



April 27, 2022

Dear Shareholders,

Our business exhibited strength and resiliency in Q1. Nearly all of our key metrics surpassed guidance, led by MAU outperformance, healthy revenue growth, and better Gross Margin. Excluding the impact of our exit from Russia, subscriber growth exceeded expectations as well. Overall, we are very pleased with the performance of the business and remain highly encouraged by the traction we are seeing.

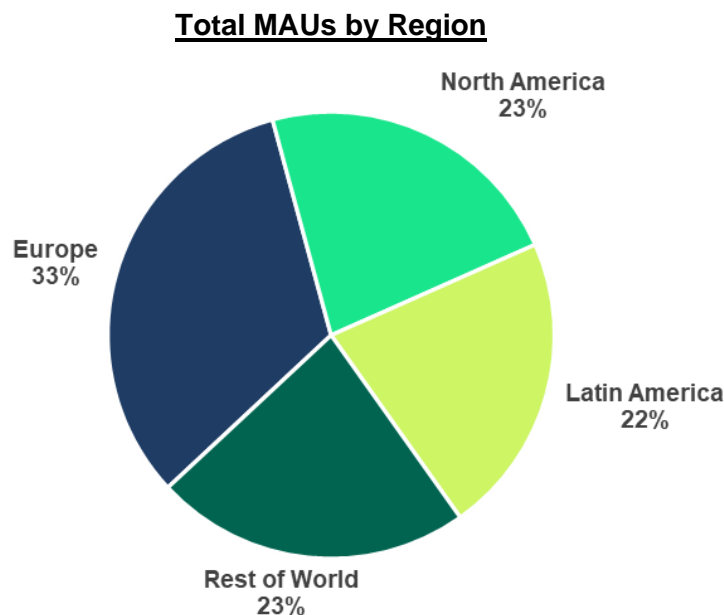
SUMMARY USER AND FINANCIAL METRICS				% Change	
USERS (M)	Q1 2021	Q4 2021	Q1 2022	Y/Y	Q/Q
Total Monthly Active Users ("MAUs")	356	406	422	19%	4%
Premium Subscribers	158	180	182	15%	1%
Ad-Supported MAUs	208	236	252	21%	7%
FINANCIALS (€M)					
Premium	1,931	2,295	2,379	23%	4%
Ad-Supported	216	394	282	31%	(28%)
Total Revenue	2,147	2,689	2,661	24%	(1%)
Gross Profit	548	712	671	22%	(6%)
Gross Margin	25.5%	26.5%	25.2%	--	--
Operating (Loss)/Income	14	(7)	(6)	--	--
Operating Margin	0.7%	(0.3%)	(0.2%)	--	--
Net Cash Flows From Operating Activities	65	119	37	--	(69%)
Free Cash Flow¹	41	103	22	--	(79%)

First Quarter 2022 Earnings Highlights

- MAUs grew 19% Y/Y to 422 million or 419 million excluding a one-time benefit of 3 million MAUs
- Premium Subscribers grew 15% Y/Y to 182 million (inclusive of approximately 1.5 million disconnects from the wind-down of our Russian operations)
- Premium ARPU grew 6% Y/Y in Q1 and 3% Y/Y on a constant currency basis
- Gross Margin finished at 25.2%
- Announced agreement with Google for User Choice Billing and a long-term partnership agreement with FC Barcelona

MONTHLY ACTIVE USERS (“MAUs”)

Total MAUs grew 19% Y/Y to 422 million in the quarter, up from 406 million last quarter and above our guidance by 4 million. During March, there was a brief service outage that caused users to be involuntarily logged out of Spotify. As a result, we believe certain affected users created new accounts to log back in, resulting in approximately 3 million additional MAUs in the quarter. Following the one month anniversary of the outage in April, we saw a reversal of the approximate 3 million MAU benefit. Excluding this event, we believe MAUs would have reached 419 million in Q1, with growth exceeding our expectations by approximately 1 million users. The business benefited from outperformance in Latin America and Rest of World, led by Indonesia, Brazil, and Mexico. MAU growth was particularly strong in our Gen Z audience, fueled by successful product feature launches such as our Lyrics experience, as well as marketing and content initiatives.



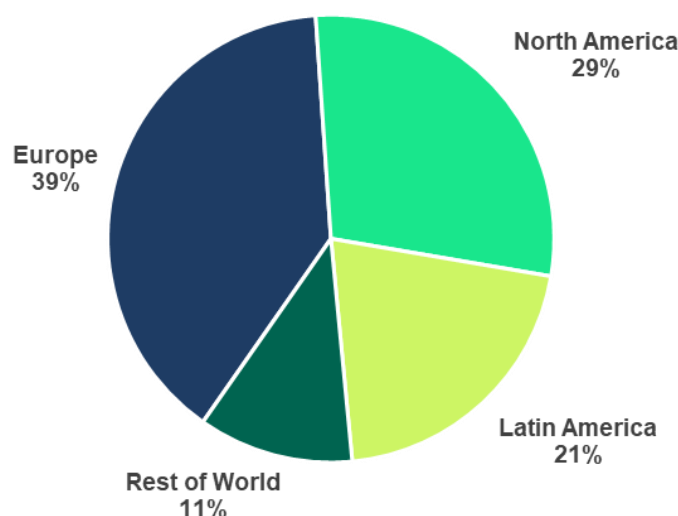
PREMIUM SUBSCRIBERS

Our Premium Subscribers grew 15% Y/Y to 182 million in the quarter, up from 180 million last quarter. While this is slightly below our guidance, after excluding the involuntary churn of approximately 1.5 million subscribers as a result of our exit from Russia, growth was above expectations and aided by outperformance in Latin America and Europe.

During Q1, we entered into a multiyear agreement with Google for User Choice Billing, bringing our Android users greater flexibility in payment choice and enabling a frictionless user

experience for all in-app transactions. We anticipate this new offering to launch later this year. Users who have downloaded Spotify from the Google Play Store will be presented with a choice to pay either with Spotify's payment system or with Google Play Billing for the very first time. We also announced a promotional partnership with Walmart (offering 6 month trials to Walmart+ members in the United States) and a data access program with Airtel (whereby Airtel is offering all Spotify customers complimentary connectivity to Spotify in Nigeria).

Premium Subscribers by Region



FINANCIAL METRICS

Revenue

Revenue of €2,661 million grew 24% Y/Y in Q1 (or 19% Y/Y on a constant currency basis) and was above our guidance. Premium Revenue grew 23% Y/Y to €2,379 million (or 18% Y/Y constant currency) while Ad-Supported Revenue grew 31% Y/Y to €282 million (or 22% Y/Y constant currency).

Within Premium, average revenue per user ("ARPU") of €4.38 in Q1 was up 6% Y/Y (or up 3% Y/Y constant currency). Excluding the impact of FX, we saw a benefit to ARPU from our price increases in 2021 and favorable product mix shift.

We achieved our largest Q1 ever for Ad-Supported Revenue (11% of Total Revenue) and saw strong Y/Y growth across all regions and channels. Music Ad-Supported Revenue benefited from a Y/Y increase in impressions and healthy double-digit growth in CPMs. Podcast revenue strength was led by the Spotify Audience Network along with continued growth across existing

Spotify studios and our exclusive licensing deals. Starting in January, we began to roll out a new on-platform podcast ad experience in the United States called call-to-action (CTA) cards. CTA cards make podcast ads interactive for the first time and allow listeners to directly discover products and services of interest without having to remember promo codes.

During the quarter, we announced the acquisition of Podsights, a leading podcast advertising measurement service that helps advertisers better measure and scale their podcast advertising. Additionally, we acquired Chartable, a podcast analytics platform that enables publishers to know and grow their podcast audiences through promotional attribution and audience insight tools.

Gross Margin

Gross Margin finished at 25.2% in Q1, slightly above guidance and down 29 bps Y/Y. The Y/Y Gross Margin trend reflected a favorable revenue mix shift towards podcasts and growing marketplace activity, which was offset by increased non-music content spend, investments in music product enhancements, and modestly higher Other Cost of Revenue.

Premium Gross Margin was 28.4% in Q1, up 51 bps Y/Y, and Ad-Supported Gross Margin was (1.5)% in Q1, or down 584 bps Y/Y. As a reminder, all content costs related to podcast investment are included in the Ad-Supported business for the current and historical periods.

Operating Expenses

Operating Expenses totaled €677 million in Q1, an increase of 27% Y/Y. Social Charges were lower than forecast given the decrease in our share price during the quarter. Excluding the impact of Social Charge movements, Operating Expenses were slightly higher than forecast due to higher personnel costs, which was partially offset by lower advertising expenses.

As a reminder, Social Charges are payroll taxes associated with employee salaries and benefits, including share-based compensation. We are subject to social taxes in several countries in which we operate, although Sweden accounts for the bulk of the social costs. We don't forecast stock price changes in our guidance so upward or downward movements will impact our reported operating expenses.

At the end of Q1, our workforce consisted of 8,230 FTEs globally.

Free Cash Flow

Free Cash Flow was €22 million in Q1, a €19 million decrease Y/Y primarily due to unfavorable changes in net working capital arising from higher licensor payments. Capital expenditures decreased €14 million due to finalization of various office build-outs.

At the end of Q1, we maintained a strong liquidity position with €3.6 billion in cash and cash equivalents, restricted cash, and short term investments.

PRODUCT AND PLATFORM UPDATES

Two-Sided Marketplace

In Q1, we increased the number of artists and labels who can create Sponsored Recommendations by rolling out our self-serve campaign management tool to all eligible artists in the United States. As a result, we doubled the number of new customers while maintaining an 85% retention rate from existing customers. Additionally, we rolled out Spotify for Artists in 9 additional languages (bringing total supported languages to 26) and published the latest 2021 data reflecting our contribution to music industry economics on our Loud & Clear website.

Podcasting

At the end of Q1, we had 4.0 million podcasts on the platform (up from 3.6 million at the end of Q4). Growth in the number of MAUs that engaged with podcast content continued to outstrip total MAU growth, podcast consumption rates grew in the double digits Y/Y, and podcast share of overall consumption hours on our platform reached another all-time high. We saw a double-digit Y/Y increase in new podcasts across key growth markets in Latin America and Rest of World, with more than 85% of new podcast creation occurring on our Anchor platform.

Product Enhancements

In Q1, we collaborated with IKEA on the integration of Spotify on their newest Bluetooth Speaker lamp, Vappeby, which is now the first Bluetooth speaker on the market that comes with Spotify Tap. Additionally, new or existing Porsche vehicles with the Porsche Communication Management 6.0 Infotainment system will now be able to stream Spotify as an audio source. We also expanded our Blend feature to allow up to 10 people together in a group to merge their music into one shared playlist and for users to integrate this feature with some of their favorite artists.

Global Marketing Partnerships

On March 15th, we announced a long-term partnership with FC Barcelona whereby Spotify will become a Main Partner of the Club and its Official Audio Streaming Partner. The Spotify brand will appear on the front of both men's and women's team jerseys and training kits beginning in the 2022-2023 season. Spotify will also become Title Partner of the Stadium, with the historic Camp Nou stadium rebranded to Spotify Camp Nou. This partnership will allow Spotify to amplify artist voices, connect artists to new and existing fans, and help grow our global user base across key growth markets and audience segments.

Q2 2022 OUTLOOK

The following forward-looking statements reflect Spotify's expectations for Q2 2022 as of April 27, 2022 and are subject to substantial uncertainty. These expectations reflect the full closure of Spotify's services in Russia, which was completed on April 11, 2022.

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- **Total MAUs:** 428 million
 - Reflects a loss from the closure of Russian operations as well as the full reversal of the March service outage benefit (combined these two items reflect approximately 8 million of the 422 million MAUs reported in Q1 2022); excluding the impact of these items, our Q2 guidance implies the addition of approximately 14 million net new MAUs in the quarter
- **Total Premium Subscribers:** 187 million
 - Assumes an additional 600k disconnects from full closure of Russian operations in April; excluding Russia, our Q2 guidance implies the addition of approximately 6 million net new subscribers in the quarter
- **Total Revenue:** €2.80 billion
 - Assumes approximately 600 bps tailwind to growth Y/Y due to movements in foreign exchange rates
- **Gross Margin:** 25.2%
 - As a reminder Q2 2021 Gross Margin benefitted 190 bps due to the release of accruals for prior period publishing royalty estimates
- **Operating Profit/Loss:** €(197) million
 - Inclusive of the Operating Loss is approximately a €50 million impact to Operating Expenses due to unfavorable movements in foreign exchange rates

Consolidated statement of operations

(Unaudited)

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

	Three months ended		
	March 31, 2022	December 31, 2021	March 31, 2021
Revenue	2,661	2,689	2,147
Cost of revenue	1,990	1,977	1,599
Gross profit	671	712	548
Research and development	250	253	196
Sales and marketing	296	340	236
General and administrative	131	126	102
	677	719	534
Operating (loss)/income	(6)	(7)	14
Finance income	175	20	104
Finance costs	(14)	(21)	(31)
Finance income/(costs) - net	161	(1)	73
Income/(loss) before tax	155	(8)	87
Income tax expense	24	31	64
Net income/(loss) attributable to owners of the parent	131	(39)	23
Earnings/(loss) per share attributable to owners of the parent			
Basic	0.68	(0.20)	0.12
Diluted	0.21	(0.21)	(0.25)
Weighted-average ordinary shares outstanding			
Basic	192,476,022	191,952,473	190,565,397
Diluted	197,077,256	192,144,654	191,815,695

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Consolidated statement of financial position

(Unaudited)

(in € millions)

	March 31, 2022	December 31, 2021
Assets		
Non-current assets		
Lease right-of-use assets	443	437
Property and equipment	369	372
Goodwill	978	894
Intangible assets	109	89
Long term investments	682	916
Restricted cash and other non-current assets	82	77
Deferred tax assets	8	13
	2,671	2,798
Current assets		
Trade and other receivables	556	621
Income tax receivable	5	5
Short term investments	816	756
Cash and cash equivalents	2,721	2,744
Other current assets	270	246
	4,368	4,372
Total assets	7,039	7,170
Equity and liabilities		
Equity		
Share capital	—	—
Other paid in capital	4,789	4,746
Treasury shares	(262)	(260)
Other reserves	709	853
Accumulated deficit	(3,089)	(3,220)
Equity attributable to owners of the parent	2,147	2,119
Non-current liabilities		
Exchangeable Notes	1,146	1,202
Lease liabilities	587	579
Accrued expenses and other liabilities	30	37
Provisions	6	7
	1,769	1,825
Current liabilities		
Trade and other payables	695	793
Income tax payable	13	23
Deferred revenue	469	458
Accrued expenses and other liabilities	1,882	1,841
Provisions	22	22
Derivative liabilities	42	89
	3,123	3,226
Total liabilities	4,892	5,051
Total equity and liabilities	7,039	7,170

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