

Epidemic Sound Holding II AB (publ)

Annual Report 2023





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Message from our CEO

Yo!

It's so brilliant to be able to recap our remarkable growth and momentum during 2023 as we approach our 15th anniversary of Epidemic Sound.

Over that arc of that time, Epidemic Sound has been instrumental in both building and defining what we now commonly call the 'creator economy' and watching it go stratospheric. This is a significant global market which continues to defy expectations regardless of wider macro-economic trends and is [expected to almost double by 2027](#).

Our music now soundtracks videos that amass a mind-blowing 2.5 billion views a day on YouTube and TikTok alone, which is incredible. But what's really exciting is the growing influence the creator economy has through the sheer power of distribution. This distribution has radically changed how audiences experience new music they'd never find through traditional channels while, on the flip side, our artists are being heard on multiple platforms with unprecedented reach.

We are at the heart of that. Pumping and fueling this creativity not just by delivering amazing music and products but because, as the market leader with unparalleled data touchpoints, we know what the creator economy sounds like, and we use that to continue to drive our growth.

This year's progress has been impressive, as we continue to go from strength to strength as a mature, sure-footed business leading the way in soundtracking content across the world. We have set out a very clear

strategy which has delivered revenue of SEK 1,478 million, and a positive adjusted EBITDA of SEK 59 million. Specifically this year we've focused carefully on how we structure ourselves so that we're in the best position to continue a strong growth trajectory within a cost-effective operating model.

In last year's annual report, I spoke about the rapid development of generative AI and AI music tools as both a challenge and a great opportunity for the creator economy. This year, we have all seen incredible and exponential improvements in generative AI, making it THE hot topic globally as every industry and walk-of-life starts to explore both the opportunities and threats of this new technology.

AI, particularly in regards to music and art, must be built responsibly with ethical considerations at the forefront. While our AI experts are right now focusing on meeting the technical needs of content creators, we also fully own the world's largest restriction-free catalog of top-quality, stem-based tracks, have unparalleled data insight on how that music performs online, a wealth of human feedback from in-product experiences, and over 480 employees united around a purpose to empower artists and content creators. As a result, Epidemic Sound is, one of the best-positioned to explore building a system that holistically supports artists and content creators, harnessing AI's capabilities while keeping artistic authenticity, integrity, and fair remuneration at the core.

During 2023, [I set out why I think](#) that the make-or-



break moment lies with companies that serve content creators. That the opportunity doesn't lie in being first-to-market with AI products, but in launching AI tools that are more dialed in than ever to their user's needs.

We know through our [own research](#) into the creator economy, that 93% of creators are currently using AI-powered tools and 94% believe AI will enable more personalized or customized content experiences for their audience. This year, we've continued to harness the power of AI to help our creators discover sounds more efficiently. Impressive improvements to our [search engine](#) including semantic search, our in-app personalization feature [Discover for You](#), and [Soundmatch](#) which seamlessly recommends music to visual content, are just some of the examples of how AI is now absolutely central to our product, enabling us to continuously enhance our user experience.

Turning specifically to our music, 2023 has been an incredible year. As ever we're using insight from our market-leading position to create sounds that deliver more of what customers want – capturing emerging trends like Phonk, and improving our offer across genres such as K-Pop and Classics, which have exploded in popularity.

Combined with our unparalleled global reach across platforms, partnerships, and markets and our unique and generous remuneration model, we continue to attract world-class artistic talent, ending the year with releases from Grammy-nominated and multi-platinum recording artist [Jordin Sparks](#), and working with celebrated musicians Eric Jacobsen, Michelle Ross, and Mira Ma for our [Classic Essentials](#) collection. Continuing to attract proven and renowned talent across all genres is a central part of our ongoing strategy for growth.

This year, thanks to the expansion of our product, artists, and markets, we are in an ideal position to go even further in 2024. For the past 14 years, Epidemic Sound has been at the core of the creator economy. We're dedicated to maintaining our position as the leader in sound-content matching, while also innovating in the AI-driven space. To attract more long-term customers, we are investing in more sophisticated tools that boost productivity, creativity, and quality. In 2024, we are launching a new brand strategy, improved products, and world-class artists, so that we can become the go-to platform for soundtracking in every content-creating situation.

I'm confident that our product and plans will help us seize all the opportunities ahead. I'm grateful to everyone who's part of this remarkable journey to soundtrack the world.

Stay metal,

Oscar Höglund,

CEO & Co-founder Epidemic Sound
Stockholm, March 2024



Who we are – a snapshot

Epidemic Sound, the market-leading soundtrack innovation platform, that offers content creators and storytellers of all kinds – whether personal, professional, commercial, or enterprise – access to a catalog of over **40,000** high-quality, royalty-free tracks and more than **90,000** sound effects for use in their videos, podcasts, social media posts, and stories. The company is the only one with **100%** affiliate-free songs and sounds and fully owns its music.

- Founded in **2009**
- **No. 1** market leader
- Our music is heard **2.5 billion** times per day on YouTube and TikTok alone
- Over **40,000** tracks across **200** genres, and **90,000** Sound Effects
- **484*** employees (HC)
- Offices in **6** locations - Stockholm, NYC, LA, London, Seoul, Amsterdam
- Operates globally with localized services for customers in **7** countries

* the head count includes employees that are full-time, part-time, on parental leave, sick leave and sabbatical, as of 31 December 2023

Our Vision

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

Our Mission

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

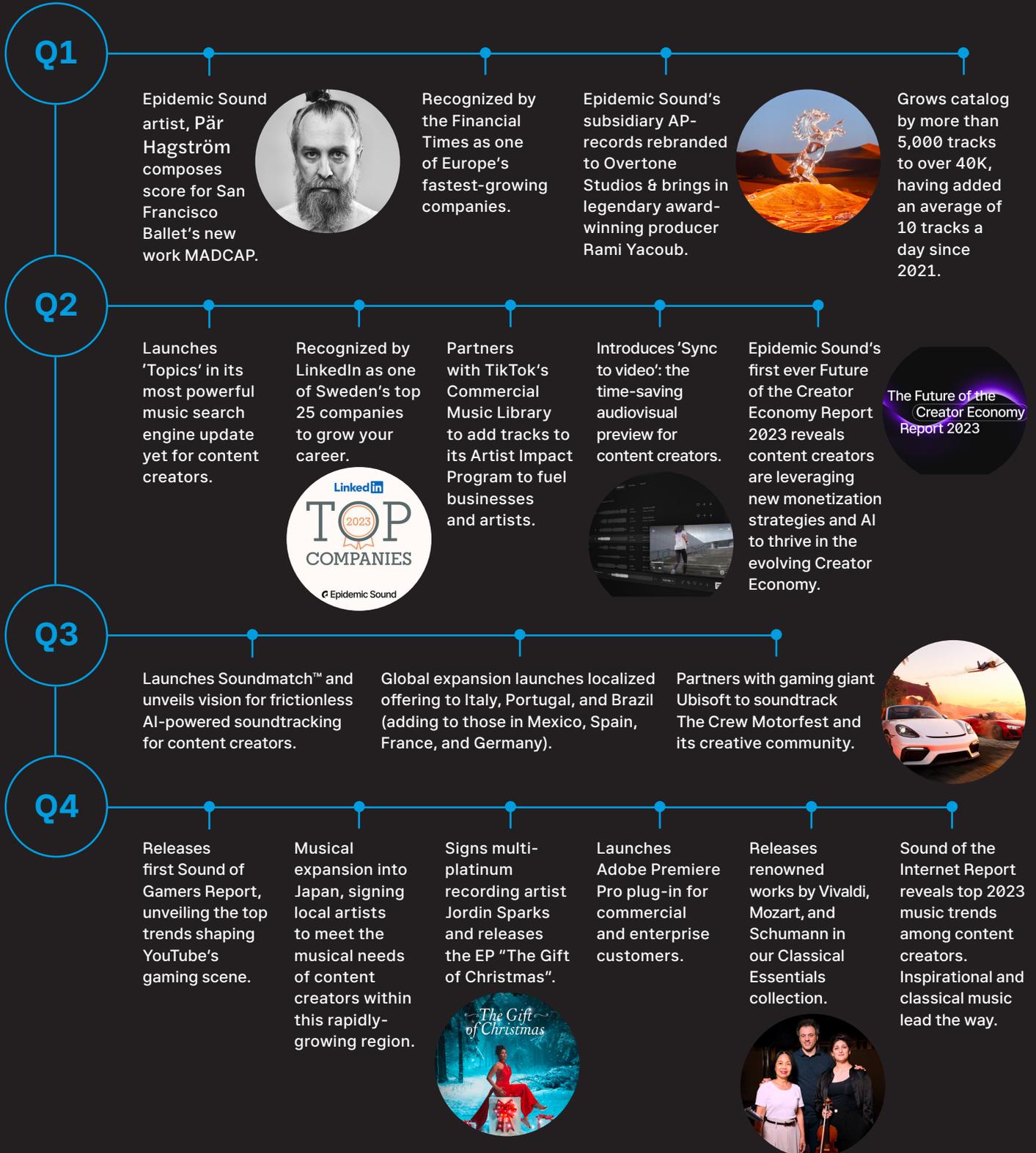
Our Values

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



Our 2023 Story

The year as it happened

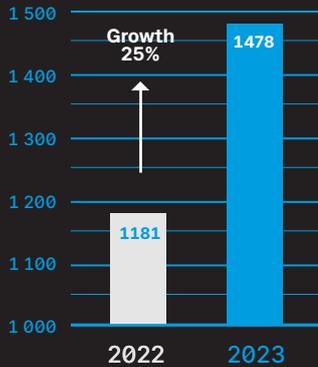


For the full story on all of these, check out our press releases listed on page 19.

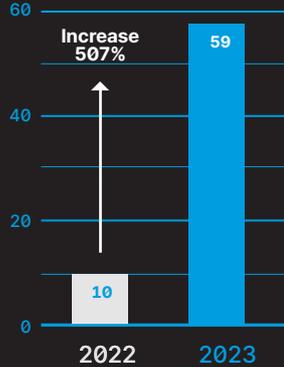


Financial highlights

Net Sales
(MSEK)



EBITDA - Adjusted*
(MSEK)



Highlights of the year

1,478 MSEK
Net sales

25% Net sales
growth

85% Gross
margin

790 MSEK
Net cash¹

* See section "Reconciliation of Alternative Performance Metrics" for definition of Adjusted EBITDA

¹ Excluding leasing liabilities

Soundtracking the world 2023

26 million

The number of YouTube and TikTok videos that featured Epidemic Sound music.

2.5 billion

The number of views per day across YouTube and TikTok videos including Epidemic Sound's music.

30 billion

The number of video views Epidemic Sound's 100 most popular tracks of 2023 have racked up this year on YouTube alone, a 50% increase from 2022.

40 million

The average number of daily plays of Epidemic Sound tracks on music streaming platforms.





The creator economy

Over the last 14 years, Epidemic Sound has been at the forefront in both defining and building the creator economy and our position of being the market leader in matching sound to content.

The creator economy is currently expected to [nearly double in size by 2027](#). The past few years have seen a surge in the number of individuals becoming content creators across the globe. More than 165 million creators joined the global creator community between 2020 and 2022, according to the [Adobe Future of Creativity Study](#). Meanwhile, Epidemic Sound's [Future of the Creator Economy Report 2023](#) shows that 42.6% of content creators began earning money from their

creations just in the last year and 79.6% within the previous two years.

Every year, the sheer volume and pace of growth across platforms accelerates the expansion of content and with it the opportunities for both our creators and our artists. It's a dynamic, exhilarating ecosystem where trends emerge strongly and quickly from a highly creative community that thrives on being sharp and out front. Epidemic Sound stays with them, using our rich and unique seam of data points to give us unparalleled insights into what our customers need, which in turn drives our strategy.

Case study: Epidemic Sound's The Future of the Creator Economy Report 2023

In 2023, Epidemic Sound released its first ever report on the future of the creator economy. The report, which is based on a survey of 1,500 content creators who are all making an income from their work, explored trends in earning, monetization, music and AI in the creator economy.

76.5%

of content creators have experienced significant income increases compared to the past year, and cite TikTok (30%) and YouTube (25.8%) as the top social platforms for earning income.

91%

nearly all of respondents plan to reduce production costs in the upcoming year, given the current economic climate.

94%

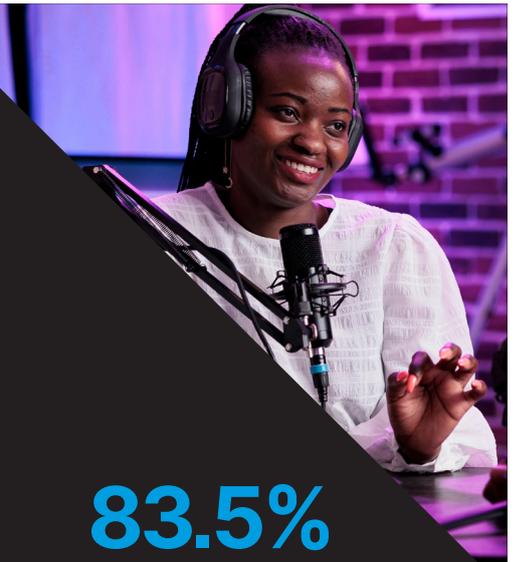
believe AI will enable more personalized or customized content experiences for their audience, yet 78% are concerned that AI-powered content may lack authenticity or originality, and increase competition (74%).

97.7%

of content creators view music as essential for creating engaging content.

83.5%

expect their income to increase over the next 12 months, primarily due to more monetization options on social media platforms (74.9%), content diversification across platforms (68.3%), and increase in consumer demand for content (65.8%).





Our strategy

Our aim is to be the 'definitive soundtrack innovations platform.' This means being the go-to, natural, and first choice for all professional creators soundtracking any type of digital content. We do this through some clear and precise choices which keep us laser focused on that task.

1. We solve one problem: Soundtrack digital content – ultimately 10X better than others

Soundtracking digital content is a very large and fast growing sector. This choice plays to our strength in music and sound, and has consistently set us apart from many of our competitors who have chosen to diversify. We want to be 10 out of 10 for one thing, not 6 out of 10 for many things. It also gives us the ability to partner with others in the ecosystem rather than competing with them – reaching and serving more creators through partnerships and their platforms.

2. We aim to attract more professional creators

The professional creator market is a big and growing market with great potential for recurring revenue. We aim to attract a greater share of this through a product that continuously adapts and meets the needs of our more sophisticated creators – whether they are individual, professional, commercial or Enterprise clients. This, along with our strong and growing subscription base of individual customers, will underpin our ongoing growth plan and consolidate our market-leading position.

3. We work in partnerships, integrating our experience wherever customers create content

We aren't trying to solve the end-to-end storytelling experience but rather a very specific part: the soundtracking. To do this, we integrate ourselves into the broader ecosystem through partnerships, offering our sounds and tools, to provide a seamless user experience across multiple platforms and workflows. We integrate into editing tools to serve our customers where they want to use our service, and with distribution platforms to provide a safer soundtracking experience.

4. We partner with artists and leverage AI – there is power in the combination

A diverse, high-quality, carefully curated sound asset for storytelling is both an advantage now, and a foundation for successfully marrying human creativity and AI capabilities.

Epidemic Sounds' stance is clear: we both partner with artists and leverage AI, as there's power in this combination that'll continue to drive our market leading position as we transition to this new AI-driven paradigm. We are in a unique position to do this, as we set out in more detail in the illustration on page 10.

5. We build a strong brand that is recognized and loved by creators

We know that the above elements combine to make us the number one choice among creators.

We intend to build our brand through a number of new campaigns and approaches in 2024 that'll elevate our brand and promise to professional creators, which in turn will make us more attractive to artists and to enterprises.

Our company's strategy is expected to last for many years, during which we'll transition from the current paradigm (where users download a file or track) to a new paradigm where the soundtracking experience is much more dynamic and integrated – across partners and with AI.

We intend to make sure that we both **(1) keep winning and extend our lead in the current paradigm AND (2) build the new paradigm**, at the same time.



Winning in the new paradigm - harnessing the power of AI

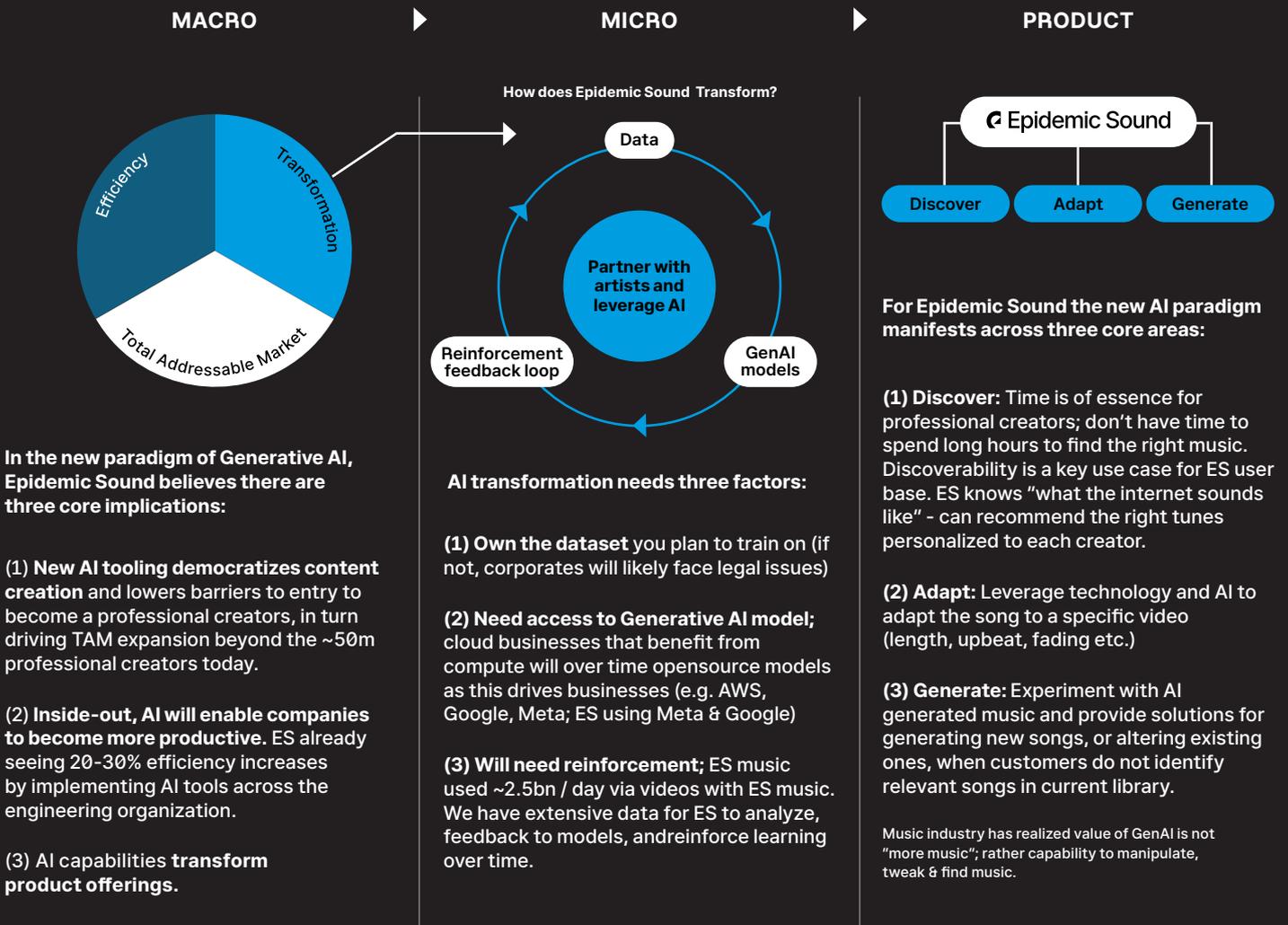
As with other ecosystems, it's a live debate where opportunity and threat are perceived in equal measure. Epidemic Sound is in a unique position within our ecosystem. In addition to access to readily available open-source Generative AI models, Epidemic Sound sits on two of the most valuable assets needed to succeed:

1. As owners of our music and associated rights, we can continue to avoid the complexities of legal copyright issues that many others will face if they use datasets they don't own.

2. And our extensive data insight on how music is used in online video, gives us a continuous and current loop to reinforce and tune our models.

Our strategy for using AI is to help it to 10X how we soundtrack digital content, and the user experience. The illustration below shows how we've defined our principles to help us do this.

AI strategy and AI principles





Creators are looking to artificial intelligence to help solve production challenges

Nearly all (93%) of content creators are currently using AI-powered tools or applications in their content creation process, with the most popular being image or video recognition software.

Overall, 94% believe AI will enable more personalized or customized content experiences for their audience, yet 78% are concerned that AI-powered content may lack authenticity or originality, and increase competition (74%).

Source: [Epidemic Sound's The Future of the Creator Economy Report 2023](#)



Our commitments in the changing world of AI

AI has seen huge advances in the last few years, ushering in a "new paradigm" that presents both promising opportunities and potential risks across industries. Epidemic Sound's stance is clear: we both partner with artists and leverage AI, as there's power in the combination. There's been a continued push to utilize AI to offer a next-generation soundtracking experience for content creators, launching industry-leading music discovery tools such as Soundmatch, which in turn maximize opportunities for our artists to have their music synced.

Generative AI has been a hot topic this year, but there are many legal, ethical, and creative details still to be decided in the industry. Epidemic Sound is exploring this area to see if it could help further increase the service to content creators and offering to artists. Regardless of whether or not AI-generated music will become a significant part of our business, we'll continue to invest in music from human music creators. If it is something we decide to pursue more actively, we're committed to building a dedicated model where our artists are remunerated fairly for their contributions.



Where sound creates magic – serving creators, empowering artists

Epidemic Sound was created with the goal to help artists achieve financial stability, and boost their audience, while giving creators the opportunity to make their content even more amazing with fantastic, simple-to-license music. We use our network of musicians and content producers to foster collaboration and promote reciprocal success and development.

Over the last 14 years, how we've grown Epidemic Sound has evolved, and it'll continue to do so at a fast pace. We've moved from providing music on hard drives to a sophisticated player offering advanced search techniques, and we've integrated seamless applications

and platforms with partners to reach where our creators are.

While our technology has needed to keep pace with the demands of the rapidly developing digital landscape and the ever sophisticated needs of creators, one thing hasn't changed – the need to supply amazing sounds and music, to bring a creator's vision to life.

To succeed, we need to be constantly alive to the needs of both our customers, and our artists.

For our creators – offering a soundtrack innovation platform

Epidemic Sound is the only provider that can offer creators 100% assurance that their hard-worked content will be able to play across all platforms without fear of take down.

We aim to work with the creators' flow, integrating ourselves into the broader ecosystem through partnerships, offering our sounds and tools, to provide a

seamless user experience across multiple platforms and workflows.

This year we've continued to improve our service to customers through improved search functionality, several updates to our app, new partnerships, APIs, and through more localization of our offer for global creators.

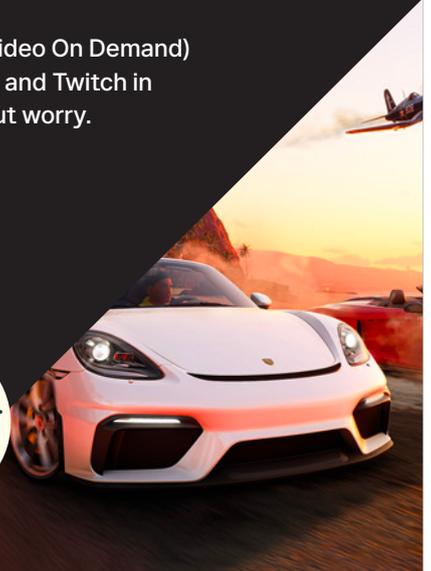


Case study: Empowering gamers

In September, Epidemic Sound partnered with gaming giant Ubisoft to soundtrack the third installment of The Crew Franchise, The Crew Motorfest. The collaboration allowed gamers to safely include music in their live streams and publish their content online across all social media platforms without concerns of copyright takedowns or muted content.

Throughout the gameplay, drivers can choose from a meticulously crafted portfolio of 125 Epidemic Sound tracks that have racked up millions of streams on music streaming platforms. The partnership empowers gamers looking to live stream their drive and publish the broadcast across various social media platforms and

SVOD (Subscription Video On Demand) channels like YouTube and Twitch in perpetuity, and without worry.



Discoverability tools

This year, we've continued to develop our product for users, to streamline and improve their overall experience. These included:

The power of search

During spring 2023, Epidemic Sound introduced the data-informed music search tool, [Topics](#), as part of a broader update, to create our most powerful search experience yet for content creators. We've continued to build on this, enhancing the user experience by adding the ability for creators to instantly see if they have previously downloaded or played a track, helping them on their journey to find the perfect soundtrack for their next production.

Dedicated artist pages have also been added to the [Epidemic Sound app](#); the first of several updates. The pages make it easier for content creators to find tracks from their favorite artists, follow new releases, and discover the public playlists they feature on.

Using AI to drive customer experience

In July, we launched [Soundmatch](#), which uses AI to analyze frames within a creator's chosen video, then leverages our data insights on how music is used in online video to recommend tracks perfectly suited to each visual scene.

Soundmatch enhanced our existing suite of AI-powered functions and innovative soundtracking tools including Sync to video and Epidemic Audio Reference (EAR). These tools meet creators needs by saving time and effort in seamlessly matching sound to content.

Meeting the needs of professional creators

Designed for our Commercial and Enterprise subscribers, our new **Adobe Premiere Plugin** enables them to soundtrack videos directly from their Adobe Premiere Pro workflow. It saves time in the creative process by removing the need to switch interfaces, while providing native access to personal playlists and advanced soundtracking features like the AI-powered music search tool, Soundmatch.



Localized services

Localization has also taken center stage on the Epidemic Sound website to meet the needs of global content creators. This year we launched localized services in Italy, Portugal, and Brazil, adding to those in Mexico, Spain, France, and Germany. Localized services mean that creators can now browse and use the Epidemic Sound player in their local language, pay in their local currency and price, and use local payment solutions.

By localizing its service in new markets, Epidemic Sound caters to the demand from content creators to elevate their content with music and monetize their content. Aside from the seven markets the company has now expanded to, Epidemic Sound will offer localized services in more markets in the future.

High-quality music

We continue to expand our catalog adding quality tracks at an impressive rate of nearly 10 songs a day since 2021. This has added a further [5,000 new tracks perfectly suited to video content](#), in a catalog which now exceeds over 40,000 tracks across over 200 genres and expertly curated playlists, offering ever more quality and choice to serve the soundtracking needs of creators, partners, and brands everywhere.

This range of choice always comes hand-in-hand with quality as we continue to attract and work with proven

and renowned talent across all genres. We started 2023 with Epidemic Sound artist [Pär Hagström](#) composing the score for San Francisco Ballet's new work MADCAP, made our debut into the highly popular Grime genre with a release from our first ever UK signing Janset, before closing out an amazing year with releases from Grammy-nominated and multi-platinum recording artist [Jordin Sparks](#), and working with celebrated musicians Eric Jacobsen, Michelle Ross, and Mira Ma for our [Classic Essentials](#) collection.



Case study: The power of K-Pop

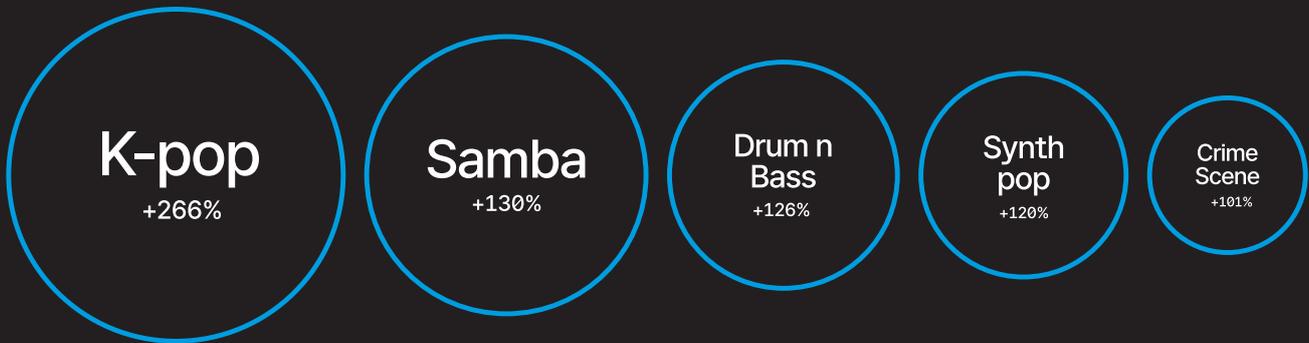
K-Pop and Korean music are gaining worldwide popularity. Since 2021, K-pop has gone from being the 100th most popular subgenre on the Epidemic Sound player to one of the **top 20 most popular genres**. In the first half of 2023, [K-Pop album exports broke a record \\$132.93 million](#). In addition to continuing to expand our catalog of Korean and K-Pop music (more

than doubling our K-pop tracks since 2021) in 2023, Epidemic Sound started signing artists [based in Korea](#).

And in our [Sound of Gamers report](#) published in October, we revealed that K-pop was the fastest growing genre among YouTube gaming videos.

The fastest growing genres for gamers

Genres with the largest percentage increase in gaming video uploads on YouTube



Capturing trends through data

In 2023, Epidemic Sound's music continued to be an integral part of countless stories and narratives. Our music was featured in over 26 million YouTube and TikTok videos, generating 2.5 billion views per day across both platforms.

Epidemic Sound's 100 most popular tracks of 2023 accumulated 30 billion video views on YouTube alone, marking a 50% increase from 2022. A testament to the power of musical storytelling, if ever there were one.

All of this provides Epidemic Sound with unparalleled data and insights which power improvements in our product, our services, and providing creators with the sounds and music they want. Key to this is identifying and utilizing trends. *If anyone knows what the internet sounds like, it's Epidemic Sound.*

In 2023, our second [Sound of the Internet](#) report identified some key trends which we'll continue to dial in to.

Inspirational and classical music chiming with content creators

↑ 300%

Inspirational music's YoY percentage growth on YouTube. It is Epidemic Sound's fastest-growing genre of 2023, striking a chord with content creators in many regions and categories of content.

↑ 80%

Classical music's YoY percentage growth on YouTube. It has continued to trend among modern creators, featuring as one of the fastest-growing genres in several categories of content and three out of five regions.



For our artists – more ways to be heard, and paid

Epidemic Sound’s innovative music licensing model empowers artists, from emerging artists to global superstars, to thrive commercially and grow their audience. Our remuneration model provides financial stability and predictability, with upfront payments, a 50/50 royalty split from streaming revenues, and

a quarterly soundtrack bonus. Meanwhile, Epidemic Sound also gives artists the freedom to work under non-exclusive agreements and to be able to work on multiple projects simultaneously.

Case study: Jordin Sparks

In October, we announced the signing of multi-platinum selling, Grammy award nominee, singer/songwriter Jordin Sparks. In announcing the partnership, Jordin praised Epidemic Sound’s approach to artists.

“ *I’m excited for this new partnership with Epidemic Sound. They have empowered artists to thrive commercially, creatively, and to reach new audiences. The freedom they give artists to choose their own path and work on different projects at the same time is unique and inspiring. I’m excited to join a roster of incredible artists and I’m looking forward to working with Epidemic Sound’s team!* ”

- Jordin Sparks





How we pay our artists

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

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

This is what it looks like:

- **Payment upfront**

As of Q1 2023, Epidemic Sound pays an upfront fee of between USD 1,500 - 8,000 per track when acquiring the rights to a track (increased from USD 1,200 - 6,000 in 2022). The price depends on the complexity of the track, customer demand, the artist's role, and their comparative experience. At Epidemic Sound, the upfront fee is always paid out directly to artists before the track is even made available, and isn't recouped against any future royalties.

- **50/50 split on all streaming revenues**

Epidemic Sound distributes and markets all music in our catalog on streaming platforms. We share the revenues from streaming equally with our roster of artists.

- **A quarterly soundtrack bonus**

Epidemic Sound also offers a quarterly soundtrack bonus – a fixed pool that's distributed proportionally among artists based on popularity among our users. In 2023, the bonus was set at USD 2.5 million (up from USD 2 million in 2022). We have said that the soundtrack bonus will grow as Epidemic Sound's business grows. As a result, the bonus will increase again to around SEK 30 million in 2024.

- **Inviting artists to participate in the value creation at Epidemic Sound**

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

In an ever-changing world, it's Epidemic Sound's ambition to continuously develop its remuneration model. At the end of 2022, we distributed streaming revenues and the quarterly bonus to session musicians exceeding industry standards.

In 2023, we also paid out additional royalty payments of nearly USD 1 million through our new Music Ambassador Program. This program invites selected creators and tastemakers to market our music via their YouTube channels in exchange for a revenue share.

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



Global and integrated reach – different ways to be heard

The internet has transformed the music industry. Gone are the days when just a few thousand tracks were released every year. Now, it's estimated that well over 100,000 tracks are uploaded to streaming services every day. That's a lot of noise for artists to break through.

Epidemic Sound has an unprecedented footprint online. Our music is heard over 2.5 billion times a day on YouTube and TikTok alone. Our music is streamed on average over 40 million times a day.

In addition to online platforms, our music is used by:

- Global broadcasters and publishers such as The Guardian, The BBC, and Discovery Networks.

- Production companies such as Red Bull Media House and Westbrook.
- Media companies and advertising agencies such as Shuttlerock, VaynerMedia, and Hypebeast.
- Global retailers and world-renowned brands including Liverpool FC, Levi's, Salesforce, GoPro, Air France.
- Gaming companies such as Ubisoft and NBA2K.

All of this means that our reach gives our artists more chances to be heard - and to be paid!

Case study: TikTok partnership supports business and artists

In May 2023, Epidemic Sound partnered with TikTok's Commercial Music Library to add tracks to its Artist Impact Program, which supports established and emerging artists on their journey to be discovered and rediscovered on the platform. The program is a selection of high-quality, fully licensed tracks available for use in videos by

businesses, organizations, and creators. This builds on an [earlier recognition](#) of Epidemic Sound as one of TikTok's certified Sound Partners.

“ *TikTok videos including Epidemic Sound music are currently viewed nearly 500 million times per day. We're thrilled to build on this by adding tracks to their Artist Impact Program, empowering businesses with access to great music, and our artists with opportunities to build their following.* ”

- Oscar Höglund, CEO and Co-Founder at Epidemic Sound.





Press releases for 2023

Q1

[Epidemic Sound Artist Pär Hagström Composes Score for San Francisco Ballet's New Work MADCAP](#)

[Epidemic Sound recognized by the Financial Times as one of Europe's fastest-growing companies](#)

[A-P Records Announces Rebranding to Overtone Studios, Bolstering its Mission to Create Mood Music for Every Moment](#)

[Epidemic Sound adds over 5,000 new tracks poised to meet content creator needs](#)

Q2

[Epidemic Sound hits weekly record of new tracks released to its music platform for content creators](#)

[Epidemic Sound launches 'Topics' in its most powerful music search engine update yet for content creators](#)

[Epidemic Sound recognized by LinkedIn as one of Sweden's top 25 companies to grow your career](#)

[Epidemic Sound introduces 'sped-up' tracks playlist to empower creators driving popular TikTok trend](#)

[Epidemic Sound Artists Soundtrack the UN's 17 Global Goals](#)

[Epidemic Sound publishes its 2022 Annual Report and Sustainability Report](#)

[Epidemic Sound partners with content creator and award-winning designer Chris Do to offer Business Clinic Workshop for creative entrepreneurs](#)

[Epidemic Sound partners with TikTok's Commercial Music Library to add tracks to its Artist Impact Program to fuel businesses and artists](#)

[Epidemic Sound introduces 'Sync to video': the time-saving audiovisual preview for content creators](#)

[Epidemic Sound's The Future of the Creator Economy Report 2023 Reveals Content Creators Are Leveraging New Monetization Strategies and AI to Thrive in the Evolving Creator Economy](#)

Q3

[Justin Chacona joins Epidemic Sound as Vice President Brand & Marketing](#)

[Epidemic Sound launches Soundmatch™ and unveils vision for frictionless AI-powered soundtracking for content creators](#)

[Epidemic Sound fuels global creators with the launch of its localized service in Italy, Portugal, and Brazil](#)

[Epidemic Sound highlights 2023's product updates for content creators](#)

[Epidemic Sound Announces Upcoming Releases from Sarah the Illstrumentalist, Ebo Krdum, Plus New K-Pop Artist Expansion](#)

[Epidemic Sound partners with Ubisoft to soundtrack The Crew Motorfest and its creative community](#)

[Epidemic Sound begins signing artists in South Korea; celebrates with Seoul event](#)

[Epidemic Sound joins Runway's Gen:48 as the short film competition's official music provider](#)

Q4

[Epidemic Sound wraps collaborative music creation summit in Nashville, Tennessee](#)

[Epidemic Sound Releases Sound of Gamers Report, Unveiling the Top Trends Shaping YouTube's Gaming Scene](#)

[Epidemic Sound Signs Multi-Platinum Recording Artist Jordin Sparks](#)

[Epidemic Sound artist, King Sis, invited to join TIDAL RISING program](#)

[Epidemic Sound Announces Artist Expansion to Japan, What's Trending on YouTube, and Upcoming Releases from Kylie Dailey and Mimmi Bangoura](#)

[Epidemic Sound launches Adobe Premiere Pro plugin](#)

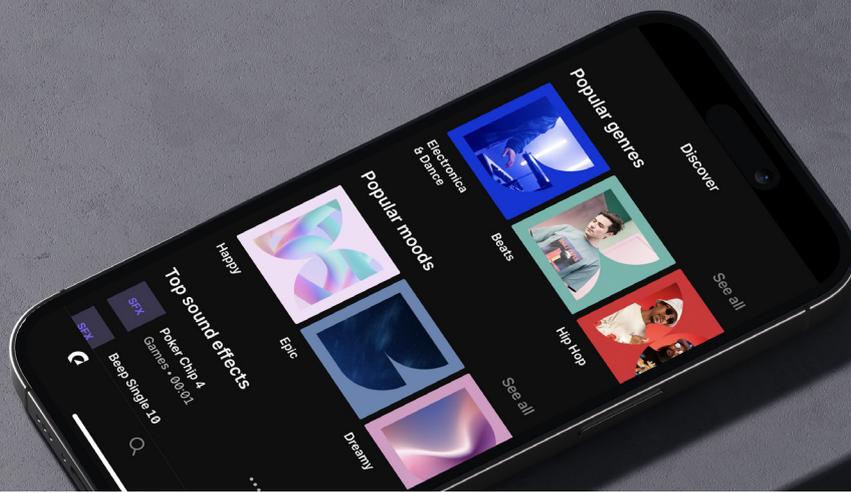
[Jordin Sparks releases Christmas EP "The Gift of Christmas" in collaboration with Epidemic Sound](#)

[Classical for creators: Epidemic Sound releases renowned works by Vivaldi, Mozart, and Schumann](#)

[Epidemic Sound Reveals Top Music Trends Among Content Creators of 2023: Inspirational and Classical Music Lead the Way](#)



Management Report 2023



Management report 2023

The Board of Directors and CEO of Epidemic Sound Holding II AB (publ) (company registration no. 559286-5231) hereby present the following annual report and consolidated financial statements for the financial year 01/01/2023 - 12/31/2023. Epidemic Sound Holding II AB (publ) is the parent company of the Group, which was founded on 12/01/2020. The Group's registered office is in Stockholm, at Västgötagatan 2, 118 27 Stockholm. The Annual Report is presented in Swedish kronor (SEK) thousands, unless otherwise stated.

The company

The Epidemic Sound Group operates at the intersection of the tech and music industry, offering a soundtrack innovation platform. Through its network of music creators, it's built a world-class and fully controlled music catalog which it offers to its customers to use through a simple licensing model. The music creators include composers, artists, producers, vocalists, and musicians. Epidemic Sound's clients range from individual storytellers who need music for smaller productions posted on social media, to global companies that use music in, for example, customer communications, films, advertising productions, or TV programs. Customers also include companies that design sound for physical environments, major digital licensing retailers, and streaming platforms. Epidemic Sound offers its customers a simple, global licensing model that enables them to use music that's owned and controlled by Epidemic Sound.

Epidemic Sound offers a wide-ranging music catalog that's continually being updated and includes over 40,000 vocal and instrumental musical works across more than 200 different genres. Epidemic Sound works

closely with the music creators and makes sure that all the music purchased and added to the music catalog is of high quality.

Epidemic Sound aims to work with creators' flow, integrating itself into the broader ecosystem through partnerships, offering sounds and tools to provide a seamless user experience across multiple platforms and workflows. Throughout 2023, Epidemic Sound has continued to improve its service to customers through improved search and matching functionalities, several updates to the companion app, new partnerships, and APIs, and through more localization of its offer for global creators.

The Group continues to expand and has set up a strong organization to provide growth in both the short and the long term. During 2023, the Group took important steps in line with its long-term strategy and achieved good results.

The Group's head office is located in Stockholm in Sweden, but it also operates through subsidiaries in the USA, Germany, the Netherlands, United Kingdom, and South Korea. Operations in the Netherlands and Germany were set up in 2014, in the USA in 2016, in South Korea in 2019, and in the United Kingdom 2023. Epidemic Sound AB was established in 2009 and now has customers all over the world.



Key Figures

KSEK	2023	2022	%
Net sales	1 477 610	1 181 181	25%
EBITDA	24 752	2 818	778%
Adjusted EBITDA	59 235	9 761	507%
EBIT	-486 395	-491 566	1%
Adjusted EBIT	-451 912	-484 623	7%
Total assets	12 604 432	12 988 433	-3%
Average number of employees	535	436	23%

See key figures on page 95. For definitions and reconciliation of alternative key figures, see page 96-97.

Significant events during the year

- In January, Epidemic Sound announced that its musician Pär Hagström had composed the score for one of the San Francisco Ballet's newest works, MADCAP.
- In March, Epidemic Sound was recognized as one of the fastest-growing companies in Europe in the FT1000 ranking published by the Financial Times.
- In March, A-P Records announced the rebranding to Overtone Studios, bolstering its mission to create mood music for every moment.
- In April, Epidemic Sound launched an improved AI music discovery tool, 'Topics.' The new tool, coupled with several updated search functions, enables creators to locate the perfect soundtrack for their projects quickly and easily.
- In May, Epidemic Sound partnered with TikTok's commercial music library to add tracks to its artist impact program to fuel businesses and artists.
- In May, Epidemic Sound released The Future of the Creator Economy Report 2023, which provides insights into the present state of content creation, the hurdles creators encounter, and their expectations for the future.
- In May, Epidemic Sound concluded a reorganization to increase focus on the delivery and engineering capabilities of the company.



- In July, Epidemic Sound unveiled its vision for AI's impact on the creator economy and next-generation soundtracking for content creators, and launched its latest AI service, Soundmatch.
- In July, Epidemic Sound launched its localized service in Italy, Portugal, and Brazil. The launch followed the company's expansion of its localized service in Mexico, Spain, France, and Germany in 2022.
- In October, Epidemic Sound released the findings of its Sound of Gamers Report 2023, revealing how creators within the YouTube gaming community use music in their content, the genres they gravitate to, and more.
- In December, Epidemic Sound signed an agreement to acquire Soundly AS.
- In 2023, Epidemic Sound added several pivotal roles to their team to help propel their mission of bringing sound to the world. Justin Chacona was named Vice President, Brand & Marketing, transitioning from Polar Electro, where he served as Group Chief Marketing Officer since 2020. Chris Hall was also welcomed into the Epidemic Sound family as Senior Vice President Commercial, bringing a range of experience across different sectors, including travel company Omio and Amazon.
- Throughout the year, Epidemic Sound continued to demonstrate the quality of its music and its ability to retain, develop, and attract renowned artists from across genres. Pär Hagström created a score for one of the San Francisco Ballet's latest productions, MADCAP. The platform also added Grammy-nominated and multi-platinum artist Jordin Sparks to its artist roster and jointly released the Christmas EP "The Gift of Christmas". King Sis, an Epidemic Sound artist, was added to TIDAL's emerging artist program, TIDAL RISING. Additionally, Epidemic Sound and the United Nations Development Program (UNDP) collaborated to set music to its 17 sustainability goals.

Net sales and profit

Income statement in summary

KSEK	2023	2022	%
Net sales	1 470 838	1 177 982	25%
Operating profit before depreciation, EBITDA	24 752	2 818	778%
Operating profit, EBIT	-486 395	-491 566	1%
Profit for the year	-379 774	-411 388	8%

The Group's net sales amounted to SEK 1,471 million (SEK 1,178 million). The financial results were positively impacted on income during the year from a stronger US dollar against the Swedish krona, which is the Group's reporting currency.

In line with the Group's long-term strategy, investments have continued in music, product and technology development, and customer acquisition. Other external costs amounted to SEK -592 million (SEK -505 million). Personnel costs amounted to SEK -663 million (SEK -541 million). Capitalized work for own account amounted to SEK 39 million (SEK 33 million), which relates to product development costs for external use.

Operating profit before depreciation amounted to SEK 25 million (SEK 3 million).

Depreciation of fixed assets amounted to SEK -508 million (SEK -494 million). The amounts are largely due to amortization of intangible assets (music catalog, customer contact, and customer relations, and the technical platform), which derive from when the Group was established in March 2021.



Operating profit amounted to SEK -486 million (SEK -492 million), primarily as a consequence of depreciation of fixed assets.

The year also had items affecting comparability amounting to SEK -34 million (SEK -7 million). The costs for 2023 relate to personnel costs in the restructuring of the organization. The costs for 2022 relate to the same items and consultation costs connected with acquisition. See table of items affecting comparability on page 96. The costs affecting comparability have been distributed to the operating segment's profit using the same distribution key as for other operating costs.

Segment

Direct Sales

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

KSEK	2023	2022	%
Total revenue	861 067	746 194	15%
EBITDA	-19 389	-22 164	13%

For definitions and reconciliation of alternative key figures, see page 96-97.

Following maintained marketing and sales efforts, the Group has demonstrated its continued ability to attract new subscription customers and enterprise customers, at scale. Costs of attracting new customers are incurred at the time of acquisition, while income follows throughout the future lifetime of the customers.

Partnership Sales

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

KSEK	2023	2022	%
Total revenue	616 542	434 987	42%
EBITDA	44 141	24 982	77%

For definitions and reconciliation of alternative key figures, see page 96-97.

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



Financial position

Balance sheet in summary

KSEK	2023-12-31	2022-12-31
Fixed assets	11 622 683	11 961 801
Current assets	981 749	1 026 632
Total assets	12 604 432	12 988 433
Equity	10 969 386	11 322 423
Long-term liabilities	1 027 319	1 154 494
Current liabilities	607 726	511 516
Total assets	12 604 432	12 988 433

The Group's balance sheet total amounted to SEK 12,604 million (SEK 12,988 million) at the end of the period. Equity in the Group amounted to SEK 10,969 million (SEK 11,322 million), which corresponds to an equity ratio of 87 (87) percent.

Cash flow and liquid assets

KSEK	2023	2022
Cash flow from operating activities	145 086	84 788
Cash flow from investing activities	-188 379	-213 492
Cash flow from financing activities	-27 174	-18 162
Cash flow for the period	-70 467	-146 867

Reported cash flow for the year amounted to SEK -70 million (SEK -147 million).

Cash flow from operating activities during the period amounted to SEK 145 million (SEK 85 million), mainly related to changes in working capital

Cash flow from investment activities amounted to SEK -188 million (SEK -213 million), mainly with investments in intangible fixed assets, and financial instruments and settlement of contingent consideration related to the acquisition of A-P Records AB (rebranded to Overtone Studios AB). The previous year's cash flow was also impacted by the acquisition of A-P Records AB and its subsidiary Marbel Songs AB. Investments in tangible and intangible fixed assets totaled SEK -150 million (SEK -117 million) and relate mainly to the music catalogue and proprietary systems.

Cash flow from financing activities amounted to SEK -27 million (SEK -18 million), mainly related to the new share issue, settlement of contingent consideration and amortization of lease liabilities. The previous year's cash flow was mainly related to similar items.

Research and development

Epidemic Sound has a strong focus on the development of its own products, services, and technology. The development work is led by the head office in Stockholm. The Group's product development is capitalized when the criteria for development in IAS 38 are met. In 2023, SEK 39 million (SEK 32 million) of the company's total payroll costs of SEK -663 million (SEK -541 million) were capitalized.



Employees

The number of employees at the end of the period was 484 (497). The average number of employees in 2023 was 535 (436), the number of women was 271 (214).

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

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

Investments, depreciation and amortization

During the year, the Group's investments in tangible assets amounted to SEK 17 million (SEK 12 million). The investments are mainly attributable to changes and improvements to the IT environment.

The Group's product development is capitalized and planned depreciation begins when the product or service is completed. During the year, the newly capitalized development of its own products and services amounted to SEK 39 million (SEK 32 million). As of December 31, 2023, total capitalized product development after depreciation amounted to SEK 100 million (SEK 75 million). Depreciation of capitalized product development during the year amounted to SEK -13 million (SEK -10 million).

Intangible fixed assets related to music purchases acquired during the year for SEK 95 million (SEK 73 million) and the depreciation of these assets during the year amounted to SEK -30 million (SEK -21 million).

For the full year, depreciation amounted to SEK -508 million (SEK -494 million) and impairment to SEK -3 million (SEK 0 million) related to all fixed assets.

Ownership structure

Epidemic Sound's largest owners per December 31, 2023 are shown in the following table:

Ownership of the parent company is distributed as follows:	Shares, %	Votes, %
EQT	32%	33%
Founders	19%	19%
Blackstone Growth	17%	18%
Creandum	12%	12%
institutional shareholders	9%	10%
Others, incl. incentive program	11%	8%
Total	100%	100%

Market and future prospects

The Group's expansion continues in line with its current strategy. All the Group's business areas are developing well and further resources are planned to be invested in them. The Group continues to focus on technological development in general and AI technology in particular, and on reaching increased brand awareness in the markets in which it operates. The Group plans to develop its products and customer offerings further to continue to grow in combination with improving profitability.



Sustainability Report

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

Essential key figures

Epidemic Sound uses alternative financial measurements that aren't defined by IFRS. Epidemic Sound considers that these alternative performance metrics (APM) give valuable information to readers of the financial reports since they represent a complementary valuation of Epidemic Sound's performance. The key figures that Epidemic Sound has chosen to present are relevant observations of the business, as well as in relation to the financial goals for growth, margins, and capital structure. In the definitions on page 97, we note how Epidemic Sound defines its key figures, as well as the purpose of each key figure. On page 95, there's complementary information about the derivation of the key figures.

Guidelines for remuneration to senior executives

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

Parent company

Epidemic Sound Holding II AB (publ) is the parent company of the Epidemic Sound Group. These activities include financing of the Group's activities. Assets amounted to SEK 11,892 million (SEK 11,881 million) and equity to SEK 11,819 million (SEK 11,813 million).

The parent company's share capital amounted to SEK 646,891 (SEK 640,846) at year end 2023. For changes in share capital between 2022 and 2023, see "Report on changes in equity" for the Group. For a description of number of shares and nominal value for Epidemic Sound, see Note 18 Equity.

During 2022, the parent company had an unrealized currency effect from intercompany liabilities amounting to SEK 18 million (SEK 18 million), which have been recorded in Other operating expenses. The currency effect was realized in 2023.

Events after the end of the reporting period

On January 23, 2024, Epidemic Sound concluded the purchase of Soundly AS, one of the leading sound effects companies in the world. In February 2024, Sam Hall was hired as new Chief Product Officer (CPO).



Management assessment of continued operation

The management and the Board of Directors are continuously monitoring the development of the business to further manage quickly and effectively any risks and situations that may arise. It's the company's assessment that it currently has the liquidity to continue operations in 2024 and that there is no obstacle to continuing to operate in accordance with established strategies and to meet its short-term and long-term obligations.

Annual General Meeting

The 2024 Annual General Meeting will be held on May 15, 2024.

Proposed appropriation of non-restricted equity (SEK)

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

Parent Company	2023-12-31
The following profits are at the disposal of the Annual General Meeting (SEK):	
Share premium reserve	11 915 385 603
Retained earnings	-74 568 216
Profit for the year	-22 173 671
<hr/>	
The Board proposes that all non-restricted funds be carried forward	11 818 643 716



Risks and Risk Management

At Epidemic Sound, robust risk management forms the cornerstone of our operations. Our commitment to effective risk management is not just fundamental but also a key driver in establishing a stable and profitable organization. This approach enhances our decision-making processes and bolsters our capacity to attain strategic objectives.

We have an established and comprehensive risk management process across our group, designed for identifying, planning, managing, and mitigating risks that surpass our acceptable risk thresholds. An essential part of this framework involves regular reporting to the Board, ensuring at least an annual review.

Our risk management strategy ensures thorough control over our total risk exposure. It prioritizes efficient, systematic, and value-driven management of both opportunities and risks. This strategy is instrumental in safeguarding and advancing our business interests.

Our Enterprise Risk Management (ERM) framework is structured around four principal areas, each critical to the integrity and success of our operations. These areas are: External, Strategic, Operational and Financial. Within each of these primary areas, we have identified specific sub-risk categories. This detailed categorization allows us to address the unique challenges and opportunities in each segment effectively. By doing so, we ensure a thorough and nuanced approach to risk management, aligning with our commitment to operational excellence and strategic growth.

External risks

In the dynamic landscape in which Epidemic Sound operates, various external factors play a significant role. Macroeconomic conditions, regulatory changes, technological advancements, and cybersecurity issues are among the primary external elements influencing our operational environment. Our Board and executive management team vigilantly monitor developments in key markets. This proactive approach is not limited to risk assessment; it also encompasses the identification of potential opportunities that could impact the Group's strategy and operations. By maintaining an alert posture, we ensure that Epidemic Sound is well-prepared to effectively tackle external challenges and seize new opportunities.



Risk	Definition of risk	Treatment and comments for the year
Market Trend and AI Advancements	A general key external risk lies in the evolving demands and trends of the market, particularly in understanding shifts in customer behavior and expectations. As Artificial Intelligence (AI) continues to transform the creative process, there is a possibility of not fully understanding the potential effects and advantages with the new technology.	<p>In the past year, Epidemic Sound has proactively addressed the challenges posed by changing market demands and the advancement of AI, which have initiated a new paradigm.</p> <p>We've intensified our market research and customer engagement efforts to stay ahead of evolving consumer behaviors and preferences. To harness the potential of AI in the creative process, we've invested in cutting-edge technology and AI-powered tools or applications.</p> <p>Looking ahead, we plan to continue these initiatives, focusing on adaptive strategies and continuous innovation to remain competitive in a rapidly evolving industry.</p> <p>Our commitment is to not only mitigate risks but also to transform them into opportunities for growth and market leader.</p>
Regulatory changes	In our dynamic industry, the ability to navigate and adapt to evolving legislation and regulations is paramount. A major regulatory area with substantial potential to affect our operations is the field of copyright law, including changes relating to AI advancements. Changes in this area could have a direct influence on our business model.	<p>Our commitment to staying informed and compliant with evolving legal frameworks is central to our strategy. By proactively addressing these challenges, we ensure that our business remains agile and well-prepared for the opportunities and complexities of the regulatory landscape.</p> <p>This proactive stance is integral to our commitment to sustainable and responsible business practices, ensuring that we remain aligned with both legal requirements and our strategic goals.</p> <p>Our commitment to legal conformity is not merely about adherence to statutory requirements; it's also a cornerstone of our operational integrity and ethical standards. We continuously refine our practices and policies to align with evolving legal landscapes, ensuring that our business operations remain not only compliant but also ethically and legally sound.</p>
Cyber security	Our risk landscape encompasses several key areas within the realm of cybersecurity. This includes the growing threats of phishing and ransomware attacks, vulnerabilities in the supply chain, and the potential for data loss.	<p>We acknowledge the criticality of these risks and have implemented robust strategies to mitigate them. Our approach is comprehensive, addressing not only the prevention of such incidents but also preparedness for rapid and effective response in the event of a breach. This ensures the integrity and security of our data and systems, a paramount concern in today's digital environment.</p> <p>In 2023, we enhanced our internal training and phishing simulations, as well as bolstered our office's physical security. Additionally, we engaged an external Incident Response firm on a retainer basis. We have also deployed tools designed to assist in and mitigate the risk of data loss.</p>



Strategic Risks & Opportunities

At Epidemic Sound, we understand that our strategic trajectory is intricately tied to both external influences and internal dynamics. These factors have a profound impact on the Group's ability to effectively execute its strategy. In recognition of this interconnectedness, our Board and management team are committed to an ongoing review and revision of our strategic framework. This ensures that our approach remains not only current but also optimally aligned with the evolving business landscape.

A key focus of our strategy is to direct our business divisions towards activities that generate economic value. Concurrently, our operational units are diligently managing potential execution risks that are aligned with our strategic priorities. This dual focus on risk management and value creation is a critical component of our strategic planning. It allows us to capitalize on opportunities while mitigating risks, thereby ensuring the sustainable growth and resilience of Epidemic Sound.

Risk	Definition of risk	Treatment and comments for the year
Technological Innovation and Soundtracking Experience	<p>The digital landscape is in a constant state of evolution, especially with advancements in sophisticated technologies like AI.</p> <p>The rapid progression in AI capabilities is increasingly enabling the automation of complex creative tasks, including music adaptation and composition. At Epidemic Sound, we understand that AI has the potential to pose risks, but also offers significant opportunities.</p> <p>If we do not keep pace with AI advancements to boost the soundtracking experience there is a possible risk of reduced customer engagement.</p>	<p>Epidemic Sound's stance is clear: we both partner with artists and leverage AI, as there's power in the combination. By collaborating with artists, we aim to leverage AI to enhance our high-quality, stem-based music and sound library.</p> <p>We have made concerted efforts to employ AI in enhancing our soundtracking experience for content creators. This includes the launch of pioneering music discovery tools like Soundmatch to enhance our existing suite of AI-powered functions and innovative soundtracking tools, which will save time and effort in seamlessly matching sound to content.</p>
Reputation	<p>The stature of our reputation holds paramount importance in the trajectory of our success and in the fortification of our brand. At Epidemic Sound, we recognize that maintaining and enhancing our credibility is vital, not only within our organization but also in the eyes of our valued stakeholders. This includes our dedicated employees, our esteemed customers, the talented music creators we collaborate with, and our strategic partners.</p>	<p>Continuing to build and nurture these relationships is central to our mission. We believe that a strong reputation is a foundation upon which trust and loyalty are built, driving our company forward. Our commitment to integrity, excellence, and innovation remains unwavering as we strive to uphold and elevate our standing in the industry. These principles guide our actions and decisions, ensuring that we continue to be a brand synonymous with reliability and quality in all our endeavors.</p> <p>At Epidemic Sound, we are deeply committed to fostering a culture of open, transparent, and reliable communication. This commitment extends not only to our valued employees but also to our external stakeholders. By ensuring the flow of accurate and clear information, we proactively work to mitigate reputational risks, building a foundation of trust that is essential to our business</p>



Operational risks

Central to the Group's success in enhancing operational performance and value creation is our commitment to delivering exceptional customer innovation, with a keen emphasis on profitable growth and ongoing improvements. The effective execution of these objectives hinges on the robustness of our operational processes, the strength of our system infrastructure, and the expertise of our personnel. Furthermore, maintaining a balance between these endeavors and operational compliance is critical, particularly in alignment with our defined risk appetite.

To this end, the Group has established dedicated internal bodies tasked with the proactive monitoring and management of operational risks. These bodies play a pivotal role in ensuring that our operations not only meet or exceed performance standards, while also adhering to our stringent risk management protocols. Their oversight is instrumental in safeguarding the operational integrity of the Group, thus facilitating our continued growth and success in a dynamic business environment.

Risk	Definition of risk	Treatment and comments for the year
Technical platform and IT-support	<p>At Epidemic Sound, our technology platform is the backbone of our daily operations, playing a critical role in our ability to effectively serve our customers and stakeholders. Recognizing the potential impact of any disruption to this platform on our reputation and operational capabilities, we place utmost importance on the maintenance and resilience of our technical infrastructure. Regular updates and development of our IT systems are not only crucial for streamlining company processes but also for ensuring uninterrupted service delivery.</p>	<p>Our approach to risk treatment in this area is both proactive and comprehensive. Epidemic Sound has established robust processes and routines aimed at both preventing operational disruptions and minimizing their consequences should they occur. A key aspect of our strategy is the ongoing management and fortification of our IT infrastructure's security. This effort ensures the reliability and integrity of our technical platform, enabling us to consistently deliver an exceptional user experience. Through these measures, we strive to maintain and enhance our strong position in the market, underpinned by a resilient and secure technological foundation.</p>
Talent, Leadership, and Retention	<p>In today's competitive landscape, the recruitment of critical talent and the retention of key employees is a critical success factor.</p> <p>This is particularly relevant in volatile talent markets, where specific skill sets, such as experienced Machine Learning (ML) engineers, are in high demand. These professionals are essential not only for driving our AI initiatives but also for better understanding and leveraging emerging opportunities.</p> <p>Furthermore, we recognize the risk associated with the potential departure of key employees, especially given the increasingly competitive market for tech talent.</p>	<p>Epidemic Sound is committed to creating an environment that not only attracts top talent but also fosters their long-term growth and satisfaction within our company. By addressing these people-related risks proactively, we aim to secure a talented workforce capable of propelling our company towards its strategic objectives.</p> <p>In response to the challenges of talent recruitment and retention, Epidemic Sound has implemented a multifaceted strategy. Our approach includes targeted recruitment efforts, competitive compensation packages, and a strong focus on performance and career development. We're committed to fostering a positive work culture and providing flexible work options to meet the evolving needs of our workforce. Additionally, succession planning and robust knowledge transfer protocols are in place to mitigate risks associated with key personnel changes. These initiatives are critical to maintaining our competitive edge and ensuring the continuous growth and success of our organization.</p>



Financial risk management

Epidemic Sound, operating on a global scale, is exposed to various financial risks that could impact our financial results, cash flow, and balance sheet. These risks are centrally managed by our Treasury function within the Finance department, as outlined in the Treasury policy. Regular reporting on financial status and policy compliance is provided to both group management and the Board, with the Treasury policy being subject to annual approval by the Board.

The central Treasury function oversees the control of financial risks, financing, liquidity planning, and payment solutions. For detailed information on specific risks and the corresponding mitigation actions, please refer to Disclosure 20 in our annual report, titled 'Financial Risks.' Our rigorous financial risk management approach is aimed at ensuring the stability and resilience of Epidemic Sound in the face of global market dynamics.



Financial Reports



Financial reports

Consolidated statement of comprehensive income

Amount in KSEK	Note	2023-01-01 2023-12-31	2022-01-01 2022-12-31
Net sales	3	1 470 838	1 177 982
Operating income	4	6 772	3 199
Total revenues		1 477 610	1 181 181
Cost of sales		-225 817	-163 794
Other external costs	5,6	-591 546	-504 701
Capitalized work for own account		39 382	32 508
Personnel costs	7	-662 880	540 820
Other operating expenses		-11 996	-1 555
Operating profit before depreciation and amortization (EBITDA)		24 752	2 818
Depreciation and amortization	3,6,10,11	-511 147	-494 384
Operating profit (EBIT)		-486 395	-491 566
Financial income	8	26 044	11 637
Financial expenses	8	-10 978	-13 277
Profit before tax		- 471 330	- 493 206
Income tax	9	91 555	81 818
Profit for the year		-379 774	-411 388
Profit for the year attributable to:			
Parent company shareholders		-379 774	-411 388
Non-controlling interests		-	-
Total		-379 774	-411 388



Consolidated statement of comprehensive income

Amount in KSEK	Note	2023-01-01 2023-12-31	2022-01-01 2022-12-31
Profit for the year		-379 774	-411 388
Items that have been reclassified or may subsequently be reclassified to the income statement			
Translation difference for the year on translation of foreign operations		-2 353	5 739
Change in market value of short-term investments	12	203	-
Currency hedging	20	579	-
Other comprehensive income for the year		-1 571	5 630
Comprehensive income for the year		-381 346	-405 759
Profit for the year attributable to:			
Parent company shareholders		-381 346	-405 759



Group statement of financial position

Amount in KSEK	Note	2023-12-31	2022-12-31
Assets			
Fixed assets			
Intangible assets			
Goodwill	10	6 573 654	6 573 654
Other intangible assets	10	4 691 588	5 058 271
Capitalized expenditure on development work	10	100 321	75 036
Total intangible assets		11 365 563	11 706 960
Tangible assets			
Equipment, tools, fixtures and fittings	11	29 701	22 234
Right-of-use assets	6	142 679	161 741
Total tangible assets		172 380	183 975
Financial assets			
Deferred tax assets	15	54 022	47 506
Other financial fixed assets	16	30 718	23 359
Total financial assets		84 740	70 865
Total fixed assets		11 622 683	11 961 801
Current assets			
Trade receivables	13, 12, 20	59 248	49 058
Other receivables		27 902	40 143
Derivatives	20	587	-
Prepaid expenses and accrued income	13	103 937	77 517
Short-term investments	12	195 779	192 266
Cash and cash equivalents	12, 14	594 296	667 647
Total intangible assets		981 749	1 026 632
TOTAL ASSETS		12 604 432	12 988 433



EQUITY AND LIABILITIES	Note	2023-12-31	2022-12-31
Equity capital	18		
Share capital		647	641
Other paid in capital		12 080 947	12 078 187
Reserve		6 458	8 029
Retained earnings including profit for the year		-1 118 666	-764 434
Equity attributable to parent company shareholders		10 969 386	11 322 423
Total equity		10 969 386	11 322 423
Long-term liabilities			
Deferred tax liabilities	15	913 037	1 001 184
Conditional additional purchase price	12, 19, 20	-	15 682
Leasing liabilities	6, 20, 23	114 222	137 144
Long-term provisions	21, 23	61	484
Total long-term liabilities		1 027 319	1 154 494
Current liabilities			
Trade payables	12, 20	165 222	136 997
Current tax liabilities		431	12 402
Leasing liabilities	6, 20, 23	26 827	24 272
Other liabilities	12, 20	45 948	60 667
Derivatives	20	8	-
Conditional additional purchase price	12, 19, 20	22 529	27 309
Short-term provisions	21, 23	5 701	3 492
Accrued charges and deferred income	12, 22	341 060	246 378
Total current liabilities		607 727	511 516
TOTAL EQUITY AND LIABILITIES		12 604 432	12 988 433



Group statement on changes in equity

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

¹ No issue costs were incurred for the new share issue

Amount in KSEK	Share Capital	Unregistered Capital	Other paid in capital	Translation reserve	Fair value reserve	Retained earnings	Total earnings attr. to owners of the parent	Total equity
Opening balance equity 2023-01-01	641	-	12 078 187	8 229	-200	-764 434	11 322 423	-381 346
Profit for the year	-	-	-	-	-	-379 774	-379 774	-379 774
Other comprehensive income	-	-	-	-2 353	782	-	-1 571	-1 571
Comprehensive income for the year	-	-	-	-2 353	782	-379 774	-381 346	-381 346
<i>Transactions with group owners</i>								
New share issue ¹	6	-	2 760	-	-	-	2 766	2 766
Share-based payments	-	-	-	-	-	25 542	25 542	25 542
Total	6	-	2 760	-	-	25 542	28 308	28 308
Closing balance, equity 2023-12-31	647	-	12 080 947	5 876	582	-1 118 666	10 969 386	10 969 386

¹ No issue costs were incurred for the new share issue



Group cash flow statement

Amount in KSEK	Note	2023-01-01 2023-12-31	2022-01-01 2022-12-31
Current operations			
Operating result		-486 395	-491 566
<i>Adjustment for items not included in cash flow</i>			
Depreciation and amortization	10,11	508 029	494 384
Impairment losses	10	-	418
Exchange rate gains		-	-2 969
Changes in provisions	21	1 786	-2 585
Changes in market value of financial instruments		269	-
Share-based payments		25 542	-
Interest received		26 044	5 229
Interest paid		-144	-2 575
Income tax paid		-15 014	-6 526
Cash flow from operating activities before changes in working capital		63 236	-6 190
Cash flow from changes in working capital			
Changes in operating receivables		-27 636	-37 177
Changes in operating liabilities		109 486	128 155
Total fixed assets		145 086	84 788
Investment activities			
Business combinations	19	-	-25 041
Settlement of contingent considerations	23	-27940	-
Acquisition of tangible fixed assets	11	-16 786	-12 422
Acquisition of intangible assets	10	-133 711	-104 367
Acquisition of financial fixed assets		-6 942	-888
Investments in financial instruments	12	-3 000	-70 774
Cash flow from investing activities		-188 379	-213 492
Financing activities	23		
New share issue	18	2 766	11 264
Amortization of leasing liabilities	20,23	-29 940	-29 426
Cash flow from financing activities		-27 174	-18 162
Cash flow for the year		-70 467	-146 867
Cash and cash equivalents at the beginning of the year		667 647	811 380
Exchange rate difference in cash and cash equivalents		-2 884	3 133
Cash and cash equivalents at the end of the year	14	594 296	667 647



Parent company income statement

Amount in KSEK	Note	2023-01-01 2023-12-31	2022-01-01 2022-12-31
Other operating income	4	7 200	4 203
Operating profit		7 200	4 203
Other external costs	5	-5 978	-6 341
Personnel costs	7	-23 768	-10 638
Other operating expenses		-15	-17 712
Operating profit		-22 561	-30 488
Interest income and similar profit items	8	2 177	929
Interest costs and similar profit items	8	-3 906	-3 841
Profit after financial items		-24 291	-33 401
Profit before tax		-24 291	-33 401
Tax on profit for the year		2 117	-
Profit for the year		-22 174	-33 401

Parent company statement of comprehensive income

Parent company statement of comprehensive income	2023-01-01 2023-12-31	2022-01-01 2022-12-31
Profit for the year	-22 174	-33 401
<i>Items that have been reclassified or may subsequently be reclassified to the income statement</i>		
Change in market value of short-term investments	-	54
Other comprehensive income for the year	-	54
Profit for the year	-22 174	-33 292



Parent company balance sheet

Amount in KSEK	Note	2023-12-31	2022-12-31
ASSETS			
Fixed assets			
<i>Financial fixed assets</i>			
Shares in group companies	17	11 889 903	11 879 953
Deferred tax assets	15	2 117	-
Total financial fixed assets		11 892 020	11 879 953
Total fixed assets		11 892 020	11 879 953
<i>Current assets</i>			
Current tax asset		-	760
Other receivables		319	57
Prepaid expenses and accrued income		121	99
Total current assets		440	917
TOTAL ASSETS		11 892 460	11 880 870
EQUITY AND LIABILITIES			
Equity capital			
<i>Restricted equity</i>			
Share capital	18	647	641
		647	641
<i>Non restricted equity</i>			
Share premium		11 915 386	11 912 625
Profit/loss carried forward		-74 568	-66 704
Profit for the year		-22 174	-33 400
		11 818 644	11 812 521
Total equity of the parent company		11 819 291	11 813 162
Non-current liabilities			
Conditional additional purchase price	12,19,20	-	15 682
Total long-term liabilities		-	15 682
Current liabilities			
Conditional additional purchase price	12,19,20	22 529	27 309
Trade payables		649	742
Liabilities to group companies	14	44 226	21 542
Other liabilities	12,20	705	418
Current tax liabilities		318	28
Accrued expenses and deferred income	12,22	4 744	1 987
Total current liabilities		73 170	52 026
TOTAL EQUITY AND LIABILITIES		11 892 460	11 880 870



Parent company statement on changes in equity

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

¹ No issue costs were incurred for the new share issue

Amount in KSEK	Restricted equity		Non-restricted equity			Total equity
	Share Capital	Unregistered Capital	Share premium	Retained earnings including profit for the year	Fair value reserve	
Opening balance, equity 2023-01-01	641	-	11 415 227	397 294	-	11 813 161
Comprehensive income						
Profit for the year	-	-	-	-22 174	-	-22 024
Total comprehensive income	-	-	-	-22 174	-	-22 174
<i>Transactions with owners of the parent company</i>						
New share issue ¹	6	-	2 760	-	-	2 766
Share based payments	-	-	-	25 537	-	25 537
Total transactions with shareholders	6	-	2 760	25 537	-	28 303
Closing balance, equity 2023-12-31	647	-	11 417 987	400 657	-	11 819 291

¹ No issue costs were incurred for the new share issue



Parent company cashflow statement

Amount in KSEK	Note	2023-01-01 2023-12-31	2022-01-01 2022-12-31
Current operations			
Operating result		-22 561	-30 488
<i>Adjustment for items not included in cash flow</i>			
Unrealised exchange rate losses		-	17 726
Share-based payments		8 569	-
Interest received		2 177	557
Interest paid		-5	-283
Paid taxes		-28	28
Cash flow from operating activities before changes in working capital		-11 848	-12 460
Cash flow from changes in working capital			
Changes in operating receivables		473	18 553
Changes in operating liabilities		41 120	-114 387
Cash flow from operating activities		29 745	-108 294
Investment activities			
Investments in subsidiaries	17		
Investment in financial instruments	19	-4 571	-68 099
Shareholder contributions	12	-	65 261
Settlement of contingent considerations	17	-	-260 000
Merged funds from subsidiary	24	-27 940	-
		-	22 052
Cash flow from investing activities		-32 511	-240 786
Financing activities			
New share issue		2 766	11 290
Cash flow from financing activities		2 766	11 290
Cash flow for the year		-	-337 790
Cash and cash equivalents at the beginning of the year		-	-337 790
Cash and cash equivalents at the end of the year	14	-	-



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Note 1 - General financial reporting and valuation principles

General financial reporting principles

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

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

On March 8, 2024, the Board of directors approved this Annual Report and Consolidated Financial Statements, which will be presented for adoption at the Annual General Meeting on May 15, 2024.

Regulatory framework and basis for reporting

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

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

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

New standards, amendments and interpretations applied by the Group

The International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRIC) have issued, and the EU has adopted, new and revised standards and interpretations applicable from the financial year 2023. IASB has released an amendment of IAS 1 Presentation of Financial Statements whereas the company have reviewed their accounting principles and focused on the ones that are significant and material.

Other amended standards have not had a material impact on the Group's financial performance and position.

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

Valuation basis

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

Classification of long-term and current items

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



Consolidated financial statements

Subsidiaries

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

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

Transactions eliminated on consolidation

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

Currency conversion

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

Transactions in foreign currency

Foreign currency transactions are translated into the functional currency at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the

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

Translation of foreign subsidiaries and other foreign operations

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

Accounting policies of the parent company

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



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

Subsidiaries

Investments in subsidiaries are accounted for in the parent company in accordance with the cost method. This means that they are stated at cost less any impairment losses. Transaction costs are included in the reported value of investments in subsidiaries. In the event that book value exceeds the company's consolidated value, an impairment is performed and recognized on the income statement. An analysis of any need for impairment is performed at the end of each reporting period. In the event that an earlier

impairment is no longer justified, a reversal is carried out.

Group contributions and shareholder contributions

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

Leasing

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

Note 2 - Significant estimates and judgment

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

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

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

Impairment testing of fixed assets

The most material fixed assets where impairment testing is judged to be critical are goodwill and

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

Reporting of deferred tax assets

Judgements are made to determine when deferred tax assets are reported in the Group. Deferred tax assets are reported as receivables when it is judged to be probable that the deferred tax assets will be able to be used to offset future taxable gains. Other assumptions regarding the outcome for these future taxable gains, as well as changes in tax rates and taxation rules, can result in significant differences in the valuation of deferred tax assets. Deferred tax assets in the Group are calculated and recognized on the tax loss carry-forward only when management has assessed that it is highly probable that the company will generate future income against which the losses can be utilized in the near future. For more information about the amount, see Note 9 Tax.



Right of use and leasing liability

In the valuation of lease agreements and right-of-use assets according to IFRS 16, the Group makes an assessment of the duration of contracts where the contracts include renewal and termination options. The Group considers both business strategy and contract-specific conditions to determine whether the Group is reasonably certain to exploit them. The greater part of the Group's lease contracts consist of rental contracts for office premises. For more information, see Note 6 Leasing.

Note 3 – Net sales and segment reporting

Financial reporting principles

Net sales

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

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

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

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

Capitalization of development costs

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

Direct Sales

Subscriptions

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

Single track licenses/One-offs

Income from the sale of a license linked to a specific song that is transferred to the buyer at a given time and can then be used by the buyer in their production (right-to-use license). After transferring the song, Epidemic Sound is not able to carry out any activities that would materially change the song.



Income via resellers

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

Partnership Sales

Income via digital partnerships

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

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

Income via other partnerships

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

Segment reporting

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

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

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

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

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



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

2023 KSEK	Direct Sales	Partnership Sales	Total Consolidated
Total revenue	861 067	616 542	1 477 610
Operating profit before depreciation and amortization (EBITDA)	-19 389	44 141	24 752
EBITDA margin	-2%	7%	2%
Depreciation and amortization	-	-	-511 147
Operating profit (EBIT)	-19 389	44 141	-486 395
Financial income	-	-	26 044
Financial expenses	-	-	-10 978
Profit before tax	-19 389	44 141	-471 330
Income tax	-	-	91 555
Profit for the year	-19 389	44 141	-379 774

2022 KSEK	Direct Sales	Partnership Sales	Total Consolidated
Total revenue	746 194	434 987	1 181 181
Operating profit before depreciation and amortization (EBITDA)	-22 164	24 982	2 818
EBITDA margin	-3%	6%	0%
Depreciation and amortization	-	-	-494 384
Operating profit (EBIT)	-22 164	24 982	-491 566
Financial income	-	-	11 637
Financial expenses	-	-	-13 277
Profit before tax	-22 164	24 982	-493 206
Income tax	-	-	81 818
Profit for the year	-22 164	24 982	-411 388

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



Income from contracts with customers

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

Sales by geographic market, net sales

KSEK	2023 Total	2022 Total
North America	784 013	602 589
Europe (excl Sweden)	344 998	274 982
Sweden	160 835	142 222
Asia Pacific area	132 560	112 121
Latin America	30 442	23 358
Middle East and Africa	24 761	22 824
Other markets	-	3 085
Total for group	1 477 610	1 181 181

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

KSEK	Group			
	2023		2022	
Timing of revenue recognition	Direct sales	Partnership sales	Direct sales	Partnership sales
Performance commitments met over time	836 801	87 894	722 527	327 104
Performance commitments to be met at a specific time	21 346	524 796	24 202	104 148
Total for group	858 148	612 690	746 729	431 252

In 2023, there was one customer in the Partnership Sales segment where net sales amounted to KSEK 206,932 (14 %). In 2022, there was no customer that accounted for more than 10% of net sales within the Group.

All income from contracts with customers relates to external customers.

Contractual balances	Group	
	2023-12-31	2022-12-31
Trade receivables	59 248	49 058
Contractual assets	83 482	60 453
Contractual liabilities	188 724	124 954
Sum	331 454	234 466

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

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

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



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

Of the KSEK 124,954 (KSEK 79,931) reported as contractual liability as at December 31, 2022, KSEK 122,879 (KSEK 79,764) was reported as income in 2023.

	Group	
	2023-01-01 2023-12-31	2022-01-01 2022-12-31
Revenue recognized during the year		
Included in contract liabilities at January 1	122 879	79 764
Total	122 879	79 764

Performance commitments

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

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

	Group	
	2023-12-31	2022-12-31
Performance commitments not yet met		
Within a year	187 568	122 879
After more than a year	1 156	2 075
Total	188 724	124 954

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

Geographical distribution of fixed assets

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

	2023-12-31	2022-12-31
Geographical distribution fixed assets		
Sweden	11 598 923	11 930 872
USA	15 396	30 410
Germany	7 811	-
United Kingdom	323	-
South Korea	152	281
Netherlands	77	238
Total	11 622 683	11 961 801



Note 4 - Other operating income

	Group		Parent company	
	2023-01-01 2023-12-31	2022-12-01 2022-12-31	2023-01-01 2023-12-31	2022-12-01 2022-12-31
Other operating income				
Rental income	2 661	2 662	-	-
Other operating income	141	537	-	-
Reversal of unutilized provision	3 970	-	-	-
Re-invoiced costs	-	-	7 200	4 203
Total	6 772	3 199	7 200	4 203

Note 5 - Auditor's fees

	Group		Parent company	
	2023-01-01 2023-12-31	2022-12-01 2022-12-31	2023-01-01 2023-12-31	2022-12-01 2022-12-31
Ernst & Young AB				
Audit assignment	2 296	1 917	1 153	908
Other auditing activities	97	484	97	484
Tax advice	50	127	-	-
Other services	177	618	-	-
Total	2 619	3 146	1 250	1 392

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

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

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

Note 6 - Leasing

Financial reporting principles

Epidemic Sound as a lessee

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

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

Right-of-use assets

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



Leasing liabilities

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

To calculate the present value of the lease payments, the Group uses the implicit interest rate of the lease if it can be determined and otherwise uses the Group's marginal borrowing rate at the commencement date of the lease.

Application of practical exceptions

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

KSEK	Right-of-use assets Real estate	Leasing liabilities
Opening balance 2023-01-01	161 741	-161 416
Additional agreements	8 135	-8 135
Depreciation and amortization	-26 687	-
Exchange rate differences	-511	793
Interest expense	-	5 652
Leasing fees	-	22 057
Closing balance 2023-12-31	142 679	-141 048

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

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



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

KSEK	2023-01-01	2022-01-01
	2023-12-31	2022-12-31
Depreciation of right-of-use assets	-26 687	-28 334
Interest expenses on leasing liabilities	-5 652	-7 007
Short-term leasing	-3 087	-4 922
Total	-35 426	-40 263

The Group recognizes a cash outflow related to leases amounting to KSEK 31,195 (KSEK 33,456) for the financial year 2023.

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

During the full year of 2023, the Group expensed lease payments related to low-value agreements amounting to KSEK 3,087 (KSEK 4,922). Income from subletting of lease agreements in 2023 amounted to KSEK 2,661 (KSEK 2,662).

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

Note 7 - Employees and personnel costs

Financial reporting principles

Short-term benefits

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

Pensions

The Group only has defined contribution pension plans.

Benefits on termination

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



Average number of employees	2023			2022		
	Average number of employees	Of which are women (%)	Of which are men (%)	Average number of employees	Of which are women (%)	Of which are men (%)
Subsidiaries in Germany	4	34%	66%	4	45%	55%
Subsidiaries in Sweden	470	50%	50%	370	49%	51%
Subsidiaries in the USA	47	48%	52%	49	48%	52%
Subsidiaries in the Netherlands	7	43%	57%	7	43%	57%
Subsidiaries in South Korea	5	40%	60%	4	51%	49%
Subsidiaries in United Kingdom	0	0%	0%	-	-	-
Total subsidiaries	533	50%	50%	434	49%	51%
Parent company	2	50%	50%	2	50%	50%
Total subsidiaries	535	50%	50%	436	49%	51%

Gender distribution, Board of directors and senior executives	2023-12-31			2022-12-31		
	Number at balance sheet date	Of which are women (%)	Of which are men (%)	Number at balance sheet date	Of which are women (%)	Of which are men (%)
Board members	6	33%	67%	6	33%	67%
Chief Executive Officer and other senior executives	9	22%	78%	4	50%	50%
Total subsidiaries	15	27%	73%	10	40%	60%



	2023-01-01 2023-12-31	2022-01-01 2022-12-31
Personnel Costs		
Parent company		
<i>Board of directors and other senior executives</i>		
Salaries and other benefits	18 022	7 140
Social security contributions	4 194	2 037
Pension costs	1 447	1 358
Total	23 663	10 535
Other personnel costs	105	103
Total personnel costs, parent company	23 768	10 638
Subsidiaries		
<i>Board of directors and other senior executives</i>		
Salaries and other benefits	14 454	3 668
Social security contributions	5 364	1 360
Pension costs	3 029	858
Total	22 847	5 886
<i>Other employees</i>		
Salaries and other benefits	425 346	357 417
Social security contributions	122 924	101 627
Pension costs	39 299	33 784
Total	587 569	492 828
Other personnel costs	28 696	31 468
Total personnel costs subsidiaries	639 112	530 182
Total personnel costs group	662 880	540 820

2023	Base salary, Board member fees	Pension cost	Variable remuneration	Benefits	Share-based payments	Total
Chairman of the Board						
Andrew Fisher	1 163	-	-	-	-	1 163
Board member	-					-
Victor Englesson	-	-	-	-	-	-
Jan Zachrisson	395	-	-	-	-	395
Kirsten Wolberg	617	-	-	-	-	617
Adrienne Gormley	617	-	-	-	-	617
Vincent Letteri	-	-	-	-	-	-
Chief Executive Officer						
Oscar Höglund	3 100	791	-	-	-	3 891
Other senior executives (8)	16 905	3 643	-	-	-	20 548
Total	22 796	4 434	-	-	-	27 231



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

Remuneration and terms for senior executives

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

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

The CEO is not included in the RSU program.

Staff pension costs are defined contribution.

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

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

Note 8 - Profit from financial items

Financial reporting principles

Financial income and costs

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

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



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

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

Group	2023-01-01	2022-01-01
Financial income	2023-12-31	2022-12-31
<i>Financial assets at amortized cost</i>		
Interest income from other financial assets	17 122	4 363
Total interest income according to effective interest method	17 122	4 363
<i>Other financial income</i>		
Interest income from short-term investments	8 922	777
Foreign exchange gains	-	5 838
Other financial income	-	658
Total	8 922	7 273
Total financial income	26 044	11 637

Financial expenses	2023-01-01	2022-01-01
	2023-12-31	2022-12-31
<i>Financial liabilities at amortized cost</i>		
Borrowing	-	-1
Other interest expenses	-86	-86
Total interest expense according to effective interest method	-86	-87
<i>Other financial expenses</i>		
Exchange rate losses	-1 345	-3 086
Interest expense leasing liability	-5 652	-6 974
Interest expense contingent consideration	-3 896	-3 113
Other financial expenses	-	-17
Total	-10 893	-13 191
Total financial expenses	-10 978	-13 277

Parent company	2023-01-01	2022-01-01
Financial income	2023-12-31	2022-12-31
<i>Financial assets at amortized cost</i>		
Interest income group companies	2 144	554
Total interest income according to effective interest method	2 144	554
<i>Other financial income</i>		
Foreign exchange gains	-	372
Interest income	33	-
Other financial income	-	3
Total	33	375
Total financial income	2 177	929



	2023-01-01 2023-12-31	2022-01-01 2022-12-31
Financial expenses		
<i>Financial liabilities at amortized cost</i>		
Other interest expenses	-4	-1
Total interest expense according to effective interest method	-4	-1
<i>Other financial expenses</i>		
Currency exchange losses	-5	-498
Interest expense contingent consideration	-3 896	-3 113
Interest expense group companies	-0	-1
Other financial expenses	-	-228
Total	-3 902	-3 840
Total financial expenses	-3 906	-3 841

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

Note 9 - Taxes

Financial reporting principles

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

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

Reported tax

	2023-01-01 2023-12-31	2022-01-01 2022-12-31
Tax expense		
Deferred tax		
Change in deferred tax relating to temporary differences	94 673	88 657
Total deferred tax	94 673	88 657
Current tax		
Current tax	-3 117	-6 263
Adjustment for previous years	-	-576
Total current tax	-3 117	-6 839
Tax recognized in the income statement	91 555	81 818
Reconciliation of effective tax rate	2023-01-01 2023-12-31	2022-01-01 2022-12-31
Profit before tax	-471 330	-493 206
Tax at the group's current rate	97 094	101 600
<i>Tax effect of:</i>		
Effect of different tax rates in foreign subsidiaries	730	628
Non-taxable income	844	392
Non-deductible expenses	-2 740	-4 778
Increase/decrease in tax loss carryforward without corresponding capitalization of deferred tax	-3 935	-15 174
Adjustment for previous years	-317	-576
Other	-119	-275
Recognized tax on deficit	91 555	81 818
Effective tax rate	19%	17%



The Group has no tax items recognized in other comprehensive income or directly in equity for 2022 or 2023.

Total tax loss carried forward for Epidemic Sound AB as of December 31, 2023 amounted to KSEK 296,912

(KSEK 301,373), of which deferred tax asset is recognized at KSEK 222,312 (KSEK 222,312). Deferred tax assets are recognized on these in the Group's and Epidemic Sound AB's balance sheet. The tax loss carry-forward has no time limit.

Note 10 - Intangible assets

Financial reporting principles

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

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

Capitalized expenditure on product development

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

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

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

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

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

Depreciation principles

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

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

The estimated useful lives are:

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

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

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



	Capitalized work for own account	Goodwill	Trademark	Customer contracts & customer relations	Technical platform	Musical works	Total
2022-01-01							
Cost							
Initial cost	90 214	6 573 654	1 435 000	375 000	704 471	3 306 312	12 484 651
Acquisitions in the year	38 334	-	-	-	-	95 377	133 711
Disposals	-	-	-	-	-	-161	-161
Realized cost	128 548	6 573 654	1 435 000	375 000	704 471	3 401 528	12 618 201
Depreciation and amortization							
Incoming depreciation	-15 178	-	-	-61 950	-123 282	-577 280	-777 691
Depreciation for the year	-13 049	-	-	-37 500	-70 447	-350 995	-471 991
Disposals	-	-	-	-	-	161	161
Outstanding depreciation	-28 227	-	-	-99 450	-193 729	-928 114	-1 249 521
Write downs							
Write-downs for the year	-	-	-	-	-	-3 118	-
Outstanding write-downs	-	-	-	-	-	-3 118	-
Carrying amount 2022-12-31	100 321	6 573 654	1 435 000	275 550	510 742	2 470 296	11 365 563

	Capitalized work for own account	Goodwill	Trademark	Customer contracts & customer relations	Technical platform	Musical works	Total
2022-01-01							
Cost							
Initial cost	58 658	6 513 808	1 435 000	326 000	704 471	3 014 501	12 052 438
Increase through business combinations	-	59 846	-	49 000	-	219 000	327 846
Acquisitions in the year	31 556	-	-	-	-	72 811	104 367
Realized cost	90 214	6 573 654	1 435 000	375 000	704 471	3 306 312	12 484 651
Depreciation and amortization							
Incoming depreciation	-5 273	-	-	-24 450	-52 835	-235 867	-318 427
Depreciation for the year	-9 906	-	-	-37 500	-70 447	-341 411	-459 264
Outstanding depreciation	-15 178	-	-	-61 950	-123 282	-577 280	-777 691
Carrying amount 2022-12-31	75 036	6 573 654	1 435 000	313 050	581 189	2 729 032	11 706 960

Goodwill

Goodwill represents the difference between cost value on a business combination and the fair value of net acquired assets. Goodwill is measured at cost value minus any cumulative depreciation. Goodwill is distributed among cash-generating units that are expected to benefit from the synergy effects of the business combination. The factors that comprise reported goodwill are mainly related to expertise and organizational structure. The goodwill item belonging to

the Group mainly arose in connection of the acquisition of the old Epidemic Sound Holding group in March 2021. Goodwill is considered to have an indefinite useful life and is therefore tested at least annually for any impairment need. For more information about goodwill on acquisition, see Note 19 Business combinations.

Impairment testing

The Group's goodwill, trademarks and other intangible assets are tested annually or more frequently for



impairment. The impairment test consists of assessing whether the recoverable amount of the asset is higher than its carrying amount. The recoverable amount has been calculated on the basis of the value in use of the asset, which represents the present value of the asset's expected future cash flows without taking into account any future business expansion and restructuring.

Impairment testing of goodwill and trade marks is based on the cash-generating units, which equate

to the Group's reported segments: Direct Sales and Partnership Sales. In the discounted cash flow analyses for each segment, a WACC of 16.9% is used in the calculation. The forecast period extends to 2028 after which a growth rate of 2% per annum has been assumed. The discount rates used are pre-tax and reflect the pre-tax weighted average cost of capital (pre-tax WACC).

Goodwill per segment	2023-12-31	2022-12-31
Direct sales	4 251 782	4 251 782
Partnership sales	2 321 872	2 321 872
Total	6 573 654	2 321 872

Trademark per segment	2023-12-31	2022-12-31
Direct sales	933 377	933 377
Partnership sales	501 623	501 623
Total	1 435 000	1 435 000

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

The company has used a forecast period of 5 years, based on historical growth and external market data showing that the market is growing and will grow more quickly than other markets in the coming 5 years. This means that a shorter forecast period would not be representative of the value of the assets.

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

Sensitivity analysis of goodwill and trademarks

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

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

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

Pre-tax discount rate ¹⁾ , %	16.9
Profit margin, %	16.8
Long-term growth rate ²⁾ , %	2.0

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

2) The growth rate used to extrapolate cash flows beyond the forecasted period of 5 years.

Note 11 - Tangible assets

Financial reporting principles

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

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



and condition for use in accordance with the purpose for which it was acquired.

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

Additional expenditure

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

Depreciation principles

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

The estimated useful lives are:

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

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

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

Equipment, tools, fixtures and fittings

	Equipment, tools, fixtures and fittings	Improvement costs others' property	Total
2023-01-01			
Cost			
Initial cost	30 818	2 518	33 336
Increase through business combinations	9 272	7 514	16 786
Acquisitions in the year	-1 736	-	-1 736
Sales and disposals	-83	83	-
Exchange rate differences	-118	-22	-141
Total deferred tax	38 153	10 093	48 245
Depreciation and amortization			
Incoming depreciation	-10 945	-157	-11 102
Sales and disposals	1 736	-	1 736
Depreciation for the year	-8 173	-1 178	-9 351
Exchange rate differences	136	38	173
Outstanding accumulated depreciation	-17 246	-1 298	-18 544
Carrying amount 2023-12-31	20 906	8 795	29 701



Equipment, tools, fixtures and fittings

	Equipment, tools, fixtures and fittings	Improvement costs others' property	Total
2022-01-01			
Cost			
Initial cost	19 470	743	20 213
Increase through business combinations	6	-	6
Acquisitions in the year	10 647	1 1775	12 422
Sales and disposals	-418	-	-418
Exchange rate differences	1 113	-	1 113
Total deferred tax	30 818	2 518	33 336
Depreciation and amortization			
Incoming depreciation	-4 961	-54	-5 016
Depreciation for the year	-5 289	-103	-5 392
Exchange rate differences	-695	-	-695
Outstanding accumulated depreciation	-10 945	-157	-11 102
Carrying amount 2022-12-31	19 873	2 361	22 234

Note 12 - Financial instruments

Financial reporting principles

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

Financial reporting and removal

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

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

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

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

Classification and valuation of financial assets

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

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

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

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



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

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

principal amount outstanding.

Classification and measurement of financial liabilities

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

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

Group 2023-12-31	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss	Carrying value
Financial assets				
Trade receivables	59 248	-	-	59 248
Cash and cash equivalents	594 296	-	-	594 296
Other receivables	28 489	-	-	28 489
Rent deposit	22 901	-	-	22 901
Short-term investments	-	195 779	-	195 779
Total financial assets	704 934	195 779	-	900 713
Financial liabilities				
Contingent consideration	-	-	22 529	22 529
Trade payables	165 222	-	-	165 222
Other liabilities	45 956	-	-	45 956
Accrued charges and deferred income	341 060	-	-	341 060
Total financial liabilities	552 238	-	22 529	574 767



Group 2022-12-31	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss	Carrying value
Financial assets				
Trade receivables	49 058	-	-	49 058
Cash and cash equivalents	667 647	-	-	667 647
Other receivables	48 769	-	-	48 769
Rent deposit	23 359	-	-	23 359
Short-term investments	-	192 266	-	192 266
Total financial assets	788 834	192 266	-	981 100
Financial liabilities				
Contingent consideration	-	-	42 990	42 990
Trade payables	136 997	-	-	136 997
Other liabilities	60 667	-	-	60 667
Accrued charges and deferred income	246 378	-	-	246 378
Total financial liabilities	444 042	-	42 990	487 032

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

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

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

Parent company 2023-12-31	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss	Carrying value
Financial assets				
Other receivables	319	-	-	319
Total financial assets	319	-	-	319
Financial liabilities				
Contingent consideration	-	-	22 529	22 529
Trade payables	649	-	-	649
Liabilities to group companies	59 203	-	-	59 203
Other liabilities	705	-	-	705
Accrued charges and deferred income	4 709	-	-	4 709
Total financial liabilities	65 265	-	22 529	87 794



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

Calculation of fair value

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

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

Level 1 financial instruments

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

Level 2 financial instruments

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

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

Level 3 financial instruments

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

Determination of fair value

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

- Current investments - Current investments in interest-bearing securities are valued in level 1. Valuation is based on the difference between the price of the security according to contract and the market price that can be subscribed to on the balance sheet date.
- Additional purchase price - Additional purchase price for acquisitions of shares in subsidiaries is valued in level 3 at the present value of the future cash flow, which is based on a forecast of the company's future performance. Material assumptions in this estimate are the rate of future growth and profitability and are based on forecasts of the company's future performance. Estimated additional share purchase price is discounted to a present value with a discounting rate of 12.2%. For more information about additional purchase price for the acquisition of subsidiaries, see Note 19 Business combinations.



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

Group 2023	Level 1	Level 2	Level 3	Total
Financial assets				
<i>Financial assets at fair value through other comprehensive income</i>				
Short-term investments	195 779	-	-	195 779
Total financial assets	195 779	-	-	195 779
Financial liabilities				
<i>Financial assets at fair value through other comprehensive income</i>				
Contingent consideration	-	-	22 529	22 529
Total financial liabilities	-	-	22 529	22 529
Group 2022	Level 1	Level 2	Level 3	Total
Financial assets				
<i>Financial assets at fair value through other comprehensive income</i>				
Short-term investments	192 266	-	-	192 266
Total financial assets	192 266	-	-	192 266
Financial liabilities				
<i>Financial assets at fair value through other comprehensive income</i>				
Contingent consideration	-	-	42 990	22 529
Total financial liabilities	-	-	42 990	22 529

Note 13 - Prepaid expenses and accrued income

Group	2023-12-31	2022-12-31
Contractual assets	83 482	60 453
Other deferred costs	20 455	17 063
Carrying value	103 937	77 517
Parent company	2023-12-31	2022-12-31
Other deferred costs	121	99
Carrying value	121	99

Note 14 - Cash and cash equivalents

Financial reporting principles

Cash and cash equivalents consist of cash on hand and balances with banks and similar institutions and short-

term liquid investments with a maturity of less than three months from the date of acquisition. Cash and cash equivalents are subject to the loss reserve requirements for expected credit losses.

Group	2023-12-31	2022-12-31
Bank deposits	594 296	667 647
Carrying value	594 296	667 647



Parent company	2023-12-31	2022-12-31
Bank deposits	-	-
Carrying value	-	-

Bank deposits for the parent company in 2023 are included in the item liabilities to group companies, since the company is included in the subsidiary Epidemic Sound AB's cash pool. Bank deposits in December 2023 amount to KSEK 82,955, which is settled against liabilities to group companies.

Note 15 - Deferred tax

Financial reporting principles

Deferred tax is reported in full, using the balance sheet method, on all temporary differences arising between the tax bases of assets and liabilities and their reported values.

Deferred tax assets relating to deductible temporary differences and tax loss carry-forwards are reported only to the extent that it is probable that they will be able to be utilized.

KSEK	Amount at the beginning of the year	Increase through business combinations	Recognized in the income statement	Transition differences	Amounts at year-end
Group 2023					
Deferred tax liabilities					
Temporary difference attributable to excess values in customer contracts and relationships	64 488	-	-7 725	-	56 763
Temporary difference attributable to excess brand value	295 610	-	-	-	295 610
Temporary difference attributable to excess values in technical platform	119 725	-	-14 512	-	105 213
Temporary difference attributable to excess values in music catalog	521 361	-	-66 031	-	455 330
Temporary difference attributable to hedging contracts	-	-	121	-	121
Right-of-use assets	33 319	-	-3 927	-	29 392
Total deferred tax liabilities	1 034 503	-	-92 074	-	942 428
Share-based payments	-	-	6 283	-	6 283
Financial leasing	35 029	-	-3 694	-	31 335
Unused tax losses	45 996	-	-	-	45 796
Total deferred tax liabilities	80 825	-	2 589	-	83 414



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

KSEK	Amount at the beginning of the year	Increase through business	Recognized in the income statement	Transition differences	Amounts at year-end
Parent Company 2023					
Deferred tax assets					
Share-based payments	-	-	2 117	-	2 117
Total	-	-	2 117	-	2 117

Deferred tax liabilities relating to right-of-use assets amounting to KSEK 29,392 (KSEK 33,319) have been offset against deferred tax assets relating to lease liabilities amounting to KSEK 31,335 (KSEK 35,029) in

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

Deferred tax on lease agreements	2023-12-31	2022-12-31
Deferred tax assets	-29 392	-33 319
Deferred tax liabilities	31 335	35 029
Carrying value	1 943	1 710

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

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

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

can be utilized against taxable income. Total tax loss carry-forward for Epidemic Sound AB for 2020 amounted to KSEK 222,312. Deferred tax assets are recognized on these in the Group's and Epidemic Sound AB's balance sheet. The tax loss carry-forward has no time limit. No additional deferred tax asset has been recognized in the Group or Epidemic Sound AB for losses relating to the financial years 2021-2023.

Note 16 - Other financial assets

Group	2023-12-31	2022-12-31
Rent deposit	22 901	22 994
Other deposit	7 817	365
Carrying value	30 718	23 359



Note 17 - Investments in group companies

Financial reporting principles

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

Any impairment is reported in the income statement. Shareholder contributions are reported as an increase in shares in subsidiaries.

Parent company	2023-12-31	2022-12-31
Initial cost	11 879 953	11 312 753
Acquisition of subsidiaries	-	310 294
Shareholder contributions	-	256 905
Contingent consideration	8 153	-
Carrying amount	11 899 903	11 879 953

In 2023, Epidemic Sound Holding II introduced a Restricted Stock Unit program for all employees within the Group. For more information, see Note 28 Share-based payments. Contingent consideration in 2023 refers to the acquisition of Overtone Studios AB. In 2022, Epidemic Sound Holding AB, Epidemic Sound Management AB, Epidemic Sound Mepco AB and Epidemic Sound Mepco 2 AB were merged

upstream. For more information, see Note 24 Information about merger.

Acquisition of subsidiaries in 2022 refers to Overtone Studios AB and its subsidiary Marbel Songs AB. For more information see Note 19 Business combinations.

The Parent Company holds shares in the following subsidiaries:

Subsidiaries	Organization number	Registered office	Capital share %	Number of shares	Carrying value	
					2023-12-31	2022-12-31
Epidemic Sound AB	556781-0899	Stockholm	100	1 711 786	11 571 455	11 569 658
Overtone Studios AB	559123-4199	Stockholm	100	1 000	318 447	310 294
Carrying amount					11 889 903	11 879 953

Subsidiaries	Organization number	Equity capital	Profit / loss
Epidemic Sound AB	556781-0899	955 108	-14 236
Overtone Studios AB	559123-4199	41 903	-366

Indirect subsidiaries	Company organization number	Registered office	Number of shares	Capital share %
Epidemic Sound GmbH	HRB133056	Hamburg	-	100
Epidemic Sound US Inc.	32-0480315	New York	-	100
Epidemic Sound B.V.	85593907	Amsterdam	200	100
Epidemic Sound Korea Co., Ltd.	110114-0250148	Seoul	2 000	100
Epidemic Sound UK Ltd.	14 568 031	London	1	100
Marbel Songs AB	559016-1534	Stockholm	500	100
SOFO Royale AB	556990-2322	Stockholm	500	100



Note 18 - Equity

Share capital

On December 31, 2023, the registered share capital comprised 8,512,333,337 Series B ordinary shares, 616,797,737 Series H-1 ordinary shares and 3,461,416,663 Series A preference shares, all share types with a nominal value of SEK 0.00005. All shares have been paid for in full. No shares are owned by the company itself or its subsidiaries. No shares are reserved for transfer according to option or agreement on sale of shares. In the event of a dividend or other transfer of value, the preference shares have priority in an amount equal to the highest of a) the sum of what the holders of the preference shares have contributed to the company in the form of subscription

liquidity, less profit distributions made to the preference shares and b) an amount equal to what the holder of the preference shares would be entitled to if the share in question was converted into a Class B ordinary share immediately before the dividend was paid. Thereafter, Class B ordinary shares will have equal dividend rights until the Class B shares have received an amount equal to a specific threshold (i.e. an amount of SEK 1.10 in 2023). Thereafter, the remaining amount will be allocated among all Class B and Class H-1 common shares, pro rata to the number of shares owned within those classes. Series A and Series B shares have ten votes and Series H-1 shares have one vote per share.

	Transaction	Number of shares	Share capital	Number of ordinary shares	Number of preference shares	Number of ordinary H-1 shares	Quotient value
Opening balance		12 162 487 080	608 124	8 322 333 337	3 461 416 663	378 737 080	0.0005
2022-12-01							
January 2022	New share issue	64 006 289	3 200	-	-	64 006 289	0.0005
January 2022	New share issue	65 418 507	3 271	-	-	65 418 507	0.0005
January 2022	Offset issue	190 000 000	9 500	109 000 000	-	-	0.0005
January 2022	New share issue	37 313 431	1 866	-	-	37 313 431	0.0005
January 2022	New share issue	12 686 565	634	-	-	12 686 565	0.0005
January 2022	New share issue	11 940 190	597	-	-	11 940 190	0.0005
February 2022	New share issue	11 194 027	560	-	-	11 194 027	0.0005
February 2022	New share issue	1 007 453	50	-	-	1 007 453	0.0005
May 2022	New share issue	10 970 145	549	-	-	10 970 145	0.0005
May 2022	New share issue	11 828 332	591	-	-	11 828 332	0.0005
July 2022	New share issue	1 865 671	93	-	-	1 865 671	0.0005
July 2022	New share issue	4 104 468	205	-	-	4 104 468	0.0005
December 2022	Decrease in share capital	-18 655 529	-933	-	-	-18 655 529	0.0005
December 2022	Bonus issue	-	12 537	-	-	-	-
Closing balance 2022-12-31		12 566 166 629	640 846	8 512 333 337	3 461 416 663	592 416 629	0.0005
April 2023	New share issue	88 688 946	4 523	-	-	88 688 946	0.0005
May 2023	New share issue	22 279 348	1 136	-	-	22 279 348	0.0005
August 2023	Decrease in share capital	-41 418 627	-2 112	-	-	-41 418 627	0.0005
August 2023	Bonus issue	-	2 112	-	-	-	-
August 2023	New share issue	7 548 376	386	-	-	7 548 376	0.0005
December 2023	Decrease in share capital	-52 716 935	-2 697	-	-	-52 716 935	0.0005
December 2023	Bonus issue	-	2 697	-	-	-	-
Closing balance 2023-12-31		12 590 547 737	646 891	8 512 333 337	3 461 416 663	616 797 737	0.0005



Group

Other paid in capital

This item refers to equity paid in by the owners. On the balance sheet date, other paid in capital amounted to KSEK 12,080,947 (KSEK 12,078,187). During the year, other paid in capital increased by KSEK 2,760 (KSEK 201,264) of which KSEK 2,760 (KSEK 11,273) refers to new share issue. ¹ No issue costs were incurred for the new share issue.

Translation reserve

The translation reserve comprises all exchange differences arising on the translation of the financial

statements of foreign operations that have prepared their financial statements in a currency other than the currency in which the Group's financial statements are presented. Cumulative translation differences are recognized in profit or loss on disposal of foreign operations. At present, there is translation exposure in USD, EUR and KRW. The translation reserve on the balance sheet date amounts to KSEK 5,876 (KSEK 8,196).

Fair value reserve

The fair value reserve comprises the effective portion of the valuation at fair value of current investments held on the balance sheet date. The fair value reserve on the balance sheet date amounts to KSEK 582 (KSEK 200).

Note 19 - Business combinations

Financial reporting principles

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

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

Transaction costs directly related to the acquisition are expensed on an ongoing basis as items affecting comparability. Any contingent consideration that is to be paid after the acquisition date is reported as liability at fair value, where the Group discounts the present value with a discounting rate of 12.22%. Thereafter, valuation at fair value is performed on an ongoing basis and changes in value are reported in the income statement as items affecting comparability. However, if a change in value occurs before the acquisition analysis is determined and is of such a nature that it derives from the time of acquisition, valuation is via the balance sheet.

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

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

Acquisitions after the end of the reporting period

On January 23, 2024 the Group completed the acquisition of the sound effects company Soundly AS, with the acquisition of 100 percent of the shares. For more information, refer to Note 27 Events after the end of the reporting period.



Acquisitions 2022

On January 10, 2022 the Group completed the acquisition of the music production company Overtone Studios AB (formerly A-P Records AB) and its subsidiary Marbel Songs AB, with the acquisition of 100 percent of the shares. Overtone Studios and Marbel Songs offer services in the Partnership Sales segment in the form of streaming income and are an important part of Epidemic Sound's growth strategy with the aim of soundscaping the world. This acquisition contributes to strengthening the company's position in the mood music space by developing its ability to soundscape people's lives via streaming platforms.

The total purchase price including contingent consideration amounted to KSEK 310,294. Of the total purchase price, KSEK 190,000 was paid through a directed new share issue to the sellers of Overtone Studios of 190,000,000 new B series shares in Epidemic Sound Holding II, which were paid for by offset. Of the total purchase price, KSEK 80,418 refers to cash settlement in the first quarter of 2022, of which net cash flow amounted

to KSEK 37,360. In addition to the cash payments and offset, Epidemic Sound will pay performance based contingent considerations, at a discounted value on the date of acquisition of KSEK 39,877. The amount of the contingent considerations depends on Overtone Studios' financial figures during 2022-2023 and will be paid in two stages, one in 2023 and one in 2024. Transaction related costs consisted of legal consultancy costs, which are reported under other external costs on the income statement, and for 2022 amounted to KSEK 1,117.

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

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



Contingent consideration

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

Contingent consideration on business combinations	2023-12-31	2022-12-31
Opening balance	42 990	-
Contingent considerations paid during the year	-27 940	-
Contingent considerations on acquisition added during the year	3 582	39 877
Discount effect contingent considerations	3 896	3 113
Closing balance	22 529	42 990

During the financial year 2023, a contingent consideration of KSEK 22,529 (KSEK 42,990) has been reported as a short-term liability, relating to the acquisition of Overtone Studios AB and its subsidiary Marbel Songs AB. For information regarding short-term and long-term liabilities, please see Note 20 Financial risks.

Note 20 - Financial risks

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

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

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

Credit risk

Credit risk is defined as the potential loss due to failure of a Group's counterparty to meet its financial obligations in accordance with the agreed terms and conditions. The Group's credit risk arises mainly through receivables, including agreement assets from significant customers, as well as from investment of liquid assets with counterparty banks.

Financial credit risk

Financial credit risk, including counterparty credit risk, is the risk that the Group's counterparty in a financial instrument or financial transaction will not be able to discharge its obligation and thereby cause a financial loss to the Group. The Group only enters into financial transactions with counterparties with a high credit rating. The Group invests excess liquidity in financial instruments whose framework is stipulated in the treasury policy where credit risk is minimized by the counterparty's credit rating not falling below the equivalent of Standard & Poor's long-term BBB's rating. Regarding bank funds, the treasury policy instead stipulates that the counterparty's credit rating may not fall below the equivalent of Standard & Poor's rating of A-. In the latter case, exceptions are accepted if the bank's home country has a lower rating.

Credit risk in trade receivables

Payment terms amount to a weighted average of 22 (26) days for 2023 and credit losses are not material in relation to the company's turnover. The Group defines default as it being judged improbable that the counterparty will meet its obligations because of indicators such as financial weakness and missed payments. The Group writes off a receivable when it is judged that no possibility exists of further cash flow.



Change in provision for bad debt	2023-12-31	2022-12-31
Initial carrying amount	3 387	1 006
Recognized customer losses	1 276	1 124
Reservations for the year	-1 741	1 258
Closing balance	2 922	3 387

Provision for expected credit losses

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

Group	Not due	Due between 1-30 days	Due between 31-60 days	Due between 61-90 days	Due >90 days	Due >90 days other	Total
2023-12-31							
Expected loss rate, %	0, 1%	0%	1%	3%	9%	50% -100%	2%
Carrying amount of trade receivables, gross	42 434	6 343	3 396	1 696	5 978	2 324	62 171
Carrying amount contract assets, gross	83 482	-	-	-	-	-	83 482
Closing balance 2023-12-31	-62	-11	-32	-55	-538	-2 224	-2 922
2022-12-31							
Expected loss rate, %	0, 7%	1%	3%	11%	26%	50% -100%	3%
Carrying amount of trade receivables, gross	34 236	9 213	2 294	1 012	3 598	2 051	52 405
Carrying amount contract assets, gross	60 453	-	-	-	-	-	60 453
Closing balance 2022-12-31	-236	-68	-62	-110	-938	-1 972	-3 387



Expected credit losses, simplified method

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

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

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

Expected credit losses, general method

For other items subject to expected credit losses, a three-stage impairment model is applied. Initially, and at each balance sheet date, a loss reserve is recognized for the next twelve months, or for a shorter period depending on the remaining maturity (stage 1). If there has been a significant increase in credit risk since initial recognition, a loss reserve is recognized for the remaining life of the asset (stage 2). For assets deemed to be credit impaired, provisions continue to be made for expected credit losses for the remaining maturity (stage 3). For impaired assets and receivables, the calculation of interest income is based on the carrying amount of the asset, net of provision for losses, as opposed to the gross amount as in previous stages. The Group's assets have been assessed to be in stage 1, i.e. there has been no material increase in credit risk.

The financial assets covered by the provision for expected credit losses under the general approach are cash and cash equivalents and current investments. Epidemic

Sound applies a ratings-based approach in combination with other known information and forward-looking factors to assess expected credit losses. The Group has defined default as when payment of a receivable is overdue or when other factors indicate that a default exists. Provisions for credit loss in liquid assets are reported on the income statement under financial items. For 2023, no provisions were made for credit losses on current investment since the investments were in instruments with a higher rating than the Group's defined baseline for credit loss provisions.

Market risk

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

Currency risk

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

The company operates a global business where both trade receivables and trade payables are denominated in foreign currencies, thus creating transaction risk. The company's transaction risk is mainly in USD, EUR and GBP. Exchange rate differences linked to translation of trade receivables and trade payables that are reported in operations amounted in 2023 to KSEK -3,060 (KSEK -1,187). Exchange rate differences linked to liquid assets that are reported as financial items amounted in 2023 to KSEK -1,345 (KSEK 2,752).

Overall transaction risk management consists of matching foreign currency revenues with foreign currency expenses in an effort to minimize volatility on the company's financial results. If a currency exposure still exists, the Group may hedge a portion of its transaction exposure, as defined by the treasury policy, by entering into foreign exchange forward contracts. The currency pairs used for net cash flow hedging are Swedish Krona / U.S. dollar, Swedish Krona / Euro, and Swedish Krona / British pound.

The company is also exposed to translation risk as foreign subsidiaries are consolidated into the company's functional currency SEK. The Group applies hedge accounting, and have per December 31, 2023 undertaken KSEK 68,641 for translation risk.



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

Group	2023-12-31	2022-12-31
Trade receivables by currency		
SEK	42 254	32 060
USD	12 497	13 628
EUR	4 150	3 077
Other currencies	348	294
Total	59 248	49 058

Hedge accounting

Epidemic Sound applies hedge accounting for hedging a portion of the forecasted net cashflows. It means that an effective part of the unrealized market value is recognized in other comprehensive income until the hedged item is realized and recognized in the statement of profit and loss. An ineffective part of the cashflow hedges is recognized in the result. The hedge relationships are

expected to be highly effective, and no material sources of hedge ineffectiveness are expected to occur.

The total market value for hedges of net cash flows amounted to KSEK 579 at December 31, 2023 of which KSEK 579 is reported in the hedge reserve.

Group	Nominal amount	Asset	Liability	Fair value	Maturity	Average hedge rate
Cash-flow hedges						
<i>Derivatives in cash-flow hedge of foreign currency risk</i>						
USD exposure against SEK	49 232	553	-	49 785	2024	10, 13
EUR exposure against SEK	14 016	-	-8	14 008	2024	11, 12
GBP exposure against SEK	5 393	34	-	5 427	2024	12, 84
Total	68 641	587	-8	69 220		



Sensitivity analysis of currency exposure in foreign currencies

Epidemic Sound is primarily exposed in the currencies USD, EUR and GBP through transaction exposure. The currencies represent both inflow and outflow compared

with the functional currency. A five percent change in the Swedish krona against the subsidiaries' currencies in conversion of operating profit would have an approximate effect on the operating profit of +/- KSEK 48,923. The effect is distributed as in the following table:

Parent company	USD	EUR	GBP	Total
Transaction outflow	985 581	350 521	106 541	1 442 644
Transaction inflow	-325 063	-100 351	-38 769	-464 183
Transactions, net	660 518	250 171	67 772	978 461
Change if SEK falls by +/- 5 percent	33 026	12 509	3 389	48 923

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

instruments at a yield in excess of the prevailing bank deposit rate. The company aims to hold all purchased instruments until maturity.

Epidemic Sound is primarily exposed in the currencies USD, EUR and KRW through translation exposure. Translation exposure is the effect of exchange rate changes when the foreign subsidiaries' income statement and statement of financial position are translated to the Group's reporting currency (SEK). A five percent change in the Swedish krona against the subsidiaries' currencies on conversion would have an effect on equity of +/- KSEK 3,815.

The company has no other overall interest rate risk as of December 31, 2023.

Interest rate risk

Liquidity risk

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

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

Refinancing risk

The company's exposure to interest rate risk is in the financial instruments in which excess cash is invested. The interest rate risk in the financial instruments is mitigated through the treasury policy framework where no investment may exceed 18 months in maturity. The purpose of the company's financial investments is to invest the surplus liquidity that may arise in financial

Refinancing risk refers to the risk that financing cannot be obtained or can be obtained only at significantly increased cost and on unfavorable and undesirable terms in order to have access to funds when payments fall due. As of December 31, 2023, the company has no outstanding loan portfolio and a solid cash position.



Market liquidity risk

The company defines market liquidity risk as the risk that the company cannot transform assets into liquidity without significant financial losses. As at December 31, 2023, the company has market liquidity risk in the financial instruments in which it invests. The framework for these investments is set out in the treasury policy. The risk is mitigated by ensuring that investments in financial instruments are only made in highly rated and liquid

instruments.

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

Maturity analysis

Group	<3 months	3-12 months	1-3 years	3-5 years	>5 years	Total
Per 2023-12-31						
Leasing liability	-6 722	-20 444	-49 239	-52 912	-24 151	-153 467
Trade payables	-165 223	-	-	-	-	-165 223
Contingent consideration	-	-22 529	-	-	-	-22 529
Provision for interest and charges	-4 191	-1 510	-61	-	-	-5 762
Other current liabilities	-11 589	-34 367	-	-	-	-45 956
Closing balance 2023-12-31	-187 725	-78 849	-49 300	-52 912	-24 151	-392 936

Per 2022-12-31

Leasing liability	-8 355	-21 980	-56 931	-56 556	-48 869	-192 691
Trade payables	-136 997	-	-	-	-	-136 997
Contingent consideration	-	-27 309	-15 682	-	-	-42 991
Other current liabilities	-24 699	-24 904	-12 065	-	-	-60 668
Closing balance 2022-12-31	-170 051	-72 193	-85 678	-56 556	-48 869	-433 347

Group	<3 months	3-12 months	1-3 years	3-5 years	>5 years	Total
Per 2023-12-31						
Contingent consideration	-	-22 529	-	-	-	-22 529
Trade payables	-649	-	-	-	-	-649
Other current liabilities	-705	-	-	-	-	-418
Closing balance 2023-12-31	-1 353	-22 529	-	-	-	-23 882

Per 2022-12-31

Contingent consideration	-	-27 309	-15 682	-	-	-42 990
Trade payables	-742	-	-	-	-	-742
Other current liabilities	-418	-	-	-	-	-418
Closing balance 2022-12-31	-1 160	-27 309	-15 682	-	-	-44 150



Note 21 - Provisions for interest and charges

Financial reporting principles

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

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

Group	Provision for interest and charges	
	2023-12-31	2022-12-31
Opening provisions	3 976	6 561
Additional provisions	2 879	960
Adjusted during the period	-913	-281
Reversed during the period	-128	-3 264
Currency effects	-52	-
Closing provisions	5 762	3 976
Long-term portion	61	484
Short-term portion	5 701	3 492

Provisions refer to interest and estimated charges related to value added tax on online sales. The outcome will depend on the conclusions of each country's tax authority in the future. In 2023, KSEK 128 of the provision regarding value added tax have been settled.



Note 22 - Accrued cost and deferred income

Group	2023-12-31	2022-12-31
Accrued social security contributions on salary and holiday pay	22 002	14 373
Holiday pay liabilities	17 822	17 940
Accrued salaries	19 618	9 271
Contractual liabilities	188 724	124 954
Accrued rental expenses USA	5 910	6 814
Accrued sales-related costs	72 587	52 225
Accrued marketing costs	4 188	8 171
Other accrued costs	10 209	12 630
Carrying value	341 060	246 378

Parent company	2023-12-31	2022-12-31
Accrued social security contributions on salary and holiday pay	2 048	392
Holiday pay liabilities	-	235
Accrued salaries	1 340	-
Other external services	683	638
Accrued audit fees	673	723
Carrying value	4 744	1 987

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

Other accrued costs mainly relate to consultancy costs.



Note 23 - Cash flow statement

Changes in liabilities from financing activities	Cash impact					Non-cash	
	2022-12-31	Increase through business combinations	Amortization	New borrowing	Net change	Other	2023-12-31
Group							
Long-term leasing liabilities	137 144	-	-22 922	-	114 222	-	114 222
Current leasing liabilities	24 272	-	-	2 555	26 827	-	26 827
Total	161 416	-	-22 922	2 555	141 048	-	141 048

Note 24 - Information about mergers

Financial reporting principles

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

liabilities are reported by the parent company at the value these had in the consolidated financial reporting.

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

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

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

net sales and operating profit for each company before merger are presented below.

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

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



Epidemic Sound Holding AB (KSEK)	2022-08-25
Financial fixed assets	2 775 365
Short-term receivables	57
Cash and bank	21 091
TOTAL ASSETS	2 796 513

Restricted equity	164
Non-restricted equity	2 796 349
Total equity and liabilities	2 796 513

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

Epidemic Sound MepCo AB (KSEK)	2022-08-25
Short-term receivables	2 645
Cash and bank	247
TOTAL ASSETS	2 892

Restricted equity	50
Non-restricted equity	2 841
Total equity and liabilities	2 892

Epidemic Sound MepCo2 AB (KSEK)	2022-08-25
Short-term receivables	450
Cash and bank	224
TOTAL ASSETS	674

Restricted equity	25
Non-restricted equity	649
Total equity and liabilities	674

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



Note 25 - Pledged assets and contingent liabilities

Financial reporting principles

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

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

Note 26 - Transactions with related parties

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

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

No other transactions with related parties have occurred during the fiscal year.



Note 27 - Events after the end of the reporting period

Acquisition of Soundly AS

In February 2024, Sam Hall was hired as Chief Product officer (CPO). On January 23, 2024 the Group completed the acquisition of the sound effects company Soundly AS.

As the acquisition was made in 2024, the final purchase price allocation is yet to be finalized. Preliminary purchase price as per below:

Purchase price	2024-01-23
Payment with Epidemic shares	30 810
Cash and cash equivalents	32 604
Total remuneration transferred	63 413
Aquired fair values	2024-01-23
Net assets	-750
Liquid assets	5 871
Deferred tax liability	-12 023
Intangible assets	69 565
Net assets aquired	62 663
Total	62 663
Net cash flow on aquisition 2023-12-00	
Cash compensation	-32 604
Reserved: Aquired cash and cash equivalents	5 871
Net cash flow	-26 733



Note 28 – Share-based payments

Restricted Stock Unit Program

Epidemic Sound's employee restricted stock unit program ("RSU") was implemented in 2023. The initial program, which was approved by the Board of Directors, included a total of 210,000,000 RSUs, with the intention to be allocated over three years. The program is open to all employees within the Group and was initiated to allow employees to share in the future growth of the company without a need for an up-front investment. Each participant is granted a set number of RSUs at the grant date, which will vest over a three-year graded vesting schedule. The vesting of the RSUs is based on both tenure and performance. Should the participant end their employment prior to vesting, all unvested RSUs will be forfeited.

The RSUs are accounted for as an equity-settled share-based program, as no cash payment is made at vesting or

any other given time during the program. The share-based compensation expense is based on the fair value of the awards at grant-date and recognized over the three-year vesting period. On vesting, the company is, in accordance with applicable tax laws of certain countries, required to withhold an amount to settle the employee's tax and social security liabilities associated with the share-based payment. All payments related to tax and social security will be paid to each tax authority on the employee's behalf.

The total expense arising from RSU program recognized in the profit and loss statement during 2023 is KSEK 25,542. The fair value of the RSU-program, as per the closing date, amount to KSEK 65,384.

Details regarding the Group's RSU program are outlined in the table below:

	Number of RSU	Weighted average price, SEK
Outstanding January 1, 2023	-	-
Granted during the period	77 524 982	0.0001
Lapsed during the period	-9 600 828	0.0001
Outstanding December 31, 2023	67 924 154	0.0001

The fair value of the shares has been calculated using Monte-Carlo simulations (10,000 simulations) given the following assumptions:

	2023
Expected volatility (%)	35.0
Risk-free interest rate (%)	2.7
Expected life of the options (years)	3.0
Weighted average share price (SEK)	0.9



Declaration of the Board of directors

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

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

Stockholm, March 11, 2024

Andrew Fisher
Chairman of the Board

Adrienne Gormley
Board member

Kirsten Wolberg
Board member

Oscar Höglund
Chief Executive Officer

Jan Zachrisson
Board member

Victor Englesson
Board member

Vincent Letteri
Board member

Our audit report was submitted on March 11, 2024
Ernst & Young AB

Andreas Nyberg Selvring - Authorized Public Accountant



Auditors Report



Auditor's report

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

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Epidemic Sound Holding II AB for the year 2023 (the financial year 2023-01-01 – 2023-12-31). The annual accounts and consolidated accounts of the company are included on pages 20-90 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2023 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as 31 December 2023 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-19 and 95-97. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

Responsibilities of the Board of Directors and the Managing Director

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

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is



however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

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

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

Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors [and the Managing Director].

Conclude on the appropriateness of the Board of Directors' [and the Managing Director's] use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to

events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Epidemic Sound Holding II AB for the year 2023 (the financial year 2023-01-01 – 2023-12-31) and the proposed appropriations of the company's profit or loss.

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

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden.



Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

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

has undertaken any action or been guilty of any omission which can give rise to liability to the company, or

in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby

our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

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

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

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

Stockholm 11th of March 2024
Ernst & Young AB

Andreas Nyberg Selvring
Authorized Public Accountant



Key figures

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

comparable with metrics used by other companies. These financial metrics should therefore not be considered as a substitute for measures defined under IFRS or the Annual Reports Act. For definitions and reconciliation of alternative key metrics, see page 96.

Group (KSEK)	2023	2022
Net sales	1 470 838	1 177 982
Total revenue	1 477 610	1 181 181
Operating profit before depreciation and amortization, EBITDA	24 752	2 818
Adjusted operating profit before depreciation and amortization, EBITDA	59 235	9 761
Operating profit, EBIT	-486 395	-491 566
Adjusted operating profit, EBIT	-451 912	-484 623
Profit before tax	-471 330	-493 206
Profit for the year	-379 774	-411 388
Cash flow from operating activities	142 224	84 788
Cash and cash equivalents at the balance sheet date	594 296	667 647
Key figures		
Gross margin (%)	85%	86%
Operating margin EBITDA (%)	2%	0%
Adjusted operating margin EBITDA (%)	4%	1%
Operating margin EBIT (%)	-33%	-42%
Adjusted operating margin (%)	-31%	-41%
Equity ratio (%)	87%	87%
Number of employees at the end of the period	521	497
Average number of employees	535	436
Equity per share, SEK	0.87	0.90
Balance sheet total	12 604 432	12 988 433

Group (KSEK)	2023	2022
Other operating income	7 200	4 203
Operating profit, EBIT	-22 561	-30 488
Key figures		
Equity ratio (%)	99%	99%
Balance sheet total	11 892 460	11 880 870



Reconciliation of Alternative Performance Metrics (APM)

KSEK	2023	2022
Gross profit		
Total revenue	1 477 610	694 203
Cost of services sold	-225 817	-62 715
Gross profit	1 251 793	631 488
Gross profit margin (%)		
Total revenue	1 477 610	694 203
Gross profit	1 251 793	631 488
Gross profit margin (%)	85%	91%
Adjusted operating profit, EBITDA		
Operating profit, EBITDA	24 752	-54 819
Items affecting comparability	34 483	41 281
Adjusted operating profit, EBITDA	59 235	-13 538
Adjusted operating margin, EBITDA (%)		
Total revenue	1 477 610	694 203
Adjusted operating profit, EBITDA	59 235	-13 538
Adjusted operating margin, EBITDA (%)	4%	-2%
Adjusted operating profit, EBIT		
Operating profit, EBIT	-486 395	-406 014
Items affecting comparability	34 483	41 281
Adjusted operating profit, EBIT	-451 912	-364 733
Adjusted operating margin, EBIT (%)		
Total revenue	1 477 610	694 203
Adjusted operating profit, EBIT	-451 912	-364 733
Adjusted operating margin, EBIT (%)	-31%	-53%
Items affecting comparability	2023	2022
EBITDA		
<i>Adjustment for items affecting comparability</i>		
Acquisition-related costs	-	1 117
Termination costs	34 483	5 827
Items affecting comparability	34 483	6 943

Termination costs relates to personnel costs when restructuring the organization. The acquisition related costs during 2022 mainly relate to consultants and lawyers when acquiring Overtone Studios AB and Marbel Songs AB.



Definitions

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



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