and SoundCloud Management GmbH are making use of the exemption from the obligation to draw up, audit and publish annual financial statements according to §264b and §264 (3) HGB. The resolution of the shareholders of the companies from 12 April 2021 to approve the exemption and the declaration to stand in for the obligations arising in the following year was published in the German commercial register (Handelsregister).

Audit exemption under section 479A of the Companies Act 2006

The directors consider that SoundCloud Limited, a subsidiary of the Group is entitled to exemption from the requirement to have an audit under the provision of section 479A of the Companies Act 2006 ("the Act") and shareholders have not required the company to obtain an audit for the period in question in accordance with section 476 of the Act. SoundCloud Holdings GmbH has guaranteed the liabilities of SoundCloud Limited in Order to qualify for the exemption from audit under section 479A of the Act in respect of the period ended 31 December 2020. The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of the financial statements.

Events after the reporting period

Having completed a significant corporate reorganisation in response to the UK's departure from the European Union, the Group is functional in its new organisational structure as of 31 December 2020. Since then, a number of operations and strategic changes have been made with the intention to further strengthen the company for its strategic aspirations – a reasonable effort to estimate their impacts cannot be made.

Specifically, Mike Weissman has taken over the role of Chief Executive Officer for the entire group, including the ultimate parent entity, SoundCloud Holdings LLC. As part of his transition, the company's strategy was refined and with the objective of serving as "Music Entertainment Company", extending the strategic positioning beyond its prior focus. To achieve this, the executive team was reorganised and a number of new senior employees hired. Specifically, on 1 April, Drew Wilson joined the company as Chief Operating Officer and CFO, based in New York.

Operationally, a number of changes were made to reporting lines and remits, whilst the commercial setup was further developed. Specifically, on 1 April, SoundCloud launched a new approach to calculating and distributing rightsholder compensation: With the release of "Fan-Powered Royalties", independent rightsholders are now compensated based on their direct following and consumption on the platform, making the distribution of shareable revenue more equitable and fairer.

Berlin, 18 January 2022

sgd. Jan Gackenholz

INDEPENDENT AUDITOR'S REPORT

To SoundCloud Holdings GmbH, Berlin

Audit Opinions

We have audited the consolidated financial statements of SoundCloud Holdings GmbH, Berlin, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of SoundCloud Holdings GmbH for the financial year from 1 January to 31 December 2020.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2020, and of its financial performance for the financial year from 1 January to 31 December 2020, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

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

Basis for the Audit Opinions

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction,