HALF-YEAR FINANCIAL REPORT

FOR THE SIX MONTHS ENDED JUNE 30, 2021

BELIEVE SA

A French joint-stock company with a board of director and with share capital of €479,267.29

Registered office: 24 rue Toulouse Lautrec, 75017 Paris, France

Contents

Statement by the persons responsible for the half-year financial report

We certify that to our knowledge, the condensed consolidated interim financial statements for the six months ended June 30, 2021, have been prepared in accordance with the applicable accounting standards and provide a true and fair view of the net assets, financial position and financial performance of the company and of all companies included in the scope of consolidation. We equally certify that to our knowledge, the attached half-year activity report faithfully represents the significant events that have occurred during the first six months of the financial year and their impact on the consolidated financial statements, as well as the main transactions that have taken place with related parties and provide a description of the principal risks and uncertainties associated with the remaining six months of the financial year.

Paris, September 15, 2021

Denis LADEGAILLERIE

Chairman and Chief Executive Officer

Xavier DUMONT

Group Chief Financial Officer

Statutory Auditors' Review report on the half-year financial information

To the shareholders,

In compliance with the assignment entrusted to us by your General Assembly and in accordance with the requirements of article L. 451-1-2 III of the French Monetary and Financial Code ("Code monétaire et financier"), we hereby report to you on:

- the review of the accompanying condensed consolidated interim financial statements of Believe S.A., for the period from January 1 to June 30, 2021,
- the verification of the information presented in the half-yearly management report.

Due to the global crisis related to the Covid-19 pandemic, the condensed consolidated interim financial statements have been prepared and reviewed 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 our review procedures.

These condensed consolidated interim financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

I. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France.

A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to interim financial information.

II. Specific verification

We have also verified the information presented in the half-yearly management report on the condensed consolidated interim financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the condensed consolidated interim financial statements.

Paris La Défense, on the September 15, 2021	Paris, on the September 15, 2021
KPMG Audit *KPMG S.A. Department.*	*Aca Nexia*
Jean-Pierre Valensi *Partner*	*Olivier Juramie* *Partner*

Part 1: Condensed consolidated interim financial statements for the six months ended June 30, 2021

Consolidated statement of income

(in € thousands)	Notes	Six months ended June 30, 2021	Six months ended June 30, 2020
Revenue	4.1	260,150	195,888
Cost of sales		(173,038)	(130,787)
Sales and marketing expenses		(62,035)	(54,341)
Technology and product expenses		(15,373)	(9,439)
General and administrative expenses		(17,438)	(18,407)
Other operating income (expense)	4.2	(6,213)	296
Operating income (loss)		**(13,948)**	**(16,790)**
Cost of debt		(1,685)	(940)
Other financial income (expense)		(3,295)	448
Net financial income (expense)		**(4,980)**	**(492)**
Share of net income (loss) of equity-accounted companies		(497)	(453)
Income (loss) before tax		**(19,425)**	**(17,735)**
Income tax	5	(154)	(2,737)
NET INCOME (LOSS)		**(19,578)**	**(20,472)**
Attributable to:			
Owners of the parent		(20,166)	(20,450)
Non-controlling interests		588	(22)
Earnings (loss) per share attributable to owners of the parent [(1)]**:**			
Basic earnings (loss) per share (€)		(0.25)	(0.26)
Diluted earnings (loss) per share (€)		(0.25)	(0.26)

(1) Basic and diluted earnings per share for 2021 and 2020 were adjusted further to the two-for-one share split carried out by Believe SA on May 25, 2021 (see Note 2.4). Accordingly, the number of shares used to calculate earnings per share was adjusted retrospectively.

Consolidated statement of comprehensive income

(in € thousands)	Six months ended June 30, 2021	Six months ended June 30, 2020
Consolidated net income (loss)	**(19,578)**	**(20,472)**
Translation adjustments	(2,198)	(3,196)
Other comprehensive income (expense) that may be reclassified subsequently to net income	**(2,198)**	**(3,196)**
Remeasurement of net defined benefit obligation	-	(70)
Other comprehensive income (expense) that may not be reclassified subsequently to net income	**-**	**(70)**
TOTAL COMPREHENSIVE INCOME (EXPENSE)	**(21,776)**	**(23,738)**
Attributable to:		
Owners of the parent	(21,054)	(23,718)
Non-controlling interests	(722)	(20)

Consolidated statement of financial position

(in € thousands)	Notes	June 30, 2021	December 31, 2020
ASSETS			
Goodwill		80,148	80,449
Other intangible assets		111,980	110,965
Property, plant and equipment		31,677	34,706
Advances to artists and labels – non-current portion	4.3	68,094	48,336
Investments in equity-accounted companies		12,335	12,812
Non-current financial assets		5,136	6,188
Deferred tax assets		4,557	4,353
Total non-current assets		**313,927**	**297,807**
Inventories		3,560	4,013
Trade receivables		107,195	110,366
Advances to artists and labels – current portion	4.3	78,784	60,470
Other current assets		26,647	30,172
Current tax assets		6,013	4,808
Cash and cash equivalents		314,007	152,333
Total current assets		**536,205**	**362,161**
TOTAL ASSETS		**850,133**	**659,968**
EQUITY			
Share capital		479	402
Share premiums		464,253	169,799
Reserves and retained earnings		(39,946)	(19,975)
Translation reserve		(6,194)	(5,306)
Equity attributable to owners of the parent		**418,592**	**144,921**
Non-controlling interests		5,635	6,609
Total equity		**424,228**	**151,530**
EQUITY AND LIABILITIES			
Non-current provisions		905	791
Long-term borrowings and debt		27,385	115,551
Deferred tax liabilities		13,580	14,830
Total non-current liabilities		**41,869**	**131,172**
Current provisions		1,316	864
Short-term borrowings and debt		4,876	12,751
Trade payables and contract liabilities	4.4	358,787	332,966
Other current liabilities		18,048	28,669
Current tax liabilities		1,009	2,016
Total current liabilities		**384,036**	**377,266**
TOTAL EQUITY AND LIABILITIES		**850,133**	**659,968**

Consolidated statement of cash flows

(in € thousands)	**Six months ended June 30, 2021**	**Six months ended June 30, 2020**
Operating activities		
Net income (loss)	**(19,578)**	**(20,472)**
Depreciation, amortisation and impairment of non-current assets	15,034	11,434
Share-based payment	197	576
Cost of debt	1,685	940
Income tax	154	2,737
Net charges to provisions and employee benefits	565	147
Share of net income (loss) of equity-accounted companies (incl. dividends received)	497	1,176
Other items with no cash impact	250	487
Income tax collected/paid	(3,624)	(7,904)
Change in operating working capital	(17,512)	6,469
Net cash from (used in) operating activities	**(22,332)**	**(4,410)**
Investing activities		
Acquisitions of property, plant and equipment and intangible assets	(12,985)	(15,289)
Acquisitions of subsidiaries, net of cash acquired	-	(514)
Decrease (increase) in loans	(337)	(10)
Decrease (increase) in non-current financial assets	1,408	37
Net cash used in investing activities	**(11,914)**	**(15,776)**
Financing activities		
Decrease in borrowings	(93,760)	(3,566)
Repayment of lease liabilities	(2,269)	(1,999)
Interest paid	(1,882)	(445)
Capital increase (decrease) by owners	293,955	1,280
Net cash used in financing activities	**196,044**	**(4,730)**
Net cash and cash equivalents at beginning of period	**152,331**	**161,537**
Increase (decrease) in cash and cash equivalents net of bank overdrafts, before the impact of changes in foreign exchange rates	161,798	(24,916)
Impact of changes in foreign exchange rates	(122)	(531)
Net cash and cash equivalents at end of period	**314,007**	**136,090**
Of which:		
Cash and cash equivalents	*314,007*	*136,091*
Bank overdrafts	-	*(1)*

Consolidated statement of changes in equity

(in € thousands, except share data)	Attributable to owners of the parent						Non-controlling interests	**Total equity**
	Number of shares (1)	Share capital	Share premiums	Reserves and retained earnings	Translation reserve	**Equity attributable to owners of the parent**		
EQUITY AT JANUARY 1st, 2020	*79,941,802*	**400**	**168,294**	**5,860**	**1,582**	**176,135**	**205**	**176,340**
Remeasurement of net defined benefit obligation				(70)		(70)		(70)
Translation adjustments					(3,198)	(3,198)	3	(3,196)
Other comprehensive income (expense)				**(70)**	**(3,198)**	**(3,268)**	**3**	**(3,266)**
Net income (loss) for the period				(20,450)		(20,450)	22	(20,472)
Total comprehensive income				**(20,520)**	**(3,198)**	**(23,718)**	**(20)**	**(23,738)**
Capital increase	*405,086*	2	1,278			1,280		1,280
Share-based payment				576		576		576
Other				(19)		(19)		(19)
EQUITY AT JUNE 30, 2020	*80,346,888*	**402**	**169,572**	**(14,103)**	**(1,617)**	**154,254**	**185**	**154,439**

(in € thousands, except share data)	Attributable to owners of the parent						Non-controlling interests	**Total equity**
	Number of shares (1)	Share capital	Share premiums	Reserves and retained earnings	Translation reserve	**Equity attributable to owners of the parent**		
EQUITY AT JANUARY 1st, 2021	*80,468,842*	**402**	**169,799**	**(19,975)**	**(5,306)**	**144,921**	**6,609**	**151,530**
Remeasurement of net defined benefit obligation						-		-
Translation adjustments					(888)	(888)	(1,310)	(2,198)
Other comprehensive income (expense)				**-**	**(888)**	**(888)**	**(1,310)**	**(2,198)**
Net income (loss) for the period				(20,166)		(20,166)	588	(19,578)
Total comprehensive income				**(20,166)**	**(888)**	**(21,054)**	**(722)**	**(21,776)**
Capital increase	*15,384,616*	77	294,454			294,531		294,531
Share-based payment				197		197		197
Other				(3)		(3)	(251)	(255)
EQUITY AT JUNE 30, 2021	*95,853,458*	**479**	**464,253**	**(39,946)**	**(6,194)**	**418,592**	**5,635**	**424,228**

(1) The number of shares on January 1st, 2020, June 30, 2020 and January 1st, 2021 has been adjusted following the doubling of the number of shares carried out by Believe SA on May 25, 2021.

Notes to the condensed interim consolidated financial statements

Note 1. Accounting policies

Presentation of the Group

Believe (hereafter the "Company") was incorporated on April 7, 2005. It is based in France and its head office is at 24 rue Toulouse Lautrec, 75017 Paris.

Believe is one of the world's leading digital music companies. Believe's mission is to develop independent artists and labels in the digital world by providing them the solutions they need to grow their audience at each stage of their career and development. Believe's passionate team of digital music experts around the world leverages the Group's global technology platform to advise artists and labels, distribute and promote their music. 1,370 employees in more than 50 countries aim to support independent artists and labels with a unique digital expertise, respect, fairness and transparency. Believe offers its various solutions through a portfolio of brands including TuneCore, Nuclear Blast, Naïve, Groove Attack and AllPoints.

Its main subsidiaries are located 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 cover the Company and its subsidiaries (hereafter referred to as the "Group").

1.1. Basis of preparation

These condensed interim consolidated financial statements of the Believe Group for the six months ended June 30, 2021 must be read with the annual consolidated financial statements disclosed in the Universal Registration approved by the French financial market authority (*Autorité des marchés financiers* – AMF) on May 7, 2021.

These condensed interim consolidated financial statements were approved for issue by the Board of Directors on September 15, 2021.

Pursuant to European Regulation (EC) No. 1606/2002 of July 19, 2002 on international accounting standards, the Group's condensed interim consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and adopted by the European Union. All of the standards adopted by the European Union can be consulted on the European Commission website: https://eur-lex.europa.eu/eli/reg/2008/1126/2021-01-01

International Financial Reporting Standards include IFRS, International Accounting Standards (IAS), along with the related interpretations issued by the Standing Interpretations Committee (SIC) and by the International Financial Reporting Interpretations Committee (IFRIC).

Standards, amendments and interpretations applied by the Group

The condensed interim consolidated financial statements of the Believe Group for the six months ended June 30, 2021 were prepared in accordance with IAS 34 – Interim Financial Reporting. Condensed interim financial statements do not include all of the information required under IFRS to prepare annual financial statements, and should therefore be read in conjunction with the consolidated financial statements for the year ended December 31, 2020, as approved by the Board of Directors on May 6, 2021. The significant accounting policies applied in these condensed interim consolidated financial statements are similar to those applied by the Group to prepare its consolidated financial statements for the year ended December 31, 2020, with the exception of the following amendments adopted by the European Union and effective for reporting periods beginning on or after January 1st, 2021:

- Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 4 – Interest Rate Benchmark Reform (Phase II).

These amendments to existing standards do not have a material impact on the consolidated financial statements for the six months ended June 30, 2021.

Standards, amendments, and interpretations adopted by the IASB but not yet adopted by the European Union and adopted by anticipation by the Group at June 30, 2021

The Group has not decided to adopt any standards, amendments or interpretations by anticipation for the period ended June 30, 2021. The following published standards, amendments and interpretations that will be effective after June 30, 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 IFRS 3 – Reference to the Conceptual Framework.
- Amendments to IAS 16 – Property, Plant and Equipment – Proceeds before Intended Use.
- Amendments to IAS 37 – Onerous Contracts: Cost of Fulfilling a Contract.
- Amendments to IAS 1 and to the IFRS Practice Statement 2 – Disclosure of Accounting Policies.
- Amendments to IAS 8 – Definition of Accounting Estimates.
- Amendments to IFRS 16 – Covid-19-Related Rent Concessions beyond June 30, 2021 (early adoption optional).
- Annual Improvements to IFRSs (2018 – 2020 Cycle).

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.

Comparability

The condensed interim consolidated financial statements were prepared using the accounting policies applied by the Group in preparing its consolidated financial statements for the year ended December 31, 2020, except as regards the following items, for which a specific basis of valuation was applied:

- Income tax: current and deferred income tax expense for the period was calculated based on an effective tax rate for each entity, as estimated for the full year.
- Employee benefits: the post-employment benefit expense for the six-month period corresponds to the half of the projected expense for the full year. In accordance with the requirements of IAS 19 and IAS 34, the net projected post-employment benefit obligation in the interim financial statements takes account of significant changes in market conditions. There were no significant changes in market conditions in the first semester of 2021.

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, depending on the 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 royalties that must be paid to the Group.

As a consequence, figures for the six months ended June 30, 2021 are not necessarily representative of those that may be achieved over the full year. However, it should be noted that the health crisis, which impacted the Group's activities from the second quarter of 2020, is likely to modify this seasonality over the 2021 financial year.

1.2. Use of judgement and estimates

The preparation of condensed interim consolidated financial statements requires the use of accounting estimates and assumptions to determine the carrying amounts of certain assets, liabilities, income and expenses. These estimates and assumptions 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 assumptions, which would affect the value of the Group's assets, liabilities, equity and earnings. In preparing its condensed interim consolidated financial statements, the Group used estimates and assumptions to:

- Determine the term and discount rate of leases;
- Determine whether or not to recognize deferred tax assets;

- Determine the recoverable amount of advances paid to artists and labels;
- 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: since there was no evidence of impairment, the inputs for the CGU impairment tests at June 30, 2021, were the same as those used by the Group in preparing its annual financial statements for the year ended December 31, 2020;
- Measure pension obligations and share-based payments: pension obligations and share-based payment expenses for the six-month period were calculated based on assumptions available at December 31, 2020.

The assumptions and estimates made are described in Note 1.3 to the consolidated financial statements for the year ended December 31, 2020.

Note 2. Significant events of the period

2.1. IPO and capital increase

Believe was listed on the regulated market of Euronext in Paris on June 10, 2021 to finance its growth strategy. The total number of Believe shares issued as part of the IPO is 15,384,616 new shares, for an offer size of approximately €300 million.

2.2. New Revolving Credit Agreement

At the time of its IPO, the Group has proceed, with effect from the settlement-delivery date of the Company's shares offered in connection to the admission to trading on the Euronext Paris regulated market, with the full repayment of the Credit Agreement thanks to its capital increase, concurrently with the implementation of a new syndicated credit agreement, replacing the Credit Agreement.

To this end, on May 6, 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.

<u>Credit line</u>
The New Revolving Credit Agreement plans to provide a revolving credit facility in an amount of €170 million, each amount drawn being repayable at the end of the applicable interest period. Issuing fees of €1.3 million were recognized in the consolidated statement of financial position under the heading "Long-term borrowings and debt". As of June 30, 2021, this line of credit has not been drawn.

<u>Interest and charges</u>
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 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-months 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 defined in the consolidated financial statement, adjusted mainly by depreciation, amortization and impairment of the Group's assets, "Other operating income (expenses)", and shared-based payments.

2.3. Conversion into a joint-stock company

Further to a decision by the Ordinary and Extraordinary Shareholders' Meeting of May 25, 2021, Believe SAS, a French simplified joint-stock company (société par actions simplifiée), was converted into a joint-stock company (société anonyme – SA) with a board of directors.

2.4. Two-for-one share split

On May 25, 2021, the Company carried out a in two-for-one share split, reducing the par value of the Believe share from €0.01 to €0.005 per share. Concomitantly, it doubled the total number of shares comprising the share capital, from 40,234,421 to 80,468,842 shares, in order for the share capital to remain unchanged further to the share split.

The Company also issued share subscription warrants (BSA) and founder's share subscription warrants (BSPCE), which were allocated to certain senior managers and executives of the Group. The two-for-one share split (i) doubled the number of new shares to be issued by the Company on exercise of BSAs and BSPCEs, and (ii) had no effect on the exercise price of each BSA and BSPCE.

Note 3. Segment information

3.1. Key segment data

Information relating to operating segments is prepared using the same accounting policies as those used in preparing the annual consolidated financial statements and are described in the notes of the consolidated financial statements for the year ended December 31, 2020. 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, amortization and impairment, share-based payments (IFRS 2), other operating income and expense; and included the share of net income (loss) of equity-accounted companies.

No statement of financial position information is presented by operating segment to the chief operating decision-maker.

	Six months ended June 30, 2021				Six months ended June 30, 2020			
(in € thousands)	Premium Solutions	Automated Solutions	Other – Central Platform	**TOTAL**	Premium Solutions	Automated Solutions	Other – Central Platform	**TOTAL**
Revenue	243,104	17,046	-	**260,150**	181,334	14,553	-	**195,888**
Adjusted EBITDA	31,955	2,529	(27,485)	**7,000**	15,957	2,583	(24,069)	**(5,529)**

3.2. Reconciliation with Group financial data

Adjusted EBITDA represents operating income before depreciation, amortization and impairment, share-based payment, other operating income and expenses and with the share of net income (loss) of equity-accounted companies. Since adjusted EBITDA is not reported directly in the statement of income, the table below provides a reconciliation of adjusted EBITDA with operating income:

(in € thousands)	**Six months ended June 30, 2021**	**Six months ended June 30, 2020**
Operating income (loss)	**(13,948)**	**(16,790)**
Restatement of depreciation, amortization and impairment expense	15,034	11,434
Restatement of share-based payment	197	576
Restatement of other operating income (expense)	6,213	(296)
Share of net income (loss) of equity-accounted companies	(497)	(453)
Adjusted EBITDA	**7,000**	**(5,529)**

3.3. Information by geographic area

In accordance with IFRS 8.33, the table below shows revenue generated within and outside France based on the location of the Group's operations:

Revenue:

(in € thousands)	**Six months ended June 30, 2021**	**Six months ended June 30, 2020**
France	43,404	35,751
Germany	47,676	47,376
Rest of Europe	75,389	52,237
Americas	37,307	27,213
Asia-Pacific and Africa	56,374	33,312
Total revenue	**260,150**	**195,888**

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)	**June 30, 2021**	**December 31, 2020**
France	81,975	80,825
Germany	61,147	62,402
Rest of Europe	23,635	27,447
Americas	35,773	34,397
Asia-Pacific and Africa	33,610	33,860
Total non-current assets*	**236,140**	**238,931**

* Excluding financial instruments, the non-current portion of advances to artists and labels, and deferred tax assets.

3.4. Major customers

As of June 30, 2021, the Group's three largest customers respectively accounted for 32%, 23% and 11% of its total revenue, compared to 26%, 23% and 14% of its total revenue as of June 30, 2020.

Note 4. Operating data

4.1. Revenue

Breakdown of revenue by type

(in € thousands)	Six months ended June 30, 2021	%	Six months ended June 30, 2020	%
Digital sales	236,102	*90.8%*	176,423	*90.1%*
Other [1]	24,048	*9.2%*	19,465	*9.9%*
Total revenue	**260,150**	***100%***	**195,888**	***100%***

[1] The amounts shown on this line essentially relate to physical sales.

4.2. Others operating income (expenses)

This caption can be analyzed as follow:

(in € thousands)	Six months ended June 30, 2021	Six months ended June 30, 2020
Acquisition-related income (costs)	53	(363)
Other [1]	(6,266)	659
Total other operating income (expenses)	**(6,213)**	**296**

[1] In the six months to June 30, 2021, "Other" mainly includes (i) expenses of €5.4 million related to the admission of shares to trading on the French regulated market and (ii) expenses of €0.5 million related to organizational and legal restructuring regarding the Group.

In the six months to June 30, 2020, "Other" mainly includes (i) income of €1.7 million on the resolution of a tax risk linked to VAT which had been expensed in 2019 (this risk is now extinguished as of December 31, 2020) and (ii) organizational and legal restructuring costs regarding the Group.

4.3. Advances to artist and labels

Advances to artists and labels can be analyzed as follows:

(in € thousands)	June 30, 2021	December 31, 2020
Advances to artists and labels – current portion	78,784	60,470
Advances to artists and labels – non-current portion	68,094	48,336
Total advances to artists and labels	**146,878**	**108,806**

4.4. Trade payables and contract liabilities

Trade payables and contract liabilities can be analyzed as follows:

(in € thousands)	June 30, 2021	December 31, 2020
Trade payables	339,442	311,017
Contract liabilities	19,345	21,949
Total trade payables and contract liabilities	**358,787**	**332,966**

Trade payables include amounts received and to be paid over to artists in the Automated Solutions business, representing €127 million at June 30, 2021 and €133 million at December 31, 2020.

Note 5. Income tax

The current and deferred income tax expense for the period was calculated based on an effective tax rate for each entity, as estimated for the full year. This rate is adjusted to take account of the tax impact of certain items recognized in the six months to June 30, 2021 and June 30, 2020, respectively. As a result, the effective tax rate shown in the interim financial statements may differ from the effective tax rate estimated by the Group in its annual financial statements.

For the six months ended June 30, 2021, income tax expense amounted to €154 thousand, representing a negative effective tax rate of 0.8%, due mainly to tax expenses on taxable profits which were broadly in line with income on deferred taxes recognized on losses in the period.

For the six months ended June 30, 2020, the income tax expense was €2,737 thousand, representing a negative effective tax rate of 15.4%, due mainly to tax expenses on taxable profits which were greater than income on deferred taxes recognized on losses in the period and the review of certain deferred tax assets.

Note 6. Transaction with related parties

For the six months ended June 30, 2021, no transaction had a material effect on the amounts of transactions with related parties published as of December 31, 2020.

Note 7. Dispute between the Group and Round Hill

As mentioned in the Registration Document that was approved by the Autorité des Marchés Financiers on May 7, 2021, 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 December 31, 2020. This provision has not changed over the first half of 2021.

Note 8. Subsequent events

Liquidity contract

Believe has appointed NATIXIS and ODDO BHF SCA to implement a liquidity contract, starting on July 13, 2021, for a period of one year tacitly renewable. This contract complies with the decision of the Autorité des marchés financiers (AMF) n°2021-01 of June 22, 2021 related to the establishment of liquidity contracts on shares as accepted by the market practice and the standard contract of the Association française des marchés financiers (AMAFI). This contract with NATIXIS ODDO BHF aims at improving Company's shares trading on the regulated market of Euronext Paris. €2 million have been allocated to the liquidity account.

Part 2: Review of the group's financial position and result

Disclaimer

This presentation contains forward-looking statements about Group's financial situation, results of operations and strategy. Although we believe these statements are based on reasonable assumptions, they are subject to numerous risks and uncertainties, including matters not yet known to us or not currently considered material by us, and there can be no assurance that anticipated events will occur or that the objectives set out will actually be achieved. More detailed information on the potential risks that could affect our financial results is included in the Registration Document that was approved by the *Autorité des Marchés Financiers* on May 7, 2021. Other than required by law, the Group does not undertake any obligation to update forward-looking statements in light of new information or future developments. At the date of publication of this report, this description remains valid and makes it possible to assess the main risks and uncertainties for the remaining six months of 2021.

Readers are invited to read the following information on the Group's results together with the Group's condensed consolidated interim financial statements for the period from January 1st, 2021 to June 30, 2021.

The condensed consolidated interim financial statements of the Group for the period from January 1st, 2021 to June 30, 2021 have been subject to a limited review by the Company's Statutory Auditors. The limited review report of the Statutory Auditors on the interim condensed consolidated financial statements is set out on page 3 of this document.

Analysis of results for the semester ended June 30, 2021 and June 30, 2020

Key indicators of the consolidated statement of profit or loss	**Six months ended June 30, 2021**	**Six months ended June 30, 2020**
(€ million)		
Revenue	260.1	195.9
Cost of sales	(173.0)	(130.8)
Sales and marketing expenses	(62.0)	(54.3)
Technology and product expenses	(15.4)	(9.4)
General and administrative expenses	(17.4)	(18.4)
Other operating income (expense)	(6.2)	0.3
Operating income	**(13.9)**	**(16.8)**
Financial income	**(5.0)**	**(0.5)**
Income before tax	**(19.4)**	**(17.7)**
Income tax	(0.2)	(2.7)
Net income (loss)	**(19.6)**	**(20.5)**
Adjusted EBITDA	**7.0**	**(5.5)**

1. Revenue

The Group's consolidated revenue rose €64.3 million (32.8 %) during the semester ended on June 30, 2021, from €195.9 million for the semester ended on June 30, 2020 to €260.1 million for the semester ended on June 30, 2021.

The table below shows the reconciliation of revenue to organic revenue at current exchange rates, as well as the growth rates for the semester ended June 30, 2021 and June 30, 2020:

(€ million)	Six months ended June 30, 2021	Change H1 2020 – H1 2021		Six months ended June 30, 2020
		€ million	As %	
Consolidated revenue	**260.1**	**64.3**	**32.8%**	**195.9**
Change of perimeter	(7.0)	(7.0)	-	-
Organic revenue at current exchange rates	**253.1**	**57.2**	**29.2%**	**195.9**
Foreign exchange effect	1.7	1.7	-	-
Organic revenue at constant exchange rates	**254.8**	**58.9**	**30.1%**	**195.9**

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 organization of music events, neighboring rights, synchronization and brand partnerships) is as follow:

(€ million)	Six months ended June 30, 2021	Change H1 2020 – H1 2021		Six months ended June 30, 2020
		€ million	As %	
Digital sales	236.1	59.7	33.8%	176.4
Other	24.0	4.6	23.5%	19.5
Consolidated revenue	**260.1**	**64.3**	**32.8%**	**195.9**

The change in consolidated revenue during the semester ended June 30, 2021 primarily reflects the organic growth at current exchange rates of 29.2%[1] (€253.1 million), and the positive impact of the acquisitions purchased after the semester ended June 30, 2020, i.e., the acquisition of a majority interest (60%) in the DMC label in Turkey in July 2020, which generated an additional consolidated revenue growth of 3.6% or €7.0 million (see Note 2.3 to the Group's consolidated financial statements for the years ended 2020, 2019, 2018 including in the registration document).

The group recorded a growth in revenue from digital sales of 33.8% compared with the semester ended June 30, 2020. This was mainly driven by the growth in the digital music market, which is benefiting from favorable structural trends (see paragraph 5.5.1 « Market trends » of the registration document). 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, and on the growth and performance of its catalogue.

Revenue from the Group's non-digital sales increased by 23.5% in the semester ended June 30, 2021, driven mainly by the recovery in physical sales in shops, linked to the gradual lifting of lockdown measures in certain countries such as France in particular since the beginning of 2021, whereas the implementation of these measures had significantly affected the Group's revenue in the semester ended June 30, 2020, and also by the increase in sales of derivative products and brands partnerships.

In the semester ended June 30, 2021, America and Asia/Oceania/Africa/ Rest of Europe represented 14.3%, 21.7% and 29% of the Group's revenue. The change in the revenue is explained by the positive impact of the resumption of the Group's digital sales activities related to free services funded by advertising offers (notably Youtube) and commercial investment relating to the team's structuration. France recorded 16.7% of the Group's revenues due to the very good performance of the Artist Service offers relating to top artists and established artists. In Germany, which accounted for 18.3% of the Group's revenue, revenues were impacted by ongoing reorganization of the activities to optimize digital distribution and reduce exposure to physical distribution.

[1] Organic growth at current exchange rates corresponds to revenue growth at constant scope presented at current exchange rates, i.e., not adjusted of the impact of exchange rate fluctuations. Like-for-like revenue growth corresponds to revenue generated in semester N by all companies included in the Group's scope of consolidation during the semester ended June 30, of year N-1 (excluding any contribution from companies acquired after the semester ended June 30, 2020), compared to revenue generated in semester June 30, 2020 by the same companies, regardless of when they entered the Group's scope of consolidation.

Change in revenue by operating segment

(€ million)	Six months ended June 30, 2021	Change H1 2020 – H1 2021		Six months ended June 30, 2020
		€ million	As %	
Premium solutions	243.1	61.8	34.1%	181.3
Automated solutions	17.0	2.5	17.1%	14.6
Consolidated revenue	**260.1**	**64.3**	**32.8%**	**195.9**

Premium Solutions

Revenue generated by the Premium Solutions segment rose €61.8 million for the semester ended June 30, 2021, i.e., 34.1%, from €181.3 million for the semester ended June 30, 2020 to €243.1 million for the semester ended June 30, 2021.

The change in revenue generated by the Premium Solutions segment for the semester ended June 30, 2021 was primarily driven by the growth in the digital music market and the growth and performance of the Group's catalogue, in a context of recovery in advertising expenditure by advertisers, which had been negatively impacted by the Covid-19 pandemic, which had affected the Group's digital sales activities linked to free services funded by advertising. The Group also recorded an increase in revenue from non-digital sales, driven mainly by the recovery in sales of physical media in shops, following the gradual lifting of lockdown measures in certain countries since the beginning of 2021, whereas the implementation of these measures had significantly impacted the Group's revenue in the semester ended June 30, 2020 and by the growth in the sales of derivative products and brand partnerships.

Automated Solutions

Revenue generated by the Automated Solutions segment rose €2.5 million for the semester ended June 30, 2021, i.e., 17.1% (or 26% at constant exchange rates, as TuneCore revenue is recorded in US dollars), from €14.6 million for the semester ended June 30, 2020, to €17.0 million for the semester ended June 30, 2021.

This increase is mainly due to the growth in paid subscriptions to the Group's TuneCore platform, resulting from the implementation of an international strategic development and the recovery of advertising expenditure by advertisers, which affected positively 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.

2. Cost of sales

The Group's cost of sales increased by €42.3 million (32.3%) during the semester ended June 30, 2021, from €130.8 million for the semester ended June 30, 2020 to €173.0 million for the semester ended June 30, 2021.

The change in cost of sales during the semester ended June 30, 2021 is mainly due to the increase in the total amounts paid by the Group to artists and labels, in line with the growth in revenue relating to the content of the Group's catalogue for the reasons described in paragraph 1 "Revenue" above.

3. Sales and marketing expenses

The Group's sales and marketing expenses rose €7.7 million (or 14.2%) for the semester ended June 30, 2021, from €54.3 million for the semester ended June 30, 2020 to €62.0 million for the semester ended June 30, 2021.

The change in sales and marketing expenses in the semester ended June 30, 2021 is essentially explained by the substantial investments made by the Group to recruit staff during the year 2020, with an increase in costs that nevertheless remains lower than the significant growth in revenue over the period.

4. Technology and product expenses

The Group's technology and product expenses were up €5.9 million (or 62.9%) during the semester ended June 30, 2021, from €9.4 million for the semester ended June 30, 2020 to €15.4 million for the semester ended June 30, 2021.

The change in technology and product expenses for the semester ended June 30, 2021 was driven by the impact of the full-year effect of substantial investments made in the development of its central technology platform in 2020, as well as the impact of the recruitment of staff.

5. General and administrative expenses

The Group's general and administrative expenses declined by €1.0 million (or -5.3%) for the semester ended June 30, 2021, from €18.4 million for the semester ended June 30, 2020 to €17.4 million for the semester ended June 30, 2021.

The decrease in general and administrative expenses during the semester ended June 30, 2021 is mainly driven by a decrease in fees paid by the group partially offset by an increase of the support functions of the support functions of the support functions of the support functions of the support functions of the support functions of the support functions over this half-year linked to the strengthening of support functions carried out in 2020 and intended to support the growth of the Group's activities.

6. Other operating income (expense)

Other operating income (expense) of the Group increased by €6.5 million for the semester ended June 30, 2021, from a net profit of €0.3 million for the semester ended June 30, 2020 to a net expense of €6.2 million for the semester ended June 30, 2021. Other operating income (expense) of the semester ended June 30, 2021 mainly includes (i) €5.4 million in expense related to the admission of shares to trading on the French regulated market, and (ii) €0.5 million in expense related to the Group's organizational and legal structuring.

Other operating income (expense) for the semester ended June 30, 2020 mainly included (i) income of €1.7 million related to the unwinding of a VAT tax risk that had been expensed in 2019 (this risk is now extinguished as of December 30, 2020) and (ii) expenses related to the organizational and legal structuring of the Group.

7. Operational income

The continued Group's significant business development during the semester ended June 30, 2021 required the completion of substantial investments, which led to a sharp increase in the Group's operating expenses[2] (in particular sales and marketing expenses, see paragraph 3 above), from €81.9 million for the semester June 30, 2020 to €101.1 million for the semester ended June 30, 2021 (+ 23.4%).

The significant growth in the Group’s revenue, which rose from €195.9 million for the semester ended June 30, 2020 to €260.1 million for the semester ended June 30, 2021, i.e., 32.8% (see paragraph 1 « Revenue » above) was notably enabled by substantial investment made in 2020 and which are continuing in 2021.

As a result of the changes described in the paragraphs above, operational income improved by €2.8 million for the semester ended June 30, 2021, from a net operational loss of €16.8 million for the semester ended June 30, 2020 to a net operational loss of €13.9 million for the semester ended June 30, 2021.

8. Net financial expense

The Group's net financial expense went from an expense of €0.5 million for the semester ended June 30, 2020 to an expense of €5.0 million for the semester ended June 30, 2021.

(€ million)	**Six months ended June 30, 2021**	**Six months ended June 30, 2020**
Cost of financial debt	(1.7)	(0.9)
Other financial income (expenses)	(3.3)	0.4
Total net financial expense	**(5.0)**	**(0.5)**

The change in net financial expense for the semester ended June 30, 2021 primarily reflects (i) the increase in the cost of financial debt by €0.7 million, from €0.9 million in the semester ended June 30, 2020 to €1.7 million in the semester ended June 30, 2021, mainly due to the accelerated amortization of the fees related to the revolving credit facility made available to the Company under the credit agreement entered into on September 27, 2018 (as amended by an amendment dated December 9, 2019) which had been capitalized in view of the potential refinancing transaction contemplated in the context of the proposed IPO; and (ii) the increase in other financial income and expenses of €3.7 million, mainly relating to foreign exchange losses net of foreign exchange gains.

[2] Operating expenses include sales and marketing expenses, technology and product expenses and general and administrative expenses.

9. Income before tax

The Group's income before tax decreased by €1.7 million for the semester ended June 30, 2021, from a loss before tax of €17.7 million for the semester ended June 30, 2020 to a loss before tax of €19.4 million for the semester ended June 30, 2021.

The change in income before tax for the semester ended June 30, 2021 was mainly driven by changes in operating income and net financial expense described in paragraphs 7 and 8 above.

10. Income tax

The Group's income tax declined by €2.6 million for the semester ended June 30, 2021, from €2.7 million for the semester ended June 30, 2020 to €0.2 million for the semester ended June 30, 2021.

For the semester ended June 30, 2021, the income tax expense is primarily due to taxable income tax expense being substantially in line with the deferred tax income recognized on losses for the period.

For the semester ended June 30, 2020, the income tax expense is primarily due to taxable income tax expenses exceeding deferred tax income recognized on losses for the period and the review of certain deferred tax assets.

11. Net income (loss)

As a result of the changes described in the paragraphs above, the Group's net income increased by €0.9 million for the semester ended June 30, 2021, from a net loss of €20.5 million for the semester ended June 30, 2020 to a net loss of €19.6 million for the semester ended June 30, 2021.

12. Adjusted EBITDA

The Group's adjusted EBITDA increased by €12.5 million during the semester ended June 30, 2021, from a loss of €5.5 million for the semester ended June 30, 2020 to a profit of €7.0 million, i.e. 2.7 % of revenue, for the semester ended June 30, 2021.

The change in the Group's adjusted EBITDA in the semester ended June 30, 2021 was primarily driven by growth in the Premium Solutions business partially offset by increased operating costs in the Central Platform.

The increase in the Group's adjusted EBITDA for the semester ended June 30, 2021 is explained by (i) the strong growth in revenue of 32.8%, which rose from €195.9 million for the semester ended June 30, 2020 to €260.1 million for the semester ended June 30, 2021 and (ii) an increase in cost for 25.7%, including full-year effect of substantial investment, which rose from €201.4 million for the semester ended June 30, 2020 to €253.2 million for the semester ended June 30, 2021.

Change in adjusted EBITDA by operating segment

(€ million)	Six months ended June 30, 2021	Change H1 2020 – H1 2021		Six months ended June 30, 2020
		€ million	As %	
Premium solutions	32.0	16.0	100.3%	16.0
Automated solutions	2.5	(0.1)	-2.1%	2.6
Central Platform [(1)]	(27.5)	(3.4)	14.2%	(24.1)
Adjusted EBITDA	**7.0**	**12.5**	**-226.6%**	**(5.5)**

(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 solution

The adjusted EBITDA generated by the Premium Solutions segment up by €16.0 million (or +100.3%) for the semester ended June 30, 2021, from €16.0 million for the semester ended June 30, 2020 to €32.0 million for the semester ended June 30, 2021.

The change in the adjusted EBITDA of the Premium Solutions segment in the semester ended June 30, 2021 was mainly driven by the strong growth in revenue of this segment (see paragraph 1 "Revenue" above). This fully offset the significant increase in sales and marketing expenses related to the investments made to support the growth in the Group's Premium Solutions segment, even generating a surplus.

Automated solutions

The adjusted EBITDA generated by the Automated Solution segment decreased by €0.1 million (-2.1%) for the semester ended June 30, 2021, from €2.6 million for the semester ended June 30, 2020 to €2.5 million for the semester ended June 30, 2021.

The change in adjusted EBITDA for the Automated Solutions in the semester ended June 30, 2021 was adversely affected by a negative foreign exchange effect. Excluding this effect, the stability of adjusted EBITDA is mainly explained by the semester 2021 impact of the marketing and sales investments made during 2020 to support the deployment of the Automated Solutions offering internationally and the development of new services and technological investments.

Central platform

The Central Platform costs included in the Group's consolidated adjusted EBITDA increased by 14.2% during the semester ended June 30, 2021, from €24.1 million for the semester ended June 30, 2020 to €27.5 million for the semester ended June 30, 2021.

The increase in the central platform costs included in adjusted EBITDA is the result of the semester 2021 of substantial investment made by the group in 2020.