



Q2 2022 Update

July 27th, 2022

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Executive Summary

Nearly all of our key metrics surpassed guidance in Q2'22, led by MAU and Subscriber outperformance, healthy Revenue growth and a modestly better Operating Loss. Most notably, MAU performance accelerated this quarter, with net additions reaching a record Q2 high of 19 million¹. Reported Gross Margin was negatively impacted by our decision to stop manufacturing Car Thing, partially offset by a positive change in prior period estimates for rights holder liabilities. Excluding the one-time charge and change in accruals, Gross Margin of 25.3%² was modestly ahead of guidance. Free Cash Flow was a positive €37 million.

While we continue to monitor the uncertain macro environment, we are very pleased with the resilience of the business, particularly our strength in MAUs and Subscribers.

USER & FINANCIAL SUMMARY	Q2 2021	Q1 2022	Q2 2022	Y/Y	Q/Q
USERS (M)					
Total Monthly Active Users ("MAUs")	365	422	433	19%	3%
Premium Subscribers	165	182	188	14%	3%
Ad-Supported MAUs	210	252	256	22%	2%
FINANCIALS (€M)					
Premium	2,056	2,379	2,504	22%	5%
Ad-Supported	275	282	360	31%	28%
Total Revenue	2,331	2,661	2,864	23%	8%
Gross Profit	663	671	704	6%	5%
Gross Margin	28.4%	25.2%	24.6%	--	--
Adjusted Gross Margin²	26.5%	--	25.3%	--	--
Operating (Loss)/Income	12	(6)	(194)	--	--
Operating Margin	0.5%	(0.2%)	(6.8%)	--	--
Net Cash Flows From Operating Activities	54	37	39	--	--
Free Cash Flow³	34	22	37	--	--

¹ Excludes the effects of our exit from Russia and the brief service outage benefit we experienced in March.

² Adjusted Gross Margin is a non-IFRS measure. See "Use of Non-IFRS Measures" and "Reconciliation of IFRS to Non-IFRS Results" for additional information.

³ Free Cash Flow is a non-IFRS measure. See "Use of Non-IFRS Measures" and "Reconciliation of IFRS to Non-IFRS Results" for additional information.

Key Highlights

Accelerating user growth and consistent subscriber performance

- MAUs grew 19% Y/Y to 433 million, 5 million above guidance. Net additions of 19 million¹ represented our largest ever Q2 growth
- MAU strength was led by successful marketing campaigns in Rest of World, reactivations in Europe and Gen Z strength in Latin America
- Premium Subscribers grew 14% Y/Y to 188 million², above our guidance, aided by promotional intake and household plans

23% Y/Y Revenue growth, led by Advertising

- Total Revenue grew 23% Y/Y to €2.9 billion
- Premium Revenue grew 22% Y/Y to €2.5 billion
- Ad-Supported Revenue grew 31% Y/Y to €360 million, reaching an all-time high as a percent of Total Revenue at 13% for Q2
- Gross Margin finished at 25.3%³ excluding Car Thing charge and accrual benefits (or 24.6% on an as reported basis)

Optimizing capital allocation for long-term value creation

- Accelerating expansion into audiobooks with the closing of the Findaway acquisition on June 15th and pioneering the creation of new user experiences with the announced acquisition of Sonantic
- Announced intention to reduce hiring growth for the back half of 2022 by 25% and monitoring macroeconomic conditions

¹ Excludes the effects of our exit from Russia and the brief service outage benefit we experienced in March.

² Inclusive of approximately 600k disconnects arising from the closure of our Russian operations.

³ Adjusted Gross Margin is a non-IFRS measure. See "Use of Non-IFRS Measures" and "Reconciliation of IFRS to Non-IFRS Results" for additional information.

Key Highlights: Actuals vs. Guidance



	Results	Q2 2022 Actuals	Guidance
Monthly Active Users (M)	Above	433	428
Premium Subscribers (M)	Above	188	187



	Results	Q2 2022 Actuals	Guidance
Total Revenue (€M)	Above	€2,864	€2,800
Gross Margin	Below	24.6%	25.2%
Adjusted Gross Margin ¹	Above	25.3%	25.2%
Operating (Loss)/Income (€M)	Above	(€ 194)	(€ 197)

FINANCIAL

SUMMARY

Financial Summary

	% Change					
USER, FINANCIAL & LIQUIDITY SUMMARY	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Y/Y
USERS (M)						
Total Monthly Active Users ("MAUs")	365	381	406	422	433	19%
Premium Subscribers	165	172	180	182	188	14%
Ad-Supported MAUs	210	220	236	252	256	22%
FINANCIALS (€M)						
Premium	2,056	2,178	2,295	2,379	2,504	22%
Ad-Supported	275	323	394	282	360	31%
Total Revenue	2,331	2,501	2,689	2,661	2,864	23%
Gross Profit	663	668	712	671	704	6%
Gross Margin	28.4%	26.7%	26.5%	25.2%	24.6%	--
Operating (Loss)/Income	12	75	(7)	(6)	(194)	--
Operating Margin	0.5%	3.0%	(0.3%)	(0.2%)	(6.8%)	--
FREE CASH FLOW & LIQUIDITY (€M, unless otherwise denoted)						
Net Cash Flows From Operating Activities	54	123	119	37	39	--
Free Cash Flow¹	34	99	103	22	37	--
Cash & Cash Equivalents, Restricted Cash & Short Term Investments (€B)	3.1	3.3	3.6	3.6	3.6	--

Financial Summary

Revenue

Revenue of €2,864 million grew 23% Y/Y in Q2 (or 15% Y/Y constant currency), reflecting:

- Premium Revenue growth of 22% Y/Y (or 14% Y/Y constant currency), led by subscriber gains; and
- Ad-Supported Revenue growth of 31% Y/Y (or 17% Y/Y constant currency), led by music and podcasting gains

Profitability

Gross Margin was 24.6% in Q2, down 386 bps Y/Y and below guidance due to the decision to stop manufacturing Car Thing. Excluding the €31 million charge associated with this action and the benefits arising from changes in prior period estimates for rightsholder liabilities in both the Q2'21 and Q2'22 periods, Adjusted Gross Margin¹ was 25.3%, down 123 bps Y/Y, reflecting:

- Continued growth in Marketplace activity and favorable revenue mix shift to podcasting; offset by
- Non-music content and product enhancement spend, as well as increased publishing rates

Operating Loss of (€194) million reflected the above and Operating Expense growth of 38% Y/Y (or 28% Y/Y constant currency), reflecting:

- Higher personnel costs primarily due to headcount growth (global ad sales team expansion + acquisitions) and higher advertising costs for growth initiatives (Emerging Markets, Gen Z), partially offset by lower Social Charges
- Given the geographic mix of employees, currency movements had a negative 968 bps impact on expense growth

Free Cash Flow & Liquidity

Free Cash Flow² was €37 million in Q2, a slight increase Y/Y as lower Net Income adjusted for non-cash items was offset by favorability in net working capital. Liquidity remained strong, with €3.6 billion in cash and cash equivalents, restricted cash and short term investments. At the end of Q2, our workforce consisted of 9,058 FTEs globally.

¹ Adjusted Gross Margin is a non-IFRS measure. See "Use of Non-IFRS Measures" and "Reconciliation of IFRS to Non-IFRS Results" for additional information.

² Free Cash Flow is a non-IFRS measure. See "Use of Non-IFRS Measures" and "Reconciliation of IFRS to Non-IFRS Results" for additional information.

Revenue

Consistent Premium growth, led by subscribers

Premium Revenue grew 22% Y/Y to €2,504 million, reflecting subscriber growth of 14% Y/Y and Premium ARPU¹ growth of 6% Y/Y to €4.54 (or flat constant currency). Excluding the impact of FX, ARPU performance benefited from price increases implemented in the prior year period and was offset by growth in multi-user accounts.



Ad-Supported % of Total Revenue at new Q2 high

Advertising revenue grew 31% Y/Y to reach 13% of Total Revenue, reflecting growth across all regions and sales channels. Our music business saw healthy double-digit growth Y/Y, led by double-digit growth in CPMs and a mid-single digit increase in impressions sold. Podcast revenue grew in the strong double-digit range Y/Y, led by the Spotify Audience Network (where sold impressions grew triple-digits and CPMs grew healthy double-digits).

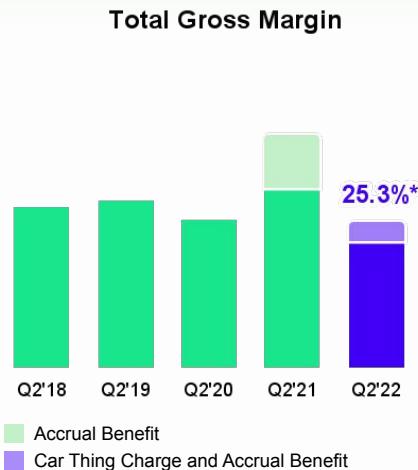


¹ Premium Average Revenue per User ("ARPU")

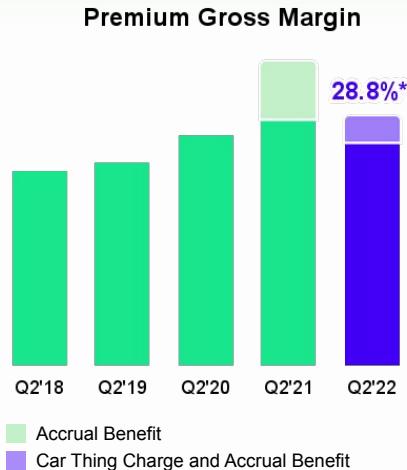
* Last Twelve Months (LTM) represents annual performance covering the preceding 12 months relative to the last day of the quarter.

Gross Margin

Marketplace and Podcasting benefits offset by content/product investments and Car Thing



Gross Margin finished at 24.6% in Q2, or 25.3%* excluding the €31 million charge for Car Thing and a net €11 million benefit related to changes in historical estimates for rights holder liabilities.



Premium Gross Margin was 28.0% in Q2, down 283 bps Y/Y. Excluding the Car Thing charge and change in accruals, Premium Gross Margin was 28.8%*, flat Y/Y, reflecting Marketplace growth, offset by increased publishing rates and product enhancement spend.



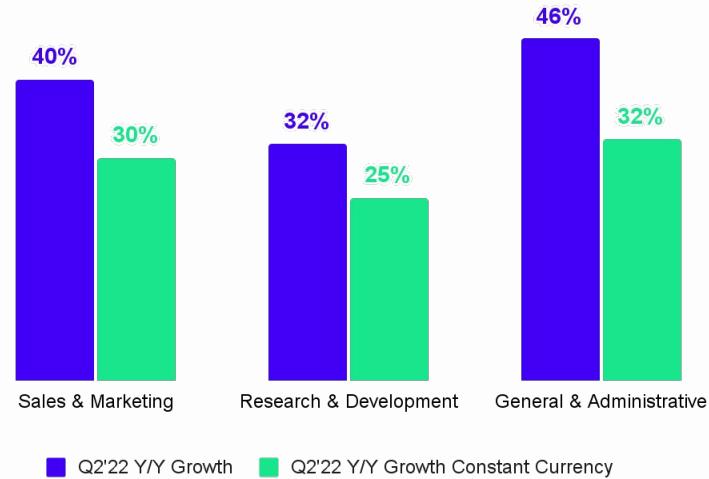
Ad-Supported Gross Margin was 1.1% in Q2, down 980 bps Y/Y, reflecting favorable revenue mix shift towards podcasts and Marketplace growth, offset by non-music content spend, product enhancement spend and increased publishing rates.

Operating Expenses

Growth largely driven by headcount expansion and unfavorable FX impact

Operating Expenses grew 38% Y/Y (or 28% constant currency), largely reflecting the various growth initiatives that were greenlit toward the end of 2021 and, to a lesser extent, the impact of recent acquisitions such as PodSights, Chartable and Whooshkaa.

As stated at our 2022 Investor Day, much of the expense growth we are seeing in Q2 is the result of decisions we made toward the end of 2021 to invest in expanding our global sales team to drive new international ads monetization potential, increased marketing for user growth in many of our newer markets and platform innovation. In June, we announced plans to slow headcount growth by 25% beginning in Q3, while also taking a closer look at marketing activity.

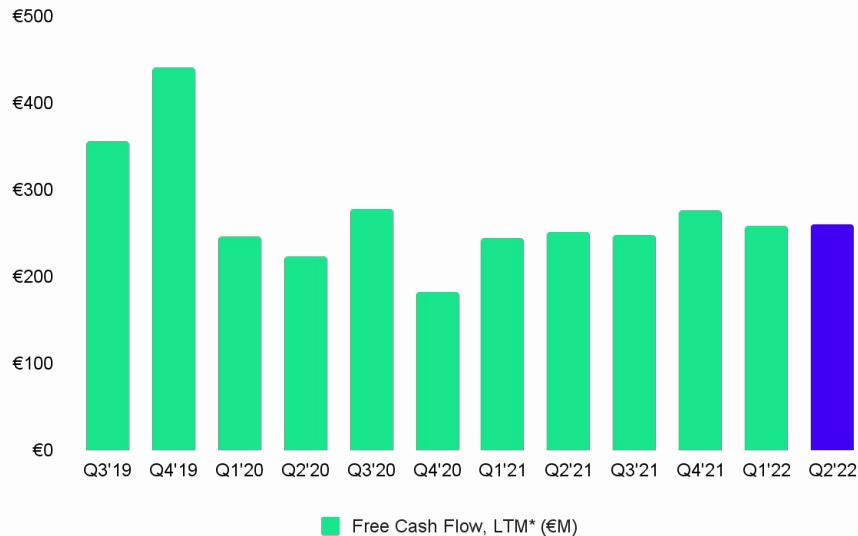


Free Cash Flow

The 9th quarter in a row of positive FCF

Free Cash Flow was €37 million in Q2, a slight increase Y/Y as lower Net Income adjusted for non-cash items was offset by favorability in net working capital.

This was the 9th quarter in a row of positive Free Cash Flow. While the magnitude of Free Cash Flow can fluctuate from quarter to quarter based on seasonality and timing, we have averaged over €200 million of positive Free Cash Flow on a trailing 12 month basis for the past three years.



* Last Twelve Months (LTM) represents annual performance covering the preceding 12 months relative to the last day of the quarter.

MAUS

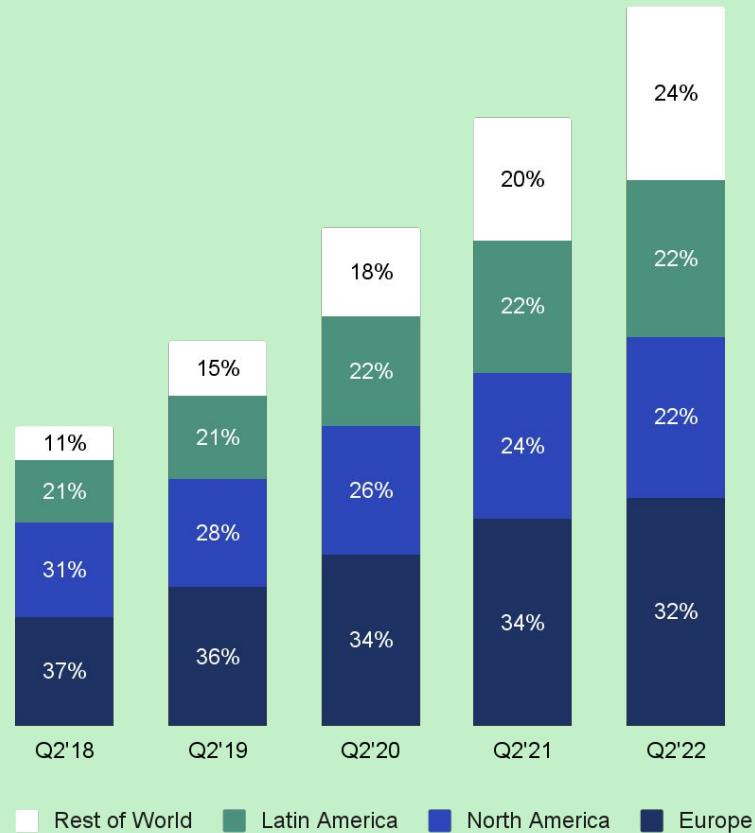
& SUBSCRIBERS

Monthly Active Users (MAUs)

Total MAUs grew 19% Y/Y to 433 million, up from 422 million last quarter and above our guidance by 5 million. Quarterly performance versus our guidance was impacted by:

- Outperformance in India, Indonesia and The Philippines as a result of marketing campaigns and elevated OEM intake
- Strength in Europe largely due to higher reactivations
- Y/Y growth in Gen Z audience in Latin America alongside new music releases

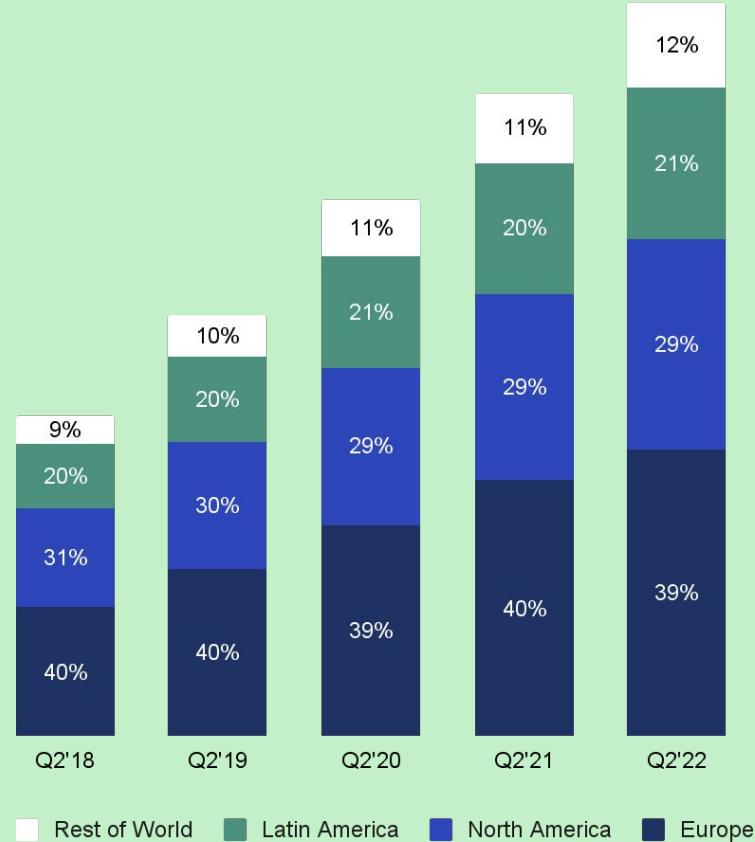
Excluding the impact from our Russia exit and the service outage benefit we experienced in March (representing a collective 8 million Q1 MAU), we added 19 million MAUs in the quarter, our largest Q2 in history.



Premium Subscribers

Our Premium Subscribers grew 14% Y/Y to 188 million, up from 182 million last quarter. Quarterly performance versus our guidance was impacted by:

- Outperformance across all regions led by Europe and Latin America
- Q2 promotional campaign extended one week (5 weeks total vs. 4 weeks prior year) contributing to subscriber upside
- Multi-user plans continued to exhibit strength



PRODUCT

& PLATFORM

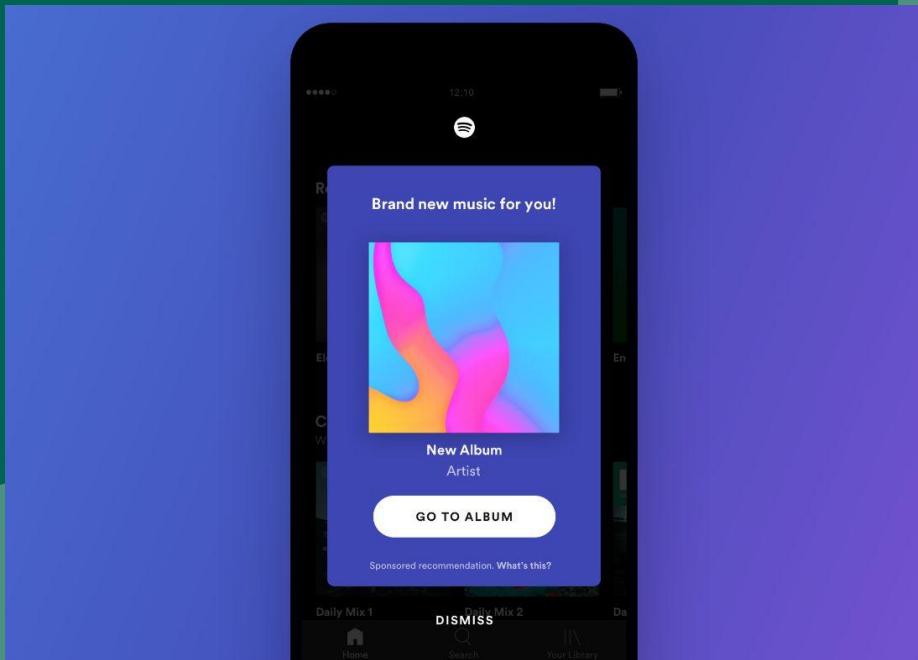
Two-Sided Marketplace & Podcasting

Two-Sided Marketplace

During the quarter, we continued to see triple digit Y/Y growth in total campaign volume for Sponsored Recommendations. We also announced new targeting features for Sponsored Recommendations created in Spotify for Artists. United States based teams can now promote eligible new releases to listeners outside of the United States in 13 new markets — including 7 of the 10 largest streaming markets in the world.

Podcasting

At the end of Q2, we had 4.4 million podcasts on the platform. The number of MAUs that engaged with podcasts grew in the substantial double-digits Y/Y and per user podcast consumption rates continued to rise. We released 100 new Original and Exclusive podcasts globally in Q2 with Batman Unburied hitting #1 in several key markets. Additionally, video podcasts are now available to creators via Anchor in 11 markets.



Acquisitions

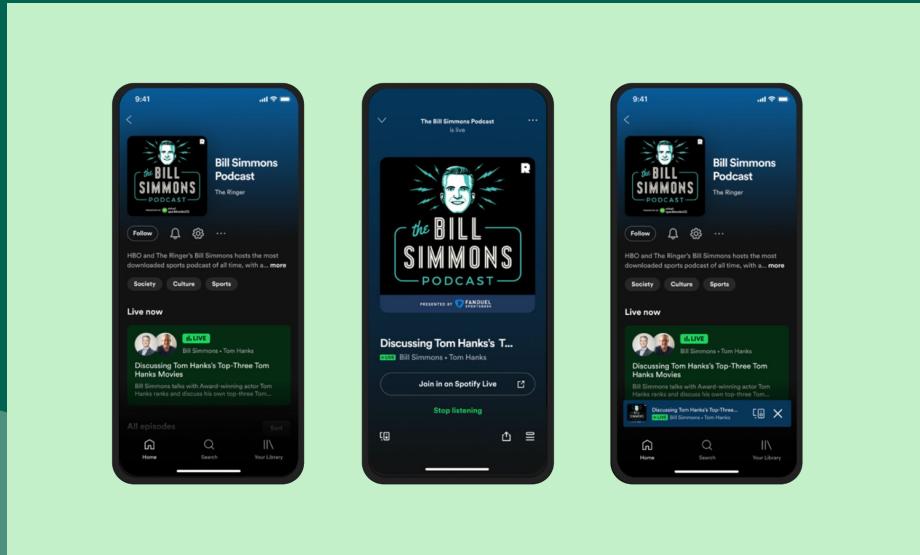
During the quarter, we closed on our acquisition of Findaway. Findaway works across the entire audiobook ecosystem with a platform and offerings that serve authors, publishers and consumers. Their technology will help Spotify accelerate its entrance into the audiobooks market. Additionally, we announced the acquisition of Sonantic, a dynamic AI voice platform that creates voices from text. This acquisition, which closed on July 11, 2022, will allow us to provide new unique experiences for our users and engage users in new and more personalized ways.



FINDAWAY.

Spotify Live

Spotify Live, formerly known as Spotify Greenroom, allows for fans and creators to connect on a deeper and more scaled level through live listening in the Spotify ecosystem. Spotify Live can now be found both as the stand-alone app and as a livestream function in the Spotify app alongside music and podcasts. Listeners will be able to tune in to live programming on Spotify via the creator's podcast or artist page, and if they want to participate in the chat or join the host onstage, they participate via the Spotify Live app to do so.



OUTLOOK

Outlook for Q3'22

The following forward-looking statements reflect Spotify's expectations for Q3 2022 as of July 27, 2022 and are subject to substantial uncertainty.

Total MAUs	450 million	Implies the addition of approximately 17 million net new MAUs in the quarter
Total Premium Subscribers	194 million	Implies the addition of approximately 6 million net new subscribers in the quarter
Total Revenue	€3.0 billion	Assumes approximately 670 bps tailwind to growth Y/Y due to favorability in foreign exchange rates
Gross Margin	25.2%	Reflects the continuing benefit from Marketplace and favorable revenue mix shift to podcasts, offset by investments in non-music content and product enhancement initiatives
Operating (Loss)/Income	€(218) million	Inclusive of the Operating Loss is approximately a €78 million impact to Operating Expenses due to Y/Y unfavorability in foreign exchange rates

Webcast Information

We will host a live question and answer session starting at 8:00 a.m. ET today on investors.spotify.com. Daniel Ek, our Founder and CEO, and Paul Vogel, our Chief Financial Officer, will be on hand to answer questions submitted through slido.com using the event code #SpotifyEarningsQ222. Participants also may join using the listen-only conference line by registering through the following site:
<https://event.on24.com/wcc/r/3847843/20374FC84646F084E4DED3CAAE21784C>

We use investors.spotify.com and newsroom.spotify.com websites as well as other social media listed in the "Resources – Social Media" tab of our Investors website to disclose material company information.

Use of Non-IFRS Measures

To supplement our financial information presented in accordance with IFRS, we use the following non-IFRS financial measures: Revenue excluding foreign exchange effect, Premium revenue excluding foreign exchange effect, Ad-Supported revenue excluding foreign exchange effect, Adjusted gross margin, Operating expense excluding foreign exchange effect, Sales and marketing expense excluding foreign exchange effect, Research and development expense excluding foreign exchange effect, General and administrative expense excluding foreign exchange effect, and Free Cash Flow. Management believes that Revenue excluding foreign exchange effect, Premium revenue excluding foreign exchange effect, Ad-Supported revenue excluding foreign exchange effect, Adjusted gross margin, Operating expense excluding foreign exchange effect, Sales and marketing expense excluding foreign exchange effect, Research and development expense excluding foreign exchange effect, and General and administrative expense excluding foreign exchange effect are useful to investors because they present measures that facilitate comparison to our historical performance. However, these should be considered in addition to, not as a substitute for or superior to, Revenue, Premium revenue, Ad-Supported revenue, Gross margin, Operating expense, Sales and marketing expense, Research and development expense, and General and administrative expense, or other financial measures prepared in accordance with IFRS. Management believes that Free Cash Flow is useful to investors because it presents a measure that approximates the amount of cash generated that is available to repay debt obligations, to make investments, and for certain other activities that exclude certain infrequently occurring and/or non-cash items. However, Free Cash Flow should be considered in addition to, not as a substitute for or superior to, net cash flows (used in)/from operating activities or other financial measures prepared in accordance with IFRS. For more information on these non-IFRS financial measures, please see "Reconciliation of IFRS to Non-IFRS Results" section below.

Forward Looking Statements

This shareholder update contains estimates and forward-looking statements. All statements other than statements of historical fact are forward-looking statements. The words "may," "might," "will," "could," "would," "should," "expect," "plan," "anticipate," "intend," "seek," "believe," "estimate," "predict," "potential," "continue," "contemplate," "possible," and similar words are intended to identify estimates and forward-looking statements. Our estimates and forward-looking statements are mainly based on our current expectations and estimates of future events and trends, which affect or may affect our businesses and operations. Although we believe that these estimates and forward-looking statements are based upon reasonable assumptions, they are subject to numerous risks and uncertainties and are made in light of information currently available to us. Many important factors may adversely affect our results as indicated in forward-looking statements. These factors include, but are not limited to: our ability to attract prospective users, retain existing users, and monetize our products and services; competition for users, user listening time, and advertisers; risks associated with our international operations and our ability to manage our growth; our emphasis on innovation and long-term user engagement over short-term results; our ability to predict, recommend, and play content that our users enjoy; our ability to be profitable or generate positive cash flow on a sustained basis; our ability to convince advertisers of the benefits of our advertising offerings; our ability to forecast or optimize advertising inventory amid emerging industry trends in digital advertising; our ability to generate revenues from podcasts and other non-music content; potential disputes or liabilities associated with content made available on our premium service and ad-supported service (collectively, the "Service"); risks relating to acquisitions, investments, and strategic alliances; the impact of the COVID-19 pandemic and other public health crises; our dependence upon third-party licenses for most of the content we stream; our lack of control over third-party content providers who are concentrated and can unilaterally affect our access to content; our ability to comply with complex license agreements; our ability to accurately estimate royalty payments under our license agreements and relevant statutes; the limitations on our operating flexibility due to financial commitments required under certain of our license agreements; our ability to identify the compositions and ownership thereof embodied in sound recordings in order to obtain licenses or comply with existing license agreements; assertions by third parties of infringement or other violations by us of their intellectual property rights; our ability to protect our intellectual property; the dependence of streaming on operating systems, online platforms, hardware, networks, regulations, and standards that we do not control; our ability to maintain user data security; undetected errors, bugs or vulnerabilities in our products; interruptions, delays, or discontinuations in service arising from our systems or systems of third parties; changes in laws or regulations affecting us; risks relating to privacy and data security; our ability to maintain, protect, and enhance our brand; our ability to achieve our net zero emissions target or make progress in other environmental, social, and governance initiatives; payment-related risks; our dependence on key personnel and ability to attract, retain, and motivate highly skilled employees; our ability to access to capital to support growth; risks relating to currency exchange rate fluctuations and foreign exchange controls; the impact of economic, social, or political conditions, such as the current conflict between Russia and Ukraine; our ability to accurately estimate user metrics and other estimates; our ability to manage and remediate attempts to manipulate streams and attempts to gain or provide unauthorized access to certain features of our Service; risks related to our Exchangeable Notes; tax-related risks; the concentration of voting power among our founders, which limits shareholders' ability to influence our governance and business; and risks related to our status as a foreign private issuer and a Luxembourg company. A detailed discussion of these and other risks and uncertainties that could cause actual results and events to differ materially from our estimates and forward-looking statements is included in our filings with the U.S. Securities and Exchange Commission ("SEC"), including our Annual Report on Form 20-F filed with the SEC on February 3, 2022, as updated by subsequently filed reports for our interim results on Form 6-K. We undertake no obligation to update forward-looking statements to reflect events or circumstances occurring after the date of this shareholder update.

Rounding

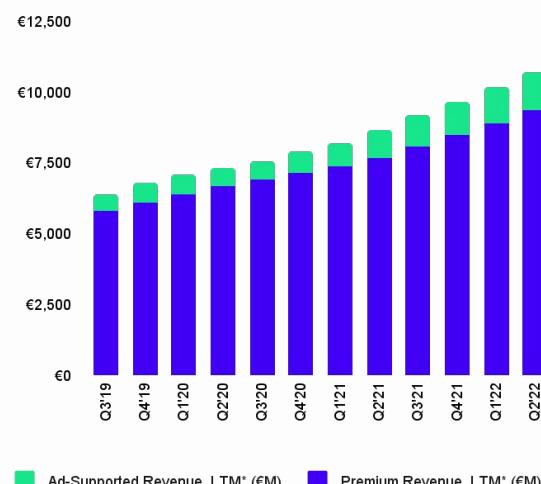
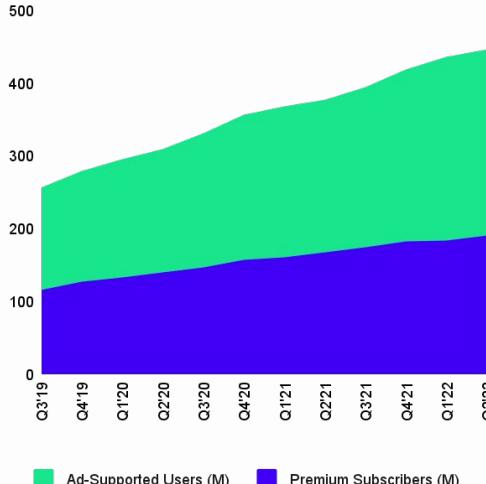
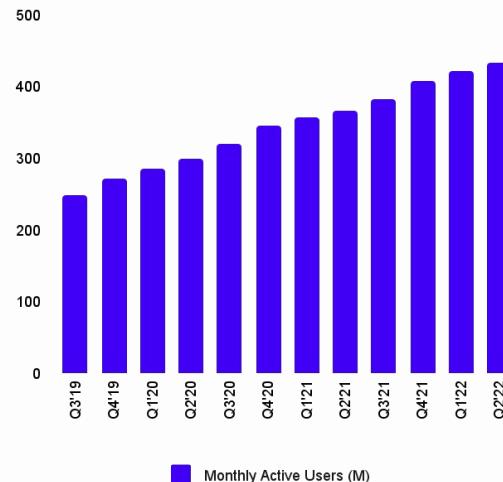
Certain monetary amounts, percentages, and other figures included in this update have been subject to rounding adjustments. The sum of individual metrics may not always equal total amounts indicated due to rounding.

FINANCIAL

STATEMENTS

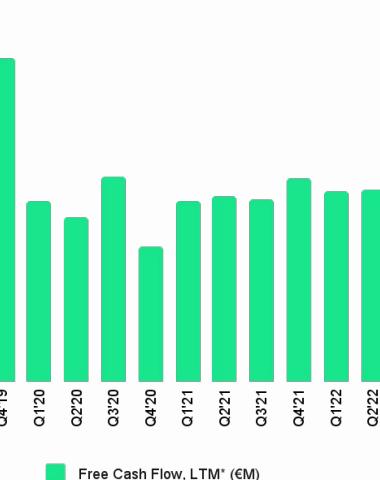
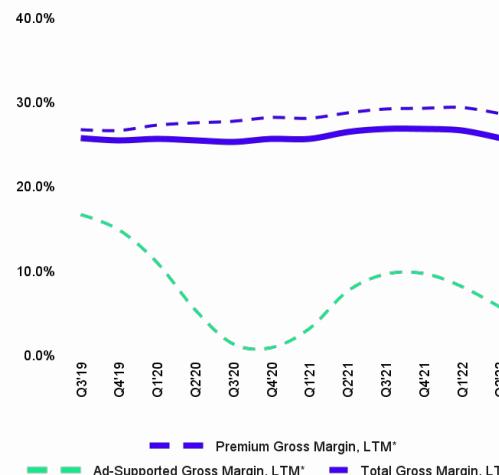
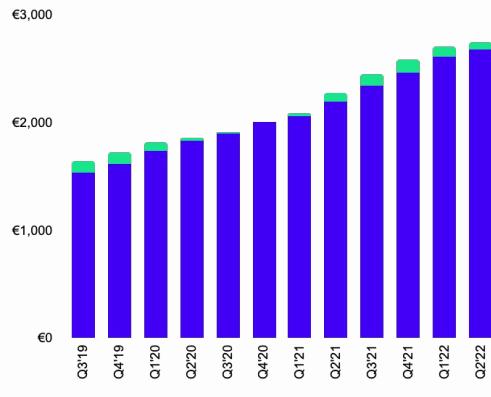
Trending Charts

MAUs, Ad-Supported Users, Premium Subscribers & Revenue By Segment



Trending Charts

Gross Profit By Segment, Gross Margin By Segment & Free Cash Flow



Consolidated statement of operations

(Unaudited)
(in € millions, except share and per share data)

	Three months ended			Six months ended	
	June 30, 2022	March 31, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Revenue	2,864	2,661	2,331	5,525	4,478
Cost of revenue	2,160	1,990	1,668	4,150	3,267
Gross profit	704	671	663	1,375	1,211
Research and development	336	250	255	586	451
Sales and marketing	391	296	279	687	515
General and administrative	171	131	117	302	219
	898	677	651	1,575	1,185
Operating (loss)/income	(194)	(6)	12	(200)	26
Finance income	118	175	21	293	125
Finance costs	(14)	(14)	(25)	(28)	(56)
Finance income/(costs) - net	104	161	(4)	265	69
(Loss)/income before tax	(90)	155	8	65	95
Income tax expense	35	24	28	59	92
Net (loss)/income attributable to owners of the parent	(125)	131	(20)	6	3
(Loss)/earnings per share attributable to owners of the parent					
Basic	(0.65)	0.68	(0.10)	0.03	0.02
Diluted	(0.85)	0.21	(0.19)	(0.64)	(0.44)
Weighted-average ordinary shares outstanding					
Basic	192,948,032	192,476,022	191,172,946	192,713,331	190,870,850
Diluted	195,859,532	197,077,256	194,084,446	195,624,831	193,051,280

Consolidated statement of financial position

(Unaudited)
(in € millions)

	June 30, 2022	December 31, 2021
Assets		
Non-current assets		
Lease right-of-use assets	445	437
Property and equipment	373	372
Goodwill	1,111	894
Intangible assets	126	89
Long term investments	720	916
Restricted cash and other non-current assets	84	77
Deferred tax assets	7	13
	2,866	2,798
Current assets		
Trade and other receivables	613	621
Income tax receivable	4	5
Short term investments	782	756
Cash and cash equivalents	2,786	2,744
Other current assets	337	246
	4,522	4,372
Total assets	7,388	7,170
Equity and liabilities		
Equity		
Share capital	—	—
Other paid in capital	4,789	4,746
Treasury shares	(262)	(260)
Other reserves	988	853
Accumulated deficit	(3,214)	(3,220)
Equity attributable to owners of the parent	2,301	2,119
Non-current liabilities		
Exchangeable Notes	1,127	1,202
Lease liabilities	592	579
Accrued expenses and other liabilities	29	37
Provisions	4	7
Deferred tax liabilities	1	—
	1,753	1,825
Current liabilities		
Trade and other payables	825	793
Income tax payable	7	23
Deferred revenue	489	458
Accrued expenses and other liabilities	1,951	1,841
Provisions	39	22
Derivative liabilities	23	89
	3,334	3,226
Total liabilities	5,087	5,051
Total equity and liabilities	7,388	7,170

Consolidated statement of cash flows

(Unaudited)
(in € millions)

	Three months ended		Six months ended	
	June 30, 2022	March 31, 2022	June 30, 2021	June 30, 2022
Operating activities				
Net (loss)/income	(125)	131	(20)	6
Adjustments to reconcile net (loss)/income to net cash flows				
Depreciation of property and equipment and lease right-of-use assets	29	27	23	56
Amortization of intangible assets	11	10	8	21
Share-based compensation expense	105	68	68	173
Excess and obsolete reserve	16	—	—	16
Finance income	(118)	(175)	(21)	(293)
Finance costs	14	14	25	28
Income tax expense	35	24	28	59
Other	(5)	4	3	(1)
Changes in working capital:				
(Increase)/decrease in trade receivables and other assets	(68)	59	(95)	(9)
Increase/(decrease) in trade and other liabilities	138	(103)	30	35
Increase in deferred revenue	10	6	17	16
Increase/(decrease) in provisions	14	(3)	—	11
Interest paid on lease liabilities	(13)	(13)	(13)	(26)
Interest received	4	1	2	5
Income tax paid	(8)	(13)	(1)	(21)
Net cash flows from operating activities	39	37	54	76
				119
Investing activities				
Business combinations, net of cash acquired	(114)	(85)	(42)	(199)
Purchases of property and equipment	(5)	(10)	(20)	(15)
Purchases of short term investments	(78)	(133)	(109)	(211)
Sales and maturities of short term investments	141	78	134	219
Change in restricted cash	3	(5)	—	(2)
Other	(4)	(1)	(2)	(5)
Net cash flows used in investing activities	(57)	(156)	(39)	(213)
				(153)
Financing activities				
Payments of lease liabilities	(10)	(10)	(8)	(20)
Lease incentives received	—	2	—	2
Proceeds from exercise of stock options	—	43	26	43
Proceeds from issuance of Exchangeable Notes, net of costs	—	—	—	—
Repurchases of ordinary shares	—	(2)	—	(2)
Payments for employee taxes withheld from restricted stock unit releases	(10)	(11)	(12)	(21)
Net cash flows (used in)/from financing activities	(20)	22	6	2
				1,256
Net (decrease)/increase in cash and cash equivalents	(38)	(97)	21	(135)
Cash and cash equivalents at beginning of the period	2,721	2,744	2,442	2,744
Net foreign exchange gains/(losses) on cash and cash equivalents	103	74	(23)	177
Cash and cash equivalents at period end	2,786	2,721	2,440	2,786
				2,440

Calculation of basic and diluted (loss)/earnings per share

(Unaudited)
(in € millions, except share and per share data)

	Three months ended			Six months ended	
	June 30, 2022	March 31, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Basic (loss)/earnings per share					
Net (loss)/income attributable to owners of the parent	(125)	131	(20)	6	3
<i>Share used in computation:</i>					
Weighted-average ordinary shares outstanding	192,948,032	192,476,022	191,172,946	192,713,331	190,870,850
Basic (loss)/earnings per share attributable to owners of the parent	(0.65)	0.68	(0.10)	0.03	0.02
Diluted (loss)/earnings per share					
Net (loss)/income attributable to owners of the parent	(125)	131	(20)	6	3
Fair value gains on dilutive warrants	—	—	—	—	(21)
Fair value gains on dilutive Exchangeable Notes	(41)	(90)	(17)	(131)	(66)
Net (loss)/income used in the computation of diluted (loss)/earnings per share	(166)	41	(37)	(125)	(84)
<i>Shares used in computation:</i>					
Weighted-average ordinary shares outstanding	192,948,032	192,476,022	191,172,946	192,713,331	190,870,850
Warrants	—	—	—	—	260,760
Exchangeable Notes	2,911,500	2,911,500	2,911,500	2,911,500	1,919,670
Stock options	—	1,055,820	—	—	—
Restricted stock units	—	562,670	—	—	—
Other contingently issuable shares	—	71,244	—	—	—
Diluted weighted-average ordinary shares	195,859,532	197,077,256	194,084,446	195,624,831	193,051,280
Diluted (loss)/earnings per share attributable to owners of the parent	(0.85)	0.21	(0.19)	(0.64)	(0.44)

Reconciliation of IFRS to non-IFRS results

Revenue on a constant currency basis

(Unaudited)
(in € millions, except percentages)

	Three months ended		Six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
IFRS revenue	2,864	2,331	5,525	4,478
Foreign exchange effect on 2022 revenue using 2021 rates	191		292	
Revenue excluding foreign exchange effect	2,673		5,233	
IFRS revenue year-over-year change %	23%		23%	
Revenue excluding foreign exchange effect year-over-year change %	15%		17%	
IFRS Premium revenue	2,504	2,056	4,883	3,987
Foreign exchange effect on 2022 Premium revenue using 2021 rates	153		236	
Premium revenue excluding foreign exchange effect	2,351		4,647	
IFRS Premium revenue year-over-year change %	22%		22%	
Premium revenue excluding foreign exchange effect year-over-year change %	14%		17%	
IFRS Ad-Supported revenue	360	275	642	491
Foreign exchange effect on 2022 Ad-Supported revenue using 2021 rates	38		56	
Ad-Supported revenue excluding foreign exchange effect	322		586	
IFRS Ad-Supported revenue year-over-year change %	31%		31%	
Ad-Supported revenue excluding foreign exchange effect year-over-year change %	17%		19%	

Reconciliation of IFRS to non-IFRS results

Free Cash Flow

(Unaudited)
(in € millions)

	Six months ended	
	June 30, 2022	June 30, 2021
Net cash flows from operating activities	76	119
Capital expenditures	(15)	(44)
Change in restricted cash	(2)	—
Free Cash Flow	59	75

Free Cash Flow

(Unaudited)
(in € millions)

	Three months ended														
	December 31, 2018	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020	March 31, 2021	June 30, 2021	September 30, 2021	December 31, 2021	March 31, 2022	June 30, 2022
Net cash flows from operating activities	150	209	90	71	203	(9)	39	122	107	65	54	123	119	37	39
Capital expenditures	(65)	(37)	(40)	(26)	(32)	(12)	(14)	(17)	(35)	(24)	(20)	(25)	(16)	(10)	(5)
Change in restricted cash	(1)	1	—	3	(2)	—	2	(2)	2	—	—	1	—	(5)	3
Free Cash Flow	84	173	50	48	169	(21)	27	103	74	41	34	99	103	22	37

Free Cash Flow

(Unaudited)
(in € millions)

	Last twelve months ended											
	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020	March 31, 2021	June 30, 2021	September 30, 2021	December 31, 2021	March 31, 2022	June 30, 2022
Net cash flows from operating activities	520	573	355	304	355	259	333	348	349	361	333	318
Capital expenditures	(168)	(135)	(110)	(84)	(75)	(78)	(90)	(96)	(104)	(85)	(71)	(56)
Change in restricted cash	3	2	1	3	(2)	2	2	—	3	1	(4)	(1)
Free Cash Flow	355	440	246	223	278	183	245	252	248	277	258	261

Reconciliation of IFRS to non-IFRS results

Adjusted gross margin

(Unaudited)
(in € millions, except percentages)

	Three months ended		Three months ended		Three months ended	
	June 30, 2022		June 30, 2021		June 30, 2022	
	Premium	Ad-Supported			Consolidated	
IFRS revenue	2,504	2,056	360	275	2,864	2,331
IFRS cost of revenue	1,804	1,423	356	245	2,160	1,668
IFRS gross profit	700	633	4	30	704	663
IFRS gross margin	28.0 %	30.8 %	1.1 %	10.9 %	24.6 %	28.4 %
Adjustments:						
Less: changes in prior period estimates for rights holder liabilities	(11)	(42)	—	(3)	(11)	(45)
Add: Car Thing charge	31	—	—	—	31	—
Total adjustments	20	(42)	—	(3)	20	(45)
Adjusted gross profit (non-IFRS)	720	591	4	27	724	618
Adjusted gross margin (non-IFRS)	28.8 %	28.7 %	1.1 %	9.8 %	25.3 %	26.5 %

Reconciliation of IFRS to non-IFRS results

Operating expenses on a constant currency basis

(Unaudited)
(in € millions, except percentages)

	Three months ended	
	June 30, 2022	June 30, 2021
IFRS Operating expenses	898	651
Foreign exchange effect on 2022 operating expenses using 2021 rates	63	
Operating expenses excluding foreign exchange effect	835	
IFRS Operating expenses year over year change %	38 %	
Operating expenses excluding foreign exchange effect year-over-year change %	28 %	
	Three months ended	
	June 30, 2022	June 30, 2021
IFRS Research and development expenses	336	255
Foreign exchange effect on 2022 expenses using 2021 rates	18	
Research and development expenses excluding foreign exchange effect	318	
IFRS Research and development expenses year over year change %	32 %	
Research and development expenses excluding foreign exchange effect year-over-year change %	25 %	
	Three months ended	
	June 30, 2022	June 30, 2021
IFRS Sales and marketing expenses	391	279
Foreign exchange effect on 2022 expenses using 2021 rates	29	
Sales and marketing expenses excluding foreign exchange effect	362	
IFRS Sales and marketing expenses year over year change %	40 %	
Sales and marketing expenses excluding foreign exchange effect year-over-year change %	30 %	
	Three months ended	
	June 30, 2022	June 30, 2021
IFRS General and administrative expenses	171	117
Foreign exchange effect on 2022 expenses using 2021 rates	16	
General and administrative expenses excluding foreign exchange effect	155	
IFRS General and administrative expenses year over year change %	46 %	
General and administrative expenses excluding foreign exchange effect year-over-year change %	32 %	

APPENDIX

Supplement to Financial Statements

MAUs and Subscriber reconciliation for Russia exit and March service outage

ADJUSTED USERS AND SUBSCRIBERS	Q1 2022	Q2 2022
Total Monthly Active Users ("MAUs")	422	433
Total MAUs - Russia Only	5	--
Total MAUs - Service Outage	3	--
Total MAUs - Adjusted	414	433
Q/Q Net Additions		19
 Ad-Supported MAUs	 252	 256
Ad-Supported MAUs - Russia Only	5	--
Ad-Supported MAUs - Service Outage	3	--
Ad-Supported MAUs - Adjusted	244	256
Q/Q Net Additions		11
 Premium Subscribers	 182	 188
Premium Subscribers - Russia Only	1	--
Premium Subscribers - Adjusted	181	188
Q/Q Net Additions		7

