UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of July, 2023

Commission File Number: 001-38438

Spotify Technology S.A.

(Translation of registrant's name into English)

5, Place de la Gare
L-1616 Luxembourg
Grand Duchy of Luxembourg
(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F ☒ Form 40-F ☐



Spotify Technology S.A.

Interim condensed consolidated financial statements
For the three and six months ended June 30, 2023

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Interim condensed consolidated statement of operations
(Unaudited)
(in € millions, except share and per share data)

	Note	Three months ended June 30,		Six months ended June 30,	
		2023	2022	2023	2022
Revenue	**20**	3,177	2,864	6,219	5,525
Cost of revenue		2,411	2,160	4,687	4,150
Gross profit		**766**	**704**	**1,532**	**1,375**
Research and development		453	336	888	586
Sales and marketing		399	391	746	687
General and administrative		161	171	301	302
		1,013	**898**	**1,935**	**1,575**
Operating loss		**(247)**	**(194)**	**(403)**	**(200)**
Finance income	**4**	33	118	60	293
Finance costs	**4**	(27)	(14)	(104)	(28)
Finance income/(costs) - net		**6**	**104**	**(44)**	**265**
(Loss)/income before tax		**(241)**	**(90)**	**(447)**	**65**
Income tax expense	**5**	61	35	80	59
Net (loss)/income attributable to owners of the parent		**(302)**	**(125)**	**(527)**	**6**
(Loss)/earnings per share attributable to owners of the parent					
Basic	**6**	(1.55)	(0.65)	(2.71)	0.03
Diluted	**6**	(1.55)	(0.85)	(2.71)	(0.64)
Weighted-average ordinary shares outstanding					
Basic	**6**	194,420,128	192,948,032	193,993,664	192,713,331
Diluted	**6**	194,420,128	195,859,532	193,993,664	195,624,831

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

Interim condensed consolidated statement of comprehensive (loss)/income
(Unaudited)
(in € millions)

	Note	Three months ended June 30,		Six months ended June 30,	
		2023	2022	2023	2022
Net (loss)/income attributable to owners of the parent		**(302)**	**(125)**	**(527)**	**6**
Other comprehensive (loss)/income					
Items that may be subsequently reclassified to interim condensed consolidated statement of operations (net of tax):					
Change in net unrealized gain or loss on short term investments	**13, 19**	(1)	(4)	5	(17)
Change in net unrealized gain or loss on cash flow hedging instruments	**13, 19**	(5)	8	(7)	6
Change in foreign currency translation adjustment		(9)	76	(22)	109
Items not to be subsequently reclassified to interim condensed consolidated statement of operations (net of tax):					
(Losses)/gains in the fair value of long term investments	**13, 19**	(94)	37	(99)	(201)
Change in fair value of Exchangeable Notes due to change in the Group's credit risk	**15, 19**	(10)	30	(10)	30
Other comprehensive (loss)/income for the period (net of tax)		**(119)**	**147**	**(133)**	**(73)**
Total comprehensive (loss)/income for the period attributable to owners of the parent		**(421)**	**22**	**(660)**	**(67)**

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

Interim condensed consolidated statement of financial position
(in € millions)

	Note	June 30, 2023 (Unaudited)	December 31, 2022
Assets			
Non-current assets			
Lease right-of-use assets	**7**	344	417
Property and equipment	**8**	280	348
Goodwill	**9**	1,148	1,168
Intangible assets	**9**	105	127
Long term investments	**19**	1,015	1,138
Restricted cash and other non-current assets	**10**	76	78
Deferred tax assets	**5**	15	8
		2,983	**3,284**
Current assets			
Trade and other receivables	**11**	632	690
Income tax receivable		8	5
Short term investments	**19**	866	867
Cash and cash equivalents		2,550	2,483
Other current assets	**12**	273	307
		4,329	**4,352**
Total assets		**7,312**	**7,636**
Equity and liabilities			
Equity			
Share capital		—	—
Other paid in capital		4,899	4,789
Treasury shares	**13**	(262)	(262)
Other reserves	**13**	1,594	1,521
Accumulated deficit		(4,177)	(3,647)
Equity attributable to owners of the parent		**2,054**	**2,401**
Non-current liabilities			
Exchangeable Notes	**15, 19**	1,167	1,128
Lease liabilities	**7**	522	555
Accrued expenses and other liabilities	**17**	14	28
Provisions	**18**	3	3
Deferred tax liabilities	**5**	6	5
		1,712	**1,719**
Current liabilities			
Trade and other payables	**16**	893	845
Income tax payable		11	11
Deferred revenue		536	520
Accrued expenses and other liabilities	**17**	2,053	2,093
Provisions	**18**	25	26
Derivative liabilities	**19**	28	21
		3,546	**3,516**
Total liabilities		**5,258**	**5,235**
Total equity and liabilities		**7,312**	**7,636**

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

Interim condensed consolidated statement of changes in equity
(Unaudited)
(in € millions)

	Note	Share capital	Other paid in capital	Treasury Shares	Other reserves	Accumulated deficit	Equity attributable to owners of the parent
Balance at January 1, 2023		—	**4,789**	**(262)**	**1,521**	**(3,647)**	**2,401**
Loss for the period		—	—	—	—	(225)	(225)
Other comprehensive loss		—	—	—	(14)	—	(14)
Reclassification of loss on sale of long term investments	**13**	—	—	—	3	(3)	—
Issuance of shares upon exercise of stock options, restricted stock units, and contingently issuable shares	**13**	—	75	—	—	—	75
Restricted stock units withheld for employee taxes		—	—	—	(13)	—	(13)
Share-based compensation	**14**	—	—	—	105	—	105
Income tax impact associated with share-based compensation	**5**	—	—	—	13	—	13
Balance at March 31, 2023		**—**	**4,864**	**(262)**	**1,615**	**(3,875)**	**2,342**
Loss for the period		—	—	—	—	(302)	(302)
Other comprehensive loss		—	—	—	(119)	—	(119)
Issuance of shares upon exercise of stock options and restricted stock units	**13**	—	35	—	—	—	35
Restricted stock units withheld for employee taxes		—	—	—	(19)	—	(19)
Share-based compensation	**14**	—	—	—	99	—	99
Income tax impact associated with share-based compensation	**5**	—	—	—	18	—	18
Balance at June 30, 2023		**—**	**4,899**	**(262)**	**1,594**	**(4,177)**	**2,054**

	Note	Share capital	Other paid in capital	Treasury Shares	Other reserves	Accumulated deficit	Equity attributable to owners of the parent
Balance at January 1, 2022		**—**	**4,746**	**(260)**	**853**	**(3,220)**	**2,119**
Income for the period		—	—	—	—	131	131
Other comprehensive loss		—	—	—	(220)	—	(220)
Repurchases of ordinary shares	**13**	—	—	(2)	—	—	(2)
Issuance of shares upon exercise of stock options, restricted stock units, and contingently issuable shares	**13**	—	43	—	—	—	43
Restricted stock units withheld for employee taxes		—	—	—	(11)	—	(11)
Share-based compensation	**14**	—	—	—	69	—	69
Income tax impact associated with share-based compensation	**5**	—	—	—	18	—	18
Balance at March 31, 2022		**—**	**4,789**	**(262)**	**709**	**(3,089)**	**2,147**
Loss for the period		—	—	—	—	(125)	(125)
Other comprehensive income		—	—	—	147	—	147
Restricted stock units withheld for employee taxes		—	—	—	(10)	—	(10)
Share-based compensation	**14**	—	—	—	106	—	106
Income tax impact associated with share based compensation	**5**	—	—	—	36	—	36
Balance at Balance at June 30, 2022		**—**	**4,789**	**(262)**	**988**	**(3,214)**	**2,301**

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

Interim condensed consolidated statement of cash flows
(Unaudited)
(in € millions)

	Note	Six months ended June 30, 2023	2022
Operating activities			
Net (loss)/income		(527)	6
Adjustments to reconcile net (loss)/income to net cash flows			
Depreciation of property and equipment and lease right-of-use assets	**7, 8**	61	56
Amortization of intangible assets	**9**	27	21
Excess and obsolete reserve	**12**	—	16
Impairment charges on real estate assets	**7, 8**	90	—
Write-off of content assets	**12**	30	—
Share-based compensation expense	**14**	202	173
Finance income	**4**	(60)	(293)
Finance costs	**4**	104	28
Income tax expense	**5**	80	59
Other		(3)	(1)
Changes in working capital:			
Decrease/(increase) in trade receivables and other assets		21	(9)
Increase in trade and other liabilities		20	35
Increase in deferred revenue		24	16
(Decrease)/increase in provisions	**18**	(1)	11
Interest paid on lease liabilities	**7**	(20)	(26)
Interest received		49	5
Income tax paid		(25)	(21)
Net cash flows from operating activities		**72**	**76**
Investing activities			
Business combinations, net of cash acquired		—	(188)
Payment of deferred consideration pertaining to business combinations		(7)	(11)
Purchases of property and equipment	**8**	(4)	(15)
Purchases of short term investments	**19**	(375)	(211)
Sales and maturities of short term investments	**19**	376	219
Change in restricted cash	**10**	(2)	(2)
Other		3	(5)
Net cash flows used in investing activities		**(9)**	**(213)**
Financing activities			
Proceeds from exercise of stock options	**14**	110	43
Repurchases of ordinary shares	**13**	—	(2)
Payments of lease liabilities	**7**	(42)	(20)
Lease incentives received	**7**	2	2
Payments for employee taxes withheld from restricted stock unit releases	**14**	(29)	(21)
Net cash flows from financing activities		**41**	**2**
Net increase/(decrease) in cash and cash equivalents		**104**	**(135)**
Cash and cash equivalents at beginning of the period		2,483	2,744
Net foreign exchange (losses)/gains on cash and cash equivalents		(37)	177
Cash and cash equivalents at June 30		**2,550**	**2,786**
Supplemental disclosure of cash flow information			
Non-cash investing and financing activities			
Recognition of lease right-of-use asset in exchange for lease liabilities	**7**	17	12
Purchases of property and equipment in trade and other liabilities	**8**	3	4
Employee taxes withheld from restricted stock unit releases in trade and other liabilities	**14**	3	—

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

Notes to the interim condensed consolidated financial statements
(Unaudited)

1. Corporate information

Spotify Technology S.A. (the "Company" or "parent") is a public limited company incorporated and domiciled in Luxembourg. The Company's registered office is 5, Place de la Gare, L-1616 Luxembourg, Grand Duchy of Luxembourg.

The principal activity of the Company and its subsidiaries (collectively, the "Group," "we," "us," or "our") is audio streaming. The Group's premium service ("Premium Service") provides users with unlimited online and offline high-quality streaming access to its catalog of music and podcasts. The Premium Service offers a music listening experience without commercial breaks. The Group's ad-supported service ("Ad-Supported Service" and together with the Premium Service, the "Service") has no subscription fees and provides users with limited on-demand online access to the catalog of music and unlimited online access to the catalog of podcasts. The Group depends on securing content licenses from a number of major and minor content owners and other rights holders in order to provide its service.

2. Basis of preparation and summary of significant accounting policies

The interim condensed consolidated financial statements of Spotify Technology S.A. for the three and six months ended June 30, 2023 and 2022 have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim financial information is unaudited. The interim financial information reflects all normal recurring adjustments that are, in the opinion of management, necessary to fairly present the information set forth herein. The interim condensed consolidated financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended December 31, 2022, as they do not include all the information and disclosures required in the annual consolidated financial statements. Interim results are not necessarily indicative of the results for a full year. The interim condensed consolidated financial statements are presented in millions of Euros.

New and amended standards and interpretations adopted by the Group

On January 1, 2023, the Group adopted the amendment to IAS 12 Income Taxes ("IAS 12 Amendment") which requires recognition of deferred taxes on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. This amendment applies to differences associated with right-of-use assets, lease liabilities and decommissioning obligations. This amendment is applied to transactions that occurred on or after the beginning of the earliest comparative period presented.

We adopted the IAS 12 Amendment effective January 1, 2022 utilizing the modified retrospective method and applied it to our lease transactions. The adoption of the IAS 12 Amendment did not have a material impact on the interim condensed consolidated financial statements.

There are no other new International Financial Reporting Standards ("IFRS") or IFRS Interpretation Committee ("IFRIC") interpretations effective for the six months ended June 30, 2023 that have a material impact to the interim condensed consolidated financial statements.

New standards and interpretations issued not yet effective

In January 2020, the International Accounting Standards Board ("IASB") issued amendments to paragraphs 69 to 76 of IAS 1 Presentation of Financial Statements to specify the requirements for classifying liabilities as current or non-current. In November 2022, the IASB issued further amendments delaying the effective date to annual reporting periods beginning on or after January 1, 2024. The amendments are required to be applied on a retrospective basis. The amendments will require the Group to reclassify the Exchangeable Notes (as defined below) as a current liability if the exchange conditions are met, even if no noteholder actually requires us to exchange their notes. Adoption of this amendment would not have resulted in the reclassification of the Exchangeable Notes as a current liability at any reporting date, from the inception of the Exchangeable Notes to June 30, 2023, as the exchange conditions had not been met.

There are no other IFRS or IFRIC interpretations that are not yet effective and that are expected to have a material impact to the interim condensed consolidated financial statements.

3. Critical accounting estimates and judgments

Except as noted below, in preparing these interim condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those applied to the consolidated financial statements for the year ended December 31, 2022.

Impairment of real estate assets

In the second fiscal quarter of 2023, as a result of our Work From Anywhere program and a comprehensive review of our real estate footprint and space utilization trends (collectively, the "Office Space Optimization Initiative"), we have made the strategic decision to reduce our real estate footprint in certain locations and initiate subleases of these leased office spaces.

In accordance with IAS 36, during the three months ended June 30, 2023, we recognized a non-cash impairment charge of €90 million, which represents the write-down of these real estate assets, including lease right-of-use assets and property and equipment, to their recoverable amounts.

To determine the recoverable amounts of these assets, we utilized discounted cash flow models to estimate the fair value less cost of disposal. The development of discounted cash flow models required the application of level 3 inputs and significant judgment in determining market participant assumptions, including the projected sublease income over the remaining lease terms, expected vacancy periods prior to the commencement of future subleases, expected lease incentives offered to future tenants, and discount rates that reflect the level of risk associated with these future cash flows.

The key assumptions used to calculate the recoverable amounts were the sublease rental rates, vacancy periods and pre-tax discount rates which were determined based on the nature and geographic locations of each office space that we plan to sublease. A change in the sublease rental rate, vacancy period, or discount rate assumptions may result in a recoverable amount of one or more of these assets that is above or below the current carrying amount and therefore there is a risk of impairment reversals or charges in a future period. We consider that reasonably possible changes in the sublease rental rates, vacancy periods, or discount rates arising from changes in the real estate markets of the office leases could result in a change in their carrying amounts. A decrease or increase of 10% in the sublease rental rates would have resulted in a change to the impairment loss of €8 million at June 30, 2023. A decrease or increase of six months in the vacancy periods would have resulted in a change to the impairment loss of €7 million at June 30, 2023. A decrease or increase of 100 basis points in the discount rates would have resulted in a change to the impairment loss of €4 million at June 30, 2023. See Note 7 and Note 8 for additional information.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events.

4. Finance income and costs

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
	(in € millions)			
Finance income				
Fair value movements on derivative liabilities (Note 19)	1	18	1	68
Fair value movements on Exchangeable Notes (Note 19)	—	41	—	131
Interest income	30	7	56	10
Foreign exchange gains	—	52	—	74
Other finance income	2	—	3	10
Total	**33**	**118**	**60**	**293**
Finance costs				
Fair value movements on derivative liabilities (Note 19)	—	—	(7)	—
Fair value movements on Exchangeable Notes (Note 19)	(5)	—	(48)	—
Interest expense on lease liabilities	(10)	(10)	(20)	(20)
Other finance costs	(2)	(4)	(6)	(8)
Foreign exchange losses	(10)	—	(23)	—
Total	**(27)**	**(14)**	**(104)**	**(28)**

5. Income tax

The effective tax rates for the three months ended June 30, 2023 and 2022 were (25.1)% and (39.4)%, respectively. The effective tax rates for the six months ended June 30, 2023 and 2022 were (17.8)% and 90.9%, respectively. The Group operates in a global environment with significant operations in various jurisdictions outside Luxembourg. Accordingly, the consolidated income tax rate is a composite rate reflecting the Group's earnings and the applicable tax rates in the jurisdictions where the Group operates.

For the three months ended June 30, 2023, the income tax expense of €61 million was due primarily to €26 million deferred tax expense related to the derecognition of deferred tax assets resulting from the decrease in the fair value of the Group’s long term investment in Tencent Music Entertainment Group (“TME”), €17 million of tax expense resulting from the utilization of historical share-based compensation deductions recognized in equity to offset current taxable income, as well as €12 million of income taxes associated with entities in a taxable profit position. For the three months ended June 30, 2022, the income tax expense of €35 million was due primarily to the impact of utilizing historical share-based compensation deductions recognized in equity to offset current taxable income.

For the six months ended June 30, 2023, the income tax expense of €80 million was due primarily to €28 million deferred tax expense related to the derecognition of deferred tax assets resulting from the decrease in the fair value of the Group’s long term investment in TME, €23 million of tax expense resulting from the utilization of historical share-based compensation deductions recognized in equity to offset current taxable income, as well as €19 million of income taxes associated with entities in a taxable profit position. For the six months ended June 30, 2022, the income tax expense of €59 million was due primarily to the impact of utilizing historical share-based compensation deductions recognized in equity to offset current taxable income.

Transactions recorded through other comprehensive (loss)/income have been shown net of their tax impact, as applicable.

We are subject to ongoing tax audits in several jurisdictions, and most of these audits involve transfer pricing matters. Tax authorities in certain jurisdictions have challenged our tax positions. We regularly assess the likely outcomes of these audits, taking into account any new information available, in order to determine the appropriateness of the tax reserves. If management concludes that it is not probable that a tax position will be accepted, the effect of that uncertainty is reflected at either the most likely amount or the expected value, taking into account a range of possible outcomes.

Tax provisions related to uncertain tax positions in the interim condensed consolidated statement of financial position, which management has concluded are not probable to be accepted were €9 million as of June 30, 2023 and December 31, 2022. None of the provisions related to uncertain tax positions are reasonably expected to be resolved within the next twelve months. Interest and penalties included in income tax expense were not material in any of the periods presented. Due to the uncertainty associated with our tax positions, any future agreement with the tax authorities could have a significant impact on our results of operations, financial condition, and cash flows.

Net deferred tax assets of €9 million and €3 million have been recorded in the interim condensed consolidated statement of financial position as of June 30, 2023 and December 31, 2022, respectively. In evaluating the probability of realizing the deferred tax assets, the Group considered all available positive and negative evidence of future tax profit, primarily past operating results. As of June 30, 2023 and December 31, 2022, deferred tax assets of €783 million and €598 million have not been recognized.

6. (Loss)/earnings per share

Basic (loss)/earnings per share is computed using the weighted-average number of outstanding ordinary shares during the period. Diluted loss per share is computed using the weighted-average number of outstanding ordinary shares and potential outstanding ordinary shares during the period. Potential ordinary shares, which are based on the weighted-average ordinary shares underlying outstanding stock options, restricted stock units, other contingently issuable shares, warrants, and Exchangeable Notes and computed using the treasury stock method or the if-converted method, as applicable, are included when calculating diluted loss per share when their effect is dilutive. The computation of (loss)/earnings per share for the respective periods is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
	(in € millions, except share and per share data)			
Basic (loss)/earnings per share				
Net (loss)/income attributable to owners of the parent	(302)	(125)	(527)	6
Shares used in computation:				
Weighted-average ordinary shares outstanding	194,420,128	192,948,032	193,993,664	192,713,331
Basic (loss)/earnings per share attributable to owners of the parent	**(1.55)**	**(0.65)**	**(2.71)**	**0.03**
Diluted loss per share				
Net (loss)/income attributable to owners of the parent	(302)	(125)	(527)	6
Fair value gains on dilutive Exchangeable Notes	—	(41)	—	(131)
Net loss used in the computation of diluted loss per share	**(302)**	**(166)**	**(527)**	**(125)**
Shares used in computation:				
Weighted-average ordinary shares outstanding	194,420,128	192,948,032	193,993,664	192,713,331
Exchangeable Notes	—	2,911,500	—	2,911,500
Diluted weighted-average ordinary shares	194,420,128	195,859,532	193,993,664	195,624,831
Diluted loss per share attributable to owners of the parent	**(1.55)**	**(0.85)**	**(2.71)**	**(0.64)**

Potential dilutive securities that were not included in the diluted loss per share calculations because they would be anti-dilutive were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Stock options	15,739,427	13,399,202	15,739,427	13,399,202
Restricted stock units	3,476,096	2,457,577	3,476,096	2,457,577
Other contingently issuable shares	36,898	71,717	36,898	71,717
Warrants	800,000	1,600,000	800,000	1,600,000
Exchangeable Notes	2,911,500	—	2,911,500	—

7. Leases

The Group leases certain properties under non-cancellable lease agreements that primarily relate to office space. The expected lease terms are up to eleven years. The Group currently does not act in the capacity of a lessor.

Below is the roll-forward of lease right-of-use assets:

Right-of-use assets	
	(in € millions)
Cost	
At January 1, 2023	**675**
Increases	17
Decreases	(1)
Exchange differences	(7)
At June 30, 2023	**684**
Accumulated depreciation and impairment loss	
At January 1, 2023	**(258)**
Depreciation charge	(32)
Impairment charge	(53)
Decreases	1
Exchange differences	2
At June 30, 2023	**(340)**
Cost, net accumulated depreciation and impairment loss	
At January 1, 2023	**417**
At June 30, 2023	**344**

During the three months ended June 30, 2023, we recorded €53 million of impairment charges for lease right-of-use assets in connection with the Office Space Optimization Initiative. These charges are included in the interim condensed consolidated statement of operations as follows. See Note 3 for additional information.

	Three months ended June 30, 2023
	(in € millions)
Cost of revenue	4
Research and development	26
Sales and marketing	12
General and administrative	11
Total	**53**

Below is the roll-forward of lease liabilities:

Lease liabilities	2023	2022
	(in € millions)	
At January 1	**613**	**623**
Increases	17	12
Payments [1]	(62)	(46)
Interest expense	20	20
Lease incentives received [1]	2	2
Exchange differences	(14)	35
At June 30	**576**	**646**

(1) Included within the interim condensed consolidated statement of cash flows

Below is the maturity analysis of lease liabilities:

Lease liabilities	June 30, 2023
Maturity Analysis	(in € millions)
Less than one year	91
One to five years	360
More than five years	334
Total lease commitments	**785**
Impact of discounting remaining lease payments	(207)
Lease incentives receivable	(2)
Total lease liabilities	**576**
Lease liabilities included in the interim condensed consolidated statement of financial position	
Current	54
Non-current	522
Total	**576**

Excluded from the lease commitments above are short term leases. Expenses relating to short term leases were approximately €1 million for both the three months ended June 30, 2023 and 2022, and €2 million and €3 million for the six months ended June 30, 2023 and 2022, respectively. Additionally, the Group has entered into certain lease agreements with approximately €40 million of commitments, which had not commenced as of June 30, 2023 and, as such, have not been recognized in the interim condensed consolidated statement of financial position.

The weighted-average incremental borrowing rate applied to lease liabilities recognized in the interim condensed consolidated statement of financial position as of June 30, 2023 was 6.4%.

8. Property and equipment

	Property and equipment	Leasehold improvements	Total
		(in € millions)	
Cost			
At January 1, 2023	**92**	**448**	**540**
Additions	1	1	2
Disposals	(1)	—	(1)
Exchange differences	(1)	(4)	(5)
At June 30, 2023	**91**	**445**	**536**
Accumulated depreciation and impairment loss			
At January 1, 2023	**(60)**	**(132)**	**(192)**
Depreciation charge	(7)	(22)	(29)
Impairment charge	(6)	(31)	**(37)**
Disposals	1	—	1
Exchange differences	—	1	1
At June 30, 2023	**(72)**	**(184)**	**(256)**
Cost, net accumulated depreciation and impairment loss			
At January 1, 2023	**32**	**316**	**348**
At June 30, 2023	**19**	**261**	**280**

During the three months ended June 30, 2023, we recorded €37 million of impairment charges for property and equipment and leasehold improvement assets in connection with the Office Space Optimization Initiative. These charges are included in the interim condensed consolidated statement of operations as follows. See Note 3 for additional information.

	Three months ended June 30, 2023
	(in € millions)
Cost of revenue	3
Research and development	18
Sales and marketing	9
General and administrative	7
Total	**37**

The Group had €2 million and €8 million of leasehold improvements that were not placed into service as of June 30, 2023 and December 31, 2022, respectively.

9. Goodwill and intangible assets

	Internal development costs and patents	Acquired intangible assets	Total	Goodwill	Total
			(in € millions)		
Cost					
At January 1, 2023	**69**	**193**	**262**	**1,168**	**1,430**
Additions	7	—	7	—	7
Derecognition of fully amortized intangibles	—	(18)	(18)	—	(18)
Exchange differences	—	(3)	(3)	(20)	(23)
At June 30, 2023	**76**	**172**	**248**	**1,148**	**1,396**
Accumulated amortization					
At January 1, 2023	**(50)**	**(85)**	**(135)**	**—**	**(135)**
Amortization charge	(8)	(19)	(27)	—	(27)
Derecognition of fully amortized intangibles	—	18	18	—	18
Exchange differences	—	1	1	—	1
At June 30, 2023	**(58)**	**(85)**	**(143)**	**—**	**(143)**
Cost, net accumulated amortization					
At January 1, 2023	**19**	**108**	**127**	**1,168**	**1,295**
At June 30, 2023	**18**	**87**	**105**	**1,148**	**1,253**

Amortization charges related to intangible assets of €9 million are included in research and development in the interim condensed consolidated statement of operations during both the three months ended June 30, 2023 and 2022. Amortization charges related to intangible assets of €19 million and €17 million are included in research and development in the interim condensed consolidated statement of operations during the six months ended June 30, 2023 and 2022, respectively. There were no impairment charges for goodwill and no material impairment charges for intangible assets for the three and six months ended June 30, 2023 and 2022, respectively.

10. Restricted cash and other non-current assets

	June 30, 2023	December 31, 2022
	(in € millions)	
Restricted cash		
Lease deposits and guarantees	50	53
Other	4	2
Other non-current assets	22	23
Total	**76**	**78**

11. Trade and other receivables

	June 30, 2023	December 31, 2022
	(in € millions)	
Trade receivables	431	509
Less: allowance for expected credit losses	(4)	(7)
Trade receivables - net	427	502
Other receivables	205	188
Total	**632**	**690**

12. Other current assets

	June 30, 2023	December 31, 2022
	(in € millions)	
Content assets	140	187
Prepaid expenses and other	109	89
Derivative assets	24	31
Total	**273**	**307**

Content asset amortization of €53 million and €45 million is included in cost of revenue in the interim condensed consolidated statement of operations for the three months ended June 30, 2023 and 2022, respectively. Content asset amortization of €103 million and €86 million is included in cost of revenue in the interim condensed consolidated statement of operations for the six months ended June 30, 2023 and 2022, respectively.

During three months ended June 30, 2023, the Company executed a strategic realignment and reorganization plan focusing on podcast operations and to rationalize our content portfolio. In connection with this reorganization, we incurred charges of €30 million related to the write-off of content assets. These charges are included within cost of revenue in the interim condensed consolidated statement of operations for the three months ended June 30, 2023.

During the three months ended June 30, 2022, we recorded an excess and obsolete inventory provision against current assets and an adverse purchase commitment provision (see Note 18) resulting in a total expense of €31 million, which is included within cost of revenue in the interim condensed consolidated statement of operations.

13. Equity and other reserves

As of June 30, 2023 and December 31, 2022, the Company had 197,593,630 and 196,858,811 ordinary shares issued and fully paid, respectively, with 2,917,573 and 3,565,542 ordinary shares held as treasury shares, respectively.

On August 20, 2021, the Company announced that the board of directors had approved a program to repurchase up to $1.0 billion of the Company’s ordinary shares. Repurchases of up to 10,000,000 of the Company’s ordinary shares were authorized at the Company’s general meeting of shareholders on April 21, 2021. The repurchase program will expire on April 21, 2026. Since the commencement of this repurchase program and through June 30, 2023, 469,274 ordinary shares were repurchased for €91 million under this program.

For the three and six months ended June 30, 2023, the Company issued and repurchased 700,000 of its own ordinary shares from its Netherlands subsidiary at par value. For the three and six months ended June 30, 2023, the Company reissued 511,676 and 1,347,969 treasury shares, respectively, upon the exercise of stock options, restricted stock units, and contingently issuable shares. For the three months ended June 30, 2022, the Company did not repurchase any of its own ordinary shares and reissued 118,979 treasury shares upon the exercise of stock options, restricted stock units, and contingently issuable shares. For the six months ended June 30, 2022, the Company repurchased 1,209,040 of its own ordinary shares and reissued 813,795 treasury shares upon the exercise of stock options, restricted stock units, and contingently issuable shares.

As of both June 30, 2023 and December 31, 2022, the Group's founders held 349,876,040 beneficiary certificates.

Other reserves

	2023	2022
	(in € millions)	
Currency translation		
At January 1	**100**	**17**
Currency translation	(22)	109
At June 30	**78**	**126**
Short term investments		
At January 1	**(18)**	**(3)**
Losses on fair value that may be subsequently reclassified to interim condensed consolidated statement of operations	—	(18)
Losses reclassified to interim condensed consolidated statement of operations	6	1
Deferred tax	(1)	—
At June 30	**(13)**	**(20)**
Long term investments		
At January 1	**161**	**(26)**
Losses on fair value not to be subsequently reclassified to interim condensed consolidated statement of operations	(124)	(209)
Losses on sale of long term investment reclassified to accumulated deficit	3	—
Deferred tax	25	8
At June 30	**65**	**(227)**
Exchangeable Notes		
At January 1	3	—
(Losses)/Gains on fair value attributable to changes in credit risk	(14)	41
Deferred tax	4	(11)
At June 30	**(7)**	**30**
Cash flow hedges		
At January 1	**10**	**(4)**
Gains/(Losses) on fair value that may be subsequently reclassified to interim condensed consolidated statement of operations	3	(3)
(Gains)/Losses reclassified to revenue	(35)	27
Losses/(Gains) reclassified to cost of revenue	23	(18)
Deferred tax	2	—
At June 30	**3**	**2**
Share-based compensation		
At January 1	**1,265**	**869**
Share-based compensation	204	175
Income tax impact associated with share-based compensation	31	54
Restricted stock units withheld for employee taxes	(32)	(21)
At June 30	**1,468**	**1,077**
Other reserves at June 30	**1,594**	**988**

14. Share-based compensation

The expense recognized in the interim condensed consolidated statement of operations for share-based compensation is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
	(in € millions)			
Cost of revenue	1	2	3	4
Research and development	60	57	125	94
Sales and marketing	21	21	41	34
General and administrative	15	25	33	41
Total	**97**	**105**	**202**	**173**

Activity in the Group's RSUs and other contingently issuable shares outstanding and related information is as follows:

	RSUs		Other	
	Number of RSUs	Weighted average grant date fair value	Number of Awards	Weighted average grant date fair value
		US$		US$
Outstanding at January 1, 2023	**3,135,407**	**142.23**	**71,717**	**152.50**
Granted	1,169,805	115.09	—	—
Forfeited	(171,013)	149.24	—	—
Released	(658,103)	144.58	(34,819)	148.96
Outstanding at June 30, 2023	**3,476,096**	**132.32**	**36,898**	**155.83**

In the table above, the number of RSUs and other contingently issuable shares released include ordinary shares that the Group has withheld for settlement of employees' tax obligations due upon the vesting of RSUs and other contingently issuable shares.

Activity in the Group's stock options outstanding and related information is as follows:

	Options	
	Number of options	Weighted average exercise price
		US$
Outstanding at January 1, 2023	**16,004,890**	**164.56**
Granted	1,959,175	124.35
Forfeited	(497,098)	170.34
Exercised	(966,857)	121.61
Expired	(760,683)	168.04
Outstanding at June 30, 2023	**15,739,427**	**161.85**
Exercisable at January 1, 2023	**6,402,109**	**172.69**
Exercisable at June 30, 2023	**6,408,939**	**177.45**

The weighted-average contractual life for the stock options outstanding at June 30, 2023 was 3.2 years. The weighted-average share price at exercise for options exercised during the six months ended June 30, 2023 was US$132.87. The weighted-average fair value of options granted during the six months ended June 30, 2023 was US$47.67 per option.

The following table lists the inputs to the Black-Scholes option-pricing models used for share-based compensation for the three and six months ended June 30, 2023 and 2022:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Expected volatility (%)	51.5 - 58.8	44.5 - 54.9	51.5 - 61.2	35.9 - 54.9
Risk-free interest rate (%)	3.6 - 4.1	2.5 - 2.9	3.5 - 4.7	0.9 - 2.9
Expected life of stock options (years)	2.6 - 4.8	2.6 - 4.8	2.6 - 4.8	2.6 - 4.8
Weighted-average share price (US$)	145.58	116.00	110.26	144.09

15. Exchangeable Notes

On March 2, 2021, the Company's wholly owned subsidiary, Spotify USA Inc. (the "Issuer"), issued US$1,500 million aggregate principal amount of 0% Exchangeable Senior Notes due 2026 (the "Exchangeable Notes"), which included the initial purchasers' exercise in full of their option to purchase an additional US$200 million principal amount of the Exchangeable Notes. The Exchangeable Notes will mature on March 15, 2026, unless earlier repurchased, redeemed or exchanged. The Exchangeable Notes are fully and unconditionally guaranteed, on a senior, unsecured basis by the Company.

The net proceeds from the issuance of the Exchangeable Notes were €1,223 million after deducting transaction costs of €18 million. The transaction costs were immediately expensed and included in finance costs in the interim condensed consolidated statement of operations for the three months ended March 31, 2021.

The Exchangeable Notes are the Issuer's senior unsecured obligations and are equal in right of payment with the Issuer's future senior, unsecured indebtedness, senior in right of payment to the Issuer's future indebtedness that is expressly subordinated to the Exchangeable Notes and effectively subordinated to the Issuer's future secured indebtedness, to the extent of the value of the collateral securing that indebtedness. The Exchangeable Notes will be structurally subordinated to all future indebtedness and other liabilities, including trade payables, and (to the extent the Issuer is not a holder thereof) preferred equity, if any, of the Issuer's subsidiaries.

The noteholders may exchange their Exchangeable Notes at their option into consideration that consists, at the Issuer's election, of cash, ordinary shares of the Company, or a combination of cash and ordinary shares, but only under certain circumstances as set forth in the indenture governing the Exchangeable Notes (the "Indenture"). The circumstances required to allow the noteholders to exchange their Exchangeable Notes were not met during the six months ended June 30, 2023.

The Exchangeable Notes will not be redeemable prior to March 20, 2024, except in the event of certain tax law changes as set forth in the Indenture. The Exchangeable Notes will be redeemable, in whole or in part, at the Issuer's option at any time, and from time to time, on or after March 20, 2024 and on or before the 40th scheduled trading day immediately before the maturity date, at a cash redemption price equal to the principal amount of the Exchangeable Notes to be redeemed, plus accrued and unpaid special and additional interest, if any, but only if the last reported sale price per ordinary share exceeds 130% of the exchange price on:

(1) each of at least 20 trading days, whether or not consecutive, during the 30 consecutive trading days ending on, and including, the trading day immediately before the date the Issuer sends the related redemption notice; and

(2) the trading day immediately before the date the Issuer sends such notice.

In addition, the Issuer will have the right to redeem all, but not less than all, of the Exchangeable Notes if certain changes in tax law as set forth in the Indenture occur. In addition, calling any Exchangeable Note for redemption will constitute a make-whole fundamental change with respect to that Exchangeable Note, in which case the exchange rate applicable to the exchange of that Exchangeable Note will be increased in certain circumstances if it is exchanged after it is called for redemption.

Upon the occurrence of a "fundamental change" as set forth in the Indenture, noteholders may require the Issuer to repurchase their Exchangeable Notes at a cash repurchase price equal to the principal amount of the Exchangeable Notes to be repurchased, plus accrued and unpaid special and additional interest, if any, to, but excluding, the fundamental change repurchase date as set forth in the Indenture.

The Group accounted for the Exchangeable Notes at fair value through profit and loss using the fair value option in accordance with IFRS 9, Financial Instruments. The fair value of the Exchangeable Notes as of June 30, 2023 was €1,167 million. See Note 19 for information regarding the key inputs and assumptions used to estimate the fair value of the Exchangeable Notes.

16. Trade and other payables

	June 30, 2023	December 31, 2022
	(in € millions)	
Trade payables	623	588
Value added tax and sales taxes payable	253	244
Other current liabilities	17	13
Total	**893**	**845**

17. Accrued expenses and other liabilities

	June 30, 2023	December 31, 2022
	(in € millions)	
Non-current		
Other accrued liabilities	14	28
Total	**14**	**28**
Current		
Accrued fees to rights holders	1,607	1,665
Accrued salaries, vacation, and related taxes	152	120
Accrued social costs for options and RSUs	39	7
Accrued operating liabilities	146	194
Other accrued expenses	109	107
Total	**2,053**	**2,093**

On January 23, 2023, the Company announced a reorganization to streamline our organizational structure and reduce our operating costs. As part of such reorganization, we reduced our employee base by approximately 6% across the Company. Additionally, during the three months ended June 30, 2023, the Company executed a strategic realignment and reorganization plan focusing on podcast operations and to rationalize our content portfolio.

In connection with these reorganizations, during the three months ended June 30, 2023, we recognized charges of €25 million consisting of employee severance of €16 million and contract terminations and other related costs of €9 million. During the six months ended June 30, 2023, we recognized charges of €69 million consisting of employee severance of €60 million and contract terminations and other related costs of €9 million.

These charges are included within the interim condensed consolidated statement of operations as follows:

	Three months ended June 30, 2023	Six months ended June 30, 2023
	(in € millions)	
Cost of revenue	16	19
Research and development	2	26
Sales and marketing	1	10
General and administrative	6	14
Total	**25**	**69**

As of June 30, 2023, we have accrued costs related to reorganization activities of €26 million included within current accrued expenses and other liabilities. We expect to substantially settle our obligations related to these reorganization activities by the end of the third fiscal quarter of 2023.

18. Provisions

	Legal contingencies	Indirect tax	Onerous Contracts	Other	Total
			(in € millions)		
Carrying amount at January 1, 2023	**10**	**8**	**5**	**6**	**29**
Charged/(credited) to the interim condensed statement of operations:					
Additional provisions	3	2	8	—	13
Reversal of unutilized amounts	(2)	(1)	(2)	(1)	(6)
Utilized	—	—	(8)	—	(8)
Carrying amount at June 30, 2023	**11**	**9**	**3**	**5**	**28**
As at January 1, 2023					
Current portion	**10**	**8**	**5**	**3**	**26**
Non-current portion	—	—	—	**3**	**3**
As at June 30, 2023					
Current portion	**11**	**9**	**3**	**2**	**25**
Non-current portion	—	—	—	**3**	**3**

Various legal actions, proceedings, and claims are pending or may be instituted or asserted against the Group. The results of such legal proceedings are difficult to predict and the extent of the Group's financial exposure is difficult to estimate. The Group records a provision for contingent losses when it is both probable that a liability has been incurred, and the amount of the loss can be reasonably estimated.

As of April 2019, the Group's settlement of the *Ferrick et al. v. Spotify USA Inc.*, No. 1:16-cv-8412-AJN (S.D.N.Y.), putative class action lawsuit, which alleged that the Group unlawfully reproduced and distributed musical compositions without obtaining licenses, was final and effective. Even with the effectiveness of the settlement, we may still be subject to claims of copyright infringement by rights holders who have purported to opt out of the settlement or who may not otherwise be covered by its terms. The Music Modernization Act of 2018 contains a limitation of liability with respect to such lawsuits filed on or after January 1, 2018. Rights holders may, nevertheless, file lawsuits, and may argue that they should not be bound by this limitation of liability. For example, in August 2019, the *Eight Mile Style, LLC et al v. Spotify USA Inc.*, No. 3:19-cv-00736-AAT, lawsuit was filed against us in the U.S. District Court for the Middle District of Tennessee, alleging both that the Group does not qualify for the limitation of liability in the Music Modernization Act and that the limitation of liability is unconstitutional and, thus, not valid law. The Group intends to vigorously defend this lawsuit, including plaintiffs' challenges to the limitation of liability in the Music Modernization Act.

19. Financial instruments

Foreign exchange forward contracts

Cash flow hedges

The Group's currency pairs used for cash flow hedges are Euro / U.S. dollar, Euro / Australian dollar, Euro / British pound, Euro / Swedish krona, Euro / Canadian dollar, and Euro / Norwegian krone. The notional principal of foreign exchange contracts hedging the revenue and cost of revenue line items in the interim condensed consolidated statement of operations was approximately €1,327 million and €935 million, respectively, as of June 30, 2023, and approximately €1,214 million and €859 million, respectively, as of December 31, 2022.

Fair values

The carrying amounts of certain financial instruments, including cash and cash equivalents, trade and other receivables, restricted cash, trade and other payables, and accrued expenses and other liabilities approximate fair value due to their relatively short maturities. All other financial assets and liabilities are accounted for at fair value.

The following tables summarize, by major security type, the Group's financial assets and liabilities that are measured at fair value on a recurring basis, and the category using the fair value hierarchy:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	June 30, 2023
		(in € millions)		
Financial assets at fair value				
Cash equivalents:				
Money market funds	1,833	—	—	1,833
Time Deposits	202	—	—	202
Short term investments:				
Money market funds	177	—	—	177
Government securities	222	7	—	229
Corporate notes	—	327	—	327
Collateralized reverse purchase agreements	—	25	—	25
Fixed income funds	108	—	—	108
Derivatives (designated for hedging):				
Foreign exchange forwards	—	24	—	24
Long term investments	957	—	58	1,015
Total financial assets at fair value	**3,499**	**383**	**58**	**3,940**
Financial liabilities at fair value				
Exchangeable Notes	—	—	1,167	1,167
Derivatives (not designated for hedging):				
Warrants	—	—	7	7
Derivatives (designated for hedging):				
Foreign exchange forwards	—	21	—	21
Total financial liabilities at fair value	**—**	**21**	**1,174**	**1,195**

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	December 31, 2022
	(in € millions)			
Financial assets at fair value				
Cash equivalents:				
Money market funds	1,543	—	—	1,543
Time Deposits	293	—	—	293
Short term investments:				
Money market funds	125	—	—	125
Government securities	245	5	—	250
Corporate notes	—	309	—	309
Fixed income funds	183	—	—	183
Derivatives (designated for hedging):				
Foreign exchange forwards	—	31	—	31
Long term investments	1,095	—	43	1,138
Total financial assets at fair value	**3,484**	**345**	**43**	**3,872**
Financial liabilities at fair value				
Exchangeable Notes	—	—	1,128	1,128
Derivatives (not designated for hedging):				
Warrants	—	—	1	1
Derivatives (designated for hedging):				
Foreign exchange forwards	—	20	—	20
Total financial liabilities at fair value	**—**	**20**	**1,129**	**1,149**

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels at the end of each reporting period. During the six months ended June 30, 2023, there were no transfers between levels in the fair value hierarchy.

Recurring fair value measurements

Long term investment - Tencent Music Entertainment Group

The Group's approximate 8% investment in TME is carried at fair value through other comprehensive (loss)/income. The fair value of ordinary shares of TME is based on the ending New York Stock Exchange American depository share price. The fair value of the investment in TME may vary over time and is subject to a variety of risks including company performance, macro-economic, regulatory, industry, USD to Euro exchange rate and systemic risks of the equity markets overall.

The table below presents the changes in the investment in TME:

	2023	2022
	(in € millions)	
At January 1	**1,094**	**852**
Changes in fair value recorded in other comprehensive (loss)/income	(137)	(230)
At June 30	**957**	**622**

A 10% decrease or increase in TME's share price would have resulted in a fair value of the Group's long term investment in TME ranging from €861 million to €1,052 million at June 30, 2023.

The following sections describe the valuation methodologies the Group uses to measure its Level 3 financial instruments at fair value on a recurring basis.

Long term investments - other

The Group has interests in certain long term investments, the most significant of which is our equity investment in DistroKid, an independent digital music distribution service. These long term investments primarily represent unlisted equity securities carried at fair value through other comprehensive (loss)/income. The fair values of these equity investments are generally determined using business enterprise values based on market transactions or by (i) applying market multiples to the projected financial performance and (ii) discounting the future value to its present value equivalent. The key assumptions used to estimate the fair value of these equity investments include market multiples of revenue or earnings before interest, income taxes, depreciation and amortization for benchmark companies used to estimate business enterprise value and discount rate.

The fair value of the long term investments may vary over time and is subject to a variety of risks including company performance, macroeconomic, regulatory, industry, USD to Euro exchange rate, and systemic risks of the overall equity markets.

The table below presents the changes in the other long term investments:

	2023	2022
	(in € millions)	
At January 1	**43**	**64**
Initial recognition of long term investment	2	—
Changes in fair value recorded in other comprehensive (loss)/income	14	(15)
Changes in fair value recognized in interim condensed consolidated statement of operations	—	10
Return of capital	—	(8)
Effect of changes in foreign exchange rates	(1)	—
At June 30	**58**	**51**

Warrants

As of June 30, 2023 and December 31, 2022, the number of outstanding warrants was 800,000.

The outstanding warrants are valued using a Black-Scholes option-pricing model. Assumptions used to estimate the fair value of the warrants in the option pricing model are as follows:

	June 30, 2023
Expected term (years)	1.2
Risk free rate (%)	5.3
Volatility (%)	50.0
Share price (US$)	160.55

The table below presents the changes in the warrants liability:

	2023	2022
	(in € millions)	
At January 1	**1**	**72**
Changes in fair value recognized in interim condensed consolidated statement of operations	6	(53)
Effect of changes in foreign exchange rates	—	3
At June 30	**7**	**22**

A 10% decrease or increase in the Company's ordinary share price would have resulted in a fair value of the warrants ranging from €5 million to €10 million at June 30, 2023.

Contingent consideration

On April 1, 2019, the Group acquired Cutler Media, LLC ("Parcast"), a premier storytelling podcast studio. Included in the purchase price was €13 million related to the estimated fair value of contingent consideration. The contingent consideration is valued by the Group using a simulation of user engagement outcomes. The change in the fair value of the contingent consideration is recognized within general and administrative expenses in the interim condensed consolidated statement of operations.

The table below presents the changes in the contingent consideration liability:

	2023	2022
	(in € millions)	
At January 1	**—**	**17**
Contingent consideration payments	—	(18)
Effect of changes in foreign exchange rates	—	1
At June 30	**—**	**—**

As of June 30, 2022, the contingent consideration was fully paid.

Exchangeable Notes

The table below presents the changes in the Exchangeable Notes:

	2023	2022
	(in € millions)	
At January 1	**1,128**	**1,202**
Changes in fair value recognized in interim condensed consolidated statement of operations	48	(131)
Changes in fair value recorded in other comprehensive (loss)/income	14	(41)
Effect of changes in foreign exchange rates	(23)	97
At June 30	**1,167**	**1,127**

The change in estimated fair value is recognized within finance income/(costs) in the interim condensed consolidated statement of operations, excluding changes in fair value due to changes in the Group's own credit risk, which are recognized in other comprehensive (loss)/income and will not be reclassified to the interim condensed consolidated statement of operations.

The fair value of the Exchangeable Notes was estimated using a combination of a binomial option pricing model and prices observed for the Exchangeable Notes in an over-the-counter market on the last trading day of the reporting period. A weight of 75% was applied to the binomial option pricing model and a weight of 25% was applied to the price of the Exchangeable Notes in the over-the-counter market on the last trading day of the reporting period. The key assumptions used in the binomial option pricing model for the Exchangeable Notes were as follows:

	June 30, 2023
Risk free rate (%)	4.6
Discount rate (%)	6.9
Volatility (%)	45.0
Share price (US$)	160.55

A decrease or increase of 10 percentage points in volatility would have resulted in a fair value of the Exchangeable Notes ranging from €1,157 million to €1,183 million at June 30, 2023. A 10% decrease or increase in the Company's ordinary share price would have resulted in a fair value of the Exchangeable Notes ranging from €1,163 million to €1,173 million at June 30, 2023. A decrease or increase of 100 basis points in credit spread would have resulted in a fair value of the Exchangeable Notes ranging from €1,189 million to €1,146 million at June 30, 2023.

20. Segment information

The Group has two reportable segments: Premium and Ad-Supported. Revenue for the Premium segment is generated primarily through subscription fees. Revenue for the Ad-Supported segment is primarily generated through the sale

of advertising across the Group's music and podcast content. Royalty costs are primarily recorded in each segment based on specific rates for each segment agreed to with rights holders. All podcast content costs are recorded in the Ad-Supported segment. The remaining costs that are not specifically associated to either of the segments are allocated based on user activity or the revenue recognized in each segment. No operating segments have been aggregated to form the reportable segments.

Key financial performance measures of the segments including revenue, cost of revenue, and gross profit are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
	(in € millions)			
Premium				
Revenue	2,773	2,504	5,486	4,883
Cost of revenue	1,984	1,804	3,921	3,508
Gross profit	**789**	**700**	**1,565**	**1,375**
Ad-Supported				
Revenue	404	360	733	642
Cost of revenue	427	356	766	642
Gross (loss)/profit	**(23)**	**4**	**(33)**	**—**
Consolidated				
Revenue	3,177	2,864	6,219	5,525
Cost of revenue	2,411	2,160	4,687	4,150
Gross profit	**766**	**704**	**1,532**	**1,375**

For the three months ended June 30, 2023, charges of €30 million related to the write-off of content assets, €9 million of contract terminations and other related costs, €7 million of employee severance costs, and €6 million of impairment charges on real estate assets were included within cost of revenue in the Ad-Supported segment. See Note 12, Note 17, and Note 3 for additional information.

For the six months ended June 30, 2023, charges of charges of €30 million related to the write-off of content assets, €9 million of contract terminations and other related costs, €9 million of employee severance costs, and €6 million of impairment charges on real estate assets were included within cost of revenue in the Ad-Supported segment. See Note 12, Note 17, and Note 3 for additional information.

Reconciliation of segment gross profit

Operating expenses, finance income, and finance costs are not allocated to individual segments as these are managed on an overall Group basis. The reconciliation between reportable segment gross profit to the Group's (loss)/income before tax is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
	(in € millions)			
Segment gross profit	**766**	**704**	**1,532**	**1,375**
Research and development	(453)	(336)	(888)	(586)
Sales and marketing	(399)	(391)	(746)	(687)
General and administrative	(161)	(171)	(301)	(302)
Finance income	33	118	60	293
Finance costs	(27)	(14)	(104)	(28)
(Loss)/income before tax	**(241)**	**(90)**	**(447)**	**65**

Revenue by country

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
	(in € millions)			
United States	1,251	1,143	2,439	2,163
United Kingdom	293	273	575	546
Luxembourg	2	2	4	4
Other countries	1,631	1,446	3,201	2,812
	3,177	**2,864**	**6,219**	**5,525**

Premium revenue is attributed to a country based on where the membership originates. Ad-Supported revenue is attributed to a country based on where the advertising campaign is delivered. There are no countries that individually make up greater than 10% of total revenue included in "Other countries."

21. Commitments and contingencies

Commitments

The Group is subject to the following minimum guarantees relating to the content on its Service, the majority of which relate to minimum royalty payments associated with its license agreements for the use of licensed content:

	June 30, 2023	December 31, 2022
	(in € millions)	
Not later than one year	520	1,111
Later than one year but not more than five years	505	298
	1,025	**1,409**

In addition, the Group is subject to various non-cancelable purchase obligations and service agreements with minimum spend commitments, including a service agreement with Google for the use of Google Cloud Platform and certain podcast and marketing commitments:

	June 30, 2023	December 31, 2022
	(in € millions)	
Not later than one year	264	485
Later than one year but not more than five years	316	334
More than five years	75	98
	655	**917**

Contingencies

Various legal actions, proceedings, and claims are pending or may be instituted or asserted against the Group. These may include, but are not limited to, matters relating to intellectual property, data protection, consumer protection, employment, and contractual rights. As a general matter, the music and other content made available on the Group's Service are licensed to the Group by various third parties. Many of these licenses allow rights holders to audit the Group's royalty payments, and any such audit could result in disputes over whether the Group has paid the proper royalties. If such a dispute were to occur, the Group could be required to pay additional royalties, and the amounts involved could be material. The Group expenses legal fees as incurred. The Group records a provision for contingent losses when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. An unfavorable outcome to any legal matter, if material, could have an adverse effect on the Group's operations or its financial position, liquidity, or results of operations.

On August 11, 2020, the United States Court of Appeals for the D.C. Circuit issued an opinion which, as of the issuance of the formal “mandate” on October 26, 2020, vacated the Copyright Royalty Board’s determination of the royalty rates for applicable mechanical rights in the United States for calendar years 2018 to 2022. These rates apply both to compositions that we license under compulsory license pursuant to Section 115 of the Copyright Act of 1976 and to a number

of direct licenses that we have had with music publishers. On June 22, 2023, the Copyright Royalty Board issued its final determination of regulations setting those rates in light of the D.C. Circuit's opinion. The final determination is currently under review by the U.S. Copyright Office. Once the regulations are published in the U.S. Federal Register, they will become law. Until the final rates are determined, our recorded royalty costs will be based on management estimates of the rates that will apply. The rates set by the Copyright Royalty Board are also subject to further change as part of future Copyright Royalty Board proceedings. Changes to these estimates could either benefit or adversely affect our results of operations and financial condition.

22. Events after the reporting period

Subsequent to the end of the reporting period, the Group signed license agreements with certain licensors which include minimum guarantee and spend commitments of approximately €3,670 million over the next three years.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Special Note Regarding Forward-Looking Statements

This discussion and analysis reflects our historical results of operations and financial position and contains estimates and forward-looking statements. All statements other than statements of historical fact are forward-looking statements. The words "may," "might," "will," "could," "would," "should," "expect," "plan," "anticipate," "intend," "seek," "believe," "estimate," "predict," "potential," "continue," "contemplate," "possible," and similar words are intended to identify estimates and forward-looking statements.

Our estimates and forward-looking statements are mainly based on our current expectations and estimates of future events and trends, which affect or may affect our businesses and operations. Although we believe that these estimates and forward-looking statements are based upon reasonable assumptions, they are subject to numerous risks and uncertainties and are made in light of information currently available to us. Many important factors may adversely affect our results as indicated in forward-looking statements. These factors include, but are not limited to:

- our ability to attract prospective users, retain existing users, and monetize our products and services;
- competition for users, user listening time, and advertisers;
- risks associated with our international operations and our ability to manage our growth;
- risks associated with our new products or services and our emphasis on long-term user engagement over short-term results;
- our ability to predict, recommend, and play content that our users enjoy;
- our ability to be profitable or generate positive cash flow on a sustained basis;
- our ability to convince advertisers of the benefits of our advertising offerings;
- our ability to forecast or optimize advertising inventory amid emerging industry trends in digital advertising;
- our ability to generate revenues from podcasts, audiobooks, and other non-music content;
- potential disputes or liabilities associated with content made available on our Service (as defined above);
- risks relating to acquisitions, investments, and strategic alliances;
- our dependence upon third-party licenses for most of the content we stream;
- our lack of control over third-party content providers who are concentrated and can unilaterally affect our access to content;
- our ability to comply with complex license agreements;
- our ability to accurately estimate royalty payments under our license agreements and relevant statutes;
- the limitations on our operating flexibility due to financial commitments required under certain of our license agreements;
- our ability to identify the compositions embodied in sound recordings and ownership thereof in order to obtain licenses or comply with existing license agreements;
- assertions by third parties of infringement or other violations by us of their intellectual property rights;
- our ability to protect our intellectual property;
- the dependence of streaming on operating systems, online platforms, hardware, networks, regulations, and standards that we do not control;
- our ability to maintain the integrity of our technology structure and systems or the security of confidential information;
- undetected errors, bugs, or vulnerabilities in our products;
- interruptions, delays, or discontinuations in service arising from our systems or systems of third parties;
- changes in laws or regulations affecting us;
- risks relating to privacy and data security;
- our ability to maintain, protect, and enhance our brand;
- risks associated with increased scrutiny of environmental, social, and governance matters;
- payment-related risks;
- our dependence on key personnel and ability to attract, retain, and motivate highly skilled employees;
- our ability to access additional capital to support growth;
- risks relating to currency exchange rate fluctuations and foreign exchange controls;
- the impact of economic, social, or political conditions, including the continued effects of the COVID-19 pandemic, rising inflation and interest rates, financial market volatility resulting from recent bank failures, the continued conflict between Russia and Ukraine, and supply chain disruptions;
- our ability to accurately estimate user metrics and other estimates;
- our ability to manage and remediate attempts to manipulate streams and attempts to gain or provide unauthorized access to certain features of our Service;

- risks related to our indebtedness, including risks related to our Exchangeable Notes;
- fluctuation of our operating results and fair market value of ordinary shares;
- tax-related risks;
- the concentration of voting power among our founders, which limits shareholders' ability to influence our governance and business; and
- risks related to our status as a foreign private issuer and a Luxembourg company.

We operate in an evolving environment. New risk factors and uncertainties emerge from time to time, and it is not possible for our management to predict all risk factors and uncertainties, nor are we able to assess the impact of all of these risk factors on our business or the extent to which any risk factor, or combination of risk factors, may cause actual results to differ materially from those contained in any forward-looking statements.

We qualify all of our forward-looking statements by these cautionary statements. For additional information, refer to the risk factors discussed under Part I, Item 3.D. "Risk Factors" in our Annual Report on Form 20-F for the year ended December 31, 2022 ("Annual Report on Form 20-F") and in our other filings with the U.S. Securities and Exchange Commission ("SEC").

You should read this discussion and analysis completely and with the understanding that our actual future results may be materially different from our expectations.

Investors and others should note that we announce material financial information to our investors using our Investors website (investors.spotify.com), SEC filings, press releases, public conference calls, and webcasts. We use these channels, as well as social media, to communicate with our users and the public about our company, our Service, and other issues. It is possible that the information we post on these channels could be deemed to be material information. Therefore, we encourage investors, the media, and others interested in our Company to review the information we post on the channels listed on our Investors website.

Overview

Our mission is to unlock the potential of human creativity by giving a million creative artists the opportunity to live off their art and billions of fans the opportunity to enjoy and be inspired by it.

We are the world's most popular audio streaming subscription service. With a presence in 184 countries and territories, our platform includes 551 million monthly active users ("MAUs"), including 220 million Premium Subscribers (as defined below) as of June 30, 2023.

We currently monetize our Service through both subscriptions and advertising. Our Premium Subscribers have grown 17% year-over-year, as of June 30, 2023, to 220 million. Our 551 million MAUs have grown 27% year-over-year, as of June 30, 2023.

Our results reflect the effects of our trial programs, both discounted and free trials, in addition to seasonal trends in user behavior and, with respect to our Ad-Supported segment, advertising behavior. Historically, Premium Subscriber growth accelerates when we run such trial programs.

For our Ad-Supported segment, typically we experience higher advertising revenue in the fourth quarter of each calendar year due to greater advertising demand during the holiday season. However, in the first quarter of each calendar year, we typically experience a seasonal decline in advertising revenue due to reduced advertiser demand.

Reorganization

On January 23, 2023, the Company announced a reorganization to streamline our organizational structure and reduce our operating costs. As part of such reorganization, we reduced our employee base by approximately 6% across the Company. See Note 17 to our interim condensed consolidated financial statements for further details.

During the three months ended June 30, 2023, the Company executed a strategic realignment and reorganization plan focusing on podcast operations and to rationalize our content portfolio. See Note 12 and Note 17 to our interim condensed consolidated financial statements for further details.

Impairment of real estate assets

In the second fiscal quarter of 2023, as a result of our Work From Anywhere program and a comprehensive review of our real estate footprint and space utilization trends (collectively, the "Office Space Optimization Initiative"), we have made the strategic decision to reduce our real estate footprint in certain locations and initiate subleases of these leased office spaces. As a result of this initiative, during the three months ended June 30, 2023, we recognized a non-cash impairment charge of €90 million, which represents the write-down of these real estate assets, including lease right-of-use assets and property and equipment. See Note 3 to our interim condensed consolidated financial statements for further details.

Current macroeconomic environment

The global macroeconomic environment continues to be challenging, reflecting the impacts of rising inflation and interest rates, financial market volatility resulting from recent bank failures, continued conflict between Russia and Ukraine, and supply chain disruptions.

The continued impact of the macroeconomic environment on our business, financial condition, and results of operations is uncertain and will vary by region or market. We will continue to actively monitor and respond accordingly to the macroeconomic environment.

For additional information refer to Part I, Item 3.D. "Risk Factors" in our Annual Report on Form 20-F.

Key Performance Indicators

We use certain key performance indicators to monitor and manage our business. We use these indicators to evaluate our business, measure our performance, identify trends affecting our business, formulate business plans, and make strategic decisions. We believe these indicators provide useful information to investors in understanding and evaluating our operating results in the same manner we do.

MAUs

We track MAUs as an indicator of the size of the audience engaged with our Service. We define MAUs as the total count of Ad-Supported Users and Premium Subscribers that have consumed content for greater than zero milliseconds in the last thirty days from the period-end indicated. Reported MAUs may overstate the number of unique individuals who actively use our Service within a thirty-day period as one individual may register for, and use, multiple accounts. Additionally, though we strive to detect and minimize non-bona fide accounts that may typically be created in an attempt to artificially stream content, they may contribute, from time to time, to an overstatement in our reported MAUs. Our MAUs in the tables below are inclusive of Ad-Supported Users who may have employed methods to limit or otherwise avoid being served advertisements. For additional information, refer to the risk factors discussed under Part I, Item 3.D. "Risk Factors" in our Annual Report on Form 20-F, and in our other filings with the SEC.

The table below sets forth our MAUs as of June 30, 2023 and 2022.

	As of June 30			
	2023	2022	Change	
	(in millions, except percentages)			
MAUs	551	433	118	27 %

MAUs were 551 million as of June 30, 2023 and 433 million as of June 30, 2022, which represented an increase of 27%. MAUs benefited from our continued investment in driving the growth of our Service through successful consumer marketing campaigns, enhanced content offerings, and product enhancements, resulting in continued user engagement and customer satisfaction and retention.

Premium Subscribers

We define Premium Subscribers as users that have completed registration with Spotify and have activated a payment method for Premium Service. Our Premium Subscribers include all registered accounts in our Family Plan and Duo Plan. Our Family Plan consists of one primary subscriber and up to five additional sub-accounts, allowing up to six Premium Subscribers per Family Plan Subscription. Our Duo Plan consists of one primary subscriber and up to one additional sub-

account, allowing up to two Premium Subscribers per Duo Plan Subscription. Premium Subscribers include subscribers in a grace period of up to 30 days after failing to pay their subscription fee.

The table below sets forth our Premium Subscribers as of June 30, 2023 and 2022.

	As of June 30			
	2023	2022	Change	
	(in millions, except percentages)			
Premium Subscribers	220	188	32	17 %

Premium Subscribers were 220 million as of June 30, 2023 and 188 million as of June 30, 2022, which represented an increase of 17%. Our free trial offers and global campaigns were meaningful contributors of total gross additions in Premium Subscribers, while our Family Plan also accounted for a significant portion of gross additions in Premium Subscribers. In addition, there was an increase in the number of Premium Subscribers on our Duo Plan.

Ad-Supported MAUs

We define Ad-Supported MAUs as the total count of Ad-Supported Users that have consumed content for greater than zero milliseconds in the last thirty days from the period-end indicated.

The table below sets forth our Ad-Supported MAUs as of June 30, 2023 and 2022.

	As of June 30			
	2023	2022	Change	
	(in millions, except percentages)			
Ad-Supported MAUs	343	256	87	34 %

Ad-Supported MAUs were 343 million as of June 30, 2023 and 256 million as of June 30, 2022, which represented an increase of 34%. Ad-Supported MAUs benefited from our continued investment in driving the growth of our Ad-Supported Service through successful consumer marketing campaigns, enhanced content offerings, and product enhancements, resulting in continued Ad-Supported User engagement and customer satisfaction.

Premium ARPU

Premium average revenue per user ("ARPU") is a monthly measure defined as Premium subscription revenue recognized in the quarter indicated divided by the average daily Premium Subscribers in such quarter, which is then divided by three months. Fiscal year-to-date figures are calculated by averaging Premium ARPU for the quarters in such period.

The table below sets forth our average Premium ARPU for the three and six months ended June 30, 2023 and 2022.

	Three months ended June 30,				Six months ended June 30,			
	2023	2022	Change		2023	2022	Change	
Premium ARPU	€ 4.27	€ 4.54	€ (0.27)	(6)%	€ 4.30	€ 4.46	€ (0.16)	(4)%

For the three months ended June 30, 2023 and 2022, Premium ARPU was €4.27 and €4.54, respectively, which represented a decrease of 6%. This decrease of €0.27 is primarily attributable to changes in product and market mix, decreasing ARPU by €0.14, as well as unfavorable movements in foreign exchange rates.

For the six months ended June 30, 2023 and 2022, Premium ARPU was €4.30 and €4.46, respectively, which represented a decrease of 4%. The decrease of €0.16 is primarily attributable to changes in product and market mix, decreasing ARPU by €0.11 as well as unfavorable movements in foreign exchange rates.

How We Generate Revenue

We operate and manage our business in two reportable segments - Premium and Ad-Supported. We identify our reportable segments based on the organizational units used by the chief operating decision maker to monitor performance and make operating decisions. See Note 20 to our interim condensed consolidated financial statements for additional information regarding our reportable segments.

Premium

We generate revenue for our Premium segment through the sale of the Premium Service. The Premium Service is sold directly to end users and through partners who are generally telecommunications companies that bundle the subscription with their own services or collect payment for the stand-alone subscriptions from their end customers. Premium partner subscription revenue is based on a per-subscriber rate in a negotiated partner agreement. We also bundle the Premium Service with other services and products.

Ad-Supported

We generate revenue for our Ad-Supported segment primarily from the sale of display, audio, and video advertising delivered through advertising impressions across our music and podcast content. We generally enter into arrangements with advertising agencies that purchase advertising on behalf of their clients and we also enter into arrangements directly with some large advertisers. These advertising arrangements are typically sold on a cost-per-thousand basis and are evidenced by an insertion order that specifies the terms of the arrangement such as the type of advertising product, pricing, insertion dates, and number of impressions or downloads in a stated period. Additionally, we generate revenue through arrangements with certain advertising automated exchanges, internal self-serve, and advertising marketplace platforms to distribute advertising inventory for purchase on a cost-per-thousand basis. These advertising arrangements typically specify the type of advertising product, pricing, insertion dates, and number of impressions in a stated period.

Components of our Operating Results

Cost of revenue. Cost of revenue consists predominantly of royalty and distribution costs related to content streaming. We incur royalty costs, which we pay to certain record labels, music publishers, and other rights holders, for the right to stream music to our users. Royalties are typically calculated monthly based on the combination of a number of different variables. Generally, Premium Service royalties are based on the greater of a percentage of revenue and a per user amount. Royalties for the Ad-Supported Service are typically a percentage of relevant revenue, although certain agreements are based on the greater of a percentage of relevant revenue and an amount for each time a sound recording and musical composition are streamed. We have negotiated lower per user amounts for our lower priced subscription plans such as our Family Plan, Duo Plan, and Student Plan. In our agreements with certain record labels, the percentage of revenue used in the calculation of royalties is generally dependent upon certain targets being met. The targets can include such measures as the number of Premium Subscribers, the ratio of Ad-Supported Users to Premium Subscribers, and/or the rates of Premium Subscriber churn. In addition, royalty rates vary by country. Some of our royalty agreements require that royalty costs be paid in advance or are subject to minimum guaranteed amounts. For the majority of royalty agreements, incremental costs incurred due to unrecouped advances and minimum guarantees have not been significant to date. We also have certain so-called most favored nation royalty agreements, which require us to record additional costs if certain material contract terms are not as favorable as the terms we have agreed to with similar licensors. Cost of revenue also reflects discounts provided by certain rights holders in return for promotional activities in connection with marketplace programs. Additionally, it includes the costs of discounted trials.

Cost of revenue also includes the cost of podcast content assets (both produced and licensed). Amortization of podcast content assets is recorded over the shorter of the estimated useful economic life or the license period (if relevant) and begins at the release of each episode. We make payments to podcast publishers, whose content we monetize through advertising sales, which are also included in cost of revenue.

Cost of revenue also includes credit card and payment processing fees for subscription revenue, customer service, certain employee compensation and benefits, cloud computing, streaming, facility, and equipment costs.

Research and Development. We invest heavily in research and development in order to drive user engagement and customer satisfaction on our platform, which we believe helps drive organic growth in MAUs, which, in turn, drives additional growth in, and better retention of, Premium Subscribers, as well as increased advertising opportunities to our users. We aim to design products and features that create and enhance user experiences, and new technologies are at the core of many of these opportunities. Expenses primarily comprise costs incurred for the development of products related to our platform and Service, as well as new advertising products and improvements to our mobile application and desktop application and streaming services. The costs incurred include related facility costs, consulting costs, and employee compensation and benefits costs. We expect engineers to represent a significant portion of our employees over the foreseeable future.

Many of our new products and improvements to our platform require large investments and involve substantial time and risks to develop and launch. Some of these products may not be well received or may take a long time for users to adopt. As a result, the benefits of our research and development investments are difficult to forecast.

Sales and Marketing. Sales and marketing expenses primarily comprise employee compensation and benefits, public relations, branding, consulting expenses, customer acquisition costs, advertising, marketing events and trade shows, amortization of trade name intangible assets, the cost of working with music record labels, publishers, songwriters, and artists to promote the availability of new releases on our platform, and the costs of providing free trials. Expenses included in the cost of providing free trials are derived primarily from per user royalty fees determined in accordance with the rights holder agreements.

General and Administrative. General and administrative expenses primarily comprise employee compensation and benefits for functions such as finance, accounting, analytics, legal, human resources, consulting fees, and other costs including facility and equipment costs, directors' and officers' liability insurance, director fees, and fair value adjustments on contingent consideration.

Results of Operations

Revenue

	Three months ended June 30,				Six months ended June 30,			
	2023	2022	Change		2023	2022	Change	
	(in € millions, except percentages)							
Premium	2,773	2,504	269	11 %	5,486	4,883	603	12 %
Ad-Supported	404	360	44	12 %	733	642	91	14 %
Total	**3,177**	**2,864**	**313**	**11 %**	**6,219**	**5,525**	**694**	**13 %**

Premium revenue

For both the three months ended June 30, 2023 and 2022, Premium revenue comprised 87% of our total revenue. For the three months ended June 30, 2023 as compared to the three months ended June 30, 2022, Premium revenue increased €269 million, or 11%. The increase was due primarily to an increase in the number of Premium Subscribers, partially offset by a decrease in Premium ARPU of 6%, primarily attributable to changes in product and market mix, as noted above.

For both the six months ended June 30, 2023 and 2022, Premium revenue comprised 88% of our total revenue. For the six months ended June 30, 2023 as compared to the six months ended June 30, 2022, Premium revenue increased €603 million, or 12%. The increase was due primarily to an increase in the number of Premium Subscribers, partially offset by a decrease in Premium ARPU of 4%, primarily attributable to changes in product and market mix, as noted above.

Ad-Supported revenue

For both the three months ended June 30, 2023 and 2022, Ad-Supported revenue comprised 13% of our total revenue. For the three months ended June 30, 2023 as compared to the three months ended June 30, 2022, Ad-Supported revenue increased €44 million, or 12%. This increase was due primarily to growth in music impressions sold, which increased revenue in our direct and programmatic channels by €23 million. Ad sales from podcasts, partially offset by our self-serve platform, also increased revenue by €15 million during the three months ended June 30, 2023.

For both the six months ended June 30, 2023 and 2022, Ad-Supported revenue comprised 12% of our total revenue. For the six months ended June 30, 2023 as compared to the six months ended June 30, 2022, Ad-Supported revenue increased €91 million, or 14%. The increase was due primarily to growth in music impressions sold, which increased revenue in our direct and programmatic channels by €48 million. Ad sales from podcasts, partially offset by our self-serve platform, also increased revenue by €22 million during the six months ended June 30, 2023.

Foreign exchange impact on total revenue

The general movement of the Euro relative to certain foreign currencies, primarily the U.S. Dollar, for the three and six months ended June 30, 2023, as compared to the same period in 2022, had an unfavorable net impact on our revenue. We estimate that total revenue for the three and six months ended June 30, 2023 would have been approximately €94 million and €68 million higher, respectively, if foreign exchange rates had remained consistent with foreign exchange rates for the comparable period in 2022.

Cost of revenue

	Three months ended June 30,				Six months ended June 30,			
	2023	2022	Change		2023	2022	Change	
	(in € millions, except percentages)							
Premium	1,984	1,804	180	10 %	3,921	3,508	413	12 %
Ad-Supported	427	356	71	20 %	766	642	124	19 %
Total	**2,411**	**2,160**	**251**	**12 %**	**4,687**	**4,150**	**537**	**13 %**

Premium cost of revenue

For the three months ended June 30, 2023 as compared to the three months ended June 30, 2022, Premium cost of revenue increased €180 million, or 10%, and Premium cost of revenue as a percentage of Premium revenue remained flat at 72%. The increase in Premium cost of revenue was driven primarily by increases in new Premium Subscribers and publishing licensing costs, partially offset by benefits from certain marketplace programs. These collectively resulted in higher royalty costs of €175 million. The three months ended June 30, 2022 included a charge of €31 million related to excess and obsolete inventory and adverse purchase commitment with no comparable charges in the three months ended June 30, 2023. The three months ended June 30, 2022 also included a net €11 million benefit related to changes in prior period estimates for rights holder liabilities.

For the six months ended June 30, 2023 as compared to the six months ended June 30, 2022, Premium cost of revenue increased €413 million, or 12%, and Premium cost of revenue as a percentage of Premium revenue decreased from 72% to 71%. The increase in Premium cost of revenue was driven primarily by increases in new Premium Subscribers and publishing licensing costs, partially offset by benefits from certain marketplace programs. These collectively resulted in higher royalty costs of €374 million. The six months ended June 30, 2022 included a charge of €31 million related to excess and obsolete inventory and adverse purchase commitment with no comparable charges in the six months ended June 30, 2023. The six months ended June 30, 2022 also included a net €11 million benefit related to changes in prior period estimates for rights holder liabilities.

Ad-Supported cost of revenue

For the three months ended June 30, 2023 as compared to the three months ended June 30, 2022, Ad-Supported cost of revenue increased €71 million, or 20%, and Ad-Supported cost of revenue as a percentage of Ad-Supported revenue increased from 99% to 106%. The increase in Ad-Supported cost of revenue was driven primarily by a €30 million charge for the write-off of content assets, a €9 million charge for contract terminations and other related costs, and a €7 million charge for employee severance. There was also an increase in podcast costs of €13 million partially offset by decreases in costs to deliver enhanced product features of €9 million for the three months ended June 30, 2023. Additionally, there was an increase in royalty costs of €12 million due to growth in both advertising revenue and streams, partially offset by benefits from certain marketplace programs for the three months ended June 30, 2023.

For the six months ended June 30, 2023 as compared to the six months ended June 30, 2022, Ad-Supported cost of revenue increased €124 million, or 19%, and Ad-Supported cost of revenue as a percentage of Ad-Supported revenue increased from 100% to 105%. The increase in Ad-Supported cost of revenue was driven primarily by a €30 million charge for the write-off of content assets, a €9 million charge for contract terminations and other related costs, and a €7 million charge for employee severance. There was also an increase in podcast costs of €29 million partially offset by decreases in costs to deliver enhanced product features of €12 million. Additionally, there was an increase in royalty costs of €31 million due to growth in both advertising revenue and streams, partially offset by benefits from certain marketplace programs for the six months ended June 30, 2023.

Foreign exchange impact on total cost of revenue

The general movement of the Euro relative to certain foreign currencies, primarily the U.S. Dollar, for the three and six months ended June 30, 2023, as compared to the same period in 2022, had a favorable net impact on our cost of revenue. We estimate that total cost of revenue for the three and six months ended June 30, 2023 would have been approximately €71 million and €51 million higher, respectively, if foreign exchange rates had remained consistent with foreign exchange rates for the comparable period in 2022.

Gross profit/(loss) and gross margin

	Three months ended June 30,				Six months ended June 30,			
	2023	2022	Change		2023	2022	Change	
	(in € millions, except percentages)							
Gross profit/(loss)								
Premium	789	700	89	13 %	1,565	1,375	190	14 %
Ad-Supported	(23)	4	(27)	N/M*	(33)	—	(33)	N/M*
Consolidated	**766**	**704**	**62**	**9 %**	**1,532**	**1,375**	**157**	**11 %**
Gross margin								
Premium	28 %	28 %			29 %	28 %		
Ad-Supported	(6)%	1 %			(5)%	— %		
Consolidated	**24 %**	**25 %**			**25 %**	**25 %**		

** Percentage change is not meaningful for presentation purposes.*

Premium gross profit and gross margin

For the three months ended June 30, 2023 as compared to the three months ended June 30, 2022, Premium gross profit increased by €89 million, and Premium gross margin remained flat at 28%. Premium gross margin remained flat due primarily to increases in publishing license costs offset by benefits from certain marketplace programs. There was also a €31 million charge related to excess and obsolete inventory and adverse purchase commitment partially offset by changes in prior period estimates for rights holder liabilities of €11 million during the three months ended June 30, 2022.

For the six months ended June 30, 2023 as compared to the six months ended June 30, 2022, Premium gross profit increased by €190 million, and Premium gross margin increased from 28% to 29%. Premium gross margin increased due primarily to benefits from certain marketplace programs partially offset by increases in publishing license costs. There was also a €31 million charge related to excess and obsolete inventory and adverse purchase commitment partially offset by changes in prior period estimates for rights holder liabilities of €11 million during the six months ended June 30, 2022.

Ad-Supported gross (loss)/profit and gross margin

For the three months ended June 30, 2023 as compared to the three months ended June 30, 2022, Ad-Supported gross profit decreased by €27 million, and gross margin decreased from 1% to (6)%. The decrease in Ad-Supported gross margin was due primarily to charges for the write-off of content assets, employee severance, and contract terminations and other related costs.

For the six months ended June 30, 2023, as compared to the six months ended June 30, 2022, Ad-Supported gross profit decreased by €33 million, and gross margin decreased from 0% to (5)%. The decrease in Ad-Supported gross margin was due primarily to charges for the write-off of content assets, employee severance, and contract terminations and other related costs.

Consolidated Operating Expenses

Research and development

	Three months ended June 30,				Six months ended June 30,			
	2023	2022	Change		2023	2022	Change	
	(in € millions, except percentages)							
Research and development	453	336	117	35 %	888	586	302	52 %
As a percentage of revenue	**14 %**	**12 %**			**14 %**	**11 %**		

For the three months ended June 30, 2023 as compared to the three months ended June 30, 2022, research and development costs increased by €117 million, or 35%. The increase was due primarily to an increase in personnel-related costs of €82 million that included increased salaries, share-based compensation, and other employee benefits as a result of increased

headcount to support our growth, and an increase in social costs due primarily to changes in share price movements. In addition, there were impairment charges on real estate assets of €44 million for the three months ended June 30, 2023.

For the six months ended June 30, 2023 as compared to the six months ended June 30, 2022, research and development costs increased €302 million, or 52%. The increase was due primarily to an increase in personnel-related costs of salaries, share-based compensation, and other employee benefits of €234 million that included increased salaries, share-based compensation, and other employee benefits as a result of increased headcount to support our growth, and an increase in social costs due primarily to changes in share price movements. There was also an increase in information technology costs of €15 million due to increase in our usage of cloud computing services and additional software license fees. In addition, there were impairment charges on real estate assets of €44 million and employee severance costs of €26 million for the six months ended June 30, 2023.

Sales and marketing

	Three months ended June 30,				Six months ended June 30,			
	2023	2022	Change		2023	2022	Change	
	(in € millions, except percentages)							
Sales and marketing	399	391	8	2 %	746	687	59	9 %
As a percentage of revenue	**13 %**	**14 %**			**12 %**	**12 %**		

For the three months ended June 30, 2023 as compared to the three months ended June 30, 2022, sales and marketing expense increased by €8 million, or 2%. The increase was due primarily to an increase in personnel-related costs of €27 million that included increased salaries and other employee benefits as a result of increased headcount to support our growth, and an increase in social costs due primarily to changes in share price movements. In addition, there were impairment charges on real estate assets of €21 million for the three months ended June 30, 2023. There was also a decrease in advertising costs of €37 million for marketing campaigns, partially offset by an increase in sponsorship fees.

For the six months ended June 30, 2023 as compared to the six months ended June 30, 2022, sales and marketing expense increased by €59 million, or 9%. The increase was due primarily to an increase in personnel-related costs for salaries, share-based compensation, and other employee benefits of €73 million as a result of increased headcount to support our growth, and an increase in social costs due primarily to changes in share price movements. In addition, there were impairment charges on real estate assets of €21 million and employee severance costs of €10 million for the six months ended June 30, 2023. There was also a decrease in advertising costs of €47 million for marketing campaigns, partially offset by an increase in sponsorship fees.

General and administrative

	Three months ended June 30,				Six months ended June 30,			
	2023	2022	Change		2023	2022	Change	
	(in € millions, except percentages)							
General and administrative	161	171	(10)	(6)%	301	302	(1)	— %
As a percentage of revenue	**5 %**	**6 %**			**5 %**	**5 %**		

For the three months ended June 30, 2023 as compared to the three months ended June 30, 2022, general and administrative expense decreased by €10 million, or 6%. The decrease was due primarily to a decrease in legal fees of €11 million and other administrative costs of €12 million. The decrease was partially offset by impairment charges on real estate assets of €18 million for the three months ended June 30, 2023.

For the six months ended June 30, 2023 as compared to the six months ended June 30, 2022, general and administrative expense decreased by €1 million, or 0%. The decrease was due primarily to a decrease in other administrative costs of €26 million, a decrease in legal fees of €22 million, and a decrease in share-based compensation of €9 million. The decrease was partially offset by an increase in personnel-related costs for salaries and other employee benefits of €26 million as a result of increased headcount to support our growth, and an increase in social costs of €13 million due primarily to changes in share price movements. In addition, the decrease was also partially offset by impairment charges on real estate assets of €18 million and employee severance costs of €14 for the six months ended June 30, 2023.

Finance income

Finance income consists of fair value adjustment gains on certain financial instruments, interest income earned on our cash and cash equivalents and short term investments, and foreign currency gains.

	Three months ended June 30,		Change		Six months ended June 30,		Change	
	2023	2022			2023	2022		
	(in € millions, except percentages)							
Finance income	33	118	(85)	(72)%	60	293	(233)	(80)%
As a percentage of revenue	**1 %**	**4 %**			**1 %**	**5 %**		

For the three months ended June 30, 2023 as compared to the three months ended June 30, 2022, finance income decreased €85 million due primarily to a decrease of €52 million in foreign exchange gains on the remeasurement of monetary assets and liabilities in a transaction currency other than the functional currency. There was also a decrease in the benefits recognized from the decline in the fair value of the Exchangeable Notes of €41 million and of derivative liabilities of €17 million. These decreases were partially offset by a €23 million increase in interest income.

For the six months ended June 30, 2023 as compared to the six months ended June 30, 2022, finance income decreased €233 million. The decrease was due primarily to a decrease in the benefits recognized from the decline in the fair value of the Exchangeable Notes of €131 million and derivative liabilities of €67 million. Additionally, there was a decrease of €74 million in foreign exchange gains on the remeasurement of monetary assets and liabilities in a transaction currency other than the functional currency. These decreases were partially offset by a €46 million increase in interest income.

Finance costs

Finance costs consist of fair value adjustment losses on certain financial instruments, interest expense, and foreign currency losses.

	Three months ended June 30,		Change		Six months ended June 30,		Change	
	2023	2022			2023	2022		
	(in € millions, except percentages)							
Finance costs	(27)	(14)	(13)	93 %	(104)	(28)	(76)	271 %
As a percentage of revenue	**(1)%**	**— %**			**(2)%**	**(1)%**		

For the three months ended June 30, 2023 as compared to the three months ended June 30, 2022, finance costs increased €13 million. The increase was due primarily to an increase of €10 million in foreign exchange losses on the remeasurement of monetary assets and liabilities in a transaction currency other than the functional currency.

For the six months ended June 30, 2023 as compared to the six months ended June 30, 2022, finance costs increased €76 million. The increase was due to €48 million of fair value losses recorded for the Exchangeable Notes during the six months ended June 30, 2023. There was also an increase of €23 million in foreign exchange losses on the remeasurement of monetary assets and liabilities in a transaction currency other than the functional currency.

Income tax expense

	Three months ended June 30,		Change		Six months ended June 30,		Change	
	2023	2022			2023	2022		
	(in € millions, except percentages)							
Income tax expense	61	35	26	74 %	80	59	21	36 %
As a percentage of revenue	**2 %**	**1 %**			**1 %**	**1 %**		

For the three months ended June 30, 2023, income tax expense was €61 million, compared to an income tax expense of €35 million for the three months ended June 30, 2022. The expense for the three months ended June 30, 2023 was due primarily to €26 million deferred tax expense related to the derecognition of deferred tax assets resulting from the decrease in the fair value of the Group's long term investment in Tencent Music Entertainment Group ("TME"), €17 million of tax expense resulting from the utilization of historical share-based compensation deductions recognized in equity to offset current taxable income, as well as €12 million of income taxes associated with entities in a taxable profit position. The expense for the

three months ended June 30, 2022 was due primarily to the impact of utilizing historical share-based compensation deductions recognized in equity to offset current taxable income.

For the six months ended June 30, 2023, income tax expense was €80 million, compared to an income tax expense of €59 million for the six months ended June 30, 2022. The expense for the six months ended June 30, 2023 was due primarily to €28 million deferred tax expense related to the derecognition of deferred tax assets resulting from the decrease in the fair value of the Group's long term investment in TME, €23 million of tax expense resulting from the utilization of historical share-based compensation deductions recognized in equity to offset current taxable income , as well as €19 million of income taxes associated with entities in a taxable profit position. The expense for the six months ended June 30, 2022 was due primarily to the impact of utilizing historical share-based compensation deductions recognized in equity to offset current taxable income.

Non-IFRS financial measure

We have reported our financial results in accordance with IFRS as issued by IASB. In addition, we have discussed our results using the non-IFRS measure of Free Cash Flow as discussed below.

We define "Free Cash Flow" as net cash flows from operating activities less capital expenditures and change in restricted cash. We believe Free Cash Flow is a useful supplemental financial measure for us and investors in assessing our ability to pursue business opportunities and investments. Free Cash Flow is not a measure of our liquidity under IFRS and should not be considered as an alternative to net cash flows from operating activities.

Free Cash Flow is a non-IFRS measure and is not a substitute for IFRS measures in assessing our overall financial performance. Because Free Cash Flow is not a measurement determined in accordance with IFRS, and is susceptible to varying calculations, it may not be comparable to other similarly titled measures presented by other companies. You should not consider Free Cash Flow in isolation, or as a substitute for an analysis of our results as reported on our interim condensed consolidated financial statements appearing elsewhere in this document.

Set forth below is a reconciliation of Free Cash Flow to net cash flows from operating activities for the periods presented.

	Six months ended June 30,	
	2023	2022
	(in € millions)	
Net cash flows from operating activities	72	76
Capital expenditures	(4)	(15)
Change in restricted cash	(2)	(2)
Free Cash Flow	**66**	**59**

Liquidity and Capital Resources

Our principal sources of liquidity are our cash and cash equivalents, short term investments, and cash generated from operating activities. Cash and cash equivalents and short term investments consist mostly of time deposits, investments in money market funds, and investments in government securities, corporate notes, and fixed income funds. Cash and cash equivalents and short term investments increased by €66 million from €3,350 million as of December 31, 2022 to €3,416 million as of June 30, 2023.

We believe our existing cash and cash equivalents, short term investments, and the cash flow we generate from our operations will be sufficient to meet our working capital and capital expenditure needs and other liquidity requirements for at least the next 12 months. However, our future capital requirements may be materially different than those currently planned in our budgeting and forecasting activities and depend on many factors, including our rate of revenue growth, the timing and extent of spending on content and research and development, the expansion of our sales and marketing activities, the timing of new product introductions, market acceptance of our products, our continued international expansion, the acquisition of other companies, competitive factors, and global economic conditions. To the extent that current and anticipated future sources of liquidity are insufficient to fund our future business activities and requirements, we may be required to seek additional equity or debt financing. The sale of additional equity would result in additional dilution to our shareholders, while the incurrence of debt financing would result in debt service obligations. Such debt instruments also could introduce covenants that might restrict our operations. We cannot assure you that we could obtain additional financing on favorable terms, or at all. For additional information, refer to Part I, Item 3.D. "Risk Factors" in our Annual Report on Form 20-F. We have planned capital expenditures

of approximately €12 million in the next twelve months. We plan to use our existing cash and cash equivalents and the cash flow we generate from operations to fund these capital expenditures.

We continue to evaluate our real estate footprint to optimize our global office space while making necessary investments in offices and information technology infrastructure to grow our business. We fund these investments using current cash and cash equivalents and the cash flow we generate from operations. Given the impact of our Work From Anywhere program and in conjunction with a strategic review of our real estate footprint and space utilization trends, our focus has shifted more towards optimizing our current portfolio and reviewing our real estate needs around the world as opposed to significant expansion of our presence in current markets. This has resulted in a reduction of our real estate footprint as we have decided to sublease certain leased office space. See Note 3 to our interim condensed consolidated financial statements for further details.

Share repurchase program

On August 20, 2021, the Company announced that the board of directors had approved a program to repurchase up to $1.0 billion of the Company's ordinary shares. Repurchases of up to 10,000,000 of the Company's ordinary shares were authorized at the Company's general meeting of shareholders on April 21, 2021. The repurchase program will expire on April 21, 2026. Since the commencement of this repurchase program and through June 30, 2023, 469,274 ordinary shares were repurchased for €91 million under this program.

The timing and actual number of shares repurchased depends on a variety of factors, including price, general business and market conditions, and alternative investment opportunities. The repurchase program is executed consistent with the Company's capital allocation strategy of prioritizing investment to grow the business over the long term. The repurchase program does not obligate the Company to acquire any particular amount of ordinary shares, and the repurchase program may be suspended or discontinued at any time at the Company's discretion. The Company uses current cash and cash equivalents and the cash flow it generates from operations to fund the share repurchase program.

Exchangeable notes

On March 2, 2021, Spotify USA Inc. issued US$1,500 million in aggregate principal amount of the Exchangeable Notes. Net proceeds from the issuance of the Exchangeable Notes were €1,223 million after deducting the transaction costs. See Note 15 to our interim condensed consolidated financial statements for further information regarding our Exchangeable Notes.

Cash flow

	Six months ended June 30,	
	2023	2022
	(in € millions)	
Net cash flows from operating activities	72	76
Net cash flows used in investing activities	(9)	(213)
Net cash flows from financing activities	41	2
Free Cash Flow[(1)]	66	59

(1) For a discussion of the limitations associated with using Free Cash Flow rather than IFRS measures, and a reconciliation of Free Cash Flow to net cash flows from operating activities, see "Non-IFRS Financial Measure" above.

Operating activities

Net cash flows from operating activities decreased by €4 million to €72 million for the six months ended June 30, 2023 as compared to the six months ended June 30, 2022. The decrease was due primarily to an increase in operating loss adjusted for non-cash items including depreciation, amortization, impairment charges on real estate assets, write-off of content assets, and share-based compensation expense, resulting in a decrease in cash flows from operating activities of €60 million in aggregate. Additionally, there were favorable changes in working capital movements of €12 million, principally due to favorable movements in trade receivables and other assets partially offset by trade and other liabilities. There was also an increase in interest received on cash and cash equivalents and short term investments of €44 million.

Investing activities

Net cash flows used in investing activities decreased by €204 million for the six months ended June 30, 2023 as compared to the six months ended June 30, 2022. The decrease was due primarily to cash consideration used in business combinations, net of cash acquired, of €188 million for six months ended June 30, 2022, whereas no such activity occurred during the six months ended June 30, 2023. There was also a decrease in purchases of property and equipment of €11 million.

Financing activities

Net cash flows from financing activities increased by €39 million for the six months ended June 30, 2023 as compared to the six months ended June 30, 2022. The increase was due primarily to an increase in cash proceeds from the exercise of stock options, partially offset by an increase in payments for lease liabilities.

Free Cash Flow

Free Cash Flow increased by €7 million to €66 million for the six months ended June 30, 2023 as compared to the six months ended June 30, 2022, due primarily to a decrease in capital expenditures of €11 million partially offset by a decrease in net cash flows from operating activities of €4 million, as described above.

Restrictions on subsidiaries to transfer funds

The payment of dividends and the making, or repayment, of loans and advances to the Company by the Company's direct subsidiaries and by its indirect subsidiaries to their respective parent entities are subject to various restrictions. Future indebtedness of these subsidiaries may prohibit the payment of dividends or the making, or repayment, of loans or advances to the Company. In addition, the ability of any of the Company's direct or indirect subsidiaries to make certain distributions may be limited by the laws of the relevant jurisdiction in which the subsidiaries are organized or located, including financial assistance rules, corporate benefit laws, liquidity requirements, requirements that dividends must be paid out of reserves available for distribution, and other legal restrictions which, if violated, might require the recipient to refund unlawful payments. Spotify AB, which, directly or indirectly through its subsidiaries, conducts much of the Group's business, may only make dividends to the Company if there would continue to be full coverage of its restricted equity following such dividend, and only if doing so would be considered prudent under Swedish law given the needs of Spotify AB and its subsidiaries. Loans and other advances from Spotify AB to the Company may be subject to essentially the same restrictions as dividends. Since the Company is expected to rely primarily on dividends from its direct and indirect subsidiaries to fund its financial and other obligations, restrictions on its ability to receive such funds may adversely impact the Company's ability to fund its financial and other obligations.

Indebtedness

As of June 30, 2023, our outstanding indebtedness, other than lease liabilities, consisted primarily of the Exchangeable Notes that mature on March 15, 2026 and bear no interest. See Note 15 to our interim condensed consolidated financial statements for further information regarding our Exchangeable Notes. We may from time to time seek to incur additional indebtedness. Such indebtedness, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions, and other factors.

Off-Balance Sheet Arrangements

As of June 30, 2023, we do not have transactions with unconsolidated entities, such as entities often referred to as structured finance or special purpose entities, whereby we have financial guarantees, subordinated retained interests, derivative instruments, or other contingent arrangements that expose us to material continuing risks, contingent liabilities, or any other obligation under a variable interest in an unconsolidated entity that provides financing, liquidity, market risk, or credit risk support to us.

Tabular disclosure of contractual obligations

The following table sets forth our contractual obligations and commercial commitments as of June 30, 2023:

	Payments due by period				
Contractual obligations:	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
			(in € millions)		
Minimum guarantees [1]	1,025	520	505	—	—
Exchangeable Notes [2]	1,375	—	1,375	—	—
Lease obligations [3]	828	92	193	184	359
Purchase obligations [4]	655	264	271	45	75
Deferred consideration [5]	28	14	14	—	—
Total	**3,911**	**890**	**2,358**	**229**	**434**

(1) We are subject to minimum royalty payments associated with our license agreements for the use of licensed content. See Part I, Item 3.D. "Risk Factors" in our Annual Report on Form 20-F.
(2) Consists of principal on our 0.00% Exchangeable Notes due March 15, 2026.
(3) Included in the lease obligations are short term leases and certain lease agreements that the Group has entered into, but had not yet commenced as of June 30, 2023. Lease obligations primarily relate to our office space. The lease terms are up to eleven years. See Note 7 to the interim condensed consolidated financial statements for further details regarding leases.
(4) We are subject to various non-cancelable purchase obligations and service agreements with minimum spend commitments, including a service agreement with Google for the use of Google Cloud Platform and certain podcast and marketing commitments.
(5) Included in deferred consideration are obligations to transfer €28 million of cash consideration over the next three years to former owners of certain entities we have acquired.

Subsequent to the end of the reporting period, we signed license agreements with certain licensors which include minimum guarantee and spend commitments of approximately €3,670 million over the next three years.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our activities expose us to a variety of market risks. Our primary market risk exposures relate to currency, interest rate, share price, and investment risks. To manage these risks and our exposure to the unpredictability of financial markets, we seek to minimize potential adverse effects on our financial performance and capital.

Volatile market conditions caused by significant events with macroeconomic impacts, including, but not limited to, volatility in the credit, equity and foreign exchange markets, inflation and interest rates, financial market volatility resulting from bank failures, and the continued conflict between Russian and Ukraine, may result in significant changes in foreign exchange rates, interest rates, and share prices, both our own and those of third parties we use to value certain of our long-term investments. Refer to Part I, Item 3.D. "Risk Factors" in our Annual Report on Form 20-F for further discussion on the impact of worldwide economic conditions on our business, operating results, and financial condition.

Currency risk

Currency risk manifests itself in transaction exposure, which relates to business transactions denominated in foreign currency required by operations (purchasing and selling) and/or financing (interest and amortization). The volatility in foreign exchange rates, in particular a weakening of foreign currencies relative to the Euro, may negatively affect our revenue. Our general policy is to hedge transaction exposure on a case-by-case basis. Translation exposure relates to net investments in foreign operations. We do not conduct translation risk hedging.

Transaction exposure sensitivity

In most cases, our customers are billed in their respective local currency. Major payments, such as salaries, consultancy fees, and rental fees are settled in local currencies. Royalty payments are primarily settled in Euros and U.S. dollars. Hence, the operational need to net purchase foreign currency is due primarily to a deficit from such settlements.

The table below shows the immediate impact on (Loss)/income before tax of a 10% strengthening of foreign currencies relative to the Euro in the closing exchange rate of significant currencies to which we have transaction exposure, at June 30, 2023. The sensitivity associated with a 10% weakening of a particular currency would be equal and opposite. This assumes that each currency moves in isolation.

	Swedish krona (SEK)	British pound (GBP)	U.S. dollar (USD)
		(in € millions)	
(Increase)/decrease in loss before tax	(14)	(12)	57

Translation Exposure Sensitivity

The impact on our equity would be approximately €100 million if the Euro weakened by 10% against all translation exposure currencies, based on the exposure at June 30, 2023.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will have a negative impact on earnings and cash flow. Our exposure to interest rate risk is related to our interest-bearing assets, primarily our short term debt securities. Fluctuations in interest rates impact the yield of the investment. The sensitivity analysis considered the historical volatility of short term interest rates and we determined that it was reasonably possible that a change of 100 basis points could be experienced in the near term. A hypothetical 100 basis point increase in interest rates would have impacted interest income by €6 million and €16 million for the three and six months ended June 30, 2023, respectively.

Share price risk

Share price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in the fair value of the Company's ordinary share price. Our exposure to this risk relates primarily to the Exchangeable Notes, outstanding warrants, and accrual for social costs on outstanding share-based compensation awards.

A 10% decrease or increase in the Company's ordinary share price would have resulted in a fair value of the Exchangeable Notes ranging from €1,163 million to €1,173 million at June 30, 2023.

A 10% decrease or increase in the Company's ordinary share price would have resulted in a fair value of the warrants ranging from €5 million to €10 million at June 30, 2023.

A 10% decrease or increase in the Company's ordinary share price would have resulted in a change in the accrual for social costs on outstanding share-based compensation awards of €14 million and €16 million, respectively at June 30, 2023.

Investment risk

We are exposed to investment risk as it relates to changes in the market value of our long term investments, due primarily to volatility in the share price used to measure the investment and exchange rates. The majority of our long term investments relate to TME. A 10% decrease or increase in TME's share price would have resulted in a fair value of the Group's long term investment in TME ranging from €861 million to €1,052 million at June 30, 2023.

Critical accounting policies and estimates

We prepare our interim condensed consolidated financial statements in accordance with IFRS as issued by the IASB. Preparing these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, equity, revenue, expenses, and related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results may differ from these estimates.

We believe that the assumptions and estimates associated with revenue, share-based compensation, content, warrants, Exchangeable Notes, business combinations, the incremental borrowing rate, impairment of non-financial assets, and income taxes have the greatest potential impact on our interim condensed consolidated financial statements. Therefore, we consider these to be our critical accounting policies and estimates.

Except for the impairment related to real estate assets presented below, there have been no material changes or additions to our critical accounting policies and estimates as compared to the critical accounting policies and estimates described in our Annual Report on Form 20-F.

Impairment of real estate assets

In the second fiscal quarter of 2023, as a result of our Work From Anywhere program and a comprehensive review of our real estate footprint and space utilization trends (collectively, the "Office Space Optimization Initiative"), we have made the strategic decision to reduce our real estate footprint in certain locations and initiate subleases of these leased office spaces.

In accordance with IAS 36, during the three months ended June 30, 2023, we recognized a non-cash impairment charge of €90 million, which represents the write-down of these real estate assets, including lease right-of-use assets and property and equipment, to their recoverable amounts.

To determine the recoverable amounts of these assets, we utilized discounted cash flow models to estimate the fair value less cost of disposal. The development of discounted cash flow models required the application of level 3 inputs and significant judgment in determining market participant assumptions, including the projected sublease income over the remaining lease terms, expected vacancy periods prior to the commencement of future subleases, expected lease incentives offered to future tenants, and discount rates that reflect the level of risk associated with these future cash flows.

The key assumptions used to calculate the recoverable amounts were the sublease rental rates, vacancy periods and pre-tax discount rates which were determined based on the nature and geographic locations of each office space that we plan to sublease. A change in the sublease rental rate, vacancy period, or discount rate assumptions may result in a recoverable amount of one or more of these assets that is above or below the current carrying amount and therefore there is a risk of impairment reversals or charges in a future period. We consider that reasonably possible changes in the sublease rental rates, vacancy periods, or discount rates arising from changes in the real estate markets of the office leases could result in a change in their carrying amounts. A decrease or increase of 10% in the sublease rental rates would have resulted in a change to the impairment loss of €8 million at June 30, 2023. A decrease or increase of six months in the vacancy periods would have resulted in a change to the impairment loss of €7 million at June 30, 2023. A decrease or increase of 100 basis points in the discount rates would have resulted in a change to the impairment loss of €4 million at June 30, 2023. See Note 7 and Note 8 to our interim condensed consolidation financial statements included in this report for additional information.

Recent accounting pronouncements

On January 1, 2023, the Group adopted the amendment to IAS 12 Income Taxes ("IAS 12 Amendment") which requires recognition of deferred taxes on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. This amendment applies to differences associated with right-of-use assets, lease liabilities and decommissioning obligations. This amendment is applied to transactions that occurred on or after the beginning of the earliest comparative period presented.

We adopted the IAS 12 Amendment effective January 1, 2022 utilizing the modified retrospective method and applied it to our lease transactions. The adoption of the IAS 12 Amendment did not have a material impact on the interim condensed consolidated financial statements.

There are no other new International Financial Reporting Standards ("IFRS") or IFRS Interpretation Committee ("IFRIC") interpretations effective for the six months ended June 30, 2023 that have a material impact to the interim condensed consolidated financial statements. See Note 2 to our interim condensed consolidated financial statements included in this report.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

We are from time to time subject to various claims, lawsuits and other legal proceedings. Some of these claims, lawsuits and other legal proceedings involve highly complex issues, and often these issues are subject to substantial uncertainties. Accordingly, our potential liability with respect to a large portion of such claims, lawsuits and other legal proceedings cannot be estimated with certainty. Management, with the assistance of legal counsel, periodically reviews the status of each significant matter and assesses potential financial exposure. We recognize provisions for claims or pending litigation when it determines that an unfavorable outcome is probable and the amount of loss can be reasonably estimated. Due to the inherent uncertain nature of litigation, the ultimate outcome or actual cost of settlement may materially vary from estimates. If management's estimates prove incorrect, current reserves could be inadequate and we could incur a charge to earnings which could have a material adverse effect on our results of operations, financial condition, and cash flows.

For a discussion of legal proceedings in which we are involved, see Note 18 and Note 21 to our interim condensed consolidated financial statements included in this report.

Item 1A. Risk Factors

There have been no material changes from the risk factors and information disclosed in Part I, Item 3.D. "Risk Factors" in our Annual Report on Form 20-F.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity

On April 25, 2023, the Company issued 700,000 ordinary shares to its Netherlands subsidiary at par value and subsequently repurchased those shares at the same price. These shares are held in treasury in order to facilitate the fulfillment of option exercises and restricted stock unit releases under the Company’s stock option and restricted stock unit plans. See Note 13 to our interim condensed consolidated financial statements included in this report for additional detail**s.**

No ordinary shares were repurchased from the open market during the three months ended June 30, 2023.

Item 3. Defaults Upon Senior Securities

None.

Item 5. Other Information

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Spotify Technology S.A.

Date: July 25, 2023

By: /s/ Paul Vogel
Name: Paul Vogel
Title: Chief Financial Officer