Believe
a French *société par actions simplifiée*[1] (simplified joint-stock company) with share capital of €402,344.21
Registered office: 24 rue Toulouse Lautrec, 75017 Paris
Paris Trade and Companies Register (RCS) No. 481 625 853

REGISTRATION DOCUMENT

The registration document was approved on 7 May 2021 by the *Autorité des Marchés Financiers* (AMF) in its capacity as the competent authority under Regulation (EU) 2017/1129.

The AMF has approved this document after verifying that the information it contains is complete, consistent and comprehensible. The registration document carries the following approval number: I. 21-018.

This approval must not be considered to be a favourable opinion on the issuer described in the registration document.

The registration document may be used for the purposes of an offer to the public of securities or admission of securities to trading on a regulated market if it is completed by a securities note and, if applicable, a summary and the supplements thereto. The entire document was approved by the AMF pursuant to Regulation (EU) 2017/1129. It shall be valid until 7 May 2022 and, during this period but no later than at the same time as the securities note and under the conditions of Articles 10 and 23 of Regulation (EU) 2017/1129, it shall be completed by a supplement in the event of new material facts, errors or substantial inaccuracies.

DISCLAIMER

[1] The form of a public limited company (*société anonyme*) will be adopted on the date the *Autorité des Marchés Financiers* (AMF) approves the prospectus for the admission of the Company's shares to trading on the regulated market of Euronext Paris.

IN THE EVENT OF ANY AMBIGUITY OR CONFLICT BETWEEN THE CORRESPONDING STATEMENTS OR OTHER ITEMS CONTAINED HEREIN, THE FRENCH LANGUAGE REGISTRATION DOCUMENT SHALL PREVAIL.

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Copies of this registration document are available at no cost from Believe, 24 rue Toulouse Lautrec, 75017 Paris, as well as on the websites of Believe (www.believemusic.com) and the *Autorité des Marchés Financiers* (AMF) (www.amf-france.org).

GENERAL COMMENTS

*Believe S.A.S., a French simplified joint-stock company (société par actions simplifiée), with share capital of €402,344.21, with its registered office at 24 rue Toulouse Lautrec, 75017 Paris, France, registered under identification number 481 625 853 (Paris Business and Trade Registry), is referred to as the "**Company**" in this registration document. The term "**Group**" means, unless otherwise stipulated, the Company as well as its subsidiaries and direct and indirect equity associates.*

This registration document describes the Company as it will exist after it is transformed into a public limited company with a Board of Directors as from the approval by the Autorité des Marchés Financiers (AMF) of the prospectus for the admission of the Company's shares to trading on the regulated market of Euronext Paris, and the adoption, as from the settlement-delivery of the shares offered in the context of this admission, of the amendments to the articles of association and governance rules described in Chapter 14 and in paragraph 19.2 of this registration document.

This registration document contains information on the outlook and vectors for development of the Group. This information is sometimes identified by the use of the future tense, the conditional mood, and forward-looking terms such as "consider", "envision", "think", "have the goal", "expect", "intend", "should", "aim at", "estimate", "believe", "wish", "could" or, as applicable, the negative form of these terms, or any other variant or similar terminology. This information is not historical data and should not be interpreted as a guarantee that the facts or data set out will occur. This information is based on data, assumptions and estimates considered reasonable by the Group. It could change or be modified due to the uncertainties related for example to the economic, financial, competitive and regulatory environment. Moreover, the occurrence of certain risks described in Chapter 3 "Risk factors" of this registration document could have an impact on the activities, financial position and results of the Group and its ability to achieve its objectives.

Investors are invited to carefully consider the risk factors described in Chapter 3 "Risk factors" of this registration document. The occurrence of all or some of these risks could have an adverse impact on the Group's business, financial position, or results. In addition, other risks, either not yet identified or considered immaterial by the Group, could have the same negative effect.

This registration document contains information about the Group's markets and its competitive positions, including information on the size and growth outlook for these markets and the Group's market share. In addition to the estimates made by the Group, the elements on which the Group's declarations are based come from studies and statistics of third-party and professional organisations or from data published by competitors and the digital service providers and social media. Some information contained in this registration document is public information which the Company believes is reliable, but which has not been verified by an independent expert. The Company cannot guarantee that a third party using different methods to collect, analyse or calculate data on the business segments would obtain the same results. The Company makes no commitment and offers no guarantee as to the accuracy of this information. It is possible that this information is erroneous or no longer up to date. The Group makes no commitment to publish updates of this information, except in the context to which it is subject.

Certain calculated figures (including figures expressed in thousands or millions) and percentages presented in this registration document have been rounded. If applicable, the totals provided in this registration document may present immaterial variances from the totals that would have been obtained by adding the exact amounts (not rounded) for these calculated figures.

A glossary listing the definitions of the main technical terms and financial aggregates used is provided at the end of this registration document.

1. PERSONS RESPONSIBLE, INFORMATION FROM THIRD PARTIES AND EXPERTS' REPORTS

1.1 Person responsible for the registration document

Denis Ladegaillerie, Chief Executive Officer of the Company.

1.2 Certification of the person responsible for the registration document

"I hereby certify that the information contained in this registration document is, to my knowledge, accurate and contains no omission that might alter its scope."

Paris, 7 May 2021

Denis Ladegaillerie

Chief Executive Officer

1.3 Information from third parties, expert declarations and declarations of interests

This registration document contains information on the Group's markets and its positioning in those markets, including information on the size, competitive environment and dynamics of those markets and their growth outlook. The Group uses estimates that it has made, as well as studies and statistics published by independent third parties and professional organisations, such as IFPI, MIDiA and GFK Entertainments, and data published by the Group's competitors, digital service providers and social media.

To the Company's knowledge, the information extracted from third-party sources has been fairly reproduced in this registration document and no fact that would make this information inaccurate or deceptive has been omitted. The Company cannot, however, guarantee that a third party using different methods to collect, analyse or calculate data on those markets would obtain the same results.

2. PERSONS RESPONSIBLE FOR AUDITING THE FINANCIAL STATEMENTS

2.1 Statutory Auditors

KPMG S.A.
Member of Compagnie régionale des Commissaires aux comptes de Versailles
Represented by Jean-Pierre Valensi
Tour Eqho
2, avenue Gambetta
92066 Paris la Défense Cedex

Appointed by resolution of the Combined General Meeting on 27 June 2019 for a term of six financial years, i.e., until the Ordinary General Meeting called to approve the financial statements for the year ending 31 December 2024.

Aca Nexia
Member of Compagnie régionale des Commissaires aux comptes de Versailles
Represented by Olivier Juramie
31, rue Henri Rochefort
75017 Paris, France

Appointed by written consultation of the shareholders on 23 December 2020 for the period remaining in the appointment of its predecessor, i.e., until the Ordinary General Meeting called to approve the financial statements for the financial year ending 31 December 2023.

2.2 Alternate Statutory Auditors

Salustro Reydel
Represented by Béatrice de Blauwe
Tour Eqho
2, avenue Gambetta
92066 Paris la Défense Cedex, France

Appointed by resolution of the Combined General Meeting on 27 June 2019 for a term of six financial years, i.e., until the Ordinary General Meeting called to approve the financial statements for the year ending 31 December 2024.

Pimpaneau & Associés
Member of Compagnie régionale des Commissaires aux comptes de Paris
Represented by Olivier Lelong
31, rue Henri Rochefort
75017 Paris, France

Appointed by written consultation of the shareholders on 23 December 2020 for the period remaining in the appointment of its predecessor, i.e., until the Ordinary General Meeting called to approve the financial statements for the financial year ending 31 December 2023.

3. RISK FACTORS

Before purchasing Company shares, investors are encouraged to review all the information contained in this registration document, including the risk factors described below. As of the date of this registration document, these risks are those the Company believes that, should they occur, are likely to have a significant adverse effect on the Group or its business, financial position, results or prospects, and that are important when making investment decisions. Nevertheless, investors should note that the list of risks presented in this Chapter 3 of the registration document is not exhaustive and that other risks may exist or occur. These include risks that are currently unknown or whose occurrence is not considered, as of the date of this registration document, to be likely to have a significant adverse effect on the Group or its business, financial position, results or prospects.

In accordance with the provisions of Article 16 of Regulation (EU) 2017/1129 of the European Parliament and of the Council, this chapter describes the main risks that may, as of the date of this registration document, affect the Group's business, financial position, reputation, results or prospects, as identified in the course of the risk mapping performed by the Group, which assesses these risks' criticality – that is, their severity and probability of occurrence, after consideration of the action plans put in place. Within each risk category mentioned below, the risk factors the Company considers to be the most significant as of the date of this registration document are marked with an asterisk and listed first.

3.1 Risks related to the Group's industry

3.1.1 Risks related to changes in the underlying audio and video streaming market*

A major portion of the Group's revenue comes from amounts paid by digital service providers,[2] which the Group receives for delivering audio and video content that is distributed mainly through streaming on these platforms. For the financial year ended 31 December 2020, revenue from the sale of digital audio or video content accounted for 89.0% of the Group's consolidated revenue.

The audio streaming market in particular has experienced major growth in recent years, ballooning from \$0.6 billion in 2011 to \$13.4 billion in 2020 (*source: IFPI, Global Music Report 2021*) (see paragraph 5.5 "*Description of the markets and competitive position*" in this registration document).

However, it is possible that this growth will not continue in the future, or that it will continue to a lesser extent in all or some of the geographic regions where the Group is present or wishes to grow, particularly if consumers opt for formats other than streaming, including formats that do not yet exist and may be more successful and attract a broader audience. If the Group is unable to anticipate these changes in audience or format and to consequently adapt its service offering and technology solutions, this could affect its ability to distribute its catalogue and could thus have a significant adverse effect on its business, results, financial position and prospects.

In addition, the subscription streaming market could experience limited growth in terms of number of users in certain potentially large markets where this format is not yet widely adopted, and which the Group is targeting as part of its growth strategy. This includes India, where the Group recently boosted its presence with the acquisition of several local players (see paragraph 5.4 "*Company history*" and paragraph 5.3 "*Strategy*" of this registration document), and where the subscription streaming penetration rate is still low. Moreover, some more mature markets, such as Sweden – or the United States and United Kingdom to a lesser extent – could see limited

2 Digital service providers and social media pay the Group in exchange for the Group's delivery of audio or video content distributed through streaming on these platforms or social media. The Group then pays a portion of these amounts to the artists or labels concerned..

growth potential in the future given that subscription streaming penetration rates are already relatively high in these countries.

Furthermore, in some countries, especially emerging markets, digital service providers could have trouble monetising video and audio content due to an insufficient base of premium users[3] or of advertisers to fund free plays.

Finally, in these same markets, it is possible that the Group will not be able to establish relationships with enough reliable local platforms, thus affecting the Group's ability to offer local artists and labels satisfactory distribution and the Group's growth in these markets.

More broadly, digital service providers and social media are themselves operating in a relatively new audio and video streaming market that is both highly competitive, with the emergence of more and more new platforms, and subject to rapid changes – in particular in terms of the monetisation model of their content, service offerings, technology, consumption methods and market consolidation. Many of these platforms, including the largest ones in the industry, recorded in the past and continue to record considerable operating losses or significant cash use on account of substantial investments in implementing their technology and acquiring content and subscribers. This trend could continue in the future.

If these platforms are unable to adapt to these potential changes or must make substantial investments to adapt to them, or if they have difficulty in profitably operating their business model, this could have an adverse effect on their business, revenue, cost structure and even financial structure. Consequently, they might renegotiate the agreements binding them to the Group under terms that are less favourable for the Group – in particular in terms of the amounts paid to the Group, exclusivity or the duration of the commitments – or they might even cancel these agreements. The situation could also affect the ability of these platforms to pay the Group the amounts due in accordance with contractual deadlines, which in turn could have a significant adverse effect on the Group's business, results, financial position and prospects.

3.1.2 Risks related to the Group's competitive environment*

The Group operates in a very competitive industry in which relationships with producers (artists or labels)[4] are largely based on exclusive agreements with relatively long terms.

In particular, the Group is confronting rising competition in the digital music market and the market for services offered to artists by the music industry majors.[5] The historic offering of these majors is aimed at internationally-renowned top artists whom, incidentally, the Group is also seeking to attract to bolster its brand image and visibility among artists and labels. Yet these majors leverage greater financial and commercial resources, such as a competitive talent-identification strategy, to try to address the needs of the artists targeted by the Group – primarily local, independent artists – by offering, when applicable, digital solutions that are similar to the Group's solutions. For example, the majors have developed digital distribution offerings through subsidiaries, such as Ingrooves and Virgin Music Label & Artist Services for Universal Music Group; The Orchard and AWAL for Sony Music Entertainment, which acquired them from Kobalt in February 2021; and ADA for Warner Music Group. The Group is also facing rising competition from local players, who can utilise their on-the-ground presence and their good knowledge of the local music industry to forge special relationships with artists and labels, thus driving them away from the Group's service offering.

Increased competitive pressure could exert downward pressure on the percentage of profit on payments received by the Group, and therefore on the profitability of the agreements entered

3 The category of premium users of digital service providers generally includes users who have purchased a monthly subscription that gives them access to an interface without visual or audio advertisements.

4 In this registration document, the generic term "producer" refers to both artists and labels.

5 The term "majors" refers to the main holders of the global music catalogue: Universal Music Group, Sony Music Entertainment and Warner Music Group.

into with artists and labels, to remain competitive and safeguard its catalogue. It would also lead to the risk of non-renewal of agreements and of termination of existing relationships. In addition, the commercial policies of the Group's competitors are hard to predict, and they could affect the Group's capacity to quickly adapt its offerings and contractual terms.

The Group may also confront an uptick in disintermediation, which for the time being is mostly limited, with the notable exception of China. Disintermediation means that digital service providers would contract directly with the artists and labels without using the technology solutions offered by the Group. This would consequently affect the longevity and the growth of Group's catalogue.

Increasing competitive pressure and disintermediation could therefore have a significant adverse effect on the Group's business, financial position, results and prospects.

3.1.3 Risks related to economic conditions and the evolution of the recorded music market

The Group's business and results depend partly on local and global economic conditions, which have been especially volatile in the last few years. A deterioration in economic conditions generally has an adverse effect on non-essential spending, such as expenditure on the entertainment services offered by the digital service providers of audio content (consisting mainly of the purchase of subscriptions), to which the Group delivers its content and from which it draws a significant portion of its revenue (see paragraph 3.2.2 "*Risks related to relationships with digital service providers and social media*"). Furthermore, an unfavourable economic environment generally affects advertisers' ad expenditure, which results in lower revenue for the digital service providers of video content in particular, as well as for social media, to which the Group delivers its content and from which it also draws its revenue.

As long as the amounts paid to the Group by digital service providers and social media are calculated based on the revenue they collect from subscriptions (for paid offer) or advertising fees (for free offer), a reduction (or less growth) in the number of paying users or advertising payments could thus lead to a drop in the amounts paid by the platforms to the Group. Moreover, the difficulties that the digital platforms may encounter could lead them to renegotiate the agreements binding them to the Group under terms less favourable for the Group – such as the percentage of payments made to the Group, exclusivity or duration of commitments – or they might even cancel these agreements. This could affect the Group's business.

In addition, in some countries such as France, the culture sector receives sizeable public subsidies which help its growth. For instance, in 2019, the budget allocated to recorded music for the French market in the form of financial aid or subsidies, excluding tax credits, amounted to around €40 million.[6] If economic conditions decline in such a way that affects government finances, the public authorities may be required to cut spending in areas considered to be less of a priority, such as culture. This could then have an adverse effect on artist development and consequently impact the expansion of the Group's catalogue.

The COVID-19 pandemic had a significant adverse effect on the global economy, with a sharp contraction in gross domestic product (GDP) of -3.5% in 2020, including -7.2% for eurozone countries and -9.0% for France (*source: International Monetary Fund, World Economic Outlook, January 2021*). Although the global economy is expected to rebound in 2021 with GDP growth of 5.5% (*source: International Monetary Fund, World Economic Outlook, January 2021*), the recovery will be limited considering the major recession witnessed in 2020. It will also be dampened by the COVID-19 pandemic, which has continued into 2021, limiting operational visibility for most economic players (including in the Group's business sector). The fallout from the COVID-19 pandemic, with rising unemployment and falling real disposable

[6] According to the 2019 annual reports of the *Société civile des producteurs de phonogrammes en France* (SPPF), the *Société civile des producteurs phonographiques* (SCPP), the *Société des auteurs, compositeurs et éditeurs de musiques* (SACEM), the *Société civile pour l'administration des droits des artistes et musiciens interprètes* (ADAMI), the *Centre national de la musique* (CNM) and the *Fonds pour la création musicale* (FCM).

income and household spending power, could have a lasting adverse impact on discretionary consumer spending (including entertainment spending), as well as on advertising expenditure by advertisers, particularly on video distribution platforms and social media (as was the case during the first phase of the pandemic, which affected the Group's digital sales activities related to the ad-supported free offer (mainly on video platforms), particularly during the second quarter 2020).

The Group saw its business grow during the financial year ended 31 December 2020, largely owing to the popularity of remote forms of consumption (such as streaming) over physical consumption, due to government lockdown measures. However, a long-term decline in discretionary consumer spending, such as on entertainment (in particular the purchase of subscriptions to digital service providers, especially for audio content), or advertising expenditure by advertisers, due to their impact on digital service providers and social media, or even the music industry in general, could affect the Group's business and earnings growth.

The recorded music market has grown steadily in recent years. However, some segments of the recorded music market in which the Group operates are seeing more limited growth, or even a fall in sales. The physical music market in particular has witnessed a steady decline in sales over the past few years, from $8.2 billion in 2011 to $4.2 billion in 2020 (*source: IFPI, Global Music Report 2021*). This is due to several factors: the increasing uptake of streaming as a listening format, at the expense of the physical format; a reduction in retail outlets and a decline in the available offering (accompanied by an increase in the cost of physical distribution with, in particular, higher costs for vinyl records, a format that consumers increasingly prefer over CDs); and a fall in the popularity of particular artists or genres traditionally distributed in physical format (also see paragraph 5.5.1 "*Market trends*" of this registration document). These market trends could thus affect the Group's business in terms of physical sales. During the financial year ended 31 December 2020, the Group generated 11.0% of its consolidated revenue from activities other than the sale of digital audio and video content, chiefly consisting of physical sales.

The Group's physical sales of audio and video content were significantly affected by the consequences of the global health crisis in 2020. This was mainly due to the lockdown measures put in place, which saw the closure of physical stores. However, it could remain severely impacted in the future if the global health situation does not improve or indeed worsens, leading to new lockdowns and social distancing measures. During the financial year ended 31 December 2020, revenue from activities other than the sale of digital audio and video content, mostly consisting of physical sales, was therefore down 3.9% from the previous financial year.

In addition, some of the Group's operations – such as live music services in India and France, recently acquired or created by the Group, although not significant in terms of the revenue they generate – have been and continue to be strongly impacted by the global health crisis. This is due to the impossibility of organising live music events for part of 2020 and into 2021 (with no date set for these services to resume, even in 2021) due to government lockdown measures. The Group's exploitation of neighbouring rights, where revenue is generated primarily from audio content played in public venues (such as restaurants, bars and concert halls), has also been and could continue to be affected by the closure of these venues.

The occurrence of such events could have a significant adverse effect on the Group's business, financial position, results and prospects.

3.1.4 Risks related to digital piracy

The Group's business is highly dependent on the intellectual property rights that it is licensed to distribute or, to a much lesser extent, that it owns.

Increased access to broadband and ultra-fast broadband, technological advances and the difficulty governments face in protecting rights holders are all encouraging the unauthorised reproduction of musical and audiovisual works and fuelling a rise in unauthorised digital use (such as unlicensed streaming sites, P2P file sharing networks, file hosting sites (cyber-lockers), aggregators and file conversion applications (stream-ripping)). According to a study of music listening habits on a sample of 34,000 internet users aged 16-64 in 21 countries, 23% of respondents used file conversion applications (stream-ripping), the most common form of piracy (source: *IFPI, Music Listening 2019*).

The unauthorised use of the Group's intellectual property rights and content as a result of digital piracy deprives the Group of revenue it could earn from the legal use of such rights and content. Therefore, if the Group were unable to obtain appropriate legal remedies in the event of unauthorised use of the rights and content it holds, if it were unable to take action to protect its rights against digital piracy or, in general, if governments were to abandon efforts to prevent piracy, this could have a significant adverse effect on the Group's business, financial position, results and prospects.

3.2 Risks related to the Group's business

3.2.1 Risks related to relationships with artists and labels*

The growth of the Group's catalogue and business depends on its ability to discover and attract new artists and labels, as well as retain its existing artists and labels, notably by offering leading technology solutions that fully address their needs and competitive remuneration structures. Identifying and signing artists with strong top-artist potential or "tier one" labels specifically enables the Group to strengthen its brand image and visibility among artists and labels, contributing to the future growth of its catalogue.

If the Group's sales teams had insufficient access to various external data sources concerning artists and lacked the tools to analyse those databases to categorise artists and predict future success, the Group might be unable to expand its catalogue and could miss opportunities to sign artists with strong development potential or future top artists.[7] In addition, the Group might be unable to have its suite of Premium Solutions adopted by artists and labels, particularly established ones, who might prefer to use the Automated Solutions offering or service providers other than the Group for specific solutions, which could reduce the Group's profitability.

The Group also faces competition from players with more significant financial and commercial resources (music industry majors in particular, who have a competitive talent scouting strategy). This could limit its ability to attract artists and labels and develop its catalogue, particularly among top artists, historically targeted by the majors, or even independent artists – a segment in which the majors are increasingly looking to position themselves (also see paragraph 3.1.2 "*Risks related to the Group's competitive environment*" of this registration document).

The Group could also have to contend with a change in listening habits, with users eschewing the local artists targeted by the Group to listen more to content produced by internationally renowned artists, who are not a priority for the Group's talent scouting efforts.

In this respect, the Group might be unable to provide its services to artists and labels to the requisite standards of quality, ensure the quality and reliability of the content ingestion and delivery process, produce complete and accurate sales statements within the contractual time frame (which also depends on the quality of the data provided by the digital service providers themselves; see paragraph 3.2.2 above), introduce robust rights management and catalogue protection measures, or continue to offer innovative technologies and develop applications that fully address the needs of artists and labels. In addition, a lack of business expertise and know-how on the part of the Group's sales and marketing teams could undermine the appeal of the Group's offering, as well as its ability to build trust with artists and further their career development.

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[7] As illustrated in this registration document, the Group classifies artists in one of three categories (emerging artists, established artists and top artists) according to the annual revenue they generate.

These factors could result in the Group providing inadequate or poor service, limiting its ability to attract new artists and labels to grow its catalogue. The Group might also be exposed to the risk of its contract being terminated with existing artists and labels, potentially incurring liability and having to pay artists and labels damages that might not be fully covered by the Group's insurance policies.

Moreover, the Group might not be able to offer its services at a reasonable price, which could jeopardise the attractiveness of its offering and/or its profitability. Providing inadequate or poor service or overcharging for its service could have a significant adverse effect on the Group's business, financial position, reputation, results and prospects.

Furthermore, the Group grants advances to selected producers which are eventually recouped from the amounts paid by the Group. This exposes it to the risk of being unable to recoup those amounts if the volume of sales – translating as the number of streams generated by the content of those producers distributed on digital platforms – turns out to be insufficient (for a description of the contractual advance mechanism, see paragraph 5.11 "*The Group's main contracts*" of this registration document). These advances, recognised as assets on the statement of financial position when paid, may be also impaired if, during the year-end review, there is doubt as to whether they can be recouped. In this case, the impairment, calculated based on an estimate of the amount to be recouped before the end of the contract, is recorded in the cost of sales and thus has an impact on the Group's results. The advances recognised as assets are broken down into a current portion (what the Group expects to recover in the 12 months following the closing) and a non-current portion. The amount of net unrecouped advances stood at €108.8 million (€60.5 million as current portion and €48.3 million as non-current) as at 31 December 2020, compared with €62.9 million (€34.1 million as current portion and €28.8 million non-current portion) as at 31 December 2019 and €53.1 million (€29.1 million current and €24.0 million current portion) as at 31 December 2018. The increase in the amount of unrecouped advances over the last three financial years is due to the growth in the Group's business, as well as its strategy of offering artists and labels more services, including financing solutions to support the development of their career, via the payment of advances. The Group intends to pursue this strategy in the future, which will have the effect of increasing the amount of advances and amplifying the risk described above (see paragraph 3.4.1 "*Liquidity risks*" and 8.4.3 "*Advanced to artists and labels – current portion*" of this present registration document). In addition, if the Group were unable to grant a volume of advances in line with demand from artists and labels (and although the Group has no contractual obligation to grant advances to them), this could affect the implementation of its strategy and limit its ability to attract new producers.

Lastly, the Group could be held liable for the content it distributes, including content distributed online. Apart from any reputational damage caused by the distribution of illegal content (e.g., pirated content, racist content or content that incites violence), the Group could be forced to remove or have such content removed, or even face civil and/or criminal prosecution for that reason. More generally, the Group's reputation could be harmed by unlawful or unethical conduct by the artists or labels with which it works. The materialisation of these risks could have a significant adverse effect on the Group's business, financial position, reputation, results and prospects.

3.2.2 Risks related to relationships with digital service providers and social media*

The Group depends on a small number of digital service providers and social media platforms. During the financial year ended 31 December 2020, the Group generated 62% of its revenue from three digital service providers, accounting for 28%, 22% and 12% of its consolidated revenue. This situation limits the Group's capacity to negotiate favourable contractual terms with these platforms, particularly with regard to the amount of payments owed to the Group (especially when renewing contracts). It also exposes the Group to the risk of a significant loss of revenue if the contract signed with one of these platforms happens to be terminated early or not renewed upon expiry (contracts with platforms and social media are generally entered into for periods of one to three years, in some cases with a renewal option; either party may terminate the contract early in the event of a serious breach of contract (see paragraph 5.11 "*The Group's main contracts*" of this registration document)). In order to expand its catalogue, the Group may also have to sign agreements with digital service providers and social media platforms that do not offer the expected levels of profitability.

In addition, the efficient processing and distribution of payments that the Group receives from the platforms partly depends on the reliability of the sales reports received from the digital service providers, the accuracy and completeness of which can be difficult to verify. Inaccurate or incorrect reports could thus affect the Group's capacity to pay producers the amounts actually owed and affect the accounting treatment of the Group's revenue.

The Group also has limited contractual means of challenging the legitimacy of content removal by digital service providers in the event of suspected fraud, exposing it to the risk of unjustified content removal. This could adversely affect its revenue or even have a negative impact on its relationship with the artists or producers concerned. In addition, digital service providers may refuse to distribute some of the Group's content if it is already available in another version on the platform, or if the content is incompatible with the platform's editorial policy, for example. If the Group were unable to identify and anticipate the content requirements of digital service providers, this could negatively affect its operational efficiency.

Furthermore, a significant portion of the content listened to on digital platforms comes from playlists created and updated by the platforms, largely created on an automated basis using proprietary algorithms. The distribution and visibility of the Group's catalogue on the platforms thus depends to some extent on those algorithms, and on its ability to analyse them so as to anticipate the potential positioning of its catalogue within playlists.

In addition, the Group may be unable to adapt its tools and processes quickly enough to changes in the technological and operational requirements of digital service providers and social media platforms, particularly in terms of the management policy for user generated content, familiarity with video processes, content quality control and compliance with intellectual property rights, as well as the means of identifying illegal and inappropriate content. If the Group were unable to make these changes, this could affect its ability to fulfil its contractual obligations towards digital service providers and social media, and more generally, its ability to capture new market share. Serious and repeated breaches of its contractual obligations could undermine the Group's status as a preferred partner with some digital service providers and social media platforms, or even constitute grounds for terminating its contract. This would affect the Group's revenue and could jeopardise the Group's ability to develop, support and promote artists and thus grow its business.

The Group could also be the victim of malicious actions and hacking by third parties of a digital service provider's systems, over which it has little control. This could include hacking into the platform's servers to steal data or content from the Group's catalogue (the distribution of which could be accelerated with the increased use of mobile communication platforms and applications), which could harm its business and reputation, or facilitating access to information about the performance of the Group's catalogue, which could undermine its competitive positioning (see paragraph 3.2.4 "*Risks related to the Group's IT systems*" of this registration document). Furthermore, if the data protection policies of digital service providers and social media sites should prove insufficient or inadequate, or even non-compliant with the applicable regulations, and data about the Group's artists and labels were to be disclosed or exploited because of those failings, this could affect the Group's relationship with its artists and labels and harm its reputation in general.

The occurrence of such events could have a significant adverse effect on the Group's business, financial position, results or prospects.

3.2.3 Risks related to managing the rapid growth and transformation of the Group*

The Group has experienced strong business growth in recent years, jumping from consolidated revenue of €238.1 million for the financial year ended 31 December 2018 to consolidated revenue of €441.4 million for the financial year ended 31 December 2020, i.e., a CAGR of 36.2% for the period. The management of the Group's operations, which it deploys on an international scale (the Group generated 81.6% of its consolidated revenue outside of France during the financial year ended 31 December 2020), is therefore becoming more complex, in particular due to the continued increase in the volume of content made available on streaming platforms. This trend is expected to continue in the future with the continuation of the Group's expansion strategy (see paragraph 5.3 "*Strategy*" and Chapters 10 "*Information on trends*" and 11 "*Profit forecasts or estimates*" of this registration document).

In this context, the Group has undertaken a profound transformation and recruitment process covering all its business activities in order to strengthen its organisation and support its development. However, there is a risk related to the Group's ability to mobilise sufficient human and operational resources and prioritise actions to achieve both transformation objectives and operational objectives.

The growth, both organic and external, of the Group's business activities requires, among other things, the constant adaptation of its operational processes and both its reporting and internal control procedures. In this regard, there is a risk that the Group may not be able to process and ensure, in particular in terms of the roll out of operational procedures and controls or reporting, the completeness of the data it processes (including financial data or data from sales reports provided by the digital service providers) in a context of business growth leading, among other things, to the multiplication of sources of reporting. This could therefore lead to decision-making established on the basis of incomplete and/or erroneous information.

In addition, the Group's employees may not be able to handle the additional workload generated by transformation projects, to master the increasing complexity and to deliver their projects on time and at the expected quality level. In order to maintain its growth and innovation capacity, the Group has also made substantial investments, without prior assurance that it will succeed in its transformation or receive a satisfactory return on these investments.

The Group's failure to respond appropriately to these issues could have a significant adverse effect on its business, financial position, results, development or prospects.

Finally, the success of the Group's business activities over the past few years has been sustained, and will continue to be supported in the future, by an operational model based on a Central Platform that develops a part of the tools and processes used by local and central teams for roll out to artists and labels benefiting from the Premium Solutions and Automated Solutions offer (see paragraph 7.1.1 of this registration document). The Group recorded a significant increase in its Central Platform's costs over the past three years, which have almost quadrupled over the 2018-2020 period, from €13.5 million for the financial year ended 31 December 2018 to €26.2 million for the financial year ended 31 December 2019 and €53.0 million for the financial year ended 31 December 2020. This trend will continue in the future, as the Group continues to invest significantly in the development of its core platform (see Chapters 10 and 11 of this registration document). The Group could encounter difficulties in implementing this operational model if the tools and processes developed at the Central Platform level were not suitable for local needs; if the costs of development of the Central Platform were too high and the tools developed too rigid and not scalable (which might not have been the case in a local design and execution model); or if teams, especially local ones, were not sufficiently trained to use these tools and implement these processes.

If the Group's development strategy is not as successful as expected or is implemented more slowly than expected, its competitive position, profitability and growth could be adversely affected, which could have a significant adverse effect on the Group's business, financial position, results or prospects.

3.2.4 Risks related to the Group's IT systems*

The development and provision of a digital platform based on leading technologies, in order to help artists develop their careers by offering solutions focused on their needs, is at the heart of the Group's technological and business model. The Group's inability to develop and maintain secure, reliable and technologically advanced IT systems to support this model could therefore significantly affect the development of its business.

Risks related to cyber attacks

As a digital enterprise, the Group collects and holds a significant volume of sensitive data such as artistic content, personal data or bank details. This data could be the subject of malicious acts by third parties, who could potentially enter into the Group's IT systems, in particular to eliminate or falsify such data.

Third-party intrusions into the Group's IT systems could also affect its proper functioning, in particular by making its applications inaccessible or causing service interruptions. If the Group were not able to implement a robust and systematic policy of access rights management, unauthorised individuals could thus access sensitive information regarding the strategy, financial position, commercial transactions or personal data of artists, labels and employees of the Group. In addition, the Group may not have sufficient technological resources to anticipate and continue to prevent cyberattacks or intrusions by third parties, in particular because the techniques used are evolving rapidly and may not be known before the Group is subjected to them. Lack of awareness among Group employees regarding cybersecurity and the failure to apply cybersecurity protocols, relating in particular to the use of personal computers (in particular in a context of increased remote working) or non-secure applications, could also increase exposure to the risk of data intrusion and theft.

A violation of the Group's IT security protocols or cyberattacks could result in the theft of sensitive data, exposing the Group to the risk of administrative, criminal or financial penalties, and a significant loss of confidence in the security of its IT systems on the part of artists and labels, as well as on the part of digital service providers and social media. Third-party intrusions into the Group's IT systems could also affect its proper functioning, in particular by making its applications inaccessible or causing service interruptions. This would deprive artists and labels of access to its technological platforms such as Backstage or TuneCore, which are essential for the Group to provide its Premium Solutions or Automated Solutions offers. These events could have a significant adverse effect on the Group's business, financial position, reputation, results and prospects.

Risks related to infrastructure reliability and the obsolescence of the Group's technological offer

A lack of reliability of the IT infrastructure and applications on which the Group relies in its business activities, in particular if the Group were unable to detect and resolve incidents due to a lack of control over its infrastructure, could cause an interruption to its services, which could affect the continuation of its business activities and damage its reputation. A number of interfaces between the Group's computer applications are also handled manually or are poorly automated, which could lead to data loss and processing errors. The Group may also have to bear significant costs in order to restore its services or make the necessary upgrades. In addition, the Group externalises certain elements of its IT systems and certain activities in order to optimise the management of its resources and improve the efficiency and security of its IT infrastructure. It thus relies on the quality of work and the expertise of its service providers in this field. Therefore, despite the care taken in selecting these providers, it is exposed to the risk of failure on their part in the fulfilment of their obligations.

The Group's activities also require substantial investments in technological tools in order to operate a complex operational model capable of processing high volumes of content and data on a global scale, which helps support the growth of its business.

In particular, the Group must be able to develop and operate sophisticated data analysis tools in order to detect high-potential musical trends and artists and optimise their audience, to deepen its knowledge of the musical landscape in order to better meet the needs of artists and labels, to precisely define its international expansion strategy and to better respond to the evolving requirements of digital service providers. In addition, the Group must be able to operate and develop digital marketing tools that enable it to assist artists and labels in their promotion strategies. For example, TikTok, a mobile video sharing application launched in 2016, has been very popular and is being used increasingly for digital marketing purposes, particularly by artists and labels.

The Group is thus exposed to the risk of obsolescence of its IT systems and of applications and tools made available to artists and labels if it is not able to rapidly evolve its technological infrastructure and services, in order to support the growth of its business activities and to respond to the changing needs of artists and labels, as well as of digital service providers and social media, which carry out their activities in a constantly changing digital environment.

The occurrence of these events could have a significant adverse effect on the Group's business, financial position, reputation, results and prospects.

3.2.5 Risks related to the Group's international development*

As at 31 December 2020, the Group had a commercial presence[8] in more than 50 countries, including a number of markets with significant growth prospects, due in particular to the still low streaming penetration rate (see paragraph 5.5.1 "*Market trends*" of this registration document), and in which the Group intends to continue to develop its activities in the future in support of its growth strategy.

In general, the development of the Group's international activities presents a number of risks, including:

- exposure to various legal regimes offering different degrees of protection in the field of intellectual property rights: in certain countries where the Group operates, the copyright regulations and the regulations governing the activities of digital service providers and social media are relatively new, and the relevant case law is thus undeveloped and therefore subject to change. Certain binding regulations regarding the protection of personal data and control of rights could also affect the Group's ability to effectively use its rights or increase the risk of litigation. In addition, in some jurisdictions, including mature markets, copyright identification is relatively ineffective, exposing the Group to an increased risk of being challenged by rights holders (also see paragraph 3.5.1 "*Risks related to intellectual property rights*" of this registration document);
- difficulties in enforcing contracts or court decisions or difficulties in collecting money or in enforcing or complying with vague or ambiguous legal provisions;
- modifications, sometimes significant, to regulations in force, including tax regulations, or the inadequate application of such regulations and complex tax regimes;
- the reclassification as employees, by local administrations, of independent consultants with whom the Group contracts in various countries, which may lead to the application of social security contributions and withholding taxes;
- difficulties in recruiting or retaining employees.

In addition, some countries, particularly growing markets, have specific risks including:

8 In this registration document, the countries designated as those where the Group has a commercial presence are the countries where the Group has employees or external consultants.

- foreign exchange control measures;
- limitations on the payment of dividends or other payments from foreign subsidiaries, withholding taxes or other taxation on payments or investments made by foreign subsidiaries, and any other restrictions imposed by foreign governments, which may require the Group to seek external financing and incur additional costs;
- relative economic, social and political instability and increased risks in terms of corruption and business ethics;
- nationalisation or expropriation of private property (expropriation without adequate compensation);
- customs duties, protectionist measures and licensing requirements in order to operate;
- large fluctuations in interest and exchange rates;
- the risk of sanctions in some countries;
- acts of terrorism.

Although the Group's activities are not concentrated in a single country, the occurrence of adverse events or unfavourable circumstances in one or more of these countries where the Group is present could have a significant adverse effect on the Group's business, financial position, results or prospects.

3.2.6 Risks related to acquisitions

In recent years, the Group has made a large number of targeted acquisitions that have contributed significantly to the growth of its business (see in particular paragraphs 5.7 "*Investments*" and 7.1.2.4 "*External growth transactions*" of this registration document). Some of these acquisitions were significant, such as that of a majority stake in the DMC label in Turkey in 2020, multiple companies in India in 2019, and the acquisition of Nuclear Blast and Groove Attack in Germany in 2018, or even transformative, such as the acquisition of TuneCore in the United States in 2015.

The Group intends to continue its development in the future by making potentially significant and targeted acquisitions, particularly involving strategic countries and new services, in order to expand its geographical footprint and enrich its offering.

As part of this growth strategy, the Group may encounter the following difficulties:

- the integration of new companies could lead to substantial costs, delays or other financial and operational difficulties;
- the assumptions made in the business plans of acquired companies may prove incorrect, particularly in terms of synergies and performance;
- the departure of a portion of the personnel of the acquired company; the violation of non-competition clauses, if any, binding them to the Group; or the emergence of disputes with them;
- acquisitions in a new country and/or in a country that is not the Group's home country could involve increased risks;
- the acquisition of new companies could generate unforeseen legal constraints, such as the emergence of liabilities larger than those assessed during the acquisition's due diligence phase;

- goodwill recorded could be impaired due to the occurrence of adverse future events (as at 31 December 2020, goodwill recorded by the Group was €80.4 million, of which €11.4 million[9] originated from acquisitions made during the financial year ended 31 December 2020);
- in the case of majority shareholdings, the emergence of disagreements with minority shareholders, which could affect the decision-making process and the conduct of the company's business, or even result in litigation with minority shareholders.

In general, the expected profits from future or completed acquisitions may not materialise on time or at expected levels, which could have a significant adverse effect on the Group's business, financial position, results and prospects.

3.2.7 Fraud risks

As part of its business activities, the Group is exposed to several types of fraud, including[10]:

- streaming fraud, consisting in the generation of fictitious streams of content by a producer or artist served by the Group in order to increase the payments due from digital service providers. In this respect, the Group's ability to act against this type of fraud depends in part on the reliability of the reports received from digital service providers, the accuracy and completeness of which can be difficult to control. These reports, if any, could be established on the basis of different methods, depending on the platform concerned (see in particular paragraph 3.2.2 "*Risks related to relationships with digital service providers and social media*" of this registration document);
- digital piracy (see also paragraph 3.1.4 "*Risks related to counterfeiting through digital piracy*" of this registration document) or online extraction ("stream ripping"[11]) concerning the content in the Group's catalogue;
- disclosure in the Group's catalogue content, prior to its official release, by a third party or a person within the Group;
- fraudulent collusion between an artist of the Group and one of the Group's employees in order to provide the employee with a share of the advance paid by the Group to the artist concerned or to set up a system of retro fees; or a conflict of interest situation where an employee of the Group is involved in the development of the career of an artist of the Group (as a manager, publisher or producer, for example) and benefits from a contract signed with the Group;
- payment fraud, whereby third parties using fraudulent processes (including against Group executives), could modify the bank details of labels and artists to which the Group pays amounts, in order to divert payments to their benefit;

These fraudulent practices would likely affect the Group's ability to implement processes and controls that ensure the integrity of transactions and payments with artists and labels and the integrity of their content. This could adversely affect the quality of its services or the perception of the quality of its services by artists and labels, which could have a significant adverse effect on the Group's results, business, reputation, financial position or prospects.

3.2.8 Risks related to corruption and ethics

In the course of its business, the Group may face risks related to corruption, particularly in certain countries where it operates. The Group has implemented policies, procedures and

[9] Interim goodwill.

[10] The types of fraud are ranked by decreasing order, in terms of probability of occurrence.

[11] Fraudulent practice that consists of using converters to record a copy of legally streamed content.

training for its employees on the subject of ethics and anti-corruption regulations in order to prevent internal and external fraud attempts.

However, it cannot guarantee that its employees, suppliers, subcontractors or other business partners will comply with the strict requirements imposed on them and the regulations in force. If the Group were unable to enforce its anti-corruption policies and procedures, it could be subject to civil and criminal penalties, including fines, possibly of significant amounts, or even exclusions from certain markets.

In particular, the Group includes the promotion of ethics and the prevention and fight against corruption practices in its CSR policy, which is at the heart of its development strategy (see paragraph 5.9 "*The Group's CSR policy*" of this registration document). Possible ethical and corruption breaches could thus affect the credibility of this policy among employees of the Group as well as third parties, which could particularly damage the Group's reputation and development strategy.

The occurrence of such events could have a significant adverse effect on its reputation, business, financial position, results or prospects.

3.3 Risks related to the Company

3.3.1 Risks related to management teams, including Mr Denis Ladegaillerie, and the recruitment and retention of experienced employees*

The success of the Group and its future growth depends in particular on the performance of its management team, led by Mr Denis Ladegaillerie, Chairman and founder of the Group.

In the event of incapacitation or departure of one or more of these executives and key employees, the Group may not be able to replace them promptly, which could affect its operational performance. In addition, in the event that its executives, founders or key employees join a competitor or create a competing business, the Group could be adversely affected.

As a service provider with high technological added value requiring strong sectoral expertise, the success of the Group's business activities also depends on its ability to identify, attract, train, retain and motivate experienced employees[12] and capitalise on a solid knowledge of the industry and high-level skills. The attrition rate[13] of the Group's employees was 11.3% for the financial year ended 31 December 2020. If the Group were unable to control its attrition rate, this could affect the Group's efforts to build trusted relationships with its artists and labels and to support them in the development of their careers.

The Group faces intense competition for the recruitment of its experienced employees and senior directors, from players who may have significant financial resources and capitalise on the reputation of their employer brand with potential candidates (music industry players in general, as well as leading companies in the technology sector for the recruitment of developers). Thus, the Group may not be able to attract, integrate or retain a sufficient number of qualified employees or experienced senior directors, which could adversely affect its business activities and development strategy.

In addition, the development of the Group's business requires the acquisition, maintenance and renewal of skills in line with market evolutions and expectations. The Group may not be able to find qualified candidates, train its staff in the technological solutions offered by the Group, or recruit and train the necessary leaders in the geographical areas or lines of business where it is active or wishes to develop. Moreover, in particular during a period of strong growth, the Group may find it difficult to recruit and retain qualified personnel under economic conditions

[12] In a number of countries where the Group is present, it also relies on the expertise of more than 300 external consultants. The Group is also exposed to risks related to its ability to establish and maintain contractual relationships with these consultants, similar to those presented in this paragraph 3.2.3.

[13] Calculation of the attrition rate: total number of workforce permanent departures / Mean permanent annual workforce.

attractive to the Group, representing a risk of higher wage costs and a decrease in the quality of the products it develops.

If the Group fails to meet these human resources challenges, a key factor in its development, this could have a significant adverse effect on its business, financial position, results and prospects.

3.4 Financial risks

3.4.1 Liquidity risks

Liquidity risk is the risk of not having funds needed to meet commitments at maturity. This includes, on the one hand, the risk that assets, especially advances to certain artists and labels, cannot be sold or recouped quickly under satisfactory conditions if needed and, on the other hand, the risk of liabilities falling due early, especially commitments to producers, or the risk of not being able to access credit under satisfactory conditions.

The Group is therefore exposed to the risk of not having sufficient cash to honour all payments to producers in the event of substantial demand.

Given the Group's activities, the change in its working capital requirement depends, first, on the net amount of the unrecouped advances granted to artists and labels under contracts signed with them, and second, on the difference that exists between the moment the Group receives the amounts paid by digital service providers and the moment when the corresponding amounts (for amounts less than the payments collected from digital service providers and social media) are then made to the artists and labels.

The Group grants advances (unpaid) to selected artists and labels which are eventually recouped from the amounts paid by the Group. This exposes it to the risk of being unable to recoup those amounts if the volume of sales – resulting from the number of streams generated by these producers on digital platforms – happens to be insufficient (for a description of the contractual advances mechanism, see paragraph 5.11 "*The Group's main contracts*" of this registration document). These advances, recognised as assets on the statement of financial position when paid, may be also impaired if, during the year-end review, there is doubt as to whether they can be recouped. In this case, the impairment, calculated based on an estimate of the amount to be recouped before the end of the contract, is recorded in the cost of sales and thus has an impact on the Group's results. The advances held as assets are broken down into a current portion (which the Group expects to recover in the 12 months following the closing) and a non-current portion. The amount of net unrecouped advances stood at €108.8 million (€60.5 million as current portion and €48.3 million as non-current portion) as at 31 December 2020, compared with €62.9 million (€34.1 million as current portion and €28.8 million as non-current portion) as at 31 December 2019 and €53.1 million (€29.1 million as current portion and €24.0 million as non-current portion) as at 31 December 2018. The 73.0% increase in the amount of uncollected advances between 2019 and 2020 had a significant impact on the Group's working capital requirement, which increased from €(124.5) million for the financial year ended 31 December 2019 to €(106.4) million for the financial year ended 31 December 2020 (see paragraph 8.2.1 "*Working capital requirement*" of this registration document). The increase in the amount of unrecouped advances over the last three financial years is due to the growth in the Group's business, as well as its strategy of offering artists and labels more services, including financing solutions via the payment of advances. The Group intends to accelerate the roll-out of this strategy in the future, which will have the effect of increasing the amount of advances and amplifying the risk described above.

The Group must pay artists and labels a part of the amounts paid by digital service providers and social media in return for the delivery of the content. There is uncertainty regarding the time and frequency of producers' requests for payment of these amounts. The assumptions made by the Group in the management of its cash flow are based in particular on a relative stability of working capital requirements (see paragraph 8.2.1 "*Working capital requirements*" of this registration document) and on the assumption that the timing and frequency of requests for payments to artists and labels will remain relatively constant over time, based on what the Group has observed historically.

Moreover, in a crisis context, the Group may not be able to obtain the financing or refinancing necessary to implement its investment plan or to obtain such financing or refinancing on acceptable terms.

3.4.2 Risks related to interest rates

Exposure to interest rate risk is related to the existence within the Group of variable rate debt, the medium-term cost of which may vary as interest rates change.

As at 31 December 2018 and 31 December 2019, the Group's only significant variable rate debt was at the level of Believe SAS and was issued in the second half of 2018 for an amount of €42.8 million (see paragraph 8.2.2.1 "*Credit agreements*" of this registration document).

This variable rate exposure was converted into a fixed rate exposure by an effective rate swap concluded at the end of 2018 and effective as of 28 January 2019. In addition, the New Revolving Credit Facility to be entered into in connection with the admission of the Company's shares to trading on the regulated market of Euronext Paris, consisting of a revolving credit facility in the amount of €170 million, provides that borrowings drawn under the facility will bear interest at a variable rate indexed to EURIBOR plus the applicable margin (see paragraph 8.3 "*New Revolving Credit Facility*" of this registration document).

3.4.3 Counterparty risks

The Group may be exposed to the default of one of the bank counterparties that manages its cash or the interest rate swap hedging the variable rate debt implemented in the second half of 2018 for a total amount of €42.8 million, and such default could result in a financial loss for the Group.

In addition, the Group is a creditor of digital service providers and social media platforms, which must pay for the content it makes available to them. The payment period for remuneration under the Group's main contracts is generally between 30 and 60 days following receipt of the invoice or the end of the calendar month of the current period (see section 5.11.1 "*Licence agreements with digital service providers and social media*" of this registration document). The Group is thus exposed to the risk of default by one or more digital distribution platforms or social media, which may not pay the amounts due or may pay them outside the deadlines set out in the contract with the Group.

3.4.4 Risks related to foreign exchange rates

A significant part of the Group's business is carried out internationally. As a result of its exposure to currencies other than the euro, which is the company's functional currency and the presentation currency for the Group's consolidated financial statements, the Group is subject to foreign exchange risk mainly in respect of its operations.

In 2018, 2019 and 2020, the Group did not implement a hedging policy for foreign exchange rate risk using hedging instruments.

Transaction risk

This risk arises from the existence within group companies of receivables or payables denominated in a currency different from the functional currency of the subsidiary.

In order to assess this risk globally, short-term debts (liabilities) and receivables (assets) (including cash pooling) in currencies other than the euro recorded in the local accounts of subsidiaries were taken into account.

Financial risk related to foreign exchange rates

As no subsidiary has significant external bank debt in a currency other than its reference currency, this risk is not considered significant.

Fluctuations in exchange rates could also have an impact on the amounts paid to the Group by digital service providers. Platforms charge their end-users for subscriptions in local currency and this amount is then converted into euros at the applicable exchange rate, revised regularly according to the market rate, in accordance with the applicable contractual provisions. Thus, any depreciation against the euro of the local currency in which subscriptions are charged by the platforms to their users would have the effect of reducing the revenue base in euros used to calculate the amounts to be paid to the Group, and would therefore reduce the amount of these payments and consequently the Group's revenue.

Sensitivity analysis of net foreign exchange exposure

See Note 8.2 to the Group's consolidated financial statements for the financial years ended 31 December 2020, 2019 and 2018 for a presentation of the net position on the Group's consolidated statement of financial position in the main currencies and an analysis of the impact of a 5% change in each currency vis-à-vis the euro.

3.5 Legal risks

3.5.1 Risks related to intellectual property rights*

The success of the Group's business depends in particular on its ability to grow and protect its content catalogue. If the measures taken by the Group to retain, protect and enforce its rights over the content made available were inadequate or inappropriate, third parties could use the Group's content without its permission, which could affect its ability to leverage its catalogue in a cost-effective manner and to retain artists and labels. In addition, the Group may have to incur significant costs to obtain legal action to stop the unlawful use of its rights, or could be challenged by rights holders (also see paragraph 9.1 *"Regulations relating to literary and artistic property"* for a description of the regulation of literary and artistic property). These events could have a significant adverse effect on the Group's business, financial position, reputation, results and prospects.

In addition, audio and video content made available by the Group under contracts with producers could incorporate works by artists who are not parties to these contracts, and for whom it cannot ensure that licences and authorisations to use these works have been granted to such producers. In addition, some rights holders may not be declared by the artists and labels whose content the Group sells. The Group could thus be challenged by undeclared rights holders, who could in particular seek damages from the Group (or from the platforms that distributed the content, which would then seek indemnity from the Group in accordance with the contract between them and the Group) for copyright infringement and claim damages as well as seek the removal of the content made available. Such actions, or even allegations, whether justified or not, of copyright violations by the Group, could also undermine the Group's reputation with respect to labels, artists and digital service providers. This risk is particularly acute in the United States of America, where the Group operates and where the amount of damages that the Group could be ordered to pay by local courts in the event of alleged infringement of content rights could be significantly higher than in Europe if it includes, in addition to compensation for the damage suffered, punitive damages or statutory damages (which may amount to as much as $150,000 per infringed content), which may not be fully covered by the Group's insurance policies.

In addition, US practice places the onus on producers or distributors of phonographic recordings to identify the holders of mechanical reproduction rights in the works embodied in those recordings and to obtain and pay for licences to those rights when the recordings are distributed by way of download (and not just by way of streaming). It should be noted that the content made available by the Group is mainly distributed by streaming on digital service providers and social media, with downloading representing a minority share of the distribution format, particularly in the United States. The Group uses the services of external service providers to identify the rights holders capable of providing these licences, exposing it to the risk that some of them may not be identified and that it may not be able to fully control the procedures implemented for this purpose. It should be noted that in almost all other countries (as well as in the area of music streaming in the United States), this responsibility lies solely with the digital platforms offering the music recordings to end users and not with the Group. As at the date of this registration document, the Group is being sued in the United States by Round Hill, a music publishing company alleging infringement of rights in respect of a significant amount of content in its catalogue and seeking payment of significant damages, corresponding to the statutory damages applicable under U.S. law, i.e., US$150,000 per work for a total of US$32,850,000 (see paragraph 18.4 "*Legal and arbitration proceedings*" of this registration document), which, even if the Group considers that it is disproportionate to what Round Hill could actually obtain from the Court, may not be fully covered by the Group's insurance policies. In light of the uncertainty inherent in the process of verifying the holders of mechanical reproduction rights and the legal obligations of online music distributors, proceedings of this type are frequent in the United States and could reoccur in the future. This risk is also increased in certain countries where the Group may use intermediaries to deliver content from its catalogue to local digital service providers. This exposes the Group to the risk that these intermediaries may not provide the level of service quality expected by local producers, particularly with regard to catalogue preservation and copyright protection.

Such claims or allegations could have a significant adverse effect on the Group's business, financial position, reputation, results or prospects.

The Group's business also depends on its ability to protect its own intellectual property rights, in particular in relation to its trademarks, software, domain names, know-how and trade secrets. The Group's efforts to protect its intellectual property rights may be insufficient or ineffective in preventing infringement or unauthorised use by third parties. For example, its trademark registration strategy could be insufficient in certain countries in which the Group operates, or third parties could oppose the registration of new trademarks, which would weaken the Group's reputation in the geographical areas concerned. The protection of the Group's sensitive and strategic information may also prove insufficient, which could cause the Group to lose the competitive advantage that results from its know-how and trade secrets. The Group's activities on the Internet may also increase the risk of data theft or reverse engineering of technology platforms. The inability of the Group to protect its intellectual property could have a significant adverse effect on its business, financial position, reputation, results or prospects.

3.5.2 Risks related to regulations and their evolution*

The Group's activities are subject to various regulations in the various countries in which it operates, particularly with regard to intellectual property rights, the liability of technical intermediaries, e-commerce and personal data (see Chapter 0 "*Legislative and regulatory environment*" of this registration document). For example, the Group is required to collect, maintain and process a significant volume of personal data relating to Group employees and contractors and artists or their representatives. The processing of personal data is subject to complex and evolving regulations, including the entry into force on 25 May 2018 of Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of individuals with regard to the processing of personal data and on the free movement of such data ("**GDPR**") (see paragraph 9.5 "*Personal data regulations*" of this registration document). This regulation is applicable to the Group in respect of its activities within the European Economic Area ("**EEA**") and imposes hefty fines of up to €20 million or 4% of overall revenue (whichever is higher) in the event of a violation of its provisions. As the GDPR is a relatively recent text, the Group relies on interpretations that have not yet been confirmed by case law or data protection authorities or on interpretations that are still evolving. For example, the *Schrems II* decision of 16 July 2020 of the Court of Justice of the European

Union could jeopardise the Group's ability to transfer personal data outside the EEA, including to its subsidiaries in the United States. Despite compliance efforts by the Group, government authorities or courts may determine that the Group fails to comply with the requirements of the GDPR, thus exposing the Group to the above-mentioned fines, payment of damages to affected persons or an obligation to modify its activities and to suspend certain processing of personal data. The Group is also subject to similar laws and regulations in other countries outside the European Union, such as the 2018 California Consumer Protection Act, which came into effect in January 2020, and the California Privacy Rights Act, which will enter into force in 2023, which grants privacy rights to residents of the State of California.

A change or strengthening of the regulatory framework applicable to the Group's activities, a tightening of their application, a conflict between the laws and regulations adopted by different countries and/or a change in their interpretation by the competent authorities could result in additional costs or investments for the Group, which could have a significant adverse effect on the Group's business, results, financial position and prospects. In particular, certain countries in which the Group operates and where state control of economic activities is significant, could experience protectionist regulatory developments that would limit the Group's ability to continue the development of its businesses there.

In addition, insufficient knowledge of local regulations or a lack of methodology for monitoring local regulatory developments could jeopardise the Group's ability to identify the particularities of local regulations in order to comply with them.

In particular, the Group operates in the digital sector, where the regulatory framework is in the process of being structured and subject to numerous and rapid changes to which the Group will have to adapt in order to continue developing its business in compliance with the applicable regulations. Recent examples of legislative developments in the European Union include the Copyright Directive adopted in 2019 and the Digital Services Act.

If the Group were unable to identify regulatory changes applicable to its activities, it would be exposed to a risk of violation of the applicable provisions, which could result in criminal, administrative and/or financial sanctions, which could have a significant adverse effect on the Group's business activity, financial position, results or perspectives.

3.5.3 Risks related to applicable taxation regimes and changes therein*

The Group is subject to complex and changing tax legislation in the various countries in which it operates. In particular, because of its international activity, it is subject to transfer pricing and permanent establishment rules, which can be particularly complex and subject to divergent interpretations. Changes in tax legislation and its interpretation could have a significant adverse effect on its tax position, its effective tax rate or the amount of taxes and other compulsory levies to which it is subject, and on its reporting obligations.

The rapid development of the digital economy worldwide is leading public authorities to adapt or consider adapting the tax regime applicable to these activities, which could subject the Group to rapid and unpredictable changes in tax legislation in the countries where it operates. In France, a tax on digital services (known as the "GAFA" tax) has been applicable since December 2020 which, although not directly applicable to the services provided by the Group, is likely to apply to certain social media on which the Group makes content available. In addition to the European Commission's commitment to submit proposals for a digital levy by June 2021, a proposed global tax is also under consideration and a number of countries in which the Group operates may consider the introduction of similar tax schemes. It cannot be ruled out that this type of tax could be extended in the future to the Group's activities in some of the countries where it operates, or have a negative impact on the activities of the digital service providers and social media to which it makes content available. This, in turn, could have a significant adverse effect on the Group's business, results, financial position and prospects.

Furthermore, cash flows linked to the Group's businesses, in particular the outgoing flows that primarily correspond to amounts paid by the Group to the artists and labels whose content is available on digital platforms, may be subject to withholding tax to be collected by the Group in the different countries in which it carries out its activities. The Group's ability to withhold these taxes or to claim an exemption, if applicable, depends in particular on the tax classification of outgoing flows by the local tax authorities and on the submission to the Group of certain documents by the artists and labels concerned. The Group's failure to collect applicable withholding taxes or its inability to rely on applicable withholding tax exemptions (in particular if the required documents were not provided to it or if it did not request them) would expose it to the risk that, in the event of an adjustment by the competent tax authorities, it would be required to pay back taxes, plus any applicable late payment penalties, which could have a significant adverse effect on its financial position.

In addition, due to the cross-border nature of the flows related to the Group's activities, a significant part of its revenue is, in principle, exempt from the applicable value added tax, as it concerns export revenues. As a result, the Group may be in a value-added tax credit position with the relevant local tax authorities. However, the Group may encounter difficulties in claiming these value-added tax credits, or delays in the actual reimbursement of these credits, due in particular to the processes specific to the local administration concerned or to the submission of incomplete or inaccurate documents by artists and labels to the Group, which could have a negative impact on its cash flow.

Finally, a challenge to its tax situation by the relevant authorities could result in the Group paying additional taxes, potentially significant adjustments and penalties, or increasing the costs of its products or services to recover the cost of such taxes, which could have a significant adverse effect on its business, results, financial position and prospects.

3.5.4 Risks related to ongoing litigation and investigations

In the normal course of business, Group companies may be involved in a number of legal, administrative or arbitration proceedings, particularly in relation to civil or criminal liability, intellectual property, competition, tax or discrimination. The most significant ongoing disputes or for which the Group has received notifications are detailed in paragraph 18.4 of this registration document. In some of these proceedings, significant monetary claims are being made or may be made against one or more Group companies. As at 31 December 2020, the total amount of provisions for risks and charges (mainly represented by provisions for pension obligations) of the Group amounted to €1.7 million (see note 7.2 to the Group's consolidated financial statements for the financial year ended 31 December 2020 included in paragraph 18.1.1 of this registration document). The corresponding provisions, if any, that the Group would have to record in its accounts could prove insufficient, which could have a significant adverse effect on its business, financial position, prospects and results. It cannot be ruled out that in the future new proceedings, whether or not related to the current proceedings, relating to risks identified by the Group or related to new risks, may be initiated against one of the Group's entities. If these proceedings were to have an unfavourable outcome, they could have a significant adverse effect on the Group's business, financial position, results and prospects.

3.6 Insurance and risk management

3.6.1 Insurance policy

The Group's insurance policy is coordinated by the Group's Legal Department with the support of the operational departments and the Risks and Internal Control Department.

Each Group company is responsible for providing the Legal Department, acting in coordination with the operational departments, with the information necessary to identify and qualify the insured or insurable risks falling within the scope of the Group and for implementing the necessary means to ensure business continuity in the event of a claim. On this basis, the Legal Department, with the assistance of a broker or external advisor, negotiates annually with the major insurance companies to implement the most appropriate coverage for these risks.

The implementation of insurance policies is based on the determination of the level of coverage necessary to meet the reasonably-estimated occurrence of liability, damage or other risks. This evaluation takes into account the assessments made by the insurers as underwriters of the risks. Uninsured risks are those for which there is no offer of coverage in the insurance market, or for which the offer of coverage and/or its cost is not commensurate with the potential benefit of insurance, or for which the Group considers that the risk does not require insurance coverage.

The Group's main policies, taken out with internationally recognised insurance companies, include third-party liability insurance (in term of intellectual property, or covering entertainment activities and events) and property damage and consequential business interruption insurance (including cyber damage). For risks not covered by these policies, the Group's policies are supplemented on a case-by-case basis by policies taken out locally for a subsidiary.

3.6.2 Risk management policy

3.6.2.1 Objectives, organisation and system

Objectives

Risk management is closely monitored by the Group's management, with close involvement of internal control.

- The main mission of risk management is to identify, assess and prioritise risks and to assist the Group's management in choosing the most appropriate risk management strategy and, in order to limit significant residual risks, to define and monitor the related action plans;
- The identification and treatment of the Group's major risks are monitored by a dedicated organisation under the supervision of the Group Risk Committee. To this end, a Group Risk Committee comprising the Group's Chief Executive Officer, the Chief Operating and Finance Officer, the Chief Financial Controlling Officer, the Chief Legal Officer, the Chief Operations Officer, the Chief People Officer, Chief Technology Officer and Chief Financial Transformation Officer, as well as the Head of Internal Control and Risk, meet quarterly to monitor internal control action plans and risk management.
- The primary objective of internal control is to enable the Group to achieve its objectives by defining and implementing appropriate internal controls to address the risks identified in the conduct of the Group's business activities.

Organisational framework

The identification and treatment of major risks is the responsibility of the Group Risk Committee, which relies on its risk reference points, and thus enables the Group to identify and prevent the risks it may face. The Risk and Internal Control Department within the Financial Transformation department and reporting to the Group Financial Control department is responsible for (i) monitoring risk management in close collaboration with the Group Risk Committee and (ii) implementing an internal control mechanism to respond to the risks identified in the risk mapping.

Operational risk management and internal control are the responsibility of the Group's operational departments and subsidiaries, under the functional control of the Group Risk and Internal Control Department. Within each of these departments and subsidiaries, the person responsible for risk management (usually the department head or finance director of the subsidiary, or a person under their hierarchical or functional responsibility), is in charge of verifying that prevention procedures have been used and may put new procedures in place which may, after consideration by the Group Risk and Internal Control Department, be applied throughout the Group.

The Group Risk and Internal Control Department plays a central role in establishing a Group level internal control framework that determines which controls should be put in place to address the risks facing the Group. This framework defines the context within which the operational departments and subsidiaries exercise their risk management and internal control responsibilities. The Department also coordinates operations throughout the system.

As from the admission of the Company's shares to trading on the regulated market of Euronext Paris, the Audit Committee set up within the Company's Board of Directors will be responsible, in particular, for ensuring the relevance, reliability and implementation of the Company's internal control, identification, hedging and risk management procedures relating to its activities and to financial and non-financial accounting information. In particular, the Audit Committee should hear from the heads of internal audit and regularly review the Group's risk mapping (also see paragraph 14.3 "*Board Committees*" of this registration document).

The risk management and internal control system

The Group's overall risk management and internal control system is adapted at various levels (operational departments and subsidiaries) and is based on several elements, including:

– risk control;

– mapping of the Group's major risks; and

– monitoring of the Group's internal control system.

In the area of internal control and risk management, as at the date of this registration document, the Group has chosen to work on the basis of the main recommendations proposed by the AMF reference framework and guidelines, updated in July 2010, and the recommendations of the audit committee working group report, also published in July 2010.

3.6.2.2 Operational risk management

Risk management refers to the measures implemented by the Group to identify, analyse and control risks to which it is exposed. The risk management system is regularly monitored by the management of the Group's operational entities.

As part of its major risk management procedure, the Group has drawn up a map of the main risks, which is to be reviewed on an annual basis. The process of drawing up and reviewing the major risk maps, which was initiated in 2020 by the Group Risk and Internal Control Department, makes it possible to identify the major risks to which the Group is exposed and to assess, for each of them, their potential impact, taking into account their criticality, i.e., their severity and likelihood of occurrence, as well as the action plan put in place, and in particular the persons responsible within the Group for their monitoring and associated controls.

For example, the internal action plans and policies implemented by the entities or departments concerned to manage the major risks identified by the Group (corresponding to the risks marked with an asterisk in paragraphs 3.1 to 0 of this chapter) include:

- *Risks related to changes in the underlying audio and video streaming market*: In order to limit the negative impact that unfavourable trends in the streaming market could have on its activities, the Group is particularly careful to maintain diversified geographical exposure. It operates in both mature markets, where the penetration rate of streaming is already high, allowing the Group to benefit from a wide distribution of its catalogue to digital service providers, although the potential for adoption of streaming by additional users is limited, and in emerging markets, where, although the penetration rate of streaming is lower, the market growth prospects are favourable to streaming, due to the high potential for adoption of this format by more users. The Group is also seeking to develop the marketing of content on social media offering new forms of music use, such as TikTok, on which relatively short, user-generated videos are posted using audio content produced by the artists monitored by the Group.

- *Risks related to the Group's competitive environment*: In order to stand out from its competitors, the Group relies on its leading technological offering rolled out in all the countries where it operates, its high-performance digital data analysis tools, as well as its recognised expertise in the music market, enabling it to detect and attract high-potential artists, particularly those likely to become top artists, by relying on specially-trained and rigorously-structured teams. The Group also provides artists with dedicated digital marketing solutions that they can use to maximise their audience. The Group also relies on its unique positioning, focused on the needs of independent labels and artists, in which it has developed strong expertise, allowing it to stand out from the majors, which historically focused on top artists with international careers. With regard to competition from local players, the Group relies on its locally-based and recognised talent scouts and development teams in the countries where it operates, and on its technological expertise in digital music in order to offer the solutions that best meet the needs of the local markets it addresses. The Group also seeks to enter into contracts with as many platforms as possible (both global and local) in order to offer artists and labels the most comprehensive coverage possible and thus bolster the competitiveness of its offering.

- *Risks related to managing the rapid growth and transformation of the Group*: In order to ensure that its technological and human resources and operational processes are in line with the strong growth of its business activities, the Group has implemented several series of measures that are regularly monitored, such as a long-term recruitment plan targeting high value-added profiles in order to ensure a sufficient level of skills, the establishment of monthly steering committees to review the achievement of the objectives of ongoing projects and to prioritise action plans, and the implementation of monthly ("flash") and quarterly (in-depth) activity reviews. The Group also provides training for new employees and offers training to all employees throughout their careers to ensure a high level of expertise in the solutions it offers to artists and labels. In addition, in order to have the best means of identifying high-potential artists, the Group is continuously training its sales teams and seeking to improve its data analysis tools in order to increase its employees' knowledge of the latest musical trends in particular. Lastly, the Group ensures that its operational or reporting procedures and controls allow for the comprehensive processing of the data it receives (in particular financial data or data from sales reports provided by digital service providers), in line with the growth of its businesses. In this regard, the Group recently expanded its Finance teams with the appointment of a consolidation director at the end of 2019, who is supported by a team of three employees in France. The Group also relies on leading accounting and consolidation tools (notably Oracle Hyperion Financial Management) and has strengthened its accounting closing processes in particular, with the implementation of a rigorous governance, methodology and closing schedule.

- *Risks related to relationships with digital service providers and social networks*: In order to limit the consequences of its dependence on the main digital service providers and social media, the Group devotes significant resources to the good quality and regular monitoring of the relationship with these platforms, ensuring in particular that the technological solutions implemented meet their own constraints as best as possible, that the content offered is in line with their editorial policy and that competent contacts are identified in order to respond quickly to any questions or operational difficulties. In addition, the Group has implemented a process for validating content before it is delivered to platforms, based on a database regularly updated by a dedicated department, in order to detect any content without valid rights that the Group is not authorised to sell. With regard to the risk of inaccurate sales reports received from digital service providers, the Group has implemented analytical review and consistency checking processes. The Group also strives to include audit clauses in its contracts, enabling it to verify the information provided by the platforms under certain conditions. Finally, the Group strives to develop relationships with even more digital service providers, particularly local ones.

- *Risks related to relationships with artists and labels*: In order to pursue the growth of its catalogue, the Group ensures that it offers to labels and artists the technology and marketing solutions best suited to their needs and that guarantee transparency in their remuneration. The Group has also implemented a leading automated contracting technology solution to ensure that each artist whose content is sold by the Group has entered into a contract with the Group that meets the standards set out in the Group's contracting policy, particularly in terms of assignment of rights, guarantees and remuneration. With regard to the content made available, the Group endeavours to carry out prior control of the content, so as to not to disseminate any illegal content and to be able to promptly remove such content (infringing content, racist content, or content calling for violence, for example). In addition, the Group maintains a broad and diversified base of artists and labels; thus, during the financial year ended 31 December 2020 the Group estimates that it generated less than 10% of its revenues from digital sales with its top 10 producers.

- *Risks related to the Group's IT systems*: The Group has established several actions aimed at strengthening the security and reliability of its infrastructure and hardware. For example, the Group's data is stored in data centres located exclusively in France, in order to limit the risk of intrusion and data theft, and internal Group communications by employees must go through internal communication channels. The Group has taken out a cyberattack insurance policy and has made investments to implement security standards such as NIST and ISO 2700X.

- *Risks related to the recruitment and retention of experienced employees*: In order to limit the risk of experienced employees leaving the Group, the Group has implemented a structured bonus policy, based on objectivity and fairness and designed to align remuneration with individual performance. The Group also conducts regular reviews of remuneration and benefits to ensure that they are in line with the local market and that remuneration levels are competitive. As part of its CSR policy, the Group is also committed to supporting the development of its employees throughout their careers, including regular training and coaching where appropriate, in order to provide them with the best working experience and environment.

- *Risks related to acquisitions*: The Group follows an external growth policy with strict criteria regarding the strategic relevance and value of potential targets. It also ensures that in-depth legal and financial due diligence processes are carried out on targets, with the support of external advisors. Finally, in the event of integration, the Group seeks to establish a governance structure that safeguards its interests and applies the Group's main procedures to the newly integrated entity.

- *Risk related to fraud*: With regard to the risk of streaming fraud, the Group conducts in-depth analyses of the sales reports of digital service providers in order to detect any abnormalities and, in the event of suspected fraud, blocks payments to the artists and labels concerned for fraudulent streams. With regard to the risk of payment fraud, the Group has outsourced its payment processes to a global specialist in online financial services, whose clients include the world's leading e-commerce companies, and which implements processes for identifying counterparties and checking the bank details of the artists and labels to which the Group makes payments. In general, the Group also provides training for its employees in order to raise their awareness with regard to detecting possible fraudulent practices.

- *Risks related to corruption and ethics*: The Group pays strict attention to the compliance of its procedures and employee practices with applicable regulations. The Group has published codes of ethics and anti-corruption in 9 languages, with associated training, and educated its employees about whistleblowing, in particular as part of the measures implemented in accordance with the law of 9 December 2016 on transparency, the fight against corruption and influence tracking and the modernisation of economic life (the "Sapin II" law).

- *Risks related to management teams*: In order to manage the risk linked to the possible departure of one or more members of its management team, the Group has, over the last few years, gradually strengthened the team with the arrival of new talent and closely associated management teams with the Group's success and performance, in particular through the granting of share subscription warrants (*bons de souscription d'actions*, or BSAs) and founders' share subscription warrants (*bons de souscription de parts de créateur d'entreprise*, or BSPCE), and by including a significant variable part in their remuneration, the payment of which is conditional on the achievement of quantitative and qualitative performance criteria. The Group intends to continue to associate the Group's executives and leaders with the Group's success and performance, through the implementation of a long-term management incentive plan on the occasion of the listing of the Company's shares for trading on the regulated market of Euronext Paris (see paragraph 13.1.2 "*Grants of share subscription or purchase options*" of this registration document).

- *Risks related to intellectual property rights*: In order to limit the risk of a third party violating the Group's intellectual property rights or the risk of liability due to an alleged infringement of third-party rights, the Group has implemented strict mechanisms for identifying the chain of rights holders, as soon as contracts with artists and labels are entered into, and mechanisms for the rapid removal of disputed content. In particular, these contracts include stipulations limiting the Group's liability in the event of alleged infringement of rights (mainly in the form of representations and warranties given by the producer, allowing the Group to seek the producer's liability, if the Group should be challenged by rights holders). The Group is also seeking to further automate its processes for identifying, handling and following up on claims of alleged intellectual property right infringement.

- *Risks related to regulations and their evolution*: In order to ensure the compliance of its activities with local regulations, the Group's Legal Department, in conjunction with the operational departments and subsidiaries, regularly monitors the evolution of their provisions, in cooperation with local legal advisors. In addition, with regard to the protection of personal data, the Group ensures the completeness of the register that it is required to keep, has a confidentiality and privacy policy in place (including anonymization and encryption) and includes standard clauses in its contracts to comply with the applicable regulations in this area. The Group strives to apply a common compliance policy in all its subsidiaries and seeks to define internal "know your customer" rules in order to systematically collect a certain number of documents from the labels and artists with which it enters into a contract.

- *Risks related to applicable taxation regimes and changes therein*: The Group carries out (internally, with its tax department and the support of the subsidiaries and the finance department, and with the assistance of external advisors) regular fiscal monitoring of developments that may impact the Group, particularly any developments relating to the digital economy. In addition, collection processes have been put in place by the Group to ensure compliance with indirect tax collection rules, invoicing rules and to reduce the cost of withholding taxes. Finally, the Group strives to identify its main tax risks relating to years subject to tax audit, anticipate questions from the tax authorities and document the appropriate responses where necessary.

- *Financial risks*:

  - *Liquidity risk:* The Group's cash management is centralised: all cash surpluses or financing needs of its subsidiaries are invested or financed by the Group. The central cash management team manages current and projected financing and ensures the Group's ability to meet its financial commitments by overseeing a level of current availability, in particular through readily available investments, as well as confirmed and available credit facilities. During its IPO, the Group intends to proceed, effective on the settlement-delivery date of the Company's shares offered in the context of the admission to trading on the regulated market of Euronext Paris, with full repayment of the existing credit agreement using the proceeds from its share capital increase, concurrently with the arrangement of a new revolving credit agreement (see paragraph

8.2 *"Financial resources and financial liabilities"* of this registration document). As at 31 December 2020, the classification of these financings has been maintained according to the original maturities.

- *Risks related to interest rates:* As at 31 December 2018 and 31 December 2019, the Group's only significant variable rate debt is at the level of Believe SAS and was issued in the second half of 2018 for an amount of €42.8 million. This variable rate exposure was converted into a fixed rate exposure by an effective rate swap concluded at the end of 2018 and effective as of 28 January 2019.

- *Counterparty risk:* The Group uses leading financial institutions for its cash investments and swaps and, as a result, believes that it is not exposed to any significant counterparty risk on its cash or hedging instruments.

4. INFORMATION ON THE COMPANY AND THE GROUP

4.1 Company name

At the date of this registration document, the name of the Company is "Believe".

4.2 Registration place and number

The Company is registered in the Paris Trade and Companies Register (RCS Paris) under number 481 625 853.

LEI: 969500WGEAZ8YE4UAI86

4.3 Date of incorporation and term of the Company

The Company was incorporated for a term of 99 years from the date of registration on 7 April 2005, unless it is dissolved early or extended by decision of all the shareholders in accordance with the law and the articles of association.

The financial year begins on 1 January and ends on 31 December of each year.

4.4 Registered office, legal form and jurisdiction

The registered office of the Company is located at 24 rue Toulouse Lautrec, 75017 Paris. The telephone number of the registered office is +33 (0) 1 53 09 34 00.

At the date of this registration document, the Company is a French simplified joint-stock company.

The General Meeting of Shareholders of the Company will be held prior to the approval by the *Autorité des Marchés Financiers* (AMF) of the prospectus for the admission of the Company's shares to trading on the regulated market of Euronext Paris, in order to approve the transformation of the Company into a public limited company (*société anonyme*) and to amend its articles of association accordingly, which will take effect on the date the prospectus is approved by the *Autorité des Marchés Financiers* (AMF).

The website of the Company is: www.believemusic.com. The information provided on the Company's website is not part of this registration document.

5. OVERVIEW OF THE GROUP'S ACTIVITIES

5.1 Overview

The Group offers technological solutions and marketing strategies to make available, market and promote audio and video content produced by independent artists and labels on digital platforms and social media. The Group's mission is to support these artists and labels, in order to develop their audiences and their careers, at every stage of their development and in all local markets around the world, with respect, expertise, fairness and transparency.

With 1,270 employees as of 31 December 2020,[14] and a presence in more than 50 countries,[15] the Group provides artists all around the world with its music industry, digital marketing and data analysis expertise and its state-of-the-art technology capabilities developed by more than 200 product and IT experts.[16] The Group serves more than 850,000 artists at various stages of their careers, signed directly or through labels, and develop both local and international artists. The Group has experienced strong business growth over the past few years, increasing from consolidated revenues of €238.1 million for the financial year ended 31 December 2018 to €394.5 million for the financial year ended 31 December 2019 and €441.4 million for the financial year ended 31 December 2020, representing a CAGR of 36.2%[17] over the period, with DMS[18] increasing from €472.0 million for the financial year ended 31 December 2018 to €647.3 million for the financial year ended 31 December 2019 and €728.0 million for the financial year ended 31 December 2020 (the Group also recorded a CAGR of 56% in its DMS during the 2010-2020 period).

During the three months ended 31 March 2021, the Group continued its rapid and profitable growth trajectory, recording consolidated revenues of €124 million (up 26% compared to the three months ended 31 March 2020), representing organic growth at current exchange rates[19] of 23%.

The Group proposes two types of solutions as part of its offering (which correspond to the segmenting used for its reporting purposes): (i) Premium Solutions, which accounted for 49.9% of DMS, 92.7% of consolidated revenues and 87.6% of the Group's consolidated adjusted EBITDA (excluding adjusted EBITDA contributed by the Central Platform) for the financial year ended 31 December 2020, and (ii) Automated Solutions, which accounted for 50.1% of

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14 The Group also relies on the expertise of more than 300 external consultants in the countries where it operates.

15 The countries in which the Group is present are those where the Group has a local presence through its employees and/or external consultants.

16 Including employees and consultants.

17 Compound Annual Growth Rate.

18 DMS (Digital Music Sales) is a relevant indicator for the Group of the volume of business generated on digital services providers and social media platforms and corresponds to the gross amount of payments made to the Group by these platforms in return for the provision of audio and video content by the Group. For a given financial year, DMS corresponds to: (i) for the Premium Solutions segment, invoices issued and to be issued in respect of the financial year in question in return for the provision of audio and video content to digital distribution and social media platforms (this DMS corresponds to digital revenues for the Premium Solutions segment); and (ii) for the Automated Solutions segment, invoices issued and recognised during the financial year in question in consideration for the provision of audio and video content to digital distribution and social media platforms. The invoices are based on the financial statements provided by the platforms. A portion of the DMS amount is then paid to the artists and labels in the case of Premium Solutions. In the case of Automated Solutions, the entire amount of the DMS is paid to the artists and labels, with a margin made available to video streaming and social media platforms in the case of video content. DMS is not an IFRS-defined measure and the definition used by the Group may not be comparable to that used by other companies for similar indicators. This indicator should not be considered as a substitute for revenue presented in the Group's financial statements prepared in accordance with IFRS.

19 Organic growth at current exchange rates corresponds to like-for-like revenue growth presented at current exchange rates, i.e. not adjusted for the impact of changes in exchange rates. Like-for-like revenue growth corresponds to revenue generated in the first quarter of 2021 by all companies included in the Group's scope of consolidation as at 31 March 2020 (excluding any contribution from companies that may have been acquired after 31 March 2020), compared to revenue generated in the first quarter of 2020 by the same companies, regardless of the date on which they entered the Group's scope of consolidation.

DMS, 7.3% of consolidated revenues and 12.4% of the Group's consolidated adjusted EBITDA (excluding adjusted EBITDA contributed by the Central Platform) for the financial year ended 31 December 2020.

During the financial year ended 31 December 2020, the Group generated 18.4% of its consolidated revenues in France, 22.0% in Germany, 27.6% in the rest of Europe (including the United Kingdom, Italy, Russia, Turkey and certain Eastern European countries), 18.1% in Asia, Oceania and Africa and 13.9% in the Americas.

The Group has developed a growth model based on (i) a solid positioning on the most attractive segments of the music industry, (ii) a differentiated model offering high value-added adapted solutions to artists and labels at each step of their career, (iii) an evolutionary, innovative and integrated technology platform driving the Group's key functions and digital solutions, (iv) a management team led by the Group's founder and in-house talent, trained in digital technology and committed to the achievement of the Group's mission, (v) the success of the Group's external growth strategy, and (vi) a solid financial model, demonstrating an ability to generate a high level of growth in a profitable manner.

Thanks to its position, the Group believes it is one of the leaders in the digital music market for independent artists and labels.

5.2 Group strengths and competitive advantages

5.2.1 A strong positioning on music industry segments benefitting from positive outlook with attractive dynamics

Robust industry growth driven by the shift to streaming

The Group operates in the global recorded music market, which is estimated to have generated $21.6 billion of revenue for the various participants in 2020 (*source: IFPI*, *Global Music Report 2021*). This market recorded strong growth in recent years, with a 8.3% CAGR over the 2015 – 2020 period (*source: IFPI*, *Global Music Report 2021*), and is expected to reach $28.7 billion by 2027 (*source: MIDiA Research Global Music Forecasts, 2020 – 2027, July 2020*).

The Group operates mainly on the digital music market segment, which is dominated by streaming and which represented 62.1% of the global recorded music market in 2020 (*source: IFPI, Global Music Report 2021*). The streaming segment has benefitted from significant growth in recent years with a 37.0% CAGR over the 2015-2020 period, increasing from $2.8 billion in 2015 to $13.4 billion in 2020 (*source: IFPI Global Music Report 2021*). This segment is characterized by attractive dynamics and positive outlook within the recorded music market, and is expected to achieve an estimated market size of $18.7 billion in 2023 and $22.4 billion in 2027, at which point it is expected to represent 78% of the global recorded music market (*source: MIDiA Research Global Music Forecasts 2020 – 2027*).

This growth is expected to be driven in particular by the growing adoption of paid streaming, the continuing development of ad-funded streaming and the emergence of new forms of monetization of recorded music on social media platforms such as TikTok, Facebook and Instagram or livestreaming platforms.

The adoption of paid streaming by new generations of users and the increase in monetisation should create opportunities in new markets that are still underdeveloped or in market segments that are not very digitalised, such as metal or classical music.

Digital music, and streaming in particular, were less impacted in 2020 by the Covid-19 pandemic compared to other segments of the recorded music market, such as physical sales or synchronization, with 2020 yearly growth estimated at 7.4% (for recorded music market overall) against 15.8% for digital music overall and 19.9% for streaming (*source: IFPI Global Music Report 2021*), benefitting from structural favourable trends as well as users' increasing appetite for online consumption as a consequence of the lockdowns and social distancing measures implemented by governments.

Accelerated adoption of streaming in emerging markets where the Group is deeply entrenched

Paid streaming should benefit in particular from a strong acceleration of its adoption in emerging markets.

While paid streaming penetration rates (i.e., subscribers to a paid streaming service as a percentage of total subscribers) are high in certain mature markets such as the Nordic countries (including Sweden, the home country of Spotify) (38% in 2019) and North America (32% in 2019), they are still relatively low in certain other developed countries where the recorded music market is significant in term of size and the Group has a strong presence, such as Western Europe (18% in 2019), representing significant growth potential. In particular, some markets (considered to be "emerging" in this respect), such as Latin America, Eastern Europe/Russia and Asia-Pacific which have low paid streaming penetration rates (7%, 7% and 2% respectively in 2019), also exhibit high growth potential, as the digital music market remains dominated by other listening formats, such as ad-funded videos (*source: MIDiA Research Global Music Forecasts, 2020 - 2027*).

This growth potential is expected to translate into a nearly three-fold increase in the number of paid streaming subscribers in the emerging markets referred to above, or from 146 million in 2019 to 379 million in 2027, while developed markets are forecast to grow less rapidly, from 215 million subscribers in 2019 to 318 million subscribers in 2027 (*source: MIDiA Research Global Music Forecasts 2020 – 2027, July 2020*).

A rapid shift towards market segments where the Group is well-positioned

The Group's offering and positioning is centred on the independent artists and labels market (including the artist direct segment, i.e., artists without a label), which has shown faster growth than the "majors market" over the last few years and where the Group believes it has established a leadership position.

Over the 2015 – 2020 period, the market share of the artist direct and independent labels segment has increased at the expense of the majors, growing from 29% in 2015 to 34% in 2020. More precisely, the artist direct and independent labels segments have recorded a revenue CAGR of 36% and 10%, respectively, over the same period, compared to 7% for the majors (*source: MIDiA "Recorded Music Market 2020", March 2021*).

The rise of independent artists has been driven by several factors with potential global reach, including: technology democratizing market access for more creators (with technological tools to produce, release and promote music more independently); a reshaping of the market value towards the middle tier of artists, with broader music discovery (fostered by streaming services) driving a growing number of mid-tier artists; and disruption at the top tier, with artists expecting digital-first go-to-market expertise and a continuing shift in artists' expectations in terms of IP retention, fair value sharing and transparency.

5.2.2 A differentiated model delivering high-end go-to-market solutions to labels and artists at each level of their development

A comprehensive offer addressing labels' and artists' needs at each step of their career's development

The Group's ambition is to deliver high-end, go-to-market solutions to labels and artists by developing a tiered offering adapted to each artist and label segment.

The Group's service offering comprises Automated Solutions focused on entry-level artists, based on a subscription model using a fully-digitalised platform (see also paragraph 5.6.2.2 "*Automated Solutions: a high value-added technological product targeting the needs of* *emerging artists*" of this registration document) and Premium Solutions, focused on emerging to top-tier labels and artists, based on a revenue-share model and leveraging the music industry, digital marketing and data analysis expertise of the Group's sales team to provide solutions tailored to labels' and artists' needs, through its Label and Artist Solutions or Artist Services offers (see also paragraph 5.6.2.1 *"Premium Solutions: a customised product operated by experts in music and data analysis and supported by cutting-edge technology, targeting the needs of all artists, from the emerging to the established to the top"* of this registration document).

A global operating model focusing on local artists

The Group operates globally, with a local presence in more than 50 countries and on-the-ground teams and experts committed to local artists accounting for the lion's share of each market. Thanks to its global geographic footprint, the Group benefits from high development potential in fast-growing markets such as Asia, Oceania and Africa (which together represented 18% of the Group's consolidated revenue for the financial year ended 31 December 2020) and the Americas (14% of its consolidated revenue for the financial year ended 31 December 2020).

The Group's strong local presence is evidenced in particular by its robust market share in some of its key geographies,[20] with estimated digital music market shares[21] in 2019 ranging from 10% to 15% in France, Germany and India, and above 15% in Russia and Turkey.

5.2.3 A state-of-the-art, scalable, integrated and innovated technological platform driving the Group's key functions and digital solutions

The Group's entire organisation is technology-driven, with agile tech and product teams comprising more than 200 highly-skilled centralized product and IT experts,[22] supporting each key function of the Group's business and operational value chain.

Technology and data analysis are used all along the sales process. All of the Group's sales teams are equipped with technological tools and dashboards to source, sign and serve artists and labels with solutions most suited to their needs. Financing through advances paid to artists and marketing strategies of artists and labels are also conducted with the use of data-powered tools, which enable better targeting of artists' audiences and better assessment of their potential revenue generation.

Furthermore, the Group maintains strong and scalable content management processes, which have enabled the Group to efficiently receive (from artists and labels), store, enrich and distribute 30 million tracks on Spotify and Apple Music. The Group has secured scalable storage capacities, as it currently stores more than 1,200 terabytes of data (with a total storage capacity of more than 3,000 terabytes) on approximately 300 servers located in three data centres in France.

Its data management capabilities allow the Group to ingest and process more than 320 million rows of data per day from digital platforms, with an average time to display statistics to artists and labels of 9 hours (see also paragraph 5.10 "*The Group's technology platform*" of this registration document). Thanks to these efficient technological capabilities, the Group has also obtained a "preferred partner" status from key digital services providers which grants additional benefits such as privileged access to additional data or instant on-store availability. All of these attributes represent key competitive advantages to source labels and artists.

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20 Geographical markets identified as being key for the Group are markets where the Group has the largest local teams or where it intends to strengthen its local teams in the future, and include France, Germany, the UK, Italy, Russia, Turkey, India, China, Mexico and Brazil.

21 Market shares are calculated by dividing the amount of DMS generated by the Group in the relevant country by the total size of such market, as estimated by IFPI in its Global Music Report 2019.

22 Comprising employees and consultants.

Finally, the Group has developed a set of proprietary marketing tools to support the development of its labels' and artists' marketing strategies, with numerous applications such as digital campaign tracking (Backstage Ads), automated content and video generation for promotion (Backstage Creative), smartlinks generation (Backstage Links 1:1), and online dashboards providing real-time access to artists' performance and audience results.

5.2.4 A founder-led management team and in-house talent trained in digital technology and committed to the Group's mission

A founder-led management team deeply rooted in music and technology, ready for the next growth phase

The Group’s management team is organized around Mr Denis Ladegaillerie, Chairman and founder of the Group, and includes managers with many years of experience within the Group, the music industry, digitalization and technology, focused on providing innovative digital solutions to develop artists’ careers on a global scale.

In recent years, the Group’s management team has successfully designed and implemented its strategy, generated steady growth in terms of revenue and catalogue, and established long-term relationships with artists and labels, digital services providers and social media platforms, while establishing a strong musical and digital culture in order to foster the emergence of new talent with an entrepreneurial dynamic.

Members of the management team are invested in the Group’s performance through share subscription warrants (*Bons de souscription de parts de créateurs d’entreprise (BSPCE)* and *bons de souscription d’actions (BSA)*) and the inclusion of a significant variable component in their total compensation, subject to quantitative and qualitative performance criteria. The Group intends to further strengthen management involvement in the Group’s performance and success by implementing a long-term incentive plan in the context of the admission of the Company’s shares to trading on the regulated market of Euronext Paris.

The Group’s talent – its people and its artists –at the centre of its CSR strategy and fully aligned with its mission

The Group’s mission is to develop all artists & labels in the most suitable way at each stage of their career and development, in all local markets around the world, with respect, expertise, fairness and transparency.

At the centre of its CSR strategy, fully aligned with its mission, the Group relies on its “two hearts”: its people and artists.

The Group’s CSR strategy is based on three pillars (see also paragraph 5.9 "*The Group's CSR policy*" of this registration document):

(a) Support local and diverse talent at each stage of their career: the Group aims to foster diversity with artists, labels and employees from all origins and (for artists and labels) in all genres of music, in order to contribute to the development of the next generation of local artists and music teams and executives.

(b) Develop relationships with talent based on respect, fairness and transparency: the Group is committed in particular to defending the freedom of expression of artists and labels and is committed to fairness and transparency in all aspects of its relationships with artists, labels and its partners, especially in terms of artists’ and labels’ remuneration management.

(c) Prioritize the sustainable development of talent, focused on people and environmental footprint: the Group is committed in particular to using technology to facilitate and enhance human creativity and talent, to protecting the privacy and data of its artists and to reducing the environmental footprint of its activities.

5.2.5 A proven external growth strategy and clearly identified roadmap to foster future growth

Over the past six years, the Group has made 18 synergistic acquisitions in seven countries, ranging from tech platforms to labels.

The Group's external growth has benefitted from its in-depth knowledge of local markets and commercial proximity with various players, which enables it to maintain a pipeline of targets that are clearly identified and constantly updated and to establish close relationships with potential sellers.

With its demonstrated ability to successfully integrate acquisitions and accurately identify acquisition opportunities, the Group believes it is well positioned to seize additional external growth opportunities which should contribute to the future growth of its revenue and activities.

See also paragraph 5.3.2 *"Pursue a targeted external growth strategy"* below.

5.2.6 A solid financial model showing the Group's ability to generate a high level of profitable growth

A strong track record of profitable growth

The Group believes that it has demonstrated its capacity to grow its business consistently, at a sustained rate of growth while maintaining operating profitability despite high levels of investment in its technological platform, significant marketing and commercial efforts and continuous strengthening of its IT teams, salesforce and talent scout teams.

Over the 2018 – 2020 period, the Group recorded strong revenue growth, with a CAGR of 36.2%, from €238.1 million for the financial year ended 31 December 2018 to €441.4 million for the financial year ended 31 December 2020, driven in particular by the increasing adoption of streaming, the growth and performance of the Group's catalogue and the successful integration of several targeted acquisitions, the latter having contributed to approximately one-third of the Group's growth over the 2018 – 2020 period. For the financial year ended 31 December 2020, the Group's revenue grew by 12% despite the negative impact of the Covid-19 pandemic on certain activities of the Group (in particular digital sales relating to ad-funded streaming and physical sales), showing the resilience of its business and financial model.

Over the 2018 – 2020 period, the Group also demonstrated its ability to deliver profitable growth, despite heavy investments made in the development of its technological platform and its marketing and commercial development, with an adjusted EBITDA margin of 10% and 9% for the financial years ended 31 December 2018 and 2019, respectively. The Group's adjusted EBITDA margin stood at 2% for the financial year ended 31 December 2020, mainly due to a significant increase in its Central Platform costs deployed to support its growth and accelerate its development, along with continued investments in its technological platform and the development of new services in its key geographies.

A diversified revenue mix providing adequate visibility over future growth

The Group maintains a large base of approximately 850,000 artists and strong relationships with more than 150 digital services providers and social media.

The Group estimates that less than 10% of its digital revenue comes from its top 10 artists and labels, for which the average duration of contracts signed with the Group is approximately 8.5 years[23].

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[23] Average duration of the total contractual relationship calculated on the basis of the relationship duration already elapsed and the remaining duration under the terms of the current contract (excluding the exercise of any option(s) or tacit renewal).

The Group also benefits from a geographically-diversified revenue mix, with 18% of its consolidated revenue generated in France, 22% in Germany, 28% in the rest of Europe, 14% in the Americas and 18% in Asia/Oceania/Africa for the financial year ended 31 December 2020.
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In addition, the Premium Solutions business is mainly based on contracts of three years or more, offering adequate visibility on the evolution of the Group's managed catalogue.

5.3 Strategy

The Group's strategy is to build the leading global artist digital development platform, by continuing to invest heavily in the development of its global footprint (5.3.1), pursuing its targeted external growth strategy (5.3.2) and enhancing and expanding existing capabilities through investments in its technological platform (5.3.3).

In addition, in order to finance its growth, the Group intends to raise approximately €500 million in the context of the capital increase that would be carried out in connection with the admission of the Company's shares to trading on the regulated market of Euronext Paris. Part of the proceeds of the issuance would also be used to refinance its existing debt (see also section 8.1 of this registration document).

5.3.1 Pursue international expansion with a rigorous and proven strategy

The Group considers that it has further potential to pursue sales and marketing growth globally, supported by the increasing digitalisation of the music market combined with continued market share gains in selected key geographies.

While the paid streaming penetration rate is high in some mature markets such as the Nordic countries, it is still relatively low in other developed countries where the recorded music market is large and where the Group has a strong presence, such as Western Europe, and also some markets (considered to be "emerging" in this respect) such as Latin America, Eastern Europe/Russia and the Asia-Pacific zone which have low penetration.

This growth potential is expected to translate into nearly triple the number of paid streaming subscribers in the emerging markets referred to above, which should grow from 146 million in 2019 to 379 million in 2027, while developed markets are forecast to grow less rapidly, from 215 million subscribers in 2019 to 318 million subscribers in 2027 (*source: MIDiA Research Global Music Forecasts 2020 – 2027, July 2020*) (see also paragraph 5.2.1 *"A strong positioning on music industry segments benefitting from positive outlook with attractive dynamics"* above).

In addition, the Group's market shares gains in selected key geographies,[24] despite its strong position in a number of countries in which it is established, represent significant upside potential for the Group. In 2019, the Group's digital music market shares were estimated at more than 15% in Russia and Turkey, between 10% and 15% in France, Germany and India and less than 5% in China[25].

The Group intends to rely on several identified levers of development to ramp up in its existing geographies to reach or consolidate leadership positions in local markets, such as the expansion into music genres that are shifting to digital, the provision of additional Premium Solutions commercial offers, the roll-out of the Automated Solutions offering in new countries,

[24] Geographical markets identified as being key for the Group are markets where the Group has the largest local teams or where it intends to strengthen its local teams in the future, and include France, Germany, the UK, Italy, Russia, Turkey, India, China, Mexico and Brazil.

[25] Market shares calculated by comparing the amount of DMS generated by the Group in the relevant country to the total size of that market, as estimated by IFPI in its Global Music Report 2020 (on the year 2019).

enrichment of the Group's offering with new products and the completion of synergistic acquisitions.

The potential for expansion in new countries is supported in particular by the worldwide expansion of digital services providers, with a player such as Spotify operating (or having announced its intention to operate) in 178 countries as of the date of this registration document (*source: Spotify's website*). Present in 14 countries for its Automated Solutions[26] and in more than 50 countries in total,[27] this leaves more than 120 new countries as potential new markets that the Group could enter, supporting its future growth.

The Group intends to pursue its international expansion by following a rigorous and proven action plan which consists of identifying countries in which the streaming penetration rate is still low and which present strong growth potential so as to apply a systematic and repeatable development strategy, generally organised around: (i) the launch of a new service layer or a new music genre, with the hiring and training of a dedicated team with strong experience in the local music market, (ii) followed by an 18- to 24-month ramp-up phase with strict performance monitoring, at the end of which the decision is taken by the Group whether or not to make further investments in human resources there, and finally (iii), if a decision is made to make further investments, the reinforcement of local teams through the recruitment of more experienced local managers and/or the strengthening of the growth plan through acquisitions or the development of ancillary services or offers.

This international expansion strategy has proven to be successful in the past, such as, for example, the expansion of the Group's operations in Russia in 2013. The Group was among the first international players to identify an opportunity in Russia, which was already digitally focused and is now one of the fastest growing markets, and entered the market by hiring a locally-based Russian speaking team and invested in training to develop a recognized group of digital experts, supported by the tools and the capacities of its innovative proprietary tech platform. The Group demonstrated its ability to execute its expansion strategy in Russia, by entering the market at the right time, quickly building a team of experts and turning several emerging artists into top artists thus attracting an increasing number of labels and artists.

Another illustration of the successful international expansion of the Group is its expansion in India in 2013 by distributing catalogues of movie soundtrack-related songs (essentially Bollywood music), then significantly diversifying its catalogue towards other genres, becoming one of the largest and most recognized players on the local digital music market. In 2019, the Group leveraged external growth as a key expansion driver in India, with three acquisitions (Venus, Entco and Canvas), and launched its Automated Solutions offering in this country in 2020. Locally, the Group relies on an extensive local network with offices in seven regions as well as in Pakistan and Bangladesh to better address needs of local artists and local music genres. The Group has developed an excellent reputation across this country, due in part to a rigorous human resources development process. Thanks to this strong local footprint, the Group believes it is well positioned to source and execute attractive external growth transactions in India and extract meaningful synergies.

5.3.2 Pursue a targeted external growth strategy

Over the past six years, the Group has made 18 synergistic acquisitions in seven countries, ranging from tech platforms to labels, and has spent €126 million (excluding acquired cash) on acquisitions since 2018.

The Group has successfully integrated labels and artist services businesses, including the full acquisition of Nuclear Blast, a leading global metal label, in Germany in 2018; partial acquisition of Tôt ou Tard, a French label, the same year; Entco Music and Canvas, respectively specialised in show production and artist services in India, in 2019; or more recently, a majority

[26] Countries where the Group has local sales teams (and in some cases a local domain name for TuneCore).

[27] Countries where the Group has a local presence through employees and/or external consultants.

stake in DMC, a leading label in Turkey, in 2020. The integration of these targets into the Group's business enabled it in particular to increase its sourcing capacities, enrich its services offering and also expand in new geographies.

Some acquisitions have also added new marketing and tech capabilities to the Group's offering, by broadening its digital stack of marketing and promotion capacities and further building its tech platform. For instance, the Group made the transformational acquisition of TuneCore in the United States in 2015, which enriched its offering with automated solutions for artists, and which is now one of the Group's segments. The Group also acquired SoundsGoood in 2020, specialised in creating innovative digital marketing tools for artists, and took a minority stake in Ircam Amplify, IRCAM's[28] commercial entity for audio innovation.

The Group also expanded its distribution capabilities with, for example, the acquisition in 2018 of Groove Attack, a leading German independent distributor specialised in hip-hop, and the acquisition in 2015 of Musicast, a French distributor specialised in urban music.

Finally, the Group may consider opportunistic targets aimed at growing its catalogue, such as the acquisition of Naïve in 2016, a French independent label specialised in classical music, or the acquisition of Venus Music Private Ltd in 2019, an Indian company holding a catalogue comprising mostly Bollywood music.

The Group's external growth strategy has benefitted from its differentiated opportunity-sourcing and qualification capacities, relying on the Group's on-the-ground market knowledge, established local relationships and "glocal" presence. The Group has also leveraged its strong brand image, reputation and sound financial position, giving it the ability to proceed with transactions at an attractive value and with an adequate conversion rate. Finally, once the transaction is completed, the Group implements a well-defined integration plan to ensure that the target's business is managed according to the same vision and values as the Group and to implement substantial synergies.

The Group operates in a fragmented market with hundreds of potential targets. The Group continuously monitors a large number of targets, with the objective of investing €100 million each year in external growth transactions over the 2022 – 2025 period. The Group's current pipeline of actively monitored acquisitions comprises artist and label services companies (representing more than half), followed by digital marketing and technology companies, distribution players and catalogue acquisitions.

An example of the Group's key integration successes is the acquisition of Nuclear Blast in Germany in 2018. Nuclear Blast is one of the leading metal labels in the world with a well-recognized brand and team in the industry, benefitting from a loyal fan base. The rationale for this transaction was to acquire the capacity to position the Group in the metal music genre and benefit from the ramping up of digital revenues. Upon its integration within the Group, Nuclear Blast (whose business was historically dominated by physical sales) rapidly turned into a digital platform for metal artists, with, by way of illustration, the launch of Blood Blast, a digital-only offer for the younger generation of metal bands. The growth in streaming volume generated by artists signed with Nuclear Blast outperformed the growth of the German metal market in 2020[29]. Nuclear Blast also experienced a significant increase in profitability between 2019 and 2020, due to cost savings initiatives, an improvement in efficiency and the creation of an online direct-to-consumer platform.

[28] Institute for Research and Coordination in Acoustics/Music (*Institut de Recherche et Coordination Acoustique/Musique*).

[29] Source: GFK Entertainments, based on Nuclear Blast and Top 50K album metal-genre only, number of streams in Germany

5.3.3 Enhance and expand existing capabilities by investing in its technology platform

In order to support its growth, the Group intends to enhance and expand its existing capabilities, by investing significantly in the development of its technological platform.

The Group intends to develop new tools and solutions to labels and artists. By way of illustration, new music creation tools and automated solutions are currently being developed for Automated Solutions, which also benefits from greater integration with the Group's technologies, such as dedicated tools for social media, developed by the central IT teams for the Group as a whole. The Group is also investing in data analysis and digital marketing capabilities (to best source and serve artists and labels) and dedicating significant resources to improve artists' referencing on the main digital services providers.

The Group also intends to invest in technology to: further improve its technological capabilities in order to continue partnering with fast-growing digital services providers, social media and other emerging actors proposing new forms of music monetisation; further automate complex internal processes (such as content ingestion, control and validation); develop the Group's data analysis tools to facilitate decision-making for its geographical expansion and its investments in order to optimize the execution of its strategy consisting of expanding multiple commercial offers in new geographies.

5.4 Company history

Company was founded in 2005 by Mr Denis Ladegaillerie and quickly began making catalogues of music available for download on digital platforms (Apple Music, Fnac, Virgin).

Two French venture capital funds, XAnge in 2007 and Ventech in 2008, then invested in the company, primarily to expand the Group's business internationally.

In 2010, the Group began distributing its catalogues on digital platforms like Spotify and Deezer and launched Backstage, a unique interface enabling the Company's artists and labels to manage, promote and analyse the performance of their music on the platforms served by Believe.

In 2013, the Group continued to expand internationally, in Russia and Canada in particular, and employed over 100 people.

In 2015, US venture funds TCV and GP Bullhound invested in the Company in an equity round alongside the Group's historic equity investors XAnge and Ventech. The purpose was to finance the Group's business growth, including acquisitions. With these funds, that same year the Company acquired TuneCore, a US company providing automated music distribution solutions. The acquisition enabled the Group to structure its Automated Solutions offering for artists and to keep expanding in the US. In late 2015, the Company acquired Musicast, a French distribution company specialising in urban music.

In 2016 and 2017, the Group continued its expansion by acquiring the independent label Naïve in France (2016), launching the All Points label in France and the United Kingdom (2017), and acquiring the German distributor Soulfood (2017).

In 2018, the Company acquired Nuclear Blast, the world's leading rock metal label based in Germany, as well as Groove Attack, an independent German distribution company specialising in hip-hop. The Company also acquired a 49% stake in Lili Louise Musique, owner of the French label Tôt ou Tard, among others.

In 2019, the Group strengthened its presence in India by acquiring, through the acquisition of Venus Music Private Ltd, a music catalogue that includes Bollywood music. The Group also acquired several companies specialising in artist services.

In 2020, the Company acquired a stake in Ircam Amplify, a subsidiary of IRCAM (Institute for Research and Coordination in Acoustics/Music), which is charged with creating value from its licences and expertise and is partly specialised in the enrichment and indexing of music content databases, as well as the recommendation of music content. The Company also acquired Soundsgood, a French company specialising in innovative digital promotion technologies. In the same year, the Group continued to expand in emerging countries with the acquisition of a majority stake in the DMC label in Turkey.

5.5 Markets and competitive position

The market information in this paragraph 5.5, including size and growth potential, is taken primarily from independent sources such as IFPI[30] (Global Music Report, 2021) and MIDiA (particularly the MIDiA Research Global Music Forecasts, 2020 – 2027, July 2020, and MIDiA Recorded Music Market 2020, March 2021) and GFK Entertainments (also see paragraph 1.3 "Information from third parties, statements by experts and declarations of interest" of this registration document). All data and information presented in this registration document attributed to IFPI reflect the Group's interpretation of the data, research and viewpoints expressed in the Global Music Report published by IFPI in March 2021 and have not been reviewed by IFPI. Any IFPI publication should be read and interpreted as of its original publication date, not as of the date of this registration document. IFPI, MIDiA and GFK Entertainments do not assume responsibility to third parties for information presented in this section 5.5 extracted from studies, reports or other materials prepared by IFPI, MIDiA, or GFK Entertainments. The sizes of the various markets presented in paragraph 5.5 are, unless otherwise indicated, expressed as the revenue generated by labels and distributors, which is largely equal to the revenue they derive from the sale of audio or video content or from exploitation of the rights they hold on such content.

5.5.1 Market trends

The global music market comprises the recorded music market, on the one hand, and the music publishing market on the other.

Music publishing consists mainly of a publisher acquiring the copyright to an artist's musical works, which the publisher then holds and manages for use (mainly in the form of licensing) in, for example, recordings, public performances, films, television programmes, video games or advertisements. The copyright can also be licensed for sheet music and songbooks. In exchange for the use of these rights, the publisher receives remuneration, part of which is paid to the artist.

Music publishing is therefore largely a business of exploiting copyrights, whereas the recorded music business is centred on developing artists' careers, mainly through the distribution, promotion, marketing, sale and licensing of neighbouring rights to audio and video content.

Since its founding, the Group has been positioned in the recorded music market. Within this market, the Group operates mainly in the digital music segment and, in particular, in the streaming segment, which is showing the highest growth rates in the industry as it becomes increasingly adopted worldwide.

Within the recorded music market, the Group's priority target is the fast-growing segment of independent artists and labels that have the potential for local development.

The global recorded music market

The recorded music market includes all business activities related to making musical works available to consumers who want to listen to them. According to IFPI's breakdown of the recorded music market, it comprises (i) the digital music market, which is composed of streaming activities on the one hand and downloading and other activities such as personalised

[30] *International Federation of the Phonographic Industry*

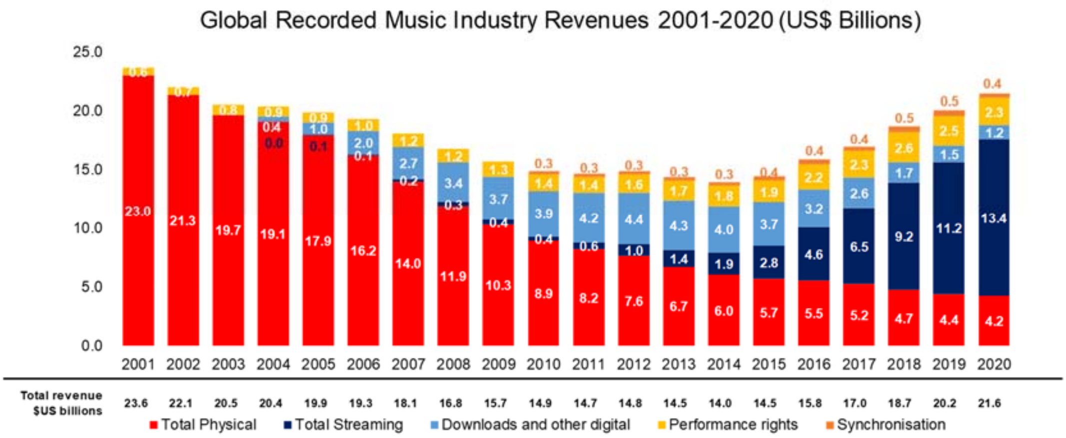
ringtones for mobile phones on the other hand, (ii) the physical music market, comprising mainly sales of CDs and vinyl records, (iii) the neighbouring rights market associated with the use of recorded music by broadcasters and in public places and (iv) the synchronisation market, namely the use of recorded music in advertising, films and series, video games and television.

According to IFPI, the global recorded music market has enjoyed steady growth over the past few years, with revenues rising from $14.5 billion in 2015 to $21.6 billion in 2020, or a CAGR of 8.3% over the 2015–2020 period (*source: IFPI, Global Music Report 2021*). This was primarily due to growth in the public's interest, which, according to IFPI, resulted in a worldwide average of 18 hours of weekly plays per person in 2019.

In 2020, the digital music market and, in particular, the streaming segment respectively accounted for 67.9% and 62.1% of the recorded music market, or $14.6 billion and $13.4 billion of revenue, respectively (*source: IFPI, Global Music Report 2021*) .

The physical music market, meanwhile, accounted for 19.5% of the global recorded music market in 2020 (*source: IFPI, Global Music Report 2021*). This market has been in decline for several years, due in particular to the increasing uptake of streaming; a reduction in retail outlets and a decline in the available offering (accompanied by an increase in the cost of physical distribution with, in particular, higher costs for vinyl records, a format that consumers increasingly prefer over CDs); and a fall in the popularity of particular artists or genres traditionally distributed in physical format.

Lastly, the neighbouring rights market, for the use of recorded music by broadcasters or in public places, and the synchronisation market, for the use of recorded music in advertising, films, video games, and television, accounted for 10.6% and 2.0% of the global recorded music market respectively in 2020 (*source: IFPI, Global Music Report 2021*).



Source: IFPI, Global Music Report 2021.

According to estimates by MIDiA, the recorded music market should continue its strong growth into the future, to approximately $28.7 billion by 2027 (*source: MIDiA Research Global Music Forecasts, 2020 – 2027, July 2020*).

Impact of the COVID-19 pandemic on the recorded music market

In 2020, the recorded music market continued its growth, reaching $21.6 billion in revenue *(source: IFPI, Global Music Report 2021)*, yet showing slower growth than in recent years (7.4% in 2020, compared to 7.8% in 2019) due to the significant impact of the COVID-19 pandemic on certain segments of the recorded music market.

The social distancing and lockdown measures imposed by public authorities resulted in the cancellation of most concerts and other public performances, as well as in the closure of physical points-of-sale. This affected the neighbouring rights and physical music markets in particular, with revenue in 2020 down 10.1% for neighbouring rights, 9.4% for synchronisation and 4.7% for physical sales, compared to 2019 (*source: IFPI Global Music Report 2021*).

The digital music market, and in particular the streaming market, have shown resilience with estimated growth of around 15.8% and 19.9%, respectively, compared to 2019,[31] amounting to $14.7 billion and $13.4 billion, respectively, in 2020 (*source*: *IFPI Global Music Report 2021*).

The streaming market benefited from the favourable structural trends observed in recent years (see the paragraph below) and in particular from users' increased preference for consuming music virtually rather than physically, given the lockdown measures imposed by public authorities.

Streaming, a market with strong growth potential

The streaming market has experienced steady growth for several years, going from $2.8 billion in 2015 to $13.4 billion in 2020 (*source: IFPI Global Music Report 2021*), and has been the main reason for the growth of the recorded music market, to the detriment of the traditional physical market. The growth of this market has been driven largely by the growing preference of users for this play format, due primarily to its convenience. It allows users to listen simply and easily to the desired song at any time without restriction, with access to an on-demand library that is practically unlimited in terms of choice of content, on almost all types of devices with an internet connection, and for a relatively inexpensive monthly subscription, if any.

The streaming market is served by two types of business: subscription streaming, whereby users have a paid subscription to digital platforms or social media, giving them ad-free access to the features of that interface; or ad-supported streaming, giving users no-cost access to certain features of the interface, with the regular appearance of advertising messages, in return for which advertisers pays remuneration to the platforms and social media. Numerous digital distribution platforms offer both types to their users.

Ad-supported streaming is a powerful tool for artists to be discovered and become known to a wider audience. It is estimated that in 2020, subscription streaming accounted for 46.0% of the global market of recorded music (about three quarters of the streaming market), compared to 16.2% for ad-supported streaming (about one quarter of the streaming market) (*source: IFPI, Global Music Report 2021*). Revenue generated by ad-supported streaming is typically more sensitive to changes in the economic climate, in particular because of its impact on the level of advertising expenditure by advertisers (in this respect, the economic consequences of the current health crisis have led to a decrease in advertising expenditure by advertisers), which affected the Group's digital sales activities related to the ad-supported free offer (in particular on video platforms), particularly during the second quarter 2020.

According to MIDiA, streaming market revenue should reach $18.8 billion by 2023 and $22.4 billion by 2027 (78% of the of the recorded music market), of which the subscription streaming market represents $15.5 billion (*source: MIDiA Research Global Music Forecasts 2020 – 2027, July 2020*).

The growth of the streaming market is expected to be supported by several favourable trends, such as the increasing adoption of subscription-based streaming by users and the further development of ad-supported free streaming, including the development of new forms of monetising recorded music.

Increasing adoption of subscription-based streaming

[31] Growth calculated on the basis of the size of the digital music market and the streaming market in 2019, estimated by IFPI at €12.7 billion and €11.2 billion, respectively.

Subscription streaming is enjoying increased user adoption, particularly among older generations and in geographic markets with high growth potential where the adoption rate of subscription-based streaming is still low. According to estimates, the number of subscribers to a subscription-based streaming service jumped from 145 million worldwide in 2016, representing a 2% penetration rate, to 362 million users worldwide in 2019, representing a 5% penetration rate, and is expected to reach 697 million users in 2027, an 8% penetration rate (*source: MIDiA Research Global Music Forecasts 2020 – 2027, July 2020*).

Subscription-based streaming rates are still low in geographic markets with high growth potential

Although the number of subscribers to a paid streaming service (such as Spotify, Apple Music or Deezer) shows steady growth, the worldwide streaming subscription penetration rate is still low, at 5% in 2019 (*source: MIDiA Research Global Music Forecasts 2020 – 2027, July 2020*).

There is thus significant potential for growth in the number of subscribers to paid streaming services, demonstrated by the still low adoption and penetration rates of streaming in a number of geographic markets.

The adoption rate of subscription-based streaming in certain developed countries where the recorded music market is of a significant size and where the Group has a strong presence, such as Western Europe,[32] is still at a relatively low level (18% in 2019, with 22% in Germany, 15% in France and 17% in the other countries) compared to mature markets such as the Nordic countries (including Sweden, Spotify's home country)[33] (38% in 2019) or North America[34] (32% in 2019). Some so-called emerging markets, such as Latin America[35] (penetration rate of 7% in 2019, with 8% in Brazil, 7% in Mexico and 6% in other countries), Eastern Europe and Russia[36] (penetration rate of 7% in 2019, with 4% in Russia and 10% for the other countries) and Asia-Pacific[37] (penetration rate of 2% in 2019, with 4% in China, 0.2% in India and 3.5% in other countries), with low penetration rates, also show high growth potential, with the digital music market still dominated in some countries by other play formats, such as ad-supported free videos (in India in particular, where pirated music listening is still widespread) (*source: MIDiA Research Global Music Forecasts, 2020 – 2027*).

This strong potential is expected to result in an estimated near-tripling in the number of streaming subscribers in the above so-called emerging markets from 146 million in 2019 (40% of worldwide number of subscribers) to 379 million in 2027 (54% of worldwide number of subscribers), while developed markets[38] are expected to experience more limited growth in subscribers from 215 million in 2019 to 318 million in 2027 (*source: MIDiA Research Global Music Forecasts 2020 – 2027, July 2020*).

The Group, which has recently strengthened its presence in emerging countries, specifically with the acquisition of several companies in India in 2019 and of a majority stake in the Turkish label DMC in 2020, intends to continue developing in such countries, relying on these favourable market trends to support its growth strategy (see also paragraph 5.3 "*Strategy*" of this registration document).

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32 The Western European countries surveyed by MIDiA include Ireland, the United Kingdom, Italy, Spain, Austria, Belgium, France, Germany and the Netherlands.

33 The Nordic countries surveyed by MIDiA include Denmark, Finland, Norway and Sweden.

34 The North American countries surveyed by MIDiA include the United States and Canada.

35 The Latin American countries surveyed by MIDiA include Argentina, Brazil, Colombia and Mexico.

36 The Eastern European countries surveyed by MIDiA include the countries not among the Western European and Nordic countries.

37 The Asia-Pacific countries surveyed by MIDiA include Australia, China, India, Indonesia, Japan, South Korea, Taiwan and Thailand.

38 Including North America, the Nordic countries and Western Europe.

The increasing adoption of streaming by older generations

According to a survey, 51.6% of respondents aged 16 to 24 years reported having used a paid subscription-based streaming service in the last month. This percentage rises to 46.4% among 25–34 year-olds, 35.1% among 35–44 year-olds, 27.9% among 45–54 year-olds and 19.2% among 55–64 year-olds (*source: IFPI, Global Music Report 2019*). This represents significant potential for streaming adoption and growth for older users, particularly as artists catering to this audience make greater use of digital distribution channels such as those offered by the Group.

The continued development of ad-supported free streaming and the emergence of new ways to monetise recorded music

Over the past few years, the Group recorded significant growth in revenue generated from making audio and video content available on video digital platforms, such as YouTube, which uses a content monetisation model based mainly on ad-supported streaming (see paragraph 7.1.2.1 "*Trends and features of the streaming market*" of this registration document).

The consumption of audio content in the form of videos has been expanding greatly, supported by the emergence of new forms of monetising recorded music over social media like Facebook, Instagram or TikTok, which allow people to post relatively short, user-generated videos using the audio content of artists. The business model of these platforms and social media is mainly based on free plays and viewing, financed by advertising remuneration paid by advertisers.

These applications offer great potential for mass adoption worldwide, representing an additional opportunity for digital music players such as the Group to make their content widely available, especially to young listeners. From the artists' point of view, these applications represent an opportunity to gain visibility and sometimes even to go from being an emerging artist to a top artist, due to the notoriety acquired through these means.

The growing market share of independent artists and labels, the Group's core target, in the recorded music market

Historically, the cost for artists of producing, distributing and promoting their content was relatively high, requiring substantial financial and logistical support, which artists sought to obtain from the majors in the music industry.

The business model of the majors is based on the identification, production and development of a limited number of artists, and the simultaneous acquisition of the majority of the rights to their catalogues, with an artist development strategy focused on traditional media such as television, radio and print.

The development of technological and digital applications has had a disruptive effect on the music industry. It fostered a burgeoning of new digital tools to aid in the creation of music which then enabled artists to self-produce. This led to the emergence of the digital music market and in particular the market for streaming, which has democratised market access for artists (especially by reducing their distribution costs) and made it easier for the public to learn about them, as well as the emergence of social networks, allowing for more direct contact with artists.

These developments have contributed to the emergence of a middle class of artists whose goal is to capture a significant share of the recorded music market, which is now less concentrated than it was before streaming and distributed over a greater number of artists and labels. At the same time, there is a multitude of emerging artists adding to this new pattern of value creation. For example, in Germany, it is estimated that top artists (0.5% of the total number of approximately 37,000 artists identified in that country) account for 26.8% of the revenues generated on the digital music market,[39] compared to 45.3% for emerging artists (although the

[39] Digital music market including download and streaming (radio, paid and free), excluding audio books and performances.

latter only represent 13.4% of the total number of artists) and 27.8% for first-time artists (86.0% of the total number of artists) (*source: GFK Entertainments*).

In this context, a growing number of artists are seeking to benefit from high value-added digital solutions focused on their needs, with the objective of retaining ownership of their copyrights, a rebalanced sharing of value and a higher level of transparency and independence from their record companies and partners. A survey conducted in the third quarter 2019, for instance, revealed that the main priorities of independent artists regarding career development are the ability to keep creative and commercial control, to retain ownership of their copyrights, to make a living from their music and to work with trusted partners (*source: MIDiA, "Independent Artist Survey", January 2020).*

The Group has historically structured its offer by targeting its support to artists in a market that is in the process of being digitalised and in a context where artists are increasingly seeking independence. The Group has positioned itself as a partner to artists for the development of their audiences on digital platforms with an offer currently included in Premium Solutions, before enriching its offer with complementary solutions such as marketing and promotion.

With the acquisition of TuneCore in 2015, the Group enhanced its ability to support artists at each stage of their career, offering solutions for automated distribution of their content on digital service providers and social media, aimed primarily at artists at the beginning of their career. These solutions are included in the Group's Automated Solutions offering.

This positioning of the Group, which focuses primarily on artists in the process of developing their careers (whether emerging or established), and most often with a local rather than an international reputation, enables it to benefit from the strong growth potential of these market segments, in particular in comparison with the positioning of the majors, which focuses on internationally renowned top artists.

In a number of countries in which the Group does business, local artists generally represent a substantial share of the best-selling albums in the country. For example, in France in the first half of 2020, French artists accounted for 72% of the 200 top-selling albums and 82% of sales volume (*source: SNEP*).

These trends have led to a shift in the distribution of value in the recorded music market among the majors (revenue estimated at $15 billion in 2020), artists direct (artists without a label) (revenue estimated at $1 billion in 2020) and independent labels (revenue estimated at $7 billion in 2020) *(source: MIDiA "Recorded Music Market 2020", March 2021)*. Over the 2015-2020 period, the market share[40] of artists direct and independent labels, segments where the Group considers itself as one of the leaders, has increased at the expense of the majors, from 29% in 2015 (with revenue estimated at $4.4 billion) to 34% in 2020 (with revenue estimated at $8.0 billion). Independent direct artists and independent labels also recorded a CAGR in revenue of 36% and 10%, respectively, over the period, compared to 7.0% for the majors (*source: MIDiA "Recorded Music Market 2020", March 2021*).

These trends are also reflected in the evolution of the share of streams generated by the majors[41] on Spotify, from 87% of total streams in 2017 to 78% in 2020, as well as the increase in the number of independent music creators (including podcast creators) whose content is made available on Spotify, from 3 million in 2018 to 8 million in 2020 (*source: Spotify "Stream On," February 2021, MIDiA).*

40 Market share is the ratio of the revenue generated by the majors or independent artists and labels to the total revenue generated in the recorded music market.

41 Share of streams generated by the three majors, Universal Music Group, Warner Music Group and Sony Music, as well as Merlin, an organization that manages the rights of its member artists and labels.

5.5.2 The Group's competitive position and environment in the recorded music market

With regard to Premium Solutions, the Group's main competitors are:

- the three majors (Universal Music Group, Sony Music Entertainment and Warner Music Group), the main companies holding the global music catalogue, through either (i) their digital distribution offer proposed through subsidiaries, such as Ingrooves and Virgin Music Label & Artist Services for Universal Music Group; The Orchard and AWAL, acquired from Kobalt in February 2021, for Sony Music Entertainment; and ADA for Warner Music Group; or (ii) their artist services offering, with the labels Polydor, Capitol and DefJam for Universal Music Group; Columbia, RCA and Epic for Sony; and Warner, Elektra and Atlantic for Warner Music Group;

- mid-sized players specialising in digital distribution and subsidiaries of large music publishing companies, such as Fuga, a subsidiary of Downtown, or local independent players, such as Idol in France or UnitedMasters in the United-States; and

- a number of domestic labels and artist services companies located in the countries where the Group does business.

With regard to Automated Solutions, the Group's main competitors are CD Baby, Distrokid and Ditto. Some majors have also developed competing offers, such as such as Spinnup for Universal Music Group and Level for Warner Music Group.

The Group believes that the specific characteristics of its business and technological model and its geographical coverage give it a unique position in the recorded music market, in particular the digital music sub-segment, which differentiates it from its main competitors.

Thanks to this positioning, the Group considers itself to be one of the leaders in the digital music market for independent artists and labels. It is also well positioned in some of its key geographic markets,[42] with estimated digital music market shares[43] of between 10% and 15% in France, Germany, India and greater than 15% in Russia and Turkey in 2019.

5.6 Description of the Group's principal businesses

The Group offers technological solutions and marketing strategies to make available, commercialize and promote audio and video content produced by independent artists and labels on digital platforms and social media. The Group's mission is to support these artists and labels in order to develop their audiences and careers, at every stage of their development and in all local markets around the world with respect, expertise, equity and transparency.

With 1,270 employees as of 31 December 2020[44] and a presence in more than 50 countries[45], the Group benefits from cutting-edge technological capabilities and offers local and international artists its expertise in music, digital marketing and data analysis, supported by over 200 product and IT experts[46]. The Group manages several brands, including Believe, TuneCore, Nuclear Blast, Naïve, Groove Attack and AllPoints.

The Group's catalogue includes more than 850,000 artists at different stages of their career, signed directly or through a label, and includes both local artists and artists known

[42] The geographic markets the Group identifies as key are the markets where it has the most important local teams or where it intends to strengthen its local teams in the future, and include France, Germany, the UK, Italy, Russia, Turkey, India, China, Mexico and Brazil.

[43] Market shares are calculated by dividing the DMS generated by the Group in a given country by the size of that market as estimated by IFPI in the *Global Music Report 2020*.

[44] As of this date, the Group also relies on the expertise of more than 300 external consultants in the countries where it is present.

[45] The countries in which the Group is present are those where the Group has a local presence through its employees and/or external consultants.

[46] Including employees and consultants.

internationally. In 2020, the content made available by the Group generated more than 100 billion streams on Spotify and more than 375 billion views on YouTube.

The Group follows an ambitious CSR policy based on (i) local support for the development of a diversity of talent, at each stage of their career development, (ii) the development of relationships with talent based on respect, fairness and transparency, and (iii) the sustainable development of talent, focused on people and the reduction of the environmental footprint of the Group's activities.

The Group experienced strong business growth in recent years, from consolidated revenue of €238.1 million for the financial year ended 31 December 2018 to €394.5 million for the financial year ended 31 December 2019 and €441.4 million for the financial year ended 31 December 2020, or an CAGR[47] over the period of 36.2%. Meanwhile, DMS[48] increased from €472.0 million for the financial year ended 31 December 2018 to €647.3 million for the financial year ended 31 December 2019 and €728.0 million for the financial year ended 31 December 2020 (the Group also recorded a CAGR of 56% in its DMS over the 2010-2020 period).

In the three months ended 31 March 2021, the Group continued its rapid and profitable growth trajectory, recording consolidated revenues of €124 million (up 26% compared to the three months ended 31 March 2020), representing organic growth at current exchange rates[49] of 23%.

The Group uses the following segmentation for reporting purposes, corresponding to the two activities carried out by the Group as part of its offering:[50]

- **Premium Solutions**, which mainly include the marketing, promotion and delivery of digital content for labels and artists who have entrusted the Group with the development of their catalogue to digital service providers and social media, according to a revenue-share business model, as well as, to a lesser extent, solutions to support the development of artists in the areas of physical sales, secondary products, synchronisation[51], neighbouring rights and music publishing. The Premium Solutions business accounted for 49.9% of DMS, 92.7% of consolidated revenue and 87.6% of the Group's adjusted

47 Compound Annual Growth Rate.

48 DMS (Digital Music Sales) is a relevant indicator for the Group of the volume of business generated on digital services providers and social media platforms and corresponds to the gross amount of payments made to the Group by these platforms in return for the provision of audio and video content by the Group. For a given financial year, DMS corresponds to: (i) for the Premium Solutions segment, invoices issued and to be issued in respect of the financial year in question in return for the provision of audio and video content to digital distribution and social media platforms (this DMS corresponds to digital revenues for the Premium Solutions segment); and (ii) for the Automated Solutions segment, invoices issued and recognised during the financial year in question in consideration for the provision of audio and video content to digital distribution and social media platforms. The invoices are based on the financial statements provided by the platforms. A portion of the DMS amount is then paid to the artists and labels in the case of Premium Solutions. In the case of Automated Solutions, the entire amount of the DMS is paid to the artists and labels, with the deduction of a margin for video content made available to video streaming and social media platforms.

49 Organic growth at current exchange rates corresponds to like-for-like revenue growth presented at current exchange rates, i.e. not adjusted for the impact of changes in exchange rates. Like-for-like revenue growth corresponds to revenue generated in the first quarter of 2021 by all companies included in the Group's scope of consolidation as at 31 March 2020 (excluding any contribution from companies that may have been acquired after 31 March 2020), compared to revenue generated in the first quarter of 2020 by the same companies, regardless of the date on which they entered the Group's scope of consolidation.

50 In addition, certain costs of the centralised operational functions are allocated to the Central Platform, which is not an operating segment under IFRS 8 (see Chapter 7 "*Review of the Group's financial position and results*" of this registration document).

51 As part of synchronisation solutions, the Group manages the copyrights of artists relating to the use of their music works to enhance an audiovisual work, and collects the associated payments.

consolidated EBITDA (excluding adjusted EBITDA contributed by the Central Platform) for the financial year ended 31 December 2020;

- **Automated Solutions**, whereby the Group enables artists, via its TuneCore digital platform, to distribute their content in an automated manner to digital service providers and social media in return for a subscription fee. Access to this platform can, at the choice of the artist, be supplemented by music publishing and synchronisation solutions. The Automated Solutions segment accounted for 50.1% of DMS, 7.3% of consolidated revenue and 12.4% of the Group's adjusted consolidated EBITDA (excluding adjusted EBITDA contributed by the Central Platform) for the financial year ended 31 December 2020.

The Group derives the majority of its DMS from licensing digital audio and video content to digital service providers and social media. In order to benefit from the rights it distributes, the Group enters into contracts with producers of audio or video content, i.e., artists, where the artist concerned has chosen to record and exploit his or her content himself or herself, or labels, which artists may use to record and exploit their content. Under the terms of these agreements, an artist or label grants the Group the right to market, in digital form, all or part of its catalogue. If the agreement has been signed with a label, the Group is not in a direct contractual relationship with the artists in the catalogue of the label. (see also paragraph 5.11 "*The Group's main contracts*" of this registration document).

The Group has a strong presence in France, where it has historical ties, and Germany, particularly since the acquisition of the Nuclear Blast and Groove Attack labels in 2018; these countries represented 18.4% and 22.0%, respectively, of its consolidated revenue for the financial year ended 31 December 2020. The Group is also present in a large number of other European countries, which together represented 27.6% of its consolidated revenue for the financial year ended 31 December 2020, including the United Kingdom, Italy and other less mature markets such as Russia, Turkey and several Eastern European countries. Because of its global geographic footprint, the Group also has a strong potential for expansion in growth markets such as Asia, Oceania and Africa (together representing 18.1% of consolidated revenue for the financial year ended 31 December 2020) as well as the Americas region (13.9% of consolidated revenue for the financial year ended 31 December 2020).

5.6.1 The Group's positioning in the value chain of the music industry transformed by digital technology

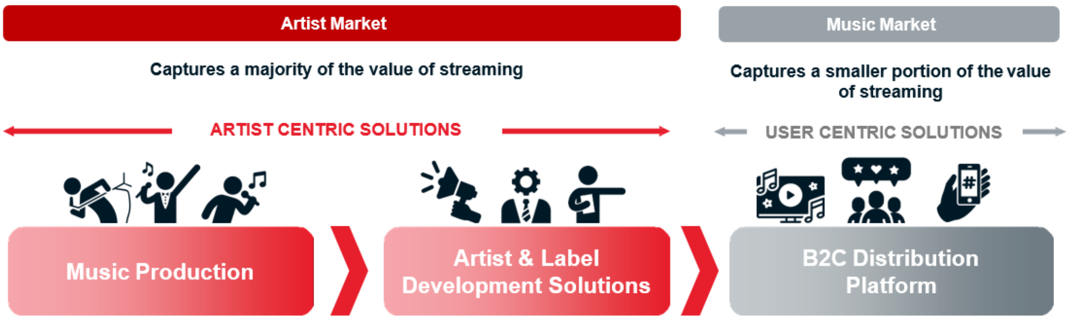
The emergence of digital technology in the music industry, linked in particular to the strong growth of the digital music market and streaming and to the emergence of new means of production and distribution for independent artists and labels, has led to the transformation of the value chain, in which the Group, with its range of high value-added technological solutions, believes it is a central player.

In the traditional music industry value chain (before the digital disruption), music production and artist development were typically linked and coordinated by a single player, the artist's record label.

The emergence of digital technology has enabled the development of technological tools that facilitate the creation and production of music by artists. As such, their main needs now relate to obtaining distribution channels and implementing marketing strategies that enable them to share their content quickly, efficiently and widely with their target audiences. The Group aims to meet these needs, while giving artists complete autonomy in their artistic production, by focusing on the development of innovative solutions to develop their careers.

The Group uses digital distribution platforms as its main channel for delivering content. These platforms generate their revenue mainly from subscriptions paid by their users (for paid offers) and from advertising remuneration paid by advertisers (free offers, ad-supported services). The platforms then pay distributors (like the Group), publishers or, where applicable, directly the producers (artists and labels). The sums paid are calculated according to predefined formulas, in return for delivering the content.

It is generally estimated that around 70% of the value of the streaming market is thus captured by distributors, publishers or producers, via the amounts paid by the platforms, with the remaining 30% being retained by the platforms as their profit.[52]



5.6.2 A range of solutions adapted to each stage of artists' development

The Group uses an integrated model to offer artists technological solutions adapted to each stage of their career development, whether they are emerging, established or top artists.[53]

The Group's goal is to offer a leading technology platform as artists' single access point to a set of innovative digital solutions for developing their careers, all centred on their needs. This includes applications for delivering and commercialising their content as well as for financing, marketing, promotion, synchronisation, music publishing and organising musical events.

The Group offers two suites of solutions: Premium Solutions and Automated Solutions.

5.6.2.1 Premium Solutions: a customised product operated by experts in music and data analysis and supported by cutting-edge technology, targeting the needs of all artists, from the emerging to the established to the top

The Premium Solutions business accounted for 92.7% of consolidated revenue, 49.9% of DMS and 87.6% of the Group's adjusted consolidated EBITDA[54] (excluding adjusted EBITDA contributed by the Central Platform) for the financial year ended 31 December 2020.

The Group has recorded strong performance in its Premium Solutions business in recent years, with revenue increasing from €217.8 million for the financial year ended 31 December 2018 to €366.8 million for the financial year ended 31 December 2019 and €409.0 million for the financial year ended 31 December 2020, representing a CAGR of 37.0%, while adjusted EBITDA increased from €31.9 million for the financial year ended 31 December 2018 to €54.1 million for the financial year ended 31 December 2019 and €53.5 million for the financial year ended 31 December 2020, representing a CAGR of 29.4%. DMS generated by the Premium Solutions segment also increased from €197.2 million for the financial year ended 31 December 2018 to €318.4 million for the financial year ended 31 December 2019 and €363.1 million for

52 For example, in 2019, Spotify's cost of sales, which mainly corresponded to the amounts paid to labels and record companies and also included certain other expenses such as credit card payment fees, customer service fees and certain personnel costs, accounted for 73% of the revenue from its paid services (*source: Spotify 2019 Annual Report*).

53 The Group classifies the artists it follows (directly or via their labels) into emerging artists, established artists and top artists according to the revenue they generate. The income threshold for each category of artist varies according to the geographic market considered.

54 Adjusted EBITDA is defined as operating income before amortisation, depreciation and impairment, share-based payments and other operating income and expense (see paragraph 7.1.4 "*Main performance indicators*" of this registration document).

the financial year ended 31 December 2020, representing a CAGR of 35.7% for the 2018–2020 period.

A set of flexible solutions that can adapt to the needs of artists and labels

A survey conducted in the third quarter 2019 revealed, for example, that the main priorities of independent artists regarding career development are the ability to keep creative and commercial control, to retain ownership of their copyrights, to make a living from their music and to work with trusted partners *(source: MIDiA, "Independent Artist Survey", January 2020).*

The Group believes that it is in a position to address these priorities with its Premium Solutions offering, which includes a set of marketing and promotion solutions.

This product offering relies on the specific features of the Group's technological and business model, making it perfectly suited to the needs of artists, whether emerging or top:

- uploading, marketing and promoting artists' and labels' content on more than 150 audio and video digital platforms and social media;
- digital solutions leveraging the Group's leading technological expertise to provide digital marketing expertise and a set of marketing tools to help artists grow their audience and revenues;
- transparent, artist-centric solutions that provide near real-time access to in-depth data and analytics of catalogue performance;
- a local presence in all key geographical areas,[55] in order to establish close proximity to artists and labels and deepen their knowledge of local market trends.

The Premium Solutions are dedicated to the development of labels or artists directly, through teams specific to each activity.

Premium Solutions mainly comprise Label & Artist Solutions. These include marketing, promotion and provision services, to digital service providers and social media, or physical points of sale, as the case may be, of the digital or physical content of labels or artists who have entrusted the Group with the marketing and promotion of their catalogue. As part of this offer, labels and artists also benefit from a flexible service for the collection and payment of their remuneration, a simplified access in real time to their catalogue's audience data and, for certain labels and artists, financial advance solutions.

The Group has also developed Artist Services, an expanded offer for established or newly-popular artists which, based on the same core of services, ensures more advanced promotion and marketing of musical works by accompanying the artists in the definition and the execution of "go-to-market" strategies.

At the discretion of the labels and artists, the Group also offers additional services such as the distribution of their catalogues in physical outlets, and, within the framework of its Artist Services offer, optional services such as the administration of copyrights ("publishing"), the use of recorded music in advertising, films and series, video games and television ("synchronization"), the sale of derivative products, the organization of musical events ("booking") and the establishment and management of partnerships with brands ("branding").

Premium Solutions are based on a revenue share business model: in exchange for making artists' and labels' content available, the Group is paid sums of money from digital distribution and social media platforms, a portion of which is then paid by the Group to the artists and labels concerned. The average payment rate to artists and labels varies according to the type of the

[55] The geographic markets identified as key by the Group are the markets in which it has the most important local teams or in which it intends to strengthen its local teams in the future, and include France, Germany, the UK, Italy, Russia, Turkey, India, China, Mexico and Brazil.

client (label or artist) and the level of service provided: on average, between 60% and 90% for Label & Artist Solutions and between approximately 50% and 70% for Artist Services.

Principal teams involved in developing relationships with artists and labels as part of Premium Solutions

The Group leverages the digital audience development expertise of its employees to thoroughly analyse artist performance data, build lasting relationships with all players in the music industry, and maintain the Group's brand image and ability to discover and develop talent.

The Group's Premium Solutions teams, in close contact with artists and labels, include:

- Talent Scouts, responsible for identifying and reaching out to emerging artists who may need support in developing their audiences. They do so using data and trend analysis and tracking tools, as well as their strong relationships with the wider music industry and the relationships established with certain high-potential artists through the Automated Solutions offering.

- the teams responsible for commercial follow-up and relationships with artists or labels (according to the type of offers: Label Managers, Artist Relationship Managers, Project Managers) take over from the Talent Scouts once the relationship has been initiated, and manage the signing process. These teams, in support of the Talent Scouts, regularly monitor and update a pipeline of potential new artists, drawing on their in-depth knowledge of the music market, and regularly monitor existing relationships with producers in order to build loyalty and provide the offer that is best suited to the needs of artists and labels already signed by the Group. These teams are the main point of contact for artists and labels, responsible for optimising their catalogue, designing their content distribution strategy and developing marketing guidelines for artists and labels;

- the logistical and operational support teams (Support), responsible for the technical ingestion of the content catalogue and the resolution of any technical issues;

- the video channel managers, responsible for developing sustainable video content distribution channels on video streaming platforms;

- specialists responsible for negotiating the editorial positioning of the Group's content with digital service providers (particularly within playlists) in order to maximise its visibility and performance.

The Group's operational process for Premium Solutions

The identification, provision and remuneration of audio and video content made available to digital service providers and social media involves a series of steps integrated into a structured operational process based on the use of leading technological tools developed by the Central Platform teams.

- A preliminary market analysis phase enables the detection of potential artists, who are approached by the Group's Talent Scouts, with whom the contractual terms of their relationship with the Group are then negotiated. These mainly concern musical content and the duration and financial conditions of the agreement, which are monitored in the Salesforce suite;

- At the end of this preliminary phase, a contract is signed between the artist or label and the Group, directly via the electronic contract management platform rolled out by the Group's Central Platform (see paragraph 5.10 "*The Group's technology platform*" of this registration document). This contract conforms, as appropriate, to one of the Group's 250 contract templates (the majority of contracts signed by the Group with artists and labels conform to one of the Group's standard templates) (see paragraph 5.11.2 "*Digital distribution agreements with artists and labels*" of this registration document). A producer account is also created (in 2020, more than 20,000 producer accounts were active with the Group);

- The audio and video content of the artist or label is then sent to the Group via its intranet; the content ingestion teams then approve the quality and copyright of the content with respect to internal and external guidelines, which depend both on local regulations and on rules specific to each platform. The technical integrity of the content is checked and enhanced to meet the quality standards of digital service providers and social media (see paragraph 5.10 "*The Group's technology platform*" of this registration document);

- Once ingested, checked and enhanced, the content is uploaded to the digital service providers and social media, using proprietary technological tools developed by the Central Platform. Approximately 60,000 digital audio and video assets were uploaded by the Central Platform in 2020 each month;

- The digital service providers and social media platforms then check the content received and may, in certain cases, reject content that they believe violates copyright regulations. The amount of content rejected per month is very low given the amount of content uploaded.

- Once checked and validated by the digital service providers and social media platforms, the content is made available online and sales reports are sent to the Group by the platforms and social media, usually on a monthly basis. For example, more than 380 sales reports were processed by a dedicated team in November 2020.

- On the basis of the sales reports received from the digital service providers and social media, the Group prepares and sends out its invoices. Once these invoices have been paid by the platforms and social media (in most cases within a few days), the Central Platform teams in turn draw up sales reports according to the contractual frequency (in the vast majority of cases every month) for each artist and label, highlighting the number of streams generated by their content and the details of the calculation of the amount due by the Group pursuant to the contractual stipulations;

- The artist or label, depending on the contractual payment deadlines, can request payment through an electronic invoicing process and receives its payments at the end of the contractual deadlines agreed with the Group.

5.6.2.2 Automated Solutions: a high value-added technological product targeting the needs of emerging artists

The Automated Solutions segment accounted for 7.3% of consolidated revenue, 50.1% of DMS and 12.4% of the Group's consolidated adjusted EBITDA (excluding adjusted EBITDA contributed by the Central Platform) for the financial year ended 31 December 2020.

The Group has delivered strong performance for its Automated Solutions over the last few years, with revenue for the 2018 - 2020 period increasing from €20.3 million for the financial year ended 31 December 2018 to €27.8 million for the financial year ended 31 December 2019 and €32.4 million for the financial year ended 31 December 2020, representing a CAGR of 26.5%, while adjusted EBITDA increased from €6.3 million for the financial year ended 31 December 2018 to €7.4 million for the financial year ended 31 December 2019 and €7.5 million for the financial year ended 31 December 2020, representing a CAGR of 9.7%. DMS generated by the Automated Solutions also increased from €274.8 million for the financial year ended 31 December 2018 to €329.0 million for the financial year ended 31 December 2019 and €364.9 million for the financial year ended 31 December 2020, representing a CAGR of 15.2%.

As part of the Automated Solutions, the Group enables artists, via its TuneCore digital platform, to distribute their audio content in an automated manner to digital service providers and social media. The Group is then responsible for collecting from the digital service providers and social media sites the amounts they owe in return for delivery of the content. These amounts are then paid in full to the artists for the content delivered to audio streaming platforms, after the Group deducts a margin for content made available on video streaming platforms or social media and used to create user-generated content.

For content delivered to audio streaming platforms, the artists pay the Group an annual subscription to be able to access TuneCore. The amount of this subscription varies, depending on whether a single title or an album is made available. Revenue from these subscriptions accounted for 68% of the revenue generated by Automated Solutions in the financial year ended 31 December 2020.

For content delivered to video platforms or social media and used to create user-generated content, the artists pay an annual subscription to the Group, which also deducts a margin (booked as revenue) from the amounts it pays to the artists. This method of remuneration accounted for 24% of the revenue generated by Automated Solutions in the financial year ended 31 December 2020.

Finally, access to the TuneCore platform can, at the artist's choice, be supplemented by music publishing solutions, financial advances or marketing and promotion tools. Revenue from these solutions accounted for 8% of the revenue generated by Automated Solutions in the financial year ended 31 December 2020.

Artists using Automated Solutions, after creating an account, send out their audio content and associated information (such as metadata) via TuneCore. Artists then choose, from among more than 90 digital service providers, where they wish to upload their content.

After these first steps, the TuneCore interface makes it possible to upload content onto all the digital platforms chosen by the artist. The Group makes this content available in accordance with the terms of the contracts entered into with the digital service providers, which stipulate in particular the amount of the payments due to the Group.

As the content gets streamed or downloaded, the digital service providers pay out the amounts due, which the Group then passes along to the artist, on demand and in their entirety, or, for content uploaded to video streaming platforms or social media and used in the creation of user-generated content, after the deduction of a profit by the Group.

A pioneering product offering successfully merged into the Group's overall range of solutions

The Group strengthened its Automated Solutions business with the acquisition and integration in 2015 of TuneCore, a US company founded in 2005, at a time when the streaming market was just being formed. The Group believes that its Automated Solutions offering has a number of competitive strengths that allow it to be a leader in its market.

The Automated Solutions offering is a pioneer in its field, which has enabled the Group to build up a vast community of hundreds of thousands of artists who regularly use the solutions offered. This has allowed the Group to benefit from natural publicity, also derived from the strong recognition of the TuneCore brand on the market (more than 584,000 TuneCore followers on Instagram and TikTok in February 2021). In 2020, about 40% of the artists using these solutions had TuneCore recommended to them by an acquaintance,[56] and about 60% of artists newly subscribing to TuneCore were acquired by the Group with low marketing expenses (under $5). The Automated Solutions offering is supported by a stable subscriber base, with a subscriber retention rate[57] of 81% in 2020.

The Automated Solutions offering also benefits from international geographic coverage, with local sales teams (and, in some cases, a local domain name) set up in 14 countries in 4

56 Based on answers provided by TuneCore users on the questionnaire filled out when subscribing to the Automated Solutions offering.

57 Refers to the number of subscribers renewing their TuneCore subscriptions as a percentage of total subscribers.

continents. It allows artists to upload their content on digital audio and video platforms and social media, including the major players in the industry such as Spotify, Deezer, Apple Music, Amazon Music and YouTube in audio and video streaming, and TikTok and Instagram in social media. In 2020, the Group deployed the Automated Solutions offer in 8 new countries and had 56% in new international clients[58] as of first quarter 2021, compared to 40% in 2020.

The integration of TuneCore has enabled the development of the Automated Solutions offering by leveraging the Group's in-depth knowledge of all music genres, in order to maintain the best strategic positioning of this offering, and by benefiting from the Group's expertise in brand strategy and talent acquisition, in order to further develop TuneCore's brand recognition with artists and attract new ones. The Group has also leveraged its international experience to successfully structure the roll-out of TuneCore outside the US, as well as its privileged relationships with digital service providers, developed as part of its Premium Solutions business, to negotiate the most competitive terms with them and facilitate the integration of content.

These factors have enabled the Group to record solid performance in its Automated Solutions segment in recent years, with a CAGR in revenue and adjusted EBITDA of 26.5% and 9.7%, respectively, for the 2018–2020 period.

Significant opportunities for growth and diversification

The Group intends to take advantage of its technological expertise and add to the Automated Solutions offering, positioning itself at the top of the value chain and offering artists additional services to assist them in the creation and production of their music. For example, the Group intends to develop technological tools for composition and arrangement, recording and mixing, the possibility of adding effects, beats and loops, and mastering tools. The Group's objective is to build a coherent set of solutions for independent artists and help them develop their careers by assisting them at every step — from producing their music with these new solutions to uploading and marketing it with the current range of Automated Solutions.

The Group also intends to continue the strategy of international expansion for Automated Solutions that began in 2015 with the consolidation of TuneCore, by replicating the artist acquisition strategy used in the United States in all geographic markets targeted by the Group.

5.7 Investments

(a) Investments made since 2018

In recent years, external growth has actively contributed to the overall growth of the Group's business. The Group intends to continue its policy of acquisitions in the future in order to develop its global presence and service offerings.

During the financial year ended 31 December 2018, the Group completed two acquisitions and acquired an equity stake for a total amount of €65.5 million (i.e., €56.4 million net of cash acquired). In Germany, the Group acquired Nuclear Blast, the leading international German metal label, for €19.0 million net of cash acquired (€1 million) and Groove Attack, an independent German company specialising in hip-hop, for €25.2 million net of cash acquired (€8 million), which holds the distribution company GoodToGo. In France, the Group also acquired for €12.3 million a 49% stake in Lili Louise Musique, a company that holds the Tôt ou Tard label, for which the Group then became the distributor.

During the financial year ended 31 December 2019, in the context of expanding its operations in the emerging countries, the Group acquired three companies in India and an equity stake in France for a total amount of €39.9 million (i.e., €37.0 million net of cash acquired). The Group thus acquired Venus Music Private Ltd., present mainly in Bollywood music, for €32.6 million

[58] Refers to customers located outside the United States, based on the country of origin entered online by the user when signing up for a new subscription.

net of cash acquired (€2.8 million); Entco Music Private Ltd., specialising in the production of live events, for €1.1 million; and Canvas Talent Private Ltd., which specialises in services to artists, for €2.1 million. In France, the Group also acquired a 49% stake in 6&7 SAS, which operates the label of the same name.

During the financial year ended 31 December 2020, the Group completed one acquisition and acquired an equity stake for a total amount of €21.0 million (i.e., €19.4 million net of cash acquired). The Group acquired a majority stake (60%) in the DMC label in Turkey, for €18.8 million, net of cash acquired (€1.6 million), with the consolidation of Doğan Müzik Yapım ve Ticaret A.Ş. and Netd Müzik Video Dijital Platform ve Ticaret A.Ş. within the Group, thus continuing to expand its activities in emerging countries. The Group also acquired a stake in Ircam Amplify, a subsidiary of the Institut de Recherche et de Coordination Acoustique/Musique (IRCAM) charged with creating value from licences and expertise, for €0.5 million. In France, the Group also acquired the assets of SoundsGoood, a company that specialises in the creation of playlists on streaming platforms.

Apart from acquisitions, the Group's business requires making large investments in the development of its technology platform, in order to guarantee the reliability and security of the content and to continuously improve and enrich its range of solutions. A portion of these development costs (which mainly include the costs of internal and external staff) are capitalised by the Group if they meet certain criteria (detailed in Note 6.2 to the Group's consolidated financial statements for the financial years ended 31 December 2020, 2019 and 2018), and are presented in the Group's cash flows as acquisitions of intangible assets. Additionally, the Group acquired tangible fixed assets, mostly related to the arrangement of its offices in 2019.

The following table shows the total amount of Group investments made over the last three years:

(€ million)	**Financial year ended 31 December 2020**	**Financial year ended 31 December 2019**	**Financial year ended 31 December 2018**
Acquisitions of subsidiaries, net of cash acquired	(19.4)	(37.0)	(56.4)
Acquisitions of property, plant and equipment, and intangible assets	(34.7)[(1)]	(24.3)[(2)]	(7.6)[(3)]
Decrease/(Increase) in loans and non-current financial assets	(0.3)	(2.5)	(0.2)
Total	**(54.3)**	**(63.8)**	**(64.3)**

(1) Corresponds primarily to the capitalisation of €27.3 million in development costs for intangible assets and the payment of the acquisition of tangible assets for €7.0 million, mainly related to the fitting out of certain Group offices in France and the United States.

(2) Corresponds primarily to the capitalisation of €16.0 million in development costs for intangible assets and the payment of the acquisition of tangible assets for €7.9 million (net from change in payables relating to acquisition of assets) mainly related to the fitting out of the headquarters.

(3) Corresponds primarily to the capitalisation of €6.8 million in development costs for intangible assets.

The way these investments were financed is detailed in Chapter 8 of this registration document.

(b) Major investments in progress

The Group intends to continue its investment policy in the development of its Central Platform and in its commercial and marketing development during the financial year ended 31 December 2021, with capital expenditure on tangible and intangible assets (excluding external growth expenditures) expected to amount to approximately 7% of consolidated revenue, in line with the level of expenditure for the year ended 31 December 2020 which was 7.9%.

(c) Major future investments

The Group intends to continue the investment policy described above, with capital expenditure on property, plant and equipment and intangible assets (excluding external growth expenditure) expected to increase in absolute value to support the growth of its business, but to decrease as a percentage of revenues to approximately 4% of revenues by 2025 (compared to 7.9% for the year ended 31 December 2020). This trend is expected to continue beyond 2025. In addition, as part of its targeted acquisition strategy, the Group aims to carry out external growth transactions over the 2022 - 2025 period for investment amounts of around €100 million per year (see Chapter 10 *"Information on trends"* of this registration document).

(d) Information on equity investments

Information on equity investments is contained in Section 6.1 of this registration document and in Note 2 to the Group's financial statements for the financial years ended 31 December 2020, 31 December 2019 and 31 December 2018.

(e) Environmental issues

The nature of the Group's activities does not give rise to any environmental issues that could influence the Group's use of its property, plant and equipment.

Nevertheless, in order to promote a sustainable music industry, the Group intends to implement initiatives designed to limit its environmental footprint, including, by the fourth quarter of 2021, the completion of a carbon footprint assessment and the definition of a greenhouse gas emissions reduction plan, which will be described in the extra-financial performance statement on social and environmental matters provided for in Article L.22-10-36 of the French Commercial Code that the Group will prepare for the financial year ended 31 December 2021, in connection with the admission of the Company's shares to trading on the regulated market of Euronext Paris (see also paragraph 5.9(c) "*The sustainable development of talent, focused on people and the reduction of the environmental footprint of the Group's activities*" of this registration document).

5.8 Dependency factors

Information concerning the Group's dependency factors is provided in Chapter 3 "*Risk Factors*" of this registration document, in particular the following paragraphs:

3.1.1 "Risks related to changes in the underlying audio and video streaming market"

3.1.3 "Risks related to economic conditions and the evolution of the recorded music market"

3.2.1 "Risks related to relationships with artists and labels"

3.2.2 "Risks related to relationships with digital service providers and social media"

3.2.4 "Risks related to the Group's IT systems"

3.3.1 "Risks related to management teams, including Mr Denis Ladegaillerie, and the recruitment and retention of experienced employees"

3.5.1 "Risks related to intellectual property rights"

5.9 The Group CSR policy

The mission of the Group is to support each of its artists and label in their digital development, whatever the stage of their career or their size, geographical origin or musical genre by offering them the most suitable solution possible.

The Group aims to serve a wide variety of artists and labels with respect, fairness and transparency, with teams in each local market trained to the highest level of digital expertise.

This mission of the Group is directly fuelled by the deep conviction of its CEO, Denis Ladegaillerie: "*At Believe, we have two hearts: our people and our artists. Together, we are creating opportunities for mutual development and transforming the music industry in a positive way*".

The Group has been a pioneer in offering innovative services that allow all artists to distribute and monetise their music wherever digital audiences congregate. It is strongly committed to bringing greater transparency to artists' contracts and remuneration, to respecting their artistic creations, to ensure their ownership of those creations, and to helping artists at every stage of their career.

The strong growth and global expansion of Group have led it in recent years to formalise and internally apply its commitments to social and societal responsibility and to unite all its employees around its values.

These initiatives led to the creation of a CSR Department in 2020, reporting to the Chief People Officer, in order to formalise, structure and enhance the various actions already undertaken by the Group and accelerate their roll out.

After extensive consultation with internal and external stakeholders and numerous workshops, at the end of 2020 the Executive Committee approved the main thrust of the Group's CSR policy, based on three pillars:

a) Local support for the development of a diversity of talents, at each stage of their career development;

b) The development of relationships with talent based on respect, fairness and transparency;

c) The sustainable development of talent, focused on people and the reduction of the environmental footprint of the Group's activities.

The actions carried out by the Group based on these pillars are presented below.

a) Local support for the development of a diversity of talents, at each stage of their career development

A diversity of artists and employees from all backgrounds and for all types of musical genres

Artists and employees constitute the "two hearts" of the Group. As a company primarily based on human capital, developing the careers of the Group's artists and employees is the key element in the success of its strategy.

i) The artists

Regarding the artists, the mission of the Group is to take advantage of technology in order to make the music market more accessible. The Group wants to be able to offer each artist (or the label to which he or she belongs) services that match the developmental stages of their career. The formalisation of the various offers and the structuring of the Group's expertise (see paragraph 5.6.2 "*A range of solutions adapted to each stage of artists' development*" of this registration document), the deployment of relevant technologies (see paragraph 5.10 "*The Group's technology platform*" of this registration document) or the implementation of support services (through teams, tools, knowledge bases within the Group or Blogs or Q&A at TuneCore) are at the heart of the Group's response in order to provide independent artists and labels with the keys to understanding the music industry in general and the development of their careers in particular.

The extension of the Group's business into many geographic areas has also been an important factor in its growth over the past few years.

In line with its mission, the Group intends to continue this extension as part of its development strategy:

- by strengthening the Group's foothold in geographic areas of high growth;
- by promoting the diversity of talent as a whole (gender, culture, musical genre, level of maturity of artists) with respect and;
- by valuing local cultures (see paragraph 5.3 *"Strategy"* of this registration document).

To reinforce the relevance of its actions, as part of the roll-out of its 2021–2024 strategy, the Group plans to establish a special advisory committee in the 2022 financial year, including representatives of the Group as well as representatives of the main stakeholders in the Group's business activities (notably artists and label representatives).

ii) The teams

The Group also intends to continue its commitment to developing its employees by supporting them, like its artists, throughout their careers. Taking into account the changes in the market in which it operates, the Group aims to develop the next generation of digital music leaders.

The creation of the Believe Academy in 2019 fits this objective and provides employees with:

- Professional training programmes and content.

  Dedicated teams create tailor-made courses and content according to the needs expressed by managers and employees. Thus, more than 1,000 content items relating to the acquisition of skills both during the integration of employees within the Group and during their career, are available in all the Group's geographic areas. This content covers tools, processes and offers and is supported by a knowledge base. In 2021, the Group plans to launch several complementary programmes, in particular for sales functions (Ignite Your Sales programme and the roll-out of the MEDDIC methodology) and support functions (Agile methodology for technical teams, project management for finance teams and development pathways for human resources teams).

- Skills development programmes and content.

  The use of English throughout the Group has been strongly encouraged; and for the last two years, an ambitious programme to support the Group's managers has been under way, including coaching sessions, e-learning programs and regular training on key management practices like feedback, goal setting and performance evaluations. The Group supplemented these offerings with more innovative actions, involving co-development and coaching (as well as a pilot mentoring program in France) in order to increase knowledge-sharing. It also held leadership assimilation workshops to help new managers fit into their new position and get to know their team.

- Personal development programmes and content.

  Access to the LinkedIn Learning platform allows the Group's employees to access thousands of on-demand content items and to broaden their knowledge and skills, for example on self-confidence, assertiveness, emotional intelligence, self-knowledge, emotional management and efficiency. In addition, employees are given "playlists" (a combination of several training modules) developed by the human resources teams and focused on their needs, such as time management, setting priorities, influence and negotiation, developing one's creativity, improving collaboration and public speaking.

In order to be able to identify, structure and reinforce these actions, the Group has also set up semi-annual structured career interviews in all countries via a global digital platform. The aim is to support each employee in thinking about their career, enabling them to co-construct a personalised development plan with their manager and to identify their needs in terms of coaching, mentoring, training, observation, immersion or practice in order to develop their skills, gain expertise and evolve. These needs are analysed and appropriate solutions are proposed, in particular via the Believe Academy.

During 2020, 61% of the Group's workforce benefited from a dedicated training programme and 71% of the Group's workforce used LinkedIn Learning for personal development (accessing more than 16,000 contents).

In parallel with the development of local artists, the Group strives to develop local teams rooted in their territory, while having a common culture at the service of artists. In 2019, the Group developed a strong employer brand around the concept "Be part of it". This branding, while shared, diverse and inclusive, adapts easily to local cultures when fitted to local values, such as in India or China.

With the help of its local human resources teams, the Group has committed to diversity in recruiting talent. As a result, training programmes for Talent Acquisition teams and local hiring managers have been provided in 2020 and 2021 to help them recruit in line with the Group's values. More specifically, a dedicated training course for all the Group's Talent Acquisition teams was launched in January 2021 on diversity and inclusion, as well as on discrimination and unconscious bias. The Group uses competency-based interviewing (the CBI methodology) to ensure that recruitment is objective, fair, equitable and based on expertise only. Tests in English were also introduced in order to facilitate an impartial and neutral assessment. Lastly, a skills assessment tool – AssessFirst – helps managers make decisions based on objectivity and without bias. The same approach was implemented for the recruitment of the Group's technical teams in order to test occupational skills.

Additionally, the Group has encouraged the creation of communities of ambassadors, with whom every employee is free to engage, at the head office and in the many countries where the Group is present. Their role is to communicate Believe's commitments and share best practices; to raise awareness of these elements among the teams, answer questions and collect testimonials; to propose and implement concrete initiatives and actions to promote a respectful and equitable professional working environment.

The Group had 63 Believe for Parity ambassadors and Believe for Planet ambassadors during the financial year ended 31 December 2020.

As of 2021, the Group, as part of its Campus Management programme, will work to develop partnerships with various local schools and universities in order to contribute to the professionalisation of young talent and their integration into working life.

The Group also intends to continue building its training offer and to launch other programmes for its sales teams, its Technical and human resources functions, its senior managers and its young talent in particular. It also intends to develop career paths and identify key competencies to enable all employees to develop and continue learning, regardless of their level of seniority.

b) *The development of relationships with talent based on respect, fairness and transparency*

The Group is committed to supporting each of its artists and labels with respect, fairness and transparency. The Group believes that artists should be able to own their art and remain free to make their own artistic choices, independently, with all the freedom and strength that this implies.

The Group commits every day to defending the freedom of expression of its artists and the respect and protection of their data.

The Group approaches every decision with the aim of building solutions within a framework of simple and clear contracts, ensuring a fair distribution of value with its artists.

The Group also embodies transparency in all aspects of its activity, whether in respect of data transparency, knowledge sharing, its interfaces for artists and labels, detailed sales reports giving artists better visibility on the payments received, the communication of its expertise and knowledge through the organisation of seminars or the sharing of digital best practices through presentations or case studies.

With regard to diversity, the Group wanted to focus its efforts on achieving gender parity within the teams, convinced that this is a source of creativity, innovation and well-being in the workplace.

The recruitment of women leaders and managers is one of the Group's priorities: from January 2020, the Group, wishing to set an example, has set up a gender-balanced executive committee. This action comes in parallel with the strengthening of human resources processes guaranteeing equity (as in the framework of the Group's salary policy: accordingly, the annual salary review process is reviewed in particular from the point of view of gender equity) and of employee awareness of gender equality. This model of commitment to gender equality is in the Group's DNA and the basis of its ambitious diversity and gender policy (also see paragraph 15.1.3"*Diversity and gender policy*" of this registration document).

In 2020, indexes supporting the monitoring of actions to promote gender equality, inspired by the Professional Equality Index established in France, were also rolled out in countries covering the vast majority of employees, before being rolled out to the rest of the Group. In France, the results of the Professional Equality Index published in 2019 were 56/100 in 2019, 90/100 in 2020 and 97/100 in 2021, an increase of more than 40 points in two years thanks to the actions undertaken by all the teams. The first index results for other countries covering 2020 will be calculated in 2021.

In the financial year ended 31 December 2020, the share of women in the Group's workforce was 42%. The Group intends to continue its initiatives to promote gender equality, including the implementation of a global anti-harassment protocol and the reinforcement of awareness-raising measures on this subject as part of its specially developed in-house training.

Since late 2020, the Group has also been working on its disability policy, creating an action plan for France. This plan aims to raise employee awareness, recruit and integrate more people with disabilities and provide them with appropriate support throughout their career. Once the launch in France is completed, this initiative will be rolled out more widely within the Group.

The COVID-19 pandemic led to further actions taken in 2020. With most employees working from home, the Group's human resources teams arranged a telephoning campaign to reach out to employees and detect those feeling isolated or troubled and take whatever measures were called for. Specific questions on the employee's state of mind and difficulties encountered were rolled out on the global digital platform for conducting annual and semi-annual interviews with one's manager. On its intranet, the Group also offers a space dedicated to well-being, rolled out in all the Group's countries. It features regularly shared content, a platform with comprehensive services allowing employees to self-assess their level of stress and anxiety and the quality of their sleep, to access webinars and articles about preserving one's mental health, and to talk to professionals—in more than 50 languages, so that no employee is ignored.

A survey to measure employee engagement was launched in the first quarter of 2021 within the Group. Action plans will subsequently be put in place to make the necessary changes. In that same quarter, the Group also conducted customer satisfaction surveys.

Finally, the Group is implementing measures to ensure transparency in its relations with its ecosystem. The Group has published codes of ethics and anti-corruption in 9 languages, with associated training, and educated its employees about whistleblowing. These codes and training courses formalise the practices in place within the Group.

c) *The sustainable development of talent, focused on people and the reduction of the environmental footprint of the Group's activities*

The Group's objective is to put technology at the service of human creativity, to serve and enhance it, and to serve the development of artists. It will not work on uses of technology that would replace human creativity with artificial creativity.

In order to promote a sustainable music industry, the Group also intends to put in place initiatives to limit its environmental footprint, including the completion of a carbon footprint assessment and the definition of a greenhouse gas emission reduction plan by the fourth quarter of 2021, which will be described in the extra-financial performance statement on social and environmental matters provided for in Article L.22-10-36 of the French Commercial Code that the Group will prepare for the financial year ending 31 December 2021, in connection with the admission of the Company's shares to trading on the regulated market of Euronext Paris.

The Group's ambition is to enable each stakeholder to become an agent of change, by involving artists and labels and its employees heavily in its CSR approach, particularly through its network of more than 60 ambassadors, local volunteers who have been working since 2019 on environmental and gender issues in close collaboration with the Group's senior management.

For example, ending the use of plastic, reducing waste and sorting waste at the head office are initiatives that resulted from close cooperation between the employees, general services and the Group's senior management. Their recommendations now constitute a set of good practices observed in the various offices of the Group.

The Group's CSR governance

In addition to defining the pillars of its CSR policy, the Group has set up or intends to set up a governance structure based on the following bodies:

The Group intends, on the occasion of its IPO, to set up a CSR Committee within the Board of Directors of the Company, which would be composed of three members of the Board of Directors, including its Chairman, and one member appointed from among the independent members of the Board of Directors. The CSR Committee's mission will be to ensure the governance and monitoring of the Group's social, societal and environmental projects as well as the preparation of the Board of Directors' decisions on environmental, social and governance issues. The CSR Committee will also ensure that the Group addresses the societal and environmental issues related to its objective of developing artists in the most appropriate way possible, at every stage of their career and their development, in all the local markets of the world, with respect, expertise, fairness and transparency.

The Group also plans to create a special advisory committee in 2022, consisting of representatives of the Group (including the President & CEO of the Company and an independent director) as well as representatives of the major stakeholders in the Group's activities (notably artists and labels representatives). This committee will also be responsible for monitoring the Group's relations with these stakeholders.

The CSR department is responsible for structuring and ensuring the execution of the Group's CSR policy and for providing stakeholders with indicators to verify its execution.

For example, the key indicators that the Group has chosen to highlight are the following:

Indicator	2018	2019	2020	2021 Objective

Gender parity (Group)[(1)]	35% female/65% male	38% female/62% male	42% female/58% male	44% female/56% male
Training rate[(2)]	26% (France)	44% (France)	61% (Group)	65% (Group)
% of employees involved in ambassador groups[(3)]	-	3.7%	5.0%	6.0%

[(1)] *Share of men and women in the Group's employees*

[(2)] *Percentage of employees (at Group level or in France) having received training*

[(3)] *Ratio of total ambassadors to total employees*

Employees include people on permanent and fixed-term employment contracts, apprentices and those on German student contracts. Temporary workers, interns and external consultants are not counted.

5.10 The Group's technology platform

Technology is at the heart of the Group's solutions and is used by all of the Group's key functions, from the processes of ingesting, checking and delivering audio and video content, to the processes of collecting and managing payments, identifying artists, marketing and promotion, and analysing data. The Group has developed strong in-house expertise to operate and provide artists and labels with a leading technology platform to support their career development and run its business efficiently and profitably.

The Group's activities thus require substantial investments in technological tools in order to operate a complex operational model capable of processing high volumes of content and data on a global scale, with a growing number of platforms, which helps support the growth of its business activities.

The technology platform developed by the Group gives it a clear competitive advantage, which it intends to maintain in the future by continuing to invest, in particular by further developing its content management and platform delivery tools, by improving its interfaces with artists and labels (Backstage for Premium Solutions and TuneCore for Automated Solutions), by developing its data management and analysis systems in order to improve its ability to identify high-potential artists, and by continuing to develop digital marketing and promotion tools.

Finally, in order to further improve its productivity, the Group intends to invest in the structuring and integration of its proprietary tools with third-party systems, in particular for its support functions such as finance and human resources.

Content management and platform delivery tools

The Group relies on sophisticated digital tools and processes for the reception, management and delivery of content, in order to respond to the specificities of each partner platform on the one hand, and to the needs of the artists and labels served through the Premium Solutions or Automated Solutions on the other (e.g., tight turnaround between the delivery of the masters by the artist and the date of delivery to the relevant platforms, or last-minute changes to the title of the track).

The tools used by the teams are based on proprietary technologies, developed in-house by the Central Platform teams, and used throughout the audio and video content supply chain. These tools have made it possible to make large volumes of content available to platforms in 2020 (more than 30 million audio tracks made available on Spotify and Apple Music for example), while at the same time carrying out in-depth processing of each piece of content, its metadata and the accompanying elements such as the booklet, the cover and the artist's biography. More than 30 data fields (metadata) are checked for each piece of audio content, from the title and performer of the content to the mood, allowing for optimal searchability and thus visibility on digital platforms.

The audio and video content supply chain comprises three functional blocks:

- Content ingestion and control: audio content is sent by artists and labels via the Group's intranet to the content ingestion teams, who are responsible for checking it against internal and external guidelines (which depend on both local regulations and the rules specific to each platform), particularly in terms of technical quality and copyright. The Group has developed in-house tools to automate the ingestion of this content, check its technical integrity and, thanks to the proprietary *Vool* technology, verify its compliance with the quality standards of the platforms, particularly as regards metadata. The Group also relies on certain external tools, such as automatic audio fingerprinting tools, which identify the unique sound signature of each song and thus facilitate the identification of the chain of rights to the content. For video content, the process may vary. Some of the video content is uploaded directly by artists or labels to video distribution platforms such as YouTube, and then the Group uses a proprietary metadata retrieval, control and enrichment tool for this content. The Group therefore stores all content-related metadata internally, enabling a consistent approach across all platforms for each release, but does not store all video content.

- Management and enrichment of audio and video content: after the ingestion process, content is stored in an optimal way (see paragraph "*The Group's servers and IT infrastructure*" below), allowing all content to be accessible to Group teams in real time via its intranet. Then the content is "enriched" (e.g., with the addition of the moods described above), in order to meet the quality standards of digital service providers and social media. For this phase, the Group also uses technologies developed in-house to ensure the integrity, robustness and accessibility of the databases, as well as their continuous improvement. The number of data fields associated with each piece of content is continuously increasing.

- Delivery of audio and video content to platforms: once checked and enriched, the content is made available to over 150 digital service providers and social media platforms worldwide, using proprietary technology tools developed by the Central Platform. More than 60,000 audio and video content items were thus made available each month by the Central Platform in 2020. For this phase, the Group mainly uses tools developed internally by the Central Platform teams, such as *Demon* (delivery control and monitoring tool) or *Store Manager* (management of logistics relations with the platforms).

Backstage, comprehensive distribution software for artists and labels within Premium Solutions

As part of the Premium Solutions, the Group has invested in a set of proprietary technological solutions enabling artists, labels and the teams responsible for monitoring them within the Group to analyse, manage and promote all the catalogues via a single interface called Backstage.

This interface is available to all artists and labels who have signed a contract with the Group. It includes a content release creation system; a catalogue management tool, allowing artists and labels to optimise their listings by including old and new content; and content monitoring tools, allowing artists and labels to follow each stage of delivery, check their promotional results, control their rights, read transparent financial reports and obtain payments.

Backstage also offers innovative tools tailored to artists and labels designed to meet all their needs.

Backstage includes an in-depth data analysis platform, Datamusic, allowing artists and labels to analyse trends on a daily basis, with the monitoring of some 15 digital service providers, providing a daily overview of where and when their content is streamed. Datamusic also provides information on the content included in the playlists available on major platforms, as well as information on the demographics and behaviour of users. This makes it possible, for example, to identify the time someone spent listening to one track before moving on to another, thus offering better audience targeting. Datamusic also allows artists and labels to follow the evolution of the position of their content on different charts, with a segmentation by territory.

TuneCore, an automated interface for content delivery

After creating an account, artists using Automated Solutions send in their audio content, cover art, and information about the release. Artists may select where they wish to distribute their content from among more than 90 digital service providers. The Group makes this content available in accordance with the terms of the contracts entered into directly with the digital service providers, which stipulate in particular the amount of the payments due to the Group.

As content gets streamed or downloaded, the digital service providers pay out the amounts due, which the Group then passes along entirely to the artists.

With the TuneCore interface, artists receive daily reports that allow them to dynamically analyse the number of streams their content has generated on the major digital platforms (the analysis can be performed according to country, album or song, for example). Artists also receive sales reports reflecting the breakdown of their sales from each digital platform (by country, platform or song), on a monthly or quarterly basis (depending on the reporting frequency of the digital platforms).

Finally, the TuneCore interface also allows artists to benefit from a range of additional automated services for an additional subscription fee or a commission on the revenue generated, depending on the services chosen. For example, an artist may choose to use TuneCore to search for music titles they created that have been used in video content generated and uploaded by third-party users on video platforms, and then monetise that content. The artist can also benefit from administrative management solutions for their copyrights (in all the geographic areas served by TuneCore), financial advances, or marketing and promotion tools (with the TuneCore Social service, for example, which allows centralised and supported management of the artist's promotion on several social networks). Some additional services are provided to artists on a white label basis or via partnerships, in order to offer a full range of features to attract and retain artists: for example, artists can benefit from a review of their content by a community of fans (TuneCore Fan Reviews), instant or custom mastering (via AfterMaster Audio Labs), CD or vinyl manufacturing (via Conflikt Arts), video clip creation (via Rotor) or even radio play (via Radio Airplay).

The Group's servers and IT infrastructure

In order to support the growth of its business, which involves ingesting and delivering an increasing amount of content and analysing a growing volume of data, the Group is investing significantly in storage solutions.

It has nearly 300 servers located in France in three data centres, operated internally and able to process and deliver data 24/7. As of the date of this registration document, more than 1,200 terabytes of data are stored in these servers, for a total capacity of more than 3,000 terabytes.

The Group's critical databases are backed up internally on private infrastructures using open source technologies with proven reliability, such as MariaDB (mySQL) and ColumnStore (infiniDB), and at a competitive cost to the Group.

As part of its IT development strategy for 2021, the Group intends to significantly increase the use of best-in-class technologies, to benefit from interoperability between private and public clouds, and to increase its data processing and storage capacity while making greater use of deep-learning capabilities. The choice of a hybrid solution and the agnostic use of the public cloud also offers better interoperability with acquired companies; this is notably the case for TuneCore, whose infrastructure is currently on Amazon Web Services (AWS).

Proprietary algorithms and applications

The Group has a team of more than 200 Product and IT experts mainly dedicated to the development of the Group's internal tools and websites, Backstage, and internal algorithms.

The majority of the Group's systems are based on open-source software and adapted by its teams according to its internal needs.

In order to limit infrastructure failures that could lead to operational or security difficulties, the Group's IT teams have put in place code review protocols for all development and infrastructure items.

Data analysis tools

Data analysis is central to the digital music business.

Firstly, it further improves and automates the ability to identify talent, providing the Group's sales teams with the tools to detect trends and high-potential artists.

Access to reliable and accurate data analysis tools is also essential to attract and retain artists and labels and optimise their audience. Data analysis also helps the Group to improve its business performance by refining its knowledge of the music landscape, enabling it to better meet the needs of artists and labels. It also allows the Group to define its international expansion strategy and to better respond to the changing requirements of digital service providers.

The Group's data analysis tools provide information on the number of streams of a track or an album generated generated on a given platform on a consolidated basis. These tools also make it possible to identify the method of consumption on the platform—for example, a stream generated through a playlist, created by the user, through an album or artist page or through a recommendation generated by the platform. Artists also have real-time access to information about their audience and of the entry of his or her tracks into playlists, with easy access to the name of the playlist, the number of users following this playlist or its listening duration. Artists have also information about their audience, with a breakdown of streams by age group and gender.

Digital marketing tools

The Group has developed a set of proprietary marketing tools to support the execution of marketing strategies of labels and artists, with numerous applications such as digital campaign tracking (Backstage Ads) automated content and video generation for promotion (Backstage Creative), smartlinks generation (Backstage Links 1:1), and online dashboards providing real-time access to artists' performance and audience results.

5.11 The Group's main contracts

The Group enters into licence agreements with digital service providers and social media platforms, under which it delivers the audio and video content of artists and labels that have subscribed to its Premium Solutions or Automated Solutions offering.

In order to benefit from the rights to the content, the Group also enters into digital distribution agreements with these artists and labels.

Finally, for its more minor music production activity, in which it directly produces the recordings of its performing artists, the Group enters into artist contracts with them through its own labels.

5.11.1 Licence agreements with digital service providers and social media

The Group enters into licence agreements with digital service providers such as Spotify, YouTube (through Google), Apple Music and Deezer, and social media platforms such as Instagram (through Facebook) and TikTok. Under these contracts, it licenses audio or video content to these platforms for a certain period of time and in a defined territory.

This licence allows the platform to exploit the Group's content (including the sound and/or video recording, as well as the accompanying elements and associated metadata) via the services operated by the platform concerned, whether for streaming, downloading or creating user-generated content.

The rights granted to the platform cover, in particular, the right for the latter to reproduce the sound and/or video recordings on their servers, the right to communicate them to the public via the platform, and the right to authorise users to reproduce these recordings in videos posted on the platform (for video content sharing platforms allowing users to upload content to said platforms). Identical rights are granted to the platform regarding the accompanying elements of the recordings, such as the booklet, the cover or the artist's biography.

Each contract also defines the methods for calculating the amounts due to the Group by the platforms.

These calculation methods vary according to the content monetisation method used by the platforms depending on whether the monetization is by paid subscription or ad-supported.

Amounts due to the Group are generally structured as a sharing mechanism of revenue generated by digital service providers or social media platforms, as the case may be, from paid subscriptions by users, or from revenue they earn from advertising, and to a lesser extent, from the sale of music for download.

For subscription-based offerings on digital platforms, the amount due to the Group is generally equal to (i) the market share (based on the number of listeners, defined below) of the content made available by the Group on the platform multiplied by (ii) the greater of (a) a fixed amount per user or (b) an amount resulting from the application of a percentage to the revenue generated by the platform from subscription-based offerings.

For download offers, the amounts due to the Group is generally equal to a percentage of the amount paid by the end user to acquire the music.

For free ad-supported services, the amounts due to the Group is calculated on the basis of how often the content uploaded to the platform is listened to or viewed. In general, it is equal to the market share of the content made available by the Group on the platform, multiplied by an amount resulting from the application of a percentage to the advertising revenue generated by the platform.

For audio content, the market share corresponds to a percentage calculated by comparing the number of plays or views generated on the platform over a given period by the content made available by the Group (for example, a stream is generally counted when it lasts more than 30 seconds) with the total number of listens or views generated on the platform over the same period.

Some contracts may also provide for a guaranteed minimum payment, which is non-refundable by the Group but generally recoverable, similar to an advance on payments received by the Group, or provide for the payment of additional amounts, conditional on the Group meeting certain qualitative criteria.

The payment period for amounts due from platforms under the Group's main contracts is generally between 30 and 60 days following receipt of the invoice or the end of the calendar month of the current period.

Contracts are usually concluded for periods of one to three years, with the possibility of renewal. They may be terminated in advance by either party in the event of a serious breach of their terms, and almost all of them are concluded on a non-exclusive basis.

The contracts entered into by the Group generally include an obligation for the digital service providers and social media platforms to provide the Group with periodic sales reports, including, in particular, the number of streams generated by the content made available by the Group, the number of users of the platform and other information necessary to calculate the amount due.

The Group entity signing the contracts with the platforms is, in most cases, Believe International, with entitlement to the rights covered by the contract extended to all Group entities.

5.11.2 Digital distribution agreements with artists and labels

In order to build up its catalogue and benefit from the rights to it, the Group enters into digital distribution agreements with artists and labels as part of its Premium Solutions offer.

These contracts may cover the entirety of an artist's or label's recordings or catalogue ("label" or "catalogue" contract) or one or more recordings by a particular artist ("artist" or "project" contract).

Under the terms of these agreements, the producer grants the Group the right to market, in digital form and for the whole world (in the vast majority of cases), all or part of its catalogue or the catalogue of an artist. This concession covers the rights to reproduce, communicate to the public and make available to the public audio and video content on digital platforms and social media.

The contracts are entered into on an exclusive basis. The artist or label may not, therefore, during the term of the contract and for the territories concerned, grant the rights referred to above to a person other than the Group, or self-distribute the audio and video content covered by the contract.

The duration of the agreement is usually between two and seven years. The contracts provide for both an exclusivity period ranging from a few months to a few years – covering the period during which the artist or label undertakes to provide the Group with new content – and an exclusive commercial exploitation period of up to 10 years – covering the period during which the Group may market the recordings provided by artist and labels for exclusive use.

The Group pays artists and labels a percentage of the remuneration it receives from the platforms in return for delivery of the audio and video content produced by the artist or label concerned.

Under certain contracts with artists and labels, the Group makes advance payments to them, which are deducted from the amounts paid by the Group to the artist or label during the performance of the contract. The advance is usually paid in several instalments, with a first payment on the date of signature of the contract, another portion being paid when the content is delivered by the artist or the label, and the remainder of the advance being paid based on the recoupment of the previous amounts advanced. In the event that the contract is terminated for gross negligence on the part of the artist or label, the artist or label is generally obliged to reimburse the Group for any advances not yet recovered. In addition, the contracts generally contain clauses allowing the Group to pursue the recovery of advances after the expiry of the initial term of the contract, as long as the advances have not been fully recovered.

The advances are recognised as assets when they are paid and are booked as expenses as the associated rights fall due. They are reviewed at the end of each period to assess whether they are recoupable and are impaired where appropriate. Impairment, if any, is calculated on the basis of an estimate of the amount to be recouped until the end of the contract and is recorded as cost of sales. The advances held as assets are broken down into a current portion (which the Group expects to recover in the 12 months following the closing) and a non-current portion (also see paragraphs 3.4.1 "*Liquidity risks*" and 8.4.3 "*Advances to artists and labels*" of this registration document).

The Group is also committed to promoting artists' and labels' recordings to platforms.

For the Artist Services offered in the Premium Solutions, the contracts signed with artists and labels also cover additional services such as promotion and advertising, creation of visuals, branding partnership opportunities, synchronisation, the sale of secondary products and the payment of advances to finance the development of singles or albums. In exchange for these extra services to the artist, the Group collects additional remuneration.

Finally, in addition to digital distribution agreements, the Group may enter into contracts for physical sales in certain territories (principally France, Germany and Italy). These contracts are auxiliary to the digital distribution agreements and reserved for artists selected by the Group who wish to continue making and selling physical media.

For Automated Solutions, artists agree to the general terms and conditions of sale published on the TuneCore website when they subscribe online to the service.

5.11.3 Contracts with the artists

The Group enters into recording contracts – or artist contracts – with performing artists for whom it acts as producer. The Group also enters into licence agreements for performing artists' recordings when the Group acts as the licensee of a third-party producer.

Recording contracts or artist contracts

The Group has developed a music production business, wherein it acts as a producer, through its own labels, notably in France with Naïve and All Points and in Germany with Nuclear Blast.

In this regard, the Group signs exclusive phonographic recording contracts, also known as artist contracts, on an exclusive basis, with performing artists who hold neighbouring rights on their performances (see Chapter 9 *"Legislative and regulatory environment"* of this registration document), for a term generally between two and three years to market one to three musical projects, sometimes more.

The Group bears the costs of recording and also manufactures, promotes and distributes the recordings; in return, the performing artists grant the Group the neighbouring rights they hold to their performances.

In return for the transfer of rights, the performing artist receives remuneration calculated on the basis of a predetermined percentage of the revenue generated by the exploitation of the recordings. In return for the recording service and depending on the recording time, the performing artist also receives a fee, remuneration that is considered a wage in France.

Licence agreements

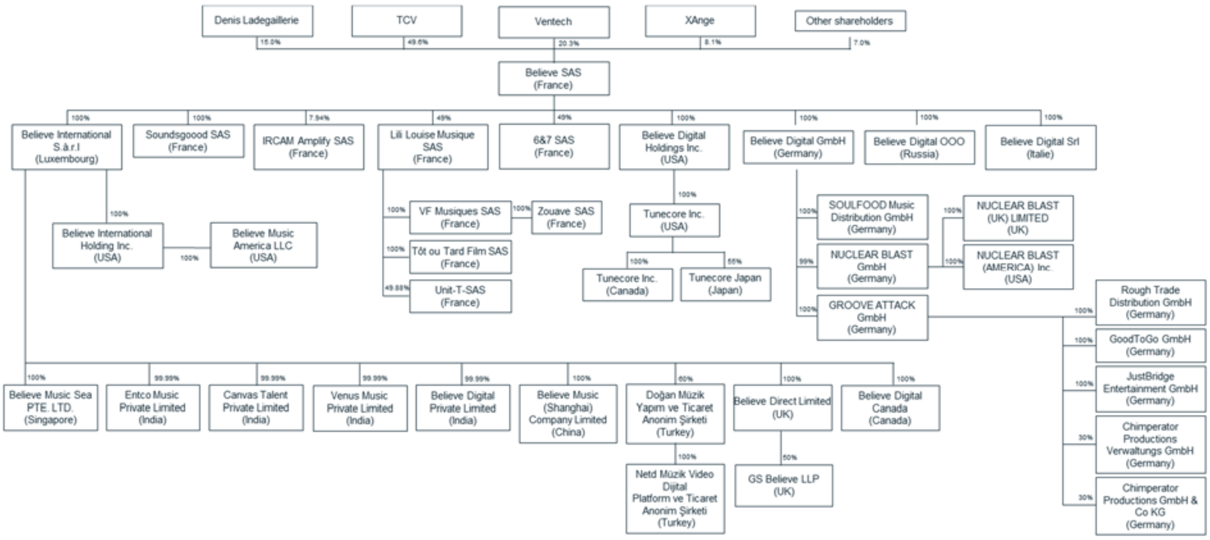
The Group also enters into licence agreements, under which it acts as the licensee of a third-party producer. In this context, the Group signs a contract with the producer of a performing artist to exploit that artist's recordings. Under the terms of the contract, the producer grants the Group the exclusive exploitation rights to the recordings.

As opposed to digital distribution agreements (see paragraph 5.11.2 *"Digital distribution agreements with artists and labels"* of this registration document), the Group, acting as a licensee, bears all the operating expenses for the recordings, such as the costs of manufacturing, marketing and promotion.

6. ORGANISATIONAL CHART AND INTRA-GROUP RELATIONS

6.1 Legal organisational chart of the Group

The simplified organisational chart below shows the legal organisation of the Group and its main subsidiaries as at the date of this registration document. The percentages indicated correspond to the percentage of capital and voting rights held. See also Note 2.2 to the Group's consolidated financial statements for the years ended 31 December 2020, 2019 and 2018, which sets out the Group's scope of consolidation.



** The company name of Venus Music Private Limited shown in the above chart will soon be changed to "Ishtar Music Private Ltd".*

At the date of this registration document, the Company is a French simplified joint-stock company *(société par actions simplifiée)*.

A General Meeting of Shareholders of the Company will be held prior to the approval by the *Autorité des Marchés Financiers* (AMF) of the prospectus for the admission of the Company's shares to trading on the regulated market of Euronext Paris, in order to approve the transformation of the Company into a public limited company (*société anonyme*) and to amend its articles of associations accordingly, which will take effect no later than the date the prospectus is approved by the AMF.

Moreover, prior to the settlement-delivery of the Company's shares as part of their admission to trading on the regulated market of Euronext Paris, all preference shares issued by the Company (see paragraph 19.1.1 "*Share capital*" of this registration document) will be converted into new ordinary shares, on the basis of one new ordinary share for each preference share converted.

6.2 Subsidiaries and equity associates

(A) Principal subsidiaries

The principal direct and indirect subsidiaries of the Company at the date of this registration document are described below:

– **TuneCore Inc.** is a US corporation with share capital of US$1, with registered office at 251, Little Falls Drive, Wilmington, New Castle, Delaware, United States, and registered under number 4251685 in the Division of Corporations of the State of Delaware. TuneCore Inc. provides services to distribute and collect digital music publishing and licensing rights.

– **Believe International S.à r.l.** is a Luxembourg limited liability company, with share capital of €12,000, with registered office at Spaces - 5 Place de la Gare, Bureau 601, L-

1616 Luxembourg City, Luxembourg and registered under number B 230.194 in the Luxembourg Trade and Companies Register. Believe International S.à r.l. provides services to distribute and promote music content intended for artists and labels.

– **Nuclear Blast GmbH** is a limited liability company, with share capital of €500,100, registered office at Oeschstrasse 40, 73072 Donzdorf, Germany, and registered under number HRB 540822 in the German Commercial Register (*Handelsregister*) of the Ulm region. Nuclear Blast GmbH is a music label specialising in heavy metal and all its derivatives.

– **GoodToGo GmbH** is a German limited liability company, with share capital of €25,000, with registered office at Mathias-Brüggen-Straße 85, 50829 Cologne, Germany, and registered under number HRB 58201 in the German Commercial Register (*Handelsregister*) of the Cologne region. GoodToGo GmbH provides distribution services in the segments of music, film, audio books, software and sports.

(B) Recent acquisitions and disposals

The Group's recent acquisitions and disposals are described in paragraph 7.1.2.4 of this registration document.

7. REVIEW OF THE GROUP'S FINANCIAL POSITION AND RESULTS

Readers are invited to read the following information on the Group's results together with the Group's consolidated financial statements for the financial years ended 31 December 2020, 2019 and 2018, as they appear in paragraph 18.1 of this registration document.

The Group's consolidated financial statements for the financial years ended 31 December 2020, 2019 and 2018 have been prepared in accordance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB), and adopted by the European Union at 31 December 2020. The audit report from the Statutory Auditors on the Group's consolidated financial statements for the financial years ended 31 December 2020, 2019 and 2018 is provided in paragraph 18.1.2 of this registration document.

7.1 Overview

7.1.1 Introduction

The Group believes it is one of the world leaders in digital music, specialising in the sale and promotion of audio and video content by independent artists and labels, to develop their audiences and careers at each stage of their development, and in all local markets around the world, whether an emerging artist, established artist or top artist, with respect, expertise, fairness and transparency. Through the solutions it offers, the Group helps artists and labels to enhance and make their audio and video content available through the use of technology, to attract and interact with a wide audience through marketing strategies, and to monetise their music and maximise sales.

With 1,270 employees at 31 December 2020[59] and a presence in more than 50 countries, the Group benefits from cutting-edge technological capabilities and places its expertise in music, digital marketing and data analysis at the service of artists all over the world. The Group has several brands, including Believe, TuneCore, Nuclear Blast, Naïve, Groove Attack and AllPoints.

The Group's catalogue includes more than 850,000 artists at different stages of their career, signed directly or through a label, and includes both local artists and artists known internationally.

The Group has recorded strong growth of its businesses in recent years, from consolidated revenue of €238.1 million for the financial year ended 31 December 2018 to €394.5 million for the financial year ended 31 December 2019 and €441.4 million for the financial year ended 31 December 2020, representing a compound annual growth rate (CAGR) of 36.2% over the 2018-2020 period.

The Group uses the following segmentation for its internal reporting needs, corresponding to the two activities conducted by the Group as part of its offer:

- Premium Solutions, which mainly include the marketing, promotion and delivery of digital content for labels and artists who have entrusted the Group with the development of their catalogue with digital service providers and social media, according to a revenue-share business model, as well as, to a lesser extent, solutions to support the development of artists in the areas of physical sales, secondary products, synchronisation[60], neighbouring rights and music publishing. The Premium Solutions segment represented 92.6%, 93.0% and 91.5% of the Group's consolidated revenue and 87.6%, 87.9% and 83.6% of the Group's consolidated adjusted EBITDA (excluding adjusted EBITDA

[59] The Group also draws on the expertise of over 300 external consultants in the countries in which it operates.

[60] As part of synchronisation solutions, the Group manages the copyrights of artists relating to the use of their music works to enhance an audiovisual work, and collects the associated payments.

contributed by the Central Platform) for the financial years ended 31 December 2020, 2019 and 2018, respectively;

- Automated Solutions, whereby the Group enables artists, via its TuneCore digital platform, to distribute their audio content in an automated manner to digital service providers and social media in return for a subscription fee. At the artists' choice, access to this platform can be accompanied by music publishing and synchronisation solutions. The Automated Solutions segment represented 7.3%, 7.0% and 8.5% of the Group's consolidated revenue and 12.4%, 12.1% and 16.4% of the Group's consolidated adjusted EBITDA (excluding adjusted EBITDA contributed by the Central Platform) for the financial years ended 31 December 2020, 2019 and 2018, respectively;

In addition, the Central Platform, which is not an operating segment under IFRS 8 (to the extent that it does not generate revenue) but is monitored by the Group for its internal reporting needs, includes the costs of the following centralised operating functions that have not been allocated to the Premium Solutions or Automated Solutions operating segments: the IT, products and operations teams, who develop and operate the Group's technology platform composed in particular of tools to manage content and delivery to platforms, interfaces with the artists and labels, data analysis and management systems; the marketing teams, who develop and use the tools to promote the artists; the teams who develop and structure the commercial offers; and various support functions, such as finance, legal and human resources. These teams are dedicated to the design and operation of the tools and processes that enable the Group to deploy its Premium Solutions and Automated Solutions offering to artists and labels, allowing local teams to focus on the relational aspect with the artists and labels (see paragraph 5.10 "*The Group's technology platform*"). For the financial year ended 31 December 2020, the operating costs incurred by the Central Platform (including capitalized development costs) were principally composed of "General and administrative expenses" for 43%,"Technology and product expenses" for 41% and "Sales and marketing expenses" for 16%. These operating costs primarily represent external and internal personnel costs.

The Group has a strong presence in France, where it has historical ties, and Germany, particularly since the acquisition of the Nuclear Blast and Groove Attack labels in 2018; these countries represented 18.4% and 22.0%, respectively, of its consolidated revenue for the financial year ended 31 December 2020. The Group is also present in a large number of other European countries, which together represented 27.6% of its consolidated revenue for the financial year ended 31 December 2020, including the United Kingdom, Italy and other less mature markets such as Russia, Turkey and several Eastern European countries. Because of its global geographic footprint, the Group also has a strong potential for expansion in growth markets such as Asia, Oceania and Africa (together representing 18.1% of consolidated revenue for the financial year ended 31 December 2020) as well as the Americas region (13.9% of consolidated revenue for the financial year ended 31 December 2020).

7.1.2 Principal factors influencing results

Certain key factors and certain past events and transactions have had, and may continue to have, an impact on the Group's business and results presented in this chapter 7 of the registration document. The risk factors that could have an impact on the Group's business are described in chapter 3 of this registration document. The principal factors that have an impact on the Group's results are: (i) the trends and features of the streaming market, (ii) the growth and performance of the Group's catalogue and the growth in subscriptions to the Group's Automated Solutions offering, (iii) the Group's remuneration arrangements, (iv) external growth transactions, (v) the Group's cost structure, (vi) change in foreign exchange rates, (vii) income and other taxes and (viii) seasonality.

7.1.2.1 Trends and features of the streaming market

Within the Premium Solutions activity, a significant portion of the Group's revenue is drawn from amounts paid by digital service providers that the Group receives in return for providing audio or video content streamed on those platforms.

For the financial years ended 31 December 2020, 2019 and 2018, revenue driven by digital sales represented 89.0%, 87.2% and 90.8%, respectively, of the Group's consolidated revenue; the remainder was mainly driven by physical sales (CDs and vinyl) and, to a lesser extent, by secondary products, synchronisation, brand partnerships and the organisation of music events.

The digital music market, and streaming in particular, has seen significant growth in recent years, rising from $6.5 billion (including $2.8 billion for streaming) in 2015 to $14.7 billion (including $13,4 billion for streaming) in 2020 (*source: IFPI, Global Music Report 2021*), supported by favourable growth trends (see paragraph 5.5 *"Description of the Group's markets and competitive position"* of this registration document).

The growth in the streaming market is one of the main factors that contributed positively to the growth in the Group's revenue, from €238.1 million for the financial year ended 31 December 2018 to €441.4 million for the financial year ended 31 December 2020.

Most of the Group's revenue is derived from amounts paid by audio streaming platforms such as Spotify, Apple Music, Amazon Music and Deezer. These platforms generate their own revenue from subscriptions paid by their premium users and, to a lesser extent, from fees paid by advertisers to broadcast their ads, which are used to finance free streaming services.[61] The revenue generated from subscriptions has increased substantially around the world in recent years, from $3.5 billion in 2016 to $9.9 billion in 2020 (*source: IFPI, Global Music Report (2021)*) and is now the principal method for monetising streaming by audio streaming platforms.

The Group also derives some of its revenue from amounts paid by video streaming platforms, such as YouTube, and social media, such as TikTok, Facebook and Instagram, in return for providing video and audio content on these platforms. These video and social media platforms generate their revenue primarily from fees paid by the advertisers that broadcast ads to users of these platforms, who have free access to the platforms in most cases. Some services offered may be covered by subscriptions paid by users, such as the YouTube Premium and YouTube Music Premium offers, which allow video content to be viewed without advertising, to be saved to watch offline or to keep playing in the background without interruption. These services are thus similar to a subscription audio streaming service.

The methods used to monetise streaming used by the digital service providers and social media platforms that the Group delivers content to have a direct impact on the level of the Group's revenue.

As a result, in the case of monetisation by paid subscription, pursuant to the distribution agreements signed with the audio and video digital platforms (the principal terms of which are described in paragraph 5.11 "*The Group's main contracts*" of this registration document), the amounts paid by these platforms to the Group is calculated on the basis of several elements, generally comprising the play frequency of the distributed content and a payment rate negotiated with the platforms for the duration of the contract (generally between 1 to 3 years), and applied to the revenue earned by the platform from the subscriptions paid by the users. Factors such as the platform's distribution method (via partners or directly) and the country in question can also result in variation of the amounts paid by the platforms to the Group.

61 The category of premium users of the digital service providers generally consists of users who have a monthly subscription enabling them to have an ad-free interface. Users without a subscription can use some features of the interface free of charge but with regular ads, in return for which the advertisers pay fees to the platforms.

In the case of monetisation of free services that are funded by advertising, under licensing agreements signed with the audio and video digital platforms and social media (the principal terms of which are described in paragraph 5.11 "*The Group's main contracts*" of this registration document), the amount paid to the Group is generally calculated on the basis of the ad revenues generated by the platform or a fixed, flat-rate amount defined contractually, to which a percentage is applied which depends primarily on the number of times the content is viewed or played by users.

Some contracts may also provide for a guaranteed minimum payment similar to an advance received by the Group, or provide for the payment of additional amounts that depend on the Group meeting certain qualitative criteria.

In these calculation methods, the amount due is typically lower in the case of content distributed as part of the free services funded by advertising or content distributed as part of promotional offers or discounted trial offers, than for content distributed via subscription services.

In addition, the growth in revenue that the Group earns from amounts paid by the digital service providers (on the basis of the revenue that the providers themselves earn from subscription services) depends on the ability of these platforms to grow their subscription offering, in volume and value terms, by offering profitable pricing structures that are acceptable to users. The growth and profitability of subscription services could be affected by a number of factors, such as a deterioration in the economic environment, which could have an impact on non-essential expenditure such as entertainment (see paragraph 3.1.3 "*Risks related to economic conditions and changes*" of this registration document).

Moreover, the growth in revenue that the Group earns from amounts paid by digital service providers and social media, on the basis of the revenue they earn from free services funded by advertising, depends primarily on the broadcast volumes by advertisers on these platforms and media, which could also be impacted by different factors, including a deterioration in the economic environment (see, in particular, paragraph 3.1.3 *"Risks related to economic conditions and changes in the recorded music market"* of this registration document).

7.1.2.2 The growth and performance of the Group's catalogue and the growth in subscriptions to the Group's Automated Solutions offering

The growth in the Group's Premium Solutions segment in recent years was driven first by the growth in its catalogue of artists and titles, allowing it to offer an increasing amount of content to digital service providers and social media and, second, the performance of its catalogue, tied to the success of the content it distributes, which generated a high level of streams; these two factors combined thus generated more payments for the Group.

The growth and performance of the Group's catalogue depends on its ability to discover and attract new artists and labels that can generate a high level of streams, and to retain its existing artists and labels by offering leading technology solutions that fully address their needs and competitive remuneration structures. Identifying and signing artists with real potential to become top artists enables the Group to strengthen its brand image and visibility among artists and labels, contributing to the growth of its catalogue. The growth in the Group's catalogue in recent years is also the result of external growth transactions, which have given the Group access to the catalogue of the acquired labels (see paragraph 7.1.2.4 *"External growth transactions"* below). To discover and attract new artists and labels and grow its catalogue, the Group makes substantial investments, including the regular recruitment of employees in order to expand its sales and marketing teams, which increases the payroll costs included within sales and marketing expenses, and by investing in sales and marketing activities to promote the content signed, with campaigns on social media and advertising investments. These investments led to an increase in the Group's sales and marketing expenses of 80.5% between 2018 and 2019, from €51.4 million for the financial year ended 31 December 2018 to €92.8 million for the financial year ended 31 December 2019, and of 24.5% between 2019 and 2020, rising from €92.8 million for the financial year ended 31 December 2019 to €115.5 million for the financial year ended 31 December 2020.

The growth of the Group's Automated Solutions segment depends primarily on new subscriptions by artists, irrespective of the growth and performance of the catalogue of these artists, insofar as the revenue recorded by the Group for this segment is mainly generated from the subscriptions paid annually by the artists to have access to the TuneCore platform, and who then recoup all the amounts paid to the Group by the digital service providers and social media sites in return for the delivery of the content.

7.1.2.3 The Group's remuneration arrangements

The Group's remuneration arrangements vary depending on the methods for delivery of the content. In the case of the Premium Solutions, the remuneration arrangements are based on a shared value model. In the case of the Automated Solutions, they are based primarily on a subscription model.

Premium Solutions

As part of its Premium Solutions business, which represented 92.6% of its consolidated revenue for the financial year ended 31 December 2020, the Group offers artists and labels digital distribution solutions which consist mainly of marketing, promoting and delivering their content to digital service providers and social media (see paragraph 5.6.2.1 *"Premium Solutions: a customised product operated by experts in music and data analysis and supported by cutting-edge technology, targeting the needs of all artists, from the emerging to the established to the top"* of this registration document), using a revenue-share business model. In effect, in return for the delivery of this content, the digital service providers and social media platforms pay amounts to the Group, which is recognised as revenue in the Group's consolidated income statement. A portion of these amounts is then paid by the Group to the artists and labels in question, and recognised as cost of sales (which also includes, for non-significant amounts, other elements, such as changes in inventories (primarily physical media and secondary products) related to the Group's label business, and the costs of production of music events) in the Group consolidated statement of profit or loss. The portion retained by the Group after payments to the artists or labels is referred to as "profit" in this registration document.

In its Premium Solutions business, the Group also offers artists and labels physical distribution solutions, mainly consisting of marketing, promotion and making audio content available on a physical medium at physical retail outlets. In this case, revenue represents the margin deducted by the Group from the amount of sales made or, when the Group is acting as the label, the selling price of the physical media at the retail outlets, net of any discounts. Physical sales are primarily made in Germany, a country in which certain music genres in the Group's catalogue of labels, such as metal at Nuclear Blast, continue to be distributed largely in physical format.

The revenue generated from physical sales is recorded under revenue from activities other than digital sales of audio and video content. This revenue also includes, to a lesser extent, the activities of synchronisation, neighbouring rights and the organisation of music events. Revenue, excluding digital sales, represented 11.0%, 12.8% and 9.2% of the Group's consolidated revenue for the financial years ended 31 December 2020, 2019 and 2018, respectively.

Automated Solutions

As part of its Automated Solutions segment, which represented 7.3% of its consolidated revenue for the financial year ended 31 December 2020, the Group permits artists, via its digital platform TuneCore, to distribute their audio content directly to digital service providers and social media (see paragraph 5.6.2.2 "*Automated Solutions: a high value-added technological product targeting the needs of emerging artists*" of this registration document). The Group is then responsible for collecting from the digital service providers and social media platforms the amounts they owe in return for delivery of the content. These amounts are then paid in full to the artists for the content delivered to audio streaming platforms, after the Group deducts a margin for content made available on video streaming platforms or social media sites and used to create user-generated content. In addition, the Group offers synchronisation solutions to artists.

For content delivered to audio streaming platforms, the artists pay the Group an annual subscription to be able to access TuneCore, which is recognised as revenue in the Group's consolidated income statement. The amount of this subscription varies, depending on whether a single title or an album is made available. Revenue from these subscriptions accounted for 68% of the revenue generated by Automated Solutions in the financial year ended 31 December 2020.

For content delivered to video platforms or social media and used to create user-generated content, the artists pay an annual subscription to the Group, which also deducts a margin (booked as revenue) from the amounts it pays to the artists. This method of remuneration accounted for 24% of the revenue generated by Automated Solutions in the financial year ended 31 December 2020.

Finally, the additional solutions of music publishing or tools to assist with marketing and promotion offered by the Group as part of its Automated Solutions offering generally require a separate subscription. The revenue from these additional solutions represented 8% of the revenue generated by the Automated Solutions segment for the financial year ended 31 December 2020.

Since the Group pays no amounts to artists in return for the subscriptions received (the Group is simply charged with collecting amounts owed to artists by the platform, which it pays to them in full), it records a cost of sales that is generally almost nil for the part of its Automated Solutions segment remunerated essentially by subscription.

The difference in business model between the content delivery solutions offered by the Group (one is based on a shared value model, and the other on a fixed subscription model) could therefore have an impact on the Group's profitability, depending on the change in the respective weight of each solution in the Group's activities.

7.1.2.4 External growth transactions

In recent years, in the context of its dynamic external growth policy, the Group has completed a large number of targeted acquisitions which have strongly contributed to the growth of its businesses (see paragraph 5.7 *"Investments"*), including the acquisition of a majority stake in the DMC label in Turkey in 2020, the acquisition of several companies in India in 2019, and the acquisition of Nuclear Blast and Groove Attack in Germany in 2018.

The Group intends to continue its development in the future by making potentially significant and targeted acquisitions, particularly involving strategic countries and new services, in order to expand its geographical footprint and enrich its offer.

During the financial year ended 31 December 2018, the Group completed two acquisitions and acquired an equity stake for a total of €65.5 million (i.e., €56.4 million net of cash acquired). In Germany, the Group acquired Nuclear Blast, the leading international German metal label, for €19.0 million net of cash acquired (€1 million), and Groove Attack, an independent German company specialising in hip-hop, for €25.2 million net of cash acquired (€8 million), which holds the distribution company GoodToGo. In France, the Group also acquired for €12.3 million a 49% stake in Lili Louise Musique, a company that holds the Tôt ou Tard label, for which the Group then became the distributor.

During the financial year ended 31 December 2019, in the context of expanding its operations in the emerging countries, the Group acquired three companies in India and an equity stake in France for a total of €39.9 million (i.e., €37.0 net of cash acquired). The Group acquired the

Venus Music Private Ltd., present mainly in Bollywood music, for €32.6 million net of cash acquired (€2.8 million); Entco Music Private Ltd., specialising in the production of live events, for €1.1 million; and Canvas Talent Private Ltd., which specialises in services to artists, for €2.1 million. In France, the Group also acquired a 49% stake in 6&7 SAS, which operates the label of the same name.

During the financial year ended 31 December 2020, the Group completed one acquisition and acquired an equity stake for a total of €21.0 million (i.e., €19.4 net of cash acquired). The Group acquired a majority stake (60%) in the DMC label in Turkey, for €18.8 million, net of cash acquired (€1.6 million), with the consolidation of Doğan Müzik Yapım ve Ticaret A.Ş. and Netd Müzik Video Dijital Platform ve Ticaret A.Ş. within the Group, thus continuing to expand its activities in emerging countries. The Group also acquired a stake in Ircam Amplify, a subsidiary of the Institut de Recherche et de Coordination Acoustique/Musique (IRCAM) charged with creating value from licences and expertise, for €0.5 million. In France, the Group also acquired the assets of SoundsGoood, a company that specialises in the creation of playlists on streaming platforms.

7.1.2.5 The Group's cost structure

The Group's variable costs are primarily the cost of sales, most of which are amounts paid by the Group to artists and labels and which vary depending on the value of the contracts signed with the artists and labels and the type of sales made and services rendered.

For digital sales, these amounts are generally calculated on the basis of a fixed percentage negotiated with the artist or label and applied to the amounts paid to the Group by the digital service providers and social media platforms in return for delivery of the content of the artist or label in question. This percentage varies according to the value of the contracts signed with the artists and labels. In effect, the revenue generated by a contract depends on the amount of the content catalogue covered by the contract. Thus, the payment rate for artists and labels applied to the contracts generating the most revenue is generally negotiated at a higher rate, because it is applied to a broader revenue base. As a result, the contracts signed with the labels, to the extent that the catalogue of released content is generally larger than the catalogue of content of a single artist, in principle generate more revenue than the contracts signed with a single artist (see paragraph 5.11.2 *"Digital distribution contracts with artists and labels"* of this registration document).

For physical sales, since the marketing costs are generally higher, the payments to the artist or label are lower than for digital sales.

The Group also devotes substantial investments to its commercial development and marketing to continue to expand its catalogue (see paragraph 7.1.2.2*"The growth and performance of the Group's catalogue and the growth in subscriptions to the Group's Automated Solutions offering"* above). These costs are recognised in the item "Sales and marketing expenses" in the Group's consolidated income statement and are the most significant for the Group, representing 64.2%, 71.4% and 68.8% of the Group's total operating expenses[62] for the financial years ended 31 December 2020, 2019 and 2018, respectively. They break down into personnel and related costs (such as consultant fees), which are generally fixed, and Promotion, Marketing and Distribution costs, which are allocated to dedicated music projects (depending on the contracts signed with the artists or labels) and are therefore variable by nature. The "Sales and marketing expenses" incurred by the Central Platform amounted to €10 million, €5 million and €2 million for the financial years ended 31 December 2020, 2019 and 2018, respectively, with the rest allocated to the Premium Solutions and Automated Solutions segments.[63]

[62] Operating expenses comprise sales and marketing expenses, technology and product expenses and general and administrative expenses and other operating income and expenses.

[63] Costs retained as included in adjusted EBITDA, i.e., operating costs before depreciation, amortization and share-based payments under IFRS 2 and other operating income and expense. Internal and external personnel costs exclude the portion

The Group's activities also require substantial investments in the development of its technology platform in order to guarantee the reliability and security of the content and to continually improve and enhance its solutions offering, which mainly involve essentially fixed costs, such as personnel costs, consultant fees and infrastructure costs.

Moreover, the daily operational management of this platform primarily involves costs that are also in large part fixed, such as maintenance and service costs, as well as personnel costs. All these costs are recognised in the item "Technology and product expenses" in the Group's consolidated income statement and represented 13.7%, 11.2% and 14.1% of the Group's total operating expenses for the financial years ended 31 December 2020, 2019 and 2018, respectively. The "Technology and product expenses" incurred by the Central Platform represented €14 million, €8 million and €7 million for the financial years ended 31 December 2020, 2019 and 2018, respectively, with the rest allocated to Premium Solutions and to the Automated Solutions.[56]

Internal and external personnel costs other than those related to research and development projects on the technology platform and to the Group's commercial and marketing development are recorded in "General and administrative expenses" in the Group's consolidated income statement and represented 19.9%, 13.7% and 10.3% of the Group's total operating expenses for the financial years ended 31 December 2020, 2019 and 2018, respectively. They essentially comprise the costs of support services, such as Finance and Human Resources. The "General and administrative expenses" incurred by the Central Platform represented €29 million, €14 million and €4 million for the financial years ended 31 December 2020, 2019 and 2018, respectively, with the rest allocated to Premium Solutions and to the Automated Solutions.[56]

The Group's internal and external personnel costs are the most significant component of the Group's cost structure (excluding sales costs), having accounted for 53%, 46% and 55% of its operating expenses in the years ended 31 December 2018, 2019 and 2020, respectively[64]. In the year ended 31 December 2020, 55% of the Group's internal and external personnel costs were related to the Group's sales and marketing development, recorded in the "Sales and marketing expenses" caption of the Group's consolidated statement of income, and 26% was related to the development of the Group's technology platform, recorded under "Technology and product expenses". Internal and external personnel costs other than those mentioned above, representing 19% of total internal and external personnel costs, were recorded under "General and administrative expenses". During the year ended 31 December 2020, the Group's internal and external personnel costs were allocated almost equally between the Central Platform on the one hand, and the Premium Solutions and Automated Solutions Automated Solutions on the other.

The Group has recorded a significant increase in personnel costs over the past three years, linked to the increase in its headcount, which has more than doubled over the 2018-2020 period in order to support the strong growth of its activities. The Group's internal and external personnel costs[65] increased from €35 million for the financial year ended 31 December 2018 to €59 million for the financial year ended 31 December 2019 and €102 million (including €25.1 million in external personnel costs) for the financial year ended 31 December 2020.

7.1.2.6 Change in foreign exchange rates

The Group's consolidated financial statements are presented in euros. However, in each of the countries in which it operates, the Group generally incurs expenses and sometimes makes sales

of these costs recognized as capitalized development costs. Operating expenses include marketing and sales expenses, technology and product expenses and general and administrative expenses.

64 Costs retained as included in adjusted EBITDA, i.e., operating costs before depreciation, amortization and share-based payments under IFRS 2 and other operating income and expense. Internal and external personnel costs exclude the portion of these costs recognized as capitalized development costs in the balance sheet. Operating expenses include marketing and sales expenses, technology and product expenses and general and administrative expenses.

65 Including the portion of personnel costs recorded as capitalised development costs and excluding costs related to share-based payments under IFRS 2.

in local currencies. As a result, these transactions must be translated into euros during the preparation of the financial statements. For the income statement, this translation is made at the average rate for each period in question. For the statement of financial position, this translation is made using the foreign exchange rates applicable on the closing date.

The large majority of the Group's sales and expenditures made in currencies other than the euro are made in US dollars. This primarily affects Automated Solutions, as subscriptions to TuneCore are paid in US dollars for a large part and, to a lesser extent, Premium Solutions, for which the amounts paid by digital service providers and social media platforms to the Group are made in US dollars. As a result, even if the Group has relatively little direct exposure to the risk of transactions executed in local currencies, fluctuations in the exchange rates can have an impact on the value in euros of the Group's revenue, expenses and results (see paragraph 3.4.3*"Counterparty risks"* of this registration document). A sensitivity analysis of the net exposure to currency risk on the statement of financial position is presented in Note 8.2 to the Group's consolidated financial statements for the financial years ended 31 December 2020, 2019 and 2018.

Fluctuations in exchange rates could also have an impact on the amounts paid to the Group by digital service providers. Platforms charge their users for subscriptions in local currency and this amount is then converted into euros at the applicable exchange rate, revised regularly according to the market rate, in accordance with the applicable contractual provisions. Thus, any depreciation against the euro of the local currency in which subscriptions are charged by the platforms to their users would have the effect of reducing the revenue base in euros used to calculate the amounts to be paid to the Group, and would therefore reduce those amounts and consequently the Group's revenue.

7.1.2.7 Taxation

Present in many countries, the Group must take into account different tax rules; the differences in rates and tax bases may therefore have an impact on the Group's results. The amount of taxes owed by the Group may also vary significantly from one financial year to the next because of the use of tax loss carryforwards or changes in the tax regulations applicable in France or in the countries in which the Group operates, and thus have an impact on the Group's results (see paragraph 3.5.3 *"Risks related to taxation and tax changes"* of this registration document).

7.1.2.8 Seasonality

The Group generally records higher revenue during the final quarter of the year because of the increase in the activities of distribution platforms and social media, which depend on advertising ahead of the end-of-year celebrations. This leads to growth in their advertising revenue, which increases the revenue base used to calculate the amounts that must be paid to the Group.

7.1.3 Main income statement items

The main income statement items, which the Group's management uses to analyse its consolidated results, are described below:

Revenue

The Group's revenue-generating activities are mainly its digital sales. The Group also carries out other activities, consisting primarily of physical sales and, to a lesser extent, secondary products, the organisation of music events, neighbouring rights, synchronisation and brand partnerships.

Revenue is recognised when the performance obligation is met for the amount the Group expects to receive.

Digital sales:

Digital sales are the sale of an intellectual property licence for the catalogue of music works to which the Group holds the rights. The catalogue comprises all the works to which the Group holds rights during the term of the contract with the platform (including works the rights to which will be acquired after the contract is signed or the exclusion of works to which the Group would no longer have rights).

This licence is thus a right of access to the intellectual property as it evolves over the term of the contract and corresponds to what is termed a dynamic licence. Revenue takes the form of an amount based on the usage of the licence by the end users of the platforms. This remuneration is based on the revenue generated by the platform, both from advertising revenues and subscription revenues. It is recognised as such usage takes place, on the basis of reports prepared by the digital platforms.

Some contracts may provide for the payment of a guaranteed minimum by the platform. This is non-refundable but can generally be recouped, and is similar to an advance received by the Group. The guaranteed minimums are recognised at the same rate as the recognition of the associated amounts due. The guaranteed minimums or advances received and not yet recognised as revenue constitute contractual liabilities.

In the context of digital sales related to its Premium Solutions, the Group acts as Principal with the digital platform because it takes control of the works in its catalogue. For Automated Solutions, digital sales constitute an intermediation service enabling the producer to distribute its catalogue on the platforms of its choice. This service also includes the collection and payment of the producer's remuneration during the subscription period. The Group acts as Agent and the revenue corresponds to the subscriptions paid by the artists. The Group acts as Agent in the Automated Solutions segment because it does not take control of the works delivered to the platform; the producer retains commercial management.

Other:

In the course of its business, and depending on the contract provisions agreed with the producers, the Group may act as Agent or as Principal for physical sales.

When the Group acts as Label (i.e., when it has signed a recording contract, the "artist contract", or a licence agreement under which it acts as the licensee of a third-party producer), it performs the physical sales as Principal because it takes control of the physical media, defines the commercial management, and carries the inventory risk. In this case, the Group's client is the physical distributor.

When the Group acts as Distributor, it performs the distribution as Agent, because it does not take control of the physical media, does not determine the commercial management and does not bear the inventory risk.

When the Group acts as Principal, the physical sales constitute sales of an intellectual property licence to the music works. This licence is a right of use of the intellectual property as it was set on the physical medium and therefore corresponds to what is termed a static licence. The revenue, net of any discounts, is recognised upon the transfer of control of the physical medium; i.e., in the majority of cases, upon delivery to the physical retail outlets and upon the sale to the end customer in the case of consignment sales. In consignment sales, the physical distributor obtains control of the physical media only at the moment the product is sold to its customer and has no unconditional obligation to pay for the product as long as the sale to its customer has not taken place.

The estimate of returns is based on historical statistics and projections and is booked as a deduction from revenue.

When the Group acts as Agent, the sales correspond to a distribution intermediation service for the producer and possibly additional services such as the manufacture of the media. In this case, its customer is the producer and the revenue consists only of the Group's distribution fee. The impact of the estimated returns is recognised as a deduction from revenue related to the distribution fee. The estimate is based on historical statistics and projections.

The Group generates revenue in the context of other, less significant activities, including:

- Merchandising, which corresponds to the sale of secondary products and the brand partnership, for which revenue is recognised at the time of the licence agreement or the transfer of control of the goods to the customer. The Group acts as Principal in this activity because it takes control of the goods. In effect, it is responsible for commercial management, assumes responsibility for the sale to the end customer and bears an inventory risk.

- Synchronisation, which is the grant of a licence to an excerpt of the music work in the state it is in at the time the contract is signed, without planned changes. Thus, the revenue is recognised at the transfer of control of the licence, i.e., at the moment the customer obtains the right to use the work.

- Neighbouring rights, which are rights related to copyright allotted to interpretive artists, producers of video recordings and sound recordings, as well as to radio and television broadcasting organisations. The Group may be responsible for collecting neighbouring rights from the competent authorities and then paying them to the artist/producer, possibly minus a management fee. As the Group is acting as Agent for the collection service provided, only the fee for this service is booked as income.

- The Group also offers additional services for the administration of publishing rights, which corresponds to the collection, primarily from collective management companies and on behalf of the holders of rights to the music works, of the amounts owed for the rights to reproduce and represent such works. As the Group is acting as Agent for the service provided, only the fee for this service is booked as income.

Cost of sales

Cost of sales comprises the costs directly or indirectly related to the products sold and services rendered. These are primarily amounts paid to the artists and labels handled by the Group, production costs and inventory changes (primarily physical media) and the fees of the artists and labels handled by the Group, as well as the costs incurred for the organisation of music events.

Amounts paid to artists and labels are recognised as expenses when the proceeds from music recording sales, minus provisions for potential returns, are recorded.

Sales and marketing expenses

Sales and marketing expenses comprise all internal and external personnel costs for personnel involved in marketing and sales services, as well as operating costs and local support engaged in marketing and sales operations. They also include the amortisation and depreciations of the corresponding fixed assets (which primarily represent capitalised personnel and consulting costs). The “Sales and marketing expenses” incurred by the Central Platform amounted to €10 million, €5 million and €2 million for the financial years ended 31 December 2020, 2019 and 2018, respectively, with the rest allocated to the Premium Solutions and Automated Solutions segments.

Technology and product expenses

Technology and product expenses consist of all personnel costs for internal and external personnel involved in the development of the technology platforms related to the services rendered by the Group and other IT projects developed in-house, a portion of which is capitalised (see paragraph 5.7 *"Investments"* of this registration document and Note 6.2 to the Group's consolidated financial statements for the years ended 31 December 2020, 2019 and

2018), when certain criteria are met. They also include the amortisation and depreciation of the corresponding intangible assets and property, plant and equipment. The "Technology and product expenses" incurred by the Central Platform represented €14 million, €8 million and €7 million for the financial years ended 31 December 2020, 2019 and 2018, respectively, with the rest allocated to Premium Solutions and to the Automated Solutions.[66]

General and administrative expenses

General and administrative expenses include all internal and external personnel costs of the operational support and head office teams, operating expenses and the various fees related to these support functions. They also include the amortisation of intangible assets and the depreciation of property, plant and equipment, as well as the costs for post-employment benefits and share-based remuneration plans. The "General and administrative expenses" incurred by the Central Platform represented €29 million, €14 million and €4 million for the financial years ended 31 December 2020, 2019 and 2018, respectively, with the rest allocated to Premium Solutions and to the Automated Solutions.[66]

Other operating income (expense)

In order to facilitate a reading of the Group's income statement and performance, unusual and material items at the level of the consolidated entity are identified on the operating income line *"Other operating income (expense)"*.

This line primarily includes:

- Gains or losses on asset disposals;
- Costs related to acquisitions;
- Other operating income (expense), including that related to the provisioning of tax risks and the reversal of the corresponding provisions, expenses related to the project to list the Company's shares for trading on the regulated market of Euronext Paris, and expenses for the Group's organisational and legal structuring.

Operating income

Operating income represents the difference between revenue and cost of sales, sales and marketing expenses, general and administrative expenses, technology and product expenses, and other operating income (expense).

Net financial expense

Net financial expense represents the cost of financial debt, plus other financial income and expenses, such as foreign exchange gains and losses.

The cost of financial debt comprises interest expense on borrowings, interest expense on rents, the amortisation of bond issue costs and other expenses, and the financial income from cash.

Income tax

Income tax is equal to the total amount of tax payable and deferred tax included in the determination of income for the period. It is recognised in profit or loss unless it is attached to a business combination or to items that are recognised directly in equity or in other comprehensive income.

The tax due is the amount of income tax payable (recoverable) on taxable profit (tax loss) for a financial year and must be recognised as a liability until it is paid. If the amount paid for the

[66] Costs retained as included in adjusted EBITDA, i.e., operating costs before depreciation, amortization and share-based payments under IFRS 2 and other operating income and expense. Internal and external personnel costs exclude the portion of these costs recognized as capitalized development costs in the balance sheet. Operating expenses include marketing and sales expenses, technology and product expenses and general and administrative expenses.

period and prior periods exceeds the amount due for said periods, the surplus must be recognised as an asset.

The tax liabilities (assets) due for the period and prior periods are valued at the amount expected to be paid to (or recovered from) tax authorities using the tax rates and tax regulations enacted or substantively enacted at the closing date in each country in which the Group operates.

Deferred tax results from temporary differences between the carrying amount of the assets and liabilities and their tax base.

Deferred tax assets and liabilities are valued at the tax rates expected for the year in which the asset will be realised or the liability extinguished, which have been enacted or substantively enacted at the closing date. If a tax rate is changed, the deferred taxes will be adjusted to the new rate in effect and the adjustment is allocated to the income statement, unless it is related to an item recognised in equity or in other comprehensive income, such as actuarial gains and losses.

Deferred taxes are reviewed at each closing to take account of any changes in tax laws and prospects for recovery of deductible temporary differences. A deferred tax asset is recognised only to the extent that it is probable that the Group will have future taxable profits against which this asset can be set off within the foreseeable future or, beyond that period, against deferred tax liabilities with the same maturity.

Deferred tax assets and liabilities are not discounted.

7.1.4 Main performance indicators

The Group uses revenue and adjusted EBITDA as its main performance indicators. These performance indicators are monitored regularly by the Group to analyse and, assess its businesses and their trends, measure performance, prepare earnings forecasts and make strategic decisions.

€ million	**Financial year ended 31 December 2020**	**Change**	**Financial year ended 31 December 2019**	**Change**	**Financial year ended 31 December 2018**
Revenue	441.4	46.9	394.5	156.4	238.1
Adjusted EBITDA	8.0	(27.3)	35.3	10.6	24.7

Adjusted EBITDA is an alternative performance indicator within the meaning of AMF position no. 2015-12.

Adjusted EBITDA is not standardised accounting aggregate with a single definition generally accepted by IFRS. It must not be regarded as a substitute for operating income, net income or cash flows from operating activities, which is an IFRS-defined measure, or as a measure of liquidity. Other issuers may calculate adjusted EBITDA differently from the definition used by the Group.

Adjusted EBITDA

Adjusted EBITDA corresponds to operating income before amortisation, depreciation and impairment, share-based payment and other operating income (expense).

Reconciliation of operating income to adjusted EBITDA

(€ million)	**Financial year ended 31 December 2020**	**Financial year ended 31 December 2019**	**Financial year ended 31 December 2018**
Operating income (loss)	**(21.7)**	**12.8**	**8.8**
Restatements for depreciation amortisation and impairment expense	24.7	16.0	10.2
Restatement for share-based payments	1.2	1.7	0.5
Restatement for other operating income (expense)	3.8	4.7	5.2
Adjusted EBITDA	**8.0**	**35.3**	**24.7**

A detailed discussion of the changes in adjusted EBITDA for the financial years ended 31 December 2020, 2019 and 2018 is provided in paragraph 7.2.12 of this registration document.

7.2 Analysis of results for the financial years ended 31 December 2020, 2019 and 2018

The table below presents the Group's consolidated income statement (in € million) for each of the financial years ended 31 December 2020, 2019 and 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS	**Financial year ended 31 December 2020**	**Financial year ended 31 December 2019**	**Financial year ended 31 December 2018**
(€ million)			
Revenue	441.4	394.5	238.1
Cost of sales	(283.3)	(251.9)	(154.6)
Sales and marketing expenses	(115.5)	(92.8)	(51.3)
Technology and product expenses	(24.6)	(14.6)	(10.5)
General and administrative expenses	(35.9)	(17.8)	(7.7)
Other operating income (expense)	(3.8)	(4.7)	(5.2)
Operating income	**(21.7)**	**12.8**	**8.8**
Cost of debt	(2.0)	(1.7)	(0.7)
Other financial income (expense)	4.9	(2.6)	(4.1)
Share of net income (loss) of equity-accounted companies	(0.6)	1.1	0.0
Income before tax	**(19.4)**	**9.6**	**3.9**
Income tax	(6.9)	(5.0)	(1.4)
Net income (loss)	**(26.3)**	**4.6**	**2.5**
Non-controlling interests	0.6	0.0	0.1

Net income attributable to the Group	**(26.8)**	**4.6**	**2.5**

7.2.1 Revenue

The Group has recorded strong growth of its business in the last three years, its consolidated revenue having almost doubled over the 2018 – 2020 period.

The Group's consolidated revenue rose €46.9 million (11.9%) during the financial year ended 31 December 2020, from €394.5 million for the financial year ended 31 December 2019 to €441.4 million for the financial year ended 31 December 2020. It increased by €156.4 million, or 65.7%, during the financial year ended 31 December 2019, from €238.1 million for the financial year ended 31 December 2018 to €394.5 million for the financial year ended 31 December 2019.

The change in consolidated revenue during the financial year ended 31 December 2020 primarily reflects organic growth at current exchange rates[67] of 9.8% (€38.2million) and the positive impact of the acquisitions and equity stakes purchased during the year, i.e., mainly the acquisition of a majority interest (60%) in the DMC label in Turkey in July 2020, which generated additional revenue growth of 2.2%, or €6.4 million (see Note 2.3 to the Group's consolidated financial statements for the years ended 31 December 2020, 2019 and 2018) and the full-year effect of acquisitions made in 2019 for €2.2 million.

The Group recorded growth in revenue from digital sales of 14.2% compared with the financial year ended 31 December 2019. This was primarily driven by the growth in the digital music market, which is benefiting from favourable structural trends (see paragraph 5.5.1 *"Market trends"* of this registration document), as well as the growth and performance of the Group's catalogue. This partially offset the negative impact of the Covid-19 pandemic on advertising expenditure by advertisers, which affected the Group's digital sales activities linked to free services funded by advertising (particularly on video platforms, which has notably led to a drop in content monetization and a delay in the release of certain artists), particularly during the second quarter 2020.

The Covid-19 pandemic also impacted non-digital sales, which declined 3.9% in the financial year ended 31 December 2020. This was essentially because of the drop in physical sales, largely affected by the lockdown measures which disrupted sales in stores with no online presence.

In the financial year ended 31 December 2020, the Group recorded growth in revenue of 17.7% in America and 32.7% in Asia/Oceania/Africa due to the roll-out of Premium Solutions in new countries. The growth in revenue in France was more limited, at 3.4%, while the Group recorded a 3.5% decline in its revenue in Germany, due mainly to the impact of the Covid-19 pandemic on physical sales in these countries (Germany in particular), where certain music genres included in the Group's labels catalogue continue to be substantially distributed in a physical format. The growth in revenue was 18.4% in the Rest of Europe, primarily due to the integration of the DMC label acquired in Turkey in 2020.

The change in consolidated revenue in the financial year ended 31 December 2019 was driven mainly by strong organic growth at current exchange rates of 45.2% (€99.5 million), and the positive impact of the external growth transactions completed in 2019, as well as the full-year

[67] Organic growth at current exchange rates corresponds to revenue growth at constant scope presented at current exchange rates, i.e., not adjusted for the impact of exchange rate fluctuations.

Like-for-like revenue growth corresponds to revenue generated in year n by all companies included in the Group's scope of consolidation during the year ended 31 December of year n-1 (excluding any contribution from companies acquired during year n), compared to revenue generated in year n-1 by the same companies, regardless of when they entered the Group's scope of consolidation.

impact in 2019 of the acquisitions of Nuclear Blast and Groove Attack in Germany, completed in October 2018, which generated additional growth in revenue of 23.9% (€57.0 million).

The Group recorded strong growth of 59.2% in revenue from digital distribution compared with the financial year ended 31 December 2018. This was mainly fuelled by the growth in the digital music market, which is benefiting from favourable structural trends, as well as the growth (intensified by the acquisition of the catalogues of the aforementioned acquired companies) and performance of its catalogue. The Group also posted strong growth in revenue from non-digital sales, from €22.0 million in the financial year ended 31 December 2018 to €50.6 million for the financial year ended 31 December 2019. This was mainly due to the effect of the consolidation of the Nuclear Blast and Groove Attack groups in Germany, whose catalogues include music genres like metal which are still predominantly distributed in physical format.

The growth in revenue affected all the Group's geographic regions in the financial year ended 31 December 2019, with growth of 148.5% in Germany due to the effect of the consolidation of Nuclear Blast and Groove Attack, and of 86.9% in Asia/Oceania/Africa and 64.9% in America, related to the roll-out of Premium Solutions in new countries. Growth in revenue was 25.7% in France and 44.4% for the Rest of Europe.

The tables below show the reconciliation of revenue to organic revenue at current exchange rates, as well as the growth rates for the financial years ended 31 December 2020, 2019 and 2018:

(€ million)	**Financial year ended 31 December 2020**	**Change 2019 - 2020**		**Financial year ended 31 December 2019**
		€ million	**As %**	
Consolidated revenue	**441.4**	**46.9**	**11.9%**	**394.5**
Change of perimeter	-11.3	**-8.7**		-2.7
Organic revenue at current exchange rates	**430.1**	**38.2**	**9.8%**	**391.9**

(€ million)	**Financial year ended 31 December 2019**	**Change 2018 - 2019**		**Financial year ended 31 December 2018**
		€ million	**As %**	
Consolidated revenue	**394.5**	**156.5**	**65.7%**	**238.1**
Change of perimeter	-74.9	**-57.0**		-17.9
Organic revenue at current exchange rates	**319.7**	**99.5**	**45.2%**	**220.2**

Organic growth at current exchange rates is an alternative performance indicator within the meaning of AMF Position n°2015-12. Organic growth at current exchange rates is not a standardised accounting aggregate with a single generally accepted definition under IFRS. It should not be considered as a substitute for operating profit, net profit or cash flow from operating activities, which are measures defined by IFRS, or a measure of liquidity. Other issuers may calculate organic growth at current exchange rates differently from the Group's definition.

The breakdown between revenue generated by digital sales and by other activities (consisting primarily of physical sales and, to a lesser extent, secondary products, the organisation of music events, neighbouring rights, synchronisation and brand partnerships) is as follows:

(€ million)	**Financial year ended 31 December 2020**	**Change 2019 - 2020**		**Financial year ended 31 December 2019**	**Change 2018 - 2019**		**Financial year ended 31 December 2018**
		€ million	**As %**		**€ million**	**As %**	
Digital sales	392.8	48.9	14.2%	343.9	127.8	59.2%	216.1

Other	48.6	(2.0)	-3.9%	50.6	28.6	130.0%	22.0
Consolidated revenue	441.4	46.9	11.9%	394.5	156.4	65.7%	238.1

Change in revenue by operating segment

(€ million)	**Financial year ended 31 December 2020**	**Change 2019 - 2020**		**Financial year ended 31 December 2019**	**Change 2018 - 2019**		**Financial year ended 31 December 2018**
		€ million	**As %**		**€ million**	**As %**	
Premium Solutions	409.0	42.2	11.5%	366.8	149.0	68.4%	217.8
Automated Solutions	32.4	4.7	16.9%	27.8	7.5	37.0%	20.3
Consolidated revenue	**441.4**	**46.9**	11.9%	**394.5**	**156.4**	65.7%	**238.1**

Premium Solutions

Revenue generated by the Premium Solutions segment rose €42.2 million for the financial year ended 31 December 2020, i.e., 11.5%, from €366.8 million for the financial year ended 31 December 2019 to €409.0 million for the financial year ended 31 December 2020. It increased by €149.0 million, or 68.4%, during the financial year ended 31 December 2019, rising from €217.8 million for the financial year ended 31 December 2018 to €366.8 million for the financial year ended 31 December 2019.

The change in revenue generated by the Premium Solutions segment for the financial year ended 31 December 2020 was primarily driven by the growth in the digital music market and the growth and performance of the Group's catalogue. This offset the negative impact of the Covid-19 pandemic on advertising expenditure by advertisers. This pandemic affected the Group's digital sales activities linked to free advertising-funded offers, which are one of the main vectors for monetising music in the emerging countries in which the Group generates a significant portion of its revenue. The decline in advertising resulted in lower payments received by the Group, mainly in the second quarter of 2020, but also in a delay in the release of new music titles by artists, notably due to lower monetisation. The Covid-19 pandemic also impacted non-digital sales, essentially because of the fall in physical sales, primarily affected by the lockdown measures which disrupted sales in stores with no online presence.

The change in revenue generated by the Premium Solutions segment for the financial year ended 31 December 2019 was primarily due to the growth in the digital music market and the growth (intensified by the acquisition of the catalogues of the companies acquired in external growth transactions – see above) and performance of its catalogue. The Premium Solutions segment also recorded growth in its non-digital sales, primarily due to the effect of the consolidation of the Nuclear Blast and Groove Attack groups in Germany, whose catalogues include music genres like heavy metal which are still predominantly distributed in physical format.

Automated Solutions

Revenue generated by the Automated Solutions segment rose €4.7 million for the financial year ended 31 December 2020, i.e., 16.9%, from €27.8 million for the financial year ended 31 December 2019 to €32.4 million for the financial year ended 31 December 2020. It increased by €7.5 million, or 36.9%, during the financial year ended 31 December 2019, rising from €20.3 million for the financial year ended 31 December 2018 to €27.8 million for the financial year ended 31 December 2019.

The change in revenue generated by the Automated Solutions segment in the financial year ended 31 December 2020 mainly reflects the growth in paid subscriptions to the Group's TuneCore platform; growth was, however, partially impacted by the negative consequence of the Covid-19 pandemic on advertising expenditure by advertisers, which affected the revenue earned by the Group from the margin deducted from the amounts it pays to artists in consideration for the content supplied on video platforms or social media. The change in revenue generated by the Automated Solutions segment in the financial year ended 31 December 2020 was also affected by the adverse impact of the change in the euro/USD exchange rate during the year, as TuneCore revenue is recorded in US dollars.

The change in revenue generated by the Automated Solutions segment in the financial year ended 31 December 2019 mainly reflects the growth in paid subscriptions to the Group's TuneCore platform and, to a lesser degree, the positive impact of fluctuations in the euro/US dollar exchange rate.

7.2.2 Cost of sales

The Group's cost of sales increased by €31.4 million (12.5%) during the financial year ended 31 December 2020, from €251.9 million for the financial year ended 31 December 2019 to €283.3 million for the financial year ended 31 December 2020. It increased by €97.3 million (or 63%) during the financial year ended 31 December 2019, from €154.6 million for the financial year ended 31 December 2018 to €251.9 million for the financial year ended 31 December 2019.

The change in cost of sales during the financial years ended 31 December 2020 and 31 December 2019 is mainly due to the increase in the total amounts paid by the Group to artists and labels, owing to the growth in revenue relating to the content of the Group's catalogue for the reasons described in paragraph 7.2.1 *"Revenue"* above.

As a percentage of revenue, cost of sales remained almost stable, rising from 63.8% for the financial year ended 31 December 2019 to 64.2% for the financial year ended 31 December 2020.

As a percentage of revenue, cost of sales fell from 64.9% for the financial year ended 31 December 2018 to 63.8% for the financial year ended 31 December 2019. The higher percentage recorded in 2018 mainly reflects the impact of the consolidation of the Nuclear Blast and Groove Attack groups in Germany, whose catalogue includes music genres like heavy metal which are still predominantly distributed in physical format, which generally has higher marketing costs than digital sales.

7.2.3 Sales and marketing expenses

The Group's sales and marketing expenses rose €22.7 million (or 24.5%) for the financial year ended 31 December 2020, from €92.8 million for the financial year ended 31 December 2019 to €115.5 million for the financial year ended 31 December 2020. It increased by €41.4 million, or 80.7%, during the financial year ended 31 December 2019, from €51.4 million for the financial year ended 31 December 2018 to €92.8 million for the financial year ended 31 December 2019. Sales and marketing expenses excluding amortization and impairment amounted to €46 million, €82 million and €103 million for the financial years ended 31 December 2018, 31 December 2019 and 31 December 2020, respectively.

The change in sales and marketing expenses in the financial year ended 31 December 2020 essentially stems from the substantial investments made by the Group to recruit staff. These investments were made to develop Premium Solutions offers in 7 new countries to develop new services (with the deployment or expansion of Artist Services in 15 countries between 2019 and 2020), to enhance the range of Premium Solution for artists in 25 countries and, more generally, to reflect the growth in the market across all offerings.

The change in sales and marketing expenses in the financial year ended 31 December 2019 is primarily due to the effects of the consolidation of the companies acquired (Nuclear Blast and Groove Attack in particular), in the amount of €33.8 million and, for the balance, the substantial investment made by the Group to develop its operations by expanding its sales teams to reflect the growth in the market across all regions.

7.2.4 Technology and product expenses

The Group's technology and product expenses were up €10.0 million (or 68.9%) during the financial year ended 31 December 2020, from €14.6 million for the financial year ended 31 December 2019 to €24.6 million for the financial year ended 31 December 2020. They increased by €4.1 million, or 38.5%, during the financial year ended 31 December 2019, from €10.5 million for the financial year ended 31 December 2018 to €14.6 million for the financial year ended 31 December 2019. Technology and product expenses excluding amortization and impairment amounted to €9 million, €2 million and €18 million for the financial years ended 31 December 2018, 31 December 2019 and 31 December 2020, respectively.

The change in technology and product expenses for the financial year ended 31 December 2020 was driven mainly by the substantial investments made by the Group in the development of its central technology platform, with the continued build-out of solutions for Artist Services, particularly in terms of marketing, promotion and flow management, the changes in Data Music (a tool to analyse trends offered to artists), the acceleration of capabilities to integrate new digital service providers and the deployment of several products to address the needs of the different markets.

The change in technology and product expenses for the financial year ended 31 December 2019 is mainly due to the substantial investments made by the Group to develop its central technology platform in order to meet the high quality requirements of digital service providers and to maintain its *Preferred Partner* status, as well as the implementation of a data platform to boost its commercial capabilities.

7.2.5 General and administrative expenses

The Group's general and administrative expenses rose €18.1 million (or 101.6%) for the financial year ended 31 December 2020, from €17.8 million for the financial year ended 31 December 2019 to €35.9 million for the financial year ended 31 December 2020. It rose €10.1 million, or 132.3%, during the financial year ended 31 December 2019, from €7.7 million for the financial year ended 31 December 2018 to €17.8 million for the financial year ended 31 December 2019. General and administrative expenses excluding amortization and impairment and share-based payment costs under IFRS 2 amounted to €4 million, €14 million and €29 million for the financial years ended 31 December 2018, 31 December 2019 and 31 December 2020, respectively.

The change in general and administrative expenses for the financial years ended 31 December 2020 and 31 December 2019 was driven mainly by the expansion of the support functions intended to accompany the growth in the Group's activities, which led to an increase in personnel costs.

7.2.6 Other operating income (expense)

Other operating income (expense) of the Group declined by €0.9 million (or 18.8%) for the financial year ended 31 December 2020, from an expense of €4.7 million for the financial year ended 31 December 2019 to €3.8 million for the financial year ended 31 December 2020. It fell by €0.4 million, or 8.4%, in the financial year ended 31 December 2019, from an expense of €5.2 million for the financial year ended 31 December 2018 to an expense of €4.7 million for the financial year ended 31 December 2019.

Other operating income (expense) for the financial year ended 31 December 2020 mainly represented non-recurring operating expenses in the amount of €3.8 million, including (i) €1.9 million in income related to the unwinding of a tax risk on VAT which had been expensed in 2019 (this risk is now extinguished), (ii) €1.8 million in expenses related to the plan to list the Company's shares for trading on the regulated market of Euronext Paris, and (iii) €2.3 million in expense related to the Group's organisational and legal structuring.

Other operating income (expense) for the financial year ended 31 December 2019 mainly comprised non-recurring operating expenses in the amount of €4.7 million, principally related to the provisioning of a tax risk and expenses for the Group's organisational and legal structuring.

Other operating income (expense) for the financial year ended 31 December 2018 mainly consisted of non-recurring operating expenses in the amount of €5.2 million, related essentially to expenses for the Group's organisational and legal structuring.

7.2.7 Operating income

The Group's operating income declined by €34.5 million for the financial year ended 31 December 2020, from an operating profit of €12.8 million for the financial year ended 31 December 2019 to an operating loss of €21.7 million for the financial year ended 31 December 2020. It was up €4.0 million, or 45.6%, for the financial year ended 31 December 2019, from €8.8 million for the financial year ended 31 December 2018 to €12.8 million for the financial year ended 31 December 2019.

The Group's significant business development over the 2018 – 2020 period, which resulted in sharp growth in its revenue, almost doubling over this period (see paragraph 7.2.1 "*Revenue*" of this registration document) and contributing substantially to the growth in operating income for the financial year ended 31 December 2019, required the completion of substantial investments, which led to a sharp increase in the Group's operating expenses[68] from €74.7 million for the year ended 31 December 2018 to €179.8 million for the year ended 31 December 2020.

In particular, the Group recorded a significant increase over the 2018 – 2020 period in technology and product expenses, which rose from €10.5 million for the year ended 31 December 2018 to €24.6 million for the year ended 31 December 2020. This was driven by the substantial investments made to develop its technology platform, and a significant increase in general and administrative expenses from €7.7 million for the year ended 31 December 2018 to €35.9 million for the year ended 31 December 2020, mainly due to the expansion of the support function teams (finance and HR in particular) (see paragraphs 7.2.4 *"Technology and product expenses"* and 7.2.5 *"General and administrative expenses"* above), in order to support the growth in its businesses.

Over the 2018 – 2020 period, the Group also recorded a sharp increase of €64.1 million (or 124.9%) in sales and marketing expenses, due to the effects of the consolidation of the acquisitions and the substantial investments made by the Group to roll out new commercial offerings and expand its local teams in response to the growth in the market (see paragraph 7.2.3 *"Sales and marketing expenses"* above).

In terms of type of external and internal costs, personnel costs represented nearly half of the aforementioned operating expenses, which also include, to a lesser extent, the depreciation, amortization and impairment of non-current assets.

Thus, despite the strong growth in the Group's revenue, which rose from €238.1 million to €441.4 million over the 2018 – 2020 period, an increase of 85.4% (see paragraph 7.2.1 *"Revenue"* above), the Group's operating income did not increase at the same rate during the financial year ended 31 December 2019 and recorded a strong decrease for the financial year ended 31 December 2020, owing to the substantial increase in operating expenses described above.

[68] Operating expenses comprise sales and marketing expenses, technology and product expenses and general and administrative expenses.

As a result, operating expenses rose from 31% of the Group's consolidated revenue for the financial year ended 31 December 2018 to 33% for the financial year ended 31 December 2019 and 41% for the financial year ended 31 December 2020.

The significant increase in this percentage during the financial year ended 31 December 2020 (which explains the shift from an operating profit of €12.8 million for the year ended 31 December 2019 to an operating loss of €21.7 million for the year ended 31 December 2020) is the result of:

- the significant increase in operating expenses described above (and in particular the significant increase in internal and external personnel costs[69] from €59 million for the year ending 31 December 2019 to €102 million for the year ending 31 December 2020), and

- lower revenue growth during the year (11.9% versus 65.7% for the year ended 31 December 2019); this was related to (i) smaller organic growth at current exchange rates (9.8% versus 45.2% for the year ended 31 December 2019), mainly due to the impact of the Covid-19 pandemic on the Group's activities other than digital sales (physical sales in particular) and, to a lesser extent and mainly in the second quarter of 2020, on the Group's digital sales tied to free services funded by advertising (particularly video platform sales), and (ii) external growth of 2.2% in 2020, compared with external growth of 23.9% for the year ended 31 December 2019, which particularly benefited from the consolidation of the acquisitions of Nuclear Blast and Groove Attack in Germany in October 2018.

7.2.8 Net financial expense

The Group's net financial expense went from an expense of €4.3 million for the financial year ended 31 December 2019 to income of €2.9 million for the financial year ended 31 December 2020, and remained almost stable for the financial year ended 31 December 2019, from an expense of €4.9 million for the financial year ended 31 December 2018 to an expense of €4.3 million for the financial year ended 31 December 2019.

(€ million)	**31 December 2020**	**31 December 2019**	**31 December 2018**
Cost of financial debt	(2.0)	(1.7)	(0.7)
Other financial income (expenses)	4.9	(2.6)	(4.1)
Total net financial expense	**2.9**	**(4.3)**	**(4.9)**

The change in net financial expense for the financial year ended 31 December 2020 primarily reflects the recognition of other financial income in the amount of €4.9 million, net of financial expenses, mainly driven by foreign exchange gains net of losses and expenses.

For the financial year ended 31 December 2019, the Group recorded an increase of €1.0 million in the cost of financial debt, which rose from €0.7 million for the financial year ended 31 December 2018 to €1.7 million for the financial year ended 31 December 2019, essentially because of the increase in interest expense related to the subscription of two loans for €20 million each to fund the acquisitions of Groove Attack and Nuclear Blast in Germany in October 2018, with a full year of interest in 2019. Other financial income and expenses mainly consist of foreign exchange gains and losses.

[69] Including the portion of personnel costs recognized as capitalized development costs and excluding share-based payment costs under IFRS 2.

7.2.9 Income before tax

The Group's income before tax decreased by €29.0 million for the financial year ended 31 December 2020, from a profit before tax of €9.6 million for the financial year ended 31 December 2019 to a loss before tax of €19.4 million for the financial year ended 31 December 2020. It rose by €5.7 million (143.4%) during the financial year ended 31 December 2019, from €3.9 million for the financial year ended 31 December 2018 to €9.6 million for the financial year ended 31 December 2019.

The change in income before tax for the financial years ended 31 December 2020 and 31 December 2019 was mainly driven by changes in operating income and net financial expense described in paragraphs 7.2.8 and 7.2.9 above.

7.2.10 Income tax

The Group's income tax increased by €1.9 million (39.2%) for the financial year ended 31 December 2020, from €5.0 million for the financial year ended 31 December 2019 to €6.9 million for the financial year ended 31 December 2020. It rose by €3.6 million for the financial year ended 31 December 2019, from €1.4 million for the financial year ended 31 December 2018 to €5.0 million for the financial year ended 31 December 2019.

The increase in the Group's tax liability for the financial year ended 31 December 2020, despite a net loss before tax of €19.4 million, is primarily due to unrecognised tax losses (see Note 9.1 to the Group's consolidated financial statements for the financial years ended 31 December 2020, 2019 and 2018).

The change in the Group's tax liability for the financial year ended 31 December 2019 is primarily due to the increase in the Group's income (loss) before tax and an effective tax rate that went from 35.41% for the financial year ended 31 December 2018 to 51.79% for the financial year ended 31 December 2019, mainly because of non-recurring items (taxes without a base) and unrecognised tax losses (see Note 9.1 to the Group's consolidated financial statements for the financial years ended 31 December 2020, 2019 and 2018).

7.2.11 Net income (loss)

As a result of the changes described in the paragraphs above, the Group's net income was down €30.9 million for the financial year ended 31 December 2020, from a net profit of €4.6 million for the financial year ended 31 December 2019 to a net loss of €26.3 million for the financial year ended 31 December 2020. It increased by €2.1 million (81.7%) for the financial year ended 31 December 2019, from €2.5 million for the financial year ended 31 December 2018 to €4.6 million for the financial year ended 31 December 2019.

7.2.12 Adjusted EBITDA

The Group's adjusted EBITDA declined by €27.3 million (or 77.3%) during the financial year ended 31 December 2020, from €35.3 million for the financial year ended 31 December 2019 to €8.0 million for the financial year ended 31 December 2020. It increased by €10.6 million (or 43.1%) for the financial year ended 31 December 2019, from €24.7 million for the financial year ended 31 December 2018 to €35.3 million for the financial year ended 31 December 2019.

The Group's significant business development over the 2018 – 2020 period, which resulted in sharp growth in its revenue, almost doubling over this period (see paragraph 7.2.1 *"Revenue"* of this registration document) and contributing substantially to the growth in the Group's adjusted EBITDA for the financial year ended 31 December 2019, required substantial investments to be made. This led to a sharp increase in the operating expenses included in the Group's adjusted

EBITDA[70], in particular with a significant increase in the costs of the Central Platform included in the Group's adjusted EBITDA, which rose from €13.5 million for the year ended 31 December 2018 to €53.0 million for the year ended 31 December 2020.

In terms of type of costs, external and internal personnel costs, including those included in the costs of the Central Platform, represented 53%, 46% and 55% of the aforementioned operating expenses for the financial years ended 31 December 2018, 2019 and 2020, respectively.

The decrease in the Group's adjusted EBITDA for the financial year ended 31 December 2020, despite the strong 11.9% growth in revenue, rising from €394.5 million for the financial year ended 31 December 2019 to €441.4 million for the year ended 31 December 2020, reflects the significant 102.1% increase in Central Platform costs included in adjusted EBITDA, which rose from €26.2 million for the financial year ended 31 December 2019 to €53.0 million for the financial year ended 31 December 2020. This increase in Central Platform costs included in adjusted EBITDA is mainly the result of the significant increase of €6.2 million (or 80.5%) in the Group's technology and product expenses, related to the substantial investments made in the development of its technology platform, and the increase in the Group's general and administrative expenses of €15.1 million (or 108.3%) primarily due to the expansion of the support function teams (finance and human resources in particular) (see paragraphs 7.2.4 *"Technology and product expenses"* and 7.2.5 *"General and administrative expenses"* above), in order to support the development of its operations. The Group also recorded an increase of €22.7 million (or 24.5%) in sales and marketing expenses for the financial year ended 31 December 2020, with the substantial investments made by the Group to roll out new commercial offerings and expand its local teams in response to the growth in the market (see paragraph 7.2.3 *"Sales and marketing expenses"* above).

The increase in the Group's adjusted EBITDA for the financial year ended 31 December 2019 reflects the strong 65.7% growth in revenue, which rose from €238.1 million for the financial year ended 31 December 2018 to €394.5 million for the financial year ended 31 December 2019. This fully offset the significant 93.8% increase in Central Platform costs included in adjusted EBITDA, which rose from €13.5 million for the financial year ended 31 December 2018 to €26.2 million for the financial year ended 31 December 2019, even generating a surplus. This increase in Central Platform costs included in adjusted EBITDA is mainly the result of the increase in the Group's general and administrative expenses of €10.0 million (or 244.6%), primarily due to the expansion of the support function teams (finance and human resources in particular) (see paragraphs 7.2.4 *"Technology and product expenses"* and 7.2.5 *"General and administrative expenses"* above) in order to support the development of its operations. The Group also recorded for the financial year ended 31 December 2019 an increase of €41.4 million (80.7%) in sales and marketing expenses, primarily related to the effect of the consolidation of the companies acquired (Nuclear Blast and Groove Attack in particular) and, to a lesser extent, the substantial investments made by the Group to develop its operations by expanding its sales teams in response to the growth in the market in all regions (see paragraph 7.2.3 *"Sales and marketing and sales expense"* above).

The operating expenses included in the Group's consolidated adjusted EBITDA[71] thus rose from 25% of the Group's consolidated revenue for the financial year ended 31 December 2018 to 27% for the financial year ended 31 December 2019 and 34% for the financial year ended 31

[70] The operating expenses included in adjusted EBITDA comprise sales and marketing expenses, technology and product expenses and general and administrative expenses, restated for amortization and depreciation and share-based payment costs.

[71] The operating expenses included in adjusted EBITDA comprise sales and marketing expenses, technology and product expenses and general and administrative expenses, restated for amortization and depreciation, and share-based payment costs.

December 2020. The significant increase in this percentage during the financial year ended 31 December 2020 (which explains the substantial decrease in adjusted EBITDA) results from:

- the sharp increase in operating expenses described above (and in particular the significant increase in internal and external personnel costs[72] from €59 million for the year ending December 31, 2019 to €102 million for the year ending December 31, 2020); and

- lower revenue growth during the year (11.9% versus 65.7% for the year ended 31 December 2019), relating to (i) smaller organic growth at current exchange rates (9.8% versus 45.2% for the year ended 31 December 2019), mainly due to the impact of the Covid-19 pandemic on the Group's activities other than digital sales (physical sales in particular) and, to a lesser extent and mainly in the second quarter of 2020, on the Group's digital sales tied to free services funded by advertising (particularly video platform sales), as well as (ii) external growth of 2.2% in 2020, compared with external growth of 23.9% for the year ended 31 December 2019, which particularly benefited from the consolidation of the acquisitions of Nuclear Blast and Groove Attack in Germany in October 2018.

Thus, despite the significant growth in the Group's revenue, from €238.1 million to €441.4 million over the 2018 – 2020 period, i.e., an increase of 85.4% (see paragraph 7.2.1 *"Revenue"* above), the Group's adjusted EBITDA did not increase at the same rate over the period because of the substantial increase in operating expenses described above.

Change in adjusted EBITDA by operating segment

(€ million)	**Financial year ended 31 December 2020**	**Change 2019 - 2020**		**Financial year ended 31 December 2019**	**Change 2018 - 2019**		**Financial year ended 31 December 2018**
		€ million	**As %**		**€ million**	**As %**	
Premium Solutions	53.5	(0.6)	-1.1%	54.1	22.2	69.4%	31.9
Automated Solutions	7.5	0.1	1.3%	7.4	1.2	18.8%	6.3
Central Platform(1)	(53.0)	(26.8)	102.1%	(26.2)	(12.7)	93.8%	(13.5)
Adjusted EBITDA	**8.0**	**(27.3)**	-77.3%	**35.3**	**10.7**	43.1%	**24.7**

(1) The Central Platform is not an operating segment under IFRS 8, but is monitored by the Group for its internal reporting needs and covers the costs of the following centralised operating functions that have not been allocated to the Premium Solutions or Automated Solutions operating segments: the IT, products and operations teams, who develop and operate the technology related to the platform for distribution to digital service providers and data analysis; the marketing teams, who develop and use the tools to promote artists; the teams who develop and structure the commercial offerings; and various support functions, such as the Finance or Human Resources teams.

Premium Solutions

The adjusted EBITDA generated by the Premium Solutions segment fell by €0.6 million (or 1.1%) for the financial year ended 31 December 2020, from €54.1 million for the financial year ended 31 December 2019 to €53.5 million for the financial year ended 31 December 2020. It rose by €22.2 million (70%) for the financial year ended 31 December 2019, from €31.9 million

72 Including the portion of personnel costs recognized as capitalized development costs and excluding share-based payment costs under IFRS 2.

for the financial year ended 31 December 2018 to €54.1 million for the financial year ended 31 December 2019.

The small change in the adjusted EBITDA of the Premium Solutions segment for the financial year ended 31 December 2020, despite the strong growth in revenue for this segment (see paragraph 7.2.1 *"Revenue"* above), is mainly due to the increase in cost of sales (due to the growth in revenue) representing 80% of the costs excluding amortization and impairment, and to the sharp rise in sales and marketing expenses representing 20% of the costs excluding amortization and impairment and resulting from the Group's substantial investments to support the future growth of these activities (see paragraphs 7.2.3, 7.2.4 and 7.2.5 above).

The change in the adjusted EBITDA of the Premium Solutions segment in the financial year ended 31 December 2019 was mainly driven by the strong growth in revenue of this segment (see paragraph 7.2.1 *"Revenue"* above). This fully offset the significant increase in sales and marketing expenses (representing 19% of the costs excluding amortization and impairment) related to the investments made to support the growth in the Group's Premium Solutions segment, even generating a surplus.

For the financial year ended 31 December 2018, cost of sales for the Premium Solutions business represented 83% of costs excluding amortization and impairment and other costs represented 17% of costs excluding amortization and impairment.

Automated Solutions

The adjusted EBITDA generated by the Automated Solutions segment remained stable at €7.5 million for the financial year ended 31 December 2020. It increased by €1.2 million (18.2%) for the financial year ended 31 December 2019, rising from €6.3 million for the financial year ended 31 December 2018 to €7.4 million for the financial year ended 31 December 2019. The costs included in adjusted EBITDA amounted to €14 million, €20 million and €25 million for the years ended December 31, 2018, 2019 and 2020, respectively.

The stability of the adjusted EBITDA of the Automated Solutions segment for the financial year ended 31 December 2020, despite the growth in revenue of 16.9%, can be explained primarily by the sharp rise in sales and marketing expenses related to the investments made to support the growth of the Group's Automated Solutions segment (with the deployment of the Automated Solutions offer internationally and the development of new services).

The change in the adjusted EBITDA of the Automated Solutions segment for the financial year ended 31 December 2019 can be explained primarily by the strong growth in revenue of this segment. This fully offset the sharp rise in marketing and sales expenses related to the investments made to support the growth of the Group's Automated Solutions segment, even generating a surplus.

Central Platform

The Central Platform costs included in the Group's consolidated adjusted EBITDA more than doubled during the financial year ended 31 December 2020, from €26.2 million for the financial year ended 31 December 2019 to €53.0 million for the financial year ended 31 December 2020. The costs rose €12.7 million (or 94%) during the financial year ended 31 December 2019, from €13.5 million for the financial year ended 31 December 2018 to €26.2 million for the financial year ended 31 December 2019.

The increase in the Central Platform costs included in adjusted EBITDA over the 2018 – 2020 period is the result of substantial investments made by the Group to expand its IT teams and develop its technology platform, as well as to expand support functions, such as the finance and human resources departments, in order to support the growth in the Group's activities.

8. CASH AND EQUITY

8.1 Overview

The main financing needs of the Group include its working capital requirements, capital expenditure (especially in the context of its development and external growth strategy (see paragraph 5.7 "*Investments*" of this registration document)), loan repayments and interest payments.

The Group's primary sources of liquidity are the following:

- net cash from (used in) operating activities, which amounted to €(4.1) million for the financial year ended 31 December 2020, €31.9 million for the financial year ended 31 December 2019, and €29.1 million for the financial year ended 31 December 2018 (see paragraph 8.5.2.1 "*Net cash flow from operating activities*" of this registration document);
- a Credit Agreement signed with a bank syndicate for a total of €132.8 million, divided into five lines of credit, maturing in 2024, on which the principal remaining due at 31 December 2020 was €92.9 million (see paragraph 8.2.2.1 "*Credit Agreement*" of this registration document); and
- five term loans subscribed with bpifrance for a total of €10 million, maturing from 2022 to 2026, for which the principal remaining due at 31 December 2020 was €7.1 million (see paragraph 8.2.2.2 "*Loans from bpifrance*" of this registration document).

During its IPO, the Group intends to proceed, effective on the settlement-delivery date of the Company's shares offered in the context of their admission to trading on the regulated market of Euronext Paris, with the repayment in full of the Credit Agreement using the proceeds from its share capital increase, concurrently with the arrangement of a New Revolving Credit Agreement (see paragraph 8.3 "*New Revolving Credit Agreement*" of this registration document).

Based on the updated cash flow forecasts, the Group considers that it will be able to meet its liquidity needs during the twelve-month period following the date of this registration document, as well as to make interest payments on its financial debt during that period.

8.2 Financial resources and financial liabilities

8.2.1 Working capital requirement

The table below shows the change in working capital requirement on the Group's statement of financial position over the last three years:

(€ million)	Financial year ended 31 December		
	2020	2019	2018
Inventories	4.0	2.2	2.9
Trade receivables	110.4	97.6	71.5
Advances to artists and labels – current portion	108.8	62.9	53.1
Other current assets	30.2	43.4	35.8
Current tax assets	4.8	0.6	0.3
Trade payables	(333.0)	(282.6)	(233.5)

Other current liabilities[73]	(29,5)	(43.2)	(43.7)
Current tax liabilities	(2.0)	(5.4)	(0.5)
Working capital requirement	**(106.4)**	**(124.5)**	**(114.2)**

The working capital requirement corresponds primarily to the value of inventories plus trade receivables, advances to artists and labels – current portion and other current assets, minus trade payables and other current liabilities.

Trade receivables mainly represent the amounts due by the digital service providers and social media platforms to the Group, as well as the invoices to be issued in the context of estimating revenue at closing.

Advances to artists and labels – current portion represent unrecouped amounts of advances paid by the Group to selected artists and labels.[74]

Other current assets are mainly tax and social security receivables that the Group holds against the tax administration at the end of the period, including VAT receivables.

Trade payables primarily represent the amounts due by the Group to the artists and labels. They also include liabilities on contracts, which mainly correspond to the advances and guaranteed minimums received from the digital platforms and to prepaid income related to the subscriptions that are paid in full at the start of the contract by the artists and are spread over several years in the context of the Automated Solutions. The amount of liabilities on contracts equalled €21.9 million, €15.4 million and €16.6 million for the financial years ended 31 December 2020, 2019 and 2018, respectively.

Other current liabilities include tax and social security liabilities and other debts.

Given the Group's activities, the change in its working capital requirement depends, first, on the net amount of the unrecouped advances granted to artists and labels under contracts signed with them, and second, on the difference that exists between the moment the Group receives the amounts paid by the digital service providers and the moment when the corresponding amounts (for amounts less than the payments collected from digital service providers and social media platforms in the case of remuneration paid in the Premium Solutions business) are then paid to the artists and labels.

The change in these two items contributes (positively or negatively) to the generation of the Group's cash flows.

For the financial year ended 31 December 2020, the Group's working capital requirement amounted to €(106.4) million, represented mainly by trade payables in the amount of €333.0 million, which were partially offset by trade receivables for €110.4 million and advances to artists and labels – current portion in the amount of €108.8 million. The working capital requirement for the year ended 31 December 2020 increased by €18.1 million over the financial year ended 31 December 2019, primarily because of the sharp increase of 73.0% in advances to artists and labels – current portion, which rose from €62.9 million for the financial year ended

73 Other liabilities include current provisions

74 Under some contracts with artists and labels, the Group pays them advances. The advances are recognised as assets when they are paid and are booked as expenses as the associated rights fall due. They are reviewed at the end of each period to assess whether they are recoupable and are impaired where appropriate. Impairment, if any, is calculated on the basis of an estimate of the amount to be recouped until the end of the contract and is recorded as cost of sales. Advances maintained in assets are divided between a current portion (portion that the Group believes will be recouped in the 12 months after closing) and a non-current portion. See also paragraph 5.11 *"The Group's main contracts"* of this registration document for a description of the mechanism for advances.

31 December 2019 to €108.8 million for the period ended 31 December 2020, i.e., a negative impact on the Group's cash flow of 4.9% of the change in its annual consolidated revenues. This increase reflects the growth in the Group's activities, but also the continuation of its substantial investments in advances in order to offer financing solutions to artists and labels to support their career development as part of its growth strategy.

The Group's working capital requirement as of 31 December 2019 was €(124.5) million, mainly represented by trade payables in the amount of €282.6 million, which were partially offset by trade receivables for €97.6 million and advances to artists and labels – current portion in the amount of €62.9 million. The amount of unrecouped net advances for the financial year ended 31 December 2019 was up from the previous year, as the Group continued its investments in advances for the reasons indicated above.

As of 31 December 2018, the Group's working capital requirement amounted to €(114.2) million, represented mainly by trade payables in the amount of €233.5 million, which were partially offset by trade receivables for €71.5 million and advances to artists and labels – current portion in the amount of €53.1 million.

8.2.2 Financial liabilities

8.2.2.1 Credit agreement

A credit agreement was entered into on 27 September 2018 (this agreement, as amended by a first amendment dated 9 December 2019, the "**Credit Agreement**") between the Company, as borrower, Société Générale Corporate and Investment Banking, as arranger, Société Générale as agent, security agent and lender, and Banque Neuflize OBC, Caisse d'Epargne et de Prévoyance d'Ile-de-France and HSBC France as lenders.

(a) Credit lines

Under the terms of the Credit Agreement, the bank syndicate made available to the Company (i) a refinancing loan for a maximum principal amount of €2.8 million intended to refinance an existing loan (maturity of 27 September 2024) (the "**Refinancing Loan**"); (ii) a loan for a maximum principal amount of €20 million to be used for the acquisition of Nuclear Blast GmbH (maturity of 27 September 2024) (the "**Nuclear Blast Loan**"); (iii) a loan for a maximum principal amount of €20 million to be used for the acquisition of GoodtoGo GmbH (maturity of 27 September 2024) (the "**Good-to-go Loan**"), (iv) a revolving credit line for a maximum principal amount of €20 million to be used, *inter alia*, to finance the Group's general needs and to finance authorised external growth transactions (maturity of 9 December 2024) (the "**2018 Revolving Credit Line**") and (v) a revolving credit line for a maximum principal amount of €70 million to be used to fund authorised external growth transactions (maturity of 9 December 2024) (the "**Revolving Credit Line**").

On 27 September 2018, the Company drew down the entire amount of the Refinancing Loan. At 31 December 2020, the outstanding principal on the Refinancing Loan was €1.9 million.

On 23 October 2018, the Company drew down the entire amount of the Nuclear Blast Loan and the Good-to-go Loan for a total of €40 million. At 31 December 2020, the outstanding principal on these two loans totalled €26.7 million.

On 30 November 2020, the Company drew down a portion of the Revolving Credit Line for a total of €64.4 million. At 31 December 2020, the outstanding principal on this loan was €64.4 million.

At 31 December 2020, the line of credit from the 2018 Revolving Credit Line had not been used.

(b) Interests and fees

The loans contracted under the Credit Agreement bear interest at an annual rate equal to the sum (i) of the variable rate indexed to the 3-month Euribor and (ii) a margin applicable to each loan.

These margins are adjusted every six months on the basis of a gearing ratio of consolidated net financial debt/consolidated EBITDA of the Group. Thus, on the basis of the ratio of consolidated net financial debt/consolidated EBITDA at 31 December 2020, calculated in accordance with the provisions of the Credit Agreement on the basis of the Group's consolidated financial statements, the margins applicable at the date of this registration document are as follows:

- for the Refinancing Loan: 1.25% per annum;
- for the Nuclear Blast Loan: 1.25% per annum;
- for the Good-to-go Loan: 1.25% per annum;
- for the 2018 Revolving Credit Line: 0.80% per annum; and
- for the Revolving Credit Line: 1.25% per annum.

Interest rate swap contracts were taken out to fix the annual rates as follows:

- for the Refinancing Loan: 0.365% per annum;
- for the Nuclear Blast Loan: 0.365% per annum;
- for the Good-to-go Loan: 0.365% per annum.

(c) Security interests

Under the Credit Agreement, the lending banks benefit from security interests and guarantees made by the Company to guarantee its obligations, subject to the usual limitations and with respect for the corporate interests of entities concerned. Thus, the Company granted (i) to secure all sums due under the Nuclear Blast Loan and the Good-to-go Loan, a pledge on the shares of its subsidiary Believe GmbH; (ii) to secure all sums due under the Nuclear Blast Loan, a *Dailly* assignment of the intragroup loan made by the Company to Believe Digital GmbH and intended for the acquisition of Nuclear Blast; (iii) to secure all sums due under the Good-to-go Loan, a *Dailly* assignment of the intragroup loan made by the Company to Believe Digital GmbH and intended for the acquisition of Good-to-go; (iv) to secure all sums due under the 2018 Revolving Credit Line and the Refinancing Loan, a senior pledge over the Company's business assets; and (v) to secure all sums due under the Revolving Credit Line, a junior pledge over the Company's business assets.

These security interests will be definitively released upon repayment in full of the Credit Agreement, due to take place on the date of settlement-delivery of the Company's shares in the context of their admission to trading on the regulated market of Euronext Paris.

(d) Covenants and restrictive clauses

The Credit Agreement contains certain affirmative, negative and reporting covenants (subject to the usual exceptions and exemptions) customary for this type of financing, including limitations concerning:

- the subscription of short-term or medium-term financial debt;
- external growth transactions;
- assignments, sales or transfers of any intangible assets, property plant and equipment or financial assets;

- tangible, intangible or financial investments for a cumulative cash amount at Group level exceeding 5% of the Group's consolidated annual revenue for each financial year;
- the granting or continuation of security interests in real and/or personal property;
- the granting of credit, advances or loans;
- mergers, absorptions, spin-offs or any transaction with an equivalent effect;
- the modification of its legal form, corporate purpose or the general nature of its business;
- the reduction of its share capital or the cancellation or buyback of the shares composing its share capital;
- the transfer of its registered office outside France; and
- the execution of agreements for joint ventures, special partnerships or any other agreement resulting in unlimited liability.

(e) Mandatory or voluntary prepayment events

The debt contracted under the Credit Agreement is subject to mandatory prepayment (subject to certain exceptions), in whole or in part, if certain ordinary events occur, such as a change in shareholders, an initial public offering, a disposal of non-current assets subject to a minimum amount, a payment of insurance indemnities related to the acquisitions of Nuclear Blast and Good-to-go or a payment of indemnities in respect of an asset and liability guarantee given in connection with the Nuclear Blast and Good-to-go acquisitions.

The debt contracted under the Credit Agreement may be voluntarily prepaid by the borrower, in whole or in part, subject to minimum amounts and prior notice.

(f) Accelerated prepayment events

The Credit Agreement stipulates a number of accelerated prepayment events that are customary for this type of financing, including payment defaults, non-compliance with the financial ratio or any other obligation or representation, cross-default, collective proceedings and insolvency, certain financial convictions or the occurrence of a material adverse event.

In the context of the admission of the Company's shares to trading on the regulated market of Euronext Paris, it is planned that the Revolving Credit Agreement will be terminated and replaced with a new syndicated credit agreement described in paragraph 8.3 of this registration document. The repayment of the Revolving Credit Agreement and the establishment of the new syndicated credit agreement, as well as the release of the security interests described in paragraph (c) above will be performed on the date of settlement-delivery of the shares offered in the context of their admission to trading on the regulated market of Euronext Paris, prior to such settlement-delivery.

8.2.2.2 Loans from bpifrance

The Company entered into five (5) loan agreements with bpifrance for a total of €10 million, each with a maturity of 7 years, spread between 2022 and 2026 (the "**BPI Loans**"). At 31 December 2020, the total amount outstanding on the loans from bpifrance was €7.1 million.

8.3 New Revolving Credit Agreement

At the time of its IPO, the Group intends to proceed, with effect from the settlement-delivery date of the Company's shares offered in connection with their admission to trading on the regulated market of Euronext Paris, with the full repayment of the Credit Agreement using the proceeds of its capital increase, concurrently with the implementation of a new revolving credit agreement, replacing the Credit Agreement.

To this end, on 6 May 2021, the Group entered into a new senior revolving credit facility agreement (the "**New Revolving Credit Agreement**") with a syndicate of international banks including BNP Paribas, Neuflize OBC Bank, Caisse d'Epargne et de Prévoyance d'Ile-de-France, HSBC Continental Europe and Société Générale (the "**Lenders**"), for a term of five years from the settlement-delivery date of the Company's IPO. The New Revolving Credit Agreement is governed by French law. The drawdown of the amounts made available to the Group by the Lenders under the New Revolving Credit Agreement is subject to certain conditions. It is specified that the Group intends to satisfy all of these conditions at the latest on the date of the final pricing of the Company's shares in connection with their admission to trading on the regulated market of Euronext Paris, with the exception of customary conditions that can only be satisfied on the settlement-delivery date.

(a) Credit line

The New Revolving Credit Agreement provides for a revolving credit facility in the amount of €170 million, each amount drawn being repayable at the end of the applicable interest period.

(b) Interest and fees

The loans under the New Revolving Credit Agreement will bear interest at a variable rate indexed to EURIBOR, plus the applicable margin in each case. The applicable margin is initially set at 0.80% per annum, with an upward or downward ratchet mechanism. The following fees will also be payable: (i) a commitment fee due in respect of each Lender's available credit commitment under the revolving credit line at a rate of 35% of the applicable margin and (ii) a utilization fee due in respect of drawings under the revolving credit line above a certain threshold at a rate of between 0.10% per annum and 0.15% per annum and varying according to the proportion of the revolving credit line drawn.

The table below sets out the spread of the margins for the credit facilities based on the Group's pro forma total net debt to consolidated EBITDA ratio, as defined in the New Revolving Credit Facilities Agreement. The margins will be reviewed on a semi-annual basis by testing the ratio every six months.

Leverage ratio (total net debt/pro forma consolidated EBITDA)	**Applicable margin**
Less than or equal to 0.5x	0.80%
Greater than 0.5x and less than or equal to 1.0x	0.90%
Greater than 1.0x and less than or equal to 1.5x	1.15%
Greater than 1.5x and less than or equal to 2.0x	1.20%
Greater than 2.0x and less than or equal to 2.5x	1.35%

The definition of total net debt provided in the New Revolving Credit Facility Agreement for the purposes of calculating the ratio corresponds to the concept of net debt presented in Note 8.4 to the Group's consolidated financial statements for the years ended 31 December 2020, 2019 and 2018, adjusted mainly for obligations related to interest rate and currency hedges. The definition of pro forma consolidated EBITDA provided in the New Revolving Credit Facility Agreement is based on "Operating income (loss)" as defined in this registration document, adjusted mainly for depreciation, amortisation and impairment of the Group's assets, "Other operating income (expenses)", and shared-based payments.

(c) Security interests

The New Revolving Credit Agreement contains certain affirmative and negative covenants, including not to:

- create security interests;
- dispose of assets;
- carry out certain mergers, spin-offs, partial contributions of assets and similar transactions; and
- change the nature of the Group's business,

in each case subject to stipulated de *minimis* amounts and/or customary exceptions for this type of financing.

The New Revolving Credit Agreement also contains covenants such as compliance with applicable laws and that the loan will rank equally with the Company's other unsecured and unsubordinated debt. Finally, the New Revolving Credit Agreement requires compliance with a financial ratio, which will limit the amount of debt that can be contracted by members of the Group. The Group will be required to maintain a leverage ratio (total net debt/consolidated pro forma EBITDA), tested at the end of each half-year and for the first time for the period ending 31 December 2021 of less than or equal to 2.5x until the maturity of the New Revolving Credit Agreement.

(d) Mandatory or voluntary prepayment events

The New Revolving Credit Agreement authorizes voluntary prepayments subject to prior notice and a minimum amount.

In addition, the New Revolving Credit Agreement provides for an early repayment and/or cancellation event in the event of a change of control, at the request of any lender within 15 business days of receipt of the notification by the facilities agent of the notification by the Company to the facilities agent of the occurrence of such an early repayment/cancellation event. The affected undrawn loans shall be cancelled upon receipt by the facilities agent of the request of the affected lender(s) and the affected outstanding drawings shall be repaid within 15 business days of receipt by the facilities agent of the request of the affected lender(s). A change of control shall occur in the event that a person or group of persons acting in concert (other than Mr Denis Ladegaillerie, TCV Luxco BD S.à.r.l., Ventech and XAnge, the current principal shareholders of the Company, or entities controlled by, or investment vehicles managed by, such shareholders), acquires, directly or indirectly, shares in the Company giving the right to more than 50% of the voting rights of the Company.

(e) Accelerated prepayment events

The New Revolving Credit Agreement provides for a number of events of acceleration that are customary for this type of financing, including, in particular, payment defaults, non-compliance with the financial ratio or any other obligation or declaration, cross-acceleration events, collective proceedings and insolvency, certain pecuniary condemnations or the occurrence of significant adverse events.

8.4 Description and analysis of the main categories of utilisation of the Group's cash

8.4.1. Investments

The Group's investment expenditure can be divided into the following categories:

– investments in the development of its technology platform, represented by the capitalised costs of the development of intangible assets;

– the acquisitions of companies or businesses as part of its external growth policy.

Development costs capitalised as intangible assets for the financial years ended 31 December 2020, 2019 and 2018 amounted to €27.3 million, €16.0 million and €6.8 million, respectively. For more information on the Group's historical, current and future investments, see paragraph 5.7 "*Investments*" of this registration document (see also Note 6.2 to the Group's consolidated financial statements for the financial years ended 31 December 2020, 2019 and 2018 for information on the capitalisation of development costs).

Disbursements related to the acquisition of subsidiaries, net of cash acquired, for the financial years ended 31 December 2020, 2019 and 2018 were €19.4 million, €37.0 million and €56.4 million, respectively. For more information on the acquisitions of companies or businesses completed by the Group over the last three years, see paragraph 7.1.2.4 *"External growth transactions"* of this registration document.

8.4.2 Payment of interest and repayment of financial debt

The Group allocates a portion of its cash flows to the servicing and repayment of its debt. The Group paid financial interest in the amount of €1.0 million, €1.5 million and €1.5 million for the financial years ended 31 December 2020, 2019 and 2018, respectively. It also paid, for the repayment of its loans, €7.8 million, €8.4 million and €44.4 million for the financial years ended 31 December 2020, 2019 and 2018, respectively.

Lease payments represented €3.6 million, €4.2 million and €3.1 million for the financial years ended 31 December 2020, 2019 and 2018, respectively.

8.4.3 Advances to artists and labels

Advances paid by the Group to artists and labels (see paragraph 5.11. *"The Group's main contracts"* of this registration document for a description of the mechanism for advances) have a negative impact on its working capital requirement and lead to an immediate use of cash by the Group.

For the last three financial years, the amount of advances paid by the Group to artists and labels increased because of the growth in its revenue, but also because of the launch of dedicated commercial offerings (Artist Solutions and Artist Services), the start-up of which resulted in the payment of advances used by the artists to finance the development of singles or albums (see also paragraphs 8.2.1 "*Working capital requirement*", 3.2.1 "*Risks related to relationships with artists and labels*" and 3.4.1 "*Liquidity risks*" of this registration document).

The net amount of unrecouped advances to artists was €108.8 million, €62.9 million and €53.1 million for the financial years ended 31 December 2020, 2019 and 2018, respectively.

8.5 Group's consolidated cash flows for the financial years ended 31 December 2020, 2019 and 2018

The table below summarises the Group's cash flows for the years ended 31 December 2020, 2019 and 2018:

(€ million)	**Financial year ended 31 December**		
	2020	**2019**	**2018**
Net cash from (used in) operating activities	(4.1)	31.9	29.1
Net cash from (used in) investing activities	(54.3)	(63.8)	(64.3)
Net cash flows from financing activities	53.6	120.0	37.4
Net increase (decrease) in cash and cash equivalents before the impact of changes in foreign exchange rates	**(4.8)**	**88.0**	**2.2**

8.5.1 Net cash from (used in) operating activities

The following table presents the net cash flow items generated from operating activities for the financial years ended 31 December 2020, 2019 and 2018:

(€ million)	**Financial year ended 31 December**		
	2020	**2019**	**2018**
Net income (loss)	(26.3)	4.6	2.5
Depreciation, amortisation and impairment of non-current assets	24.7	16.0	10.2
Share-based payment expenses	1.2	1.7	0.5
Cost of debt	2.0	1.7	0.7
Income tax	6.8	5.0	1.4
Net charges to provisions and employee benefits	0.9	0.1	0.1
Share of net income (loss) of equity-accounted companies (incl. dividends received)	2.5	(1.1)	(0.0)
Elimination of net gains or losses on disposals of assets	0.1	0.2	0.0
Other items with no cash impact	(0.1)	1.3	1.2
Income tax collected/paid	(13.5)	(2.3)	(1.0)
Change in operating working capital	(2.3)	4.6	13.4
Net cash from (used in) operating activities	**(4.1)**	31.9	29.1

Net cash from (used in) the Group's operating activities amounted to €(4.1) million for the financial year ended 31 December 2020, €31.9 million for the financial year ended 31 December 2019, and €29.1 million for the financial year ended 31 December 2018.

The decrease of €35.9 million in net cash from (used in) the Group's operating activities for the financial year ended 31 December 2020 mainly reflects (i) the increase in taxes paid in the amount of €11.2 million, (ii) the €6.9 million increase in the Group's working capital requirement, related primarily to the significant increase in advances to artists and labels – current portion and (iii) the sharp decrease of €30.9 million in the Group's net income, mainly related to the increase in operating expenses (excluding depreciation, amortization and impairment of non-current assets) (see paragraph 7.2.11 *"Net income"* of this registration document).

The Group generated positive net cash from its operating activities during the financial years ended 31 December 2018 and 2019, which helped to finance its growth. This was due in particular to a negative working capital requirement, which was however affected in the financial year ended 31 December 2019 by an increase in advances paid to artists and labels – current portion; the Group invested in the advances in order to offer financing solutions to its artists and labels (see paragraph 8.2.3 *"Financial liabilities"* above).

8.5.2 Net cash used in investing activities

The following table presents the net cash used in investing activities for the financial years ended 31 December 2020, 2019 and 2018:

(€ million)	Financial year ended 31 December		
	2020	2019	2018
Acquisitions of property, plant and equipment, and intangible assets	(34.7)	(24.3)	(7.6)
Acquisitions of subsidiaries, net of cash acquired	(19.4)	(37.0)	(56.4)
Decrease (increase) in loans	(0.1)	(1.3)	0.0
Decrease (increase) in non-current financial assets	(0.2)	(1.2)	(0.3)
Net cash from (used in) investing activities	**(54.3)**	**(63.8)**	**(64.3)**

Net cash from (used in) the Group's investing activities amounted to €(54.3) million for the financial year ended 31 December 2020, €(63.8) million for the financial year ended 31 December 2019 and €(64.3) million for the financial year ended 31 December 2018.

Net cash allocated to investing activities was down €9.5 million for the financial year ended 31 December 2020; the increase of €10.4 million in disbursements related to acquisitions of tangible and intangible assets, which were primarily related to the Group's substantial investments in the development of its technology platform to support the growth of its businesses, was more than offset by a decrease of €17.6 million in disbursements related to acquisitions of subsidiaries, net of cash acquired. For the financial year ended 31 December 2019, the total amount of disbursements related to acquisitions of subsidiaries, net of cash acquired, amounted to €37.0 million, mainly with the acquisition of Venus in India for €32.6 million net of cash acquired (€2.8 million), Canvas for €2.1 million and Entco for €1.1 million, versus a total of €19.4 million for the financial year ended 31 December 2020 with the acquisition of a majority stake in the DMC label in Turkey for €18.8 million net of acquired cash (€1.6 million) and the acquisition of a stake in Ircam Amplify, a subsidiary of the Institut de Recherche et de Coordination Acoustique/Musique (IRCAM) charged with creating value from licences and expertise.

Net cash used in the Group's investing activities remained almost stable during the financial year ended 31 December 2019; the increase of €16.7 million in disbursements related to acquisitions of tangible and intangible assets for the financial year ended 31 December 2019, which was primarily related to the Group's substantial investments in the development of its technology platform to support the growth of its businesses, was offset by a decrease of €19.4 million in disbursements related to acquisitions of subsidiaries, net of cash acquired. For the financial year ended 31 December 2018, the total amount of disbursements related to acquisitions of subsidiaries, net of cash acquired, amounted to €56.4 million, mainly with the acquisition in Germany of Groove Attack for €25.2 million net of acquired cash (€8.0 million) and the label Nuclear Blast for €19.0 million net of acquired cash (€1.0 million), versus a total amount of €37.0 million for the financial year ended 31 December 2019, mainly with the acquisition of Venus in India for €32.6 million net of acquired cash (€2.8 million), Canvas for €2.1 million and Entco for €1.1 million. For the financial year ended 31 December 2019, the Group also recorded, as a decrease (increase) in loans, a disbursement of €1.3 million corresponding mainly to the current account with Lili Louise Musique, and recorded, as a decrease (increase) in non-current financial assets, a disbursement of €1.2 million, primarily composed of the security deposit for the rental of offices for the Group's new registered office.

8.5. 3 Net cash flows from financing activities

The following table presents the net cash flows from financing activities for the financial years ended 31 December 2020, 2019 and 2018:

(€ million)	**Financial year ended 31 December**		
	2020	**2019**	**2018**
Increase in borrowings	64.4	-	86.3
Decrease in borrowings	(7.8)	(8.4)	(44.4)
Repayment of lease liabilities	(3.6)	(4.2)	(3.1)
Interests paid	(1.0)	(1.5)	(1.5)
Share capital increases (reductions) by owners	1.5	134.0	0.1
Net cash flows from financing activities	**53.6**	**120.0**	**37.4**

The Group's net cash flows from financing activities amounted to €53.6 million for the financial year ended 31 December 2020, €120.0 million for the financial year ended 31 December 2019, and €37.4 million for the financial year ended 31 December 2018.

The Group's net cash flows from financing activities amounted to €53.6 million for the financial year ended 31 December 2020, down €66.4 million from the financial year ended 31 December 2019, during which share capital increases for a total of €134.0 million were completed by the Group. In order to finance the development of its growth, the Company drew down a portion of the Revolving Credit Line for a total of €64.4 million in November 2020; this increase in borrowings partially offset the decrease in the funds drawn from share capital increases in the financial year ended 31 December 2020 compared with the financial year ended 31 December 2019. The share capital increases of €1.5 million during the financial year ended 31 December 2020 are the result of the exercise of share subscription warrants and founder's share subscription warrants (BSPCE) by their holders.

The Group's net cash flows from financing activities increased by €82.6 million for the financial year ended 31 December 2019, driven by share capital increases for a total of €134.0 million (including share premium) that (i) were completed by the Group thought two capital increases with cancellation of preferential subscription rights with its existing shareholders for a total of €132.8 million, through the issuance of class P5 preference shares, in order to finance the growth of its businesses, and (ii) resulted from the exercise of share subscription warrants and founder's share subscription warrants (BSPCE) by their holders in the amount of €1.1 million (see note 10.1 *"Changes in share capital"* to the Group's consolidated financial statements for the years ended 31 December 2020, 2019 and 2018 for a description of the terms of these capital increases). During the financial year ended 31 December 2019, the Group also recorded a decrease in long-term borrowings, mainly under the Credit Agreement (arranged during the financial year ended 31 December 2018 and accounting for the increase in long-term borrowings for €40.0 million), in the amount of €7.1 million, and under the BPI Loans, in the amount of €1.3 million.

8.5.4 *Free cash flow*

Free cash flow corresponds to net cash flows from operating activities after acquisitions and disposals of tangible and intangible assets. This indicator, which reflects the Group's capacity to generate cash from its operating activities, is taken into consideration by Executive Management to define its investment strategy and financing policy.

Free cash flow is an alternative performance indicator within the meaning of AMF position no. 2015-12. Free cash flow is not a standardised accounting aggregate with a single definition generally accepted by IFRS. It must not be regarded as a substitute for operating income, net income or cash flows from operating activities, which are IFRS-defined measures, or even as a measure of liquidity. Other issuers may calculate free cash flow differently from the definition used by the Group.

Free cash flow is reconciled as follows with the data from the consolidated statement of cash flows for the financial years ended 31 December 2020, 2019 and 2018:

(€ million)	**Financial year ended 31 December 2020**	**Financial year ended 31 December 2019**	**Financial year ended 31 December 2018**
Net cash from (used in) operating activities	(4.1)	31.9	29.1
Acquisitions of property, plant and equipment, and intangible assets	(34.7)	(24.3)	(7.6)
Free cash flow	**(38.8)**	**7.5**	**21.5**

The Group's free cash flow amounted to €(38.8) million, €7.5 million and €21.5 million for the financial years ended 31 December 2020, 2019 and 2018, respectively.

The decrease in free cash flow for the financial year ended 31 December 2020 is driven primarily by the decrease in net cash from (used in) operating activities in the amount of €35.9 million, which was mainly related to the increase in taxes paid, the increase in working capital requirement (largely due to the increase in advances paid to artists and labels – current portion) and the decrease in net income (see also paragraph 8.5.2.1 *"Net cash from (used in) operating activities"* of this registration document); the Group also continued its substantial investments in the development of its technology platform, which led to an increase in capitalised development costs of €27.3 million, the main reason for the increase in acquisitions of tangible and intangible assets.

The decrease in free cash flow for the financial year ended 31 December 2019 is driven primarily by the increase in acquisitions of tangible and intangible assets, related to the increase in capitalised development costs, for €16.0 million. This is due to the substantial investments made by the Group in the development of its technology platform and, to a lesser extent, acquisitions of tangible assets for €7.9 million (net of the change in associated fixed asset payables), which mainly reflect the fitting out of the Company's headquarters (see also paragraph 5.7 *"Investments"* of this registration document). The growth in net cash from (used in) operating activities was also limited in 2019, impacted by the increase in advances paid by the Group to artists and labels (see also paragraph 8.5.1 *"Net cash from (used in) operating activities"* of this registration document).

9. LEGISLATIVE AND REGULATORY ENVIRONMENT

The Group is subject to various regulations through its business activities, notably in Europe and the United States and in other countries where it operates, in particular India, Russia and China.

The main regulations governing the Group's activities are set out below. With regard to its digital sales activities and, to a lesser extent, its music production activities, the Group is mainly subject to regulations regarding literary and artistic property. In this context, it is mainly subject to regulations on copyright-neighbouring rights – which are owned by producers and performing artists – and to a lesser extent to regulations on copyrights – which are owned by songwriters.

The Group's Legal Department, with the support of external advisors, ensures compliance with local laws relating to its sector of activity in all the countries in which it operates.

Digital sales

The Group specialises in the digital distribution of music and video content. Its activity is to market and promote, through online streaming or download platforms in a large number of countries, the recordings of the independent producers who have signed with the Group for the distribution, promotion and marketing of their catalogues (see paragraphs 5.6.2.1 *"Premium Solutions: a customised product operated by experts in music and data analysis and supported by cutting-edge technology, targeting the needs of all artists, from the emerging to the established to the top"* and 5.6.2.2 "*Automated Solutions: a high value-added technological product targeting the needs of emerging artists*" of this registration document).

To distribute its catalogue, the Group enters into contracts with digital service providers, such as Deezer or Spotify. The Group then receives a share of the revenue generated by the digital distribution of the catalogue as remuneration from the digital service providers.

In order to be able to distribute this catalogue and to benefit from the digital sale rights on this catalogue, the Group enters into contracts under which a producer grants the Group the right to market all or part of its catalogue in digital dematerialised format, exclusively in a given region. More specifically, producers grant the Group neighbouring rights that they own or have obtained through assignment. In return for this concession, the Group pays the producer a share of the revenue generated by the digital distribution of the catalogue. It is thus subject to the regulations applicable to producers' neighbouring rights.

Complementary services to artists

In addition to digital distribution, the Group offers artists whose music recordings it distributes a wide range of services enabling them to optimise their exposure, increase their audience and develop and diversify their revenue. These services include: promotion and publicity, creation of visuals, branding partnership and endorsement opportunities, the exploitation of additional rights (e.g., synchronisation or sale of secondary products) or the payment of advances to finance the development of singles or albums.

In return, the Group receives remuneration.

Music production

In addition to digital distribution, the Group can very occasionally engage in a music production activity, in which it directly produces the phonographic recordings of its own performing artists, mainly in France. In this context, the Group enters into phonograph recording contracts with performing artists known as masters or artist contracts. The Group assumes the recording costs and the contract specifies the terms pertaining to the recording, its exploitation and its promotion. The performing artists, in turn, grant the Group a part of the neighbouring rights they hold to their performances. In return, the Group pays performing artists a share of the revenue.

The artist contract is governed by the provisions relating to neighbouring rights, since performing artists assign the neighbouring rights of their performances to the Group, in its capacity as producer. The Group also holds neighbouring rights to the recordings and/or videograms thus produced. The artist contract is also an employment contract subject to the rules of employment law and social security law in France.

Music publishing

To a lesser extent, the Group is a music publisher, mainly in connection with the performing artists whose recordings it produces. In this context, the Group enters into publishing and assignment contracts with songwriters for their musical works. These songwriters are the creators of the musical work (the composer composing the melody and the writer writing the lyrics) included in a phonographic recording ("master"); sometimes the performing artists themselves are writers and composers. In this case, only the copyright is the subject of the contract, not the neighbouring rights of performing artists or producers.

The relationship between the Group and the writer-composer is governed by a publishing contract and by the specific legal provisions on copyright.

Live productions business

In addition to the above activities, the Group stages live performances, in particular producing concerts and putting on stage performances. In this context, the Group relies on co-producers of performances and calls on various contributors, such as musicians, stage managers or technicians, who are each paid their own fee. A specific regime for casual workers in the entertainment industry is applicable to these different contributors.

Online activity

Finally, the Group operates websites, notably TuneCore in the United States, through which it can provide online services to end users who are mainly professionals (artists, producers or distributors) holding rights to a music catalogue.

The Group has also developed dedicated websites for some of its own labels or for some of the artists it produces, where merchandising items can be sold. This activity may involve additional obligations for the Group in terms of content liability, e-commerce or consumer law.

9.1 Regulations relating to literary and artistic property

In its various countries of operation, the Group is required to comply with the various regulations protecting literary and artistic property, particularly with regard to copyright-neighbouring rights, and to a lesser extent with regard to copyright. The rules applicable in France and then the specificities of the other countries of the European Union and the rest of the world are detailed below.

Europe

Numerous secondary legislation texts have been adopted to approximate the national laws of the Member States of the European Union in the field of literary and artistic property. More specifically, within the European Union, Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 harmonised certain aspects of copyright and neighbouring rights in the information society. More recently, Directive (EU) 2019/790 of the European Parliament and of the Council of 17 April 2019 (the "**Copyright Directive**") has clarified the scope of copyright and neighbouring rights in the digital age. In particular, the Copyright Directive provides for various measures concerning the use of protected content by online services, such as YouTube, as well as measures relating to the contractual rights of writers and performing artists. Member States must transpose the Copyright Directive into national law by 7 June 2021. In France, a law empowering the Government to legislate by decree in order to partially transpose the Copyright Directive was adopted on 4 December 2020.

In the Member States of the European Union, the assignment of rights relating to intellectual works or neighbouring rights and the applicable formalities are harmonised, in particular as regards the rights that can be assigned, the duration and the territoriality of the assignment and the need for a written document.

More generally, the Group is also subject to the Berne Convention adopted in 1886, which deals with the protection of literary and artistic works, including the protection of works and the rights of authors over their works. The Berne Convention provides creators of music and video content with the means to control how their works can be used, by whom and under what conditions.

France

In France, copyright rules are codified in Articles L. 111-1 to L. 135-7 of the French *Code de la propriété intellectuelle* (Intellectual Property Code). Those relating to copyright-neighbouring rights are codified in Articles L. 211-1 to L. 217-3 of the French *Code de la propriété intellectuelle* (Intellectual Property Code).

Copyright-neighbouring rights

The Group is subject to applicable neighbouring rights regulations in two respects.

On the one hand, as part of its digital sales activity, the Group enters into contracts with producers who hold neighbouring rights to the recordings covered by these contracts.

In addition, as part of its music production activity, the Group enters into contracts with performing artists who hold neighbouring rights to their performances. In the context of this activity, the Group must also respect the rules of employment law (see paragraph 9.2 *"Employment law regulations"*).

Neighbouring rights refer to the rights granted to those involved in literary and artistic creation such as performing artists, producers of recordings and videograms, audiovisual communication companies, and publishers or press agencies.

In the context of copyright-neighbouring rights, the prerogatives granted by law, in particular to performing artists and producers of recordings and videograms, are comparable to those granted to authors. Performing artists thus enjoy the exclusive right to authorise the fixation of their performances, their reproduction and their communication to the public. Producers of recordings and videograms benefit in the same terms from a right of reproduction, a right of communication to the public, and a right to make the phonorecord or videogram "available to the public by sale, exchange or rental". Neighbouring rights have a duration of 50 years, extended to 70 years for producers of recordings and performing artists whose performances have been fixed on these recordings.

In contractual matters, the transfer or concession of the performing artist's rights is subject to the condition that each of the rights transferred is the subject of a distinct mention in the contract concluded with the phonorecord or videogram producer and that the scope of exploitation of these rights is limited as to its extent and its intended use, both in terms of place and duration. The main singularity concerns the performing artist's status as an employee, which implies a close interweaving of intellectual property and labour law (see paragraph 9.2 *"Employment law regulations"*).

Copyright

To a lesser extent, the Group is subject to copyright regulations in its capacity as a music publisher, particularly in the case of physical distribution of works related to artists produced by the Group.

Copyright includes all the rights, both moral and economic, granted to the creators of what regulations designate as "intellectual works". An intellectual work must result from a creative activity and be original, i.e., it must bear the mark of the creator's personality.

The creator of an intellectual work benefits from moral rights and economic rights to their work. French law places the creator's moral right at the forefront, recognising that it is perpetual, inalienable and imprescriptible: the creator cannot waive it in advance or assign it to a third party. Secondly, economic rights reserve, for the creator or their successor in title, all the economic uses of the work through an exclusive right of exploitation, including a reproduction right and a representation right. Economic rights last 70 years after the creator's death.

In principle, a copyright can only arise for a natural person (individual), or several natural persons in the case of a work of joint authorship, even if this person has created the work in execution of an employment contract, with the exception of the case of a collective work, which belongs to the natural or legal person under whose name the work is distributed. The creator may also grant assignments or concessions (licences) to natural or legal persons, including publishers. These assignments or concessions are subject to rather cumbersome formalities and are subject to strict interpretation in favour of the creator-assignor. The remuneration stipulated in return for the transfer must, in principle, be proportional to the revenue from the exploitation of the work, but the law admits, in many cases, that the remuneration may consist of a fixed amount.

Other countries of the European Union

In Germany, performing artists enjoy similar protection under the *Urheberrechtsgesetz* (UrhG) copyright act.

In the United Kingdom, Luxembourg and Italy, the intellectual property law applicable to creators of intellectual works also has a typology comparable to that of French law with, in particular, protection of exploitation rights, neighbouring rights and copyright.

United States

In the United States, the Group is subject to the United States Copyright Act of 1976. This law provides for a typology of rights similar to French and European law, with the exception in particular of penalties, which may include punitive damages in the event of deliberate infringement, where the amount of which is directly set by the law (statutory damages), and may reach amounts generally higher than in France or other European countries.

US practice places the onus on producers or their distributors, such as the Group, to identify the owners of mechanical reproduction rights and to obtain and pay for licences for the reproduction of works embodied in the phonographic recordings they allow to be downloaded. The Group uses the services of external service providers to identify the rights holders capable of providing these licences, exposing it in particular to the risk of not being able to identify certain rights holders and not being able to fully control the procedures implemented for this purpose. It should be noted that in almost all other countries (as well as in the area of music streaming in the United States), this responsibility lies solely with the digital platforms offering the music recordings to end users and not with the Group.

The US music industry has benefited from positive regulatory developments in recent years.

The Music Modernisation Act (MMA), which came into force in 2018 in the United States, has thus brought about major reforms in music licensing, which should, among other things, make it easier for digital music services to identify rights holders and obtain licences for musical compositions.

Finally, the Copyright Royalty Board (CRB) decided in 2018 to significantly increase the mechanical royalty rates paid for musical compositions in the US from 2018 to 2022. This decision is currently being appealed by some digital music players.

Other countries

Due to its global presence, the Group is subject to various local regulations in each of the countries where it operates. Although these local regulations generally have similarities with the regulations applicable in Europe (particularly in terms of the typology of protected rights), some of their specificities or their interpretation and application by local market players and local jurisdictions have led the Group to adapt its commercial processes as well as some of the stipulations of the contracts it concludes in these countries, in particular in India and Russia.

In addition, the Group operates in a number of countries where copyright regulations and case law are relatively new and therefore subject to change. The Group's contracts with digital service providers in these countries may also provide for the application of local law and the jurisdiction of local courts.

9.2 Employment law regulations

Any contract by which a person secures, in return for remuneration, the assistance of a performing artist in their production, shall be presumed to be an employment contract if the artist does not carry out the activity that is the subject of the contract under conditions involving their registration in the trade and companies register.

With regard to contracts with artists in France, the Group must therefore comply with the applicable rules of employment law for all the performing artists it produces.

In France, the contract by which the artist undertakes to record songs for the exclusive benefit of the Group is subject to labour law and social security law, under certain conditions specific to the artist's status.

Performing artists are covered by the general social security system. They may, however, have exemptions regarding their affiliation and the benefits they receive, as well as regarding the calculation of their contributions, which differ according to the capacity of their employer (promoter of shows or another capacity); moreover, under certain conditions they benefit from unemployment insurance schemes for intermittent workers in the entertainment industry.

In addition, with regard to live productions, a regime specific to intermittent entertainment industry workers is applicable to the various people (musicians, stage managers, technicians, etc.) working for the Group.

The unemployment insurance scheme for intermittent workers is governed in particular by French Law No. 2015-994 of 17 August 2015 on social dialogue and employment and by a decree on the unemployment insurance scheme for intermittent workers in the entertainment industry dated 13 July 2016. These provisions secure the unemployment insurance scheme for intermittent workers and strengthen the protection of the right to compensation for intermittent workers with the lowest incomes.

9.3 Regulations relating to content

The responsibility of technical intermediaries for hosting content

Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce ("**Directive on Electronic Commerce**"), provides for an exemption from liability of the hosting provider for content stored under certain conditions. It benefits from a reduced liability regime compared to the liability of content publishers. It cannot be held liable if it was not actually aware of the unlawful nature of the content and if, as soon as it became aware of it, it acted promptly to remove it. In France, the Directive on Electric Commerce was transposed by Law No. 2004-575 of 21 June 2004 for confidence in the digital economy (*Loi sur l'Economie Numérique*, or "**Law on the Digital Economy**").

As a provider of content to third parties (mainly digital service providers) for online distribution, the Group is not considered to be a host within the meaning of the Directive on Electronic Commerce or the Law on the Digital Economy and the neighbouring rights and obligations are therefore not applicable.

Two new draft regulations, the Digital Services Act ("**DSA**") and the Digital Markets Act ("**DMA**"), were published on 15 December 2020 by the European Commission and are currently under discussion at the European level. The DSA will apply to any intermediary offering online services to the European market and will aim to impose new obligations in relation to the content it hosts. The DMA will be applicable to certain online platforms that have an economic and technical position that allows them to have a significant impact on the European market and a strong intermediation position between a large user base and many suppliers of goods and services.

In the United States, a number of laws regulate the liability of online technical platforms for infringing content. These include the Copyright Act of 1976, the Digital Millennium Copyright Act (DMCA) and, to a lesser extent, the Music Modernisation Act (MMA) and the Online Copyright Infringement Liability Limitation Act (OCILLA).

Liability for the distribution of content

In France, as a content distributor, the Group is subject to the provisions of the Law of 29 July 1881 on the freedom of the press. This law establishes a fundamental principle of freedom of the press, limited by specific incriminations provided for by the law on the press, such as defamation, insult or the offences of provocations and apologies.

Under this law, the Group may be held liable for the content it distributes, including on the Internet, either as a result of contractual guarantees that would be called into play by the digital service providers to which the Group has provided the illegal content, or directly, as a distributor of illegal content. The Group could thus be required to remove or have removed content that could be considered illegal (for example, infringing content or content of a racist or denialist nature or content calling for violence) in the territory in which it is disseminated, or even be subject to civil and/or criminal penalties in this respect. In order to limit this risk, the Group has put in place internal controls to ensure that the content it distributes is legal and that it is removed quickly if necessary.

In the other countries of the European Union, the principle of liability for the distribution of content is similar to that applicable in France.

9.4 Electronic commerce and consumer law regulations

Electronic commerce

The Group is subject to US and European e-commerce regulations, particularly in relation to the activities of its subsidiaries TuneCore, Nuclear Blast and Believe SAS, notably in the context of their websites, but also in relation to the secondary product sales sites operated by the Group.

In Europe, the Directive on Electronic Commerce applies to the Group. It aims to establish a legal framework to ensure the circulation of economic activities that take place online. In particular, a certain amount of information and statements about the electronic merchant must be communicated to the recipients of the services concerned.

In France, the Law on Digital Economy applies to the Group's e-commerce activities. In particular, Article 19 of the Law on Digital Economy imposes an identification obligation on any person "publishing an online public communication service".

Consumer law

The Group is also subject to European and French consumer law in relation to the activities of its subsidiaries for end users who would be consumers. For example, there are competitions organised by Believe SAS for fans of artists and Nuclear Blast merchandising sales sites. In contrast, TuneCore's online services are not subject to consumer law as they are primarily intended for music professionals who use the services for commercial purposes, although they may be used to a lesser extent by consumers.

In Europe, Directive 2011/83/EU of the European Parliament and of the Council of 25 October 2011 on consumer rights imposes a pre-contractual information obligation on the Group and prohibits professionals from placing consumers in a position of weakness, in particular by means of unfair contractual terms.

In addition, European Directive 2019/2161 of 27 November 2019 was introduced in order to strengthen and ensure better enforcement of consumer protection rules. The main improvements concern increased transparency for consumers when shopping online, the application of effective and harmonised sanctions and the fight against fake consumer reviews. It must be transposed by 28 November 2021 at the latest, for application from 28 May 2022.

In France, the *Code de la consommation* (Consumer Code) applies to the Group's consumer activities. In particular, any professional proposing the conclusion of a contract must provide the consumer with the pre-contractual information set out in Article L. 111-1 of the Consumer Code and, in the case of a distance selling contract, the mandatory information set out in Article L. 221-5 of the Consumer Code. Moreover, Articles L.221-18 *et seq*. of the Consumer Code grant consumers a 14-day withdrawal period for any contract, including sales contracts, concluded remotely. This right must be exercised free of charge. All e-commerce operators are therefore required to inform their consumer customers of the existence of this right and to make it easily accessible via a dedicated form. The regulations on unfair terms also apply to contracts concluded with consumers or non-professionals (in particular, Article L.212-1 *et seq*. of the French Commercial Code).

In the United States, the protection of consumer rights is less developed than in France.

9.5 Personal data regulations

In the course of its business, the Group collects and processes information that is subject to personal data protection laws and regulations in Europe and in other regions where the Group operates. These personal data processing operations are carried out on behalf of the Group companies, in their capacity as data controllers, or on behalf of other Group companies as subcontractors. This processing relates to personal data collected in the context of the Group's activities, in particular data relating to the Group's employees, the Group's service providers, artists who have entered into artist contracts, data collected via the Group's e-commerce sites and data relating to the various marketing and commercial operations carried out in relation to artists.

In Europe, Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data ("**GDPR**") applies to the Group. The GDPR established the new regulatory framework for personal data protection in Europe when it came into force on 25 May 2018. The GDPR applies to the processing, whether automated or not, of personal data by any entity established in the territory of the European Union or to the processing by an entity outside the European Union where the processing activities relate to the supply of goods or services to individuals within the European Union or to the monitoring of the behaviour (targeting) of those individuals. Personal data is broadly defined as any information relating to an identified or identifiable natural person, whether directly or indirectly, regardless of that person's country of residence or nationality.

Under the GDPR, the Group must comply with several key rules, including the following:

- personal data must be processed lawfully and transparently, ensuring fairness to the persons whose personal data is processed ("lawfulness, fairness and transparency");
- there must be specific purposes for processing the data and the Group must indicate these purposes to data subjects when collecting their personal data ("purpose limitation");
- the Group may collect and process only the personal data that is necessary to fulfil these purposes ("data minimisation");
- the Group must ensure that personal data is accurate and kept up to date in relation to the purposes for which it is processed, and correct it where necessary ("accuracy");
- the Group must ensure that personal data is not kept longer than necessary to fulfil the purposes for which it was collected ("retention limit");
- the Group must put in place appropriate technical and organisational measures to ensure the security of personal data, including protection against unauthorised or unlawful processing and against accidental loss, destruction or damage, using appropriate technology ("integrity and confidentiality").

In addition, the GDPR:

- provides for a strengthening of the responsibility of data controllers and processors, requiring them to be able to demonstrate compliance with the rules imposed by the GDPR at all times and on a continuous basis, in particular through the implementation of technical and organisational measures and a documentation obligation. To this end, the GDPR requires that a register of the processing operations carried out be kept;
- strengthens the rights of data subjects of processing operations, in particular by introducing additional information relating, for example, to the legal basis of the processing operation, the legitimate interests pursued by the data controller, the right to restrict the processing of data and to data portability and, where the processing operation is based on consent, the right to withdraw consent;
- requires notification of data breaches to the supervisory authority and to data subjects;
- requires, for risky processing operations that handle sensitive data, that a full impact assessment be carried out, showing the characteristics of the processing operation, the risks and the measures adopted;
- requires certain data controllers, under certain conditions, to appoint a Data Protection Officer ("**DPO**").

Depending on the breach, non-compliance with the provisions of the GDPR may result in penalties of up to €20 million or 4% of annual worldwide revenue, whichever is higher.

The GDPR offers European Union Member States the possibility to adopt local specificities. France made use of this option in the context of the law of 20 June 2018, reforming Act No. 78-17 of 6 January 1978 on data processing, data files and individual liberties (*Loi Informatique et Libertés*, or the "**Data Protection Act**"). Therefore, in addition to the GDPR, local data protection laws in the countries in which the Group is established or offers services must be taken into account, in this case the French Data Protection Act.

The Group has implemented a number of measures for the purpose of establishing GDPR compliance within the various Group entities affected by this regulation. For example, the Group:

- has updated the Privacy Policy of its website, as well as its cookie policy;
- uses consent, contract, legal obligations or legitimate interests as the legal basis for its processing of personal data;
- has an electronic register mapping the processing of personal data within the Group;
- has introduced personal data protection clauses in its various contracts;
- has initiated a programme to strengthen its data security policy.

Finally, the Group intends to proceed in the near future with the appointment of DPO and GDPR advisers in each of its subsidiaries. The Group is also subject to similar laws and regulations in other countries outside the European Union. For example, the Group's US activities may be subject to the provisions of the California Consumer Protection Act of 2018, which came into force in January 2020, as well as the California Privacy Rights Act, which will come into force in 2023. Both pieces of legislation grant personal data rights to residents of the State of California.

10. INFORMATION ON TRENDS

10.1 Business trends

A detailed description of the Group's results for the financial year ended 31 December 2020 is contained in Chapter 7 "*Review of the Group's financial position and results*" of this registration document.

10.2 Medium-term outlook

The objectives and trends presented below are based on data, assumptions and estimates, particularly in terms of economic outlook, considered reasonable by the Group at the date of this registration document.

These outlook and objectives, which result from the Group's strategic orientation, do not constitute forecasts or estimates of the Group's net income. The figures, data, assumptions, estimates and objectives presented below may change or be modified in an unforeseeable manner, depending, among other things, on changes in the economic, financial, competitive, legal, regulatory, accounting and tax environment or on other factors of which the Group is not aware at the date of this registration document.

In addition, the materialisation of certain risks described in Chapter 3 "*Risk factors*" of this registration document could have an adverse effect on the Group's business, financial position, market situation, results or outlook, and therefore call into question its ability to achieve the objectives presented below.

Furthermore, the achievement of these objectives requires the success of the Group's strategy and its implementation.

Therefore, the Group does not make any commitment or give any guarantee that the objectives in this section will be achieved.

Outlook for the evolution of the Group's activities and financial objectives

The outlook for the Group's activities and the financial objectives presented below are based in particular on market trends and prospects in line with those set out in paragraph 5.5.1 "*Market trends*" of this registration document and on the assumptions presented in section 11.1 below (in particular the Group's market share gains in its key geographic areas[75]).

Over the 2022 - 2025 period, the Group's objective is to achieve organic revenue growth at constant exchange rates at a CAGR[76] of between 22% and 25%. The Group intends to continue to benefit from the growth of the digital music market, which has a favourable outlook, and from continued market

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[75] The geographic markets identified as key markets by the Group are the markets in which it has the largest local teams or in which it intends to strengthen its local teams in the future and include France, Germany, the UK, Italy, Russia, Turkey, India, China, Mexico and Brazil.

[76] Organic growth at constant exchange rates corresponds to revenue growth at constant exchange rates and on a like-for-like basis. As a reminder, organic growth for the financial years ending 31 December 2020, 2019, 2018, presented in particular in Chapter 7 of this registration document, is given at current exchange rates.

Revenue growth at constant exchange rates is calculated by applying the average exchange rates for the comparative period to the revenue for the period and the comparative period of each Group entity, expressed in its reporting currency. Exchange rate fluctuations relating to transactions, if any, carried out by each reporting entity in currencies other than its functional currency (generally referred to as transactional exchange rate fluctuations) are not included.

Like-for-like revenue growth corresponds to revenue generated in year n by all companies included in the Group's scope of consolidation in the financial year ended 31 December of year n-1 (excluding any contribution from companies acquired during year n), compared to revenue generated in year n-1 by the same companies, regardless of when they entered the Group's scope of consolidation.

share gains in its key geographic markets. Beyond the 2022 - 2025 period, the Group expects revenue growth (after taking into account acquisitions) to stabilize at around 20%.

In addition to this organic growth, the Group aims to invest in external growth transactions of around €100 million per year over the 2022 - 2025 period, as part of its targeted acquisition strategy (see paragraph5.3 "*Strategy*" of this registration document). For each of these annual acquisition envelopes, the Group aims to generate additional annual revenues of approximately €110 million per year, effective as of the second half of 2022, and targets annual revenue growth of approximately 15% from the acquisitions thus made. As of the date of this registration document, the Group has not entered into any firm commitments relating to the acquisition of a potential target.

The Group also aims to achieve an adjusted EBITDA margin[77] of between 5% and 7% by 2025, and anticipates a gradual stabilization around 15% beyond this horizon. The Group intends to benefit from a gradual reduction in its Central Platform costs expressed as a percentage of revenues, under the combined effect of revenue growth over the period and better absorption of fixed costs due to improved operating leverage, enabling it to continue to invest heavily in the development of its Central Platform and its sales and marketing development, while improving its profitability.

By 2025, the Group's expenditure on tangible and intangible fixed assets (excluding expenditure on external growth) is expected to increase in absolute terms, in order to support the growth of its activities, but to decrease as a percentage of revenues, to approximately 4% of revenues (compared with 7.9% for the financial year ended 31 December 2020). This trend is expected to continue beyond 2025.

Finally, the Group intends to pursue its strategy of offering financing solutions to certain artists and labels via the payment of advances, in support of its commercial strategy in the Premium Solutions activity. The implementation of this strategy will have an effect on the Group's working capital requirements[78], which should have a negative impact on the Group's cash flow of around 5% of the change in its annual consolidated revenues by 2025 (decreasing after 2021, when this percentage should be around 10%, see paragraph 11.2 "*Group forecasts for the year ending 31 December 2021*" of this registration document).

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[77] Corresponds to the ratio of adjusted EBITDA to revenues. Adjusted EBITDA corresponds to operating income before depreciation and amortization, share-based payments and other operating income and expense.

[78] Working capital requirements correspond mainly to the value of inventories plus trade receivables, advances to artists and labels and other current assets, less trade and other payables and other current liabilities (see also paragraph 8.2.1 "*Working capital requirement*" of this registration document).

11. PROFIT FORECASTS OR ESTIMATES

The forecasts for the financial year ending 31 December 2021 set out below are based on data, assumptions and estimates considered reasonable by the Group at the date of this registration document. These data and assumptions may change or be modified as a result of uncertainties related in particular to the economic, financial, accounting, competitive, regulatory and tax environment or as a result of other factors of which the Group is not aware at the date of this registration document. In addition, the materialisation of certain risks described in Chapter 3 "*Risk factors*" of this registration document could have an impact on the Group's business, financial position, results or outlook, and therefore call into question these forecasts. Furthermore, the achievement of the forecasts assumes the success of the Group's strategy. The Group therefore makes no commitment or guarantee that the forecasts in this section will be achieved.

The forecasts presented below, and the assumptions underlying them, have been prepared in accordance with the provisions of Delegated Regulation (EU) No. 2019/980 and the ESMA recommendations on forecasts.

11.1 Assumptions

The Group has developed its forecasts for the financial year ending 31 December 2021 in accordance with the accounting policies applied in the Group's consolidated financial statements for the financial year ended 31 December 2020.

These forecasts are mainly based on the following assumptions for the financial year ending 31 December 2021:

Assumptions internal to the Company

- the continued implementation of the Group's strategy, as described in paragraph 5.3 "*Strategy*" of this registration document;
- the Group's continued market share gains in its key geographic areas;[79]
- an increase in the cost of sales at a rate comparable to the increase in revenue, as was the case in the financial year ended 31 December 2020;
- the Group's continued substantial investments in the development of its Central Platform and its commercial and marketing development to support the strong growth of its businesses, resulting in an increase in its operating expenses (in particular Central Platform costs).

Macro-economic and market assumptions

- the growth of the digital music market in line with prospects set out in paragraph 5.5.1 "*Market trends*" of this registration document;
- no significant changes in the regulatory and fiscal environment existing at the date of this registration document;
- no significant worsening of the COVID-19 crisis, which would result, in particular, in a tightening of the lockdown and social distancing measures in force as of the date of this registration document and a further deterioration in the Group's digital sales activities linked to free ad-supported offers (in particular those of video platforms) and its non-digital sales activities, in particular sales of physical media;

[79] The geographic markets identified as key markets by the Group are the markets in which it has the largest local teams or in which it intends to strengthen its local teams in the future, and include France, Germany, the UK, Italy, Russia, Turkey, India, China, Mexico and Brazil.

- no major changes in the exchange rates of the main countries outside the Eurozone in which the Group generates its revenue (in particular the euro/dollar exchange rate), compared to those observed during the financial year ended 31 December 2020.

11.2 Group forecasts for the financial year ending 31 December 2021

Based on the above assumptions, the Group expects to achieve organic revenue growth of approximately 20%[80] for the financial year ending 31 December 2021 compared to the financial year ended 31 December 2020. Furthermore, the external growth transactions that the Group may carry out during the financial year ending 31 December 2021 are not expected to have a significant impact on the overall growth of its revenue for that year.

The Group also expects to achieve an adjusted EBITDA margin[81] for the financial year ending 31 December 2021 in line with the adjusted EBITDA margin recorded for the financial year ended 31 December 2020, which was 1.8% of the revenue. The Group's adjusted EBITDA is expected to continue to be impacted by its continued substantial investments in the development of its Central Platform and its commercial and marketing development to support the strong growth of its businesses, with a small decrease in its Central Platform costs in percentage of revenue.

The Group's expenditure on acquisitions of property, plant and equipment and intangible assets for the financial year ending 31 December 2021 (excluding external growth) is therefore expected to be approximately 7% of consolidated revenue, in line with the level of expenditure in the financial year ended 31 December 2020, when it was 7.9%.

Finally, in the financial year ending 31 December 2021, the Group intends to pursue its strategy of offering financing solutions to certain artists and labels via the payment of advances, in support of its commercial strategy for the Premium Solutions business. The implementation of this strategy will have an effect on the Group's working capital requirement,[82] which is expected to have a negative impact on the Group's cash flow of around 10% of the change in its consolidated annual revenue for the financial year ending 31 December 2021 (compared with 4.9% for the financial year ended 31 December 2020).

11.3 Statutory auditors' report on the profit forecast (adjusted EBITDA) for the financial year ending 31 December 2021

This is a free translation into English of a report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and is construed in accordance with, professional auditing standards applicable in France.

Believe S.A.S.

Registered office: 24 rue Toulouse Lautrec - 75017 Paris

[80] Organic growth at current exchange rates based on an assumption of no major variation in exchange rates (see section 11.1 "*Assumptions*") outside the Euro zone in which the Group generates its revenues (in particular the euro/dollar exchange rate), compared to those observed during the financial year ending 31 December 2020, and on a like-for-like basis.

Like-for-like revenue growth corresponds to revenue generated in year n by all companies included in the Group's scope of consolidation in the year ended 31 December of year n-1 (excluding any contribution from companies that may have been acquired during year n), compared to revenue generated in year n-1 by the same companies, regardless of when they entered the Group's scope of consolidation.

[81] Corresponds to the adjusted EBITDA in relation to revenue. Adjusted EBITDA refers to operating income before amortisation, depreciation and impairment, share-based payments and other operating income and expense.

[82] Working capital requirement corresponds mainly to the value of inventories plus trade receivables, advances to artists and labels (current portion) and other current assets, minus trade payables and other liabilities and other current liabilities (see also paragraph 8.2.1 "*Working capital requirement*" of this registration document).

"To the Chairman,

In our capacity as Statutory auditors and in response to your request, we hereby report to you on the profit forecasts (adjusted EBITDA) of Believe S.A.S. (the "Company") set out in Section 11 of the registration document.

It is your responsibility to compile the profit forecasts, together with the material assumptions upon which they are based, in accordance with the requirements of Commission Regulation (EU) n°2017/1129 supplemented by Commission Delegated Regulation (EU) n°2019/980 and ESMA's recommendations on profit forecasts.
It is our responsibility to express an opinion, based on our work, as to the proper compilation of these forecasts on the basis stated.

We performed the work that we deemed necessary according to the professional guidance of the French Institute of Statutory Auditors ("Compagnie Nationale des Commissaires aux Comptes") applicable to such engagement. Our work included an assessment of the procedures undertaken by management to compile the profit forecasts as well as the implementation of procedures to ensure that the accounting policies used are consistent with the policies applied by the Company for the preparation of the historical financial information. Our work also included gathering information and explanations that we deemed necessary in order to obtain reasonable assurance that the profit forecasts have been properly compiled on the basis stated.

Since profit forecasts, by nature, are uncertain and may differ significantly from actual results, we do not express an opinion as to whether the actual results reported will correspond to those shown in the profit forecasts.

In our opinion:

- *the profit forecasts have been properly compiled on the basis stated; and*
- *the basis of accounting used for the profit forecasts is consistent with the Company's accounting policies.*

This report has been issued solely for the purpose of:

- *the approval of the registration document by the French financial markets authority (Autorité des Marchés Financiers or "AMF"),- the admission to trading on a regulated market, and/or a public offer, of the Company's securities in France and in other member states of the European Union in which the prospectus approved by the AMF is notified and can not be used for any other purpose.*

Paris La Défense, on 7 May 2021 *Paris, on 7 May 2021*

12. MANAGEMENT AND SUPERVISORY BODIES

As at the date of this registration document, the Company is established as a simplified joint-stock company (*société par actions simplifiée*). A General Meeting of Shareholders will be held prior to the approval by the *Autorité des Marchés Financiers* (AMF) of the prospectus for the admission of the Company's shares to trading on the regulated market of Euronext Paris, in order to approve the transformation of the Company into a public limited company (*société anonyme*) with a board of directors, which will take effect no later than the date the prospectus is approved by the AMF.

Furthermore, the General Meeting of Shareholders will vote to adopt new articles of association, on condition that a price is set for the Company's shares as part of their admission to trading on the regulated market of Euronext Paris. A summary description of the main provisions of these articles of association concerning the Board of Directors, in particular as to its mode of operation and its powers, along with a summary description of the main provisions of the internal rules of the Board of Directors that the Company intends to have in place under the aforementioned condition precedent can be found in paragraph 19.2.2 of this registration document.

12.1 Composition and operation of the management and supervisory bodies

(i) Board of Directors

The table below presents the proposed composition of the Board of Directors as of the settlement-delivery date of the Company's shares in connection with their admission to trading on the regulated market of Euronext Paris, as well as the offices held by the members of the Company's Board of Directors over the past five years:

Name and Surname	Nationality	End of term	Main position within the Company	Number of current offices in listed companies	Independent Director (as defined in the AFEP-MEDEF code)	Principal appointments and positions held outside the Company during the past five years
Denis Ladegaillerie	French	At the close of the General Shareholders' Meeting held to approve the financial statements for the financial year ending 31 December 2024	Chairman and Chief Executive Officer	N/A	No	Appointments and positions held at the date of this registration document *Within the Group:* Believe International – Manager A Believe Digital OOO – Manager Believe Digital Holdings Inc. – Director Believe International Holding Inc. – Director TuneCore Inc. – Director & CEO Believe Digital Canada Inc. – Director and Chair Believe Digital GmbH – Manager Believe Digital SRL - Director and Chair of the Board of Directors TuneCore Japan KK – Director and Representative Director Dogan Muzik ve Yapim Ticaret A.S – Director and Chairman of the Board of Directors Believe Direct Limited – Director Soundsgoood – Chief Executive Officer Ircam Amplify – Permanent Representative of Believe SAS and member of the Strategy Committee *Outside the Group:* None Appointments and positions held during the past five years but no longer held: *Within the Group:* Believe Music SEA Private Limited – Director Believe Music (Shanghai) Company Limited – Executive Director & CEO Believe Digital Private Limited – Director & CEO Canvas Talent Private Limited – Director Entco Music Private Limited – Director Venus Music Private Limited – Director

Name and Surname	Nationality	End of term	Main position within the Company	Number of current offices in listed companies	Independent Director (as defined in the AFEP-MEDEF code)	Principal appointments and positions held outside the Company during the past five years
						Outside the Group: None
John Doran[83]	Irish	At the close of the General Shareholders' Meeting held to approve the financial statements for the financial year ending 31 December 2024	Director	N/A	No	Appointments and positions held at the date of this registration document *Within the Group:* Believe SAS – Director *Outside the Group:* Supervista AG (Brillen.de) – Director FlixMobility GmbH – Director Grupa Pracuj sp. z.o.o. – Director Retail Logistics Excellence – RELEX Oy – Director Revolut. Ltd. – Director Sportradar Holding AG – Director WorldRemit Limited – Director Appointments and positions held during the past five years but no longer held: *Within the Group:* None *Outside the Group:* Perfecto Mobile – Director
Ventech represented by Alain Caffi	French	At the close of the General Shareholders' Meeting held to approve the financial statements for the financial year ending 31 December 2024	Director	N/A	No	Appointments and positions held at the date of this registration document *Within the Group:* None *Outside the Group:* Ventech – Chairman Ventech China S.à.r.l. – Manager Ventech China lux S.à.r.l. – Manager Ventech Global S.à.r.l – Manager Gosu – Observer Advisory committee (as representative of Ventech) My Pass Pro – Arthur'In – Member of the Board (as representative of Ventech) Chattermill – Director Sebbin – Strategic Committee (as representative of Ventech) SC CAFFIS II – Manager SCI Caffis – Manager SARL AGORA – Manager Appointments and positions held during the past five years but no longer held: *Within the Group:* None *Outside the Group:* Mamsy – Board member Hostmaker (Flying Jamon) - Investor director The Agent - Board member (as representative of Ventech) Viadeo - Director (as representative of Ventech) Oktogo - Observer Advisory committee (as representative of Ventech) Tell Me Plus - Director (as representative of Ventech) Fashion GSP - Director (as representative of Ventech) Eyeka SA - Director (as representative of Ventech) Curse Inc - Director Webedia – Director Afenidacos – Advisory board member
Kathleen O'Riordan	Irish	At the close of the General Shareholders' Meeting held to approve the financial	Director	N/A	Yes	Appointments and positions held at the date of this registration document *Within the Group:* Believe SAS – Director *Outside the Group:*

[83] Representing TCV Luxco BD S.à.r.l.

Name and Surname	Nationality	End of term	Main position within the Company	Number of current offices in listed companies	Independent Director (as defined in the AFEP-MEDEF code)	Principal appointments and positions held outside the Company during the past five years
		statements for the financial year ending 31 December 2022				Financial Times – Chief of Products and Information Southgate and Barnet College Gouverneyre Appointments and positions held during the past five years but no longer held: *Within the Group:* None *Outside the Group:* None
Anne-France Laclide-Drouin	French	At the close of the General Shareholders' Meeting held to approve the financial statements for the financial year ending 31 December 2023	Director	2	Yes	Appointments and positions held at the date of this registration document *Within the Group:* None *Outside the Group:* Solocal - Director and Chairman of the Audit Committee RATP Dev - Chief Financial Officer CGG - Director, Chair of the Audit and Risk Management Committee and member of the Investment CommitteeAppointments and positions held during the past five years but no longer held: *Within the Group:* None *Outside the Group:* Consolis Group SAS - Member of the Executive Committee Consolis Oy AB - Director Parma Oy - Director WPS Ujski - Member of the Supervisory Board and Chairman Philbert Tunisie SA - Director ASA Epitoipari Kft - Member of the Supervisory Board Compact (BC) SARL - Managing Director Spaencom AS - Director Compact (BC) Lux II S.C.A. - Managing Director Spenncom AS - Director Bonna Sabla SA - Director SFR - Director and Chairman of the Audit Committee Oberthur Technologies Group SAS - Director Mali Solutions Numériques SA - Director OT Pakistan (Private) Ltd - Director Oberthur Technologies of America Corporation - Director Oberthur Technologies Hong Kong Limited - Director
Orla Noonan	Irish	At the close of the General Shareholders' Meeting held to approve the financial statements for the financial year ending 31 December 2024	Director	2	Yes	Appointments and positions held at the date of this registration document *Within the Group:* None *Outside the Group:* Iliad - Independent Director SMCP - Independent Director AFP - Director Knightly Investments SAS - Chairman Adevinta – Chairman Appointments and positions held during the past five years but no longer held: *Within the Group:* None *Outside the Group:* AB S.A.S - Managing Director, Director TEAM Co. - Chairman Schibsted - Independent Director RTL 9 S.A. Luxembourg - Director AB Entertainment S.A. - Director

Subject to the condition of the settlement-delivery of the Company's shares as part of their admission to trading on the regulated market of Euronext Paris, the Company's independent Directors will be appointed by a General Meeting of Shareholders held prior to the approval by the AMF of the prospectus relating to this admission, with the other Directors being appointed with effect at the date of approval by the AMF of the prospectus relating to this admission.

Personal information concerning the members of the Board of Directors

Denis Ladegaillerie, 51 years old, is a graduate of Sciences-Po Paris, ESCP Europe and Duke University (Durham, North Carolina, USA). He began his career in 1998 in New York, practising business law in an international firm. In 2000, he joined Vivendi in Paris as a business analyst and continued his career within the group in New York as Chief Financial and Strategy Officer for digital activities at Vivendi Universal, until 2004. On the strength of his past success in online music, in 2005 Denis Ladegaillerie founded the Company, of which he is currently the Chief Executive Officer.

John Doran, 42, received his M.B.A. from Harvard Business School and graduated with a B.A. in Economics from Harvard College. He began his career in investment banking at Morgan Stanley, where he worked in both London and New York. He then served as vice president of Summit Partners from 2009 to 2012, where he focused on investments across software, internet, and financial technology. In 2012 he joined TCV and he is currently a general partner in London and a founding member of TCV's European investment efforts.

Alain Caffi, 68, is a graduate of Kansas University in Lawrence, USA, as well as the Ecole Supérieure de Commerce de Clermont Ferrand; he is also a Certified Public Accountant. He joined the private equity industry in 1986 when he joined the Natixis group, as CEO of Sofineti, then as Investment Manager of Natixis Private Equity, and finally as Managing Director of FSD Capital Developpement. In 1998, he founded Ventech, an international venture capital company that invests mainly in post-seed and series A companies, of which he is currently Managing Director. In addition to his operational activities, he was also Director of Natixis Private Equity (5 billion under management) between 1999 and 2007, when Ventech became an independent company.

Kathleen O'Riordan, 49,began her career as a journalist before joining the BBC in 2002, where she led digital product development for the 2012 London Olympics. She then served as Vice President of Product at Shazam from 2013 to 2016. In February 2016, she joined the Financial Times as Chief of Product and Information and is currently a member of its Executive Committee.

Anne-France Laclide-Drouin, is Chief Financial Officer (CFO) and Compliance Director of RATP Developpement. Prior to that, she was CFO and member of the Executive Committee of the Consolis group, CFO of the Idemia group (formerly Oberthur Technologies) and of various companies such as Elis, GrandVision, AS Watson (Marionnaud) and Guilbert. She started her career at PricewaterhouseCoopers. She sits as an independent director on the Board of CGG (a global geosciences group working for the energy industry). She is Chair of the Audit Committee of the same company. She has also been independent director on the Board of Directors and Chair of the Audit Committee, at SFR.

Orla Noonan, 51, is a graduate of HEC Paris (1994) and holds a BA (Economics) from Trinity College Dublin (1992).

Orla Noonan started her career in 1994 in investment banking in London at Salomon Brothers as a financial analyst, particularly in the media/telecom sector. She joined the AB Group in 1996 as Director in charge of business development, M&A and financial communication. She led IPOs in New York and Paris as well as external growth operations, including the acquisitions of the TV channels RTL9 and TMC. She was Chairman of the television channel NT1 between 2005 and 2010. Orla Noonan became Executive Vice President of the group in 1999 and a member of its Board of Directors in 2003. As CEO of AB Group between 2014 and 2018, she undertook the acquisition of a number of independent production companies, thereby strengthening the group's position as the French leader in the production and distribution of audiovisual content. In 2018, she was nominated Chairman of the Board of Adevinta, the world's leading online classifieds company.

Orla Noonan is also an Independent Director of SMCP (since 2017) and of Agence France Presse (AFP) since 2019, as well as a member of the Investir&+ investment committee. She has been an Independent Director of Iliad SA for 12 years (from 2009 to 2021) and of Schibsted Media Group between 2017 and 2019.

Non-voting members

In accordance with the provisions of Article 15.1 of the articles of association, the Board of Directors will appoint, subject to the condition precedent of the settlement-delivery of the Company's shares in the context of their admission to trading on the regulated market of Euronext Paris, Siparex XAnge Venture (represented by Mr Nicolas Rose) as a non-voting member of the Board of Directors for a term of four years.

Nicolas Rose, 54, is a graduate of the University of Michigan in the United States and holds a Master of International Business from the Ecole des Ponts Business School. He began his career in 1990 in the investment banking department of J.P. Morgan, and became a financial analyst in 1996 at Hambrecht & Quist in Europe. He then joined the venture capital industry in 1999 as an Associate Director at ABN AMRO, and in 2004 at XAnge (Siparex Group), an early-stage investment fund company (through funds managed by the management company), which is a shareholder of Believe. He is currently Managing Partner of XAnge.

Mr. Nicolas Rose will bring to the Board of Directors his solid experience in the technology sector and in fundraising, as well as his in-depth knowledge of the Group through his historical presence in the Company's governance bodies.

Nationality of members of the Board of Directors

3 members of the Board of Directors are foreign nationals.

Independent members of the Board of Directors

In terms of the criteria for independence adopted by the AFEP-MEDEF Corporate Governance Code in its version updated in January 2020, which the Company intends to adhere to as of the date of admission of its shares to trading on the regulated market of Euronext Paris, the Board of Directors believes that three members of the Board of Directors, namely Ms Kathleen O'Riordan, Anne-France Laclide-Drouin, and Orla Noonan, sit on the Board of Directors as independent members.

Balanced representation of men and women

As of the settlement-delivery date of the Company's shares as part of their admission to trading on the regulated market of Euronext Paris, the Board of Directors will include 3 women, i.e., 50% of the members of the Board of Directors. The composition of the Board of Directors will thus be in compliance with Articles L. 225-18-1 and L. 22-10-3 of the French Commercial Code providing for the balanced representation of women and men on the boards of directors of companies whose shares are admitted to trading on a regulated market.

(ii) Executive Management

The roles of Chair of the Board of Directors and Chief Executive Officer of the Company will be combined. Denis Ladegaillerie, who at the date of this registration document serves as Chief Executive Officer of the Company in its form as a simplified joint-stock company, will be appointed Chairman and Chief Executive Officer of the Company as of the date of approval of the prospectus by the AMF.

Also from that date forward, Xavier Dumont will be appointed Deputy Chief Executive Officer in charge of operations and finance.

12.2 Statements regarding the management bodies

Furthermore, to the knowledge of the Company, over the past five years: (i) Neither the Company's Chairman and Chief Executive Officer nor any member of the Board of Directors has been convicted of fraud; (ii) neither the Company's Chairman and Chief Executive Officer nor any member of the Board of Directors has been associated with a bankruptcy, protection, liquidation or receivership; (iii) no charge and/or official public sanction has been brought against the Company's Chairman and Chief Executive Officer or any member of the Board of Directors by a court or regulatory authority (including recognised professional bodies), and (iv) neither the Company's Chairman and Chief Executive Officer nor any member of the Board of Directors has been prevented by a court from acting as a member of an administrative, management or supervisory body or from managing or conducting business for an issuer of securities.

12.3 Conflicts of interest

To the Company's knowledge, at the date of this registration document, there were no potential conflicts of interest between the duty that the members of the Board of Directors and the Chairman and Chief Executive Officer have to the Company and their private interests.

13. REMUNERATION AND BENEFITS

As at the date of this registration document, the Company is established as a simplified joint-stock company (*société par actions simplifiée*). A General Meeting of Shareholders will be held prior to the approval by the *Autorité des Marchés Financiers* (AMF) of the prospectus for the admission of the Company's shares to trading on the regulated market of Euronext Paris, in order to approve the transformation of the Company into a public limited company (*société anonyme*) with a board of directors, which will take effect no later than on the date the prospectus is approved by the AMF. Denis Ladegaillerie, currently Chief Executive Officer (CEO) of the Company, will be appointed Chairman and Chief Executive Officer as of the date of approval of the prospectus by the AMF.

13.1 Remuneration and benefits paid to executives and corporate officers

13.1.1 Remuneration of the executive director

The tables below detail the remuneration paid to Denis Ladegaillerie, CEO, by the Company and by any company in the Group during the financial years ended 31 December 2019 and 2020:

Table 1 (AMF nomenclature)

Table summarising the remuneration and stock options granted to each executive director		
(amounts paid in euros)	**FY 2019**	**FY 2020**
Denis Ladegaillerie, CEO		
Remuneration for the financial year ended (*detailed in Table 2*)	€378,191	€369,286
Value of the multi-year variable remuneration granted during the financial year	Not applicable	Not applicable
Value of the stock options granted during the year (*detailed in Table 4*)	Not applicable	Not applicable
Valuation of free shares allocated (*detailed in Table 6*)	Not applicable	Not applicable
Total	**€378,191**	**€369,286**

Table 2 (AMF nomenclature)

Summary table of the remuneration of each executive director				
(amounts paid in euros)	**FY 2019**		**FY 2020**	
	Amount due	**Amount paid**	**Amount due**	**Amount paid**
Denis Ladegaillerie, CEO				
Fixed remuneration	€228,191	€228,191	€219,286	€219,286
Annual variable remuneration[84] Multiyear variable remuneration	€150,000 None	€150,000 None	€150,000 None	€150,000* None
Extraordinary remuneration Benefits in kind[85]	None	None	None	None
Total	**€378,191**	**€378,191**	**€369,286**	**€369,286**

* *20% of which will be paid in June 2021.*

Table 11 (AMF nomenclature)

Executive directors	**Employment contract**		**Supplementary pension plan**		**Payments or benefits due or likely to be due owing to termination or change of office**		**Payments in relation to a non-compete clause**	
	Yes	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**
Denis Ladegaillerie, CEO		X		X	X[86]		X	

It will be proposed at the General Meeting of the Company's shareholders to be held on the date of approval by the AMF of the prospectus relating to the admission of the Company's shares to trading on the regulated market of Euronext Paris, to set the total amount of remuneration allocated to the Board of Directors, in its new form as a public limited company, at €300,000 for the financial year 2021 as well as for subsequent financial years, until a new decision is taken by the General Meeting. Only the independent directors will receive remuneration, which will include a fixed portion, as compensation for their duties as independent director and, if applicable, as member or chairman of one of the committees of the Board of Directors, and a variable portion, the amount of which will depend on their effective participation at the meetings of the Board of Directors and, if applicable, at the meetings of the committees of which they are members.

84 The annual variable remuneration is subject to approval by the Board of Directors and if paid, is paid after approval of the financial statements for the relevant financial year.

85 Denis Ladegaillerie receives no in-kind benefits.

86 As from the admission of the Company's shares to trading on the regulated market of Euronext Paris, no indemnity will be due to Mr. Denis Ladegaillerie. The terms under which Denis Ladegaillerie would receive payment due under his non-compete agreement, as they apply at the date of admission of the Company's shares on the regulated market of Euronext Paris, are described in section 13.1.3 of this registration document.

13.1.2 Grants of share subscription or purchase options

Table 4 (AMF nomenclature)

Subscription or purchase options granted during the year to each executive director by the issuer and by any company of the Group						
Name of executive director	**Plan No. and date**	**Type of stock options (purchase or subscription)**	**Valuation of stock options based on the method used in the consolidated financial statements**	**Number of stock options granted during the financial year**	**Exercise price**	**Exercise period**
Denis Ladegaillerie, CEO	None	None	None	None	None	None

Table 5 (AMF nomenclature)

Stock options exercised during the financial year by each executive director			
Name of executive director	**Plan No. and date**	**Number of stock options exercised during the financial year**	**Exercise price**
Denis Ladegaillerie, CEO	Not applicable	Not applicable	Not applicable

Table 8 (AMF nomenclature)

Historical information about stock option grants				
Information concerning share purchase or subscription options				
Date of General Shareholders' Meeting	Plan no. 1	Plan no. 2	Plan no. 3	Etc.
Date of Board of Directors meeting	None			
Total number of shares that can be subscribed or purchased, including the number that can be subscribed or purchased by:				
Starting date for exercise of stock options				
Expiry date				
Subscription or purchase price				
Exercise procedures (if the plan includes several tranches)				
Number of shares subscribed at […] (most recent date)				
Cumulative number of lapsed and cancelled share subscription or purchase options				
Remaining share subscription or purchase options at year-end				

Table 9 (AMF nomenclature)

Stock options for subscription or purchase of shares granted to the top ten employees excluding corporate officers who have received the most stock options, and stock options exercised by such employees	**Total stock options awarded/shares subscribed or bought**	**Weighted average price**	**Plan no. 1**	**Plan no. 2**
Stock options granted during the financial year by the issuer and any company included in the option allocation plan to the ten employees of the issuer or of any company included within this scope receiving the largest number of stock options (overall figure)	None			
Stock options on the issuer and the aforementioned companies that were exercised during the financial year by the ten employees of the issuer or of those companies who bought or subscribed the most stock options (overall figure)				

Free share awards
Table 6 (AMF nomenclature)

Free shares granted to each corporate officer						
Free shares granted by the General Meeting of the shareholders to each corporate officer during the financial year by the issuer and by any Group company(listed by name)	**Plan no. and date**	**Number of shares granted during the financial year**	**Valuation of shares by the method used in the consolidated financial statements**	**Acquisition date**	**Vesting date**	**Performance conditions**
Denis Ladegaillerie, CEO	None					

Table 7 (AMF nomenclature)

Free share vesting for each corporate officer	Plan no. and date	Number of shares vesting during the financial year	Vesting conditions
Denis Ladegaillerie, CEO	None		

Table 10 (AMF nomenclature)

Record of past free share awards	
Information on free share grants	
Free share plan[1]	None
Date of General Shareholders' Meeting	
Total number of free shares granted, including the number of shares granted to:	
Denis Ladegaillerie, CEO	
Acquisition date	
End date of lock-up period	
Number of shares subscribed	
Cumulative number of lapsed and cancelled shares	
Free shares remaining at the financial year-end	

Long-term incentive plan

In connexion with the admission of its shares to trading on the regulated market of Euronext Paris, the Company will implement a long-term incentive programme for the Group's leaders and key managers. The objective of this policy will be to retain employees and unite them around objectives such as the Group's growth and corporate social responsibility.

To this end, the Company has decided to establish a programme awarding performance shares over a three-year period. It will be put in place subsequent to the admission of the Company's shares to trading on the regulated market of Euronext Paris and will represent a maximum of 2.9% of the Company's share capital at the close of the initial public offering.

This plan will benefit more than 150 employees of the Company and of related companies as defined by Article L. 225-197-2 of the French Commercial Code, with the exclusion of the Company's Chairman and Chief Executive Officer Denis Ladegaillerie, who holds 15.04% of the Company's capital at the date of this registration document.

The shares allocated under this plan will be conditioned on (a) the continued employment of the employee concerned and (b) performance criteria based (i) 33% on growth in revenue; (ii) 33% on the change in the Company's share price since the date of the initial public offering as compared to the share price change of the companies in the SBF 120 Index on Euronext Paris and (iii) 33% on the achievement of CSR objectives.

Share ownership by the Chairman and Chief Executive Officer

Denis Ladegaillerie, the Company's Chairman and Chief Executive Officer and founder of the Group, is also one of the Company's main shareholders at the date of this registration document (see paragraph 16.1 “*Share ownership*” of this registration document).

13.1.3 Remuneration of the Chairman and Chief Executive Officer of the Company at the date of admission of the Company's shares on the regulated market of Euronext Paris.

It will be proposed that the Company's Board of Directors meet on the day that the AMF approves the prospectus for the admission of the Company's shares to trading on the regulated market of Euronext Paris in order to determine Denis Ladegaillerie's remuneration as the Company's Chairman and Chief Executive Officer for the financial year ending 31 December 2021, as follows:

i. gross fixed annual remuneration of €233,333;

ii. target gross annual variable remuneration of €116,667 (i.e., 50% of fixed remuneration), subject to meeting the following performance conditions:

   (a) up to 70% based on annual quantitative performance criteria and related to: up to 50% for meeting an annual growth target for the Group's consolidated revenue, and up to 50% for meeting the Group's target adjusted consolidated EBITDA. In the event that 100% of these targets are met, €81,666 (i.e., 35% of annual fixed remuneration) would be paid, with the further provision that if 80% of the growth targets are met, 50% of that amount (i.e. €40,833) would be paid (increasing linearly between 80% and 100% of targets achieved);

   (b) up to 30% based on annual qualitative criteria and related to meeting CSR objectives, e.g., gender parity, training rate (Group) and percentage of employees involved in ambassador groups, as presented and defined in section 5.9 "*The Group CSR policy*" of this registration document).. In the event that 100% of these targets are met, an amount of €35,000 (i.e., 15% of annual fixed remuneration) would be paid, with the further provision that no variable remuneration would be paid for anything below 100% of targets met.

If the above quantitative criteria are surpassed, annual variable remuneration may be increased to a maximum of €154,000 (i.e., 66% of fixed remuneration).

iii. The Chairman and Chief Executive Officer receives no in-kind benefits.

The remuneration structure of the Chairman and Chief Executive Officer reflects the Group's desire to give priority to the holding of shares for its main leaders (at the date of this registration document, Mr Ladegaillerie holds 15.04% of the Company's capital), compared to exclusively or predominantly cash remuneration, in order to closely align them with the company's performance, within the framework of a long-term growth strategy.

The Chairman and CEO will not receive any severance pay.

However, in order to protect the legitimate interests of the Group and its development in a highly-specialised sector, the Chairman and CEO would be subject, in the event of his departure, to a non-compete undertaking for a period of 24 months and would receive a monthly lump-sum payment equal to 50% of the average monthly fixed and variable remuneration received during the 12- to 24-month period preceding the end of his term of office.

13.2 Amounts provisioned or otherwise recognised by the Company or its subsidiaries against the payment of pensions and of retirement or other benefits

The Company has provisioned no funds for the payment of pensions or of retirement or other benefits to its executive director.

14. OPERATION OF THE ADMINISTRATIVE AND MANAGEMENT BODIES

14.1 Terms of office of the members of administrative and management bodies

Information on the expiry date of the mandates of the members of the Board of Directors and management is given in paragraph 12.1 of this registration document.

14.2 Information about service contracts linking members of the board of directors to the company or any of its subsidiaries

To the Company's knowledge, as of the date of this registration document, there are no service contracts between the members of the Board of Directors and the Company or any of its subsidiaries providing for the granting of benefits.

14.3 Board Committees

As of the date of this registration document, the Company is incorporated as a simplified joint-stock company with a Board of Directors.

The Company will be transformed into a public limited company with a Board of Directors, with a concomitant amendment of its articles of association, with effect no later than the date of approval by the *Autorité des Marchés Financiers* (AMF) of the prospectus relating to the admission of the Company's shares to trading on the regulated market of Euronext Paris. As part of this transformation, the Company will establish the following committees within its Board of Directors: an Audit Committee, an Appointments and Remuneration Committee and a CSR Committee.

The internal regulations of these committees, the main provisions of which are set out below, will be adopted subject to the condition precedent of the settlement-delivery of the Company's shares in connection with their admission to trading on the regulated market of Euronext Paris.

– **Audit Committee**

Composition

The Audit Committee is composed of three (3) members of the Board of Directors, of whom two (2) are appointed from among the independent members of the Board of Directors. They are appointed by the Board of Directors, on the proposal of the Appointments and Remuneration Committee. The composition of the Audit Committee may be changed by the Board of Directors, and in any case must be changed if the general composition of the Board of Directors changes.

In particular, the members of the Committee should have particular expertise in financial and/or accounting matters.

All members of the Audit Committee should be briefed on the accounting, financial and operational specifics of the Company upon their appointment.

The term of office of the members of the Audit Committee coincides with their term of office as members of the Board of Directors. It may be renewed at the same time that Board memberships are renewed.

The Chair of the Audit Committee is appointed, after special consideration, by the Board of Directors upon the proposal of the Appointments and Remuneration Committee, from among the independent members. The Audit Committee may not include any executive directors.

The secretariat for the proceedings of the Committee shall be provided by any person appointed by or in agreement with the Chair of the Committee.

Assignments

The mission of the Audit Committee is to monitor issues relating to the preparation and control of accounting and financial information and to ensure the effectiveness of the risk monitoring and operational internal control system, in order to facilitate the exercise by the Board of Directors of its control and verification duties in this area.

In this context, the Audit Committee has the following main tasks:

(i) Monitoring the financial reporting process.

Prior to their presentation to the Board of Directors, the Audit Committee must examine the annual or half-yearly and, where applicable, quarterly company and consolidated financial statements and ensure the relevance and consistency of the accounting methods used to prepare these accounts. The Committee will examine, where appropriate, significant transactions where a conflict of interest may have arisen.

The Audit Committee must, in particular, examine the provisions and their adjustments and any situation that could generate a significant risk for the Group, as well as any financial information or any half-yearly or annual report on the progress of the company's business, or drawn up on the occasion of a specific operation (contribution, merger, market transaction etc.).

This review shall take place, as far as possible, at least two (2) days before the review by the Board.

The review of the accounts should be accompanied by a presentation from the Statutory Auditors setting out the key points, not only relating to the results of the statutory audit, including audit adjustments and significant internal control weaknesses identified during the work, but also to the accounting options selected, as well as a presentation from the Chief Financial Officer outlining the Company's significant risk exposure and off-statement of financial position commitments.

(ii) Monitoring the effectiveness of internal control, internal audit and risk management systems relating to financial and non-financial accounting information.

The Audit Committee should ensure the relevance, reliability and implementation of the Company's procedures for internal control, identification, coverage and management of risks relating to its activities and to financial and non-financial accounting information.

The Committee shall also review the risks, including those of a social and environmental nature, and significant off-balance sheet commitments of the Company and its subsidiaries. In particular, the Committee should hear from the heads of internal audit and regularly review the Group's risk mapping. The Committee must also give its opinion on the organisation of the internal audit service and be informed of its work programme.

The Committee shall monitor the existence, effectiveness, deployment and implementation of corrective actions in the event of identified material weaknesses or misstatements in the internal control and risk management systems.

(iii) Monitoring of the statutory audit of the company and consolidated financial statements by the Company's auditors.

The Committee must obtain information from and follow up with the Company's Statutory Auditors (including in the absence of the executive directors), in particular on their general work programme, any difficulties encountered in the performance of their duties, any changes they consider should be made to the Company's accounts or other accounting documents, any irregularities, anomalies or inaccuracies in the accounting records that they may have identified, any significant uncertainties and risks relating to the preparation and processing of accounting and financial information, and any significant internal control weaknesses that they may have discovered.

The Committee shall regularly hear the Statutory Auditors, including without the presence of the executive directors. In particular, the Audit Committee should hear the Statutory Auditors at the Committee meetings dealing with the review of the process of preparing financial and non-financial information and the review of the accounts, so that they can report on the performance of their assignment and the conclusions of their work.

(iv) Monitoring the independence of the Statutory Auditors.

The Committee shall steer the procedure for the selection and renewal of the Statutory Auditors, and submit the result of this selection to the Board of Directors.

When the Statutory Auditors' terms of office expire, the selection or renewal of the Statutory Auditors shall be preceded, on the Committee's proposal and the Board's decision, by a call for tenders supervised by the Committee, which shall validate the specifications and the choice of the firms consulted, ensuring the selection of the "best bidder" and not the "lowest bidder".

In order to enable the Committee to monitor, throughout the term of office of the Statutory Auditors, the rules of independence and objectivity of the latter, the Audit Committee must, in particular, be provided each year with:

- the declaration of independence of the Statutory Auditors;
- the amount of fees paid to the network of Statutory Auditors by companies controlled by the Company or its controlling entity for services not directly related to the Statutory Auditors' work; and
- information on the services performed as part of the due diligence directly related to the mission of the Statutory Auditors.

The Committee should also discuss with the Statutory Auditors the risks to their independence and the safeguards taken to mitigate these risks. In particular, it must ensure that the amount of the fees paid by the Company and the Group, or the share they represent in the revenue of the firms and networks, are not likely to undermine the independence of the Statutory Auditors.

The auditing mission must be exclusive of any other diligence not related to this mission with regard to the code of ethics of the auditing profession and the professional standards of practice. The selected Auditors must renounce, for themselves and the network to which they belong, any consulting activity (legal, tax, IT, etc.) carried out directly or indirectly for the benefit of the Company. With regard to companies controlled by the Company or its controlling company, the Statutory Auditors should refer more specifically to the Code of Ethics of Statutory Auditors. However, after prior approval by the Audit Committee, work ancillary or directly complementary to the audit of the accounts may be performed, such as acquisition or post-acquisition audits, but excluding valuation and advisory work.

(v) Compliance

The Committee should review and monitor the systems and procedures in place to ensure the dissemination and application of best practice policies and rules on ethics, competition, fraud and corruption and, more generally, on compliance with applicable regulations.

The Committee shall conduct an annual review of the criteria for determining current agreements entered into under normal conditions in order to ensure that they are still appropriate and in line with market practice, and shall analyse in particular the normal nature of the financial terms of the agreements it assesses.

The Committee shall report regularly to the Board of Directors on the performance of its duties and shall inform it without delay of any difficulties encountered.

– **Appointments and Remuneration Committee**

Composition

The Appointments and Remuneration Committee is composed of three (3) members of the Board of Directors, of whom two (2) are appointed from among the independent members of the Board of Directors. They are appointed by the Board of Directors on the basis of their independence and their expertise in the selection or remuneration of executive directors of listed companies. The Appointments and Remuneration Committee may not include any executive directors.

The composition of the Committee may be modified by the Board of Directors, and is, in any case, obligatorily modified in the event of a change in the general composition of the Board of Directors.

The term of office of the members of the Appointments and Remuneration Committee coincides with their term of office as members of the Board of Directors. It may be renewed at the same time that Board memberships are renewed.

The Chair of the Appointments and Remuneration Committee is appointed from among the independent members by the Board of Directors.

The secretariat for the proceedings of the Committee shall be provided by any person appointed by or in agreement with the Chair of the Committee.

Assignments

The Appointments and Remuneration Committee is a specialised committee of the Board of Directors whose main tasks are to assist the Board in (i) the composition of the management bodies of the Company and the Group and (ii) the determination and regular assessment of all remuneration and benefits of the Company's executive directors, including all deferred benefits and/or voluntary or forced departure indemnities.

- *Assignments in the area of appointments*

In this context, it performs the following tasks:

Proposals for the appointment of members of the Board of Directors, Executive Management and the Board Committees

One of the tasks of the Appointments and Remuneration Committee is to make proposals to the Board of Directors for the appointment (by the General Meeting or by co-option) of the members of the Board of Directors and the members of Executive Management, as well as the members and the Chair of the Board Committees.

To this end, it makes reasoned proposals to the Board of Directors. These are guided by the interests of the shareholders and the Company. In general, the Committee should strive to reflect a diversity of experience and views, while ensuring a high level of competence, internal and external credibility and stability of the Company's corporate bodies. In addition, it establishes and maintains a succession plan for the members of the Board of Directors as well as for the Company's and the Group's main executives in order to be in a position to rapidly propose succession solutions to the Board of Directors, particularly in the event of unforeseen vacancies.

With regard specifically to the appointment of members of the Board of Directors, the Committee takes into account the following criteria in particular: (i) the desirable balance of the composition of the Board of Directors in view of the composition and evolution of the Company's shareholder base, (ii) the desirable number of independent members, (iii) the proportion of men and women required by the regulations in force, (iv) the appropriateness of renewing mandates and (v) the integrity, competence, experience and independence of each candidate. The Appointments and Remuneration Committee should also organise a procedure for selecting future independent members and carry out its own research on potential candidates before approaching them.

When making its recommendations, the Appointments and Remuneration Committee should aim to ensure that the independent members of the Board of Directors and the Committees comprise at least the number of independent members required by the governance principles to which the Company adheres.

Annual assessment of the independence of the members of the Board of Directors

Each year, the Appointments and Remuneration Committee examines, before the publication of the Company's corporate governance report, the situation of each member of the Board of Directors with regard to the independence criteria adopted by the Company, and submits its opinions to the Board with a view to the latter's examination of the situation of each person concerned with regard to these criteria.

- *Assignments in the area of remuneration*

In this context, it performs the following tasks:

Examination and proposal to the Board of Directors concerning all elements and conditions of the remuneration of the Group's main executives

The Committee draws up proposals that include fixed and variable remuneration, as well as, where applicable, stock options, performance shares, pension and contingency plans, severance pay, non-competition clauses, benefits in kind and any other direct or indirect remuneration (including long-term) that may constitute the remuneration of members of Executive Management.

The Committee is consulted on the same elements of the remuneration of the Group's main non-corporate leaders and the policies implemented in this respect within the Group.

In preparing its proposals and work, the Committee takes into account the market practices in terms of corporate governance to which the Company adheres and in particular the following principles:

(i) The amount of the total remuneration of the members of Executive Management submitted to the vote of the Board of Directors takes into account the general interest of the Company, market practices and the performance of the members of Executive Management.

(ii) Each element of the remuneration of the members of Executive Management is clearly substantiated and corresponds to the general interest of the Company. The appropriateness of the proposed remuneration must be assessed in the context of the Company's business and by reference to French and international market practices.

(iii) The remuneration of the members of the Executive Board should be determined fairly and consistently with that of the Group's non-corporate leaders, taking into account in particular their respective responsibilities, skills and personal contribution to the Group's performance and development.

(iv) The Committee proposes criteria for defining the variable portion of the remuneration of the members of Executive Management, which must be consistent with the annual evaluation of the performance of the members of Executive Management and with the Group's strategy. The performance criteria used to determine the variable part of the remuneration of the members of Executive Management, whether variable remuneration or allocation of stock options or performance shares, must be simple to establish and explain, satisfactorily reflect the Group's objective of performance and economic development at least in the medium term, take into account the Group's social and environmental responsibility concerns, allow for transparency with respect to shareholders in the corporate governance report and at General Shareholders' Meetings, and correspond to the Company's objectives and standard practices with respect to the remuneration of its executives.

(v) The Committee monitors the evolution of the fixed and variable portions of the remuneration of the members of Executive Management over several years in relation to the Group's performance.

(vi) Where applicable, especially with regard to the granting of stock options or performance shares, the Committee shall ensure that they are motivated by the objective of strengthening the convergence of the interests of the beneficiaries and the Company over time.

(vii) The same methodology applies to the assessment of the remuneration and benefits of the Company's main non-corporate leaders and, more generally, the policies implemented in this regard.

(viii) In all the above matters, the Committee may formulate, on its own initiative or at the request of the Board of Directors or Executive Management, any proposal or recommendation.

Examination and proposal to the Board of Directors concerning the method of distribution of the overall annual sum allocated to the Board of Directors by the General Shareholders' Meeting

The Committee proposes to the Board of Directors a breakdown of the total annual sum allocated by the General Shareholders' Meeting to the remuneration of the directors as well as the individual amounts of the payments to be made in this respect to the members of the Board of Directors, taking into account, in particular, their effective participation in the Board and in the Committees of which it is composed, the responsibilities that they incur and the time that they must devote to their duties.

The Committee also makes a proposal on the remuneration allocated to the Chair of the Board of Directors of the Company when the functions of Chair of the Board of Directors and Chief Executive Officer of the Company are separated.

- *Special assignments*

The Committee shall be consulted for recommendation to the Board of Directors on all remunerations relating to exceptional assignments that may be entrusted by the Board of Directors to some of its members.

– **CSR Committee**

Composition

The CSR Committee is composed of three (3) members of the Board of Directors, including the Chair of the Board of Directors and one (1) member appointed from the independent members of the Board of Directors. They are appointed by the Board of Directors, on the proposal of the Appointments and Remuneration Committee. The composition of the CSR Committee may be modified by the Board of Directors, and is, in any case, obligatorily modified in the event of a change in the general composition of the Board of Directors.

The term of office of the members of the CSR Committee coincides with their term of office as members of the Board of Directors. It may be renewed at the same time that Board memberships are renewed.

The Chair of the CSR Committee shall be appointed from among the independent members of the Board of Directors.

The secretariat for the proceedings of the Committee shall be provided by any person appointed by or in agreement with the Chair of the Committee.

Assignments

The CSR Committee ensures the governance and monitoring of the Group's social and environmental projects and the preparation of the Board of Directors' decisions on environmental and social matters. The CSR Committee ensures that the Group addresses the societal and environmental issues related to its objective of developing artists and labels in the most appropriate way possible, at every stage of their career and their development, in all the local markets of the world, with respect, expertise, equity and transparency.

In this context, the tasks of the CSR Committee include:

(i) ensuring that social and environmental responsibility issues (such as diversity and non-discrimination policies and compliance and ethics policies) are taken into account in the Group's strategy and its implementation;

(ii) examining the non-financial performance statement on social and environmental matters provided for in Article L. 22-10-36 of the French Commercial Code;

(iii) reviewing the opinions of investors, analysts and other third parties and, where appropriate, the Company's potential action plan to improve the social and environmental issues raised; and

(iv) examining and evaluating the relevance of the Group's commitments and strategic orientations in social and environmental matters, with regard to the issues specific to its activity and objectives, and monitor their implementation.

The Committee reports regularly to the Board of Directors on the performance of its duties and shall inform it without delay of any difficulties encountered.

14.4 Statement on corporate governance

As from the admission of its shares to trading on the regulated market of Euronext Paris, the Company intends to adhere to the recommendations of the Corporate Governance Code for listed companies of the *Association Française des Entreprises Privées* (French Association of Private Enterprises, or AFEP) and of the *Mouvement des Entreprises de France* (French Enterprise Movement, or MEDEF) (the "**AFEP-MEDEF Code**"), in particular within the framework of the drafting of the Board of Directors' report on corporate governance provided for by Article L. 225-37 of the French Commercial Code.

The AFEP-MEDEF Code to which the Company intends to adhere can be consulted on the Internet at the following address: http://www.medef.com. The Company keeps copies of this code at the permanent disposal of the members of its corporate bodies.

For the aspects of its corporate governance known at the date of this registration document, the Company will comply with all recommendations of the AFEP-MEDEF Code.

14.5 Internal control

The internal control system implemented within the Group is detailed in paragraph 3.6.2 of this registration document.

As of the date of this registration document, insofar as none of the Company's financial securities are admitted to trading on a regulated market, the Company is not required to prepare a corporate governance report, detailing in particular the conditions of preparation and organisation of the Board's work, as well as the internal control and risk management procedures implemented by the Company.

As from the financial year ending 31 December 2021, and provided that the Company's shares are admitted to trading on the regulated market of Euronext Paris, (i) the Company's Board of Directors will be required to prepare this report in accordance with the provisions of Articles L. 225-37, L. 22-10-9 to L. 22-10-11 of the French Commercial Code, and (ii) the management report of the Company's Board of Directors to the General Shareholders' Meeting will also present information on the manner in which the Company takes into account the social and environmental consequences of its activity as well as on its social commitments in favour of sustainable development and in favour of the fight against discrimination and the promotion of diversity, in accordance with the provisions of Articles L. 225-102-1 and L. 22-10-36 of the French Commercial Code.

15. EMPLOYEES

15.1 Employment Data

15.1.1 Number and breakdown of employees

As at 31 December 2020, the Group had approximately 1,270 employees in the companies included in its scope of consolidation, including 471 in France.[87]

For the financial year ended 31 December 2020, the Group's payroll amounted to €78.6 million compared to €53.0 million for the financial year ended 31 December 2019 and €32.1 million for the financial year ended 31 December 2018. The payroll is the sum of all gross salaries and the employer's social security contributions, as well as employee profit-sharing and incentive payments and other personnel costs, paid during each financial year.

The table below shows the evolution, over the last three financial years, of the Group's employees by geographical area:

	Employees as of 31 December		
Geographical areas	**2020**	**2019**	**2018**
France	471	313	215
Germany	245	232	223
Other Europe	184	104	74
Americas	150	111	88
Asia/Oceania/Africa	220	140	27
Total	**1,270**	**900**	**627**

The table below shows the evolution, over the last three financial years, of the Group's employees for its main subsidiaries:

	Employees as of 31 December		
Subsidiaries	**2020**	**2019**	**2018**
Believe SAS (France)	471	313	215
TuneCore Inc. (USA)	113	84	65
Believe International SARL (Luxembourg)	28	11	0
Nuclear Blast GmbH (Germany)	91	87	68
GoodtoGo GmbH (Germany)	47	56	52

The table below shows the evolution, over the last three financial years, in the breakdown of the Group's employees by type of contract:

Breakdown of workforce by type of contract	**FY 2020**	**FY 2019**	**FY 2018**
Percentage of permanent contracts	93.1%	92.8%	95.1%
Percentage of fixed term contracts	6.9%	7.2%	4.9%

[87] In this Chapter 15, the Group's employees are presented at the end of the period, excluding interns and temporary workers. In addition, the Group relies on the services of external consultants in a number of countries where it operates. These consultants are not counted as employees.

Total	**100%**	**100%**	**100%**

The table below shows the proportion of women in the Group's employees over the last three years:

Percentage of women	FY 2020	FY 2019	FY 2018
Percentage of women in the workforce (Group)	42%	38%	35%
Percentage of women on the Steering Committee	55%	-	-

The table below shows the age pyramid for the Group's employees over the last three years:

Age pyramid	FY 2020	FY 2019	FY 2018
≤ 25 years	6.2%	7.5%	8.9%
26 – 30 years	28.7%	26.8%	26.9%
31 – 40 years	37.0%	34.6%	31.6%
41 – 50 years	18.4%	21.1%	22.0%
51 – 60 years	7.6%	8.8%	8.9%
> 60 years	2.0%	1.3%	1.7%
Total	**100%**	**100%**	**100%**

15.1.2 Employment

The table below shows the evolution of employment within the Group over the last three years:

Employment	FY 2020	FY 2019	FY 2018
Turnover[88]	40.4%	41.8%	30.2%
Departure rate (attrition)[89]	11.3%	16.6%	18.0%
Hiring rate[90]	51.4%	52.2%	36.1%
Hiring rate of permanent contracts	47.3%	49.2%	31.9%
Proportion of persons with disabilities/average workforce (France)	0.5%	0.4%	1.0%

The years 2019 and 2020 have been marked by significant growth in the global workforce to support the structuring and acceleration of Believe's growth. New hires thus represented 52.2% of the average workforce for the financial year ended 31 December 2019 and 36.1% of the average workforce for the financial year ended 31 December 2018. Over the same period, the attrition rate, which corresponds to the departure of employees, decreased significantly to 11.3% in 2020. The implementation and structuring of the human resources policy in 2019 contributed to the continuation of actions to recruit and retain employees. Between 2018 and 2020, the attrition rate decreased by 6.7 points.

[88] Calculation of turnover: ((total number of incoming + total number of outgoing) / 2) / total number of employees on 1 January

[89] Calculation of departure rate: total number of outgoing permanent workforce/Average annual permanent workforce

[90] Calculation of the hiring rate: total number of incoming / Average annual workforce

15.1.3 Diversity and gender policy

Believe's mission is to develop artists and labels in the most appropriate way possible, at every stage of their careers and their development, in all the local markets of the world, with respect, expertise, equity, and transparency. Distributing and promoting a strong diversity of musical genres and artists is part of the Group's DNA. One of Believe's ambitions is to contribute to an inclusive and responsible music industry.

In order to gain and keep the trust of Believe's artists and employees, the Group relies on four values that guide its decisions, actions and relationships with artists, their partners and within the company: respect, equity, transparency and expertise.

With a presence in more than 50 countries, diversity is part of Believe's daily life. The Group strongly believes in its values and the power of inclusion. Diversity is a source of creativity, innovation and well-being in the workplace. Believe actively fights against sexism, racism and all forms of discrimination.

Believe's diversity and gender policy is based on the following five axes:

- **Ensuring equal opportunity within the recruitment, development and promotion processes.**

The recruitment process was reviewed in 2020 to make it even more objective and fair. The skills required for the positions offered are defined upstream and an interview guide based on the required skills has been put in place by Believe. The objective of this approach is to avoid subjective recruitments based on feelings towards the candidate, and to prioritise candidates demonstrating useful skills for the position to be filled.

With regard to development, a career interview is offered twice a year. This interview is an opportunity for employees to discuss their development and career plans with their manager. The performance elements and development wishes resulting from this interview are analysed in order to guarantee equity among all employees.

Numerous training and development tools are made available to Group teams (see paragraph 5.9 "*The Group CSR policy*").

The employee development process described above is linked to the recruitment and remuneration processes to meet the Group's development and growth needs, while encouraging internal mobility, recognition and support for promotions. Numerous training elements and development tools are freely available to the Group's teams via a digital platform dedicated to training and development, the Believe Academy, which offers a wide range of content to all the Group's employees, some of which are tailored the needs and skills to be developed (see also 5.9(a) *"Local support for the development of a diversity of talent, at each stage of their career development"* of this registration document).

- **Ensure fair remuneration for similar work, performance and skill levels.**

Believe has implemented a group profession benchmark and market salary practice reviews to ensure fair remuneration for similar work, taking into account experience, skills and qualifications.

Salary review exercises and promotions are also analysed to ensure equity for all employees.

- **Create communities of local ambassadors in each country to promote and implement initiatives for a more diverse and inclusive workplace.**

As diversity and inclusion are a major issue, in addition to corporate actions, Believe is committed to engaging and enabling its employees to involve themselves, be proactive and to submit strong recommendations on these issues.

Believe has encouraged the creation of communities of ambassadors, with whom every employee is free to engage, at headquarters and in the many countries where the Group is present and whose role is to:

- communicate Believe's commitments and share best practices;
- raise awareness of these elements among the teams, answer questions and collect testimonials;
- propose and implement concrete initiatives and actions to promote a respectful and equitable professional working environment.

This community of ambassadors plays an important role in Believe's corporate social responsibility (CSR) strategy and thus helps to unite people around Believe's commitments and to reinforce the feeling of belonging among employees.

- **Prevent discrimination, raise awareness of its legal implications and unconscious biases and promote inclusive behaviour in everyday life for all Believe staff.**

In terms of diversity, one of Believe's priorities is equality between women and men. Dedicated workshops are held within the Group. They aim to raise awareness and explain to employees and managers Believe's commitments and the main actions in favour of professional gender equality and diversity. They also explain the behaviours to adopt and the legal bases on this subject.

Training modules are made available to employees and the ambassadors also propose awareness campaigns.

- **Foster an environment where employees can safely express themselves and where a robust protocol is in place to deal with any complaints of discrimination.**

In addition to awareness and prevention efforts, Believe encourages employees to speak out if they are victims or witnesses of discrimination. These employees are heard either by the identified internal points of contact, the ambassadors (who are the local relays), or anonymously via an alert platform. Each alert is followed up by an investigation by the Human Resources teams to analyse the situation and take appropriate measures or sanctions.

During the integration events organised by Believe for its employees, the content of the alert protocol as well as the importance of reporting any inappropriate behaviour are underlined. These integration events are currently held in France, and Believe aims to implement them in all countries where the Group is established.

Believe's commitment to diversity and gender parity is also reflected in the signing of two charters that support the gender parity and diversity policy:

- the Charter for Women in the Media (*Charte Pour les Femmes Dans les Médias*), which aims to improve the position of women in the media in France.
- the 'Parental Act', which aims to introduce a one-month leave of absence with 100% pay for the second parent, regardless of gender, throughout the Group.

15.2 Remuneration policy

Believe's employees are one of its key assets in rolling out its ambitious growth strategy and achieving its objectives.

When it comes to evolving in a highly competitive sector of expertise (music) and technology (digital, high-tech), expertise, equity, performance and transparency are the fundamental principles to attract, develop and retain employees.

As such, the remuneration policy is structured around four pillars:

- **Recognition of expertise and alignment with market practices.** For this purpose, the remuneration policy is based on a Group profession benchmark that harmonises and compares professions with practices in the sector: the media and entertainment sector for musical and digital professions and the high-tech sector for technology professions.

  Market analyses and positioning are carried out each year by profession and by country according to local trends and practices.

- **Promoting internal equity** to ensure consistency in remuneration levels and structures by profession and contribution level.

- **Recognition of performance and support for career development.** Each year, Believe organises a salary review and a bonus distribution in order to recognise the past year's performance and to support employees' career development. As of 31 December 2020, 44.5% of Believe's employees benefit from a target variable income portion, whose payment depends on the achievement of objectives.

- **A responsible policy** through which Believe allows all employees to benefit from a level of complementary social coverage in line with local regulations and practices. Innovative practices such as second parent leave supplement the remuneration policy.

15.3 Share subscription warrants

For more information on the share subscription warrants held by the members of the Board of Directors and the Executive Management of the Company, as well as by certain employees of the Group, please refer to paragraph 19.1.4 "*Other securities giving access to capital*" of this registration document and to Note 5.4 "*Share-based payments*" to the Group's consolidated financial statements for the financial years ended 31 December 2020, 2019 and 2018.

15.4 Profit-sharing and incentive agreements

In France, Believe SAS has signed a profit-sharing agreement based on the legal formula for calculating the profit-sharing amount. No incentive agreement or corporate savings plan has been put in place.

15.5 Social dialogue

The Group maintains a permanent and satisfactory social dialogue with employee representatives. In France, Believe SAS established a Social and Economic Committee in 2019.

16. MAJOR SHAREHOLDERS

16.1 Share Ownership

At the date of this registration document, the Company is established as a simplified joint-stock company (*société par actions simplifiée*) with share capital of €402,344.21 divided into 9,761,267 ordinary shares and 30,473,154 preference shares, each with a par value of €0.01.

Prior to the settlement-delivery of the Company's shares as part of their admission to trading on the regulated market of Euronext Paris, all preference shares issued by the Company will be converted into new ordinary shares, on the basis of one new ordinary share for each preference share converted.

The table below shows the distribution of the Company's capital at the date of this registration document:

Shareholder	Number of shares	% of capital	Number of voting rights	% of voting rights	Share classes
TCV Luxco BD S.à.r.l.	19,971,491	49.64%	19,971,491	49.64%	1,424,202 ordinary shares 3,141,200 class P1 preference shares 192.048 class P2 preference shares 152,123 class P3 preference shares 10,229,444 class P4 preference shares 4,832,474 class P5 preference shares
Investment funds managed by Ventech	8,183,972	20.34%	8,183,972	20.34%	974.576 ordinary shares 835.265 class P1 preference shares 3.401.220 class P2 preference shares 282.834 class P3 preference shares 2,690,077 class P5 preference shares
Investment funds managed by Siparex XAnge Venture	3,244,534	8.06%	3,244,534	8.06%	80.312 ordinary shares 149.960 class P1 preference shares 1.027.540 class P2 preference shares 216.911 class P3 preference shares 1,447,646 class P4 preference shares 322.165 class P5 preference shares
GP BullHound	1,034,318	2.57%	1,034,318	2.57%	32.673 ordinary shares 191.725 class P1 preference shares 15.965 class P2 preference shares 6,303 Class P3 preference shares 256,080 Class P4 preference shares 531,572 Class P5 preference shares
Denis Ladegaillerie	6,050,660	15.04%	6,050,660	15.04%	6.050.660 ordinary shares
Other shareholders	1,749,446	4.35%	1,749,446	4.35%	1.198.844 ordinary shares 15.850 class P1 preference shares 2.447 class P2 preference shares 341.829 class P3 preference shares 710 class P4 preference shares 189,766 class P5 preference shares
TOTAL	40,234,421	100%	40,234,421	100%	9.761.267 ordinary shares 4,334,000 class P1 preference shares 4.639.220 class P2 preference shares 1,000,000 class P3 preference shares 11,933,880 class P4 preference shares 8,566,054 class P5 preference shares

(1) As of the date of this registration document, there are 541,000 BSAs and 1,607,976 BSPCEs, of which 394,750 BSAs and 1,276,277 BSPCEs are exercisable, giving access to a total of 2,148,976 new shares of the Company, corresponding to 5,07% of the share capital on a diluted basis as of the date of this registration document (see also section 19.1.4 "*Other securities giving access to the share capital*" of this registration document).

None of the Company's shareholders listed in the table above hold securities giving access to the Company share capital, other than shares.

16.1.1 TCV Luxco BD S.à.r.l.

At the date of this registration document, TCV Luxco BD S.à.r.l, an entity affiliated with TCMI, Inc. (TCV) helds 49.64% of the Company's share capital and voting rights.

Founded in 1995, TCV was established with a clear vision: to capture opportunities in the technology market through a specialized and consistent focus on investing in high-growth companies. Since its inception, the firm has built a track record of successfully backing many businesses that have developed into dominant industry players across internet, software and FinTech. Examples of TCV investments include Airbnb, ByteDance, Facebook, GoFundMe, Hotmart, Klarna, Mambu, Mollie, Netflix, Nubank, Payoneer, Peloton, RELEX Solutions, Revolut, Splunk, Sportradar, Spotify, Twilio, WorldRemit and Zillow. TCV has successfully executed over 350 investments of varying structures, including mid-stage, late stage and public company investments, and has offices in Menlo Park, New York, and London.

16.1.2 Ventech

Ventech is an international venture capital company which primarily makes post-seed and series A investments, focusing on the acceleration of digital disruptions and working alongside bold, visionary entrepreneurs, from day one up to a sale or public listing of billions of dollars.

With a team on every continent, Ventech manages €700 million through single-purpose funds, both in Europe (with offices in Paris, Munich, Berlin and Helsinki) and Asia (with offices in Shanghai and Hong Kong).

Since its creation in 1998, Ventech has made more than 200 investments, notably in Mindler (Sweden), Ogury (United Kingdom), Picanova (Germany), SuperMonkey (China), Veo (Denmark), VestiaireCollective (France), and more than 90 exits including Curse/Twitch, StickyADS/Comcast, Webedia/Fimalac and Withings/Nokia, including over twenty IPOs, such as Jumei on the Nasdaq, Meilleurtaux on Euronext and Secoo on Nasdaq.

16.1.3 XAnge

XAnge is an early stage investment fund based in Paris and Munich with €500 million under management. Its investment team supports European entrepreneurs trying to change everyday life through technology, by making investments of €500,000 to €10 million, from start-up until Series A and B rounds.

With an investment focus on extending technology to the widest possible public, XAnge invests in deep tech, healthcare, fintech, SAAS and e-commerce. In addition to Believe, XAnge has supported such companies as Lydia (phone payment), Welcome to the Jungle (human resources), MrSpex (e-commerce) and Ledger (cryptocurrencies) and Neolane (marketing automation).

XAnge is the innovation sector brand of the Siparex Group.

16.2 Statement regarding the control of the Company

At the date of this registration document, the founder of the Group, Denis Ladegaillerie together with TCV Luxco DV S.à.r.l.Ventech, XAnge, GP BullHound and certain historical partners are parties to a shareholders' agreement signed on 18 April 2019. This agreement would be terminated *ipso jure* at of the date of admission of the Company's shares to trading on the regulated market of Euronext Paris.

16.3 Agreements which could result in a change of control

At the date of this registration document, there is no agreement which if implemented might entail a change of control of the Company.

17. RELATED PARTY TRANSACTIONS

17.1 Principal related party transactions

The Group's related parties include the Company's shareholders, non-consolidated subsidiaries, associates (equity accounted investments) and entities on which the various Group leaders have significant influence.

With the exception of the compensation referred to in Note 5.5 to the consolidated financial statements for the financial years ended 31 December 2020, 2019 and 2018, there are no transactions between the Company and its key management personnel. In addition, there were no transactions with shareholders within the meaning of IAS 24 as of 31 December 2018, 31 December 2019 and 31 December 2020. Finally, transactions between Believe and these associates or joint ventures are detailed in Note 2.4 of the above-mentioned consolidated financial statements.

With the exception of these transactions, there are no other transactions with the Group's related parties.

17.2 Statutory Auditors' special reports on regulated agreements for financial years 2020, 2019 and 2018

17.2.1 Statutory Auditors' special report on regulated agreements for financial year 2020

This is a free translation into English of a report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and is construed in accordance with, professional auditing standards applicable in France.

Believe S.A.S.

Registered office: 24 rue Toulouse Lautrec - 75017 Paris

Statutory Auditors' special report on regulated agreements

Annual General Meeting held to approve the financial statements for the year ended 31 December 2020

To the Annual General Meeting of Believe S.A.S.,

In our capacity as Statutory Auditors of your Company, we hereby report to you on regulated agreements.

Our responsibility is to inform you, on the basis of the information provided to us, of the terms and conditions of agreements of which we have been advised or which we may have discovered in the course of our work, without commenting on their usefulness or appropriateness or on the existence of other agreements. It is your responsibility to evaluate the benefits resulting from these agreements prior to their approval.

We performed the procedures that we considered necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) relating to this engagement.

AGREEMENTS SUBMITTED TO THE APPROVAL OF THE SHAREHOLDERS' MEETING

We inform you that we have not been advised of any agreement entered into during the past financial year that should be submitted to the approval at the Shareholders' General Meeting in accordance with article L. 227-10 of the French Commercial Code (*Code de commerce*).

Paris La Défense, on the 6 May 2021 | Paris, on the 6 May 2021

17.2.2 Statutory Auditors' special report on regulated agreements for financial year 2019

This is a free translation into English of a report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and is construed in accordance with, professional auditing standards applicable in France.

Believe S.A.S.

Registered office: 24 rue Toulouse Lautrec - 75017 Paris

Statutory Auditors' special report on regulated agreements

Annual General Meeting held to approve the financial statements for the year ended 31 December 2019

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In our capacity as Statutory Auditors of your Company, we hereby report to you on regulated agreements.

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We performed the procedures that we considered necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) relating to this engagement.

AGREEMENTS SUBMITTED TO THE APPROVAL OF THE SHAREHOLDERS' MEETING

We inform you that we have not been advised of any agreement entered into during the past financial year that should be submitted to the approval at the Shareholders' General Meeting in accordance with article L. 227-10 of the French Commercial Code (*Code de commerce*).

Paris La Défense, on the 23 June 2020 | Paris, on the 23 June 2020

17.2.3 Statutory auditors' special report on regulated agreements for financial year 2018

This is a free translation into English of a report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and is construed in accordance with, professional auditing standards applicable in France.

Believe S.A.S.

Registered office: 2 place Colonel Fabien - 6 avenue Mathurin Moreau - 75167 Paris Cedex 19

Statutory Auditors' special report on regulated agreements

To the Annual General Meeting,

In our capacity as Statutory Auditors of your Company, we hereby report to you on regulated agreements.

Our responsibility is to inform you, on the basis of the information provided to us, of the terms and conditions of agreements of which we have been advised or which we may have discovered in the course of our work, without commenting on their usefulness or appropriateness or on the existence of other agreements. It is your responsibility to evaluate the benefits resulting from these agreements prior to their approval.

We performed the procedures that we considered necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) relating to this engagement.

AGREEMENTS SUBMITTED TO THE APPROVAL OF THE SHAREHOLDERS' MEETING

We inform you that we have not been advised of any agreement entered into during the past financial year that should be submitted to the approval at the Shareholders' General Meeting in accordance with article L. 227-10 of the French Commercial Code (*Code de commerce*).

Paris La Défense, on the 19 June 2019

Paris, on the 19 June 2019

18. FINANCIAL INFORMATION CONCERNING THE COMPANY'S ASSETS, FINANCIAL POSITION AND RESULTS

18.1 Group consolidated financial statements for the years ended December 31, 2020, December 31, 2019 and December 31, 2018, and Statutory Auditors' report

18.1.1 Group consolidated financial statements for the years ended December 31, 2020, December 31, 2019 and December 31, 2018

Contents

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of income

(in € thousands)	Notes	2020	2019	2018
Revenue	**4.1**	441,422	394,530	238,051
Cost of sales	**4.2**	(283,310)	(251,866)	(154,563)
Sales and marketing expenses	**4.3**	(115,499)	(92,774)	(51,352)
Technology and product expenses	**4.3**	(24,589)	(14,556)	(10,511)
General and administrative expenses	**4.3**	(35,864)	(17,790)	(7,659)
Other operating income (expense)	**4.4**	(3,843)	(4,731)	(5,165)
Operating income (loss)		**(21,681)**	**12,812**	**8,801**
Cost of debt	**8.6**	(1,951)	(1,746)	(731)
Other financial income (expense)	**8.6**	4,855	(2,597)	(4,144)
Net financial income (expense)		**2,904**	**(4,343)**	**(4,874)**
Share of net income (loss) of equity-accounted companies	**2.4**	(593)	1,124	15
Income (loss) before tax		**(19,371)**	**9,593**	**3,942**
Income tax	**9.1**	(6,915)	(4,968)	(1,396)
Net income (loss)		**(26,286)**	**4,625**	**2,546**
Attributable to:				
Owners of the parent		(26,845)	4,577	2,471
Non-controlling interests		559	48	75
Earnings per share attributable to owners of the parent company:	**10.4**			
Basic earnings (loss) per share (€)		(0.67)	0.12	0.08
Diluted earnings (loss) per share (€)		(0.67)	0.12	0.07

Consolidated statement of comprehensive income

(in € thousands)	2020	2019	2018
Consolidated net income (loss)	**(26,286)**	**4,625**	**2,546**
Translation adjustments	(7,200)	772	819
Other comprehensive income (expense) that may be reclassified subsequently to net income	**(7,200)**	**772**	**819**
Remeasurement of net defined benefit obligation	(63)	(125)	37
Other comprehensive income (expense) that may not be reclassified subsequently to net income	**(63)**	**(125)**	**37**
TOTAL COMPREHENSIVE INCOME (EXPENSE)	**(33,548)**	**5,273**	**3,402**
Attributable to:			
Owners of the parent	(33,794)	5,221	3,321
Non-controlling interests	246	52	80

Consolidated statement of financial position

(in € thousands)	Notes	31 Dec. 2020	31 Dec. 2019	31 Dec. 2018	1 Jan. 2018
ASSETS					
Goodwill	**6.1**	80,449	72,702	44,129	26,115
Other intangible assets	**6.2**	110,965	89,487	74,998	30,804
Property, plant and equipment	**6.3**	34,706	31,871	9,518	8,678
Advances to artists and labels – non-current portion	**4.6**	48,336	28,796	23,971	10,920
Investments in equity-accounted companies	**2.4**	12,812	15,330	12,640	291
Non-current financial assets	**8.1**	6,188	5,427	2,735	2,224
Deferred tax assets	**9.2**	4,353	6,937	6,373	5,467
Total non-current assets		**297,807**	**250,550**	**174,363**	**84,500**
Inventories	**4.7**	4,013	2,209	2,882	4,695
Trade receivables	**4.5**	110,366	97,566	71,465	47,692
Advances to artists and labels – current portion	**4.6**	60,470	34,092	29,083	18,621
Other current assets	**4.5**	30,173	43,446	35,786	22,176
Current tax assets	**9.1**	4,808	559	271	162
Cash and cash equivalents	**11.1**	152,333	161,677	73,117	68,381
Total current assets		**362,161**	**339,550**	**212,605**	**161,728**
TOTAL ASSETS		**659,968**	**590,100**	**386,968**	**246,228**
EQUITY					
Share capital	**10.1**	402	400	304	304
Share premiums	**10.1**	169,799	168,294	34,423	34,356
Reserves and retained earnings		(19,974)	5,860	(284)	(3,319)
Translation reserve		(5,306)	1,582	814	-
Equity attributable to owners of the parent		**144,921**	**176,135**	**35,257**	**31,341**
Non-controlling interests	**10.3**	6,609	205	151	77
Total equity		**151,530**	**176,340**	**35,408**	**31,417**
EQUITY AND LIABILITIES					
Non-current provisions	**7.2**	791	531	308	309
Long-term borrowings and debt	**8.3**	115,551	55,432	47,913	13,046
Deferred tax liabilities	**9.2**	14,830	14,875	13,428	558
Total non-current liabilities		**131,172**	**70,838**	**61,649**	**13,913**
Current provisions	**7.2**	864	240	288	197
Short-term borrowings and debt	**8.3**	12,751	11,747	12,265	5,193
Trade payables and contract liabilities	**4.8**	332,966	282,570	233,506	171,562
Other current liabilities	**4.9**	28,669	42,957	43,377	23,552
Current tax liabilities	**9.1**	2,016	5,408	475	393
Total current liabilities		**377,266**	**342,922**	**289,911**	**200,897**
TOTAL EQUITY AND LIABILITIES		**659,968**	**590,100**	**386,968**	**246,228**

Consolidated statement of cash flows

(in € thousands)	Note s	2020	2019	2018
Operating activities				
Net income (loss)		**(26,286)**	**4,625**	**2,546**
Depreciation, amortisation and impairment of non-current assets	4.3	24,683	16,044	10,183
Share-based payment		1,152	1,715	516
Cost of debt		1,951	1,746	731
Income tax		6,915	4,968	1,396
Net charges to provisions and employee benefits		877	73	140
Share of net income (loss) of equity-accounted companies (incl. dividends received)		2,508	(1,124)	(15)
Elimination of net gains or losses on disposals of assets		141	214	20
Other items with no cash impact		(125)	1,254	1,204
Income tax collected/paid		(13,579)	(2,254)	(1,022)
Change in operating working capital		(2,305)	4,592	13,418
Net cash from (used in) operating activities	**11.2**	**(4,068)**	**31,853**	**29,117**
Investing activities				
Acquisitions of property, plant and equipment and intangible assets		(34,658)	(24,307)	(7,640)
Disposals of property, plant and equipment and intangible assets		-	10	-
Acquisitions of subsidiaries, net of cash acquired		(19,361)	(36,988)	(56,445)
Decrease (increase) in loans		(143)	(1,306)	44
Decrease (increase) in non-current financial assets		(172)	(1,234)	(260)
Net cash from (used in) investing activities	**11.3**	**(54,334)**	**(63,825)**	**(64,301)**
Financing activities				
Increase in borrowings		64,400	-	86,313
Decrease in borrowings		(7,795)	(8,389)	(44,438)
Repayment of lease liabilities		(3,558)	(4,175)	(3,079)
Interest paid		(956)	(1,451)	(1,511)
Capital increase (decrease) by owners		1,508	133,966	68
Net cash from financing activities	**11.4**	**53,599**	**119,951**	**37,353**
Net cash and cash equivalents at beginning of year		**161,536**	**72,443**	**68,139**
Net increase (decrease) in cash and cash equivalents net of bank overdrafts, before the impact of changes in foreign exchange rates		**(4,803)**	**87,979**	**2,169**
Impact of changes in foreign exchange rates		(4,403)	1,115	2,135
Net cash and cash equivalents at end of year	**11.1**	**152,331**	**161,537**	**72,443**
Of which:				
Cash and cash equivalents		**152,333**	**161,677**	**73,117**
Bank overdrafts		**(2)**	**(140)**	**(674)**

Consolidated statement of changes in equity

In € thousands (except share data)	Number of shares	Share capital	Share premiums	Reserves and retained earnings	Translation reserve	Equity attributable to owners of the parent	Non-controlling interests	TOTAL EQUITY
	Attributable to owners of the parent							
EQUITY AT 1 JANUARY 2018	*30,380,560*	**304**	**34,356**	**(3,319)**	**-**	**31,341**	**77**	**31,417**
Remeasurement of net defined benefit obligation				37		37		37
Translation adjustments					814	814	6	819
Other comprehensive income				**37**	**814**	**851**	**6**	**856**
Net income (loss) for the year				2,471		2,471	75	2,546
Total comprehensive income		**-**	**-**	**2,508**	**814**	**3,322**	**80**	**3,402**
Capital increase	*55,500*	1	67			68		68
Share-based payment				516		516		516
Other				11		11	(6)	5
EQUITY AT 31 DECEMBER 2018	*30,436,060*	**304**	**34,423**	**(284)**	**814**	**35,257**	**151**	**35,408**
Remeasurement of net defined benefit obligation				(125)		(125)		(125)
Translation adjustments					768	768	4	772
Other comprehensive income (expense)				**(125)**	**768**	**643**	**4**	**648**
Net income (loss) for the year				4,577		4,577	48	4,625
Total comprehensive income		**-**	**-**	**4,453**	**768**	**5,221**	**52**	**5,273**
Capital increase	*9,534,841*	95	133,870			133,966		133,966
Share-based payment				1,715		1,715		1,715
Other				(24)		(24)	1	(22)
EQUITY AT 31 DECEMBER 2019	*39,970,901*	**400**	**168,294**	**5,860**	**1,582**	**176,135**	**205**	**176,340**
Remeasurement of net defined benefit obligation				(63)		(63)		(63)
Translation adjustments					(6,887)	(6,887)	(312)	(7,200)
Other comprehensive income (expense)		**-**	**-**	**(63)**	**(6,887)**	**(6,950)**	**(312)**	**(7,262)**
Net income (loss) for the year				(26,845)		(26,845)	559	(26,286)
Total comprehensive income				**(26,907)**	**(6,887)**	**(33,795)**	**246**	**(33,548)**
Capital increase	*263,520*	3	1,506			1,508		1,508
Share-based payment				1,152		1,152		1,152
Changes in the scope of consolidation							6,157	6,157
Other				(78)	-	(78)		(78)
EQUITY AT 31 DECEMBER 2020	*40,234,421*	**402**	**169,799**	**(19,974)**	**(5,306)**	**144922**	**6,609**	**151,530**

Changes in the "Non-controlling interests" column in 2020 primarily reflect the acquisition of DMC (see Note 2.2 – Scope of consolidation, Note 2.3 – Business combinations, and Note 10.3 – Non-controlling interests).

Changes in translation adjustments reflect the impact of exchange rate fluctuations on the equity of foreign operations denominated in currencies other than the euro. Changes in translation adjustments in 2020 mostly result from the Group's companies in India.

Notes to the consolidated financial statements

Presentation of the Group

Believe (hereafter the "Company") was incorporated on 7 April 2005.

It is based in France and its head office is at 24 rue Toulouse Lautrec, 75017 Paris.

The Group specialises in the sale and promotion of audio and video content from independent labels and artists with the aim of building their audience and careers, at all stages of their development, in their local markets across the globe. It works with emerging, established and popular artists, driven by its values of respect, expertise, fairness and transparency. Its solutions help artists and labels promote and deliver their audio and video content through a range of technologies, helping them to attract a wide audience and interact with that audience through marketing strategies, thereby monetising their music and maximising their sales.

Believe's largest subsidiaries are in Canada, China, France, Germany, India, Italy, Japan, Luxembourg, Russia, Singapore, Turkey, the United Kingdom and the United States.

The Group's consolidated financial statements include the Company and its subsidiaries (hereafter referred to as the "Group").

Significant events

2020

<u>Acquisitions</u>

On 6 April 2020, the Company acquired a 7.94% stake in Ircam Amplify, a subsidiary of IRCAM, the French Institute for Research and Coordination in Acoustics/Music. Ircam Amplify promotes licenses and expertise, and is also partly specialised in enriching and indexing musical content databases and in music recommendations. The stake in Ircam Amplify is not consolidated.

On 21 July 2020, the Group continued to expand its footprint in emerging countries, acquiring a majority 60% stake in Turkey's DMC label. This acquisition led to the consolidation of the following subsidiaries of the DMC group:

- Doğan Müzik Yapım ve Ticaret A.Ş.
- Netd Müzik Video Dijital Platform ve Ticaret A.Ş.

The Group also acquired the assets of SoundsGoood, a company specialised in creating playlists on streaming platforms.

<u>Covid-19</u>

The World Health Organization (WHO) classified Covid-19 as a pandemic on 11 March 2020, triggering an unprecedented global health crisis.

This had a significant impact on certain segments of the market for recorded music.

The social distancing and lockdown measures put in place by governments led to the cancellation of most concerts and other public performances, and to the closure of brick-and-mortar points of sale, which particularly affected the market for neighbouring rights and physical music sales. In contrast, the digital music market proved resilient, especially streaming, boosted by favourable structural trends over the past few years and in particular, users' growing preference for remote forms of consuming music as opposed to physical forms owing to the lockdown measures introduced by governments.

o The main impact on the Grop's result of the crisis was that the Group's revenue growth slowed down, although each revenue source was affected differently. The impact on revenue from digital sales (89% of the Group's consolidated revenue in 2020) was limited. The negative impact essentially results from revenue arising on free streaming financed by advertising on video distribution platforms and social media, which saw a sharp fall in advertiser spending.

- o The crisis had a bigger impact on the Group's other income, notably physical sales (essentially in Germany and France) and live music (essentially in France and India).

Government support measures did not have a material impact on the financial statements for the year ended 31 December 2020. The Group regularly considers the current and future consequences of the crisis, even though these consequences are difficult to determine exhaustively for 2021 due to prevailing uncertainties.

The assumptions and estimates used in measuring certain statement of financial position or statement of income items were reviewed in light of the crisis. This review concerned:

- Measurement of goodwill and brands: although certain market assumptions were revised downwards to take account of the impacts of the pandemic, the impairment tests carried out at 31 December 2020 did not identify any impairment of goodwill or brands associated with the Group's CGUs and groups of CGUs (see Note 6.4 – Impairment tests on non-current assets).
- Recoverability of advances to artists and labels: at 31 December 2020, the Group estimated impairment against advances granted to certain artists and labels based on expectations regarding their future performance (see Note 4.6 – Advances to artists and labels). The Group is confident about the future and intends to continue its strategy of paying advances to artists and labels in order to support the artists at all stages of their development.
- Expected credit losses on trade receivables: at 31 December 2020, the Group estimated whether its trade receivables were impaired based on the expected credit loss model (see Note 4.5 – Trade receivables and other current assets). It did not identify any evidence of a significant increase in expected credit risk, especially regarding its major customers.
- Cash position: the health crisis did not have a significant adverse impact on the Group's cash position.

2019

The Group carried out two capital increases for a total of €134 million in April and July 2019, which are described in Note 10.1 – Changes in share capital.

In 2019, the Group expanded its presence in India, acquiring several companies specialising in artist services:

- Acquisition of 100% of Venus Music Private Ltd, whose musical catalogue notably includes Bollywood music.
- Acquisition of 100% of Canvas Talent Private Ltd.
- Acquisition of 100% of Entco Music Private Ltd.

The Group also acquired a 49% stake in 6&7 SAS, a company accounted for by the equity method.

The Group also created the following companies:

- Believe Music SEA Pte Ltd.
- Believe Music (Shanghai) Company Ltd.
- Believe Music America LLC.
- Believe International Holding Inc.

In March 2019, the Group entered into a commercial lease effective 1 September 2019 for a term of nine years. The lease provides the Group with an option to terminate the lease after six years, i.e., on 31 August 2025. The lease concerns the premises of the new head office located at 24 rue Toulouse Lautrec, 75017 Paris. The Group moved to its new premises in November 2019 and the head office was transferred to this address.

2018

Significant events in 2018 include:

- Acquisition of a 99% stake in the Nuclear Blast group, the world's leading heavy metal label, based in Germany.
- Acquisition of 100% of the Groove Attack group, an independent German distribution company specialised in hip-hop.
- Acquisition of a 49% stake in the Lili Louise Musique group, owner of the French label, Tôt ou Tard.
- Creation of Believe International SARL.

In September 2018, the Group was granted new credit facilities and loans totalling €62.8 million by a banking syndicate comprising Neuflize OBC, Caisse d'Épargne et de Prévoyance Île-de-France, HSBC France and Société Générale. These transactions are described in Note 8.3 – Gross debt.

Note 1 Summary of significant accounting policies

1.1 Accounting standards applied and statement of compliance

Background to the publication of the consolidated financial statements

The consolidated financial statements for the years ended 31 December 2020, 31 December 2019 and 31 December 2018 were prepared in connection with the planned initial public offering (IPO) of shares on the regulated market in France. The consolidated financial statements were prepared specifically for the purposes of the Registration Document filed with the French Financial Markets Authority (*Autorité des marchés financiers* – AMF).

The Group's consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB) and adopted by the European Union at 31 December 2020. All of the standards adopted by the European Union can be consulted on the European Commission website:

https://eur-lex.europa.eu/eli/reg/2008/1126/2016-01-01

These financial statements are the first consolidated financial statements to have been prepared by the Group under IFRS. Accordingly, IFRS 1 – First-time Adoption of International Financial Reporting Standards has been applied as of the transition date, i.e., 1 January 2018. The statement of financial position at 1 January 2018 is therefore presented as the opening statement of financial position. Details of the IFRS transition are set out in Note 13 – IFRS transition.

This set of consolidated financial statements covering three financial years was adopted by the Board of Directors on 6 May 2021.

Subsequent events, defined as events occurring between 31 December 2020 and 6 May 2021, the date on which the financial statements were adopted, were accounted for in accordance with IAS 10 – Events After the Reporting Period. These events are described in Note 12.4 – Subsequent events, which details the significant events that occurred during the aforesaid period.

Standards, amendments and interpretations applied by the Group

The Group applies the standards, amendments and interpretations published in the Official Journal of the European Union and effective for reporting periods beginning on or after 1 January 2020. In accordance with IFRS 1, these standards, amendments and interpretations are applied with effect from 1 January 2018.

The following new amendments are effective or may be early adopted for the consolidated financial statements at 1 January 2020:

- Amendments to IAS 1 and IAS 8 – Definition of Materiality.
- Amendments to IFRS 3 – Definition of a Business.
- Amendments to IAS 39, IFRS 7 and IFRS 9 – Interest Rate Benchmark Reform (Phase 1).
- Amendments to References to the Conceptual Framework in IFRS Standards.
- Amendment to IFRS 16 – Covid-19-Related Rent Concessions.

These amendments do not have a material impact on the consolidated financial statements for the year ended 31 December 2020.

Standards, amendments and interpretations adopted by the IASB but not yet adopted by the European Union and not early adopted by the Group at 31 December 2020

The Group elected not to early adopt any standards, amendments or interpretations for the year ended 31 December 2020. The following published standards, amendments and interpretations that will be effective after 1 January 2021 may have an impact on the Group's financial statements:

- Amendments to IAS 1 – Presentation of Financial Statements: Classification of Liabilities as Current or Non-current. The IASB has deferred the effective date of this amendment to January 2023.
- Amendments to IAS 37 – Onerous Contracts: Cost of Fulfilling a Contract.
- Amendments to IAS 39, IFRS 7 and IFRS 9 – Interest Rate Benchmark Reform (Phase 2).
- Amendments to IFRS 3 – Reference to the Conceptual Framework.
- Annual Improvements to IFRSs 2018-2020 Cycle, concerning:
  - Amendments to IFRS 9 relating to fees in the "10 per cent" test for derecognition of financial liabilities.
  - Amendments to IFRS 16 relating to the elimination of illustrative example 13.

1.2 Basis of preparation

Unless otherwise indicated, financial information is presented in thousands of euros without decimal places, and the Group's presentation currency is the euro. Rounding to the nearest thousand euros may lead to non-material differences between reported totals and the sum of the reported amounts.

The consolidated financial statements were prepared on a historical cost basis except for certain assets and liabilities, in compliance with IFRS.

Believe presents its consolidated statement of income by function: operating expenses are split between "cost of sales", "sales and marketing expenses", "technology and product expenses", "general and administrative expenses", and "other operating income (expense)", which represent indicators used to track the Group's performance.

The consolidated financial statements present comparative information for previous periods.

The notes to the consolidated financial statements set out the accounting policies applied in each note, along with comments on the figures, in order to enhance the readability of the financial statements.

1.3 Use of judgements and estimates

The preparation of consolidated financial statements requires the use of accounting estimates and judgements to determine the carrying amounts of certain assets, liabilities, income and expenses. These estimates and judgements are regularly reviewed to ensure that they are reasonable in light of the Group's history, the economic climate and the information available to the Group. Certain events could result in changes in these estimates and judgements, which would affect the value of the Group's assets, liabilities, equity and earnings. In preparing its consolidated financial statements, the Group used estimates and judgements to:

- Determine the term and discount rate of leases.
- Recognise deferred taxes.
- Determine the recoverable amount of advances paid to artists.
- Estimate revenue.

- Calculate the recoverable amount of non-current assets.
- Measure the intangible assets acquired as part of a business combination and estimate any earn-out liabilities.
- Measure pension obligations and share-based payments.

IFRS 16 – Leases

The Group assess each contract to determine whether it is, or contains, a lease.

In applying IFRS 16, the Group used estimates and judgements to:

- Determine the lease term: the lease term adopted represents the non-cancellable term of the lease, plus any periods covered by an extension option if the Group is reasonably certain to exercise that option, plus any periods covered by a termination option if the Group is reasonably certain not to exercise that option. These estimates take account of the IFRIC's November 2019 agenda decision on lease terms.
- Determine the discount rate: where the interest rate implicit in the lease cannot be readily determined, the discount rate used corresponds to the incremental borrowing rate at the lease commencement date. This rate is determined using the Group's incremental borrowing rate plus a spread in order to reflect the specific economic environment of the country concerned and, where applicable, the risk associated with the entity or leased asset. The discount rates used are adopted so as to reflect the interest rate that the Group would have to pay to borrow money under similar terms (i.e., a rate that reflects the lease term).

Recognition of deferred taxes

Deferred tax assets are only recognised to the extent that it is probable that sufficient taxable income will be available or that losses carried forward can be utilised against the taxable temporary differences. Where appropriate, deferred tax assets are only recognised to the extent of any limits imposed by the tax laws applicable to the entity concerned.

Recoverable amount of advances paid to artists and labels

Under certain contracts signed with artists and labels, the Group agrees to pay advances, which will be recouped against the amounts payable to those artists and labels at a future date.

These advances are recognised as assets when they are paid and are expensed as and when the corresponding amounts are paid to the artists and labels.

At each reporting date, the Group determines the probability that it will recoup these advances, based on estimates of the future performance of the artists and labels that will be used to calculate the amounts due. Future performance is measured by (i) projecting advances recovered for the last three months over the remaining term of the initial agreement, thereby identifying artists and labels for whom the recoverability of advances may be doubtful, and (ii) meetings with operational management to factor in qualitative inputs (e.g., a recent album release that is not yet reflected in the revenues generated over the past quarter, or the launch of a catalogue promotional campaign).

The carrying amount of the advances is written down if the Group no longer expects to recoup them in full against the future performance of the artists or labels. Advances shown in the statement of financial position are split between a current portion (i.e., the portion that the Group expects to recoup within 12 months of the reporting date) and a non-current portion.

Outstanding advances still to be collected are split between a current and a non-current portion using the same method as that used to determine the recoverable amount, i.e., by projecting advances recovered in the last three months. For contracts signed in the year for which no historical recovery statistics exist, the Group applies an average recoup rate based on trends observed over the past three financial years. This analysis is updated annually to take account of actual amounts recouped. The current/non-current split is also updated for material advances, taking into account the analysis described above.

Revenue estimates

Based on past experience, the Group estimates revenue for sales made for which final sales reports are pending at the reporting date. This mainly concerns revenue from digital activities for all platforms working with the Group.

Revenue is estimated using the weighted average monthly growth of each platform over the past three years, and also takes into account any relevant known factors specific to a given platform. At the reporting date, the Group has additional information allowing it to corroborate the estimates made, consisting of (i) sales reports being provide the days preceding or following the reporting date, for which invoices have not yet been issued but for which the invoice amount is already known, and (ii) tools that report estimates from the platforms of revenue financed by advertising. These inputs enable the Group to ensure that its estimates are reliable.

Asset impairment tests

In testing its assets for impairment, the Group uses assumptions that are revised at least annually, relative to cash-generating units (CGUs), future cash flows and discount rates. The assumptions used and the results of sensitivity tests of recoverable amounts are described in Note 6.4 – Impairment tests on non-current assets.

Measurement of intangible assets acquired as part of a business combination, and estimates of any earn-out liabilities

Business combinations are accounted for using the purchase method in accordance with IFRS 3 – Business Combinations.

The Group recognises intangible assets acquired as part of a business combination at fair value. These intangible assets are measured using valuation models requiring cash flow assumptions. The intangible assets recognised and the basis of measurement used are described in Note 6.2 – Other intangible assets.

The liabilities assumed in connection with earn-out arrangements are recognised at their fair value at the date of the combination.

Note 2 Scope of consolidation

2.1 Basis of consolidation

Consolidation methods

The consolidated financial statements include the financial statements of companies acquired as from the date on which the Group acquired control, the financial statements of companies sold up to the date on which the Group relinquished control, as well as investments in equity-accounted companies (associates and joint ventures).

All companies are consolidated based on their financial position at each reporting date presented, and their accounting policies are aligned where necessary with those adopted by the Group. All intragroup transactions and balances are eliminated in full on consolidation, as well as gains and losses on transactions between controlled companies (subsidiaries).

Controlled companies

Companies controlled directly or indirectly by the Group are fully consolidated.

The Group controls an entity when all of the following conditions are met:

- It has power over the entity.
- It is exposed, or has rights, to variable returns from its involvement with the entity.
- It has the ability to affect the amount of those returns through its power over the entity.

Equity-method accounting for joint ventures and associates

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually-agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

An associate is a company over which the Group exercises significant influence, defined as the power to participate in the operating and financial policy decisions of an entity, but does not have control or joint control of those policies. Significant influence is presumed to exist when the Group holds, directly or indirectly, 20% or more of the voting rights of the entity, unless it can be clearly demonstrated that this is not the case.

Investments in joint ventures and associates are accounted for by the equity method. This method consists in initially recording the investment in joint ventures and associates in the consolidated statement of financial position at acquisition cost, adjusted thereafter for any post-acquisition change in the Group’s share of the entity’s net assets. Goodwill relating to equity-accounted companies is included as part of the carrying amount of the investments and is not presented separately. As a result, it is not separately tested for impairment in accordance with IAS 36.

The Group’s share of the post-acquisition net income (loss) of equity-accounted companies is recognised on a separate line of the consolidated statement of income beneath operating income.

Foreign currency translation

Translation of subsidiaries' foreign currency financial statements

The financial statements of each consolidated Group company are prepared in that company’s functional currency. The functional currency is the currency of the principal economic environment in which it operates. No country in which significant Group subsidiaries are located was considered to be a hyper-inflationary economy during the periods presented.

The functional currency of foreign subsidiaries is the local currency of the country in which they operate.

Assets and liabilities of foreign subsidiaries are translated into euros at the closing exchange rate, while income, expense and cash flow items are translated at the average exchange rates for the year in the absence of significant fluctuations in those exchange rates. Any resulting translation adjustments are initially recognised within other comprehensive income and maintained within the "Translation reserve" within equity. In accordance with the exemption offered by IFRS 1.D13(a), translation adjustments were reset to zero at 1 January 2018.

Foreign currency transactions

Transactions carried out in a currency other than the Group's functional currency are translated using the exchange rate prevailing at the transaction date.

Monetary assets and liabilities denominated in a foreign currency are translated at the closing exchange rate. Non-monetary assets and liabilities denominated in a foreign currency are recognised at the historical exchange rate prevailing at the transaction date.

Foreign exchange gains and losses are recognised in net financial income (expense).

Net investment in a foreign operation

Certain foreign currency loans and borrowings are considered in substance to be an integral part of the net investment in a subsidiary whose functional currency is not the euro when settlement is neither planned nor likely to occur in the foreseeable future.

The foreign currency gains and losses arising on these loans and borrowings are recorded under "Translation adjustments" in other comprehensive income for their net-of-tax amount. This specific accounting treatment applies until the disposal of the net investment, or when partial or full repayment of these loans or borrowings is highly probable.

In the event that the repayment of a loan results in it no longer being classified as a net investment in a foreign operation, the translation adjustments generated after the date its classification changes are taken to the consolidated statement of income as other financial income and expense. Translation adjustments recognised before that date in other comprehensive income are only reclassified to income when the foreign operation is sold in part (resulting in a loss of control) or in full, i.e., when the gain or loss on this disposal is recognised. The Group examines whether these partial or full repayments of loans or borrowings equate to a partial or full disposal of the subsidiary.

Transactions involving non-controlling interests

Transactions involving non-controlling interests that do not result in a change of control are recognised in equity. They are considered as transactions between owners, and do not affect goodwill or income. Transactions involving non-controlling interests are shown within cash flows from (used in) financing activities in the statement of cash flows.

2.2 Scope of consolidation

Information on consolidated companies

The Group has control or joint control of, or exercises significant influence over, all of the companies in its scope of consolidation. The table below shows the Group's fully-consolidated (FC) and equity-accounted (EM) companies at the reporting dates presented:

		31 Dec. 2020		31 Dec. 2019		31 Dec. 2018		1 Jan. 2018	
Company	Country	Consolidation method(1)	% interest	Consolidation method(1)	% interest	Consolidation method(1)	% interest	Consolidation method(1)	% interest
Believe SAS	France	Parent company		Parent company		Parent company		Parent company	
Believe Digital GmbH	Germany	FC	100%	FC	100%	FC	100%	FC	100%
Chimperator Productions GmbH & Co. KG	Germany	EM	30%	EM	30%	EM	30%	-	-
GoodToGo GmbH	Germany	FC	100%	FC	100%	FC	100%	-	-
Groove Attack GmbH	Germany	FC	100%	FC	100%	FC	100%	-	-
Justbridge Entertainment GmbH	Germany	FC	100%	FC	100%	FC	100%	-	-
Massacre Records GmbH	Germany	-	-	-	-	FC	100%	FC	100%
Nuclear Blast GmbH	Germany	FC	99%	FC	99%	FC	99%	-	-
Rough Trade Distribution GmbH	Germany	FC	100%	FC	100%	FC	100%	-	-
Soulfood Music Distribution GmbH	Germany	FC	100%	FC	100%	FC	100%	FC	100%
Believe Digital Canada Inc.	Canada	FC	100%	FC	100%	FC	100%	FC	100%
Believe Music (Shanghai) Company Ltd	China	FC	100%	FC	100%	-	-	-	-
Believe Digital Holdings Inc.	United States	FC	100%	FC	100%	FC	100%	FC	100%
Believe International Holding Inc.	United States	FC	100%	FC	100%	-	-	-	-
Believe Music America LLC	United States	FC	100%	FC	100%	-	-	-	-
Nuclear Blast America Inc.	United States	FC	99%	FC	99%	FC	99%	-	-
Nuclear Blast Entertainment LLC	United States	-	-	-	-	FC	99%	-	-
TuneCore Inc.	United States	FC	100%	FC	100%	FC	100%	FC	100%
6&7 SAS	France	EM	49%	EM	49%	-	-	-	-
Lili Louise Musique SAS	France	EM	49%	EM	49%	EM	49%	-	-
Tôt ou Tard Films SAS	France	EM	49%	EM	49%	EM	49%	-	-
VF Musiques SAS	France	EM	49%	EM	49%	EM	49%	-	-
Zouave SAS	France	EM	49%	EM	49%	EM	49%	-	-
Believe Digital Private Ltd	India	FC	100%	FC	100%	FC	100%	FC	100%
Canvas Talent Private Ltd	India	FC	100%	FC	100%	-	-	-	-
Entco Music Private Ltd	India	FC	100%	FC	100%	-	-	-	-
Venus Music Private Ltd	India	FC	100%	FC	100%	-	-	-	-
Believe Digital SRL	Italy	FC	100%	FC	100%	FC	100%	FC	100%
TuneCore Japan KK	Japan	FC	55%	FC	55%	FC	55%	FC	55%
Believe International SARL	Luxembourg	FC	100%	FC	100%	FC	100%	-	-
Believe Direct Ltd	UK	FC	100%	FC	100%	FC	100%	FC	100%
GS Believe LLP	UK	EM	50%	EM	50%	EM	50%	EM	50%
Nuclear Blast (UK) Ltd	UK	FC	99%	FC	99%	FC	99%		
Believe Digital OOO	Russia	FC	100%	FC	100%	FC	100%	FC	100%
Believe Music Sea Pte Ltd	Singapore	FC	100%	FC	100%	-	-	-	-
Doğan Müzik Yapım ve Ticaret A.Ş.	Turkey	FC	60%	-	-	-	-	-	-
Netd Müzik Video Dijital Platform ve Ticaret A.Ş.	Turkey	FC	60%	-	-	-	-	-	-

(1) FC: Full consolidation.
EM: Equity-accounted companies.

The consolidated financial statements have a 31 December year-end. All Group companies have a 31 December year-end and a 12-month reporting year, with the exception of its companies based in India, which have a March 31 year-end. The Indian companies prepare accounts at 31 December in connection with the preparation of the Group's consolidated financial statements.

Information on non-consolidated companies

Company	Country	31 Dec. 2020 % interest	31 Dec. 2019 % interest	31 Dec. 2018 % interest	1 Jan. 2018 % interest
Chimperator Productions Verwaltungs GmbH[1]	Germany	30.0%	30.0%	30.0%	-
Phononet GmbH	Germany	0.6%	0.6%	0.6%	-
Triller Acquisition LLC	United States	0.28%	0.28%	-	-
Ircam Amplify SAS	France	7.9%	-	-	-
Uni-T SAS	France	24.4%	24.4%	-	-

(1) Chimperator Productions Verwaltungs GmbH is a dormant holding company and is not consolidated.

The value of investments in non-consolidated companies is shown on the "Other non-current financial assets" caption in the statement of financial position, and described in further detail in Note 8.1 – Financial assets and liabilities.

Changes in the scope of consolidation in 2020

On 21 July 2020, the Group acquired a 60% stake in the DMC group. This acquisition led to the consolidation of the following subsidiaries of the DMC group:

- Doğan Müzik Yapım ve Ticaret A.Ş.
- Netd Müzik Video Dijital Platform ve Ticaret A.Ş.

The Group also acquired 100% of SoundsGoood, a company specialised in the creation of playlists on streaming platforms. This acquisition was accounted for as the acquisition of a group of assets and not a business within the meaning of IFRS 3. The amount of the acquisition is not material.

Changes in the scope of consolidation in 2019

On 1 March 2019, the Group acquired Canvas Talent Private Ltd.

On 22 July 2019, the Group acquired Entco Music Private Ltd.

On 9 September 2019, the Group acquired Venus Music Private Ltd.

The three companies acquired have been consolidated since their acquisition.

The Group also acquired a 49% stake in 6&7 SAS, a company accounted for by the equity method.

The Group also created the following companies:

- Believe Music SEA Pte Ltd.
- Believe Music (Shanghai) Company Ltd.
- Believe Music America LLC.
- Believe International Holding Inc.

All of the companies created in 2019 have been consolidated since their creation.

The following companies merged in 2019:

- Soulfood Music Distribution GmbH and Massacre Records GmbH.
- Nuclear Blast America Inc. and Nuclear Blast Entertainment LLC.

Changes in the scope of consolidation in 2018

On 28 November 2018, Believe International SARL was created. This company provides musical content distribution and promotional services for artists and labels. Believe International SARL has been consolidated by the Group since its creation.

On 8 October 2018, the Group acquired a 99% stake in the Nuclear Blast group. This acquisition led to the consolidation of the following Nuclear Blast group companies:

- Nuclear Blast GmbH (parent company).
- Nuclear Blast (UK) Ltd.
- Nuclear Blast Entertainment LLC.
- Nuclear Blast America Inc.

Nuclear Blast GmbH holds all of the shares of the various Nuclear Blast companies. All of these companies have been consolidated by the Group since their acquisition.

On 18 October 2018, the Group acquired the entire share capital of Groove Attack GmbH. This acquisition led to the consolidation of the following Groove Attack group companies:

- Groove Attack GmbH (parent company).
- Rough Trade Distribution GmbH.
- GoodToGo GmbH.
- Justbridge Entertainment GmbH.

Groove Attack holds all of the shares of the entities listed above. All of these companies have been consolidated by the Group since their acquisition.

2.3 Business combinations

Accounting policies

IFRS 3 defines a business combination as a transaction or other event in which an acquirer obtains control of one of more businesses. A business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities. A business is composed of inputs and processes that, when applied to these inputs, create outputs.

The accounting for business combinations carried out prior to 2018 is described in Note 13 – IFRS transition, and uses the option available in IFRS 1.

All business combinations are recognised using the purchase method:

- Identifiable assets acquired and liabilities assumed are measured at their acquisition-date fair value.

- Non-controlling interests in the acquiree are measured either at fair value or at the Group's share in the acquiree's net identifiable assets. This option is available for all business combinations based on a case-by-case analysis of each transaction.

Goodwill is determined at the acquisition date as the difference between:

- The fair value of the consideration transferred, including any contingent consideration (earn-out), plus the amount of any non-controlling interests; and

- The net of the acquisition-date fair value amounts of the identifiable assets acquired and the liabilities assumed.

Costs attributable to the acquisition are expensed within "Other operating income (expense)" in the period in which they are incurred.

Any contingent consideration (earn-out) relating to the business combination is measured at acquisition-date fair value. After the acquisition date, the contingent consideration is remeasured to fair value at each reporting date, unless it relates to an equity instrument.

After expiry of the measurement period for allocating the purchase price (i.e., no more than one year from the acquisition date), any changes in the fair value of the contingent consideration are taken to income. Any changes in the fair value of contingent consideration during the measurement period that are expressly attributable to events that occurred after the acquisition date, are shown within "Other operating income (expense)" in the statement of income. Other changes are recognised against goodwill.

Assets and liabilities identified

In allocating the purchase price, the Group may recognise an asset in respect of its relationships with artists and labels, which is generally valued using the excess earnings method. This method estimates the present value of the net cash flows expected to be derived from these relationships held by the business acquired, excluding cash flows relating to corporate assets.

In allocating the purchase price, the Group may recognise a catalogue, which is generally valued using the excess earnings method. This method estimates the present value of the net cash flows expected to be derived from the catalogue owned by the acquiree, excluding cash flows relating to corporate assets.

Acquisitions in 2020

The table below shows the provisional purchase accounting for entities acquired in 2020 (net of deferred tax):

(in € thousands)	**DMC group**
Brands, net of deferred tax	1,625
Relationships with artists and labels, net of deferred tax	7,165
Other assets (liabilities) identified	6,280
Total net assets acquired (based on 100%) [A]	**15,070**
Share attributable to Believe (= 60% x A) [B]	9,042
Acquisition price [C]	20,449
Goodwill[1] [C]-[B]	**11,407**

[1] Provisional goodwill.

DMC group

A brand was valued using the royalty relief method. This method estimates the present value of royalties expected to be avoided as a result of the acquisition.

An asset was recognised in respect of the relationship with artists and labels.

No earn-out was recognised in connection with this acquisition.

Cash acquired as part of the 2020 acquisition of the DMC group amounted to €1,608 thousand.

Goodwill relates essentially to know-how, industry renown and the technical expertise of management and of employees, as well as to the synergies expected to derive from integrating the company into the Premium Solutions business.

Acquisitions in 2019

The table below shows the purchase accounting for entities acquired in 2019 (net of deferred tax):

(in € thousands)	Purchase price	Other assets (liabilities) acquired (assumed)	Brands, net of deferred tax	Relationships with artists and labels, net of deferred tax	Catalogues, net of deferred tax	Goodwill
Canvas Talent Private Ltd	2,163	516	-	641	-	1,006
Entco Music Private Ltd	1,133	15	-	405	-	713
Venus Music Private Ltd	36,708	5,218	-	-	4,808	26,682
Total	**40,004**	**5,749**	**-**	**1,046**	**4,808**	**28,402**

Canvas Talent Private Ltd

An asset was recognised in respect of the relationship with artists and labels.

No earn-out was recognised in connection with this acquisition.

Goodwill mostly relates to the synergies expected to derive from integrating the company into the Premium Solutions business.

Entco Music Private Ltd:

An asset was recognised in respect of the relationship with artists and labels.

No earn-out was recognised in connection with this acquisition.

Goodwill mostly relates to the synergies expected to derive from integrating the company into the Premium Solutions business.

Venus Music Private Ltd

An asset was recognised in respect of the catalogue.

No earn-out was recognised in connection with this acquisition.

Cash acquired as part of the 2019 Venus acquisition amounted to €2,814 thousand.

Goodwill mostly relates to the synergies expected to derive from integrating the company into the Premium Solutions business and to the expected growth outlook for the region concerned.

Acquisitions in 2018

The table below shows the purchase accounting for entities acquired in 2018 (net of deferred tax):

(in € thousands)	**Purchase price**	**Other assets (liabilities) identified**	**Brands, net of deferred tax**	**Relationships with artists and labels, net of deferred tax**	**Catalogues, net of deferred tax**	**Goodwill**
Nuclear Blast group	20,000	(1,329)	5,670	3,229	-	12,430
Groove Attack group	33,194	6,512	-	20,303	-	6,379
Total	**53,194**	**5,183**	**5,670**	**23,532**	**-**	**18,809**

Groove Attack group

An asset was recognised in respect of the relationship with artists and labels.

No earn-out was recognised in connection with this acquisition.

Cash acquired as part of the 2018 Groove Attack acquisition amounted to €8,030 thousand.

Goodwill mostly relates to the synergies expected to derive from integrating the company into the Premium Solutions business.

Nuclear Blast group

A brand was valued using the royalty relief method. This method estimates the present value of royalties expected to be avoided as a result of the acquisition.

An asset was recognised in respect of the relationship with artists and labels.

No earn-out was recognised in connection with this acquisition.

Cash acquired as part of the 2018 Nuclear Blast acquisition amounted to €1,020 thousand.

Goodwill chiefly relates to the synergies expected to derive from integrating the company into the Premium Solutions business.

Contribution of acquisitions

DMC's contribution to the Group's revenue and consolidated net income in 2020 was €6,447 thousand and €1,248 thousand, respectively.

If DMC had been acquired on 1 January 2020, its contribution to the Group's revenue and consolidated net income for 2020 would have been €20,917 thousand and €3,009 thousand, respectively.

The contribution of acquisitions to the Group's earnings in 2018 and 2019 is not shown, as the data are not available and the cost of obtaining it would have been disproportionately high.

2.4 Equity-accounted companies

Accounting policies

The Group's share of its equity-accounted companies' post-acquisition net income (loss) is recognised on a separate line of the consolidated statement of income outside operating income.

Changes in investments in equity-accounted companies

(in € thousands)	2020	2019	2018
Investments in equity-accounted companies at 1 January	15,330	12,640	291
Share of net income (loss) from equity-accounted companies(1)	(593)	1,124	15
Dividends	(1,915)	-	-
Changes in the scope of consolidation(2)	-	1,551	12,337
Translation adjustments and other	(10)	15	(3)
INVESTMENTS IN EQUITY-ACCOUNTED COMPANIES AT 31 DECEMBER	**12,812**	**15,330**	**12,640**

(1) The share of net income from equity-accounted companies in 2019 results mainly from the sale of part of the Chimperator catalogue.

(2) Changes in the scope of consolidation in 2019 primarily result from the acquisition of a stake in 6&7 SAS. Changes in the scope of consolidation in 2018 relate to the acquisition of a stake in Lili Louise Musique SAS.

The Group did not identify any evidence that its equity-accounted investments may be impaired. For more information on the potential impacts of Covid-19, see "Significant events".

Information regarding equity-accounted companies

		% interest (%)				Carrying amount *(in € thousands)*			
	Country	31 Dec. 2020	31 Dec. 2019	31 Dec. 2018	1 Jan. 2018	31 Dec. 2020	31 Dec. 2019	31 Dec. 2018	1 Jan. 2018
Chimperator Productions GmbH & Co. KG	Germany	30%	30%	30%	-	83	1,875	83	-
Lili Louise Musique SAS	France	49%	49%	49%	-	10,000	10,321	10,689	-
VF Musiques SAS	France	49%	49%	49%	-	189	205	575	-
Tôt ou Tard Films SAS	France	49%	49%	49%	-	(97)	(54)	(21)	-
Zouave SAS	France	49%	49%	49%	-	881	1,115	1,013	-
6&7 SAS	France	49%	49%	-	-	1,326	1,551	-	-
GS Believe LLP	UK	50%	50%	50%	50%	431	317	301	291
TOTAL						**12,812**	**15,330**	**12,640**	291

Financial information regarding equity-accounted companies

The following condensed financial information on equity-accounted companies corresponds to the amounts reported in the financial statements of the joint venture or associate concerned, and can be analyzed as follows:

(in € thousands)	31 Dec. 2020	31 Dec. 2019	31 Dec. 2018	1 Jan. 2018
Non-current assets	32,403	33,153	25,761	-
Current assets	24,712	15,201	12,722	1,041
Non-current liabilities	3,588	3,558	131	-

Current liabilities	24,954	14,697	10,085	458

(in € thousands)	**2020**	**2019**	**2018**
Revenue	5,824	13,698	4,576
Operating income (loss)	(2,970)	(2,084)	(2)
Net income (loss)	(1,216)	(1,364)	1,596

Lili Louise Musique group

The Lili Louise Musique group includes Lili Louise Musique SAS, Tôt ou Tard Films SA, VF Musique SAS and Zouave SAS.

(in € thousands)	**31 Dec. 2020**	**31 Dec. 2019**	**31 Dec. 2018**	**1 Jan. 2018**
Non-current assets	28,944	29,638	25,651	-
Current assets	12,035	9,681	9,771	-
Non-current liabilities	3,588	3,558	131	-
Current liabilities	12,652	9,738	7,903	-

(in € thousands)	**2020**	**2019**	**2018**
Revenue	4,027	13,698	3,829
Operating income (loss)	(2,390)	(2,084)	(202)
Net income (loss)	(1,021)	(1,364)	1,396

Transactions with equity-accounted companies (as related parties)

The consolidated financial statements include transactions carried out by the Group in the ordinary course of business with equity-accounted companies. These transactions are carried out at arm's length.

(in € thousands)	**31 Dec. 2020**	**31 Dec. 2019**	**31 Dec. 2018**
Loans	2,784	1,308	1,375
Trade receivables	1,306	-	-
Trade payables	500	-	-

(in € thousands)	**2020**	**2019**	**2018**
Amounts paid to artists and producers	2,216	1,475	-
Dividends paid	1,787	-	-

Note 3 Segment reporting

3.1 Identification of operating segments

Accounting policies

Segment financial information is presented in accordance with IFRS 8 – Operating Segments and is based solely on the internal reporting used by Believe's Board of Directors – considered to be the Company's chief operating decision maker within the meaning of IFRS 8 – to make decisions about resources to be allocated to the segments and assess their performance. These segments reflect the basis on which management analyzes the business and was set up for the purposes of the planned Initial Public Offering.

The Group has identified two operating segments corresponding to Believe's two businesses, which form the basis of its reporting to the Board of Directors:

- **Premium Solutions**: this consists mainly of the sale, promotion and delivery of digital content provided by artists and labels for which the Group is responsible for developing their catalogue on digital platforms and social media, as appropriate, using a split revenue model. To a lesser extent, it also includes services supporting the development of artists in terms of physical sales, derivative products, synchronisation services, neighbouring rights and music publishing.
- **Automated Solutions**: this is where the Group allows artists to distribute their audio content in an automated fashion on digital platforms and social media through its proprietary digital platform TuneCore, in return for a subscription fee or margin. Alongside this platform, artists can also choose complementary publishing or synchronisation solutions.

The "Central Platform" does not meet the definition of an operating segment under IFRS 8, but is included in internal reporting and regularly tracked and analyzed by the chief operating decision maker. This business includes certain centralised operating functions:

- IT, Product and Operations teams, who develop and operate the Group's technology platform, comprising content management and platform delivery tools, interfaces with artists and labels, and data management and analysis systems.
- Marketing teams, who develop and leverage promotional tools for artists.
- Teams developing and designing sales offers.
- Miscellaneous support teams.

3.2 Key segment data

The Group uses the following indicators to assess the performance of the operating segments presented:

- Revenue, corresponding to revenue as reported in the consolidated financial statements.
- Adjusted EBITDA, calculated based on operating income (loss) before depreciation, amortisation and impairment, share-based payments (IFRS 2), and other operating income and expense.

No statement of financial position data broken down by operating segment is presented to the chief operating decision maker.

2020				
(in € thousands)	**Premium Solutions**	**Automated Solutions**	**Other – Central Platform**	**TOTAL**
Statement of income items				
Revenue	408,984	32,438	-	**441,422**
Adjusted EBITDA	53,475	7,547	(53,026)	**7,997**

2019				
(in € thousands)	**Premium Solutions**	**Automated Solutions**	**Other – Central Platform**	**TOTAL**
Statement of income items				
Revenue	366,777	27,753	-	**394,530**
Adjusted EBITDA	54,092	7,449	(26,239)	**35,303**

2018				
(in € thousands)	**Premium Solutions**	**Automated Solutions**	**Other – Central Platform**	**TOTAL**
Statement of income items				
Revenue	217,792	20,259	-	**238,051**
Adjusted EBITDA	31,932	6,272	(13,539)	**24,665**

3.3 Reconciliation with Group financial data

The table below reconciles adjusted EBITDA with operating income (loss):

(in € thousands)	2020	2019	2018
Operating income (loss)	(21,681)	12,812	8,801
Restatement of depreciation, amortisation and impairment expense	24,683	16,044	10,183
Restatement of share-based payment	1,152	1,715	516
Restatement of other operating income (expense)	3,843	4,731	5,165
Adjusted EBITDA	**7,997**	**35,303**	**24,665**

3.4 Information by geographic area

In accordance with IFRS 8.33, the table below shows French and foreign-source revenue based on the location of the Group's operations:

Revenue

(in € thousands)	2020	2019	2018
France	81,022	78,368	62,341
Germany	97,333	100,893	40,605
Rest of Europe	121,684	102,812	71,203
Americas	61,516	52,274	31,694
Asia-Pacific and Africa	79,867	60,183	32,207
Total revenue	**441,422**	**394,530**	**238,051**

The table below shows French and foreign non-current assets based on the location of the legal entity holding the assets:

Non-current assets*

(in € thousands)	31 Dec. 2020	31 Dec. 2019	31 Dec. 2018	1 Jan. 2018
France	80,825	64,409	47,827	22,259
Germany	62,402	68,099	57,827	8,833
Rest of Europe	27,447	3,313	2,177	2,166
Americas	34,397	35,057	33,255	32,367
Asia-Pacific and Africa	33,860	38,512	199	262
Total non-current assets*	**238,931**	**209,390**	**141,285**	**65,888**

* Excluding financial instruments, the non-current portion of advances to artists and deferred tax assets.

3.5 Major customers

In 2020, the Group's three largest customers respectively accounted for 28%, 22% and 12% of total consolidated revenue, compared to 26%, 22% and 14% of total consolidated revenue in 2019, and 22%, 19% and 18% of total consolidated revenue in 2018.

Note 4 Operating data

4.1 Revenue

Accounting policies

The Group derives most of its revenue from:

- Digital sales.
- Other activities:
  - Physical sales;
  - To a lesser extent, derivative products, music publishing, synchronisation services, brand partnerships and neighbouring rights.

Revenue is recognised when the performance obligation is satisfied, at the amount of consideration to which the Group expects to be entitled.

Digital sales

The Group's digital sales are made under two business models:

- Premium Solutions.
- Automated Solutions.

Digital sales in the Premium Solutions segment consist of sales of an intellectual property license to the catalogue of musical works to which the Group has the rights. The catalogue is defined as all of the works to which the Group has the rights during its contract with the platform (including works to which it will acquire the rights after signing the contract, and excluding works to which the Group will no longer hold rights). This license therefore represents a right to access intellectual property as it exists throughout the license period (dynamic license). The Group enters into contracts spanning several years with digital platforms which pay in exchange for the use of its musical catalogue. Revenue therefore takes the form of remuneration based on the use of the license by the platforms' end customers. Such remuneration in this case are based on the revenue generated by the platform, both from advertising and from subscriptions. Revenue is recognised as and when the catalogue is used, based on reports compiled by the digital platforms.

Under certain contracts, the Group can be entitled to payment of a non-refundable minimum guarantee, equivalent in substance to an advance payment received by the Group. Minimum guarantees are recognised in the same way as the payments to which they relate, or are recognised prorate temporis over the term of the contract if the related payments are not sufficient or if pertinent information is not available. Minimum guarantees or advances not yet recognised in revenue represent contract liabilities. As part of its digital sales activities in its Premium Solutions business, the Group acts as principal in its dealings with the digital platform, as it obtains control of the works comprising the catalogue through the distribution licenses granted to it. The Group effectively controls the catalogue and has the ability to direct its use. Its activity also involves incorporating works into its catalogue.

Digital sales in the Group's Automated Solutions business represent an intermediary service that allows producers to distribute their catalogues on the platforms of their choice. This service also includes collecting and paying producers amounts attributable to them during the term of their subscription. In this arrangement, the Group acts as agent and revenue corresponds to subscriptions paid by artists, as it does not obtain control of the works delivered to the platform; the producer has discretion in establishing the price and making other commercial decisions. Revenue is recognised on a straight-line basis over the subscription period, since the producer receives and consumes the benefits as and when the services are provided and the necessary inputs are consumed in a uniform manner over the service period.

Other

In the course of its business, and depending on the contractual provisions agreed with artists or producers, in the case of physical sales the Group may act as either agent or principal.

When the Group acts as a label (i.e., it enters into a recording contract with an artist, or an "artist contract", or a license agreement under which it acts as a licensee for a third-party producer), it carries out the physical sales as a principal, since it obtains control of the physical recording, make commercial decisions, and bears the inventory risk. In this case, the Group's customer is the physical distributor.

When the Group acts as distributor, its role is as an agent as it does not obtain control of the physical recordings, does not and make other commercial decisions, and does not bear the inventory risk.

When the Group acts as principal, physical sales represent sales of an intellectual property license to the musical works. This license represents a right to use intellectual property as it exists in the physical recording, i.e., at a point in time (static license). In this case, revenue, net of any discounts or rebates, is recognised when control of the physical recording is transferred, which generally occurs when the physical recording is delivered to the brick-and-mortar sale outlet or, in the event of sales on consignment, when the physical recording is sold to the end customer. In the case of sales on consignment, the physical distributor only obtains control of the physical recording when the product is sold to its customer, and it does not have an unconditional obligation to pay for the product as long as the sale to its customer does not take place.

Estimates of returns are based on historical statistics and forecasts, and are deducted from revenue.

When the Group acts as agent, sales correspond to an intermediary distribution service to the producer and, where appropriate, add-on services such as the manufacture of the different formats. In this case, the Group's customer is the producer and revenue consists only of the fees it earns on distribution. The impact of estimated returns is recognised as a deduction from revenue relating to distribution fees. Estimates of returns are based on historical statistics and forecasts, i.e., using the expected value method.

The Group generates revenue on other, more incidental, activities:

- Activities involving the sale of derivative products and brand partnerships – corresponding to the sale of derivative products in partnership with a brand – generate revenue which is recognised at the time of entering into the license agreement, or when control of the goods is transferred to the customer. The Group acts as principal in this arrangement as it obtains control of the goods: make commercial decisions, is responsible for sales to the end customer, and bears the inventory risk.
- Synchronisation services are where a license is granted to an extract from a musical work as it exists at the time the contract is signed, with no changes envisaged. In this case, revenue is recognised when control of the license is transferred, i.e., when the customer obtains the right to use the work.
- Neighbouring rights relate to incidental copyrights returned to the recording artist and audiovisual producers, as well as to radio or television broadcasting bodies. The Group may be responsible for collecting payments relating to neighbouring rights from the competent authorities, and then for paying them over to the artist/producer, less a management fee, where applicable. The Group acts as agent when it collects such payments and only its fees are recognised as revenue.
- The Group also offers additional publishing right administration services, where it collects – mainly from collective management organisations and on behalf of owners of the rights to the musical works – payments due in respect of the right to reproduce and perform these works. The Group acts as agent when it collects such rights and only its fees are recognised as revenue.

Breakdown of revenue by type

	2020		2019		2018	
(in € thousands)		*%*		*%*		*%*
Digital sales	392,828	*89.0%*	343,946	*87.2%*	216,057	*90.8%*
Other(1)	48,594	*11.0%*	50,584	*12.8%*	21,994	*9.2%*
Total revenue	**441,422**	***100%***	**394,530**	***100%***	**238,051**	***100%***

(1) The amounts shown on this line essentially relate to physical sales.

4.2 Cost of sales

Accounting policies

Cost of sales includes costs directly or indirectly attributable to products and services sold. Cost of sales relates mainly to amounts paid to artists and labels, production costs and changes in inventories (mainly physical recordings), as well as expenses incurred to organise musical events.

Payments to artists and labels are expensed when proceeds from the sales of musical recordings are recognised, less any provision for returns.

4.3 Operating income and expenses

Accounting policies

Sales and marketing expenses

Sales and marketing expenses include all costs relating to internal and external personnel involved in marketing and sales services, along with local operational and support costs attributable to marketing and sales activities. Sales and marketing expenses also include depreciation and amortisation charged against the corresponding non-current assets.

Technology and product expenses

Technology and product expenses include all costs relating to internal and external personnel involved in developing technology platforms for services provided by the Group, and to other internally-developed IT projects, part of which being capitalised. Technology and product expenses also include depreciation and amortisation charged against property, plant and equipment and intangible assets.

General and administrative expenses

General and administrative expenses include all costs relating to internal and external personnel in operational support and head office teams, along with overheads and miscellaneous fees relating to these support functions. General and administrative expenses also includes amortisation charged against intangible assets (content and platform delivery management tools, interfaces with artists and labels, data management and analysis systems, etc.) and property, plant and equipment, as well as costs related to post-employment benefits and share-based compensation plans.

Operating income and expenses by nature

Personnel expenses

Personnel expenses are detailed in Note 5.2 – Employee benefits.

Depreciation, amortisation and impairment expense

Depreciation, amortisation and impairment expense recognised in the statement of income as operating income and expense items can be analyzed as follows:

(in € thousands)	**2020**	**2019**	**2018**
Amortisation of intangible assets	(15,947)	(10,700)	(6,837)
Depreciation of property, plant and equipment	(8,736)	(5,344)	(3,346)
Impairment	-	-	-
Total depreciation, amortisation and impairment expense	**(24,683)**	**(16,044)**	**(10,183)**

4.4 Other operating income (expenses)

Accounting policies

In order to facilitate interpretation of the statement of income and Group performance, unusual items that are material to the consolidated financial statements are presented separately within operating income under "Other operating income (expenses)".

This caption can be analyzed as follows:

(in € thousands)	**2020**	**2019**	**2018**
Gains (losses) on asset disposals	(141)	(214)	(20)
Acquisition-related costs(1)	(1,022)	(150)	(1,550)
Other(2)	(2,680)	(4,367)	(3,595)
Total other operating income (expenses)	**(3,843)**	**(4,731)**	**(5,165)**

(1) In 2018, this line includes the cost of due diligence carried out in connection with the Nuclear Blast and Groove Attack acquisitions for a total of €1.2 million.

(2) In 2020, "Other" includes (i) income amounting to €1.9 million arising on the resolution of a tax risk linked to VAT which had been expensed in 2019 (this risk is now extinguished), (ii) expenses totalling €1.8 million related to the planned IPO on the French regulated market, and (iii) costs for €2.3 million related to the Group's organisational and legal restructuring. In 2019, "Other" mainly reflects (i) a tax risk linked to VAT, and (ii) costs related to the Group's organisational and legal restructuring. In 2018, "Other" mainly includes costs related to the Group's organisational and legal restructuring.

4.5 Trade receivables and other current assets

Accounting policies

Trade receivables are initially recognised at their transaction price (within the meaning of IFRS 15); there is no significant financing component owing to the short settlement periods.

Trade receivables are measured at amortised cost less any losses expected over the term of the receivables ("lifetime expected losses") in accordance with the IFRS 9 simplified approach.

Expected credit losses are estimated taking into account historical loss experience, the age of the receivables, and a detailed risk assessment.

If there is objective evidence of a credit loss at the reporting date (e.g., litigious receivables or difficulties in terms of collection), an additional writedown may be recognised on a case-by-case basis in light of information available at the reporting date.

Invoices not yet issued (included in the estimated revenue) at the reporting date pending the final reports from the digital platforms are shown in trade receivables.

These relate to revenue recognised when a performance obligation has been satisfied but not yet billed. As well as the estimates made, the Group also receives daily activity reports from major platforms which include key revenue inputs (e.g., listening volume, for example by artist/stream/genre/country). Based on these inputs, the Group considers that it has an unconditional right to consideration since only the passage of time is required before payment of that consideration is due. Furthermore, the payment and amount of these invoices do not depend on the future provision of services.

Trade receivables can be analyzed as follows:

(in € thousands)	**31 Dec. 2020**	**31 Dec. 2019**	**31 Dec. 2018**	**1 Jan. 2018**
Trade receivables[(1)]	114,467	99,637	74,570	47,759
Impairment of trade receivables	(4,101)	(2,071)	(3,105)	(67)
Total trade receivables, net	**110,366**	**97,566**	**71,465**	**47,692**

(1) The amount of invoices not yet issued included in trade receivables represents €56.0 million at 31 December 2020, €42.4 million at 31 December 2019, €27.8 million at 31 December 2018, and €21.4 million at 1 January 2018.

Changes in trade receivables reflect the increase in the Group's business.

Age of trade receivables

The table below provides an aged analysis of trade receivables:

	31 December 2020				
(in € thousands)	**Total**	**Not yet due**	**Less than 90 days past due**	**Between 90 and 180 days past due**	**More than 180 days past due**
Trade receivables[(1)]	114,467	90,059	12,880	7,893	3,635
Impairment of trade receivables[(2)]	(4,101)	-	(461)	(1,286)	(2,354)
Trade receivables, net	110,366	90,059	12,419	6,607	1,281

	31 December 2019				
(in € thousands)	**Total**	**Not yet due**	**Less than 90 days past due**	**Between 90 and 180 days past due**	**More than 180 days past due**
Trade receivables[(1)]	**99,637**	65,821	20,937	9,977	2,902
Impairment of trade receivables[(2)]	**(2,071)**	-	(386)	(179)	(1,506)
Trade receivables, net	**97,566**	**65,821**	**20,551**	**9,798**	**1,396**

	31 December 2018				
(in € thousands)	**Total**	**Not yet due**	**Less than 90 days past due**	**Between 90 and 180 days past due**	**More than 180 days past due**
Trade receivables[(1)]	74,570	50,277	22,898	804	591
Impairment of trade receivables[(2)]	(3,105)	-	(1,710)	(804)	(591)
Trade receivables, net	**71,465**	**50,277**	**21,188**	**-**	**-**

	1 January 2018				
(in € thousands)	**Total**	**Not yet due**	**Less than 90 days past due**	**Between 90 and 180 days past due**	**More than 180 days past due**
Trade receivables[(1)]	47,759	39,139	6,766	1,841	13
Impairment of trade receivables[(2)]	(67)	-	-	(54)	(13)

Trade receivables, net	**47,692**	**39,139**	**6,766**	**1,787**	**-**

[(1)]The amount corresponding to invoices to be issued is included in "Not yet due".

[(2)] Impairment charged against receivables not yet due is minimal.

Other current assets

Other current assets can be analyzed as follows:

(in € thousands)	31 Dec. 2020	31 Dec. 2019	31 Dec. 2018	1 Jan. 2018
Tax and social security receivables	22,515	36,880	29,786	20,682
Prepaid expenses	5,757	2,321	1,475	595
Other receivables	1,901	4,245	4,525	899
Total other current assets	**30,173**	**43,446**	**35,786**	**22,176**

Tax and social security receivables relate mainly to amounts due to the Group in respect of VAT.

4.6 Advances to artists and labels

Accounting policies

Under certain contracts signed with artists and labels, the Group agrees to pay advances, which will be recouped against the amounts payable to those artists and labels at a future date.

These advances are recognised as assets when they are paid and are expensed as and when the corresponding amounts are paid to the artists and labels.

At each reporting date, the Group determines the probability that it will recoup these advances, based on estimates of the future performance of the artists and labels that will be used to calculate the amounts due. The carrying amount of the advances is written down if the Group no longer expects to recoup them in full against the future performance of the artists or labels. Any impairment is recognised in cost of sales.

Advances shown in the statement of financial position are split between a current portion (i.e., the portion that the Group expects to recoup within 12 months of the reporting date) and a non-current portion.

Advances to articles and labels can be analyzed as follows:

(in € thousands)	31 Dec. 2020	31 Dec. 2019	31 Dec. 2018	1 Jan. 2018
Advances to artists and labels – current portion	60,470	34,092	29,083	18,621
Advances to artists and labels – non-current portion	48,336	28,796	23,971	10,920
Total advances to artists and labels, net	**108,806**	**62,888**	**53,053**	**29,541**

At 31 December 2020, advances paid within the past year represent 74% of the total amount of advances.

4.7 Inventories

Accounting policies

Inventories are initially measured at cost. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The Group's inventories mainly consist of physical music recordings held in connection with its label business.

At each reporting date, inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventories are written down by means of an impairment loss if their net realisable value is lower than their cost.

Any such impairment is reversed as soon as the net realisable value of the inventories once again exceeds their cost.

Inventories can be analyzed as follows:

(in € thousands)	31 Dec. 2020	31 Dec. 2019	31 Dec. 2018	1 Jan. 2018
Gross inventories	5,926	4,345	4,355	5,172
Impairment	(1,913)	(2,136)	(1,473)	(477)
Inventories, net	**4,013**	**2,209**	**2,882**	**4,695**

4.8 Trade payables and contract liabilities

Accounting policies

Trade payables and contract liabilities are measured at fair value on initial recognition, and subsequently at amortised cost. All trade payables and contract liabilities fall due within one year and are classified as current liabilities in the balance sheet.

Contract liabilities represent consideration received for performance obligations that have not yet been satisfied or have only partly been satisfied. Contract liabilities mainly consist of:

- Advances and minimum guarantees received from digital platforms.
- Prepaid income relating to subscriptions paid in full by artists on inception of contracts in the Automated Solutions business, but recognised over several reporting periods.

Change in trade payables and contract liabilities

Trade payables and contract liabilities can be analysed as follows:

(in € thousands)	**31 Dec. 2020**	**31 Dec. 2019**	**31 Dec. 2018**	**1 Jan. 2018**
Trade payables	311,017	267,134	216,861	163,782
Contract liabilities	21,949	15,436	16,645	7,779
Total trade payables and contract liabilities	**332,966**	**282,570**	**233,506**	**171,562**

The majority of contract liabilities shown at the beginning of each reporting period are reclassified to revenue during that period.

Trade payables include amounts received that are to be paid over to artists in the Automated Solutions business, representing €133 million at 31 December 2020, €108 million at 31 December 2019, €88 million at 31 December 2018, and €66 million at 1 January 2018.

4.9 Other current liabilities

Other current liabilities can be analyzed as follows:

(in € thousands)	**31 Dec. 2020**	**31 Dec. 2019**	**31 Dec. 2018**	**1 Jan. 2018**
Tax and social security liabilities	26,613	36,802	33,182	18,319
Other	2,056	6,155	10,195	5,233
Total other current liabilities	**28,669**	**42,957**	**43,377**	**23,552**

Note 5 Personnel expenses and employee benefits

5.1 Headcount

The table below shows the Group's average full-time equivalent headcount, including external consultants in the countries in which the Group does business:

	2020	**2019**	**2018**
Average number of full-time equivalent employees	1,253	849	658

5.2 Employee benefits

Accounting policies

Employee benefits are all forms of consideration given by the Group in exchange for services provided by its employees, or for the termination of employment.

These benefits are measured in accordance with IAS 19 – Employee Benefits, and break down into four categories:

- Short-term benefits (paid vacation, paid sick leave, bonuses and incentives).
- Post-employment benefits (pension benefits, social security benefits and supplementary benefits).
- Other long-term benefits (long-service awards, long-service leave, etc.).
- Termination benefits.

Short-term benefits are those expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees provide the related services. They are recognised within current liabilities and expensed when the services are provided by the employees.

Post-employment benefits are described in Note 5.3 – Provisions for pensions and other employee benefit obligations.

Termination benefits are expensed at the earlier of the following dates: (i) when the Group can no longer withdraw the offer of those benefits, and (ii) when the Group recognises costs for a restructuring plan that is within the scope of IAS 37 and involves the payment of termination benefits.

Analysis of personnel expenses

Personnel expenses can be analyzed by nature as follows:

(in € thousands)	**2020**	**2019**	**2018**
Wages, salaries and payroll taxes(1)	(73,613)	(49,193)	(30,235)
Post-employment benefit expenses	(159)	(216)	(60)
Share-based payment	(1,152)	(1,715)	(516)
Other employee benefits(2)	(3,665)	(1,830)	(1,317)
Total personnel expenses	**(78,589)**	**(52,954)**	**(32,128)**
Consultants' fees	(25,110)	(8,238)	(3,002)
Capitalised personnel expenses and consultants' fees(3)	19,518	9,986	3,702
Total personnel expenses, including consultants' fees, net of amounts capitalised	**(84,181)**	**(51,206)**	**(31,428)**

(1) Including bonuses, incentive sand profit-sharing payments.

(2) "Other employee benefits" include employer contributions to benefit plans and supplementary health insurance plans.

(3) "Capitalised personnel expenses and consultants' fees" include staff in the IT, Product and Operations teams developing and leveraging the Group's technology platform.

5.3 Provisions for pensions and other employee benefit obligations

Accounting policies

There are two types of post-employment benefits:

- Defined contribution plans, where the Group pays fixed contributions into external funds. Under defined contribution plans, the Group is under no legal or constructive obligation to make further payments if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Payments to defined contribution plans are expensed in the period in which the related services are provided.
- Defined benefit plans are plans under which the Group's obligation is to provide the agreed benefits to current and former employees. These obligations are recognised in liabilities at their present value, where appropriate less the fair value of plan assets in the funds allocated to finance such benefits.

The benefit obligations are assessed by an independent actuary who calculates the present value of the Group's future obligations at each reporting date using the projected unit credit method. Future payments are calculated based on assumptions with respect to salary increases, retirement age, mortality and employee turnover. They are then discounted to their present value based on the yield on high-quality corporate bonds with a term consistent with the estimated average term of the plan in question. The assumptions used for the periods presented are described in this section.

Actuarial gains and losses resulting from changes to the calculation assumptions and experience adjustments are recognised in other comprehensive income.

The net expense for the period, corresponding to current service cost plus past service cost where appropriate, is recognised in operating expenses.

The interest cost on the net defined benefit liability (or asset) is included in net financial income (expense) and corresponds to the impact of unwinding the discount on the obligations.

The Group has obligations under defined benefit plans in four countries: France, Italy, Germany and India.

At 31 December 2020, the provision recognised in respect of post-employment benefit obligations amounted to €815 thousand, compared to €537 thousand at 31 December 2019, €309 thousand at 31 December 2018, and €304 thousand at 1 January 2018. The tables below provide an analysis of benefit obligations and plan assets.

Analysis of changes in the benefit obligation

(in € thousands)	**2020**	**2019**	**2018**
Post-employment benefit obligation at 1 January	**1,801**	**1,403**	**304**
Current service cost	133	127	55
Interest cost (impact of unwinding the discount)	17	27	5
Changes in the scope of consolidation[1]	-	-	1,094
Actuarial losses (gains)	162	245	(55)
Of which resulting from experience adjustments	59	*(37)*	*(39)*
Of which resulting from changes in assumptions	103	*282*	*(16)*
Benefits paid	(25)	-	-
Post-employment benefit obligation at 31 December	**2,089**	**1,801**	**1,403**

[1] Changes in the scope of consolidation representing €1,094 thousand in 2018 reflects post-employment benefits relating to Groove Attack GmbH, which was acquired in October of that year.

Plan assets

In Germany, Groove Attack GmbH – acquired in October 2018 – funds a portion of its pension obligations through external funds managed by insurance companies. The present value of these funds can be analyzed as follows:

(in € thousands)	**2020**	**2019**	**2018**
Value of plan assets at 1 January	1,264	1,141	**-**
Actual return on plan assets	23	34	-
Contributions paid	14	89	-
New plans/acquisitions/disposals	-	-	1,141
Benefits paid	(27)	-	-
Value of plan assets at 31 December	1,274	**1,264**	**1,141**

At 31 December 2018, Groove Attack's pension fund had a funding surplus of €46 thousand.

Defined benefit expense recognised in the statement of income

(in € thousands)	**2020**	**2019**	**2018**
Current service cost	133	127	55
Interest cost	17	27	5
Notional return on plan assets	9	15	-
Impact of the asset ceiling	-	47	-
Defined benefit expense recognised in the statement of income	**159**	**216**	**60**

Maturity of benefits payable

Estimated benefits payable in 2021 are less than €40 thousand.

Actuarial assumptions

	2020		**2019**		**2018**	
	France - Italy	**Germany**	**France - Italy**	**Germany**	**France - Italy**	**Germany**
Discount rate/rate of return on plan assets	0.35%	0.75%	0.78%	0.90%	1.57%	1.90%
Inflation rate	0.20%	0%	0.64% to 1.1%		1.24% to 1.8%	
Salary increase rate	2% to 8.9%	0%	3% to 8.9%	0%	3% to 8.9%	0%
Average duration	30.1 years	18.2 years	29.7 years	17.8 years	30.7 years	18.4 years

Sensitivity analysis

(%)	**2020**	**2019**	**2018**
Impact of a 0.5% increase or decrease in employee turnover	-10.5%/10.6%	-10.9%/10.9%	-9.3%/8.9%
Impact of a 0.5% increase or decrease in the salary increase rate	10.5%/-9.4%	10.9%/-9.8%	9.2%/-8.3%
Impact of a 0.5% increase or decrease in the discount rate	-9%/9.6%	-9.9%/11.3%	-14.5%/9.8%

5.4 Share-based payment

Accounting policies

Believe SAS awards certain employees and senior executives founder's share subscription warrants (*Bons de Souscription de Parts de Créateurs d'Entreprise* – BSPCE) and share subscription warrants (*Bons de Souscription d'Actions* – BSA). These awards are settled in equity instruments.

In accordance with IFRS 2 – Share-based Payment, these plans are expensed over the vesting period of the associated rights, by reference to their fair value as determined at the date of the award (grant date). This expense is included in personnel expenses with a matching entry to equity.

Description of share-based payment arrangements

On 1 July 2011, the Management Board of Believe SAS used the authorisation of the Annual General Meeting to issue and award 66,860 founder's share subscription warrants (BSPCE) and 33,429 share subscription warrants (BSA).

On 7 November 2014, the Management Board of Believe SAS used the authorisation of the Annual General Meeting to issue and award 73,542 founder's share subscription warrants (BSPCE) and 26,654 share subscription warrants (BSA).

On 30 June 2016, the Chairman of Believe SAS used the authorisation of the Annual General Meeting to issue and award 415,000 founder's share subscription warrants (BSPCE) and 393,210 share subscription warrants (BSA).

On 31 December 2016, the Chairman of Believe SAS used the authorisation of the Annual General Meeting to issue and award 13,000 share subscription warrants (BSA).

On 4 September 2017, the Chairman of Believe SAS used the authorisation of the Annual General Meeting to issue and award 10,300 founder's share subscription warrants (BSPCE) and 15,000 share subscription warrants (BSA).

On 19 October 2018, the Chairman of Believe SAS used the authorisation of the Annual General Meeting to issue and award 845,000 founder's share subscription warrants (BSPCE) and 480,000 share subscription warrants (BSA).

On 3 May 2019, the Chairman of Believe SAS used the authorisation of the Annual General Meeting to issue and award 190,000 founder's share subscription warrants (BSPCE).

On 31 July 2019, the Chairman of Believe SAS used the authorisation of the Annual General Meeting to issue and award 40,000 share subscription warrants (BSA).

The terms and conditions of these issues are indicated below:

	1 July 2011 issue		**7 November 2014 issue**	
	BSPCE	**BSA**	**BSPCE**	**BSA**
Date of authorisation	31 May 2011	31 May 2011	18 Dec. 2012	18 Dec. 2012
Issue/grant date	1 July 2011	1 July 2011	7 Nov. 2014	7 Nov. 2014
Authorised	1,560,020	668,580	891,420	334,290
Granted	668,600	334,290	735,420	266,540
Potential number of shares	1,002,890		1,001,960	
Exercised	668,600	334,290	378,880	211,040
Per-share exercise price	0.8884	0.8884	1.2240	1.2240
Total subscription amount paid for warrants exercised	593,984	296,983	463,749	258,313
Expired	0	0	22,280	0
Not yet exercised	0	0	334,260	55,500
Expiry of exercise period	1 July 2023, 2024 or 2025, depending on the tranche		10 years as from the grant date, i.e., 7 Nov. 2024	
Cancelled	891,420 (EGM of 18 Dec. 2012)	334,290 (EGM of 18 Dec. 2012)	156,000 (EGM of 25 Nov. 2014)	67,750 (EGM of 25 Nov. 2014)

	30 June 2016 and 31 Dec. 2016 issues				4 Sept. 2017 issue	
	BSPCE-1	BSA-1	BSPCE-2	BSA-2	BSCPE 2017	BSA 2017
Date of authorisation	30 June 2016	30 June 2016	30 June 2016	30 June 2016	30 June 2016	30 June 2016
Issue/grant date	30 June 2016	31 Dec. 2016	30 June 2016	30 June 2016	4 Sept. 2017	4 Sept. 2017
Authorised	853,750					
Granted	260,000	13,000	155,000	393,210	10,300	15,000
Potential number of shares	821,210				25,300	
Exercised	8,958	-	45,687	121,210	-	-
Per-share exercise price	5.40	8.57	5.40	5.40	8.57	8.57
Total subscription amount paid for warrants exercised	48,373	-	246,710	654,534	-	-
Expired	1,042	5,500	3,813	154,000	-	15,000
Not yet exercised	250,000	7,500	105,500	118,000	10,300	-
Expiry of exercise period	10 years as from the grant date, i.e., 30 June 2026	10 years as from the grant date, i.e., 31 Dec. 2026	10 years as from the grant date, i.e., 30 June 2026		10 years as from the grant date, i.e., 4 Sept. 2027	
Cancelled	7,240					

	19 October 2018 issue		3 May 2019 and 31 July 2019 issues	
	BSPCE 2018-1	BSA 2018-1	BSPCE 2019-1	BSA 2019-1
Date of authorisation	15 October 2018	15 October 2018	15 October 2018	15 October 2018
Issue/grant date	19 October 2018	19 October 2018	3 May 2019	31 July 2019
Authorised	1,951,033			
Granted	845,000	480,000	190,000	40,000
Potential number of shares	1,325,000		230,000	
Exercised	15,937	54,375	-	-
Per-share exercise price	9.18	9.18	14.75	14.75
Total subscription amount paid for warrants exercised	146,302	499,163	-	-
Expired	44,063	90,417	-	-
Not yet exercised	785,000	335,208	190,000	40,000
Expiry of exercise period	10 years as from the grant date, i.e., 19 Oct. 2028		10 years as from the grant date, i.e., 3 May 2029	10 years as from the grant date, i.e., 31 July 2029
Cancelled			396,033 Not awarded (still valid)	

Fair value measurement of benefits

The main data and assumptions underpinning the fair value measurement of benefits awarded under share-based payment arrangements are as follows:

Plan	Grant date	Number of options granted	Exercise price *(in €)*	Maximum vesting period in years	Value of underlying share (in €)	10-year risk-free rate at maturity	Average target volatility over the period
BSA 2019-1	31 July 2019	40,000	14.75	4	15.52	-0.25%	39.8%
BSPCE 2019-1	3 May 2019	190,000	14.75	4	15.52	0.19%	40.0%
BSPCE 2018-1	19 Oct. 2018	845,000	9.18	4	9.18	0.63%	44.2%
BSA 2018-1	19 Oct. 2018	480,000	9.18	4	9.18	0.63%	44.2%
BSPCE 2017	4 Sept. 2017	10,300	8.57	4	8.57	0.51%	47.8%
BSA 2017	4 Sept. 2017	15,000	8.57	3	8.57	0.51%	47.8%
BSA 2016-1	31 Dec. 2016	13,000	8.57	4	8.57	0.42%	49.7%
BSPCE 2016-1	30 June 2016	260,000	5.40	4	5.40	0.05%	52.6%
BSPCE 2016-2	30 June 2016	155,000	5.40	3	5.40	0.05%	52.6%
BSA 2016-2	30 June 2016	393,210	5.40	3	5.40	0.05%	52.6%

The instruments are valued using a Black-Scholes-type model. Due to the Company's profile, the expected dividend rate was zero, but the calculation took into account a sub-optimal early exercise probability. Expected volatility was determined based on an industry sample of comparable companies using a multi-criteria approach. The risk-free rate used is based on the yield on 10-year eurozone government bonds.

Reconciliation of options on shares in issue

The number and weighted average price of stock options under stock option plans and replacement awards are as follows:

	2020		2019		2018	
(in € thousands)	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
In issue at 1 January	**2,607,810**	**€12.2**	**3,412,701**	**€10.0**	**2,198,346**	**€6.7**
Lapsed during the period	(113,022)	€9.1	(66,104)	€7.5	(55,145)	€5.6
Exercised during the period	(263,520)	€5.7	(968,787)	€1.2	(55,500)	€1.2
Granted during the period	-	-	230,000	€14.8	1,325,000	€9.2
In issue at 31 December	**2,231,268**	**€13.0**	**2,607,810**	**€12.2**	**3,412,701**	**€10.0**
Exercisable at 31 December	1,577,654	€6.4	1,418,081	€5.2	1,921,460	€2.4

Expenses recognised in the statement of income in respect of share-based payments

Expenses recognised in the statement of income in respect of share-based payment arrangements can be analyzed as follows:

(in € thousands)	**2020**	**2019**	**2018**
BSA 2019-1	60	34	-
BSPCE 2019-1	236	256	-
BSPCE 2018-1	380	891	203
BSA 2018-1	216	506	115
BSPCE 2017	4	8	16
BSA 2017	-	(3)	14
BSA 2016-1	1	3	7
BSPCE 2016-1	255	28	65
BSPCE 2016-2	-	86	27
BSA 2016-2	-	(93)	68
Share-based payment	**1,152**	**1,715**	**516**

5.5 Executive compensation

The Group's key executives are three executive corporate officers, two of whom were appointed in June 2020. The compensation figures presented below and recognised in the consolidated statement of income relate to compensation paid after they were appointed. The key executives have not been granted any post-employment benefits.

(in € thousands)	**2020**	**2019**	**2018**
Compensation in respect of employment	584	350	254
Benefits in-kind	7	-	-
Share-based payment	225	-	-
Compensation in respect of corporate officer positions	30	28	28
Total executive compensation	**845**	**378**	**281**

Note 6 Intangible assets and property, plant and equipment

6.1 Goodwill

Accounting policies

Goodwill represents the excess of the consideration paid for an acquisition over the fair value of the Group's share of the acquired entity's net identifiable assets at the acquisition date. Goodwill is accounted for as described in Note 2.3 – Business combinations.

It is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is tested for impairment at least once a year and whenever there is evidence that it may be impaired, in accordance with IAS 36 (see Note 6.4 – Impairment tests on non-current assets). Impairment charged against goodwill can not be reversed.

Changes in goodwill

Changes in goodwill can be analyzed as follows:

(in € thousands)	**2020**	**2019**	**2018**
Goodwill at 1 January	72,702	**44,129**	**26,115**
Changes in the scope of consolidation	11,407	28,402	17,218
Translation adjustments	(3,660)	171	796
Goodwill at 31 December	**80,449**	**72,702**	**44,129**

Amounts shown on the "Changes in the scope of consolidation" line relate to acquisitions carried out and described in Note 2.3 – Business combinations.

6.2 Other intangible assets

Accounting policies

Intangible assets are initially measured:

- At cost when they are separately acquired.
- At fair value, separately from goodwill, when they are acquired as part of a business combination.

The Group's intangible assets include the following items:

- Software.
- Internally developed software.
- Relationships with artists and labels.
- Brands.
- Catalogues.

Start-up and research costs are expensed as incurred.

Development costs are recognised within intangible assets if the Group can demonstrate all of the following:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.

- Its intention to complete the intangible asset and use or sell it.
- Its ability to use or sell the intangible asset.
- How the intangible asset will generate probable future economic benefits.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

If the above cannot be demonstrated, the development costs are expensed.

After initial recognition, intangible assets are recognised using the amortised cost model and amortised on a straight-line basis over their estimated useful lives, as follows:

- Software: 1 year.
- Internally developed software: 3 years.
- Relationships with artists and labels: 10 years.
- Catalogues: 3 to 10 years.

Since brands have an indefinite useful life, they are not amortised but are tested for impairment at least each year or whenever there is evidence that they may be impaired (see Note 6.4 – Impairment tests on non-current assets).

Other intangible assets

Other intangible assets can be analyzed as follows:

(in € thousands)	Catalogues	Concessions, patents and similar rights	Software	Brands(1)	Relationships with artists and labels(2)	Other intangible assets	Intangible assets in progress(3)	TOTAL
1 January 2018								
Gross value	18,531	184	9,449	5,831	6,831	312	2,774	43,911
Amortisation and impairment	(3,773)	(141)	(7,162)	-	(1,878)	(151)	-	(13,106)
Carrying amount	**14,758**	**42**	**2,287**	**5,831**	**4,952**	**161**	**2,774**	**30,804**
31 December 2018								-
Gross value	19,554	215	12,715	14,114	41,774	785	6,015	95,171
Amortisation and impairment	(6,832)	(169)	(9,346)	-	(3,551)	(276)	-	(20,173)
Carrying amount	**12,722**	**46**	**3,369**	**14,114**	**38,223**	**509**	**6,015**	**74,998**
31 December 2019								-
Gross value	26,542	658	17,569	14,231	43,298	1,701	16,443	120,442
Amortisation and impairment	(9,665)	(218)	(12,587)	-	(7,793)	(692)	-	(30,955)
Carrying amount	**16,877**	**440**	**4,982**	**14,231**	**35,504**	**1,009**	**16,443**	**89,487**
31 December 2020								
Gross value	27,267	609	39,365	15,592	50,858	3,072	20,780	157,543
Amortisation and impairment	(13,791)	(414)	(18,559)	-	(12,178)	(1,636)	-	(46,578)
Carrying amount	**13,476**	**195**	**20,806**	**15,592**	**38,680**	**1,436**	**20,780**	**110,965**

(1) The increase in brands is mainly attributable to the acquisition of Nuclear Blast in 2018.

(2) The increase in relationships with artists and labels is mainly attributable to the acquisition of Groove Attack and Nuclear Blast in 2018.

(3) The increase in intangible assets in progress relates mainly to the capitalised development costs of the Group's technology platform.

Changes in other intangible assets

Changes in other intangible assets can be analyzed as follows:

(in € thousands)	2020	2019	2018
At 1 January	**89,487**	**74,998**	**30,804**
Purchase price allocation	11,269	7,807	42,880
Capitalised development costs	27,266	15,953	6,833
Other acquisitions/increases	378	409	536
Changes in the scope of consolidation	1,579	843	257
Amortisation	(15,947)	(10,700)	(6,837)
Disposals/decreases	(134)	(54)	(1)
Translation adjustments	(2,933)	231	526
At 31 December	**110,965**	**89,487**	**74,998**

Amounts shown on the "Purchase price allocation" line relate to acquisitions carried out as described in Note 2.3 – Business combinations.

Capitalised development costs primarily relate to the Group's technology platform.

6.3 Property, plant and equipment

Reconciliation of carrying amounts

(in € thousands)	31 Dec. 2020	31 Dec. 2019	31 Dec. 2018	1 Jan. 2018
Property, plant and equipment owned outright	9,905	8,562	1,245	770
Property, plant and equipment – right-of-use assets	24,801	23,309	8,273	7,908
Total property, plant and equipment	**34,706**	**31,871**	**9,518**	**8,678**

Property, plant and equipment owned outright

Accounting policies

Property, plant and equipment acquired are initially measured at cost, including all expenses directly attributable to the acquisition. Any subsequent costs incurred in respect of property, plant and equipment are expensed as incurred, unless they are designed to extend the asset's useful life.

Property, plant and equipment acquired as part of a business combination are recognised at fair value, separately from goodwill.

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, as follows:

- Fixtures and fittings: 1 to 10 years.
- IT equipment: 3 years.
- Furniture: 1 to 10 years.

Property, plant and equipment owned outright can be analyzed as follows:

1 January 2018 *(in € thousands)*	**Fixtures, fittings, general and technical installations**	**Office equipment**	**IT equipment**	**Other property, plant and equipment**	**Property, plant and equipment in progress**	**TOTAL**
Gross value	462	279	576	468	305	2,091
Depreciation and impairment	(119)	(231)	(503)	(468)	-	(1,321)
Carrying amount	**343**	**49**	**73**	**-**	**305**	**770**

31 December 2018 *(in € thousands)*	**Fixtures, fittings, general and technical installations**	**Office equipment**	**IT equipment**	**Other property, plant and equipment**	**Property, plant and equipment in progress**	**TOTAL**
Gross value	468	379	1,055	600	441	2,944
Depreciation and impairment	(201)	(268)	(732)	(498)	-	(1,699)
Carrying amount	**267**	**112**	**323**	**102**	**441**	**1,245**

31 December 2019 *(in € thousands)*	**Fixtures, fittings, general and technical installations**	**Office equipment**	**IT equipment**	**Other property, plant and equipment**	**Property, plant and equipment in progress**	**TOTAL**
Gross value	4,866	2,540	1,118	1,039	833	10,396
Depreciation and impairment	(102)	(286)	(497)	(949)	-	(1,834)
Carrying amount	**4,764**	**2,254**	**621**	**90**	**833**	**8,562**

31 December 2020 *(in € thousands)*	**Fixtures, fittings, general and technical installations**	**Office equipment**	**IT equipment**	**Other property, plant and equipment**	**Property, plant and equipment in progress**	**TOTAL**
Gross value	6,132	2,994	2,150	717	1,709	13,702
Depreciation and impairment	(1,275)	(678)	(1,260)	(584)	-	(3,796)
Carrying amount	**4,857**	**2,316**	**890**	**134**	**1,709**	**9,905**

Changes in the carrying amount of property, plant and equipment owned outright

Changes in property, plant and equipment can be analyzed as follows:

(in € thousands)	**2020**	**2019**	**2018**
At 1 January	8,562	1,245	770
Acquisitions/additions(1)	3,805	7,945	271
Changes in the scope of consolidation	122	52	512
Depreciation	(2,388)	(531)	(223)
Disposals/decreases	(9)	(170)	(109)
Translation adjustments	(186)	21	24
At 31 December	9,905	8,562	1,245

(1) In 2020, "Acquisitions/additions" relate primarily to fixtures and fittings for certain Group premises in France and the US. Acquisitions/additions shown for 2019 relate mainly to fixtures and fittings at the Group's head office.

Leases: right-of-use assets

Accounting policies (Group as lessee)

Any lease that grants the lessee the right to control the use of an identified asset for a period of time in exchange for consideration falls within the scope of IFRS 16. The Group's lessee companies recognise a right-of-use asset and a corresponding lease liability in the statement of financial position for all leases except short-term leases (i.e., leases with a term of less than 12 months), in accordance with the recognition exemption set out in the standard.

The lease liability is initially measured at the present value of the lease payments outstanding at the lease commencement date, discounted using either the interest rate implicit in the lease if that rate can be readily determined or the incremental borrowing rate for the relevant country, in accordance with the terms and conditions and using the currency of the lease, plus a risk premium specific to the lessee or the leased asset, where applicable. Lease payments include fixed payments, variable payments that depend on an index or a rate, and payments under any options that the Group is reasonably certain to exercise.

Following initial measurement, the lease liability is reduced by the lease payments made and increased by the interest expense. It is remeasured to reflect any modifications to future lease payments in the event of renegotiation with the lessor, a change in the index or the rate or the reassessment of the options. The amount of any remeasurement of the lease liability is recognised as an adjustment to the right-of-use asset or in the statement of income if the carrying amount of the right-of-use asset has already been reduced to zero following a decrease in the scope of the lease.

The right-of-use asset determined at the commencement date of the lease includes the initial lease liability, any initial direct costs and any obligations to restore the asset, less any lease incentives granted by the lessor.

The right-of-use asset is depreciated over the lease term. A depreciation expense is recognised in the statement of income under operating items, while the interest expense is recognised within financial items. To reflect the tax impact of this consolidation adjustment, deferred taxes are recognised.

The lease term used corresponds to the non-cancelable period, together with periods covered by an extension option if the lessee is reasonably certain to exercise that option and by a termination option if the lessee is reasonably certain not to exercise that option.

Property, plant and equipment held in the form of right-of-use assets can be analyzed as follows:

1 January 2018 *(in € thousands)*	**Buildings**	**Vehicles**	**IT equipment**	**TOTAL**
Gross value	5,309	84	2,515	7,908
Depreciation and impairment	-	-	-	-
Carrying amount	**5,309**	**84**	**2,515**	**7,908**

31 December 2018 *(in € thousands)*	**Buildings**	**Vehicles**	**IT equipment**	**TOTAL**
Gross value	8,651	238	2,40(	11,289
Depreciation and impairment	(2,154)	(61)	(800)	(3,016)
Carrying amount	**6,497**	**177**	**1,600**	**8,273**

31 December 2019 *(in € thousands)*	**Buildings**	**Vehicles**	**IT equipment**	**TOTAL**
Gross value	25,294	511	2,400	28,205
Depreciation and impairment	(3,081)	(215)	(1,600)	(4,896)
Carrying amount	**22,213**	**296**	**800**	**23,309**

31 December 2020 *(in € thousands)*	**Buildings**	**Vehicles**	**IT equipment**	**TOTAL**
Gross value	27,617	608	4,380	32,605
Depreciation and impairment	(7,242)	(267)	(295)	(7,804)
Carrying amount	**20,375**	**341**	**4,085**	**24,801**

Changes in the carrying amount of right-of-use assets

Right-of-use assets comprise leased premises, vehicles and IT equipment, and primarily relate to the commercial lease of Believe's head office premises in France.

Changes in right-of-use assets can be analyzed as follows:

(in € thousands)	**2020**	**2019**	**2018**
At 1 January	**23,309**	**8,273**	**7,908**
New leases	8,137	19,749	870
Depreciation and impairment	(6,347)	(4,813)	(3,123)
Changes in the scope of consolidation	294	7	2,485
Translation adjustments	(592)	92	133
At 31 December	**24,801**	**23,309**	**8,273**

Amounts recognised in the statement of income in respect of leases

The amounts recognised in the statement of income in respect of leases can be analyzed as follows:

(in € thousands)	**2020**	**2019**	**2018**
Amortisation of lease rights	(5,060)	(4,814)	(3,123)

Interest expense on lease liabilities	(580)	(341)	(158)
Total recognised in the statement of income	**(5,640)**	**(5,155)**	**(3,281)**

Amounts recognised in the statement of cash flows

Cash outflows attributable to leases represented €3,558 thousand in 2020, €4,175 thousand in 2019 and €3,079 thousand in 2018.

6.4 Impairment tests on non-current assets

Accounting policies

IAS 36 – Impairment of Assets states that an asset must be impaired when its carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a group of assets is defined as the higher of its fair value less the costs of disposal and its value in use.

Value is use is determined based on the present value of the forecast future cash flows (discounted cash flows method, or DCF), discounted at a rate that reflects the time value of money and any risks specific to the asset or CGU being tested.

Impairment tests compare the recoverable amount of a non-current asset with its carrying amount. If the carrying amount is higher than the recoverable amount, an impairment loss is recognised for the amount of the difference.

Non-current assets are grouped into cash-generating units (CGUs) for the purpose of the tests. A cash-generating unit is the smallest group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. CGUS or groups of CGUs to which goodwill has been allocated are tested for impairment at least once a year, or whenever there is evidence that they may be impaired.

CGUs and groups of CGUs tested by the Group

IFRS 8 operating segments	CGUs/groups of CGUs
Premium Solutions	Premium Solutions group of CGUs
Automated Solutions	Automated Solutions CGU

Impairment tests

The Group considers that there is no evidence of impairment of property, plant and equipment, intangible assets, right-of-use assets or investments in equity-accounted companies between 1 January 2018 and 31 December 2020. For more information on the potential impacts of Covid-19, see "Significant events".

Impairment testing approach and assumptions used

The Group tests goodwill for impairment each year, generally at the end of the reporting period. For the 2018 to 2020 reporting periods, the recoverable amount of the CGUs and groups of CGUs was determined based on their value in use. This required the Group to make use of assumptions, notably concerning the discount rate, perpetuity growth rate and expected cash flows, depending on the economic environment in which the Group operates.

Cash flow projections are based on five-year financial budgets approved by management. Cash flows beyond this period are extrapolated using the estimated growth rates indicated below. These growth rates are consistent with the forecasts included in the reports for the industries in which the Group does business.

The discount rate relates to the industry's weighted average cost of capital (WACC) for each CGU and group of CGUs, and depends on the region(s) in which business is conducted.

The following table summarises the key assumptions used, along with the carrying amount of the goodwill and brands tested for impairment as part of the CGU or group of CGUs to which they were allocated (corresponding to the same level as the operating segments):

CGU (or group of CGUs) tested	Key assumptions and carrying amounts (in € thousands)	31 Dec. 2020	31 Dec. 2019	31 Dec. 2018	1 Jan. 2018
Premium Solutions group of CGUs	*Discount rate*	12.5%	13.9%	13.2%	11.6%
	Perpetuity growth rate	3.8%	4.6%	3.6%	4.0%
	Carrying amount of goodwill	64,387	55,157	26,915	9,697
	Carrying amount of brands	9,888	8,000	8,000	-
Automated Solutions CGU	*Discount rate*	9%	10.2%	10.9%	9.7%
	Perpetuity growth rate	2.8%	2.9%	2.7%	2.9%
	Carrying amount of goodwill	16,062	17,545	17,214	16,418
	Carrying amount of brands	5,705	6,231	6,114	5,831

Results of the impairment tests

Between 1 January 2018 and 31 December 2020, no impairment losses were recognised against assets taken individually, or against CGUs or groups of CGUs.

Sensitivity of impairment tests

At the date of each impairment test (2018, 2019 and 2020), the Group analyzed the test's sensitivity to changes in the main assumptions used to determine the recoverable amount of the CGUs and groups of CGUs tested. An increase or decrease of 1 percentage point in the discount rate and 0.5 percentage points in the perpetuity growth rate, and of 1 percentage point in the EBITDA margin, and 0.5 percentage points in the revenue growth rate (over the period of the business plan), would not lead to the recognition of any impairment loss.

Note 7 Provisions and contingent liabilities

7.1 Accounting policies

The Group recognises a provision whenever it has a present legal or constructive obligation arising as a result of a past event which is likely or certain to result in an outflow of resources embodying economic benefits to third parties and can be estimated reliably.

Provisions are shown as either current or non-current liabilities, depending on when the underlying event is expected to occur and taking into account the assumptions deemed most likely at the reporting date.

A contingent liability is:

- A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.
- A present obligation that arises from past events but is not recognised because (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or (ii) the amount of the obligation cannot be measured with sufficient reliability.

7.2 Description of the main provisions and contingent liabilities

Provisions

At 1 January 2018, 31 December 2018, 31 December 2019 and 31 December 2020, provisions primarily relate to pension obligations as described in Note 5.3 – Provisions for pensions and other employee benefit obligations.

No significant provisions had been accrued for disputes at either 1 January 2018, 31 December 2018, 31 December 2019 or 31 December 2020.

Dispute between the Group and Round Hill

In July 2020, proceedings were brought against certain Group companies before a federal court of the State of New York by music publishing companies Round Hill Music LLP and Round Hill Music LP. These companies allege that the Group used, reproduced and distributed its entire catalogue of 219 musical works in the course of its business, allowing certain phonographic recordings to be downloaded, without having previously secured a license to the song rights (known as "mechanical royalties" under US law) owned by Round Hill.

Based on these allegations, Round Hill is seeking the maximum amount for wilful statutory damages in the US (i.e., USD 150,000 per composition), representing a total damages claim of USD 32,850,000.

It should be recalled that in the US, producers and distributors of phonographic recordings (hence the Group) are responsible for identifying the owners of the mechanical reproduction rights to the works included in these recordings, and then for securing from those owners in return for payment a license to these works when the recordings are downloaded (not only via streaming). The Group hires external service providers to identify rights to musical works, thereby exposing it to the risk that some such rights holders are not identified. As a result, it cannot fully control the proceedings which may be brought against it in such cases.

Following the proceedings brought by Round Hill, the Group companies concerned have attempted to verify whether the musical compositions to which Round Hill claims to own the mechanical reproduction rights were incorporated in the phonographic recordings that allowed distribution via downloads. However, for most of the works in question, it is difficult to identify that they were distributed by the Group. Round Hill bears the burden of evidence that the works were distributed by the Group and that it owns the rights to these works. However, since no such evidence has yet been provided, there is a serious doubt as to whether Round Hill will be able to prove the merits of its case.

More generally, in view of applicable case law, even assuming that Round Hill's claim is partially founded for certain works, the Group considers that its substantial damage claim (corresponding to the maximum allowed by US law) is disproportionate relative to the damages that could be obtained by Round Hill if the proceedings were to run their course.

A mediation process is currently ongoing between the Group and Round Hill with a view to reaching an out-of-court settlement of this dispute.

Based on case law and on the advice of its counsel, the Company accrued a provision for this dispute in its financial statements for the year ended 31 December 2020.

Note 8 Financing and financial instruments

8.1 Financial assets and liabilities

Accounting policies

The Group recognises a financial asset or liability when it becomes party to the contractual provisions of the instrument within the meaning of IFRS 9 – Financial Instruments.

A financial asset (except a trade receivable with no significant financing component) or a financial liability is initially measured at fair value plus or minus, in the case of items not at fair value through net income, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability. Trade receivables with no significant financing component are initially measured at their transaction price as defined by IFRS 15.

Financial assets

On initial recognition, financial assets are classified in one of the three following categories:

- Amortised cost.
- Fair value through other comprehensive income, separating debt instruments from equity instruments.
- Fair value through net income.

This classification depends on:

- The contractual cash flow characteristics of the financial asset.
- The Group's business model for managing the financial asset.

A financial asset is measured at amortised cost and not designated at fair value through net income if both of the following conditions are met:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

This is the case of the Group's security deposits and trade receivables. Security deposits are included in non-current assets as they fall due more than 12 months after the reporting date. Trade receivables are included in current assets as they fall due within 12 months of the reporting date.

None of the Group's financial assets are currently classified at fair value through other comprehensive income.

All financial assets which are not classified at amortised cost or at fair value through other comprehensive income are carried at fair value through net income.

This applies to the Group's investments in non-consolidated companies.

Financial liabilities

In accordance with IFRS 9, financial liabilities are classified at amortised cost or at fair value through net income.

Currently, all other financial liabilities are initially recognised at fair value less transaction costs, and subsequently at amortised cost using the effective interest method. They are shown as current or non-current liabilities depending on their maturity. The amount of interest recognised in financial expenses is calculated by multiplying the liability's effective interest rate by its carrying amount.

Current financial liabilities include trade payables.

The Group derecognises a financial liability when its contractual obligation is discharged, or cancelled or expires. A financial liability is also derecognised in the event there is a substantial modification of its terms which also significantly modify its cash flows, in which case a new financial liability is recognised at fair value.

When the terms of a financial liability at amortised cost are modified but not to the extent that the liability is derecognised, a gain or loss is recognised in income. The gain or loss reflects the difference between the initial contractual cash flows and the present value of the modified cash flows discounted at the original effective interest rate.

The Group's non-current financial assets can be analyzed as follows:

(in € thousands)	**31 Dec. 2020**	**31 Dec. 2019**	**31 Dec. 2018**	**1 Jan. 2018**
Investments in non-consolidated companies[1]	680	195	49	-
Loans, deposits and other financial receivables – non-current portion[2]	5,508	5,232	2,686	2,224
Total non-current financial assets	**6,188**	**5,427**	**2,735**	**2,224**

[1] At 31 December 2020, changes in this item mainly reflect the acquisition of a stake in Ircam Amplify SAS for €500 thousand. At 31 December 2019, investments in non-consolidated companies relate primarily to shares in Triller.

[2] Loans, deposits and other financial receivables consist mainly of security deposits paid under property leases and to loans granted to the Group's associates.

No other non-current financial assets were recognised on the statement of financial position at 1 January 2018, 31 December 2018, 31 December 2019 or 31 December 2020.

Fair value of financial assets and liabilities

Accounting policies

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

Fair value is based on market data and on common valuation techniques, and for complex instruments can be corroborated by prices supplied by independent financial institutions.

Fair value measurement hierarchy

IFRS 13 – Fair value Measurement establishes a hierarchy of valuation techniques for financial instruments.

The following categories are identified:

- Level 1: inputs directly based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: prices established using valuation techniques drawing on non-observable inputs.

Interest rate hedge

The interest rate hedging instrument (swap) contracted by the Group at the end of 2018 and eligible for hedge accounting under IFRS 9 represents a cash flow hedge, whose main characteristics match the loans hedged. The swap was set up on 27 December 2018 and took effect as from 28 January 2019. It hedges the three tranches of the syndicated bank loan totalling €42.8 million.

Drawdowns on these bank loans, which bear floating-rate interest, were hedged by an interest rate swap on a notional amount of €42.8 million (repayable at the same time as the three tranches of the bank loan), allowing the Group to swap its Euribor 3-month floating rate floored at 0% for a fixed rate of 0.3650%.

This swap expires on 27 September 2024.

Carrying amount and fair value of financial assets and liabilities by category

	31 Dec. 2020						31 Dec. 2019	31 Dec. 2018	1 Jan. 2018
(in € thousands)	Fair value hierarchy	Carrying amount	Fair value	Fair value through net income	Fair value through other comprehensive income	Financial instruments at amortised cost	Carrying amount	Carrying amount	Carrying amount
Trade receivables	-	110,366	110,366			110,366	97,566	71,466	47,693
Loans, deposits and other financial receivables – non-current portion	-	5,508	5,508			5,508	5,232	2,686	2,224
Investments in non-consolidated companies	-	680	680			680	195	49	-
Cash and cash equivalents	1	152,333	152,333	152,333		-	161,677	73,117	63,381
Total financial assets		**268,886**	**268,886**	**152,333**		**116,554**	**264,670**	**147,318**	**113,298**
Bank borrowings and debt – non-current portion	2	90,549	90,529			90,549	20,717	4,357	5,389
Trade payables	-	311,017	311,017			311,017	267,134	216,861	163,782
Bank borrowings and debt – current portion, including bank overdrafts	2	8,868	8,835			8,868	8,882	8,848	2,675
Derivative financial instruments with a negative fair value	2	202	202	202		-	274	133	-
Total financial liabilities		**410,636**	**410,583**	**202**		**410,434**	**297,008**	**230,199**	**171,846**

There were no changes in fair value measurements in 2018-2020.

The fair value of long-term bank borrowings and debt is equivalent to their carrying amount at amortised cost, due to the variability of interest rates and unchanged lending conditions on the financial market.

8.2 Management of financial risks

Risk management framework

The aim of the Group's financial risk management strategy is to minimise the impact of interest rate and exchange rate volatility on its costs and cash flows.

Counterparty risk

The Group may be exposed to the risk of failure of one of its banking counterparties managing its cash resources or its interest rate swap contracted at the end of 2018 to hedge its floating-rate debt, which could result in financial losses for the Group.

Risk management

The Group's cash investments and swap are respectively placed and arranged only with leading financial institutions. As a result, it does not consider that it has significant counterparty risk exposure on its cash resources or hedging instrument.

Liquidity risk

Liquidity risk is the risk that the Group will not have the cash needed to meet the obligations arising on its financial liabilities as they fall due. Liquidity risk includes the risk that (i) assets, particularly advances to certain artists and labels, may not be readily sold under satisfactory conditions when required, (ii) liabilities, particularly with regard to producers, have to be repaid early, and (iii) the Group is unable to access credit under satisfactory terms and conditions.

Accordingly, the Group is exposed to a risk of having insufficient funds to meet all of its payment obligations to producers in the event of a huge upsurge in demand.

In light of the Group's activities, changes in working capital partly depend on (i) the net amount of non-recoverable advances paid to artists and labels under contracts entered into with those artists and labels, and (ii) the gap between the time the Group collects the amounts paid over by the digital platforms and the time the corresponding amounts are subsequently paid (for less than the amounts received from the platforms and from social media) to the artists and labels. The Group grants advances to certain artists and labels, which will be recouped against the amounts payable to those artists and labels at a future date. This exposes it to the risk that it will be unable to recoup these amounts if sales volumes prove inadequate. These advances are recognised as assets in the statement of financial position when they are paid, and may be written down if, as a result of the period-end impairment tests, there is uncertainty as to whether the Group will be able to recoup them in full. In this case, impairment is calculated based on an estimate of the amount the Group considers it will recoup through to the end of the contract, and is recognised in cost of sales, thereby impacting consolidated income.

The Group is required to pay over to artists and labels a percentage of the amounts paid by the digital platforms and social media in exchange for delivering content. There is an uncertainty as to the timing and frequency of producers' demands for payment of these amounts. The assumptions adopted by the Group in managing its cash resources are based on relatively stable working capital, taking into account fairly constant demands for payments to artists and labels as determined on the basis of the Group's past experience.

In a crisis, the Group may not be able to obtain or roll over the financing it needs to meet its investment commitments, or it may not be able to obtain satisfactory borrowing conditions for its financing or refinancing.

Risk management

Treasury management is centralised within the Group. All surplus cash is invested with, and the financing requirements of subsidiaries met by, the Group. The central cash team manages the Group's current and forecast financing requirements, and ensures it has the ability to meet its financial obligations while maintaining a satisfactory level of available cash, namely through investments that can be readily converted to cash and confirmed and available credit facilities.

For a description of the Group's credit facilities and available cash, please refer to Note 8.3 – Gross debt, and Note 11 – Cash flow, which present the Group's financing resources at 31 December 2018, 31 December 2019 and 31 December 2020.

In the event the Group's planned IPO takes place, certain financing it has contracted would be subject to mandatory early repayment and would be replaced by new borrowings.

This early repayment is contingent on the completion of the IPO.

At 31 December 2020, these financing facilities continue to be classified according to their initial repayment schedules. The Group considers that it does not have sufficient certainty on the effective completion of the IPO to revise these schedules, as the IPO depends on market conditions at the date of the future transaction.

Foreign currency risk

The Group conducts a significant portion of its business on the international stage. Accordingly, due to its exposure to currencies other than the euro, its functional and presentation currency, the Group incurs foreign currency risk, mainly on account of its operations.

In 2018, 2019 and 2020, the Group did not put in place any hedges to manage its foreign currency risk.

Transaction risk

This risk results from the fact that Group subsidiaries carry receivables and payables denominated in currencies other than their functional currency.

To assess this overall risk, the Group took into account current payables (liabilities) and receivables (assets) in a currency other than the euro recorded in the subsidiary's local financial statements.

Financial exchange rate risk

As no subsidiaries carry substantial external bank debt denominated in a currency other than their functional currency, this risk is not considered material.

Analysis of the sensitivity of the net foreign currency risk exposure

The tables below present the net position in the Group's main foreign currencies, along with the impact of a 5% increase or decrease in each currency against the euro.

	31 December 2020							
(in thousands of currency units)	AUD	CAD	CNY	GBP	INR	JPY	RUB	USD
Current assets	45	2,345	10,104	10,792	290,900	18,952	550,660	31,006
Current and non-current liabilities	(1,960)	(8,068)	(842)	(8,319)	(16,942)	(1,162,424)	(124,032)	(143,612)
Net position before hedging	(1,915)	(5,723)	9,262	2,472	273,958	(1,143,472)	426,629	(112,605)
Off-balance sheet position(1)								
Net position after hedging at 31 December 2020	**(1,915)**	**(5,723)**	**9,262**	**2,472**	**273,958**	**(1,143,472)**	**426,629**	**(112,605)**
Rate at 31 December 2020	1.5896	1.5633	8.0225	0.8990	89.66	126.49	91.4671	1.2271
Value (€ thousands)	(1,205)	(3,661)	1,154	2,750	3,056	(9,040)	4,664	(91,765)
Rate assuming 5% increase	1.5139	1.4889	7.6405	0.8562	85.39	120.47	87.1115	1.1687
Value (€ thousands)	(1,265)	(3,844)	1,212	2,887	3,208	(9,492)	4,897	(96,354)
Impact of a 5% increase (€ thousands)	(60)	(183)	58	137	153	(452)	233	(4,588)
Rate assuming 5% decrease	1.6733	1.6456	8.4447	0.9463	94.38	133.15	96.2812	1.2917
Value (€ thousands)	(1,145)	(3,478)	1,097	2,612	2,903	(8,588)	4,431	(87,177)
Impact of a 5% decrease (€ thousands)	60	183	(58)	(137)	(153)	452	(233)	4,588

(1) The Group had no foreign currency hedges at 31 December 2020.

	31 December 2019						
(in thousands of currency units)	AUD	CAD	GBP	INR	JPY	RUB	USD
Current assets	64	53	7,791	346,503	13,619	191,055	15,801
Current and non-current liabilities	(1,715)	(5,297)	(7,079)	(31,116)	(395,759)	(72,255)	(130,642)
Net position before hedging	(1,651)	(5,244)	712	315,387	(382,140)	118,800	(114,842)
Off-balance sheet position(1)	-						
Net position after hedging at 31 December 2019	**(1,651)**	**(5,244)**	**712**	**315,387**	**(382,140)**	**118,800**	**(114,842)**
Rate at 31 December 2019	1.5995	1.4598	0.8508	80.18	121.94	69.9563	1.1234
Value (€ thousands)	(1,032)	(3,593)	837	3,933	(3,134)	1,698	(102,227)
Rate assuming 5% increase	1.5233	1.3903	0.8103	76.36	116.1333	66.625	1.0699
Value (€ thousands)	(1,084)	(3,772)	878	4,130	(3,291)	1,783	(107,338)
Impact of a 5% increase (€ thousands)	(52)	(180)	42	197	(157)	85	(5,111)
Rate assuming 5% decrease	1.6837	1.5366	0.8956	84.40	128.3579	73.6382	1.1825
Value (€ thousands)	(981)	(3,413)	795	3,736	(2,977)	1,613	(97,115)
Impact of a 5% decrease (€ thousands)	52	180	(42)	(197)	157	(85)	5,111

(1) The Group had no foreign currency hedges at 31 December 2019.

(in thousands of currency units)	31 December 2018					
	AUD	CAD	GBP	JPY	RUB	USD
Current assets	46	(103)	5,608	18,513	68,668	13,297
Current and non-current liabilities	(1,427)	(4,331)	(4,254)	(318,215)	(95,015)	(117,948)
Net position before hedging	(1,380)	(4,434)	1354	(299,702)	(26,347)	(104,651)
Off-balance sheet position[1]						
Net position after hedging at 31 December 2018	**(1,380)**	**(4,434)**	**1354**	**(299,702)**	**(26,347)**	**(104,651)**
Rate at 31 December 2018	1.622	1.5605	0.8945	125.85	79.7153	1.145
Value (€ thousands)	(851)	(2,841)	1514	(2,381)	(331)	(91,398)
Rate assuming 5% increase	1.5448	1.4862	0.8519	119.8571	75.9193	1.0905
Value (€ thousands)	(894)	(2,983)	1590	(2,500)	(347)	(95,968)
Impact of a 5% increase (€ thousands)	(43)	(142)	76	(119)	(17)	(4,570)
Rate assuming 5% decrease	1.7074	1.6426	0.9416	132.4737	83.9108	1.2053
Value (€ thousands)	(809)	(2,699)	1438	(2,262)	(314)	(86,828)
Impact of a 5% decrease (€ thousands)	43	142	(76)	119	17	4,570

(1) The Group had no foreign currency hedges at 31 December 2018.

Interest rate risk

Risk management

The Group's exposure to interest rate risk is due to the existence of floating-rate debt, the cost of which may vary over the medium term in line with fluctuations in interest rates.

At 31 December 2019 and 31 December 2018, the Group's only material floating-rate debt related to Believe SAS and was issued in the second semester of 2018 for an amount of €42.8 million.

This floating-rate exposure was swapped for a fixed-rate exposure using an effective interest rate swap. This swap was contracted at the end of 2018 and took effect as from 28 January 2019.

The risk relating to the 27-day period in January 2019 before this swap took effect is not considered material.

8.3 Gross debt

Definition of gross debt

Gross debt includes bank borrowings and debt net of deferred financing costs, lease liabilities, accrued interest, cash overdrafts and interest rate swaps.

The Group's gross debt can be analyzed as follows:

(in € thousands)	**31 Dec. 2020**	**31 Dec. 2019**	**31 Dec. 2018**	**1 Jan. 2018**
Bank borrowings and debt – non-current portion	91,103	34,441	43,423	7,657
Lease liabilities – non-current portion	24,800	21,532	5,044	5,389
Deferred financing costs	(554)	(815)	(687)	-
Interest rate swap	202	274	133	-
Total long-term borrowings and debt	**115,551**	**55,432**	**47,913**	**13,046**
Bank borrowings and debt – current portion	8,927	8,982	8,388	2,282
Lease liabilities – current portion	3,883	2,865	3,417	2,518
Deferred financing costs	(261)	(296)	(242)	-
Accrued interest	200	56	28	151
Bank overdrafts	2	140	674	242
Total short-term borrowings and debt	**12,751**	**11,747**	**12,265**	**5,193**
Total gross debt	**128,302**	**67,179**	**60,178**	**18,239**

Bank borrowings and debt and lease liabilities by maturity

The tables below present bank borrowings and debt and lease liabilities by maturity. Deferred financing costs, interest rate swaps and accrued interest are not included.

	31 December 2020			
(in € thousands)	**Total**	**Due in less than one year**	**Due between one and five years**	**Due in more than five years**
Bank borrowings and debt	92,949	7,133	85,815	-
BPI loans	7,081	1,794	5,087	200
Lease liabilities	28,683	3,883	24,180	620
Total	**128,713**	**12,810**	**115,083**	**820**

	31 December 2019			
(in € thousands)	**Total**	**Due in less than one year**	**Due between one and five years**	**Due in more than five years**
Bank borrowings and debt	35,680	7,133	28,547	-
BPI loans	7,744	663	6,181	900
Lease liabilities	24,397	2,865	13,747	7,784
Total	**67,821**	**10,661**	**48,475**	**8,684**

	31 December 2018			
(in € thousands)	**Total**	**Due in less than one year**	**Due between one and five years**	**Due in more than five years**
Bank borrowings and debt	42,813	7,133	28,539	7,141
BPI loans	9,000	1,256	5,944	1,800
Lease liabilities	8,461	3,417	4,092	952
Total	**60,274**	**11,806**	**38,575**	**9,893**

(in € thousands)	Total	Due in less than one year	Due between one and five years	Due in more than five years
	1 January 2018			
Bank borrowings and debt	3,438	1,250	2,188	-
BPI loans	6,500	1,032	5,218	250
Lease liabilities	7,908	2,518	4,242	1,147
Total	**17,846**	**4,800**	**11,648**	**1,397**

Description of bank borrowings and debt

Certain borrowings and debt are subject to covenants. Where applicable, these were complied with in the periods in which the borrowings in question were drawn.

Bank borrowings and debt were taken out in September 2018 with a banking syndicate comprising Neuflize OBC, Caisse d'Épargne et de Prévoyance Île-de-France, HSBC France and Société Générale.

Borrowings contracted under the Credit Agreement must be repaid in full or in part ahead of maturity (subject to certain exceptions) in the event of certain customary events, including a change in shareholding structure, an IPO, a disposal of non-current assets subject to a minimum amount, payment of insurance indemnities relating to the acquisition of Nuclear Blast and Good-to-go, and payment of indemnities under a vendor warranty granted in connection with the Nuclear Blast and Good-to-go acquisitions.

Borrowings contracted under the Credit Agreement may be repaid early in full or in part at the borrower's discretion, subject to minimum amounts and compliance with a notice period.

The credit facilities and loans granted to the Company are detailed below.

Refinancing loan for €2.8 million

In September 2018, the Company was granted a loan in respect of the Credit Agreement for a maximum principal amount of €2.8 million to refinance its 2015 Neuflize OBC loan. The refinancing loan falls due on 27 September 2024 and bears interest at 3-month Euribor plus a margin.

This financing is secured by a first-ranking pledge on the Company's business goodwill.

On 27 September 2018, the Company drew down the full amount of the loan and repaid the principal outstanding on the Neuflize OBC loan, granted at an initial amount of €5.0 million.

An interest rate swap was taken out on 27 December 2018 in order to fix the annual interest rate at 0.365%.

Nuclear Blast loan for €20.0 million and Good-to-go loan for €20.0 million

In September 2018, the Company was granted two loans in respect of the Credit Agreement, each for a maximum principal amount of €20.0 million. These loans fall due on 27 September 2024 and bear interest at 3-month Euribor plus a margin. The loans were used to fund the acquisition of the Nuclear Blast group and Groove Attack through the Germany subsidiary Believe Digital GmbH; an intragroup loan was set up in respect of each of the loans and aligned to the financing agreement.

These loans are secured by the following:

- A first-ranking pledge on all of the shares of Believe Digital GmbH held by the Company.
- For the Nuclear Blast loan only: a transfer of receivables relating to amounts due to the Company by Believe Digital GmbH in connection with the intragroup loan granted by the Company to Believe Digital GmbH for the acquisition of Nuclear Blast.
- For the Good-to-go loan only: a transfer of receivables relating to amounts due to the Company by Believe Digital GmbH in connection with the intragroup loan granted by the Company to Believe Digital GmbH for the acquisition of Good-to-go

On 23 October 2018, the Company drew down the full amount of these loans for a total of €40.0 million.

An interest rate swap was taken out on 27 December 2018 in order to fix the annual interest rate at 0.365%.

In addition to these loans, the following two credit facilities were also set up:

OBC credit facility for €5.0 million

In September 2015, the Company set up a €5 million credit facility with OBC. This loan falls due on 30 September 2020 and bears floating-rate interest at 3-month Euribor +2.25%.

The facility is subject to the following financial covenants:

- DMI T ratio (excluding the IFCIC participating loan)/Equity <=1.
- DMI T ratio (excluding the IFCIC participating loan)/EBITDA <=4.5 in 2015 and 3 for the following three years.
- Pledge of business goodwill.
- Percentage ownership/voting rights: 20% of shares to be held by Denis Ladegaillerie.
- No new medium-term bank debt exceeding €500 thousand per annum with the prior consent of the banking syndicate.

At 1 January 2018, these credit facilities totaled €3.4 million. The credit facility was repaid in full in 2018.

2017 revolving credit facility for €20.0 million

In 2017, a €20.0 million revolving credit facility was opened in the Company's name by a syndicate of three banks (HSBC, Société Générale and Caisse d'Epargne Ile de France). The Company can choose to draw down the sums necessary for its operations.

- Principal: €20 million.

Maturity: 15 December 2022.

- Interest rate: Euribor + margin.
- This loan is subject to financial covenants.
- The financing is secured by a second-ranking pledge on the Company's business goodwill.

The facility had not been drawn at 31 December 2017.

2018 revolving credit facility for €20.0 million

In September 2018, the Company was granted a revolving credit facility in respect of the Credit Agreement for a maximum principal amount of €20.0 million to replace the 2017 revolving credit facility for the same amount. The new facility falls due on 9 December 2024 and bears interest at 3-month Euribor plus a margin.

This financing is secured by a first-ranking pledge on the Company's business goodwill.

On 27 September 2018, the Company drew down €20.0 million of this facility and repaid its 2017 revolving facility.

On 20 December 2018, the Company repaid the full amount of its 2018 revolving facility.

This credit facility had not been drawn at 31 December 2020, 31 December 2019 or 31 December 2018.

Revolving credit facility for €70.0 million

On 9 December 2019, under rider no. 1 to the Credit Agreement, the Company was granted a revolving credit facility for a maximum principal amount of €70.0 million. This facility falls due on 9 December 2024 and bears interest at 3-month Euribor plus a margin.

The availability of this facility as amended by rider no. 1 is subject to compliance with a financial covenant in terms of the leverage ratio. Accordingly, the ratio of consolidated net debt to consolidated EBITDA (defined as consolidated recurring operating income + consolidated depreciation and amortisation expense + consolidated asset impairment expense and charges to provisions for contingencies and expenses) must be below 2.50 at all times.

This financing is secured by a second-ranking pledge on the Company's business goodwill.

The facility had not been drawn down at 31 December 2019.

At 31 December 2020, the facility had been drawn down in an amount of €64.4 million.

BPI loans are described below.

BPI loan (€5.0 million, 2.82%, due 2022)

In December 2015, the Group was granted a loan by the BPI.

The main terms are as follows:

- Principal: €5 million.
- Term: 7 years (with an initial grace period of eight quarters).
- Effective overall fixed interest rate: 2.82%.

This loan is subject to financial covenants:

- The financing benefits from a guarantee under the French national guarantee fund (*Fonds National de Garantie*) for equity loans, representing 70% of the amount outstanding.
- The financing is associated with a life insurance policy taken out by Denis Ladegaillerie for €1.6 million.
- An amount of €250,000 has been retained by the lender as cash collateral on the amount lent and will be remunerated at the CNO TEC 5 (Constant Maturity Treasury) rate for the month prior to the payment.

BPI loan (€1.0 million, 4.03%, due 2024)

In April 2017, the Group was granted a loan by the BPI.

The main terms are as follows:

- Principal: €1.0 million.
- Term: 7 years (with an initial grace period of eight quarters).
- Effective overall fixed interest rate: 4.03%.

This loan is subject to financial covenants:

- The financing benefits from a guarantee under the National Guarantee Fund for innovation loans, representing 30% of the amount outstanding.
- The financing benefits from an European Investment Fund (EIF) guarantee representing 50% of the amount outstanding.
- An amount of €50,000 has been retained by the lender as cash collateral on the amount lent and will be remunerated at the CNO TEC 5 (Constant Maturity Treasury) rate for the month prior to the payment.

BPI loan (€500 thousand, interest-free, due 2022)

In April 2017, the Group was granted an interest-free innovation loan by the BPI for €500 thousand and a term of 23 quarters, including an additional grade period.

BPI loan (€1.5 million, 1.86%, due 2025)

In December 2018, the Group was granted a loan by the BPI.

The main terms are as follows:

- Principal: €1.5 million.
- Term: 7 years (with an initial grace period of eight quarters).
- Effective overall fixed interest rate: 1.86%.

This loan is subject to financial covenants:

- The financing benefits from a guarantee under the French national guarantee fund (*Fonds National de Garantie*) for equity loans, representing 50% of the amount outstanding.
- An amount of €75,000 has been retained by the lender as cash collateral on the amount lent and will be remunerated at the CNO TEC 5 (Constant Maturity Treasury) rate for the month prior to the payment.

BPI loan (€2.0 million, 1.86%, due 2025)

In December 2018, the Group was granted a loan by the BPI.

The main terms are as follows:

- Principal: €2.0 million.
- Term: 7 years (with an initial grace period of eight quarters).
- Effective overall fixed interest rate: 1.86%.

This loan is subject to financial covenants:

- The financing benefits from a National Guarantee Fund guarantee for loans designed to boost industry growth (*Prêts Croissance Industrie 2*), representing 80% of the amount outstanding.
- An amount of €100,000 has been retained by the lender as cash collateral on the amount lent and will be remunerated at the CNO TEC 5 (Constant Maturity Treasury) rate for the month prior to the payment.

Bank borrowings and debt and lease liabilities by contractual maturity

At 31 December 2020, undiscounted contractual cash flows relating to these instruments can be analyzed as follows:

		Contractual cash flows						
	Carrying amount	*Less than 1 year*	*More than 1 year and less than 5 years*				*More than 5 years*	*Total*
(in € thousands)			*2022*	*2023*	*2024*	*2025*	*2026 and beyond*	
Bank borrowings and debt	92,949	8,343	8,253	32,545	47,559	176	-	96,876
BPI loans	7,081	1,926	2,146	1,479	925	710	201	7,387
Lease liabilities	28,683	4,369	4,399	6,853	6,006	7,899	647	30,173
TOTAL	**128,713**	**14,638**	**14,798**	**40,877**	**54,490**	**8,785**	**848**	**134,436**

Off-balance sheet commitments relating to Group debt

There were no off-balance sheet items relating to long-term debt except for those described in the section discussing loans.

Bank borrowings and debt by currency and interest rate

All banks borrowings and debt are in euros.

They can be analyzed as follows by interest rate:

(in € thousands)	31 Dec. 2020	31 Dec. 2019	31 Dec. 2018	1 Jan. 2018
Fixed-rate bank borrowings and debt	7,081	7,744	9,000	6,500
Floating-rate bank borrowings and debt	92,947	35,680	42,813	3,438
Of which the floating interest rate is hedged	28,547	35,680	-	-
Of which the floating interest rate is not hedged	64,400	-	42,813	3,438
Total bank borrowings and debt	**100,028**	**43,424**	**51,813**	**9,938**

Reconciliation of changes in gross debt with net cash from (used in) financing activities

Changes in borrowings and debt can be analyzed as follows:

(in € thousands)	2020	2019	2018
At 1 January	**67,179**	**60,178**	**18,239**
Increase in borrowings	64,400	-	86,313
Decrease in borrowings	(7,795)	(8,389)	(44,438)
Repayment of lease liabilities	(3,558)	(4,175)	(3,079)
Interest paid	(956)	(1,451)	(1,511)
Net cash from (used in) financing activities (debt)	**52,091**	**(14,015)**	**37,285**
Cost of debt	1,951	1,746	734

(in € thousands)	2020	2019	2018
Changes in bank overdrafts	(138)	(534)	(170)
Increase in lease liabilities	7,506	19,700	870
Changes in the scope of consolidation	401	9	3,084
Translation adjustments and other	(689)	96	136
At 31 December	**128,302**	**67,179**	**60,178**

8.4 Net debt

Definition of net debt

Consolidated net debt represents gross debt less cash and cash equivalents. Cash and cash equivalents comprise marketable securities as well as cash at bank and on hand.

(in € thousands)	31 Dec. 2020	31 Dec. 2019	31 Dec. 2018	1 Jan. 2018
Long-term borrowings and debt	115,551	55,432	47,913	13,046
Short-term borrowings and debt	12,751	11,747	12,265	5,193
Gross debt	**128,302**	**67,179**	**60,178**	**18,239**
Cash and cash equivalents	(152,333)	(161,677)	(73,117)	(68,381)
Net debt	**(24,031)**	**(94,498)**	**(12,939)**	**(50,142)**

Net debt by currency

(in € thousands)	31 Dec. 2020	31 Dec. 2019	31 Dec. 2018	1 Jan. 2018
EUR	50,959	(38,044)	41,008	11,892
USD	(44,528)	(31,375)	(43,560)	(52,263)
Other	(30,461)	(25,079)	(10,387)	(9,771)
Net debt	**(24,030)**	**(94,498)**	**(12,939)**	**(50,142)**

8.5 Lease liabilities

Lease liabilities by type

(in € thousands)	31 Dec. 2020	31 Dec. 2019	31 Dec. 2018	1 Jan. 2018
Leases of buildings	24,256	23,302	6,684	5,309
Leases of IT equipment	4,085	800	1,600	2,515
Leases of vehicles	342	296	177	84
Total lease liabilities	**28,683**	**24,398**	**8,461**	**7,908**
O/w current portion	*3,883*	*2,865*	*3,417*	*2,518*
O/w non-current portion	*24,800*	*21,532*	*5,044*	*5,389*

Changes in lease liabilities

Changes in the carrying amount of lease liabilities can be analyzed as follows:

(in € thousands)	2020	2019	2018
At 1 January	24,398	**8,461**	**7,908**
Lease payments	(3,558)	(4,175)	(3,079)

Interest expense	580	310	141
Increase in lease liabilities – New leases	7,506	19,700	870
Changes in the scope of consolidation	401	7	2,485
Translation adjustments	(644)	95	136
At 31 December	28,683	**24,398**	**8,461**

The increase in the carrying amount of lease liabilities in 2019 reflects the lease of Believe's new head office premises in France.

8.6 Net financial income (expense)

Cost of debt

(in € thousands)	**2020**	**2019**	**2018**
Interest expense	(1,146)	(1,225)	(552)
Interest expense on lease liabilities	(580)	(341)	(158)
Amortisation of bond issue costs and other	(296)	(247)	(52)
Financial income from cash investments	71	67	31
Cost of debt	**(1,951)**	**(1,746)**	**(731)**
Other financial income (expense)[1]	4,855	(2,597)	(4,144)
Total net financial income (expense)	**2,904**	**(4,343)**	**(4,874)**

(1) "Other financial income (expense)" mainly includes foreign exchange gains and losses.

Note 9 Income tax

9.1 Income tax

Accounting policies

Income tax represents the aggregate amount of current and deferred taxes included in the calculation of net income (loss) for the period. Income tax is recognised in the statement of income unless it relates to a business combination or to items recognised directly in equity or in other comprehensive income.

Current tax is the amount of income tax payable (recoverable) in respect of taxable income (tax loss) for a given fiscal period, and must be recognised as a liability to the extent that it has not yet been paid. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess shall be recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date in each country in which the Group does business.

As the Group considers the CVAE tax on value added in France to meet the definition of income tax as set out in IAS 12 – Income Taxes, CVAE tax is presented on the "Income tax" line in the consolidated statement of income.

Breakdown of income tax recognised in net income

(in € thousands)	**2020**	**2019**	**2018**
Current tax	(6,279)	(6,463)	(3,682)
Deferred tax	(636)	1,496	2,286

Total	**(6,915)**	**(4,968)**	**(1,396)**

Reconciliation between the effective tax rate and the applicable tax rate – Analysis of income tax benefit (expense)

(in € thousands)	2020	2019	2018
Income (loss) before tax	(19,371)	9,593	3,942
Statutory income tax rate	32.02%	34.43%	34.43%
Theoretical income tax benefit (expense)	**6,203**	**(3,303)**	**(1,357)**
Effect of differences in income tax rates	688	(260)	239
Permanent differences	(2,916)	315	351
Effect of changes in tax rates	(110)	(106)	(55)
Unrecognised deferred tax assets	(8,948)	(584)	(261)
Other taxes not levied on a specific tax base	(1,596)	(678)	(319)
Adjustment for prior periods	(236)	(353)	-
Other	-	-	5
Income tax recognised	**(6,915)**	**(4,968)**	**(1,396)**
Effective tax rate	-35.70%	51.79%	35.41%

9.2 Deferred tax

Accounting policies

Deferred taxes result from temporary differences between the carrying amounts of assets and liabilities and their tax basis.

Deferred tax assets and liabilities are assessed at the tax rates expected to apply in the year in which the asset will be realised or the liability settled and that have been enacted or substantively enacted at the reporting date. In the event of a change in tax rates, deferred taxes are adjusted to the new applicable rate and the adjustment is charged to the statement of income unless it relates to an item recognised in equity or in other comprehensive income, for example actuarial gains and losses.

Deferred taxes are reviewed at each reporting date to reflect any changes in tax laws and the prospects for recovery of deductible temporary differences. Deferred tax assets are recognised only if it is considered probable that there will be deferred tax liabilities with the same maturity or sufficient future taxable income against which the temporary differences can be utilised in the foreseeable future.

Deferred tax assets and liabilities are not discounted.

Changes in deferred tax balances by category of temporary difference

(in € thousands)	1 Jan. 2020	Recognised in income	Recognised in reserves and retained earnings	Fair value through other comprehensive income	Changes in the scope of consolidation	Translation adjustments	31 Dec. 2020
Employee benefits	324	52	(7)	4	-	(1)	372
Lease liabilities(1)	6,017	2,226	(514)	-	-	(160)	7,569
Other working capital	1,103	(937)	(50)	-	-	(213)	(97)
Tax loss carryforwards	4,451	(878)	-	-	-	(165)	3,407
Offsetting of deferred tax assets/deferred tax liabilities	(4,958)	(1,941)	-	-	-	-	(6,899)
Deferred tax assets	**6,937**	**(1,478)**	**(572)**	**4**	**-**	**(539)**	**4,353**
Intangible assets(2)	13,156	95	130	-	2,496	(896)	14,981

Property, plant and equipment[1]	5,598	1,789	(514)	-	-	(132)	6,742
Trade receivables and other assets	945	(764)	(58)	-	-	(100)	22
Other	135	(132)	(20)	-	-	1	(16)
Offsetting of deferred tax assets/deferred tax liabilities	(4,958)	(1,941)	-	-	-	-	(6,899)
Deferred tax liabilities	**14,875**	**(952)**	**(461)**	**-**	**2,496**	**(1,127)**	**14,830**
Deferred tax assets (liabilities), net	**(7,937)**	**(527)**	**(110)**	**4**	**(2,496)**	**588**	**(10,477)**

(in € thousands)	**1 Jan. 2019**	**Recognised in income**	**Recognised in reserves and retained earnings**	**Fair value through other comprehensive income**	**Changes in the scope of consolidation**	**Translation adjustments**	**31 Dec. 2019**
Employee benefits	261	11	(5)	57	-	-	324
Lease liabilities[1]	2,156	3,891	(48)	-	-	19	6,017
Other working capital	1,366	359	(75)	(73)	(474)	0	1,103
Tax loss carryforwards	5,605	(1,272)	0	-	-	118	4,451
Offsetting of deferred tax assets/deferred tax liabilities	(3,014)	(1,944)	-	-	-	-	(4,958)
Deferred tax assets	**6,373**	**1,045**	**(127)**	**(16)**	**(474)**	**136**	**6,937**
Intangible assets[2]	13,498	(2,459)	103	-	1,956	57	13,156
Property, plant and equipment[1]	2,095	3,554	(66)	-	-	14	5,598
Trade receivables and other assets	803	185	(40)	-	-	(3)	945
Other	46	108	(19)	-	-	0	135
Offsetting of deferred tax assets/deferred tax liabilities	(3,014)	(1,944)	-	-	-	-	(4,958)
Deferred tax liabilities	**13,428**	**(556)**	**(22)**	**-**	**1,956**	**68**	**14,875**
Deferred tax assets (liabilities), net	**(7,055)**	**1,602**	**(106)**	**(16)**	**(2,430)**	**68**	**(7,937)**

(in € thousands)	**1 Jan. 2018**	**Recognised in income**	**Recognised in reserves and retained earnings**	**Fair value through other comprehensive income**	**Changes in the scope of consolidation**	**Translation adjustments**	**31 Dec. 2018**
Employee benefits	193	89	(3)	(19)	-	-	261
Lease liabilities[1]	2,529	(422)	-	-	-	49	2,156
Other working capital	3,395	(2,457)	84	-	355	(11)	1,366
Tax loss carryforwards	7,313	(1,947)	24	-	-	216	5,605
Offsetting of deferred tax assets/deferred tax liabilities	(7,963)	4,949	-	-	-	-	(3,014)
Deferred tax assets	**5,467**	**212**	**105**	**(19)**	**355**	**254**	**6,373**
Intangible assets[2]	3,929	(5,308)	76	-	14,628	174	13,498
Property, plant and equipment[1]	2,465	(415)	-	-	-	45	2,095
Trade receivables and other assets	2,028	(1,302)	84	-	-	(7)	803
Other	99	(53)	0	-	-	-	46
Offsetting of deferred tax assets/deferred tax liabilities	(7,963)	4,949	-	-	-	-	(3,014)
Deferred tax liabilities	**558**	**(2,129)**	**160**	**-**	**14,628**	**211**	**13,428**
Deferred tax assets (liabilities), net	**4,909**	**2,341**	**(55)**	**(19)**	**(14,273)**	**42**	**(7,055)**

[1] Relating mainly to the IFRS 16 adjustment to the "Lease liabilities" line and to the corresponding right-of-use assets within "Property, plant and equipment".

[2] "Intangible assets" relate mainly to intangible assets identified and recognised as part of business combinations.

Unrecognised tax assets

(in € thousands)	**31 Dec. 2020**	**31 Dec. 2019**	**31 Dec. 2018**	**1 Jan. 2018**
Relating to temporary differences	1,578	456	915	-
Relating to tax loss carryforwards	8,057	923	563	29
Total unrecognised deferred tax assets	**9,635**	**1,379**	**1,478**	**29**

At 31 December 2020, deferred tax assets relating mainly to tax losses carried forward by Believe SAS, Nuclear Blast America Inc. and Soulfood Music GmbH, were not recognised due to a lack of visibility as to the entities' future taxable profits. Believe SAS recorded a €20.8 million tax loss in 2020. These tax losses may be carried forward indefinitely, with the exception of those relating to Indian entities for €1.1 million, which expire in 2025.

At 31 December 2018 and 31 December 2019, unrecognised deferred tax assets relate mainly to the tax losses carried forward by Nuclear Blast America Inc. and Soulfood Music GmbH.

Utilisation of tax loss carryforwards

Utilised tax loss carryforwards can be analyzed as follows:

(in € thousands)	**31 Dec. 2020**	**31 Dec. 2019**	**31 Dec. 2018**	**1 Jan. 2018**
France	-	-	11	1,022
Germany	5,255	1,687	4,358	4,195
Canada	-	1,099	754	679
United States	2,510	4,889	9,720	13,111
UK	-	5,834	-	1,155
Other	259	319	-	-
Total	**8,023**	**13,827**	**14,843**	**20,163**

Deferred tax assets arising on tax loss carryforwards related to the United States are expected to reverse in 2021-2022, while those related to other countries are expected to reverse in 2022-2025.

9.3 Uncertain income tax treatments

Accounting policies

In accordance with IFRIC 23 – Uncertainty over Income Tax Treatments, tax assets or liabilities should be recognised if there is uncertainty over their income tax treatment. The Group recognises a tax liability whenever it considers the relevant tax authorities are unlikely to accept a given tax treatment and does not take into account the probability that this would not be detected by the tax authorities. Conversely, a tax receivable is recognised if the Group considers the relevant tax authorities are likely to refund tax paid. Assets and liabilities for which tax treatments are uncertain are estimated on a case-by-case basis depending on the most likely amount.

The Group did not identify any material uncertain tax treatments at 1 January 2018, 31 December 2018, 31 December 2019 or 31 December 2020.

Note 10 Equity and earnings per share

10.1 Changes in share capital

The share capital of Believe SAS is composed of ordinary shares and preference shares.

Ordinary shares carry voting rights in proportion to the percentage of shares held.

Preferred shares carry the following additional rights:

- Right to additional information.
- Right to grant prior authorisation for certain transactions.
- Preferential liquidation right.

At 31 December 2020, the share capital of Believe SAS was made up of 40,234,421 shares, comprising:

- 9,761,267 ordinary shares.
- 30,473,154 preference shares.

At 31 December 2019, the share capital of Believe SAS was made up of 39,970,901 shares, comprising:

- 9,497,747 ordinary shares.
- 30,473,154 preference shares.

At 31 December 2018, the share capital of Believe SAS was made up of 30,436,060 shares, comprising:

- 8,528,960 ordinary shares.
- 21,907,100 preference shares.

At 1 January 2018, the share capital of Believe SAS was made up of 30,380,560 shares, comprising:

- 8,473,460 ordinary shares.
- 21,907,100 preference shares.

All shares have a par value of €0.01 and are fully paid up.

Changes in share capital and share premiums

Description	Share capital (€)	Share premiums (€)	Number of shares at €0.01
At 1 January 2018	**303,806**	**34,355,801**	**30,380,560**
Exercise of BSAs/BSPCEs	555	67,377	55,500
At 31 December 2018	**304,361**	**34,423,178**	**30,436,060**
Capital increase of 18 April 2019	83,763	129,916,227	8,376,288
Capital increase of 2 July 2019	2,010	2,976,499	200,953
Exercise of BSAs/BSPCEs	9,576	1,095,726	957,600
Fees related to capital increases	-	(118,000)	
At 31 December 2019	**399,709**	**168,293,630**	**39,970,901**
Exercise of BSAs/BSPCEs	2,635	1,505,508	263,520
At 31 December 2020	**402,344**	**169,799,138**	**40,234,421**

10.2 Dividends

No dividends were paid in respect of 2018, 2019 or 2020.

10.3 Non-controlling interests

Non-controlling interests can be analyzed as follows:

		Non-controlling interests *(%)*				**Equity attributable to non-controlling interests** *(in € thousands)*			
	Country	**31 Dec. 2020**	**31 Dec. 2019**	**31 Dec. 2018**	**1 Jan. 2018**	**31 Dec. 2020**	**31 Dec. 2019**	**31 Dec. 2018**	**1 Jan. 2018**
TuneCore Japan KK	Japan	45%	45%	45%	45%	261	200	144	76
Dogan Müzik Yapim ve Ticaret A.S.	Turkey	40%	-	-	-	6,030	-	-	
Netd Müzik Video Dijital Platform ve Ticaret AŞ.	Turkey	40%	-	-	-	321	-	-	-
Other – not material		NA	NA	NA	NA	(3)	5	7	1
TOTAL						**6,608**	**205**	**151**	**77**

10.4 Earnings per share

Accounting policies

Basic earnings per share are calculated by dividing net income attributable to owners by the weighted average number of ordinary shares in issue, excluding treasury shares, during the period.

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares in issue, excluding treasury shares, to reflect the conversion of dilutive potential ordinary shares.

Earnings (losses) attributable to holders of ordinary shares

	2020	2019	2018
Net income (loss) attributable to holders of ordinary shares (€ thousands)	(26,845)	4,577	2,471
Basic earnings (loss) per share (€)	(0.67)	0.12	0.08
Diluted earnings (loss) per share (€)[(1)]	(0.67)	0.12	0.07

[(1)] In 2020, diluted earnings (loss) per share were equal to basic earnings (loss) per share, as the earnings attributable to holders of ordinary shares represented a loss.

Weighted average number of ordinary shares

	31 Dec. 2020	31 Dec. 2019	31 Dec. 2018
Weighted average number of ordinary shares in issue	**40,108,860**	**36,810,545**	**30,390,427**
Impact of dilutive instruments on the number of ordinary shares			
Potential number of dilutive shares relating to BSAs and BSPCEs	-	2,607,810	3,412,701
Weighted average number of ordinary shares in issue (diluted)	**40,108,860**	**39,418,355**	**33,803,128**

Note 11 Cash flow

Accounting policies

The Group's statement of cash flows is prepared in accordance with IAS 7 – Statement of Cash Flows. It identifies cash flows relating to operating activities separately from cash flows relating to investing activities and cash flows relating to financing activities.

Net cash from (used in) operating activities is presented using the indirect method, whereby net income (loss) is adjusted for the effects of changes in inventories and operating receivables and payables (working capital) during the period, as well as for the elimination of non-cash items, mainly depreciation, amortisation, provisions and deferred tax.

Cash flows relating to investing activities correspond mainly to cash outflows made to acquire non-current assets, cash inflows resulting from disposals of non-current assets, and the impact of acquiring subsidiaries.

The impact of acquiring subsidiaries is shown as a net amount and reflects the price effectively paid during the period, adjusted for cash and cash equivalents acquired.

Cash flows relating to financing activities correspond mainly to issues and repayments of loans. Cash flows relating to lease liabilities and the associated interest are shown on the "Repayments of lease liabilities" line.

Cash flows arising from transactions in a foreign currency are recorded in the Company's functional currency by applying to the foreign currency amount the exchange rate between the functional currency and the foreign currency at the date of the cash flow.

Cash flows arising from taxes on income are separately disclosed and classified as cash flows from (used in) operating activities unless they can be specifically identified with financing and investing activities.

The Group also discloses the items comprising its cash and cash equivalents, including bank overdrafts, and presents a reconciliation between these amounts reported in its statement of cash flows and the equivalent amounts presented in the statement of financial position.

11.1 Components of cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand and short-term (i.e., maturing in less than three months) highly liquid investments that are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

This item also includes amounts that can be claimed by artists (see Note 4.8 – Trade payables and contract liabilities).

Cash and cash equivalents as presented in the statement of financial position and statement of cash flows can be analyzed as follows:

(in € thousands)	**31 Dec. 2020**	**31 Dec. 2019**	**31 Dec. 2018**	**1 Jan. 2018**
Cash at bank and in hand	152,333	161,628	73,117	68,381
Accrued interest	-	49	-	-
Cash and cash equivalents	**152,333**	**161,677**	**73,117**	**68,381**
Bank overdrafts	(2)	(140)	(674)	(242)
Cash and cash equivalents net of bank overdrafts as reported in the statement of cash flows	**152,331**	**161,536**	**72,443**	**68,139**

At 31 December 2020, cash and cash equivalents include restricted cash in an amount of €293 thousand. This corresponds to cash and cash equivalents held by subsidiaries based in countries where exchange controls or local legislation do not allow these amounts to be made available for use by the Group or another of its subsidiaries.

11.2 Net cash from (used in) operating activities

Net cash from (used in) operating activities relates to net income items adjusted for the effects of non-cash items, plus changes in working capital and taxes paid.

At 31 December 2020, "Share of net income (loss) from equity-accounted companies, including dividends received" includes €1.9 million in dividends received from these companies.

At 31 December 2020, 31 December 2019 and 31 December 2018, changes in working capital can be analyzed as follows:

(in € thousands)	**2020**	**2019**	**2018**
Changes in inventories	(451)	1,539	3,308
Changes in trade payables and other receivables[1]	(54,811)	(41,229)	(7,296)
Changes in other current assets	6,846	(13,486)	(7,278)
Change in trade payables and contract liabilities	54,000	55,391	22,003
Changes in other current liabilities	(7,889)	2,377	2,681
Changes in working capital	**(2,305)**	**4,592**	**13,418**

[1] Including changes in current and non-current advances.

11.3 Net cash from (used in) investing activities

Acquisitions and disposals of property, plant and equipment and intangible assets

Net cash outflows relating to acquisitions of property, plant and equipment and intangible assets can be analyzed as follows:

(in € thousands)	***Notes***	**2020**	**2019**	**2018**
Capitalised development costs	***6.2***	(27,266)	(15,953)	(6,833)
Acquisitions of intangible assets owned outright	***6.2***	(378)	(409)	(536)
Acquisitions of property, plant and equipment owned outright, including changes in related amounts due to non-current asset suppliers	***6.3***	(7,015)	(7,945)	(271)
Total acquisitions of property, plant and equipment and intangible assets		**(34,658)**	**(24,307)**	**(7,640)**

Acquisitions of subsidiaries, net of cash acquired

In 2020, this caption represented a cash outflow of €19.4 million, primarily relating to the acquisition of DMC for €18.8 million net of cash acquired (€1.6 million).

In 2019, this caption represented a cash outflow of €37.0 million, primarily relating to the acquisition of Venus for €32.5 million net of cash acquired (€2.8 million), Canvas for €2.1 million and Entco for €1.1 million.

In 2018, this caption represented a cash outflow of €56.4 million, primarily relating to the acquisition of Groove Attack for €25.2 million net of cash acquired (€8.0 million), Nuclear Blast for €19.0 million net of cash acquired (€1.0 million), and Lili Louise Musique for €12.3 million.

Decrease (increase) in loans

The cash outflow of €1.3 million shown for 2019 mainly corresponds to the current account with Lili Louise Musique.

Decrease (increase) in non-current financial assets

The cash outflow of €1.2 million shown for 2019 mainly corresponds to the security deposit for the lease of Believe’s new head office premises.

11.4 Net cash from financing activities

Increase in borrowings

In 2020, the Group drew down €64.4 million of its €70 million revolving facility.

In 2018, increases in borrowings relate to:

- New credit facilities and loans totalling €62.8 million, granted by a banking syndicate comprising Neuflize OBC, Caisse d'Épargne et de Prévoyance Île-de-France, HSBC France and Société Générale. These transactions are described in Note 8.3 – Gross debt.
- The BPI loan for €3.5 million.
- The drawdown on the 2017 revolving credit facility for €20 million.

These borrowings are described in further detail in Note 8.3 – Gross debt.

Decrease in borrowings

Repayments of loans in 2020 and 2019 essentially concern:

- The credit facility arranged in 2018 for €7.1 million.
- BPI loans for €0.7 million.

Repayments of loans in 2019 essentially concern:

- The credit facility arranged in 2018 for €7.1 million.
- BPI loans for €1.3 million in 2019.

Repayments of loans in 2018 essentially concern:

- Repayment of €20.0 million on the 2017 revolving credit facility.
- Repayment of €20.0 million on the 2018 revolving credit facility.
- Repayment of BPI loans for €1.0 million in 2018.
- Full repayment of the amount drawn on the OBC credit facility for €3.4 million.

Capital increase by shareholders

In 2020, the Group carried out a €1.5 million capital increase by issuing shares to its shareholders.

In 2019, the Group carried out a €134.0 million capital increase by issuing shares to its shareholders.

Further details of these share issues are provided in Note 10.1 – Changes in share capital.

11.5 Free cash flow

Accounting policies

Free cash flow corresponds to net cash from (used in) operating activities, after taking into account acquisitions and disposals of property, plant and equipment and intangible assets.

This indicator reflects the Group's ability to generate cash from its operations and is taken into account by Executive Management to define its investment strategy and financing policy.

Free cash flow and net cash flow relating to operations can be reconciled as follows with the consolidated statement of cash flows in 2018, 2019 and 2020:

(in € thousands)	**2020**	**2019**	**2018**
Net cash from (used in) operating activities	(4,068)	**31,853**	**29,117**
Acquisitions of property, plant and equipment and intangible assets	(34,658)	(24,307)	(7,640)
Disposals of property, plant and equipment and intangible assets	-	10	-
Free cash flow	**(38,726)**	**7,556**	**21,477**

Note 12 Other disclosures

12.1 Fees paid to the Statutory Auditors

The table below shows fees paid to the Statutory Auditors:

	2020			
	KPMG			
(in € thousands)	KPMG SA	Members of its network	Total KPMG	Aca Nexia[1]
Statutory audit and review of the parent company and consolidated financial statements	680	350	1,030	163
Non-audit services			-	35
Total	**680**	**350**	**1,030**	**198**

(1) In 2020, Fico Gestion resigned from its Statutory Audit engagement and was replaced by Aca Nexia.

	2019			
	KPMG			
(in € thousands)	KPMG SA	Members of its network	Total KPMG	Fico Gestion
Statutory audit and review of the parent company and consolidated financial statements	224	346	570	36
Non-audit services	157	-	157	35
Total	**381**	**346**	**727**	**71**

	2018			
	KPMG			
(in € thousands)	KPMG SA	Members of its network	Total KPMG	Fico Gestion
Statutory audit and review of the parent company and consolidated financial statements	164	148	312	32
Non-audit services	75	-	75	-
Total	**239**	**148**	**387**	**32**

12.2 Related parties

Accounting policies

Under IAS 24 – Related Party Disclosures, a related party is a person or entity that is related to the entity preparing its financial statements (reporting entity).

A related party may be:

- A person or a company that controls the Group.

- An associate of the Group.

- A joint venture.

- An important member of the Group's management team (or a member of his/her family).

A related party transaction is a transfer of resources, services or obligations between the Group and the related party.

Parent company and head of the Group

The Group is consolidated within the consolidated financial statements of Believe SAS, whose head office is located at 24 rue Toulouse Lautrec, 75017 Paris, France.

Transactions with key management personnel

With the exception of the compensation described in Note 5.5 – Executive compensation, there were no transactions between the Company and its key management personnel.

Transactions with owners

There were no transactions with owners within the meaning of IAS 24 in either 2018, 2019 or 2020.

Other related party transactions

Transactions between Believe and its associates or joint ventures are detailed in Note 2.4 – Equity-accounted companies.

Besides these transactions, no other transactions were carried out with the Group's related parties.

12.3 Off-balance sheet commitments

Off-balance sheet commitments linked to the scope of consolidation

<u>Commitments received</u>

- Pledge of Lili Louise Musique SAS shares granted to Believe in connection with the 2018 acquisition, expiring 30 January 2022.
- Bank guarantee for USD 3.5 million granted to Believe International in connection with the 2020 acquisition of DMC, expiring 31 July 2021.
- Miscellaneous general and specific guarantees in connection with corporate acquisitions (see table below):

Acquisition	Expiry	Type of guarantee
Lili Louise Musique SAS	31 Dec. 2020*	General guarantees (including tax guarantees)
Nuclear Blast GmbH	31 Dec. 2020*	General guarantees (including tax guarantees) and specific guarantees (relating to collateral, official authorisations and management)
Groove Attack GmbH	31 Dec. 2020*	General guarantees (including tax guarantees) and specific guarantees (relating to property and leases)
Canvas	31 Dec. 2021*	General guarantees (including tax guarantees) and specific guarantees (relating to authorisations, intellectual property rights and contracts)
Entco	30 June 2021*	General guarantees (including tax guarantees) and specific guarantees (relating to contracts and intellectual property)
Venus Music Private Ltd	30 June 2021 (except where specific expiry dates are provided for, notably in relation to the musical catalogue, which expires on 30 Dec. 2022)	General guarantees (including tax guarantees) and specific guarantees (relating to musical catalogues)
6&7 SAS	31 Dec. 2022*	General guarantees (including tax guarantees)
DMC	31 Dec. 2023*	General guarantees (including tax guarantees) and specific guarantees (relating to contracts, intellectual property rights and information technologies)

* Except where specific expiry dates are provided for.

Commitments given

- Pledge of receivables to guarantee the earn-out on the acquisition of Soulfood, representing €1.5 million at both 31 December 2019 and 31 December 2018.
- Commitment given in respect of payment of an earn-out in connection with the Groove Attack acquisition. The earn-out takes the form of additional salary amounting to €3,000 thousand, in exchange for the two executives remaining with the Company after the acquisition. This additional salary will be paid over three years.

Off-balance sheet commitments linked to Company financing

Commitments relating to bank borrowings and debt are detailed in Note 8.3 – Gross debt.

Off-balance sheet commitments linked to the Company's operating activities

None.

12.4 Subsequent events

The Group intends to proceed, with effect from the settlement-delivery date of the Company's shares offered in connection with the admission to trading on the Euronext Paris regulated market, with the full repayment of the Credit Agreement using the proceeds of its capital increase, together with the implementation of a new syndicated credit agreement, replacing the Credit Agreement.

To this end, on 6 May 2021, the Group entered into a new Revolving Facility Agreement (the "New Revolving Credit Agreement") with a syndicate of international banks including BNP Paribas, Caisse d'Epargne et de Prévoyance d'Ile-de-France, HSBC Continental Europe and Société Générale (the "Lenders"), for a term of five years from the settlement-delivery date of the Company's IPO. The New Revolving Credit Agreement is governed by French law. The drawdown of the amounts made available to the Group by the Lenders under the New Revolving Credit Agreement is subject to certain conditions. It is specified that the Group intends to waive all of these conditions at the latest on the date of the final pricing of the Company's shares in connection with their admission to trading on the Euronext Paris regulated market, with the exception of customary conditions that can only be satisfied on the settlement-delivery date.

Credit line

The New Revolving Credit Agreement provides for a revolving credit facility in the amount of €170 million, each amount drawn being repayable at the end of the applicable interest period.

Interest and charges

The loans under the New Revolving Credit Agreement will bear interest at a variable rate indexed to Euribor, plus the applicable margin in each case. The applicable margin is initially set at 0.80% per annum, with an upward or downward ratchet mechanism. The following fees will also be payable: (i) a commitment fee due in respect of each Lender's available credit commitment under the revolving credit line at a rate of 35% of the applicable margin and (ii) a utilisation fee due in respect of drawings under the revolving credit line above a certain threshold at a rate of between 0.10% per annum and 0.15% per annum and varying according to the proportion of the revolving credit line drawn.

The table below sets out the spread of the margins for each of the credit facilities based on the Group's pro forma total net debt to consolidated EBITDA ratio, as defined in the New Revolving Credit Agreement. The margins will be reviewed twice a year by testing the ratio at six-monthly intervals. The ratio will first be tested exactly six (6) months after the settlement date.

Leverage ratio (total net debt(*)/pro forma consolidated EBITDA(**))	Applicable margin
Less than or equal to 0.5x	0.80%
Greater than 0.5x and less than or equal to 1.0x	0.90%
Greater than 1.0x and less than or equal to 1.5x	1.15%
Greater than 1.5x and less than or equal to 2.0x	1.20%
Greater than 2.0x and less than or equal to 2.5x	1.35%

Total net debt(*) is defined in the New Revolving Credit Agreement as the Group's consolidated debt, excluding intra-group debt and obligations related to interest rate and currency hedging instruments and after deducting cash and cash equivalents. The definition of pro forma consolidated EBITDA(**) provided in the New Revolving Credit Facility Agreement is based on operating income (loss) as determined for accounting purposes, adjusted mainly for depreciation, amortisation and impairment of the Group's assets, "Other operating income (expenses)", and share-based payments.

Note 13 IFRS transition

13.1 Transition approach

The consolidated financial statements for the years ended 31 December 2020, 31 December 2019 and 31 December 2018 were prepared in connection with the planned initial public offering (IPO) of shares on the regulated market in France. The consolidated financial statements were prepared specifically for the purposes of the Registration Document filed with the French financial markets authority (*Autorité des marchés financiers* – AMF).

These financial statements are the first to have been prepared by the Group under IFRS as applicable at 31 December 2020. IFRS 1 – First-time Adoption of International Financial Reporting Standards has been applied to all periods presented with effect from the transition date, i.e., 1 January 2018.

Accordingly, these financial statements comply with the IFRS applicable at 31 December 2020. The accounting policies described in Note 1 – Summary of significant accounting policies, and in each of the notes to the consolidated financial statements, were applied when preparing the financial statements for the year ended 31 December 2020, the comparative 12-month periods ended 31 December 2019 and 31 December 2018, and the consolidated opening statement of financial position at 1 January 2018.

For reporting periods up to 31 December 2019, the Group prepared its consolidated financial statements in accordance with the applicable laws and regulations in France, in particular CRC Regulation no. 99-02 issued by the French Accounting Standards Committee (*Comité de réglementation comptable* – CRC) on 29 April 1999, along with its successive amendments.

This note sets out the impacts of the transition to IFRS on equity, revenue, operating income (loss) and net income (loss) for the years ended 31 December 2018 and 31 December 2019, as well as the impacts on equity at 1 January 2018.

13.2 Mandatory exemptions applied

Under IFRS 1, first-time adopters are to retrospectively apply exemptions from certain IFRS requirements.

The Group applied the following mandatory exemptions:

- Classification and measurement of financial instruments.
- Impairment of financial assets.

The other mandatory exemptions are not applicable to the Group.

13.3 Optional exemptions applied

The Group applied the following optional exemptions:

- **IFRS 3 – Business Combinations**

IFRS 3 – Business Combinations was not applied to acquisitions of subsidiaries deemed to be a business within the meaning of IFRS, or to acquisitions of shares in associates and joint ventures carried out before the IFRS transition date, i.e., 1 January 2018.

Due to the application of this exemption, the previous accounting for business combinations in accordance with French GAAP remains unchanged, although certain adjustments may be necessary. Assets and liabilities not meeting the conditions for recognition as an asset or liability under IFRS are excluded from the opening statement of financial position under IFRS.

- **IFRS 2 – Share-based Payment**

The Group did not apply IFRS 2 to plans that vested before the transition date.

- **IAS 21 – The Effects of Changes in Foreign Exchange Rates**

The Group considers cumulative translation adjustments to be equal to zero at the transition date. Translation adjustments included in equity in accordance with French GAAP and resulting from the translation of the financial statements of foreign operations were transferred to consolidated reserves and retained earnings at the transition date.

- **IFRS 16 – Leases**

The Group applied IFRS 16 with effect from 1 January 2018, pursuant to IFRS 1.

It assessed all of its existing contracts at 1 January 2018 in order to determine whether they met the definition of a lease within the meaning of IFRS 16.

In accordance with rules for first-time adopters that are lessees, the Group applied the following approach to all of its leases at the transition date:

- Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the transition date, i.e., 1 January 2018.
- Right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2018.

As allowed by IFRS 1, the Group also used the following optional exemptions at the transition date:

- It applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- It elected not to account for right-of-use assets for leases with a residual term of less than 12 months at the transition date.
- It excluded initial direct costs from the measurement of right-of-use assets at the transition date.
- It used hindsight to determine the lease term if the contract contains options to extend or terminate the lease.

- **IFRS 11 – Joint Arrangements**

In changing from proportionate consolidation to the equity method, the Group applied the transitional provisions set out under IFRS 11 at the transition date. As required by IFRS 1 in this case, it tested its equity investments for impairment at the IFRS transition date pursuant to IAS 36, in order to determine whether or not there was any evidence that they were impaired. The resulting impairment is to be recognised as an adjustment to retained earnings at the IFRS transition date.

13.4 Consolidated statement of income reconciliation

		2019		
(in € thousands)		**Revenue**	**Operating income**	**Net income**
FRENCH GAAP		**431,561**	**16,288**	**2,975**
IAS 12 – Income Taxes	A	-	-	858
IAS 19 – Employee Benefits		-	113	48
IFRS 2 – Share-based Payment	B	-	(1,715)	(1,715)
IFRS 3 – Business Combinations	C	-	814	1,680

IFRS 9 – Financial Instruments	D	-	939	445
IFRS 11 – Joint Arrangements	E	(6,712)	1,021	-
IFRS 15 – Revenue from Contracts with Customers	F	(30,319)	(252)	(194)
IFRS 16 – Leases	G	-	124	(85)
IFRIC 21 – Levies		-	277	194
IAS 1 – Presentation of Financial Statements: reclassification of non-recurring items within operating items		-	(4,605)	-
Other		-	(192)	420
IFRS		**394,530**	**12,812**	**4,625**

		2018		
(in € thousands)		**Revenue**	**Operating income**	**Net income**
FRENCH GAAP		**259,539**	**15,855**	**4,145**
IAS 12 – Income Taxes	A	-	-	(214)
IAS 19 – Employee Benefits		-	36	(1)
IFRS 2 – Share-based Payment	B	-	(516)	(516)
IFRS 3 – Business Combinations	C	-	(2,415)	(1,018)
IFRS 9 – Financial Instruments	D		(203)	390
IFRS 11 – Joint Arrangements	E	(1,890)	85	-
IFRS 15 – Revenue from Contracts with Customers	F	(19,597)	(142)	(109)
IFRS 16 – Leases	G	-	(129)	(140)
IFRIC 21 – Levies		-	33	22
IAS 1 – Presentation of Financial Statements: reclassification of non-recurring items within operating items		-	(3,818)	-
Other		-	15	(13)
IFRS		**238,051**	**8,801**	**2,546**

13.5 Equity reconciliation

		Attributable to owners of the parent						
(in € thousands)		Share capital	Share premiums	Reserves and retained earnings	Translation reserve	Equity attributable to owners of the parent	Non-controlling interests	TOTAL EQUITY
EQUITY AT 1 JANUARY 2018 UNDER FRENCH GAAP		**304**	**34,356**	**(3,087)**	**(1,546)**	**30,027**	**177**	**30,204**
IAS 12 – Income Taxes	A			714	(43)	**671**	**-**	**671**
IAS 19 – Employee Benefits				37	-	**37**	**-**	**37**
IFRS 3 – Business Combinations	C			(723)	36	**(686)**	**-**	**(686)**
IFRS 9 – Financial Instruments	D			739	-	**739**	**-**	**739**
IFRS 15 – Revenue from Contracts with Customers	F			(130)	7	**(123)**	**(100)**	**(223)**
IFRS 16 – Leases	G			37	-	**37**	**-**	**37**
IFRIC 21 – Levies				128	-	**128**	**-**	**128**
IFRS 1 – First-time Adoption of International Financial Reporting Standards: cancellation of translation differences	H			(1,576)	1,576	**-**	**-**	**-**
Other				541	(31)	510	**-**	510
EQUITY AT 1 JANUARY 2018 UNDER IFRS		**304**	**34,356**	**(3,319)**	**-**	**31,341**	**77**	**31,417**

		Attributable to owners of the parent						
(in € thousands)		Share capital	Share premiums	Reserves and retained earnings	Translation reserve	Equity attributable to owners of the parent	Non-controlling interests	TOTAL EQUITY
EQUITY AT 31 December 2018 UNDER FRENCH GAAP		**304**	**34,423**	**926**	**(747)**	34,906	**318**	35,224
IAS 12 – Income Taxes	A			442	(36)	406	**-**	406
IAS 19 – Employee Benefits				73	-	73	**-**	73
IFRS 3 – Business Combinations	C			(1,741)	37	(1,704)	**-**	(1,704)
IFRS 9 – Financial Instruments	D			1,129	-	1,129	**-**	1,129
IFRS 15 – Revenue from Contracts with Customers	F			(189)	(3)	(192)	**(157)**	(349)
IFRS 16 – Leases	G			(95)	(2)	(97)	**(9)**	(106)
IFRIC 21 – Levies				150	-	150	**-**	150
IFRS 1 – First-time Adoption of International Financial Reporting Standards: cancellation of translation differences	H			(1,576)	1,576	-	**-**	-
Other				597	(11)	586	**(1)**	585
EQUITY AT 31 December 2018 UNDER IFRS		**304**	**34,423**	**(284)**	**814**	**35,257**	**151**	**35,408**

		Attributable to owners of the parent						
(in € thousands)		Share capital	Share premiums	Reserves and retained earnings	Translation reserve	Equity attributable to owners of the parent	Non-controlling interests	TOTAL EQUITY
EQUITY AT 31 December 2019 UNDER FRENCH GAAP		**400**	**168,294**	**3,703**	**(6)**	**172,391**	**485**	**172,876**
IAS 12 – Income Taxes	A			1,173	(7)	**1,167**	**1**	**1,167**
IAS 19 – Employee Benefits				(3)	-	**(3)**	**-**	**(3)**
IFRS 3 – Business Combinations	C			(68)	41	**(27)**	**10**	**(17)**
IFRS 9 – Financial Instruments	D			1,574	-	**1,574**	**-**	**1,574**
IFRS 15 – Revenue from Contracts with Customers	F			(296)	(9)	**(305)**	**(249)**	**(554)**
IFRS 16 – Leases	G			(179)	(3)	**(182)**	**(10)**	**(192)**
IFRIC 21 – Levies				344	-	**344**	**-**	**344**
IFRS 1 – First-time Adoption of International Financial Reporting Standards: cancellation of translation differences	H			(1,576)	1,576	**-**	**-**	**-**
Other				1,188	(11)	**1,178**	**(31)**	**1,146**
EQUITY AT 31 December 2019 UNDER IFRS		**400**	**168,294**	**5,860**	**1,582**	**176,135**	**205**	**176,340**

13.6 Description of the main impacts of the IFRS transition

A: IAS 12 – Income Taxes

The amounts shown on these lines reflect the tax effect of restatements made between French GAAP and IFRS which are included in net income and equity.

B: IFRS 2 – Share-based Payment

The Group restated all of its current plans that had not yet vested at the transition date in accordance with IFRS 2, and applied the optional exemption for plans that had vested at the transition date. The accounting policies applied in respect of share-based payment are set out in Note 5.4 – Share-based payments. Restatements of share-based payments result in an additional operating expense recognised against equity. The cumulative expense on share-based payment plans in force at the transition date resulted in a reclassification of items within equity. This had no net presentation impact.

C: IFRS 3 – Business Combinations

The amounts shown on this line primarily reflect the following:

- Amortisation charged against goodwill under French GAAP was cancelled as from the transition date; in accordance with IFRS 3, goodwill is no longer amortised but are tested for impairment each year.
- Changes in estimated contingent consideration previously recognised against goodwill were expensed.
- Amounts previously considered as contingent consideration under French GAAP were reclassified as consideration for post-acquisition services.
- Acquisition fees incurred during the aforementioned periods and previously capitalised were expensed. Acquisition fees relating to business combinations carried out before the transition date and not fully amortised were recognised against equity. Acquisition fees previously included within net cash from (used in) investing activities were reclassified to net cash from (used in) operating activities.

D: IFRS 9 – Financial instruments

The amounts shown on this line primarily comprise:

- Interest expense on financial liabilities recognised using the effective interest rate method. This interest expense had previously been recognised on a straight-line basis over the term of the corresponding liabilities.
- Changes in the fair value of derivative financial instruments not eligible for hedge accounting were recognised.

E: IFRS 11 – Joint Arrangements

The amounts shown on this line reflect the impact of changing the accounting for the entities listed below from proportionate consolidation to the equity method:

- At 1 January 2018: GS Believe LLP.
- As from 1 October 2018:
    - Chimperator Productions GmbH & Co. KG.
    - Lili Louise Musique SAS.
    - VF Musiques SAS.

- Tôt ou Tard Films SAS.
- Zouave SAS.
- As from 18 October 2019: 6&7 SAS.

Amounts related to the investments and to dividend flows between the Group and the companies proportionately consolidated under French GAAP are now shown on a dedicated line within net cash from (used in) operating activities. Changes in loans granted to equity-accounted companies are now shown within net cash from (used in) investing activities.

F: IFRS 15 – Revenue from Contracts with Customers

The amounts shown on this line primarily reflect the reclassification of amounts owing to the agent/principal analysis, namely revenue arising on the distribution of physical recordings by the Group in its capacity as distributor and on services carried out in the name and on behalf of producers, representing €32 million in 2019 and €17 million in 2018. This line also reflects reclassifications owing to the agent/principal analysis of revenue arising on digital sales within the Automated Solutions business in 2018 for €2 million.

G: IFRS 16 – Leases

Under IFRS 16, entities must recognise a right-of-use asset and lease liability in the statement of financial position. This also leads to the recognition of depreciation and interest expense which replace the rental expense recognised within operating expenses over the term of the lease. Right-of-use assets and lease liabilities recognised at 1 January 2018 are set out in Note 6.3 – Property, plant and equipment, and Note 8.3 – Gross debt, respectively.

The difference between the previously recognised rental expense and the depreciation expense represents the operating income impact.

The difference between the total expense (depreciation and interest) relating to leases under IFRS and the rental expense previously recognised under French GAAP represents the net income impact.

Rental payments made under operating leases were previously presented in net cash from (used in) operating activities. These lease payments are now split between cash outflows relating to the interest expense on the lease liability and cash outflows relating to repayments of the lease liability. The Group presents the repayment of principal on the lease liability and the interest paid within net cash from (used in) financing activities.

H: IFRS 1 – First-time Adoption of International Financial Reporting Standards

Application of the optional exemption provided for in IFRS 1 in relation to IAS 21 – The Effects of Changes in Foreign Exchange Rates, led the Group to reset its cumulative translation adjustments to zero at the transition date.

18.1.2 Statutory Auditors' report on the consolidated financial statements for the years ended December 31, 2020, December 31, 2019 and December 31, 2018

This is a free translation into English of a report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and is construed in accordance with, professional auditing standards applicable in France.

Believe S.A.S.

Registered office: 24 rue Toulouse Lautrec - 75017 Paris

Statutory Auditor's report on the consolidated financial statements

Years ended December 31, 2018, 2019 and 2020

To the Members of the Board of Directors,

In our capacity as Statutory Auditors of Believe S.A.S. and in compliance with Regulation (EU) No. 2017/1129 as supplemented by Delegated Regulation (EU) No. 2019/980 in connection with the project of public offering and admission to trading of the Company's shares on the regulated market of Euronext Paris, we have audited the accompanying consolidated financial statements of Believe S.A.S. for the years ended December 31, 2018, 2019 and 2020.

Due to the global crisis related to the Covid-19 pandemic, the financial statements of the year ended December 31, 2020 have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.

The Board of directors is responsible for the preparation and fair presentation of these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with professional standards applicable in France and the professional doctrine of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) relating to this type of engagement; these standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures, on a test basis or by other means of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position and assets and liabilities of Believe S.A.S. as at December 31, 2018, 2019 and 2020 and of the results of its operations for the periods then ended in accordance with the accounting rules and principles applicable in France.

Paris La Défense, on 6 May 2021	*Paris, on 6 May 2021*
KPMG Audit *KPMG S.A. Department.*	*Aca Nexia*
Jean-Pierre Valensi *Partner*	*Olivier Juramie* *Partner*

18.2 Age of the latest financial information

December 31, 2020.

18.3 Dividend policy

The Company paid no dividends in respect of the financial years ended December 31, 2020, December 31, 2019 or December 31, 2018. The Group does not intend to pay dividends in the short term, as the Group's available cash will be used to support its growth strategy.

18.4 Disputes and litigation

In the ordinary course of its ordinary activities, the Group may be involved in legal, arbitration, administrative or regulatory proceedings, including disputes with digital platforms and social media platforms, artists and labels, rights holders, its suppliers, competitors and employees, as well as tax authorities and similar bodies. At the date of this registration document, the Group is not aware of any governmental, legal or arbitration proceedings, including any proceedings which are ongoing or with which it is threatened, other than those mentioned below, that are likely to have or have had over the last 12 months, a significant effect on the financial position or profitability of the Company or Group.

The Group recognizes a provision when it is probable that an outflow of resources embodying economic benefits will be required to settle such disputes against the Company or against one of its subsidiaries, and the amount of the costs can be reliably estimated. At December 31, 2020, the Group’s total provision for contingencies and expenses (mainly comprising the provision for pensions and other employee benefit obligations) amounted to €1.7 million (see Note 7.2 to the Group’s consolidated financial statements for the year ended December 31, 2020, included in section 18.2.1 of this registration document).

Dispute between the Group and Round Hill

In July 2020, proceedings were brought against certain Group companies (TuneCore Inc., Believe Digital Holdings Inc. and Believe SAS) before a federal court of the State of New York by music publishing companies Round Hill Music LLP and Round Hill Music LP (hereafter referred to as “**Round Hill**”). These companies allege that the Group used, reproduced and distributed 219 musical works in the course of its business (and in particular, that the Group delivered the aforementioned works to platforms to be downloaded), without having previously secured a license to the song rights (known as “mechanical royalties” under US law) owned by Round Hill.

Based on these allegations, Round Hill is seeking from the Group the maximum amount for wilful statutory damages in the US (i.e., USD 150,000 per composition), representing a total damages claim of USD 32,850,000.

After these proceedings were brought by Round Hill, the Group began an analysis to identify the musical works that Round Hill claimed the Group had delivered to platforms to be downloaded. This analysis process is ongoing; however, several of the works in question are proving difficult to identify as having been distributed by the Group, which raises serious doubts as to the validity of Round Hill's claim in respect of them.

More generally, in view of applicable case law, and even assuming that Round Hill’s claim is partially founded for certain works, the Group considers that its substantial damage claim (corresponding to the maximum allowed by US law) is disproportionate relative to the damages that Round Hill could effectively obtain from in court.

It should be recalled that in the US, producers and distributors of recordings are responsible for identifying the owners of the mechanical reproduction rights to the works included in these recordings, and then for securing from those owners in return for payment a license to these works when the recordings are downloaded (not only via streaming). The Group hires external service providers to identify rights to musical works in order to seek the relevant licenses, thereby exposing it to the risk that some such rights holders are not identified. As a result, it cannot fully control the proceedings which may be brought against it in such cases (see section 3.5.1 “*Risks related to intellectual property*” of this registration document.

At the date of this registration document, a mediation process is currently ongoing between the Group and Round Hill with a view to reaching an out-of-court settlement of this dispute.

18.5 Significant change in financial position

To the Company's knowledge, there has been no significant change in the Group's financial position since 31 December 2020.

19. ADDITIONAL INFORMATION

19.1 Share capital

19.1.1 Share capital subscribed and share capital authorised but not issued

At the date of this registration document, the Company's share capital was €402,344.21, divided into 40,234,421 fully paid up shares of the following classes:

- 9,761,267 ordinary shares with value of €0.01,
- 4,334,000 P1 preference shares with value of €0.01,
- 4.639.220 P2 preference shares with value of €0.01,
- 1,000,000 P3 preference shares with value of €0.01,
- 11,933,880 P4 preference shares with value of €0.01, and
- 8,566,054 P5 preference shares with value of €0.01.

The P1, P2, P3, P4 and P5 preference shares are preference shares within the meaning of Article L-228-11 of the French Commercial Code. They will be converted into new ordinary shares in the Company on the basis of one new ordinary share for each preference share converted, with effect on the settlement-delivery date of the Company's shares once they are admitted to trading on the regulated market of Euronext Paris. From that date forward, the Company's share capital will thus consist solely of ordinary shares.

Prior to the approval by the *Autorité des Marchés Financiers* (AMF) of the prospectus for admission of the Company's shares to trading on the regulated market of Euronext Paris, a General Meeting of Shareholders will meet for the purpose of adopting the financial authorisations described below.

These financial authorisations will be adopted on condition that a final price is set for the Company's shares as part of their admission to trading on the regulated market of Euronext Paris.

Type of delegated authority	Maximum duration	Maximum nominal amount
Authorisation to transact Company shares	18 months	Not to exceed 10 % of the total number of shares comprising the share capital, or 5% of the total number of shares when transacted for holding and subsequent delivery as payment or exchange in external growth transactions
Authorisation granted to the Board of Directors to reduce the share capital by cancelling treasury shares	26 months	Not to exceed 10% of the share capital per any 24 month period
Delegation of authority to the Board of Directors to increase the share capital through the capitalisation of reserves, profits, additional paid-in capital or any other capitalisable amount	26 months	20% of capital
Delegation of authority granted to the Board of Directors to increase the share capital by issuing, with pre-emptive rights: ordinary shares, and/or equity instruments convertible into other equity instruments and/or with rights to debt instruments, and/or securities convertible into equity instruments to be issued	26 months	50% of capital (1) €750 million with respect to debt securities (2)
Delegation of authority to the Board of Directors to increase the share capital by issuing without pre-emptive rights, with a mandatory priority subscription period and through an offer to the public other than the offers	26 months	20% of capital (1) €750 million with respect to debt securities (2)

Type of delegated authority	Maximum duration	Maximum nominal amount
referred to in Article L.411-2 of the French Monetary and Commercial Code: ordinary shares, and/or equity instruments convertible into other equity instruments and/or with rights to debt instruments, and/or securities convertible into equity instruments to be issued(4)		
Delegation of authority granted to the Board of Directors to increase the share capital by issuing without pre-emptive rights, with a discretionary priority subscription period and through an offer to the public other than the offers referred to in Article L.411-2 of the French Monetary and Commercial Code: ordinary shares, and/or equity instruments convertible into other equity instruments and/or with rights to debt instruments, and/or securities convertible into equity instruments to be issued(4)	26 months	10% of capital (1) €750 million with respect to debt securities (2)
Delegation of authority granted to the Board of Directors to decide to issue without pre-emptive subscription rights and through offers to the public as defined in section 1 of Article 411-2 of the French Monetary and Financial Code: shares and/or equity instruments convertible into other equity instruments and/or with rights to debt instruments, and/or securities convertible into equity instruments to be issued	26 months	10% of capital (1) €750 million with respect to debt securities (2)
Authorisation of the Board of Directors, in case of an issuance without pre-emptive rights, to set the issue price in a manner prescribed by the General Shareholders' Meeting	26 months	10% of capital per year
Authorisation granted to the Board of Directors to increase the number of securities to be issued in the event of a capital increase, with or without pre-emptive rights	26 months	Limit set by applicable regulations (to date, 15% of the original issue)(1)
Delegation of authority granted to the Board of Directors to issue without pre-emptive rights, in consideration for investments in-kind: ordinary shares, and/or equity instruments convertible into other equity instruments and/or with rights to debt instruments, and/or securities convertible into equity be issued	26 months	10% of capital (1) €750 million with respect to debt securities (2)
Delegation of authority granted to the Board of Directors to issue shares reserved for the members of a company savings plan, without pre-emptive rights for shareholders other than such members	26 months	5% of capital (1)
Delegation of authority to the Board of Directors to increase the share capital by issuing, without pre-emptive rights, shares intended for an identified category of beneficiaries (employees and corporate officers of the Company and its related companies).	18 months	5% of capital (1)
Authorisation of the Board of Directors to allocate new or existing shares at no cost and without pre-emptive rights to employees and corporate officers of the Company and its related companies.	38 months	2.9% of capital(1) (3)
Authorisation of the Board of Directors to grant stock purchase or subscription options to the eligible employees and corporate officers of the Group	38 months	2.9% of capital(1) (3)

(1) The maximum overall nominal amount of the capital increases that may be completed pursuant to this delegation is counted against the total ceiling on immediate and deferred increases, set at 50% of capital.

(2) The maximum overall nominal amount of the debt securities that may be issued pursuant to this delegation is counted against the total ceiling on debt securities, set at €750 million.

(3) The maximum nominal amount of the capital increases that may be completed pursuant to this delegation is counted against the combined ceiling on free share awards and stock purchase or subscription options, set at 2.9% of the Company's capital.

(4) Including as part of a public exchange offer initiated by the Company (Art. L. 22-10-54 of the French Commercial Code).

19.1.2 Non-equity securities

As at the date of this registration document, the Company had not issued any non-equity securities.

19.1.3 Shares held by the Company or on its account

As of the date of this registration document, the Company held none of its own shares, and no Company shares were held by any of its subsidiaries or by a third-party on its behalf.

The General Meeting of Shareholders to be held no later than the day the AMF approves the prospectus for admission of the Company's shares to trading on the regulated market of Euronext Paris will, in accordance with Articles L. 22-10-62 *et seq.* of the French Commercial Code, authorise the Board of Directors, with an option to further delegate such authority as provided by law and regulations, to purchase shares in the Company, on one or several occasions and at times set by the Board that shall be within 18 months of the close of the meeting and conditioned on the settlement-delivery of the Company's shares as part of their admission to trading on the regulated market of Euronext Paris. Such shares may at no time exceed 10% of total shares in the capital or, if they are acquired by the Company for holding and subsequent delivery as payment or exchange in a merger, spin-off or contribution, 5% of total shares in the share capital. It is stipulated that in no event shall the number of shares held by the Company at any time exceed 10% of the total shares in the share capital.

The shares may be acquired for the following purposes, as decided by the Board of Directors:

– to provide liquidity and stimulate trading in the Company's shares by an investment services intermediary acting independently pursuant to a liquidity agreement compliant with the market practice accepted by the AMF on 2 July 2018;

– to allocate shares to the Company's employees, particularly for (i) a profit-sharing plan, (ii) a Company stock-options plan under Articles L. 22-10-56 and L. 225-177 *et seq.* of the French Commercial Code or (iii) a savings plan under Articles L. 3331-1 *et seq.* of the French Labour Code or any free share award under Articles L. 22-10-59 and L 225-197-1 *et seq.* of the French Commercial Code, as well as for the purpose of hedging in relation to such transactions, in the manner provided by the market authorities and at such times as the Company's Board of Directors or a person acting on behalf of the Board may determine;

– to deliver the Company's shares upon the exercise of rights attached to securities entitled to allocation of the Company's equity through redemption, conversion, exchange, presentation of a warrant, or in any other manner, as well as for the purpose of hedging in relation to such transactions, and to do so in the manner provided by the market authorities and at such times as the Company's Board of Directors or a person acting on behalf of the Board shall choose;

– to hold the Company's shares for subsequent use as payment or exchange in any external growth transaction;

– to cancel Company shares in a share capital reduction;

– to carry out any market practice accepted by the AMF and, more generally, execute any transaction compliant with regulations in force.

The maximum purchase price per share net of costs will not be greater than 200% of the price of the Company's shares set for their admission to trading on the regulated market of Euronext Paris, such price appearing in the Company's official press release containing the final terms of the Company share offering and their admission to trading on the regulated market of Euronext Paris.

The Board of Directors may, however, in the event of transactions impacting the Company's equity (including changes to the share's par value, capital increases through the capitalisation of reserves followed by the issue and awarding of free shares, stock splits or reverse stock splits) adjust the maximum price indicated above to reflect the impact of such transactions on the Company's share value.

The purchase, sale or transfer of these shares may be accomplished and settled by any means permitted by applicable regulation, e.g., on a regulated market, on a multilateral trading facility, with a systematic internaliser or over the counter, including by the acquisition or sale of blocks of shares, by the use of stock options, other derivative instruments or warrants or equity instruments of the Company in general, and at such times as the Board of Directors shall choose, excepting when a public offering of the Company's shares is being made.

The Board of Directors shall have full powers, with an option to further delegate such powers as provided by law and regulations and acting in compliance with all legal and regulatory provisions, to re-allocate the shares bought back for the purposes of one of the objectives of the programme to one or more of its other objectives, or to sell them, on the market or off market.

The Board of Directors shall, as provided by law, inform the General Shareholders' Meeting of the transactions executed.

19.1.4 Other securities giving access to capital

As of the date of this registration document, the capital of the Company consisted of 9,761,267 ordinary shares (described in paragraph 16.1 of this registration document) and 30,473,154 preference shares (described in paragraph 19.1.1 "*Share capital*" of this registration document.) The Company has also created share subscription warrants ("**BSAs**") and founders' warrants ("**BSPCEs**") giving access to a total of 2,148,976 new shares of the Company, corresponding to 5,07% of the capital on a diluted basis as of the date of this registration document.

The BSAs and the BSPCEs were issued in accordance with Articles L. 228-92 and L. 225-129 of the French Commercial Code to benefit certain employees and corporate officers of the Company or its subsidiaries. They were allocated at no cost to the beneficiaries. Each BSA and BSPCE gives the right to subscribe for a new ordinary share of the Company. The BSAs and the BSPCEs that become exercisable may be exercised until their expiry, set at ten years from their grant date. They are not transferable.

As of the date of this registration document, there are 541,000 BSAs and 1,607,976 BSPCEs, of which 394,750 BSAs and 1,276,277 BSPCEs are exercisable, giving access, in the event of exercise, to 2,148,976 new shares of the Company, corresponding to 5,07% of the share capital on a diluted basis as at the date of this registration document. The possibility for the holders to exercise the exercisable BSAs and BSPCEs has been suspended for a period running until the settlement-delivery of the Company's IPO. A detailed description of the BSA and BSPCE plans is provided in note 5.4 "*Share-based payments*" to the Group's consolidated financial statements for the years ended December 31, 2020, 2019 and 2018, inclusive, in section 18.1 of this registration document

19.1.5 Conditions governing any acquisition right and/or obligation attached to capital subscribed but not paid in

None.

19.1.6 Share capital of any Group company which is under option or an agreement to be put under option

None.

19.1.7 Change in the Company's capital over the last three financial years

Date	Nature of transaction	Capital before transaction (in euros)	Number of shares before transaction	Number of shares after transaction	Par value (in euros)	Capital after transaction (in euros)
26/09/2018	Capital increase (BSAs exercised)	303,805.60	30,380,560	30,436,060	0.01	304,360.60
20/03/2019	Capital increase (BSPCEs exercised)	304,360.60	30,436,060	30,441,247	0.01	304,412.47
21/03/2019	Capital increase (BSAs exercised)	304,412.47	30,441,247	30,447.247	0.01	304,472.47
06/05/2019	Capital increase (issuance of P5 preference shares)	304,472.47	30,447,247	38,823.535	0.01	388,235.35
02/07/2019	Capital increase (issuance of P5 preference shares)	388,235.35	38,823,535	39,013,301	0.01	390,133.01
26/07/2019	Capital increase (BSAs and BSPCEs exercised)	390,133.01	39,013,301	39,953,401	0.01	399,534.01
26/07/2019	Capital increase (BSPCEs exercised)	399,534.01	39,953,401	39,970,901	0.01	399,709.01
05/03/2020	Capital increase (BSAs exercised)	399,709.01	39,970,901	39,979,401	0.01	399,794.01
05/05/2020	Capital increase (BSAs and BSPCEs exercised)	399,794.01	39,979,401	40,144,069	0.01	401,440.69
15/05/2020	Capital increase (BSPCEs exercised)	401,440.69	40,144,069	40,173,444	0.01	401,734.44
09/11/2020	Capital increase (BSPCEs exercised)	401,734.44	40,173,444	40,180,006	0.01	401,800.06
03/12/2020	Capital increase (BSAs exercised)	401,800.06	40,180,006	40,234,421	0.01	402,344.21

19.2 Articles of association and by-laws

19.2.1 Corporate purpose

The Company is formed for the following purposes, both in France and abroad:

- to help foster and develop the richness and diversity of cultural creative works by facilitating their production, dissemination, promotion and widest possible distribution;
- the design, creation, development, enhancement and operation of websites on its own behalf;
- the identification, production, promotion, distribution and dissemination of documents, sound recordings, video tapes and any other entertainment content of any form (physical, digital or other) and on all media (press, internet, mobile telephone, radio, television etc.) as well as music publishing;
- the conversion of any documents, sound recordings, video tapes and any other entertainment content from a physical medium to an electronic one;

- the dissemination and publication in any form and on any media of information concerning entertainment;
- the production, organisation, exploitation and dissemination of live performances, particularly in the musical field;
- and more generally, any activities related to entertainment, electronics, information technology, the internet, mobile telephony, surcharged phone services, office automation, production, advertising, marketing and dissemination; and
- any industrial, commercial, financial, property-related or real property-related transactions associated directly or indirectly with the above-stated purpose or that may promote the development of the Company.

19.2.2 Provisions in the articles of association relating to the management and executive bodies – Internal rules of the Board of Directors

The description below summarises the main provisions of the articles of association and the Internal Rules of the Board of Directors, in particular as to its mode of operation and its powers as they will apply as of the settlement-delivery date of the Company's shares upon admission to trading on the regulated market of Euronext Paris.

The Internal Rules will be adopted effective as of the settlement-delivery date of the Company's shares upon admission to trading on the regulated market of Euronext Paris. They specify, in addition to the provisions concerning the Board of Directors mentioned below, how the Board shall be organised and operate, and the remits and powers of the committees that the Board of Directors has established among its members (see paragraph 14.3 *"Board Committees"* of this registration document).

(i) Board of Directors (Article 15 of the articles of association and Internal Rules)

Composition

The Company is governed by a Board of Directors of at least three members and at most eighteen, save as otherwise provided by law.

The Board of Directors may appoint one or more non-voting members, not to exceed two in number. The non-voting directors are called upon to attend the meetings of the Board of Directors as observers and may be consulted by the Board. Non-voting members are natural or legal persons, chosen from among the shareholders or from outside that group. The term of service of the non-voting members is four years, except in the event of resignation or early termination voted by the Board. The ways in which the non-voting members serve the Board, as well as their remuneration, are set by the Board of Directors. Non-voting members may be re-elected. They are invited to meetings of the Board of Directors and take part in deliberations in an advisory capacity.

In accordance with the AMF recommendation 2012-02 on corporate governance and executive remuneration of companies referring to the Afep-Medef code, non-voting directors must be informed of the regulations on market abuse (in particular Regulation (EU) 596/2014 of the European Parliament and of the Council of 16 June 2014 on market abuse) and, more specifically, the rules on refraining from disclosing inside information. In addition, conflict of interest management measures should be put in place to avoid non-voting directors attending debates when they are in a potential conflict of interest situation. Consequently, the obligations set out in the internal rules of the Board of Directors of the Company applicable to directors and relating to the prevention of conflicts of interest apply, *mutatis mutandis*, to non-voting directors.

Appointment

Over the lifetime of the Company, Directors are appointed, reappointed or removed in the manner provided by law and regulations and by these articles of association.

Responsibilities and duties of Directors

A Director serves a term of four years.

By exception, the General Shareholders' Meeting may, either institute or maintain staggered renewals on the Board of Directors, appoint one or more directors for a different term not exceeding four (4) years or reduce the term of one or more sitting directors to less than four (4) years. The office of any Director so appointed or whose term was changed to a term not exceeding four (4) years will end at the close of the Ordinary General Meeting called to approve the financial statements for the preceding year and held in the year during which the term of that director expires.

Directors may be reappointed. They may be removed from office at any time by the Ordinary General Meeting.

Directors must not be older than 75 years, with the further provision that the number of Board members over the age of 70 may not be more than one-third of the sitting Directors, and are subject to the laws and regulations about interlocking directorates.

Each member of the Board of Directors must disclose to the Board of Directors any situation of conflict of interest, including any potential situation, and must refrain from attending the related deliberations and participating in the corresponding vote. This obligation also applies to the non-voting members appointed by the Board of Directors, if any.

Identity of Directors

Directors can be natural or legal persons. The latter must, upon their appointment, designate a permanent representative, who will be subject to the same conditions and obligations and bear the same responsibilities as if he or she were a Director in his or her own right, without prejudice to the joint and several liability of the legal entity he or she represents.

The term of office of a permanent representative will be the same as that of the legal entity he or she represents.

If the legal entity revokes the appointment of its permanent representative, it must immediately notify the Company by registered letter of that fact and of the identity of its new permanent representative. The same applies in the event of the death, resignation or extended incapacity of the permanent representative.

Directors' remuneration

The General Shareholders' Meeting may vote the Directors a fixed annual sum as remuneration, the amount of which remains unchanged until another vote is taken. How that sum is distributed among the Directors is determined by the Board of Directors.

Directors may not receive from the Company for their service on the Board any remuneration, whether permanent or not, other than provided by law.

Deliberations of the Board of Directors

The Board of Directors meets when convened by the Chair or one of its members whenever the interests of the Company dictate, with the further provision that the frequency and duration of Board meetings must be such that they allow an in-depth review and discussion of matters coming before the Board.

Meetings are held at the registered office or in any other location specified in the notice of meeting.

Meetings may be called by any means, including orally. The Board of Directors may validly deliberate, even in the absence of a meeting call, if all its members are present or represented.

Certain decisions of the Board of Directors may, in the manner provided by law and regulations, be taken by consultation of the directors in writing.

A quorum is reached when at least half of the Board members are present.

Decisions require a simple majority of the members present or represented. In the event of evenly split votes, the vote of the meeting's Chair prevails.

In compliance with law and regulations, the internal rules may provide that directors taking part in Board meetings by video-conferencing or telecommunications that meet the technical specifications set in law and regulations shall be deemed to be in attendance for purposes of calculating a quorum and a majority.

Any Director may give a proxy to another Director to represent him or her at a meeting of the Board of Directors. A Director may hold only one proxy per meeting.

An attendance sheet shall be kept, signed by the members of the Board of Directors taking part in the meeting both in their own right and as a proxy.

Deliberations of the Board of Directors shall be recorded in minutes signed by the Chair of the meeting and at least one Director who took part in the meeting. Should the meeting Chair be prevented from attending, the minutes are signed by at least two Directors.

The Board of Directors establishes internal rules to define its procedures in compliance with law and the Articles of Association. It may decide to set up committees to analyse issues submitted by the Board itself or its Chair. In its rules of procedure the Board of Directors defines the membership and duties of each such committee, which operates under its responsibility.

The Board of Directors also defines in the internal rules the decisions and/or acts submitted for its prior approval.

Any person invited to attend a meeting of the Board of Directors must keep confidential the information received and observe the general duty of non-disclosure.

Chair of the Board of Directors

The Board of Directors appoints a Chair from among its individual (non-corporate) members.

The Chair is appointed for the length of his or her term as director. The Chair can be re-elected.

The Chair of the Board of Directors may not be more than 75 years old. Once a Chair exceeds that age, he or she is deemed to have automatically resigned the office.

In the event of the Chair's temporary incapacity or death, the Board of Directors may delegate the position of Chair to another Director.

In the event of temporary incapacity, such delegation is given for a limited period. That period is renewable. In the event of death, the delegation shall remain in force until a new Chair is elected.

The Chair of the Board of Directors organises and directs the work of the Board and reports on it to the General Shareholders' Meeting. He or she is responsible for ensuring that the Company's governing bodies function correctly and in particular that Directors are capable of fulfilling their duties.

(ii) Executive Management (Article 18 of the articles of association)

Form

Responsibility for the executive management of the Company is assumed either by the Chair of the Board of Directors or by another individual, appointed by the Board and having the title Chief Executive Officer (CEO).

The Board of Directors chooses between these two forms of executive management and may do so at any time but at least at the end of the term of office of the Chief Executive Officer or that of the Chair of the Board of Directors if the latter also assumes the executive management of the Company.

Shareholders and third parties are informed of this choice in accordance with regulatory requirements.

If the executive management of the Company is assumed by the Chair of the Board of Directors, the following provisions relative to the Chief Executive Officer apply to the Chair. His or her title in that case is Chair and Chief Executive Officer.

Deputy Chief Executive Officers

Upon recommendation by the Chief Executive Officer, the Board of Directors may appoint one or more individuals to assist the Chief Executive Officer, with the title of Deputy Chief Executive Officer.

Deputy Chief Executive Officers may not exceed two in number.

Length of term

The length of the term of the Chief Executive Officer or a Deputy Chief Executive Officer is determined at the time of their appointment. If he or she is on the Board of Directors, that term may not exceed that of his or her term as a Director of the Board.

The Chief Executive Officer and the Deputy Chief Executive Officers may not be older than 75 years. If this age limit is reached during the term of office, the executive is deemed to have automatically resigned the office

Removal - Remuneration

The Chief Executive Officer may be removed at any time by the Board of Directors. The same holds true of Deputy Chief Executive Officers if the Chief Executive Officer so recommends.

If the Chief Executive Officer relinquishes, or is prevented from performing, his or her duties, the Deputy Chief Executive Officers shall keep their offices and responsibilities until the appointment of a new Chief Executive Officer, unless the Board decides otherwise.

The Board of Directors sets the remuneration of the Chief Executive Officer and the Deputy Chief Executive Officers.

Powers

The Chief Executive Officer is given full powers to act, in any circumstances, on behalf of the Company. He or she exercises these powers within the bounds of the corporate purpose and subject to the powers expressly given by law to the Shareholders' Meeting and to the Board of Directors.

He or she represents the Company in its relations with third parties. The Company shall be bound by the actions of the Chief Executive Officer even if unrelated to the corporate purpose, unless the Company can prove that the third party involved either knew the decision went beyond said purpose or could not be unaware of this under the circumstances, mere publication of the articles of association not of itself being sufficient proof thereof.

Decisions of the Board of Directors that limit the Chief Executive Officer's powers are not binding on third parties.

With the consent of the Chief Executive Officer, the Board of Directors determines the scope and duration of the powers granted to the Deputy Chief Executive Officers. Deputy Chief Executive Officers shall have the same powers as the Chief Operating Officer with regard to third parties.

The Chief Executive Officer or Deputy Chief Executive Officers may, within the limits set by current law, delegate such powers as they deem appropriate for the accomplishment of one or more fixed objectives to any agents of their choosing, even ones outside the Company, who may act individually or as a committee or commission and with or without the right to make substitutions, subject to the limitations provided by law. Such powers may be permanent or temporary and carry or not carry an option to make substitutions. Delegations of power so granted remain effective even when the person who conferred them is no longer in office

(iii) General Shareholders' Meetings

Notice and place of meeting

General Shareholders' Meetings are convened under the conditions, in the forms, and according to the timeframes set by law.

Meetings are held at the registered office or in any other location specified in the notice of meeting.

Agenda

The agenda of the Meeting is included in the notice and letters calling the meeting and is set by the originator of the notice.

The Meeting may only take up the matters on the agenda. However, it may always remove one or more Directors and name their replacements.

One or more shareholders representing the percentage of capital required by law, and acting in accordance with legal requirements and within applicable time limits, may request the inclusion on the agenda of draft resolutions.

Access to Meetings

Any shareholder is entitled to attend the General Shareholders' Meetings and to take part in the deliberations, in person or by proxy.

Any shareholders may participate in General Meetings, in person or by proxy and pursuant to regulations, with proof of identity and proof of share ownership in the form of an accounting statement recording his or her shares in the manner prescribed by law and regulations.

If the Board of Directors decides to employ telecommunications technology and publishes that decision in the notice of meeting or the call to meeting, then for the purpose of calculating a quorum and a majority, attendees shall be deemed to include shareholders who participate in the Meeting by videoconference or other means of telecommunication or remote transmission, including the internet, so long as their identity can be confirmed as prescribed by regulations then in effect.

Any shareholder may vote by absentee ballot or give a proxy in accordance with regulations by using a form drawn up by the Company and sent thereto in the manner prescribed by regulations, including electronically or by remote transmission, if decided by the Board of Directors. To be counted, the voting form must be received by the Company in the manner prescribed by regulations.

Minutes of Meetings are drawn up, and copies are certified and delivered in accordance with regulations.

The lawful representatives of legally incapacitated shareholders and those individuals representing shareholders that are legal entities take part in the meetings whether or not they themselves personally are shareholders.

Attendance sheet, officers, minutes

An attendance sheet containing the information required by law is kept for each Meeting.

Shareholders' Meetings are chaired by the Chair of the Board of Directors or, in his or her absence, by a Director appointed for that purpose by the Board of Directors. Failing that, the Meeting itself elects its chair.

Vote counting shall be performed by the two members of the Meeting who are present and accept such duties, who represent, either on their own behalf or as proxies, the greatest number of votes.

The officers of the Meeting appoint a secretary, who need not be a shareholder.

The officers of the Meeting are in charge of verifying, certifying and signing the attendance sheet, ensuring that discussion are conducted in good order, resolving problems which may arise during the meeting, checking the ballots cast and verifying that they are valid, and ensuring that minutes of the meeting are prepared.

The minutes are prepared and copies or excerpts of the proceedings are certified in accordance with law.

Ordinary General Meeting

All decisions which do not amend the articles of association are taken by the Ordinary General Meeting. This shall be convened at least once a year, within six months of every financial year-end, in order to approve the financial statements and the consolidated financial statements for that year.

When first called, its deliberations will be valid only if the shareholders present, represented or voting absentee represent at least one fifth of the shares with voting rights. There is no quorum requirement for the Meeting following a second call.

It approves on a majority of the votes of the shareholders present, represented or voting absentee.

Extraordinary General Meeting

The Extraordinary General Meeting alone is empowered to amend any and all provisions of the articles of association. It may not, however, increase shareholder obligations, except for transactions resulting from a properly executed reverse stock split.

It may not validly act unless the shareholders present in person or represented by proxy or having voted absentee hold, upon the first call for a meeting, one quarter of the voting shares, and, upon a second call for a meeting, one fifth of the voting shares. If the latter quorum is not reached, the second meeting may be postponed to a date no later than two months after the date for which it was called.

The second meeting shall make decisions by a two-thirds majority of the shareholders present, represented by proxy, or voting absentee.

An Extraordinary General Meeting, however, may in no event, except by unanimous vote of the shareholders, increase shareholders' obligations or impair the equality of their rights.

(iv) Payment, form and transmission of shares (Articles 9 and 10 of the articles of association)

Payment of shares

Cash-settled shares issued following a capital increase will be paid for in accordance with law and regulations and with decisions taken by the Company's General Meetings and Board of Directors.

Shares received for contributions in-kind are fully paid in the moment they are issued.

No shares represent sweat equity.

Form of shares

Fully paid-up ordinary shares can take either registered or bearer form, at the shareholder's choice, in accordance with regulations.

As long as the Company's shares are admitted to trading on a regulated market, the Company is entitled to ask for identification from those who hold securities carrying immediate or deferred voting rights in its shareholder meetings, and for the amount of shares held, in accordance with law and regulations.

(v) Rights and obligations pertaining to shares of stock

Each share confers the right to a share in the Company's earnings and assets which is proportional to the share of equity it represents. Moreover, each share entitles the holder to vote and to be represented at General Shareholders' Meetings in accordance with law and the articles of association.

Double voting rights attach to shares fully paid-up and held continuously by the same person for at least two (2) years. This ownership period is calculated without regard to the length of time the shares may have been held prior to the date the Company's shares were admitted to trading on Euronext Paris.

In accordance with Article L. 225-123 of the French Commercial Code, in case of a capital increase through the capitalisation of reserves, earnings or share premiums, double voting rights shall accrue to a stockholder's new bonus shares from the moment they are issued, insofar as his or her existing shares had double voting rights.

This double voting right can be exercised at any general meeting.

Double voting rights automatically cease when the share is converted to bearer form or changes ownership.

Shareholders are liable for losses only to the extent of their contributed capital.

The rights and obligations attaching to a share follow the ownership of the share. Ownership of a share means ipso jure that the owner fully complies with the articles of association and decisions taken at General Shareholders' Meetings.

In any case in which it is necessary to hold several shares in order to exercise some right, the holders of single shares or of any number of shares less than the number required have no claim against the Company, it being their personal responsibility in that case to assemble the number of shares necessary.

Indivisibility of shares - Usufruct

Shares are indivisible from the Company's viewpoint.

Joint owners of undivided shares are represented at General Shareholders' Meetings by one of their number or by a single representative. In the event of a dispute, the representative shall be appointed by a court, at the request of the first joint owner to refer the matter to the court.

If the shares are held under beneficial ownership (usufruct), their listing on the shares registry must make mention of that. Unless there is an agreement to the contrary, notification of which has been sent to the Company by registered letter with confirmation of receipt, the right to vote is vested in the beneficial interest owner for Ordinary General Meetings and the legal interest owner for Extraordinary General Meetings.

Transmission and disposal of shares

Ordinary shares, in registered or bearer form, can be traded without restriction unless laws or regulations provide otherwise. They are registered in a share account and are transferred, with regard to the Company and third parties, by means of a transfer order from account to account, in the manner prescribed by law and regulations.

Disclosure thresholds

As long as the shares of the Company are admitted to trading on a regulated market, in addition to the disclosure thresholds expressly provided by current law and regulations, any natural or legal person who may own directly or indirectly, alone or in concert, a proportion of the capital or voting rights (calculated in accordance with Articles L. 233-7 and L. 233-9 of the French Commercial Code and the General Regulations of the *Autorité des Marchés Financiers*) equal to or greater than 1% of the equity or voting rights, or any multiple of this percentage, including one beyond the thresholds set by legal and regulatory provisions, must notify the Company of the total number of (i) shares and voting rights that such individual or entity owns, directly or indirectly, alone or in concert, (ii) the instruments that such individual or entity owns, directly or indirectly, alone or in concert that in time are convertible into the Company's equity and the voting rights potentially attached thereto, and (iii) the shares that have already been issued which such person may acquire because of an agreement or a financial instrument mentioned in Article L. 211-1 of the French *Code monétaire et financier* (Monetary and Financial Code) Such disclosure notice must be given by registered letter with confirmation of receipt within four trading days from the date the relevant threshold was crossed.

This required disclosure to the Company also applies, in the same time frames and on the same conditions, whenever the shareholder's equity investment or voting rights fall below the aforementioned thresholds.

In the event of non-compliance with the above-mentioned disclosure threshold requirement and upon a request recorded in the minutes of the General Shareholders' Meeting by one or more shareholders representing at least 3% of the capital or of the voting rights, the shares exceeding the proportion which should have been disclosed will lose their voting rights for a period of two years following the date when proper notification is given.

The Company reserves the option to make the public and the shareholders aware either of the information in the disclosure received or the failure of the person in question to comply with the above obligation.

20. IMPORTANT CONTRACTS

See paragraph entitled 8.2.2 "*Financial liabilities*" of this registration document.

21. DOCUMENTS AVAILABLE TO THE PUBLIC

In accordance with the applicable legislation, the articles of association, General Shareholders' Meeting minutes and other corporate documents, as well as any expert assessment or statement requested by the Company that must be made available to the shareholders, may be consulted at the Company's registered office.

As of the initial listing of the Company's shares trading on the regulated market of Euronext Paris, the information regulated by the provisions of the AMF general regulation will also be available on the Company's website (www.believemusic.com).

GLOSSARY

- “**Organic growth at constant change rates**" corresponds to revenue growth at constant exchange rates and on a like-for-like basis.

  Revenue growth at constant exchange rates is calculated by applying the average exchange rate for the comparative period to the revenue for the period and the comparative period of each Group entity expressed in its reporting currency. Exchange rate fluctuations relating to transactions, if any, carried out by each reporting entity in currencies other than its functional currency (generally referred to as transactional exchange rate fluctuations) are not included.

  Like-for-like revenue growth corresponds to revenue generated in year n by all companies included in the Group's scope of consolidation in the year ended 31 December of year n-1 (excluding any contribution from companies acquired during year n), compared to revenue generated in year n-1 by the same companies, regardless of when they entered the Group's scope of consolidation.

- **“Organic growth at current exchange rates**” corresponds to revenue growth at constant scope presented at current exchange rates, i.e., not adjusted for the impact of exchange rate fluctuations.

  Like-for-like revenue growth corresponds to revenue generated in year n by all companies included in the Group's scope of consolidation during the year ended 31 December of year n-1 (excluding any contribution from companies acquired during year n), compared to revenue generated in year n-1 by the same companies, regardless of when they entered the Group's scope of consolidation.

- "**DMS**" (Digital Music Sales) is a relevant indicator for the Group of the volume of business generated on digital services providers and social media platforms and corresponds to the gross amount of payments made to the Group by these platforms in return for the provision of audio and video content by the Group. For a given financial year, DMS corresponds to: (i) for the Premium Solutions segment, invoices issued and to be issued in respect of the financial year in question in return for the provision of audio and video content to digital distribution and social media platforms (this DMS corresponds to digital revenues for the Premium Solutions segment); and (ii) for the Automated Solutions segment, invoices issued and recognised during the financial year in question in consideration for the provision of audio and video content to digital distribution and social media platforms. The invoices are based on the financial statements provided by the platforms. A portion of the DMS amount is then paid to the artists and labels in the case of Premium Solutions. In the case of Automated Solutions, the entire amount of the DMS is paid to the artists and labels, with the deduction of a margin for video content made available to video streaming and social media platforms.

- "**Adjusted EBITDA**" refers to operating income before amortisation, depreciation and impairment, share-based payments and other operating income (expense)

- "**IFPI**" stands for the International Federation of the Phonographic Industry.

- "**Majors**" refers to the main rights holders of the global music catalogue, namely Universal Music Group, Sony Music Entertainment and Warner Music Group.

- "**Platform**" refers both to digital distribution platforms such as Spotify, YouTube, Apple Music and Deezer, and to social media platforms such as Facebook, Instagram and TikTok.