Deezer S.A.

Limited liability company (*société anonyme*) with a share capital of €128,535.25

Registered Office:
12, rue d'Athènes
75009 Paris, France
511 716 573 Paris Trade and Companies Register

REGISTRATION DOCUMENT

In accordance with its General Regulations (*Règlement Général*) and, in particular Article 212-23 thereof, the *Autorité des marchés financiers* (the "AMF") registered this Registration Document on September 21, 2015 under number I.15-068. This document may not be used in the context of any securities offering unless completed by a Securities Note in respect of which the AMF has granted a visa. The Registration Document has been prepared by the issuer, and its signatories therefore assume responsibility for its contents.

This registration was granted after the AMF had verified that the document is complete and comprehensible and that the information it contains is coherent, in accordance with the provisions of Article L. 621-8-1-I of the French Monetary and Financial Code. It does not imply that the AMF has verified the accounting and financial information presented herein. The Registration Document is publicly available on the website of the AMF (www.amf-france.org). Copies of the Registration Document may also be obtained free of charge at Deezer S.A.'s registered office at 12 rue d'Athènes – 75009 Paris, France, as well as on the website of Deezer S.A., (www.deezer.com/company).

NOTE

In this Registration Document, the terms the "Company" and "Deezer S.A." mean the Deezer S.A. parent company itself. The terms "Deezer" and the "Group" mean the Company and its consolidated subsidiaries, collectively. Prior to the reorganization transaction described in Chapter 5.1.6, the name of the Company was Odyssey Music Group S.A. The name change was effective as of September 4, 2015. All references herein to "$" are to United States dollars.

This Registration Document describes the Group as of the registration date of this Registration Document.

This Registration Document includes the Group's consolidated financial statements prepared in accordance with IFRS for the fiscal years ended December 31, 2014, 2013 and 2012 and the Group's interim condensed consolidated financial statements as of and for the six months ended June 30, 2015 and June 30, 2014 prepared in accordance with IAS 34, "Interim Financial Information," the IFRS standard applicable to interim reporting.

Unless otherwise indicated, the financial information of the Group presented herein is based on the consolidated financial statements of the Group.

Forward-looking Statements

This Registration Document contains statements regarding the prospects and growth strategies of the Group. These statements are sometimes identified by the use of the future or conditional tense, or by the use of forward-looking terms such as "considers", "envisages", "believes", "aims", "expects", "intends", "should", "anticipates", "estimates", "thinks", "wishes" and "might", or, if applicable, the negative form of such terms and similar expressions or similar terminology. Such information is not historical in nature and should not be interpreted as a guarantee of future performance. Such information is based on data, assumptions, and estimates that the Group considers reasonable. Such information is subject to change or modification based on uncertainties in the economic, financial, competitive or regulatory environments. This information is contained in several chapters of this Registration Document and includes statements relating to the Group's intentions, estimates and targets with respect to its markets, strategies, growth, results of operations, financial situation and liquidity. The Group's forward- looking statements speak only as of the date of this Registration Document. Absent any applicable legal or regulatory requirements, the Group expressly disclaims any obligation to release any updates to any forward-looking statements contained in this Registration Document to reflect any change in its expectations or any change in events, conditions or circumstances, on which any forward-looking statement contained in this Registration Document is based. The Group operates in a competitive and rapidly evolving environment; it is therefore unable to anticipate all risks, uncertainties or other factors that may affect its business, their potential impact on its business or the extent to which the occurrence of a risk or combination of risks could have significantly different results from those set out in any forward-looking statements, it being noted that such forward-looking statements do not constitute a guarantee of actual results.

Information on the Market and Competitive Environment

This Registration Document contains, in particular in Chapter 6, "Business Overview", information relating to the Group's markets and to its competitive position. Some of this information comes from research conducted by outside sources, including a Deezer-commissioned study conducted in July 2015 by Enders Analysis Limited ("Enders"). The Company believes that the information contained herein in relation to the Group's markets and competitive position is reliable, but the information has not been verified by an independent expert, and the Company cannot guarantee that a third party using different methods to collect, analyze or compute market data would arrive at the same results. Unless otherwise indicated, the information contained in this Registration Document related to market shares and the size of relevant markets are the Group's estimates and are provided for illustrative purposes only.

Risk Factors

Investors should carefully consider the risk factors in Chapter 4, "Risk Factors". The occurrence of all or any of these risks could have an adverse effect on the Group's business, reputation, results of operation, financial condition or prospects. Furthermore, additional risks that have not yet been identified or that are not considered material by the Group at the date of the visa on this Registration Document could produce adverse effects.

TABLE OF CONTENTS

1. PERSONS RESPONSIBLE

1.1 NAME AND POSITION OF THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

Hans-Holger Albrecht, Chief Executive Officer of Deezer S.A.

1.2 CERTIFICATION OF THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

I hereby certify, having taken all reasonable measures to this effect, that the information contained in this Registration Document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I have obtained from the statutory auditors a letter of completion of their work (*lettre de fin de travaux*) in which they state that they have verified the information relating to the financial situation and accounts presented in this Registration Document, and have read the Registration Document in its entirety.

The auditors' report of September 16, 2015 on the consolidated financial statements as of and for the years ended December 31, 2014, 2013 and 2012 is included in in Annex II, "Statutory Auditor's Report on the Group Consolidated Annual Financial Statements", of this Registration Document. The statutory auditor's limited report of September 16, 2015 on the Group interim condensed consolidated financial statements as of and for the six months ended June 30, 2015 and 2014 is included in Annex IV "Statutory Auditor's Report on the Group Interim Condensed Consolidated Financial Statements"

1.3 NAME AND POSITION OF THE PERSON RESPONSIBLE FOR FINANCIAL INFORMATION

Ivan Tortet,
Chief Financial Officer of Deezer S.A.
12, rue d'Athènes – 75009 Paris, France
Tel: +33 (0)1 55 80 69 00

2. STATUTORY AUDITORS

2.1 STATUTORY AUDITORS

Ernst & Young Audit

Represented by Franck Sebag
1/2 place des Saisons, 92400 Courbevoie- Paris La Défense 1

Ernst & Young Audit is a member of the *Compagnie Régionale des Commissaires aux Comptes de Versailles* (the Regional Association of Auditors of Versailles).

Erik Decourtray

19 rue des Vosges, 92500 Rueil Malmaison

Erik Decourtray is a member of the *Compagnie Régionale des Commissaires aux Comptes de Versailles* (the Regional Association of Auditors of Versailles).

Ernst & Young Audit's initial appointment as statutory auditor was approved by the general shareholders' meeting of the Company on July 22, 2009 and Erik Decourtray's initial appointment as statutory auditor was approved by the general shareholders' meeting of the Company on April 9, 2009, and the appointments were each renewed by the Company's general shareholders' meeting on June 30, 2015 for a six-year term, which will end at the close of the shareholders' meeting called to approve the financial statements for the fiscal year ending on December 31, 2020.

2.2 ALTERNATE STATUTORY AUDITORS

AUDITEX S.A.S. (substitute to Ernst & Young Audit)

11 Allée de l'Arche, 92400 Courbevoie

AUDITEX S.A.S. is a member of the *Compagnie Régionale des Commissaires aux Comptes de Versailles* (the Regional Association of Auditors of Versailles).

Jean-Loïc Lefaucheux (substitute to Mr. Erik Decourtray)

27 chemin des Verrières, 69260 CHARBONNIERES LES BAINS

Jean-Loïc Lefaucheux is a member of the *Compagnie Régionale des Commissaires aux Comptes de Lyon* (the Regional Association of Auditors of Lyon).

The appointments of AUDITEX S.A.S and Jean-Loic Lefaucheux as substitute statutory auditors were renewed by the Company's general shareholders' meeting on June 30, 2015 for a six-year term, which will end at the close of the shareholders' meeting called to approve the financial statements for the fiscal year ending on December 31, 2020.

3. SELECTED FINANCIAL INFORMATION

The tables below present selected financial information of Deezer and, with respect to the income statement and other data, as of and for the periods ended on the dates indicated below.

Unless otherwise indicated, the selected financial information as of and for the years ended December 31, 2014, 2013 and 2012 has been derived from Deezer's consolidated financial statements included in Annex I, "Group Consolidated Annual Financial Statements". These consolidated financial statements have been prepared in accordance with IFRS as adopted by the European Union and have been audited by Ernst & Young Audit and Erik Decourtray, statutory auditors. The statutory auditor's report on these consolidated financial statements is included in in Annex II, "Statutory Auditor's Report on the Group Consolidated Annual Financial Statements". The selected financial information as of and for the six months ended June 30, 2015 and June 30, 2014 has been derived from Deezer's interim condensed consolidated financial statements as of and for the six months ended June 30, 2015 and June 30, 2014, prepared under IAS 34, "Interim Financial Information," the IFRS standard applicable to interim reporting, and included in Annex III, "Group Interim Condensed Consolidated Financial Statements". The statutory auditor's limited review report thereon is included in Annex IV "Statutory Auditor's Report on the Group Interim Condensed Consolidated Financial Statements".

The information in this section should be read together with (i) Deezer's consolidated financial statements contained in Annex I, "Group Consolidated Annual Financial Statements", (ii) Deezer's interim condensed consolidated financial statements contained in Annex III, "Group Interim Condensed Consolidated Financial Statements", (iii) Deezer's analysis of its results presented in Chapter 9, "Operating and Financial Review", and (iv) Deezer's analysis of its liquidity and capital resources presented in Chapter 10, "Capital Resources".

3.1 SELECTED FINANCIAL INFORMATION

3.1.1 Selected Consolidated Income Statement Information

	Year ended December 31,			Six months ended June 30,	
	2014	**2013**	**2012**	**2015**	**2014**
			(*in € thousands*)		
Revenue	141,923	92,800	63,565	93,219	66,137
Gross margin(1)	22,130	2,233	5,542	16,531	9,228
EBITDA(2)	(20,958)	(38,507)	(11,147)	(10,981)	(11,152)
Operating loss(3)	(26,974)	(22,514)	(29,132)	(12,196)	(12,741)
Loss for the period	**(27,175)**	**(22,059)**	**(28,846)**	**(8,969)**	**(12,819)**

(1) Includes the impact of minimum guaranteed payment obligations under Deezer's licensing agreements with record labels. Pursuant to some of Deezer's licensing arrangements, Deezer has been required to pay record labels minimum guaranteed payments. The minimum guaranteed payments are generally paid in part in advance and in part over the term of the license agreement. They are offset against total royalties owed under the agreements. In 2012, Deezer entered into agreements providing for minimum guaranteed payments that exceeded the anticipated amount of royalties that Deezer expected to be payable based on expected usage, which negatively impacted Deezer's gross margin for 2012 and 2013, and to a lesser extent 2014. Deezer agreed to these minimum guaranteed payments in part to support its international growth strategy at the time. Increased minimum guaranteed payments were required to extend Deezer's content licenses to new territories where it hoped to generate sufficient subscriber and revenue growth to allow it to recoup such minimum guaranteed payments in the future. Deezer's gross margin excluding impact of the minimum guarantee charge

was €24.1 million, €15.4 million and €10.9 million for the years ended December 31, 2014, 2013 and 2012, respectively, and €17.1 million and €12.5 million for the six months ended June 30, 2015 and 2014, respectively. See Chapter 9.3.2, "Minimum Guaranteed Payments".

(2) EBITDA is equal to gross margin less product and development expenses, sales and marketing expenses and general and administrative expenses. The definition of EBITDA used by Deezer may not be comparable to similar terms used by other companies.

(3) Includes depreciation, amortization and provisions relating to minimum guaranteed payment obligations. See Chapter 9.3.2, "Minimum Guaranteed Payments".

3.1.2 Selected Information by Segment

In accordance with IFRS 8 – "Operating Segments", Deezer reports its results of operations for five geographical segments: France, Europe, Latin America, Rest of World, and United States. The following table sets forth the revenues and EBITDA by segment for the years ended December 31, 2014, 2013 and 2012 and the six months ended June 30, 2015 and 2014.

	Year ended December 31,			Six months ended June 30,	
	2014	**2013**	**2012**	**2015**	**2014**
	(*in € thousands*)				
Revenues					
France	74,171	60,806	56,468	43,811	36,222
Europe[1]	40,777	22,293	6,183	31,392	17,971
Latin America	21,451	5,211	69	14,031	8,650
United States	231	--	--	1,728	--
Rest of World	5,257	4,501	844	2,256	3,265
HQ[2]	36	(11)	--	--	29
Total revenues	**141,923**	**92,800**	**63,565**	**93,219**	**66,137**

Contribution to the margin[3]

(in thousands of euros)	Year ended December 31,			Six months ended June 30,	
	2014	**2013**	**2012**	**2015**	**2014**
France:					
Contribution to the margin (*before equal allocation of corporate expenses*)	11,723	7,614	8,180	8,488	6,124
EBITDA (*after equal allocation of corporate expenses*)	7,043	3,770	5,123	5,547	3,716
Europe:					
Contribution to the margin (*before equal allocation of corporate expenses*)	(5,193)	(11,397)	(5,803)	(2,989)	(2,030)
EBITDA (*after equal allocation of corporate expenses*)	(9,873)	(15,242)	(8,860)	(5,931)	(4,438)

Contribution to the margin(3)

(in thousands of euros)	Year ended December 31,			Six months ended June 30,	
	2014	**2013**	**2012**	**2015**	**2014**
Latin America:					
Contribution to the margin (*before equal allocation of corporate expenses*)	(924)	(9,149)	(56)	955	(2,067)
EBITDA (*after equal allocation of corporate expenses*)	(5,605)	(12,994)	(3,113)	(1,987)	(4,475)
United States:					
Contribution to the margin (*before equal allocation of corporate expenses*)	(2,927)	(247)	--	(2,766)	(456)
EBITDA (*after equal allocation of corporate expenses*)	(7,607)	(4,092)	--	(5,707)	(2,864)
Rest of World:					
Contribution to the margin (*before equal allocation of corporate expenses*)	(234)	(6,105)	(1,240)	38	(683)
EBITDA (*after equal allocation of corporate expenses*)	(4,914)	(9,949)	(4,297)	(2,903)	(3,091)
Total segment contribution to EBITDA before corporate expenses	**2,446**	**(19,284)**	**1,081**	3,726	888
Corporate expenses(4)	(23,404)	(19,223)	(12,229)	(14,706)	(12,040)
EBITDA	**(20,958)**	**(38,507)**	**(11,147)**	**(10,981)**	**(11,152)**

(1) Includes revenues from all of Deezer's European markets outside of France.

(2) Headquarter revenue comprises revenue recognized from the reinvoicing of miscellaneous costs.

(3) "Contribution to the margin" for each segment is equal to the segment's contribution to EBITDA before or after the allocation of corporate expenses, as the case may be. Corporate expenses are equally allocated among the geographical segments. See Chapter 9.4.2, "Corporate Expenses".

(4) Corporate expenses comprise product and development expenses, sales and marketing expenses and general and administrative expenses that are not attributable to a specific country. Deezer considers that the costs recorded as corporate expenses represent a shared pool of expenses that benefits all segments equally, as no one segment receives a disproportionately greater benefit than other segments. For example, corporate expenses include personnel costs for computer programmers and data scientists that develop and maintain Deezer's IT infrastructure as well as marketing and support functions related to Deezer's global business (e.g., fees payable under worldwide publicity contracts). See Chapter 9.4.2, "Corporate expenses".

3.1.3 Selected Consolidated Balance Sheet Information

	As of December 31,			As of June 30,	
	2014	**2013**	**2012**	**2015**	**2014**
	(in € thousands)				
Total non-current assets	13,776	6,217	9,207	12,730	13,776
Total current assets	62,028	74,491	84,588	68,627	62,028
Of which cash and cash equivalents	*33,231*	*37,933*	*66,342*	*37,618*	*33,231*
Total assets	**75,804**	**80,708**	**93,796**	**81,358**	**75,804**
Total equity	(6,566)	18,831	40,867	(14,234)	(6,566)
Total non-current liabilities	11,195	84	54	7,895	11,195
Total current liabilities	71,174	61,793	52,876	87,697	71,174
Of which trade and other payables	*50,827*	*48,666*	*26,868*	*66,748*	*50,827*
Total liabilities	**75,804**	**80,708**	**93,796**	**81,358**	**75,804**

3.1.4 Selected Consolidated Cash Flow Statement Information

	Year Ended December 31,			Six months ended June 30,	
	2014	**2013**	**2012**	**2015**	**2014**
	(in € thousands)				
Net cash (used in)/generated by operating activities	(2,852)	(27,597)	577	5,249	(19,042)
Net cash (used in)/generated by investing activities	(2,386)	(1,113)	(7,103)	(684)	(744)
Net cash (used in)/generated by financing activities	532	318	68,499	(178)	101
Change in net cash position	**(4,706)**	**(28,393)**	**61,973**	**4,387**	**(20,045)**

3.2 SELECTED OPERATING INFORMATION

3.2.1 Total Subscriber Base

	As of December 31,			As of June 30,	
	2014	2013	2012	2015	2014
Standalone subscribers[(1)]	1,298,151	692,486	377,812	1,538,561	931,562
Monthly active bundle subscribers[(2)(3)]	1,570,034	1,367,739	539,434	1,459,610	1,574,028
Total standalone and monthly active bundle subscribers	**2,868,185**	**2,060,225**	**917,246**	**2,998,171**	**2,505,590**
Monthly inactive bundle subscribers[(4)]	4,025,044	4,067,956	2,150,974	3,344,010	3,984,576
Total subscribers	**6,893,229**	**6,128,181**	**3,068,220**	**6,342,181**	**6,490,166**

(1) Standalone subscribers are subscribers who have opted to enroll in Deezer's service for a fee that is specifically charged for the service. This category is composed of direct standalone subscribers, who subscribe directly through Deezer's websites or mobile applications and pay the subscription price directly to Deezer, and indirect standalone subscribers, who opt to subscribe to Deezer's service through its distribution partners. See Chapter 6.5.3, "Distribution Channels".

(2) Bundle subscribers are automatically granted access to Deezer's service at no additional cost to them when they purchase specified products or services from Deezer's telecom and internet service partners. See Chapter 6.5.3, "Distribution Channels". Monthly active bundle subscribers are bundle subscribers who have played at least one stream of 30 seconds or more on Deezer's service in the previous month. Accordingly, the number of monthly active bundle subscribers may fluctuate from month to month as users who are inactive in one month may be active in the next, and vice versa.

(3) Includes all revenue-generating monthly active bundle subscribers, irrespective of the calculation methodology by which payments from the relevant distribution partner to Deezer in respect of such subscribers are determined. Depending on the terms of the relevant distribution partnership agreement, Deezer receives payment primarily based on the total number of subscribers in that bundle, without regard to activity levels, or primarily based on the total number of monthly active bundle subscribers. See Chapter 6.5.3, "Distribution Channels".

(4) Includes both revenue-generating and non-revenue-generating monthly inactive bundle subscribers. Monthly inactive bundle subscribers are bundle subscribers who have not played at least one stream of 30 seconds or more on Deezer's service in the previous month. See Chapter 6.5.3, "Distribution Channels".

3.2.3 Revenue-Generating Subscribers

	As of December 31,			As of June 30,	
	2014	2013	2012	2015	2014
Standalone and monthly active bundle subscribers[(1)]	2,868,185	2,060,225	917,246	2,998,171	2,505,590
Revenue-generating monthly inactive bundle subscribers[(2)]	1,008,184	1,099,269	266,658	795,855	1,059,124
Total revenue-generating subscribers[(3)]	**3,876,369**	**3,159,494**	**1,183,904**	**3,794,026**	**3,564,714**
Total revenue-generating subscribers as % of total subscribers[(4)]	*56%*	*52%*	*39%*	*60%*	*55%*

(1) See notes (1) through (4) in Section 3.2.1, "Total Subscriber Base", above.

(2) Consists of revenue-generating monthly inactive bundle subscribers in respect of whom Deezer is paid mainly based on the total number of subscribers, without regard to activity level. See Chapter 6.5.3, "Distribution Channels".

(3) This includes only standalone and other revenue-generating bundle subscribers. Users of Deezer's advertising-supported free service are not included as revenue-generating subscribers or as part of the total subscriber base in the table under Section 3.2.1, "Total Subscriber Base" because by definition users of the advertising-supported free service do not pay any subscription fee and no fee is paid by distribution partners in respect of such subscriptions. See Chapter 6.5.1.4 "Advertising-supported free service".

(4) See notes (1) through (4) in Section 3.2.1, "Total Subscriber Base", above. The number of monthly active bundle subscribers and revenue-generating monthly inactive bundle subscribers may fluctuate from month to month as users who are inactive in one month may be active in the next, and vice versa. As such, these figures apply only to the month immediately preceding the relevant date.

3.2.4 Total Revenues by Category

	For the year Ended December 31,			For the six months ended June 30,	
	2014	2013	2012	2015	2014
	(in € thousands)				
Revenue – Standalone subscriptions[(1)]	64,704	35,177	13,618	46,558	29,367
Revenue – Bundles subscriptions [(2)]	70,246	49,904	42,201	39,492	33,882
Revenue – Advertising	5,349	5,723	7,358	3,451	2,254
Other revenue[(3)]	1,624	1,996	388	3,718	633
Total revenues	**141,923**	**92,800**	**63,565**	**93,219**	**66,137**

(1) Revenues generated from standalone subscribers. See note (1) in Section 3.2.1, "Total Subscriber Base", above.

(2) Consists of revenues generated from monthly active bundle subscribers and revenue-generating monthly inactive bundle subscribers. See notes (2) and (3) in Section 3.2.1, "Total Subscriber Base", and note (2) in Section 3.2.2, "Revenue-Generating Subscribers", above.

(3) Includes revenues generated by Deezer from the soundproofing of commercial premises and from the sale of access codes for Deezer's service to commercial partners.

3.2.5 Monthly Average Revenue Per Subscriber (ARPU)

(*in euros*)	For the year ended December 31		For the six months ended June 30,	
	2014	2013	2015	2014
Standalone subscribers[(1)]	€5.4	€5.5	€5.5	€6.0
Monthly active bundle subscribers[(1)]...	€4.0	€4.4	€4.3	€3.8

(1) Calculated as (x) total subscription revenues from the applicable type of subscribers for a given period, (y) divided by the average of the number of subscribers of that type as of the end of the relevant period and the end of the immediately preceding comparable period, and (z) divided by the number of months in that period.

3.2.6 Subscriber Information by Segment

	For the year ended December 31,			For the six months ended June 30,	
	2014	2013	2012	2015	2014
France:					
Standalone and monthly active bundle subscribers[(1)]...	**1,554,689**	**1,358,626**	**737,158**	**1,550,312**	**1,482,883**
Revenue-generating monthly inactive bundle subscribers[(1)] ..	--	--	--	--	--
Total revenue-generating subscribers France	**1,554,689**	**1,358,626**	**737,158**	**1,550,312**	**1,482,883**
Europe:					
Standalone and monthly active bundle subscribers[(1)]...	**568,553**	**414,256**	**161,950**	**702,768**	**553,289**
Revenue-generating monthly inactive bundle subscribers[(1)] ..	556,363	487,325	186,916	496,447	495,616
Total revenue-generating subscribers Europe................	**1,124,916**	**901,581**	**348,866**	**1,199,215**	**1,048,905**
Latin America:					
Standalone and monthly active bundle subscribers[(1)]...	**698,865**	**248,173**	**9,802**	**623,182**	**427,822**
Revenue-generating monthly inactive bundle subscribers[(1)] ..	309,509	142,544	15,516	253,039	312,975
Total revenue-generating subscribers Latin America ...	**1,008,374**	**390,717**	**25,318**	**876,221**	**740,797**
United States:					
Standalone and monthly active bundle subscribers[(1)]...	**5,659**	**--**	**--**	**67,984**	**--**

	For the year ended December 31,			For the six months ended June 30,	
	2014	**2013**	**2012**	**2015**	**2014**
Revenue-generating monthly inactive bundle subscribers[1] ..	--	--	--	--	--
Total revenue-generating subscribers United States......	**5,659**	**--**	**--**	**67,984**	**--**
Rest of World:					
Standalone and monthly active bundle subscribers[1]...	**40,419**	**39,170**	**8,336**	**53,925**	**41,596**
Revenue-generating monthly inactive bundle subscribers[1] ..	142,313	469,401	64,226	46,369	250,533
Total revenue-generating subscribers Rest of World	**182,731**	**508,571**	**72,562**	**100,294**	**292,129**
Total Group:					
Standalone and monthly active bundle subscribers[1]...	**2,868,185**	**2,060,225**	**917,246**	**2,998,171**	**2,505,590**
Revenue-generating monthly inactive bundle subscribers[1] ..	1,008,184	1,099,269	266,658	795,855	1,059,124
Total revenue-generating subscribers	**3,876,369**	**3,159,494**	**1,183,904**	**3,794,026**	**3,564,714**

(1) See notes (1) through (4) in Section 3.2.1"Total Subscriber Base", above.

4. RISK FACTORS

Investors should carefully consider all of the information set forth in this Registration Document, including the risk factors set forth in this Chapter. Such risks are, as of the date of this Registration Document, the risks that Deezer believes, were they to occur, could have a material adverse effect on its business, results of operations, financial condition and prospects. Investors should note that there may be other risks that have not yet been identified as of the date of this Registration Document, or whose occurrence, as of the date hereof, Deezer does not consider likely to have a material adverse effect on its business, results of operations, financial condition and prospects.

4.1 RISKS RELATED TO DEEZER'S BUSINESS AND INDUSTRY

4.1.1 Risks Related to the Market for On-Demand Audio Streaming

4.1.1.1 ***Deezer's business depends on increasing and continuing acceptance of on-demand streaming as a music delivery format.***

Deezer's success and continued growth depends on increasing acceptance of on-demand music streaming services by consumers, content producers and distribution partners. While analysts predict significant growth in this market (as described in further detail in Chapter 6.4, "Industry and Market Overview"), their predictions may prove to be erroneous. Consumers may prefer other methods and formats to on-demand music streaming services. If consumers migrate to the music streaming format more slowly than expected or decide to access music in other formats or through other delivery methods, it could make it more difficult for Deezer to grow its subscriber base, license attractive content, grow revenues or achieve profitability. Moreover, even if streaming achieves increasing acceptance and penetration, there is no assurance that this will continue. New music and audio delivery formats, including formats that do not exist today, may prove to be more successful and attract more listeners than on-demand audio streaming. If Deezer fails to anticipate changes in music delivery formats it may lose subscribers, in which case its business, results of operations, financial condition and prospects would be adversely affected.

4.1.1.2 ***The market for on-demand audio streaming services is new and rapidly evolving.***

The on-demand streaming music market is new and rapidly evolving, and its characteristics as it matures are uncertain. There is uncertainty regarding future developments in service pricing, service offerings, potential for differentiation of services, and potential consolidation of the streaming entertainment market. Deezer's business model was initially based mainly on subscription services offered in bundles through partners and has evolved towards being more focused on its standalone subscription offerings. The market may move toward advertising-supported models or other formats, or combined offerings of audio and video streaming. If the other models gain in prominence there can be no assurance that Deezer will be able to adapt its business model accordingly.

Moreover, certain features may emerge in the streaming market that may prove disadvantageous to Deezer. For example, if it becomes more prevalent that content rights are permanently or temporarily granted by rights holders on an exclusive basis to one or a small number of providers, the attractiveness of Deezer's services will depend on its ability to secure such exclusive rights. Even if Deezer is able to do so, the resulting costs may impact its margins and make it more difficult for Deezer to achieve profitability. Deezer plans to make substantial investments in marketing in the coming years, but those investments may not provide the anticipated return, or may not be fully recovered, if Deezer fails to anticipate the manner in which the streaming market develops in the markets in which Deezer operates.

4.1.1.3 ***Deezer operates in a highly competitive industry, and competitive pressures could affect its revenues and growth.***

Deezer operates in an intensely competitive industry. It faces significant competition from both established and newly-formed competitors and may face competition from new entrants in the future. Deezer competes in the market on the basis of a number of factors, including price, quality of user experience, amount, quality and relevance of content, brand awareness and reputation, accessibility, and features such as content recommendations. Deezer may fail to establish or maintain a sustainable competitive advantage in any or all of these categories, which could have a material adverse effect on its business, results of operations, financial condition and prospects.

Deezer directly competes with other providers of on-demand streaming services. Its principal competitor in the on-demand streaming market, Spotify, is larger and better known than Deezer in most of Deezer's markets. Apple has also recently launched Apple Music, an on-demand audio streaming service that offers similar content to Deezer's flagship Premium+ service and competes with Deezer's subscription offering. Apple's service benefits from a large potential subscriber base through iTunes and Apple's mobile devices, which include the Apple Music app preloaded as part of their operating systems. Based on a public statement from Apple, as of August 2015 Apple Music had approximately 11 million users who had registered to use its services on a free three month trial basis since its launch on June 30, 2015 (source: USA Today, August 6, 2015). It is too early to predict the ultimate effect of Apple's new service on the on-demand streaming market. Deezer also competes with the streaming services of Rhapsody, Rdio and Tidal (an artist-owned streaming service), among others.

Deezer's competitors also include online radio services, digital and satellite radio (such as Pandora and Sirius), terrestrial radio broadcasters, digital downloads, traditional physical music sales, and broader entertainment subscription services that offer television and films, such as Netflix and pay TV, as well as other forms of entertainment. Deezer's competitors may have greater scale and geographic coverage, more subscribers or listeners, longer-established relationships with rights holders, better access to content or more favorable pricing and economic arrangements, better subscriber data analysis and processing capacity, greater market penetration, greater financial, technical, marketing and personnel resources, more developed logistical and technological capabilities and greater brand name recognition. There can be no assurance that Deezer will be able to adapt its business or service offering to compete effectively with its competitors, particularly if the competitors offer similar services at a lower price, develop new added value features or services to improve subscriber engagement, provide enhanced financial opportunities to rights holders or if they achieve market penetration in key geographies more quickly than Deezer.

Deezer also competes with video streaming platforms such as YouTube, which offers uploaded music and video clips along with other forms of entertainment, and is highly popular with younger consumers and has many more users than streaming platforms. Large e-commerce, internet service and consumer electronics goods companies such as Amazon and Google either currently or may in the future offer music streaming or digital download services that compete directly with Deezer (e.g., Google Play Music and Amazon Prime Music). Moreover, new market entrants may appear with different competitive advantages or new music delivery formats, or Deezer's content providers may choose to expand their operations into music streaming and compete directly with Deezer. The recorded music market is also vulnerable to music piracy, and consumers may increasingly prefer free pirated content to music streaming services. If Deezer fails to compete effectively in the market for any reason, it may fail to grow its subscriber base, may lose market share and may fail to grow revenues or achieve profitability.

4.1.1.4 ***The audio streaming market may not develop in certain large markets where it is not yet widely accepted or where streaming rights are not available.***

Streaming penetration is currently relatively low in most markets. So far, streaming has achieved its greatest success in Sweden and Norway, where IFPI data shows that penetration rates (meaning the percentage of total recorded music revenues that are generated from subscription and advertising-based streaming) are 70% and 63%, respectively, but where Deezer does not have a significant presence (source: IFPI Digital Music Report 2015 (IFPI 2015)). Streaming penetration rates are only in the range of 3% to 19% in many other large developed markets, including France, the United Kingdom, Germany and the United States (source: IFPI 2015). These penetration rates must increase in order for the anticipated growth of the streaming market to occur. In addition, streaming is not widely accepted and streaming rights are only available to a limited extent in certain large geographic markets like Japan, India and China. There can be no assurance that streaming will achieve significant acceptance in markets where penetration rates are currently low. If streaming does become available or widely accepted in these markets, Deezer may be required to make very substantial investments and to adapt its service offerings in order to achieve success. If Deezer enters these markets and fails to provide an offering that is suited to consumer tastes, it may not earn a sufficient return on or recover these investments. If so, given the potentially substantial amounts involved, the impact on Deezer's results of operations may be particularly significant.

4.1.1.5 ***Economic downturns in the markets in which Deezer operates may adversely affect demand given that spending on streaming services is discretionary.***

Deezer's performance depends on global and regional economic conditions, which have historically shown significant volatility. Adverse economic developments typically have a negative impact on discretionary consumer spending, and spending on entertainment services that Deezer sells may be particularly sensitive to this effect. In economic downturns, free streaming and music entertainment services (such as YouTube) may attract more users than paid subscriptions offerings, which could adversely affect Deezer's business and results of operations given that its revenues are generated principally from paid subscription fees. In addition, economic downturns may negatively impact Deezer's partners in the telecommunications, internet, mobile and consumer electronics industries, which, in turn, may have an adverse effect on Deezer's revenues from distribution partnerships. Any of these developments could have an adverse effect on Deezer's business, financial condition and results of operations or negatively impact its ability to implement its business plan or achieve its performance objectives.

4.1.2 Risks Related to Content

4.1.2.1 ***If Deezer is unable to negotiate and maintain license agreements with rights holders on terms acceptable to it, or fails to comply with its obligations under its license agreements, its business could be adversely affected.***

Deezer's ability to provide its subscribers with musical and other audio content depends on reaching agreements with a large number of holders of copyrights for the sound recordings and the musical compositions (including the lyrics and musical scores) of its content. Deezer generally licenses rights through direct bilateral contracts with the relevant rights holders in its various geographic markets, including major music labels, large and small independent music labels, music publishers, copyright collection societies and artists. The terms and conditions of such licensing agreements vary for each category of rights holder and among rights holders of the same category and are different from one geographic market from another (see Chapter 6.5.4 "Content Licensing" for further information). In many instances, different terms and conditions apply to the content streamed as part of Deezer's free, paid subscription and promotional offers, and varying terms apply in different geographic markets. Deezer must devote significant resources to negotiating, establishing and monitoring its various licensing agreements and maintaining good relationships with rights holders, and such efforts may not be successful. Deezer is currently operating under ad hoc arrangements with some of the labels pending signature of a definitive agreement. If Deezer is unsuccessful in negotiating and maintaining licensing agreements with one or more recording rights holders on terms acceptable to it, it could have a significant adverse effect on Deezer's ability to provide quality content to subscribers. In addition, a failure to comply with the terms of the license agreements, including for example, a failure to accurately calculate the royalties owed for music streamed on Deezer's platform, may result in the cancellation of the agreement or an imposition of penalties or other liquidated damages pursuant to the terms of the contracts. See Section 4.1.2.5, *"Payments under Deezer's licensing arrangements and partnership agreements are subject to adjustment following audits"*. Similarly, disagreements over the interpretation and application of the terms of the license agreements, or an inability to reach agreement on terms and conditions of the licenses, could result in legal claims being brought against Deezer by rights holders. The occurrence of any of the foregoing could adversely affect Deezer's business results of operations, financial condition and prospects.

4.1.2.2 ***If Deezer does not maintain licensing relationships with the major music labels upon favorable terms or at all, its business, financial condition and results of operations would be materially and adversely affected.***

Deezer has historically maintained licensing arrangements with each of the three major music labels, Universal Music Group, Sony Music Entertainment and Warner Music Group. These agreements typically have terms of one to two years on average. While the content controlled by the major labels represents only a small percentage of the number of songs in Deezer's catalogue, it is responsible for a majority of all of the songs streamed on Deezer's platform globally. If Deezer is unable to renew agreements with the major labels on acceptable terms or at all, the loss of content could cause a disproportionately significant decline in the perceived value of Deezer's service and damage its ability to attract and maintain subscribers and could adversely affect Deezer's business, results of operations, financial condition and prospects.

Given the relatively short terms of its licensing agreements, Deezer sometimes operates under ad hoc arrangements with some of the music labels, pending the signature of a permanent renewal agreement. These ad hoc arrangements can be terminated, or their terms can be revised, at any time. If Deezer does not finalize the negotiation and signature of permanent agreements with the major labels, it may lose access to content or be subject to varying terms that could impact its costs and margins.

4.1.2.3 ***Certain content licensing agreements are subject to "most favored nations" clauses.***

Deezer's license agreements with certain rights holders also contain so-called "most favored nation" clauses that entitle such rights holders, upon request, to review the terms of Deezer's agreements with other similar rights holders and (under certain circumstances and in certain jurisdictions) to demand that the most favorable fee and other arrangements under such other agreements are also applied in such rights holder's agreement with Deezer. Certain agreements may feature this type of right with respect to specific terms in the contract arrangement, which may permit the party to demand more favorable terms that were initially granted to other parties in exchange for concessions. Such a revision of commercial terms could increase Deezer's costs and reduce its margins.

4.1.2.4 *Royalty payments to the content rights holders comprise most of Deezer's cost of revenues.*

Royalty payments to rights holders represent the large majority of Deezer's cost of revenues. In 2014, Deezer's Cost of revenues – music rights were €112.5 million, or 79.3% of revenues. Royalty payments for content rights holders are typically calculated on the basis of each holder's "market share" among holders of the same type of rights, or the relative weight of the rights holder's content as a percentage of total content streamed on Deezer's platform. An increase in the "market share" of a given rights holder could result in an increase in royalty payments due, especially if that rights holder has particularly favorable royalty payment terms under existing arrangements or insists on more favorable terms in the future. Such an increase could adversely affect Deezer's business, results of operations, financial condition and prospects.

4.1.2.5 *Payments under Deezer's licensing arrangements and partnership agreements are subject to adjustment following audits.*

Deezer, its partners and certain content rights holders are granted audit rights under the relevant partnership and licensing agreements, respectively, to ensure the accurate reporting of the elements needed to calculate compensation under such agreements. Under the terms of the licensing agreements, Deezer may be required to pay penalties for the late payment of royalties or the late reporting of information needed to calculate royalty payments, which could result in increased operating costs and jeopardize Deezer's relationships with key content providers. Deezer has been subject to two such audits from content rights holders, which resulted in Deezer being required to pay limited amounts in respect of underpaid royalties and, in one case in 2009, the rights holder's expenses related to such audit. An overstatement of royalty payments could result in Deezer paying higher royalties, which could also adversely affect Deezer's margins. Similarly, an understatement or overstatement of the number or category of subscribers and the distribution channels through which they subscribe (partner's or Deezer's website and mobile application) could also result in Deezer receiving higher or lower fees from its partner, which could have a material impact on Deezer's revenues. Audits may also result in legal disputes as to the accuracy of underlying reporting systems.

4.1.2.6 *Deezer's content providers generally must approve its service offerings.*

Deezer's service offerings, including the scope and marketing of the offerings, typically must be approved by content rights holders before their content can be included in that offering. This limits Deezer's flexibility to provide new and innovative offerings to existing and potential subscribers, or to tailor offerings to particular subscriber segments. Deezer may also fail to obtain approval for offerings that are economically favorable to it, may be forced to forego advantageous business opportunities or content providers may share information on offerings with Deezer's competitors, each of which may adversely affect Deezer's revenue growth. Content providers may also seek to discourage music streaming services from offering free streaming options in the future or grant more advantageous terms to services that exclusively offer paid subscription services, which may require Deezer to adjust its service offerings or discontinue its free advertising-based service. Deezer may be unsuccessful in convincing content providers to approve strategies and offerings that could increase its subscriber base in new or existing markets, which could adversely affect its subscriber and revenue growth.

4.1.2.7 *If Deezer does not secure licenses for popular local content in key geographic markets, its business and growth prospects may be adversely affected.*

Access to local content is important to Deezer's ability to attract subscribers in many geographical markets, particularly in those where local artists are the most popular. According to IFPI's report for 2014, 70% or more of the top 10 albums in Germany, the Netherlands, Denmark, France, Sweden, Italy, Brazil, Japan and South Korea are by local artists (source: IFPI Recording Industry in Numbers 2014 (IFPI 2014)). In those markets, obtaining licenses for local music content is vital to the perceived value of Deezer's service and subscriber engagement. Negotiating rights for local content may require reaching agreement with numerous rights holders, requiring Deezer to devote significant resources to these efforts. In addition, the terms offered by holders of rights to local content may be less favorable than those that Deezer obtains for international content. If Deezer is unable to negotiate agreements for local content on acceptable terms or at all, it could adversely affect its growth and market share in the relevant jurisdiction, which could have an adverse effect on its business, results of operations, financial condition and prospects.

4.1.2.8 *Licenses from publishing rights holders may be difficult and costly to obtain because publishing rights holders tend to be a dispersed and fragmented group, and Deezer may have limited information on publishing rights holders and royalties.*

Holders of copyrights in musical compositions tend to be dispersed and fragmented, and in some cases it can be challenging for Deezer to establish and maintain the necessary license agreements. Deezer may be required to negotiate individually with multiple rights holders to access the same content in several jurisdictions and, accordingly, could incur increased transaction costs. In addition, comprehensive and accurate information on the ultimate rights holders for the musical works that subscribers stream through Deezer's service is not always readily available. If Deezer relies on incorrect or incomplete information, Deezer may inadvertently fail to obtain all necessary licenses, may be subject to legal claims for any rights it does not obtain in the future or did not obtain in the past or may incur additional expenses to reach license agreements. Moreover, for certain content and geographical markets, Deezer may be unable to identify or locate applicable rights holders and may be forced to remove content or provision for future licensing payments. The occurrence of any of the foregoing could result in increased operating costs and reputational harm, either of which could adversely affect Deezer's business, results of operation and financial condition.

4.1.2.9 *Some of Deezer's licensing arrangements with rights holders include minimum guaranteed payment requirements.*

Certain of Deezer's contracts with rights holders include minimum guaranteed payment requirements, applicable either generally, in specific geographic markets or to specific offers through distribution partners. Under such provisions, Deezer typically pays minimum fees to the rights holder, regardless of the extent to which subscribers and users actually listen to the relevant content, and regardless of Deezer's revenues. If Deezer does not generate sufficient revenues in a market to cover the minimum guaranteed payments, its margins and operating profitability will be adversely impacted. In 2012, Deezer agreed to a license agreement providing for significant minimum guaranteed payments that it did not expect at the time of the contract to be fully used. As a result, it recognized an intangible asset in the amount of the projected shortfall, which was amortized over the term of the contract. Deezer subsequently determined that the actual use of the relevant content would be less than expected. As a result, Deezer recorded as a write-down of advance payments firstly and as a significant provision secondly in its consolidated balance sheet, resulting in substantial amortization charges in 2013 and, to a lesser extent, in 2014. See Chapter 9.3, "Music Rights", for further details. Deezer is currently subject to minimum guaranteed payment requirements and Deezer may agree to substantial new minimum guarantee obligations in the future, including in the event that it expands to new geographic markets or expands its offers through distribution partners. If rights holders demand higher minimum guaranteed payments in exchange for granting licenses to stream content, if Deezer incorrectly forecasts its subscriber growth and streaming volume for the period of the contract, or if Deezer agrees to additional minimum guarantees in connection with geographic expansion or new distribution offers, Deezer may fail to generate revenues sufficient to cover its minimum guaranteed payment obligations, which could negatively impact Deezer's business, results of operations, financial condition and prospects.

4.1.2.10 *Deezer may be unable to acquire the rights to stream popular content because the relevant rights holders refuse to grant licenses at all or only agree to do so at very high prices.*

Certain artists, labels and other rights holders in the market have refused to participate in collective licenses and will not license their copyrights to streaming services without significant financial incentives, or at all. Publishing rights holders may insist on receiving a higher percentage of subscription fees or advertising revenues generated from the streaming of content they own or manage. Moreover, in certain cases, rights holders have chosen to provide licenses to some streaming services but not to others, or to provide exclusive licenses. In some cases, these rights holders are particularly popular artists, and Deezer's failure to have their music in its catalogue, particularly if competing music streaming services do, may have an adverse effect on the perceived value of Deezer's brand and its popularity. While rights holders' refusal to license content remains infrequent, it could conceivably become more commonplace. In order to secure rights to popular content, Deezer may need to offer financial incentives, without any guarantee that it would receive sufficient incremental revenues to offset the cost. Deezer may also be unable to acquire licenses for desirable content for many other reasons, including because the content is not available in a technical format that is compatible with Deezer's service. If an increasing amount of audio content, or specific content that Deezer's subscribers particularly like or enjoy, is or becomes unavailable for streaming on its platform, it may negatively affect Deezer's subscriber growth, brand, reputation and revenues.

4.1.2.11 *If a significant number of authors, composers and/or artists refuse to be represented by larger record labels or publishers, Deezer's transaction costs to acquire content could materially increase, which could negatively impact its business.*

Certain songwriters, composers and other artists have withdrawn, or may withdraw in the future, from centralized performing rights organizations. Performing rights organizations such as SACEM (*Société des Auteurs, Compositeurs et Editeurs de Musique*) in France manage the collection of performance royalties on behalf of individual rights holders. In the past, certain content and artists' content has been excluded from the licenses granted by these organizations. If significant additional amounts of attractive content are excluded from such licenses, Deezer may be forced to incur significantly higher transaction costs in negotiating individual license agreements with a greater number of dispersed rights holders. Such negotiations may be unsuccessful and it may not be economically viable for Deezer to negotiate for certain content with dispersed rights holders. In addition, because of the limited information Deezer has on all individual rights holders with respect to certain content, it may be difficult for Deezer to remove from its service musical works for which it has not obtained a license, which may subject it to liability for copyright infringement.

4.1.2.12 ***Deezer does not maintain direct licenses with performers' rights collective societies and may be forced to do so in the future.***

Deezer's licenses with the record labels are deemed to include licenses with respect to the performer rights of the musicians who perform on the tracks the label produces. Consequently, Deezer has not entered into contracts directly with performers' collective societies (such as ADAMI (*Société civile pour l'administration des droits des artistes et musiciens interprètes*) or SPEDIDAM (*Société de perception et de distribution des droits des artistes-interprètes*) in France) which administer the performer rights of their members. Performers' collective societies have sometimes challenged this deemed license, arguing that Deezer should license performer rights directly from them rather than through licensing agreements with record labels. Deezer is currently subject to litigation or threatened litigation on such claims in certain markets, notably Hungary, and may be subject to additional legal challenges in the future. If such challenges are successful, Deezer may be required to separately negotiate contracts with the performers' collective societies and may be unable to do so on attractive terms, or at all. Payments to these societies may be in addition to existing payments to record labels, and may increase Deezer's costs of revenues and make operation of its service in such markets commercially undesirable.

4.1.2.13 ***Deezer's royalty payments may increase significantly as it expands to include other categories of audio content.***

Deezer has begun to expand its service offering to include new categories of streamed audio content. For example, in October 2014, Deezer acquired Stitcher, which provides on-demand podcasts, news and public radio shows. New categories of audio content may be more costly or difficult to acquire than the music content comprising the majority of Deezer's current catalogue. Rights holders for other categories of audio content may demand higher revenue sharing percentages, per subscriber fees or other types of compensation than those set forth in Deezer's current licensing arrangements, may require large minimum guarantee payments, or may insist on greater control over or place more restrictions on the use of their content. There can more no assurance that revenues will increase sufficiently to offset the incremental cost of acquiring new categories of audio content. If not, Deezer's expansion into new categories of streaming content could have a negative adverse effect on its results of operations.

4.1.3 Risks Relating to Subscriber Acquisition and Churn

4.1.3.1 ***Deezer may not be successful in attracting consumers to its paid subscription services.***

In order to achieve its growth objectives and attain profitability, Deezer must significantly increase its paying subscriber base. Deezer plans to increase its marketing spending significantly in the coming years and invest more on offering free trials and discounted promotional offerings than it has in the past. If these efforts do not succeed at increasing Deezer's revenue-generating subscriber base substantially, Deezer's revenues will not grow as anticipated, and it might not achieve profitable operations.

If Deezer's services are not perceived as appealing or if it does not provide sufficiently attractive promotional offers, subscriber growth may decline and the cost of acquiring new subscribers may increase. In addition, Deezer may fail to attract free and promotional trial users of its services to its full paid subscription offering. Its ability to do so depends in large part on consumers' perception of the value of on-demand audio streaming services and their perception of the quality of Deezer's full service offering compared to Deezer's free, advertising-supported service and its competitors' service offerings. To educate consumers about the quality and features of Deezer's full service offering and with a view to improving its conversion rate, Deezer often programs pop-up advertisements and other push notifications to appear to users of its free service or reduced-price trial subscription. Ad-blocking software may diminish Deezer's ability to advertise the advantages of a paid subscription effectively to consumers, which may contribute to a decrease in the number of new revenue-generating subscribers. If users do not perceive Deezer's full paid service offering as appealing or if they do not perceive incremental value of a paid subscription to be sufficient (including because they are not made aware of the comparative advantages of a paid subscription), they may decide not to subscribe after the trial or promotional period ends.

While Deezer realizes advertising revenues from its free services, such revenues historically have been small, and they do not constitute Deezer's principal target source of growth. As a result, failure to convert free and promotional users to Deezer's paid subscription offering could have an adverse effect on its revenues and margins, which could have an adverse effect on its business, results operations, financial condition, and prospects.

4.1.3.2 ***Deezer's results of operations depend on its ability to establish and maintain relationships on favorable terms with distribution partners that promote and distribute Deezer's services.***

Historically, the majority of Deezer's subscribers have been acquired through its various distribution partnerships with leading telecommunications companies, particularly its partnership with Orange in France. Such partnerships remain a key part of Deezer's sales and distribution channels and growth strategy. Establishing partnerships in new geographical markets is essential to Deezer's ability to penetrate those markets. Reaching and maintaining agreements with such partners involves significant investments of time, resources and work in design and integration, and Deezer may not be successful in reaching such agreements on acceptable terms, which could adversely affect its business, results of operations and financial condition.

If Deezer fails to establish partnerships with leading telecommunications or other companies with complementary business activities (such as audio equipment or automobile manufacturers) or geographic reach, the value of the partnerships to Deezer may be reduced. Similarly, if Deezer's partners lose market share or customers or consumers generally purchase less telecom products and services, Deezer's ability to reach potential subscribers may be greatly diminished, which could have an adverse effect on Deezer's business, results of operations and financial condition. A majority of Deezer's partnership arrangements contain some exclusivity restrictions on its activities in the geographic market covered by the partnership, which may constrain Deezer from entering into agreements with the competitors of its partners.

Deezer's partnership agreements typically provide for the sharing of subscription fees between Deezer and its partners (in the case of standalone subscriptions) or the payment by its partners of a monthly fee per subscriber or per active subscriber (in the case of bundled subscriptions). Bundled subscriptions are generally sold by Deezer's partners for a single price that covers both its subscription and the relevant partner's product (e.g., mobile phone plan or internet service). Under this arrangement, Deezer subscribers are automatically enrolled in Deezer's services and typically remain Deezer subscribers for as long as they are signed up for the relevant partner's mobile or internet plan. In contrast, standalone subscriptions are typically sold directly by Deezer or indirectly by its partners as a separate product with its own price and subscription term. If Deezer's share of revenue under bundled and standalone offers is insufficient to offset the costs to provide these offers, including in particular the royalty payments to rights holders, Deezer's margins could be adversely affected, which could affect its results of operations and financial condition.

4.1.3.3 ***Deezer may be unable to renew its partnership agreements with its various distributions partners when they expire, particularly its partnership agreement with Orange in France, on favorable terms or at all.***

While the terms and conditions of Deezer's distribution partnerships vary, the majority of the agreements are relatively short-term (on average one to two years) and can be cancelled with as little as one month's notice in some cases. When Deezer's partnership agreements expire, its partners typically cease acquiring new subscribers (while continuing to provide Deezer services to existing subscribers for a further specified period). Deezer may not succeed in converting bundle subscribers to standalone subscribers before the relevant partnership agreements expire, which could result in increased subscriber churn and a decrease in Deezer's consolidated revenue. Furthermore, there can be no assurance that Deezer will be able to renew or replace its partnership agreements as they expire, or that new partnership agreements will be on equally favorable terms. If not, the impact of the revised terms could have an adverse effect on Deezer's business, results operations, financial condition, and prospects.

In France, Deezer's largest market, Deezer has a long-standing partnership with Orange, the largest telecommunications and internet service provider in France. As Deezer has expanded its operations outside of France, the Orange partnership has generated a decreasing portion of Deezer's consolidated revenue, from 56% of consolidated revenue in 2012, 38% in 2013, 28% in 2014 and 24% for the six months ending June 30, 2015.

The partnership with Orange is currently primarily aimed at offering subscriptions of the Deezer Premium+ service as an optional standalone service for which subscribers agree to pay a separate fee, often pursuant to attractive reduced price promotional offers. Consistent with this approach, since the end of 2014, Orange France has ceased acquiring new bundle subscribers and the number of Orange bundle subscribers is expected to decrease in the future, as bundle subscribers churn or migrate to Deezer's standalone offers. The volume of standalone subscriptions that Deezer is able to generate through this partnership remains uncertain for a number of reasons, including, competition from promotional offers from other on-demand streaming service providers. See Section 4.1.1.3, "*Deezer operates in a highly competitive industry, and competitive pressures could affect its revenues and growth.*" Depending on the level of bundle subscriber churn and migration rates, this shift to offering primarily standalone subscriptions under the Orange partnership could cause Deezer's revenue growth from this partnership to slow or cease or cause revenues from this partnership to decline.

In addition, since August 1, 2014, the Orange partnership agreement has contained a substantially reduced minimum guaranteed payment from Orange to Deezer as compared to earlier periods, and it contains no such minimum guaranteed payment after July 2016. Furthermore, the parties' mutual exclusivity obligations in France are currently scheduled to expire in July 2016, and the partnership agreement, which took effect as of January 1, 2014, will expire in July 2018. There can be no assurance that Deezer will be able to renew the agreement on acceptable terms or on terms as favorable as it has historically received. In addition, there can be no assurance that Deezer will be able to migrate bundle subscribers to its standalone offers before the expiration or cancellation of their respective individual contracts or add new standalone subscribers at levels sufficient to maintain or grow the level of revenues that have historically been generated through this partnership (including through minimum guaranteed payments). Because of the importance of the French market and the Orange partnership to Deezer's results, any failure of the partnership to achieve expected results, or any failure by Deezer to maintain the partnership with Orange on acceptable terms, could adversely affect its business, results operations, financial condition, and prospects.

4.1.3.4 ***Deezer's business may be adversely affected if its distribution partners' brand, reputation, or business is harmed or if its distribution partners fail to distribute and promote Deezer's services effectively.***

The success of Deezer's bundled and standalone offers through its distribution partners depend on the strength of its partners' brands and brand loyalty in a particularly competitive environment for such partners. Consumer tastes and preferences for the brand of mobile device and internet and mobile service provider can change in rapid and unpredictable ways. If one or more of Deezer's partners are unable to maintain and grow their subscriber base, fail to provide quality services and products to their consumers, are subject to reputational harm, file for bankruptcy or otherwise experience business difficulties, Deezer's subscriber base, revenues, brand and reputation could be negatively impacted as well. For bundled offers in particular, any issues with Deezer's partner's services may be attributed by subscribers to Deezer (whether properly or improperly), which could harm its reputation and reduce its ability to retain subscribers.

Deezer's ability to realize revenues from these partnerships depends in large part on the partners' efforts to promote Deezer's service offerings. This is particularly true in cases where Deezer's services are offered on a standalone basis, rather than as part of a bundle with the partner's product or service, because a consumer must specifically decide to subscribe to Deezer's service and a partner's promotional efforts may have a significant influence on this decision. Deezer's partners may have other priorities or may perceive that promoting Deezer's offerings is not the best use of their marketing and promotional resources. If the partners do not promote Deezer's offerings sufficiently, it will have difficulty achieving its growth objectives.

4.1.3.5 ***Deezer's marketing campaigns and promotional activities may not be cost-efficient or effective in attracting or retaining subscribers, which may have a material adverse effect on its profitability.***

Deezer's direct and indirect marketing efforts may not successfully enhance its brand awareness or result in an increase in the number of subscribers. If Deezer fails to promote its brand adequately, or if its efforts are not successful, it may not be able to acquire new subscribers in sufficient numbers to continue to grow its business, or it may be required to incur significantly higher marketing expenses. There can be no assurance that Deezer's marketing efforts will be cost-efficient or that revenues from new subscribers will ultimately exceed the costs of acquiring those subscribers. In addition, in markets where Deezer has achieved some level of market penetration, acquiring new subscribers may become more difficult and costly than it has been in the past.

Deezer intends to invest significantly greater amounts in the future to market its services than it has in the past. Deezer typically markets its services by offering potential subscribers free and/or discounted access to its services for a trial period. While Deezer's partners typically pay fees to Deezer for subscribers acquired during a free or discounted trial period, the fees are generally considerably lower. Deezer's costs from these offerings are likely to increase significantly compared to the past as it increases the amount and/or frequency of such promotional offers. There can be no assurance that this strategy will produce the desired growth in subscribers or revenues. Deezer's distribution partners may be unwilling to agree to expand promotional offers unless Deezer covers a significant portion of the cost of the promotion. If Deezer is unable to convince its partners to finance sufficient amounts of the promotional offers, its subscriber acquisition costs could increase or its subscriber acquisition growth could stagnate or decline.

4.1.3.6 ***If Deezer experiences excessive rates of subscriber churn, its revenues and business could be adversely affected.***

Deezer's revenues are dependent on maintaining and growing its subscriber base. To do so, Deezer must minimize the rate of loss of existing subscribers. Subscribers may cancel their subscriptions for many reasons, including because of the subscription cost or because consumers fail to see the value of a premium service as sufficiently compelling, and under the terms of most standalone subscription plans, subscribers are free to cancel at any time. In addition, when credit cards of direct subscribers expire, they must enter updated credit card information to continue their subscriptions, effectively requiring them to make a new subscription decision. If significant numbers of Deezer's subscribers cancel their plans in a period, or if it is unable to attract new subscribers in numbers sufficient to replace subscriptions in the period, its results of operations could be adversely affected. Furthermore, if excessive numbers of subscribers cancel their plans, Deezer may incur significantly higher marketing expenditures than it does currently to replace these subscribers with new subscribers, which may also have an adverse effect on its results of operations, financial condition and prospects.

4.1.3.7 ***A failure to predict consumer content preferences accurately may adversely affect subscriber acquisition and churn rates.***

Deezer's audio content catalogue must appeal to a broad range of current and potential subscribers whose preferences are subjective, change rapidly and are difficult to predict. Deezer may be unsuccessful in identifying content that will appeal to existing and potential subscribers in a timely manner, which may impact its ability to attract new subscribers or limit the rate of conversion of free users to paid subscriptions. In addition, Deezer may be unable to maintain or grow the size of its catalogue, and any failure to do so may make it difficult to compete with competitors who have a larger or more varied content catalogue. If existing subscribers do not perceive Deezer's content catalogue to be sufficiently complete or appealing, Deezer may also experience increased churn.

The success of Deezer's service is also dependent on successfully predicting which content will match its subscribers' tastes. Subscribers receive recommendations curated by Deezer's editorial team and based on its proprietary algorithms. Providing human curated playlists requires a significant investment in human resources, and there is no guarantee that Deezer's editors will be effective at recommending music that subscribers like. Similarly, the effectiveness of Deezer's proprietary algorithms depends in part on its ability to gather and effectively analyze subscriber usage data and feedback, and there is no assurance that Deezer will continue to be able to collect this data or that the algorithm will effectively predict and recommend music that appeals to subscribers. If these recommendation features are not effective or the recommendation features of Deezer's direct competitors are more effective at choosing content that subscribers like, the perceived value of Deezer's service may diminish. If competitors introduce new music recommendation capabilities that Deezer is unable to match, consumers may decide to subscribe to competing services, which may adversely affect Deezer's subscriber base and revenues. In addition, the challenges associated with providing recommendations may increase as Deezer expands into new audio content, new genres and new markets where it does not have extensive expertise or available data.

4.1.3.8 ***Deezer's business and prospects depend on the strength of its brand, and failure to maintain and enhance its brand would harm its ability to expand its base of subscribers, content providers, advertisers and other partners.***

Maintaining and enhancing the "Deezer" brand is critical to expanding Deezer's base of subscribers, content providers, advertisers and other partners. Deezer's ability to enhance its brand image and brand awareness will depend largely on its ability to deliver a compelling and innovative experience and high-quality content for its subscribers, provide reliable revenue and marketing opportunities for its content providers, and remain a desirable commercial partner for telecom and other companies. Deezer may be unsuccessful in achieving any one or more of these objectives, and its brand and reputation may be negatively affected. Deezer's brand may also be impaired by a number of factors beyond its control, including internet service outages, data privacy and security issues, and exploitation of its trademarks by others without permission. See Section 4.1.6, "Risks relating to Data and Information Technology Systems".

As Deezer expands into new markets and seeks to grow its subscription base in new geographic markets, it may be required to expend greater resources to build brand awareness. There can be no assurance that such efforts will be successful in maintaining and enhancing Deezer's brand, and it may lose existing subscribers, fail to attract new subscribers, lose advertising revenues or fail to attract and maintain distribution partnerships, any of which could have an adverse effect on its business, results of operations, financial condition and prospects.

4.1.4 Risks Related to Third-Party Service Providers and Distribution Partners

4.1.4.1 ***Deezer relies in part on third-party application stores to distribute its mobile application and collect subscription fees, and changes to their license agreements, particularly an increase in commissions charged by such stores, could have an adverse effect on Deezer.***

Deezer distributes its mobile application via third party application stores, such as Apple's App Store and Google Play, and its application is subject to an application developer license agreement. Should any of the operators of popular application stores reject Deezer's application from their store or amend the terms of their license in such a way that impedes its ability to distribute its applications via such stores, its ability to grow its subscriber base and revenues would be adversely affected.

Consumers may subscribe to Deezer's services though "in-app purchases" in certain third-party application stores, in which case subscribers are billed directly by the operators of such application stores. These stores typically charge a percentage fee for processing this billing of up to 30% of revenues (in the case of purchases through Apple's App Store), which reduces Deezer's margin, in some cases significantly. If these fees were to increase, or if a significantly higher portion of Deezer's subscribers were to be indirectly billed in this manner, it could reduce Deezer's revenues and margins and make it more difficult to achieve profitability.

4.1.4.2 ***If Deezer's technology and systems become incompatible with the technologies of its distribution partners, it may not remain competitive and its business may fail to grow or decline.***

Deezer relies in part on integration agreements with its distribution partners to be able to offer its service through such partners' operating systems, devices and technological platforms. There is no guarantee that Deezer will be successful in maintaining a service that can be easily integrated into the technology of any of its partners, or that market standards will not change and render Deezer's technology obsolete. Deezer also relies on integration agreements with mobile and audio equipment manufacturers to ensure that its mobile applications and mobile interfaces are pre-loaded or pre-installed on the most popular, best-selling mobile devices. As the technology evolves and new devices and audio equipment are released into the market, Deezer must constantly adapt its technology. Adapting Deezer's technology and technical integration processes require significant investment and may be subject to setbacks and disruptions, including for reasons beyond Deezer's control, and changes to Deezer's technology and systems, including its mobile application or interface, may be met with resistance or dissatisfaction from consumers. It may become increasingly challenging in the future to adapt Deezer's operating systems and technical integration processes, which could adversely affect its revenues, subscriber growth and profitability.

4.1.4.3 ***Deezer relies on third-party service providers to manage servers on its network, and to provide certain software and operating systems. Failures, error or disruptions in such network, software or operating systems could harm Deezer's reputation and business.***

Deezer relies on third party service providers to perform certain functions that are important to the functioning of its service and business including: hosting, monitoring and maintaining its storage servers; providing its content distribution network (CDN); programing and maintaining certain software for its servers and internal operating systems; and processing payments. The operation of Deezer's service could be impaired if errors or disruptions occur in third-party software and infrastructure, which may occur through no fault of Deezer. It may be more difficult for Deezer to monitor or address any such defects in third-party software or hardware because the development and maintenance is not within its control. There can be no assurance that any third-party licensors of software and service providers will continue to make their products and services available to Deezer on acceptable terms or at all, or to invest the appropriate levels of resources in their products or services to maintain and enhance their capabilities. In addition, any one or more of these service providers may experience business difficulties or other events beyond their control that could make it impossible or commercially infeasible to continue to provide these services, which may require Deezer to incur additional expenses to locate replacements. Any disruptions in service may lead to various issues with Deezer's operations, including problems with platform availability or security, and damage to its subscriber loyalty. Deezer's subscribers are likely to attribute any such failures to Deezer, which could damage its reputation and the perceived value of its service.

4.1.5 Risks Related to Deezer's Business Plan and Strategy

4.1.5.1 ***Deezer's business plan and strategy are subject to change.***

Deezer's business plan and strategy may change as a result of changes in market trends, available capital and its relationship with key distribution partners and rights holders. Deezer is still developing its service offering and may not have the data or experience necessary to estimate or project returns from new investments and strategies. Deezer has recently introduced, or may introduce in the future, different services in addition to its existing free and paid services, including a mid-tier subscription plan designed for prepaid mobile users and emerging markets. These strategies are untested in the market, and there can be no assurance that they will appeal to consumers, that rights holders will permit additional tiers of services under existing license agreements, that Deezer will appropriately price new services or determine the features that should be included, or that competitors will not introduce a superior service. Deezer may also choose to target certain geographic markets in its growth strategy, where the penetration rate of music streaming services is low compared to other markets. It may be unsuccessful in identifying the appropriate markets on which to focus. Creating new services and implementing new strategies often requires significant investment, and if Deezer's business plan and strategy fail to generate the targeted financial performance, or if it is forced to adjust or abandon strategies, its business, results of operations, financial condition and prospects may be adversely affected.

4.1.5.2 ***Failure by Deezer to effectively manage growth may negatively affect its business, financial condition and results of operations.***

The rapid growth of Deezer's business to date has placed, and any future growth is expected to continue to place, significant demands on its management, as well as on its operational, administrative and financial resources. The market for streaming music services is rapidly changing and Deezer's managers must predict its future business needs and initiate effective plans to provide for sufficient capacity to achieve growth in an uncertain market environment. Deezer's growth also increases the complexity of its operations and, in doing so, the difficulty of effectively managing its development. Any failure to accurately foresee the operational or financial requirements of Deezer's business, or to successfully implement its growth plans, may result in service interruptions, slower or interrupted growth, or an inefficient or suboptimal allocation of resources. There can be no assurance that Deezer will successfully execute its strategies for expansion or properly allocate its resources, or that its strategies will lead to growth or be cost efficient.

4.1.5.3 ***Deezer depends on certain key managers and skilled personnel, and any failure to attract, retain and motivate well-qualified employees could harm its business.***

Deezer believes that its success has depended, and continues to depend, on the efforts and talents of its management team. The loss of any of Deezer's senior management could materially and adversely affect its ability to formulate and implement an effective business plan, and it may be unable to find adequate replacements. Deezer's success also depends on the performance of its employees, particularly employees in key strategic functions such as information technology and product development. Most of Deezer's employees may terminate their employment relationship at any time, and their knowledge of Deezer's business and industry may in some cases be difficult or expensive to replace, or may be used for the benefit of competitors. Deezer also plans to hire several hundred employees in the three years to come, particularly in the areas of product development, engineering, marketing, data processing and customer care. If Deezer fails to properly identify its personnel needs or to locate and attract qualified candidates, it may be more difficult to support its growth. Any failure by Deezer to attract, develop, motivate and retain highly qualified personnel may reduce the effectiveness of its organization and its ability to execute its business plan. Deezer also faces significant competition for highly qualified personnel and may incur significant costs to attract and retain them.

4.1.5.4 ***Expansion of Deezer into new categories of audio content and new genres of music may not be successful.***

Deezer has expanded its content offering into new categories of audio content, such as podcasts, and new genres of music and expects to continue to do so. Expansion of Deezer's operations into the delivery of non-music audio content or new musical genres involves numerous risks and challenges, including a lack of familiarity with the market and consumer preferences, new competitors and the need to develop new strategic relationships. In certain cases, this expansion may require changes to Deezer's existing business model and cost structure, modifications to its infrastructure and exposure to new regulatory and legal risks, any of which may require expertise in areas in which Deezer has little or no previous experience. In particular, some categories of audio content (such as podcasts), which were previously available at little or no cost, could become expensive if the relevant rights holders insist on different arrangements than those currently in place. See Section 4.1.2.13, "Deezer's royalty payments may increase significantly as it expands to include other categories of audio content." In addition, if Deezer offers new content that is not accepted by or desirable to consumers and subscribers, its business, results of operation, financial condition and prospects may be negatively affected. Further, Deezer has established a reputation as a music streaming service, and it may face greater challenges in successfully positioning itself in the market as a provider of other categories of audio content, which could adversely affect its revenues and profitability.

4.1.5.5 ***Deezer's international operations and growth strategy exposes it to various economic, political, regulatory and other risks in multiple jurisdictions.***

Deezer's service is currently available in over 180 countries worldwide. In certain countries, notably the United States, Deezer's service is currently limited to specific service offerings or specific partnerships. Targeted international expansion and growth in international markets is a key part of Deezer's strategy. Operating internationally and expanding Deezer's market share requires significant resources and management attention and exposes it to complexities that increase the risks associated with its business, including:

- differences in music market dynamics, including the relative popularity of streaming services and consumers' willingness to pay for streaming services, and difficulties in tailoring Deezer's strategy to such local conditions;
- difficulties and costs associated with staffing and managing foreign operations;
- Deezer's operations being subject to differing and potentially unexpectedly changing legal and regulatory requirements, particularly relating to intellectual property, copyright user protection, data protection and privacy, and the difficulties associated with understanding and complying with local laws, regulations and customs;
- differing and potentially less favorable markets for content licensing and negotiation with copyright holders;
- the need to adapt Deezer's content and user interfaces to local culture, languages and subscriber preferences;
- adverse tax consequences such as those related to repatriation of cash from foreign jurisdictions, changes in tax laws or their interpretations, or the application of judgment in determining Deezer's global provision for income taxes and other tax

liabilities, as described in more detail in Sections 4.1.7.2 "*Deezer may be subject to tax risks*" and 4.1.7.3 "*Changes in tax treatment of companies engaged in e-business may adversely affect the commercial use of Deezer's sites and financial results*" ;

- fluctuations in currency exchange rates, which could impact revenues and expenses of Deezer's international operations and expose it to foreign currency exchange rate risk;

- differing payment processing systems as well as consumer use and acceptance of electronic payment methods;

- new and different sources of competition, including competitors who may have greater knowledge of the local market;

- low usage and/or penetration of Internet connected consumer electronic devices;

- availability of reliable broadband and mobile connectivity and wide area networks in targeted areas for expansion; and

- differing, and often more lenient, laws and consumer understanding/attitudes regarding the illegality of piracy.

Deezer's service is not currently available in Japan, China or India, due to market dynamics and the availability of content rights. Deezer may be unsuccessful in launching its service in these territories, or a competitor may achieve market penetration in these markets more quickly than Deezer. Deezer is currently available only through partnerships in the United States. Deezer's attempts to expand its offering in the United States may be unsuccessful and may not generate sufficient revenues to offset the increased costs associated with the expansion. Because of the size or potential size of the music streaming market in these countries, any failure by Deezer to compete successfully in these markets may have a disproportionately negative effect on its global growth prospects.

If Deezer fails to adequately manage the risks associated with its international operations or implementing its international expansion strategy, its reputation, business, financial condition and results of operations could be adversely affected.

4.1.5.6 ***Deezer's business depends on its ability to attract new advertisers and retain existing advertisers.***

Deezer earns revenue from its limited free service through the placement of advertisements between the playback of its audio content, which may take the format of banners and other on-screen displays or videos. Deezer competes for a share of advertising spend based on a variety of considerations including perceived return on investment, subscriber demographics, effectiveness and relevance of its advertising products, pricing structure and ability to deliver large volumes or precise types of advertisements to targeted demographics. Deezer may fail to compete for advertising spend for a number of reasons. Rights holders may refuse to allow Deezer to stream their content on advertising-supported services, which could cause the advertising-supported services to disappear altogether. Rights holders might also attach conditions to the streaming of their content that results in a significant decrease in consumer traffic to advertising-supported services (e.g., a time lag between the release of new music on paying and advertising-supported services), which could diminish the potential reach of advertising on Deezer's platform and thereby reduce advertisers' return on investment. Deezer may also be unable to earn sufficient revenues to offset the content costs for its limited free service. In addition, a proliferation of ad-blocking software, to the extent it diminishes the impact and visibility of online advertising campaigns, may result in an oversupply or decrease in the value of advertising inventory, which may in turn cause a decrease in the size of the online advertising market. If the online advertising market contracts, Deezer may be unable to generate advertising revenues at historical levels and advertising revenues may decline. If Deezer is unable to realize sufficient advertising revenues in the future, it may be forced to adapt, modify or even stop offering its limited free service, which is currently a key channel for acquiring new subscribers.

Although advertisers are allocating an increasing amount of their overall marketing budgets to web and mobile-based ads, the market for online and mobile advertising is intensely competitive and increasingly dominated by services with significant advertising inventory and website traffic, including social media websites (e.g., Facebook) and search engines (e.g., Google) and innovative niche services focused a specific demographic or target audience. Large internet companies with greater brand recognition may also have more direct advertising sales personnel, more advanced programmatic capabilities to target the desired audience and substantial proprietary advertising inventory and web traffic that provide a significant competitive advantage and favorably impact their ad pricing. Deezer does not have any long term agreements with advertising agencies or advertisers and the majority of its agreements relate to specific advertising campaigns and may be terminated at any time by the advertiser. Advertisers may leave Deezer for competing alternatives at any time, which could adversely affect its revenues and margins.

4.1.5.7 ***Deezer may from time to time pursue acquisitions.***

Deezer may engage in opportunistic acquisitions of other companies, businesses or assets, including to accelerate its growth in international markets or to improve the quality of its service. Acquisitions involve numerous risks, including but not limited to:

- difficulties in integrating the technologies, operations, existing contracts and personnel of acquired businesses;
- difficulties in supporting and transitioning customers or suppliers of an acquired company;
- diversion of financial and management resources from existing operations or alternative acquisition opportunities;
- failure to realize the anticipated benefits or synergies of a transaction;
- failure to identify all of the problems, liabilities or other shortcomings or challenges of an acquired company or technology, including issues related to intellectual property, regulatory compliance, accounting practices or employee or member issues;
- risks of entering new markets in which Deezer has limited or no experience;
- potential loss of key employees from Deezer’s current business or an acquired company’s business; inability to generate sufficient net revenue to offset acquisition costs;
- additional costs or equity dilution associated with funding the acquisition; and potential write-offs or impairment charges relating to acquired businesses.

If, in the context of any future acquisition, Deezer fails to properly assess the merits of the acquisition target, incurs costs that later prove to be unjustified, fails to integrate the acquisition into its business properly and in a cost-efficient manner, or incurs liabilities that prove to be larger than anticipated, it could have a material and adverse effect on Deezer's business, financial condition and results of operations.

4.1.6 Risks Relating to Data and Information Technology Systems

4.1.6.1 ***Privacy concerns and data protection law and regulations could limit Deezer's ability to collect and monetize its subscriber data.***

In the ordinary course of business, including in connection with providing personalized playlists to subscribers and calculating royalties, Deezer collects and utilizes data supplied by its subscribers. Deezer is subject to various legal obligations in the different markets in which it operates regarding the manner in which it treats such information. See Section 4.2, "Regulatory and Legal Risks" and Chapter 6.6, "Regulation". Increased regulation of data utilization practices, including self-regulation or findings under existing laws that limit Deezer's ability to collect and use data, could prevent it from providing a customized user interface to its subscribers and could therefore reduce the perceived value of its service. If Deezer were unable to provide content owners with the data related the streaming of their catalogue, it could be unable to effectively calculate royalties. Content owners may also see Deezer's platform as a less attractive channel through which to distribute their materials and may insist on economic terms less favorable to Deezer or cease licensing music to it altogether. In addition, if Deezer discloses data about its subscribers in a manner that is objectionable to them, its reputation could be adversely affected and it could face potential legal claims that could impact its operating results. As Deezer's business evolves and as it expands internationally, it may become subject to additional and/or more stringent legal obligations concerning its treatment of customer information. Failure to comply with these obligations could subject Deezer to liability, and to the extent that it becomes necessary to alter its business model or practices to adapt to these obligations, it could incur additional expenses.

4.1.6.2 ***Security breaches resulting in unauthorized access to or disclosure of subscriber data could damage Deezer's reputation and substantially harm its business and results of operations.***

Deezer collects, maintains, transmits and stores information about its business, subscribers, content providers and other parties, which is in many cases confidential and proprietary data. Deezer also employs third-party service providers, including online payment processing partners that store, process and/or transmit data, including in some cases proprietary, personal and confidential information on its behalf. In addition, Deezer uses freely available software, email accounts, cloud storage services to perform and support various business functions. Although Deezer takes steps to protect the security, integrity and confidentiality of confidential information it collects, stores and transmits, it may be subject to attempts to break into its systems and access such data. Data and information transmitted or stored on systems with lower security safeguards may be particularly vulnerable to attack or compromise. Deezer and its service providers may not have the resources or technical sophistication to anticipate or continue to prevent all types of attacks and techniques used to sabotage or obtain unauthorized access to its systems, particularly because such techniques change frequently and may not be known until launched against its systems or those of its third-party service providers. Advances in computer capabilities, new technological discoveries or other developments could increase the frequency or likelihood of security breaches. In addition, security breaches can occur as a result of non-technical issues, including intentional or inadvertent breaches by Deezer's employees or by persons with whom it has commercial relationships. Deezer cannot guarantee that inadvertent or unauthorized use or access to sensitive subscriber data (particularly payment information) or to Deezer's websites, mobile applications, networks and systems will not occur, or that third parties will not gain unauthorized access to sensitive information despite Deezer's efforts and investments to safeguard this information.

Any breaches of Deezer's security measures or those of its third-party service providers or other cyber security incidents could result in unauthorized access to, and misappropriation of, subscribers' personally identifiable information, including payment details, or other confidential or proprietary information about Deezer or third parties. Unauthorized use or access to subscriber information could violate applicable privacy, data security and other laws, and cause significant legal and financial risks, adverse publicity, and a potentially severe loss of confidence in Deezer's security measures among consumers and damage to its brand and reputation. Potential subscribers may become unwilling to provide Deezer with the information necessary for them to become subscribers, and existing subscribers may cancel their subscriptions. Deezer may also be required to expend significant capital and other resources to address such breaches. Actual or anticipated attacks may cause Deezer to incur increasing costs, including costs to deploy additional personnel and protection technologies, train employees and engage third-party experts and consultants. Any resources devoted to investigating, alleviating and/or preventing such breaches will be diverted from Deezer's business purposes. Each of these risks, alone or in combination, could have a material adverse effect on Deezer's reputation, business, financial condition and results of operations.

4.1.6.3 ***Significant interruptions in Deezer's service due to issues with its network could lead to loss of subscribers and users.***

Deezer operates its service through an integrated technology network. Deezer has been subject to a few cyber-attacks intended to cause a disruption in service and may be subject to such attacks in the future. Any disruptions in the availability of its networks and systems as a result of such cyber-attacks, hacking or sabotage could lead to Deezer's service becoming unavailable, which could adversely affect its reputation, cause it to lose subscribers or result in a breach of its service level obligations. See Section 4.1.6.4, "*Deezer is generally subject to service level obligations under its partnership agreements, and a significant disruption in its computer systems, user interface or mobile applications could result in a loss or degradation of service and give rise to liability under its partnership agreements*". Deezer may also have to incur additional expenses to repair its network and improve its security functions, and such improvements may not be successful in preventing further attacks. If such a disruption were to occur, it could adversely affect Deezer's business, results of operations, financial condition and prospects.

4.1.6.4 ***Deezer is generally subject to service level obligations under its partnership agreements, and a significant disruption in its computer systems, user interface or mobile applications could result in a loss or degradation of service and give rise to liability under its partnership agreements.***

Deezer typically agrees to ensure the availability of the standalone and bundled service offerings sold through its partners, in accordance with the service level obligations set forth in its partnership agreements. Pursuant to these obligations, Deezer is required to meet a target rate of availability of the service and an efficiency target rate (i.e., Deezer's capacity to deliver a service within a certain timeframe). A significant disruption in Deezer's platform or user interface, whether as a result of a breach of its security measures (as described above), defects in its operating system and platform technology, failures of its third-party service providers or otherwise, could cause Deezer to fall below its agreed service level targets and result in a breach of the relevant obligations under its partnership agreements. Losses related to such incidents may not be fully reimbursed from indemnities from third-party service providers or Deezer's insurance policies. As a result of any disruptions, Deezer may be exposed to increased risk of litigation and other liabilities, harm to its reputation and brand and decreased revenue if consumers cancel their subscriptions as a result of disruptions in the level of service, any of which could adversely affect its business, results of operations, financial condition and prospects.

4.1.6.5 ***Deezer's proprietary software and systems may come under significant pressure as its operations grow, and delays in or the failure to upgrade the software and systems efficiently may disrupt operations or result in increased operating costs and liability.***

As Deezer's business and subscriber base grows, it expects to continue to invest significant resources in upgrading and maintaining its information technology platform to handle increases in customer traffic on its website interface and mobile applications, expansions of its catalogue of audio content and the processing of subscription fees and royalty payments and other related processes. Deezer performs much of the development of its systems, including its websites and mobile applications, in-house, and continued growth will place additional pressure on these systems. In addition, Deezer's content licensing agreements are numerous and complex, and require the processing of huge volumes of data to calculate the revenues owed to content suppliers. Deezer is in the process of upgrading the hardware and software system used to perform this analysis to more efficiently calculate royalties and process payments while providing scalability for future growth. Deezer may be unsuccessful in designing and implementing an effective system for performing this function in a timely fashion, and its new system may not be capable of handling its future growth. If Deezer experiences any disruptions with this system, it may be unable to determine its content costs and pay content rights holders in a timely fashion and may be required to invest additional time and financial resources to improve its systems to maintain its licensing relationships. If Deezer miscalculates the royalties owed it may be subject to penalties and other liquidated damages under its license agreements, which would increase its content costs and adversely affect profitability.

4.1.6.6 ***Deezer's platform is accessed over the internet and mobile networks. If the infrastructure for such networks stagnates, deteriorates, or is ineffective or unreliable, Deezer may be unable to provide service to subscribers.***

Deezer relies on the availability of reliable and cost-effective internet and mobile networks in the markets in which it operates to deliver its streaming service to its subscribers. If the internet or mobile networks in any one or more of Deezer's markets were to experience outages, delays or reductions in speed or availability for any reason, including as a result of damage to infrastructure, adverse weather conditions, natural disasters, terrorist attacks, power loss, legal or regulatory changes or market inefficiencies, Deezer's service may not be viable in such markets. Furthermore, for certain markets, the internet and mobile network infrastructure may be less developed and service may be less reliable and effective. If the network infrastructure to support Deezer's service is not developed and maintained, it may be unable to expand to or remain in certain markets, which could adversely affect subscriber growth, lower revenues and lead to an inability to achieve profitability.

4.1.6.7 ***Changes in how network operators handle and charge for access to data that is transmitted across their networks could adversely impact Deezer's business.***

In the event that mobile and internet network operators implement usage-based pricing, including imposing meaningful bandwidth caps, or otherwise try to monetize access to their networks by data providers, Deezer could be forced to incur greater operating expenses, increase prices and its subscriber acquisition and retention could be negatively impacted. Furthermore, to the extent network operators create tiers of Internet access service and either charge Deezer for, or prohibit it from, being available through certain tiers, its ability to stream content and its business could be negatively impacted. Because of the costs associated with the infrastructure to support increased bandwidth and the relatively data-heavy nature of Deezer's service, many network operators have an incentive to use their network infrastructure and price their services in a manner adverse to Deezer's interests. While Deezer has agreements with certain network providers, it may encounter pricing pressure or access difficulties on non-affiliated service networks, which could adversely affect its ability to provide its service and adversely affect its business, results of operations, financial condition and prospects.

4.1.6.8 ***Deezer requires significant volumes of data storage capacity to effectively operate its business.***

Deezer stores its data, which principally comprises its audio content of 1.7 petabytes, in two physical data centers located near Paris, France. See Chapter 6.5.6 "Information Technology" for further discussion. Due to evolutions in digital audio technology and the different types of audio files that Deezer must maintain for its various service offerings, the data storage capacity required to effectively operate a multi-tier service offering is large and increasing. In addition, as Deezer increases the size of its music catalogue, its data storage and processing requirements are growing, and there is no guarantee that Deezer will be able to obtain sufficient storage without a significant increase in data storage costs. Furthermore, Deezer is reaching the maximum storage capacity available to it at its current data center, and has begun to look for a replacement facility which will provide greater capacity and a higher security level rating than its current data center, but there can be no guarantee that it will be successful in obtaining space in this replacement facility.

4.1.6.9 ***Deezer relies on the availability of its audio content and system log data that is stored on its Netapp servers. Any disruption of or interference with its use of its servers would have an adverse impact on its operations, particularly because its audio content storage system is not fully redundant.***

Deezer's audio data and system log information is almost exclusively stored on Netapp servers that it owns, which are hosted, monitored and maintained by a third-party service provider, Iguane Solutions. Deezer's integrated system architecture has been designed around the availability of this data. Any disruption in access to this data, or any loss of this data, could limit Deezer's ability to provide content, to track activity in sufficient detail to meet its contractual obligations to rights holders, and to continue to offer its service. Deezer's network hardware is vulnerable in the event of any damage to or destruction of the data centers where it is housed, including as a result of natural disasters, terrorist attacks, fires, or structural or systems issues. Any losses resulting from damage to its network infrastructure may not be fully covered by Deezer's insurance (see Section 4.4.1 "Insurance") or by its service providers under the relevant service contracts. Because Deezer's storage system for audio files is not fully redundant (i.e., the majority of its audio content library is backed up only in a file format that features reduced sound quality), any loss of data on its main Netapp servers could lead to significant reductions in the quality of audio content available on its platform and negatively affect the perceived value of its service. Deezer is exploring options to increase the level of redundancy of its library, but may be unsuccessful in doing so in a cost-effective manner. In addition, because of the huge volume of data associated with its extensive audio library, any lost data would likely require a significant time to replace on its system and any disruption or loss could cause significant service disruptions or delays, which would have an adverse impact Deezer's operations and business.

4.1.6.10 ***Much of Deezer's software is based on "open source" software, which may restrict how Deezer uses or distributes its services or require that it release the source code of certain services subject to those licenses.***

Much of the software that Deezer develops in-house may incorporate software licensed under so-called "open source" licenses, including, but not limited to, the GNU General Public License and the GNU Lesser General Public License. Such open source licenses typically require that source code subject to the license be made available to the public and that any modifications or derivative works to open source software continue to be licensed under open source licenses. Few courts have interpreted open source licenses, and the manner in which these licenses may be interpreted and enforced is therefore subject to some uncertainty. Deezer relies on multiple employee and non-employee software programmers to design its proprietary technologies, and since it does not exercise complete control over the development efforts of all such programmers it cannot be certain that they have not incorporated open source software into Deezer's proprietary products and technologies or that they will not do so in the future. In the event that portions of Deezer's proprietary technology are determined to be subject to an open source license, it could be required to publicly release the affected portions of its source code, re-engineer all or a portion of its technologies, or otherwise be limited in the licensing of its technologies, each of which could reduce the value of its services and technologies and materially and adversely affect its ability to sustain and grow its business.

4.1.7 Financial Risks and Risks Relating to Deezer's Organizational Structure

4.1.7.1 ***Deezer has a limited operating history and history of net losses, and it may not be successful in achieving profitability in the future.***

Deezer's rapidly evolving business and its relatively limited operating history may not provide an adequate basis for evaluating its business prospects and financial performance, and makes it difficult to predict future results of operations. Deezer's business and prospects should be considered in light of the risks, expenses and difficulties encountered by companies in their early stage of development. Deezer has experienced significant net losses since its inception and it may be unable to increase revenues or control costs to levels necessary to generate profit in the future. In addition, once it does generate profit, there can be no assurance that Deezer will be able to sustain or increase its profit margin. To achieve and sustain profitability, Deezer must accomplish numerous objectives, including effectively managing its variable costs (principally its content acquisition costs). Furthermore, Deezer believes that it must allocate more resources to its marketing efforts in order to generate growth and achieve the scale necessary to attain profitability, and such efforts may be unsuccessful. Failure by Deezer to achieve any of these objectives could negative impact its ability to generate profit.

4.1.7.2 ***Deezer may be subject to tax risks.***

As an international group doing business in several countries, the Group has structured its commercial and financial activities in light of diverse regulatory requirements and its commercial and financial objectives. As such, the structure of the Group is subject to change in light of developments in the Group's activities, most notably, its international expansion. Since laws and regulations in the various jurisdictions in which Group companies are located or operate or may in the future be located or operate may not provide clear-cut or definitive guidelines, the tax and social regime applied to the Group's operations, incentive plans, intra-group transactions or reorganizations (past or future) is or may sometimes be based on the Group's interpretations of French or foreign tax laws and regulations. The Group cannot guarantee that such interpretations will not be questioned by the relevant tax authorities. More generally, any failure to comply with the tax laws or regulations of the countries in which the Group or the Group's companies are located or operate may result in reassessments, late payment interests, fines and penalties. Furthermore, tax laws and regulations may change, and there may be changes in their interpretation and application by the relevant authorities, especially in the context of international and European initiatives (e.g., OECD, G-20, EU). The occurrence of any of the preceding factors may result in an increase in the tax burden of the Group and could adversely affect the Group's business, results of operations or financial condition.

4.1.7.3 ***Changes in tax treatment of companies engaged in e-business may adversely affect the commercial use of Deezer's sites and financial results.***

Due to the global nature of the internet, it is possible that various states or foreign countries might attempt to impose new or revised regulations on the business of the Company or levy additional or new sales, income or other taxes relating to its activities. Tax authorities worldwide are currently reviewing the appropriate treatment of companies engaged in e-business. New or revised regulations may subject the Company or its customers to additional sales, income and other taxes. The Company cannot predict the effect of such initiatives. New or revised taxes, and in particular sales taxes, VAT and similar taxes, would likely increase the cost of doing business online and decrease the attractiveness of advertising, selling products and providing services over the Internet. New taxes could also create significant increases in the Group's internal costs to capture data and collect and remit taxes. Any of these events could adversely affect the Group's business, results of operations or financial condition.

4.1.7.4 ***Deezer's operating results may fluctuate from period to period.***

Deezer's revenue and operating results could vary significantly from quarter to quarter and year to year due to a variety of factors, many of which are outside of its control. As a result, comparing its operating results on a period-to-period basis may not be meaningful. Factors that may contribute to the variability of Deezer's quarterly and annual results include its ability to pursue, and the timing of, entry into and growth in new geographic markets, subscriber churn and conversion rates, an increase in royalty payments, the timing of recognitions or reversals of its provisions related to minimum guarantee payments under its licensing agreements, the impact of general economic conditions on Deezer's revenue and expenses and on the sales of its standalone and bundled offers through its partners and changes in government regulation affecting its business. Seasonal variations in subscriber and advertising behavior may also cause fluctuations in Deezer's financial results. There is typically a peak in subscriber acquisition rates during the holiday season in the fourth quarter as consumers buy and receive gifts of tablets, mobiles and other consumer electronics. Seasonal peaks or lows may have a disproportionate effect on consolidated revenue quarter-on-quarter or year-on-year. Any factor that negatively affects revenues during a period during which Deezer generally generates a larger portion of revenues may have a disproportionately negative effect on overall consolidated revenues.

4.1.7.5 *Deezer may seek to raise capital in the future and such financing may not be available on acceptable terms or at all.*

In the future, Deezer might need or desire to raise capital through public or private financing or other arrangements. Such financing might not be available on acceptable terms, or at all. Factors that could increase the difficulty of obtaining financing include, but are not necessarily limited to: a deterioration in economic conditions globally, or in the specific markets in which Deezer seeks such financing; higher interest rates; a deterioration in Deezer's financial results or condition; insufficient competition among banks or other potential sources of financing; and insufficient demand for securities in the debt or equity capital markets. Any inability to raise capital as needed going forward could prevent Deezer from growing its business or responding to competitive pressures, and could have a material adverse effect on its business, financial condition and results of operations.

4.1.7.6 *Deezer may in the future be required to pay rights holders more quickly than is currently the case or make such payments in advance.*

Deezer currently benefits from structurally negative working capital as a result of the time lag between the time its customers stream music and the date on which payments are made to rights holders. Most of the lag is a result of the time needed to process large volumes of streaming data in order to calculate royalties. As the streaming market becomes more mature and Deezer and content rights holders refine their respective processes, it is likely that the delay could be reduced and Deezer's negative working capital position would decline. Rights holders, including major record labels, may also require that Deezer make all royalty payments in advance of processing streaming data (with adjustments after the data has been processed), whereas currently only some of the royalty payments are paid periodically in advance. See Chapter 6.5.4.1.1, "Royalty payments". If major record labels and other content rights holders' royalty payment processing systems become more efficient or they demand higher advance royalty payments, Deezer will need to access funding sources in order to finance working capital. Financing for working capital needs may not be available on reasonable terms or at all. If it is obtained, the cost of such financing will affect Deezer's results of operations.

4.1.7.7 *Deezer's business is subject to risks which may not be fully covered by its insurance.*

Deezer's business is exposed to a wide range of risks beyond its control, including, but not limited to, accidents, vandalism, natural hazards, acts of terrorism, damage and loss caused by fire, power failures or other events, which could potentially lead to the interruption of its business operations, personal injuries or damage to third-party property. Although Deezer insures itself against such losses to a level and at a cost it deems appropriate, its insurance policies are subject to exclusions and limitations, and there can be no guarantee that all material events of damage or loss will be fully or adequately covered by an applicable insurance policy. As a result, the amount of any costs, including fines or damages that Deezer might incur in such circumstances, could substantially exceed any insurance it has to cover such losses. In addition, its insurance providers could become insolvent and unable to pay claims. Any of these events occurring, alone or in combination, could have a material adverse effect on Deezer's business, financial condition and results of operations. See Section 4.6, "Insurance and Risk Management", for further discussion.

4.1.7.8 ***Certain of Deezer's significant shareholders may have interests that diverge from those of Deezer.***

As of the date of this Registration Document, major music labels and ProSieben hold warrants granting the right to purchase up to 122,887 shares representing approximately 20% of Deezer's outstanding share capital as of the date of this Registration Document. See Chapter 5.1.6, "The Reorganization Transactions" and Chapter 21.1.4, "Other Securities Giving Access to Share Capital". The interests of these parties may diverge from those of Deezer in certain cases and there can be no guarantee that they will exercise their influence in the best interest of other shareholders. Certain of these shareholders may exercise significant influence over decisions submitted for the approval of shareholders at combined annual general meetings such as those concerning the nomination of directors, the approval of annual financial statements and the distribution of dividends. This may also give these shareholders some influence over Deezer's operational and strategic decisions. If one or more of the shareholders were to dispose of its ownership share in Deezer, it may be less willing to negotiate agreement terms with Deezer that are as favorable to it as in the past, which may increase its costs, diminish the size and attractiveness of its content catalogue and/or impact its ability to attract subscribers.

4.2 REGULATORY AND LEGAL RISKS

4.2.1 ***If government regulations relating to the internet or mobile networks change, Deezer may need to alter the manner in which it conducts its business, or incur greater operating expenses.***

Deezer is subject to a variety of regulations in connection with its streaming service over the internet and mobile networks. See Chapter 6.6, "Regulation", for further discussion. The adoption or modification of laws or regulations relating to the Internet or other areas of its business could limit or otherwise adversely affect the manner in which it currently conducts its business. In addition, the continued growth and development of the market for online music streaming may lead to more stringent consumer protection laws, which may impose additional burdens on Deezer. If Deezer is required to comply with new regulations or legislation or new interpretations of existing regulations or legislation, this compliance could cause it to incur additional expenses or alter its business model. Changes in laws or regulations that adversely affect the growth, popularity or use of the internet or mobile networks, including laws impacting net neutrality, could decrease the demand for Deezer's service and have an adverse effect on its business, financial condition and results of operations.

4.2.2 ***If Deezer's intellectual property and other proprietary rights are not adequately protected to prevent use or appropriation by its competitors, the value of its brand and other intangible assets may be diminished, and its business may be adversely affected.***

Deezer has relied, and expects to continue to rely, on a combination of trademark, copyright, database rights, technical protection measures and trade secret protection laws to protect its intellectual property and other proprietary rights. Deezer may also seek to enforce its intellectual property or proprietary rights through court proceedings. Deezer has filed, and expects to file from time to time, for trademark applications. Nevertheless, these applications may not be approved and third parties may challenge any trademarks issued to or held by Deezer. Third parties may also, knowingly or unknowingly, infringe Deezer's intellectual property rights, and it may not be able to prevent infringement or misappropriation without substantial expense. If the protection of Deezer's intellectual property rights is inadequate to prevent unauthorized use or misappropriation by third parties, the value of its brand and other intangible assets may be diminished, competitors may be able to more effectively mimic its service and methods of operations, the perception of its business and service to members and potential members may become confused in the marketplace which could damage Deezer's reputation and brand, and its ability to attract subscribers may be adversely affected.

Deezer currently holds various domain names relating to its brand, including Deezer.com. Failure to protect Deezer's domain names could adversely affect its reputation and brand and make it more difficult for users to find its website and its service. Deezer may be unable, without significant cost or at all, to prevent third parties from acquiring domain names that are similar to, infringe upon or otherwise decrease the value of its trademarks and other proprietary rights. If Deezer loses the ability to use a domain name in a particular country, it would be forced either to incur significant additional expenses in connection with marketing Deezer platform within that country or to elect not to provide the service in that country. Either result could harm Deezer's business and operating results. Moreover, laws and regulations relating to domain names are subject to change. Regulatory bodies could establish additional top-level domains, appoint additional domain name registrars or modify the requirements for holding domain names. As a result, Deezer may not be able to acquire or maintain the domain names that utilize its brand names in the future, which could have an adverse effect on its business, results of operation, financial condition and prospects.

4.2.3 *Intellectual property claims against Deezer could be costly and result in the loss of significant rights related to, among other things, its web site, streaming technology, its recommendation and merchandising technology, title selection processes and marketing activities.*

There are numerous patents that broadly claim means and methods of conducting business on the internet. Many companies are devoting significant resources to developing patents that could potentially affect many aspects of Deezer's business. While Deezer strives to ensure that its intellectual property is sufficient to permit it to provide its services independently, it has not patented the technology associated with its business. Third parties, including Deezer's competitors, may develop similar technology, duplicate Deezer's services or design around its intellectual property. These parties may have patents or pending patent applications, which will later mature into patents or inventions that may affect Deezer's ability to operate its system or license its technology. Additionally, in recent years, non-operating companies have purchased and collected intellectual property assets and monetizing them by bringing infringement claims against companies like Deezer. The sole purpose of such claims is to extract money from the defendant company through settlements or collection of royalties. Even if Deezer believes that such claims are without merit, defending against such claims may be time consuming and expensive. If claims from competitors or non-operating companies are successfully upheld, Deezer may be required to redesign affected services, enter into costly settlement or license agreements, pay damage awards, or face a temporary or permanent injunction prohibiting it from providing services.

Defending itself against intellectual property claims, whether they are with or without merit and whether or not they are determined in its favor, results in costly litigation and diversion of technical and management personnel. It also may result in Deezer's inability to use its current platforms, streaming technology, recommendation technology or inability to market its services or merchandise its products. As a result of a dispute, Deezer may have to develop non-infringing technology, enter into potentially unfavorable royalty or license agreements in order to obtain the right to use necessary technologies, content, or materials, adjust its marketing activities or take other actions to resolve the claims. These actions, if required, may be costly, cause delays in the provision of services, or be unavailable on terms acceptable to Deezer, which could have an adverse effect on Deezer's reputation, business, financial condition and results of operations.

4.2.4 *If Deezer breaches the terms of its open source software licenses it may be compelled to publish details of its proprietary source code which could adversely affect its competitive position.*

Deezer uses open source software in its business, including in connection with the development of its Internet and mobile applications. Open source software is generally made available to the public under license. Such licenses often impose obligations on users such as Deezer, in the event that they distribute derivative works of the open source software. Any non-compliance with licensing terms could be harmful to Deezer's business. While Deezer constantly strives to select and combine open source code subject to licensing terms that are compatible with its strategic business objectives and to closely monitor its use of open source software to ensure that none is used in a manner that would conflict with applicable licensing terms, such use could inadvertently occur. In addition, any modification of the open source code, even in compliance with the applicable license, could lead to the requirement to publish Deezer's proprietary source code, which would then become likely to be copied by its competitors. This may harm Deezer's competitive position and adversely affect the performance of the business.

4.3 MARKET RISKS

4.3.1 *Deezer is subject to fluctuations in currency exchange rates.*

As Deezer's international operations continue to grow, foreign exchange fluctuations could affect its results of operations and financial condition, as a result of settlement risk impacting income and expenses incurred in foreign currencies and risks relating to the translation into euros of the balance sheets and income statements of Deezer's subsidiaries outside the eurozone. Deezer seeks to pay most of its operating expenses for such subsidiaries in the same currency as the reporting currency for such subsidiaries in order to hedge against the impact of exchange rate fluctuations on its gross margin and operating income.

Deezer is also exposed to euro exchange rate fluctuations in respect of the direct distribution of its services. Deezer receives direct subscription fees in currencies other than the euro that are settled through Deezer's bank accounts in the local countries and Deezer's accounts with payment processing providers such as Worldpay or Paypal or mobile app stores such as the Apple store.

Of the €141.9 million of Deezer's consolidated revenue for the year ended December 31, 2014, less than 1% is exposed to foreign exchange rate translation risk, principally reflecting exposure to the Brazilian Real through the operation of Deezer's subsidiary in Brazil, which records most of its revenue and operating expenses in Brazilian Real. See Chapter 9.5, "Impact of exchange rate fluctuations". Nonetheless Deezer's exposure to foreign exchange risk could increase as its international operations come to represent a greater share of its overall activities.

4.4 INSURANCE AND RISK MANAGEMENT

4.4.1 Insurance

Deezer carries insurance against the major risks of its operations based on estimates of probable liability, and determines its level of coverage based on its reasonable estimations of the magnitude of risks and the availability and cost of insurance. Deezer's internal policy with respect to insurance has the following objectives:

- limit certain risks by recommending preventive measures in cooperation with Deezer's operational departments; or

- choose to cover risks of an exceptional nature through insurance, including risks with high potential magnitude but low frequency.

Deezer's primary insurance policies, entered into with reputable insurance companies, are as follows:

- *Civil liability insurance*. Deezer maintains a group-wide master insurance policy with AIG. The master policy covers Deezer for civil liabilities in connection with operation of its streaming music service, processing payments, advertising activities and public relations activities. This policy insures against the risks of bodily harm, property damage and financial loss caused to employees, customers and other third parties as a result of Deezer's operations, including certain intellectual property claims relating to its public relations and platforms (but excluding patent infringement claims). The policy is subject to a cap of €7.5 million per claim for operating damages and €10 million per claim per year for professional indemnity damages arising from the delivery of services. The master policy provides worldwide coverage for entities permanently established in France and for Deezer's subsidiaries. Where appropriate for risk management purposes or required by local law, Deezer has also subscribed to local insurance policies with respect to specific geographies or subsidiaries. In cases where local agreements are in place, the local agreements cover smaller claims. The master insurance policy covers damages in excess of local policy limits (typically €1 million) and claims not covered by the local agreement, subject to certain coverage exclusions. Deezer currently has supplemental local insurance policies with respect to the United States, Canada, Mexico, Brazil and Singapore, which are subject to certain coverage exclusions under local law, including for violations of the local securities laws, workers compensation and employers liabilities laws, antitrust laws and employee benefit laws.

- *Comprehensive accident insurance*. Deezer maintains multi-risk policies with Gan Assurances insuring its business operations against risks including fire, theft, natural disasters, business interruption and failure of electronic devices, including its servers and Deezer's network infrastructure. The total amount of the damage covered under the policies varies according to the nature of the risk. Damages to the contents of Deezer's professional offices are capped at €339,000 per year, and damages resulting from business interruption are capped at approximately €1.2 million per year.

- *Director and officer civil liability insurance*. This policy provides insurance to Deezer's directors and officers against claims of professional misconduct in the performance of their duties for Deezer, with typical exclusions (*e.g.*, willful misconduct) and coverage limitations. The policy is subject to a cap of €3 million per year, with specific caps on recovery for certain special damages like reputational damages. The policy is worldwide excluding United States and Canadian affiliates.

Deezer also maintains insurance to cover other specific categories of risk, including automobile insurance to cover company vehicles, employers' liability and payroll insurance and executive and non-executive health and contingency insurance.

Deezer believes that its insurance policies offer reasonable protection against the risks incurred in the course of Deezer's operations. Deezer's insurance policies contain exclusions, caps and deductibles, however, that could expose it to unfavorable consequences in the event of a significant event or legal action against it. Moreover, Deezer may be required to pay indemnification that is not covered by its insurance policies or to incur significant expenses that may not be covered, or may be insufficiently covered, under its insurance policies.

4.4.2 Risk Management

Deezer currently addresses the principal risks to which it is exposed on an ad hoc basis through a combination of insurance policies, contractual indemnities from third parties and risk prevention processes for specific categories of risk. Deezer considers that the operational risks to which it is exposed mainly relate to its IT infrastructure, which is described in more detail in Chapter 6.5.6, "Information Technology". For a more detailed information on the risks to which Deezer is exposed, see Paragraphs 4.1, "Risks Related to Deezer's Business and Industry," and 4.2, "Regulatory and Legal Risks".

Deezer plans to put in place detailed risk management procedures aimed at ensuring that necessary measures are taken to identify, analyze and manage:

- risks that may have a significant impact on Deezer's net assets or the achievement of its objectives, regardless of whether they are of an operational or financial nature, or that relate to compliance with applicable laws and regulations; and

- operations, operational efficiency, and the efficient use of resources.

For further discussion of Deezer's risk management processes, see Chapter 16.6 "Internal Control".

5. INFORMATION ABOUT THE ISSUER

5.1 HISTORY AND DEVELOPMENT

5.1.1 Company Name

The corporate name of the Company is "Deezer S.A." (formerly "Odyssey Music Group S.A.").

5.1.2 Place of Registration and Registration Number

The Company is registered with the Paris Trade and Companies Register under number 511 716 573.

5.1.3 Date of Incorporation and Duration

5.1.3.1 Date of incorporation of the company

The Company was incorporated on March 20, 2009.

5.1.3.2 Duration

The Company's duration is 99 years from the date of its registration with the trade and companies register, except in the event of early dissolution or extension.

5.1.4 Registered Office, Legal Form and Applicable Legislation

5.1.4.1 Registered office

The Company's registered office is located at 12, rue d'Athènes – 75009 Paris, France (Tel: +33 (0)1 55 80 69 00).

5.1.4.2 Legal form and applicable legislation

Deezer S.A. was initially formed as a simplified stock company (*société par actions simplifiée*) in March 2009. It was converted into a limited liability corporation (*société anonyme*) on July 22, 2009 and renamed as "Deezer S.A." on September 4, 2015. Today Deezer S.A is a limited liability corporation with a board of directors, governed by French law, including, in particular, Book II of the French Commercial Code.

5.1.5 History and Development

Deezer is a leading global provider of on-demand digital audio streaming services, offering millions of subscribers access to streamed music from a catalogue of over 35 million tracks and 40,000 news and entertainment talk shows and podcasts. Deezer's library of audio content is available for streaming in over 180 countries through a user interface that displays in 32 languages and offers its consumers the choice of 17 payment methods in 35 currencies.

Deezer was originally founded in 2007 under the name "Blogmusik" by Daniel Marhely and Jonathan Benassaya. Blogmusik was a pioneer in the music streaming market, as one of the first to provide consumers with unlimited on-demand access to music that could be streamed on their personal devices when and wherever they chose. Blogmusik users were able to stream music on their desktops for free, and starting in 2009, on their mobile devices using proprietary mobile applications for iOS, Android and Blackberry-based mobile phones.

Following its launch, Blogmusik negotiated arrangements with major music labels to secure licenses for music streamed on its web-based platform. In August 2007, the Group reached its first licensing agreement with SACEM (*Société des auteurs, compositeurs et éditeurs de musique*), one of the world's largest collective societies, which negotiates, collects and distributes royalties on behalf of its members (songwriters, composers and publishers). Blogmusik was able to pay copyright holders using revenue generated from advertising on its website and commissions from Apple earned in respect of each purchase on iTunes of music streamed by Blogmusik users.

Based on the strength of its founders' vision and success in forging first-time relationships with key copyright holders, Deezer attracted strong interest from prominent tech entrepreneurs and investors very soon after its launch. Since its founding, the Group has raised in the aggregate more than €80 million of equity capital investments from third-party investors, including Xavier Niel, the founder and majority shareholder of Free (one of France's leading providers of telephone, broadband internet, television, mobile phone services), the Rosenblum brothers (founders of e-commerce company, Pixmania) through their special investment vehicle Dotcorp Private Equity Fund III (currently DC Music), other private equity investors AGF Private Equity (currently Idinvest Partners) and CM-CIC Capital Privé, as well as Access Industries, a privately held industrial group with long-term holdings worldwide. Most recently, in October 2012, the Group secured a €70.0 million[1] equity capital investment from Access Industries to finance its international expansion strategy. The capital raised through 2009 was primarily used to finance growth of the platform and catalogue, particularly the purchase of licenses from music content rights holders, as its catalogue grew from 1 million tracks in 2007 to 5 million tracks in 2009. It also enabled the Group to build a team of developers, an internal advertising sales team and recruit marketing managers. Deezer primarily used the capital raised from Access Industries in 2012 to acquire the necessary music rights to launch its international operations, as well as increasing marketing spending and hiring additional staff to support growth.

Concurrent with its capital raises in 2009, Deezer expanded its service offering to include paid subscription-based services in addition to its existing free advertising-supported services. Its paid service offering included Premium (initially called HQ) and Premium+ (initially called Premium), which were offered respectively at €4.99 and €9.99 per month at the time and provided subscribers access to on-demand music streaming that was not interrupted by advertising, either on computer (Premium) or on all devices (Premium+).

To accelerate the growth of its subscriber base, the Group entered into partnerships with leading broadband and mobile telecommunications operators to strengthen its foothold in its home market of France and thereafter to enter key geographic markets outside of France:

- In August 2010, Deezer partnered with Orange, the largest telecommunications and internet service provider in France, to hard bundle Premium+ with a wide selection of broadband and mobile tariff plans in France. Almost immediately after the beginning of the partnership, the rate of users signing up for Deezer's paid service offering went from 6,000 to 100,000 a month. By January 2011, Deezer passed a half million subscribers through its partnership with Orange, with the million-subscriber mark reached about three months thereafter.

- In 2011, Deezer and Orange expanded their partnership to include the United Kingdom. This deal was followed by another deal in Belgium, with Telecom Operator Belgacom.

[1] Investment amounts indicated are gross investment amounts committed by investors before taking into account fees and commissions. The total cash flow from the share capital increase in 2012 was €68.0 million, see Chapter 10.2.3, "Cash Flows Generated by Financing Activities".

- At the end of 2011, Deezer announced plans to pursue its international expansion throughout the rest of the world. Deezer established partnerships with more than dozen leading telecoms to rapidly reach a broad base of potential users. By the end of 2012, Deezer's services were available in countries on four continents including countries in Europe (including Belgium, Austria, the Netherlands, Hungary, Poland and Serbia), South America, in Africa and Southeast Asia.

As of December 31, 2012, Deezer's catalogue had grown to include about 20 million tracks, 3.1 million subscribers, and its streaming platform was available in 160 countries. In 2013, Deezer expanded into 22 new countries across Africa, Asia, Latin America and the Middle East. As of December 31, 2013, Deezer had 6.1 million subscribers.

In parallel with building these key telecom partnerships, Deezer established partnerships with mobile and other consumer electronics manufacturers:

- Since 2009, Deezer has established partnerships with well-known and popular mobile phone, home entertainment, smart TV and car manufacturers such as Sonos, Bose, Bang & Olufsen, Devialet, Philips, LG, Panasonic, Parrot, Sony, Samsung, Toshiba, BMW and Audi, which enabled Deezer's services to be accessed through their respective hardware. Deezer also offered tailored promotional trial offers to its manufacturer partners' customers. For example, in 2014, Deezer and Samsung offered Samsung Galaxy S5 users in Europe a free, six months trial to Premium+.

- In September 2014, Deezer launched its Elite offer, which provided consumers who purchased certain Sonos wireless sound systems with access to CD-sound quality audio streaming for $/€19.99 a month. In October 2014, Deezer launched a discounted promotional offer to Premium+ for Bose SoundTouch and SoundLink clients.

As part of its ongoing effort to develop and maintain an attractive service offering, Deezer has also continuously expanded its catalogue, as the size of its catalogue remains a differentiating feature of its services. In October 2014, Deezer acquired Stitcher, which provides on-demand podcasts, news and public radio shows. Following this acquisition, Deezer's catalogue now also includes 40,000 entertainment and news talk shows and podcasts.

As of December 31, 2014, Deezer's catalogue had grown to include about 35 million tracks, 6.9 million subscribers**,** and its streaming platform was available in over 180 countries.

5.1.6 The Reorganization Transactions

Deezer S.A., formerly known as "Odyssey Music Group" ("Odyssey"), was incorporated on April 9, 2009 for the purpose of, among other things, holding the shares of Blogmusik, the company that, since its incorporation on April 13, 2007, had formerly operated the web-based music streaming service Deezer. Prior to completion of the Reorganization Transaction (as defined below), Blogmusik was a wholly-owned subsidiary of Odyssey. The major record labels, Universal Music, Sony Music Entertainment, EMI Group Limited and Warner Music Group (the "Majors") held warrants giving access to share capital of Blogmusik. See Chapter 7, "Organizational Structure", and Chapter 18, "Principal Shareholders", for more information.

In order to streamline the corporate structure and allow all shareholders to be at the same level, it was decided to implement the merger of Blogmusik, as absorbed company, into Odyssey, as absorbing company ("the "Reorganization Transaction"). The merger closed on September 4, 2015.

As a result of the Reorganization Transaction, (i) the Blogmusik shares owned by Odyssey were automatically cancelled in accordance with Article L. 236-3 of the French Commercial Code ("*fusion-renonciation*"), and (ii) each warrant of Blogmusik (each held by the Majors) giving a right to subscribe for one (1) share of Blogmusik was exchanged for one (1) warrant of Odyssey giving access to one (1) share of Odyssey multiplied by the exchange ratio in accordance with L. 228-101 of the French Commercial Code. In case of exercise of all of their warrants, the Majors would own approximately 17% of Odyssey's fully diluted share capital (excluding (i) any incentive instruments held by managers and employees or any shares as a result of the exercise of such incentive instruments, and (ii) Warrants 2014-1) after completion of the Reorganization Transaction. Finally, immediately after the Reorganization Transaction, Odyssey was renamed "Deezer S.A."

5.2 INVESTMENTS

5.2.1 Historical Investments

Deezer's historical investments since 2012 have been modest, and involve mainly the acquisition of property, plant and equipment, and intangible assets. The following table sets forth Deezer's net cash used in investing activities for the relevant periods.

	For the year ended December 31,			For the six months ended June 30,	
	2014	2013	2012	2015	2014
			(*in € thousands*)		
Payments for property, plant, equipment and intangible assets.................	(2,068)	(937)	(6,809)[(1)]	(687)	(937)
Payments for investments...	(89)	(256)	(344)	(8)	(49)
Other net cash flows relating to investing activities.............................	(230)	80	50	11	241
Net cash (used in) investing activities............	**(2,386)**	**(1,113)**	**(7,103)[(1)]**	**(684)**	**(744)**

(1) Includes €4,800 thousand of cash used in investing activities related to intangible assets recorded in respect of minimum guarantee obligations to rights holders. See Chapter 9.3.2 "Minimum Guaranteed Payments".

Over the course of the period presented, Deezer's investments primarily consisted of investments in technical equipment, servers and other technological hardware to support its network infrastructure and systems. Deezer also invested in product development relating to building and improving its user platform and in software development to improve its data analytics capabilities, recommendation algorithms and other back-end functions. The increase in 2014 reflects the purchase of software and other licenses as part of the Stitcher acquisition.

5.2.2 Principal Investments Currently in Progress

Deezer currently expects that the amount of its cash expenditures for investments in 2015 will be generally consistent with the level of investment during the 2012 to 2014 period. Deezer expects that the types of investments that it makes and its investment objectives will be similar in nature to investments made during the 2012 to 2014 period. However, investment expenditures can be uneven and unpredictable, particularly when they are associated with external growth transactions.

5.2.3 Principal Planned Investments

As of the date of this Registration Document, Deezer does not have any material commitments to make investments in the future.

6. BUSINESS OVERVIEW

This Chapter discusses Deezer's industry, market and business.

6.1 GENERAL PRESENTATION

Deezer is a leading global provider of on-demand digital audio streaming services, offering millions of subscribers access to streamed music from a catalogue of over 35 million tracks and 40,000 news and entertainment talk shows and podcasts. Deezer's users can listen to individually customized music playlists and radio channels on their web-enabled device or hardware of choice, including laptops, tablets, smartphones, smart TVs and wireless audio systems.

Subscription streaming is the fastest growing segment of the recorded music market, with retail revenues growing at a 42% compound annual growth rate between 2008 and 2014 (source: Enders, July 2015). Market analysts expect continued rapid growth in the coming years, with streaming capturing an increasing share of the global recorded music market (from 16.7% of global retail revenues in 2014 to an estimated 49.4% in 2019) as consumers shift away from purchasing music on CDs and through digital download (source: Enders).

Deezer has grown rapidly since it was founded in 2007, driven in large part by the quality of its service, its extensive selection of audio content, its privileged partnerships with leading telecom providers, web portals and audio equipment manufacturers, and the accelerating adoption of on-demand streaming by consumers and music labels. Deezer's audio catalogue is available for streaming in over 180 countries.

As of December 31, 2014, Deezer had 6.9 million total subscribers. This includes 1.3 million standalone subscribers (who either subscribed directly to Deezer's service or elected to subscribe to its service through one of its partners), and 1.6 million monthly active bundle subscribers (who subscribed to Deezer's service through a bundled offer from one of its telecom partners and streamed at least 30 seconds of one track in the applicable month). Deezer's standalone and monthly active bundle subscriber base grew by 39.2% in 2014, and by 4.5% in the first half of 2015. The slower growth in H1 2015 was primarily driven by a change in the terms of Deezer's partnership with telecom operator Orange in France. This led to a reduction in the number of bundle subscribers but an increase in standalone subscribers of Deezer's service, which typically generate greater average revenue per user (ARPU) for Deezer (see Chapter 6.5.2, "Subscribers and Subscription Revenues" and Chapter 9.2.1.3 "Average Revenue per User (ARPU)"). Deezer's consolidated revenue was €141.9 million for the year ended December 31, 2014, representing 52.9% revenue growth compared to 2013. In the first half of 2015, Deezer generated €93.2 million of total consolidated revenue, an increase of 40.9% compared to the first half of 2014.

As one of the world's leading digital music streaming providers, and the leader in its home market of France, Deezer is well positioned to play a key role in the continuing development of this rapidly expanding new market. Deezer intends to expand its subscriber base through innovative marketing and brand awareness campaigns, leveraging its telecom and audio equipment partnerships, creating new service offerings adapted to targeted market segments and taking advantage of additional growth opportunities, including broadening its geographic reach.

6.1.1 Deezer's Service Offerings

Deezer gives subscribers access to an innovative listening and music discovery experience – high quality on-demand audio, individually customized playlists, personalized radio channels, off-line listening, personalized recommendations based on each subscriber's tastes, exploration of music by region or genre, and music playback with simultaneous lyrics display, among other features. Deezer's service offerings have also recently expanded to include other categories of audio content, including podcast programs and on-demand streaming of news and entertainment talk shows. Deezer's subscribers have access to a customized user interface that displays playlist and track recommendations generated by Deezer's proprietary algorithms and curated by its dedicated editorial team. Deezer also provides special features to enhance the music listening experience, such as allowing subscribers to follow their favorite artists and be notified of any new release.

Deezer's flagship service offering is its Premium+ subscription service, which provides subscribers with full, premium-quality access to its audio catalogue for a fixed monthly subscription fee. Deezer also offers a free, advertising-supported service tier, designed primarily to attract users to its primary subscription service, and several tailored subscription service offerings, primarily through distribution partnerships.

6.1.1.1 Premium+

Premium+ is a paid subscription service that provides personalized access to the full range of Deezer's quality audio services. Subscribers pay a single monthly fee (€9.99 per month in Europe) for Premium+ service and have advertising-free access to unlimited streaming of audio content with up to 320 kbps sound quality on web and mobile. Premium+ subscribers can also listen to content off-line on their tablets or mobile devices during the term of their subscriptions and upload their own MP3 library. Premium+ subscriptions generated €122 million, or 86% of consolidated revenues in 2014.

6.1.1.2 Advertising-Supported streaming

Deezer offers free on-line and mobile access to its digital audio catalogue, with more limited service than the Premium+ subscription offering. Sound quality is up to 128 kbps, the ability to choose and skip tracks is limited on mobile, and downloading for off-line listening is not available with Deezer's free service. Free access is supported by advertising that is placed between tracks and in on-screen banners. Advertising revenues were €5.4 million, or 3.8% of consolidated revenue for the year ended December 31, 2014.

6.1.1.3 Other service offerings

Deezer has also launched other innovative paid subscription plans, which together accounted for approximately 10% of its 2014 consolidated revenue. These include the Elite subscription plan (priced at $/€19.99 a month following a discounted trial period), launched in September 2014, which is designed for music aficionados. It offers unlimited streaming of exceptional CD-sound quality, on premium audio equipment. The Elite subscription plan is currently available exclusively for streaming on Sonos wireless sound systems worldwide. Deezer has also launched bespoke subscription plans in partnership with leading telecom companies, such as its Deezer Mobile plan, a mobile-only streaming service available through the telecom operator EE in the United Kingdom, and a subscription offering for prepaid mobile customers of the U.S. operator Cricket (an AT&T subsidiary). As the on-demand streaming market matures, Deezer plans to continue to develop additional service offerings to reach discrete segments of the potential subscriber base.

6.1.2 Deezer's Catalogue

Deezer offers its users access to a large and growing catalogue of more than 35 million tracks covering all genres of music, including popular tracks from Europe and the United States, as well as local content that enhances the attractiveness of Deezer's offering in each market it serves. Following its acquisition of Stitcher in 2014, Deezer's catalogue now also includes 40,000 entertainment and news talk shows and podcasts. Deezer has worldwide direct agreements with more than 200 rights holders, including major and independent music labels, aggregators, collective societies and publishing rights holders. Payments to rights holders generally represent 65% to 75% of the associated subscription fees, although the terms vary depending on the type of rights holder, the category of service offering and the geographical market served.

6.1.3 Marketing of Deezer's Offerings

Deezer markets and distributes its service offerings directly to consumers through its website and mobile app and indirectly through partnerships with select telecom companies, audio equipment manufacturers and other partners. Users who register for Deezer's service directly are typically offered a free trial of the full Premium+ package without advertising for a period of between 15 and 45 days, following which they either choose to subscribe on a paid basis or are shifted to Deezer's free advertising-supported service. Deezer's telecom partners sell its streaming services as part of bundled packages with mobile and internet subscriptions, or as optional, standalone services for which subscribers pay a separate fee. When distributing through other non-telecom partners, consumers are typically offered an extended trial of the Premium+ service for a period of 2-12 months, at the end of which they have the option to subscribe or leave the service. Deezer has a long term partnership in France with Orange, France's number one telecom operator, currently signed through July 2018, as well as privileged partnerships with more than 40 telecom operators. Deezer's audio streaming package is also offered worldwide with a deeply integrated service through Sonos and Bose premium wireless audio systems.

6.2 COMPETITIVE STRENGTHS

Deezer benefits from its position as one of the global leaders in the rapidly growing digital audio streaming market, with an extensive catalogue of music rights, industry-leading technology, a track record of successful partnerships and a management team that has demonstrated its capacity to grow through innovation. Deezer's principal competitive strengths are the following.

6.2.1 Pioneer in the Rapidly Growing Digital Audio Streaming Market

Deezer is one of the first movers in the digital audio streaming market, which is the fastest growing segment of the recorded music market. According to the July 2015 Enders study, of the three primary segments – physical, digital download and subscription streaming – only the subscription streaming market is growing, both in absolute and percentage terms. Global retail revenues from subscription streaming are expected by Enders to grow from $2.9 billion, or 16.7% of global music industry retail revenues in 2014, to $9.8 billion, or 49.4% of global music industry retail revenues in 2019. Deezer believes that a number of factors support continued growth in subscription streaming, including an increasing preference among consumers for music access rather than ownership-based formats such as CDs and downloads, access to new music consumers in developing markets, increasing penetration of smartphones and fast data networks globally, increasing consumer awareness of streaming services through marketing and promotions, and continued innovation of streaming services to improve the value for money proposition for consumers. Music labels, publishers, artists, musicians and other rights holders can also find subscription streaming services appealing because these services allow rights holders to achieve broader distribution with limited overhead costs, create new marketing opportunities, and help to mitigate the effect of piracy through a personalized music service that cannot be replicated by pirated content. As a leader in the fragmented streaming business, Deezer is ideally positioned to capture a significant share of this market growth.

6.2.2 Market-leading Position

Deezer has an established place as a market leader, with one of the largest music catalogues in the market, and a global scale offering with local content and language services in most major markets. Deezer is the second largest pure play digital audio subscription service worldwide based on the number of subscribers as of the end of 2014 (behind Spotify), and it is the leader in its home market of France. Deezer estimates that in 2014 it generated 61.0% of the total subscription streaming retail revenues in its home market of France, 10.9% of the total subscription streaming retail revenues for the European market, and 6.4% of global subscription streaming retail revenues (source: Enders).[2] As a first mover, Deezer has invested substantial time, effort and resources to develop know-how, technology, global scale, credibility with current and potential partners, and relations with major labels, independent record labels and other right holders, all of which serve to solidify Deezer's market position and to provide it with an advantage over less well-established streaming services. Its scale also places it in position to meet the current minimum revenue requirements of content rights holders, which is a key hurdle for new streaming services.

6.2.3 Proprietary Technology and a State-of-the-Art Product

Through extensive market research and the capabilities of its technology and editorial teams, Deezer has created an, intuitive, user-friendly and personalized product. Deezer's service includes several innovative features such as "Flow" one-click radio (a customized streaming mix accessed with a single click from the home screen), lyric displays, a CD-sound quality service (Elite), and news and entertainment talk audio content. Deezer's flexible platform provides each user with a customized experience that includes local content, a personalized algorithm that drives the "Flow" mix, and a combination of human and algorithmic recommendations. Its customized algorithms enable Deezer to leverage its extensive platform usage data to consistently improve its performance. These features have resulted in a high degree of customer engagement and mobile usage, with Premium+ subscribers who subscribed directly to Deezer's service averaging 496 streams per month and accessing Deezer's service on average 1 out of every 2 days, primarily on mobile devices, which represented approximately 79% of Deezer's total Premium+ subscribers' streams in June 2015.

6.2.4 Partnership "DNA" That Provides Deezer with Access to Targeted Audiences in a Rapid and Efficient Way

Deezer has built its business and reputation by capitalizing on the distribution opportunities offered by partnerships with leading telecom operators such as Orange in France, Vodafone in Germany, Telenor and Deutsche Telekom in the rest of Europe, TIM in Brazil and Millicom in several countries in Latin America. Deezer's partnerships with more than 40 leading telecom operators provide it with a springboard for the launch and development of its services internationally, as audio streaming gains penetration worldwide. Deezer's strong

[2] Comparison of Deezer's revenues generated in the relevant market to total market size as estimated by Enders, assuming an exchange rate of $1.329 to €1.00.

relationships with its distribution partners have helped Deezer to grow its subscriber base. For example, its subscriber base in Latin America more than doubled from 2013 to 2014, with the majority of the growth generated by subscriptions through its partnerships with TIM and Millicom. More recently, Deezer has extended its partnership model beyond telecom operators to device manufacturers such as Sonos, Bose, and Bang & Olufsen. Deezer is able to secure such partnerships by innovating to meet its partners' needs, including by creating customized applications and interfaces, in order to ensure strategic alignment. Such innovations include the Elite service available on Sonos equipment and a mid-tier priced service developed for the prepaid mobile operator Cricket. Deezer also provides most of its partners a co-branded service offering, which is mutually beneficial, enhancing brand awareness and consumer brand loyalty for both parties.

6.2.5 Scalable Model Ensuring Potential for Growth and Profitability

Deezer benefits from a first-rate technology platform, which it believes should be readily scalable and adaptable to new service offerings and the requirements of new and developing markets. This strong base should limit the incremental costs of rolling out and expanding Deezer's service in new countries and existing markets. Deezer has accomplished its growth efficiently by being organized on a regional basis, with relatively light central functions handled by its team in France and regional teams focused on local partnerships and content located around the world. Deezer's model has allowed it to achieve operating profitability in France (after allocating corporate expenses equally to each of Deezer's five geographical segments, see Chapter 9.4.2, "Corporate Expenses"), and provides similar potential for profitable operations worldwide.

6.2.6 The Right Management Team

Deezer benefits from an international and experienced management team with highly complementary skillsets. Deezer's Chief Executive Officer, Hans-Holger Albrecht, Chief Operating Officer, Simon Baldeyrou, Chief Content and Product Officer, Alexander Holland, Chief International Officer, Gerrit Schumann, Chief of North America & New Business, Tyler Goldman, and Chief Financial Officer, Ivan Tortet, have many years' experience in the media and telecommunications industries, including at leading companies such as Millicom, Modern Times Group, Antenna Group, Dragon TV and Seloger.com. In addition to managing rapid organic growth, the team has demonstrated its ability to take advantage of external growth opportunities by successfully consummating bolt-on acquisitions of strategic importance. In 2014, Deezer acquired Stitcher, an on-demand entertainment, news and podcast streaming service that is supported by an innovative application platform and technology. In addition, through acquisitions of smaller music streaming services or their assets – notably Wormee, Ampya and Muve, in 2010, 2014 and 2014, respectively – Deezer has increased its subscriber base and strengthened its position in key geographic markets, such as Germany and the United States. Deezer believes that its experienced and successful management team is a key advantage as it continues to grow and develop.

6.3 STRATEGY

Deezer intends to take full advantage of its market leadership, expertise and relationships to generate profitable growth in the dynamically developing market for on-demand digital audio streaming services. Its principal strategic initiatives are the following:

6.3.1 Expand Subscriber Base Through Direct Marketing and Brand Campaigns

Deezer has generated a base of over 2.9 million standalone and monthly active bundled subscribers with limited investments in marketing, concentrating its subscriber acquisition efforts largely through its partnerships to establish a stable base. Deezer plans to launch direct marketing campaigns in key markets with a view to expanding its standalone subscriber base substantially, particularly outside of France. In certain markets, Deezer expects to benefit from media partnerships (for example, ProSiebenSat1 in Germany) through which it gains brand exposure on popular media networks through special advertising rights, advertising for warrants swaps and special co-branded services. Deezer will also explore targeted artist marketing opportunities and other differentiated, content-driven campaigns. Deezer believes these campaigns, focused in particular in key markets where the population is familiar with streaming and more receptive to the format, coupled with the quality of its interface and service offering, should increase both the number of people who try the service, and also the conversion rate from free product usage or Premium+ trials to paying subscriptions. Deezer also believes that its marketing efforts and increased brand awareness will make it more valuable to its telecom and other partners and increase the effectiveness of its indirect distribution efforts, facilitating its expansion in all channels.

6.3.2 Leverage Distribution Partnerships to Generate Additional Subscribers and Revenue

Deezer's partnerships are an integral part of its business model, representing an important part of its past and future development. Thus far, partners have generally financed some or all of Deezer's subscriber acquisition costs, offering Deezer's service as a bundled package with premium telecom, internet and mobile services to attract their own subscribers. Deezer intends to further develop these offerings to generate higher revenues by absorbing more of the subscriber acquisition costs itself and potentially offering additional sales incentives to partners while broadening the offering of standalone subscriptions to telecom partner customers and further tailoring proposed service offerings to specific telecom partner and customer needs (for example, by offering single device / mobile-only / lower sound quality at a lower price). Deezer believes that this proactive strategy for partnerships has the potential to increase the audience to which the product is marketed by the partner, increase subscriber loyalty, and generate more active streaming usage revenues compared to its historical bundled offers, pursuant to which access to its services is typically provided as part of a subscription to a mobile phone or internet plan. Deezer intends to focus on leveraging distribution partnerships and highly targeted product and service offerings to achieve greater penetration in existing markets that it views as particularly competitive, like the United Kingdom and the United States. Deezer will also actively explore new telecom partnerships in geographies where it currently does not have a partnership in place. It is currently in discussions with potential partners in various markets that have a collective population of approximately 0.8 billion, providing a large market opportunity, and is currently in advanced discussions with potential partners in several markets, including Russia, Turkey, Mexico, Norway and Portugal (source: Worldometers).

6.3.3 Address New Market Segments with Targeted Service Offerings

Deezer is developing new offerings designed to attract a wider subscriber base. Examples of Deezer's innovative new offerings include the following:

- *Non-musical audio content*. In 2015, Deezer launched an offering of entertainment and news talk shows and podcast programs. Through its acquisition of Stitcher in 2014, Deezer gained access to over 40,000 talk shows and podcasts by over 14,000 content providers, including BBC, NPR, MSNBC, Fox News and more. The podcast library continues to grow, with over 500 new shows added each month. Deezer's non-musical audio content is currently focused on news and entertainment, but Deezer plans to expand offerings of new types of content, including sports, comedy and audiobooks. Deezer also intends to focus on adding local non-musical audio content in key markets like Brazil, the United Kingdom and Germany to provide additional value to users. Deezer believes that the addition of such content will help make its service more attractive to users because large portions of the population enjoy listening to non-musical audio content.

- *Elite service offering*. In 2014, Deezer launched an innovative offer that is tailored to streaming on high-end audio equipment such as Sonos wireless audio systems. Its Elite service, currently only available to owners of Sonos systems, provides subscribers with access to CD-sound quality streaming. This offer was first launched in the United States but has expanded to worldwide coverage.

- *Mid-tier mobile service offering*. In 2014 and 2015, Deezer developed, in partnership with certain telecom partners such as EE and Cricket, a mid-tier offering featuring single device access at a lower price level designed to attract a wider user base. Certain of the offerings feature slower streaming bit rates to minimize buffering on low data plans. Deezer believes that this mid-tier offering model could be highly attractive in many other markets, in particular emerging markets that have limited high speed mobile coverage and a population base largely with a single device and without access to credit card payment options.

Deezer plans to explore further innovation through cooperation with new partners such as smartphone manufacturers, automobile manufacturers and media companies.

6.3.4 Take Advantage of Additional Growth Opportunities

Deezer plans to take advantage of high potential growth opportunities as they arise, which it believes could include the following:

- *Entry into new geographic markets*. Deezer has a proven track record of building a strong subscriber base outside its home market of France and is evaluating potential expansion opportunities (including potential local partnerships) so as to be ready as and when streaming rights become available in high-potential markets such as Japan, China, or India, which collectively represented an estimated $4.1 billion in retail music revenues, of which approximately $178 million was from subscription streaming (source: Deezer estimate based on IFPI 2014 and Enders; see Section 6.4, "Industry and Market Overview").

- *Increase advertising revenue*. Deezer historically leveraged its telecom partnerships to attract subscribers to its paid subscription services. Deezer intends to grow its free user base in order to eventually convert more subscribers in the direct acquisition channel and in turn intends to grow its advertising team to monetize free user ad inventory and offset the costs of this acquisition channel. Deezer intends to do this in particular by expanding advertising revenues in markets other than France and introducing new advertising formats including video, banners and native advertising on its mobile applications.

- *Promote nascent "Deezer Pro" service*. Deezer provides a subscription service that enables businesses to manage and play background music in their stores or other business locations. The service gives business owners the ability to schedule and organize music according to their tastes and/or their desired brand image.

Subscribers of Deezer's background music streaming service can choose to actively select the music for their business locations or rely on suggested music moods or customized playlists created by Deezer's editorial team. Deezer has provided its Deezer Pro service to hospitality businesses, special events and sports venues in France, and will opportunistically evaluate opportunities to expand this service to new subscribers and new markets.

- *Extract further value for rights holders and advertisers*. Deezer's proprietary technology permits it to understand its customers through data, collecting information on tracks streamed, location of streaming, device used to stream and other metrics measuring engagement with the product. This helps Deezer maintain a compelling product and personalized consumer experience and provides rights holders and advertisers with the ability to reach, engage and learn about their target audiences. Deezer may develop new ways to extract value from its extensive database, while rigorously protecting the personal data of its customers.

- *External growth*. Deezer has opportunistically acquired modest-sized music streaming services or services with complementary business lines (such as podcasts) or competencies. Deezer will continue to examine potential opportunities for external growth where it can cost effectively broaden available content, service capabilities or geographical penetration.

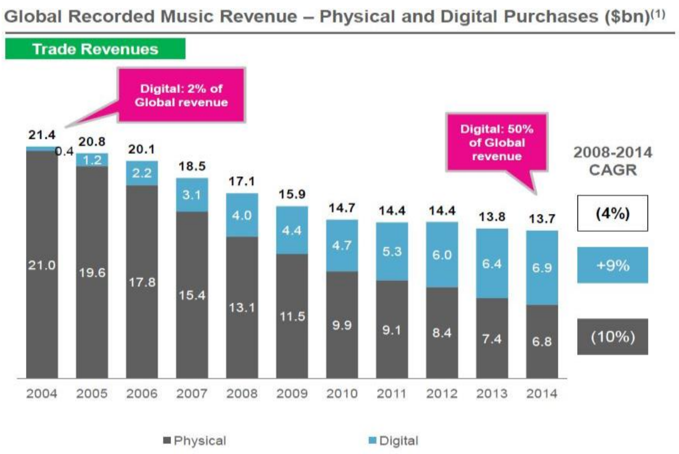
6.4 INDUSTRY AND MARKET OVERVIEW

This Section 6.4 contains information on the Group's market, including forecasts on future trends, as well as the Group's market position. The information contained herein is principally based on market studies prepared by various third parties, including IFPI and Enders Analysis Limited. The historical data and estimates in the July 2015 Deezer-commissioned study by Enders are based on revenues received by retail outlets and digital services for sales and streaming of recorded music, including value-added taxes, from both consumers and telecom operators. These figures are referred to below as "retail" revenues. These figures are not directly comparable to data presented by IFPI because IFPI reports on "trade" revenues, which it defines as the revenues received by record labels in respect of the sale and licensing of recorded music, net of discounts, returns, handling charges taxes, distribution fees and legal settlements. For France and the United States, retail subscription streaming revenues and retail recorded music revenues figures represent Enders estimates. For countries other than France and the United States, retail subscription streaming revenues were calculated by dividing IFPI subscription streams revenues for the applicable country by 0.61 (the ratio of IFPI's estimate of global subscription streaming trade revenues to Enders' estimate of global subscription streaming retail revenues), and total retail recorded music revenues were calculated by dividing IFPI retail recorded music revenues for the applicable country by 0.69 (the ratio of IFPI's estimate of global recorded music trade revenues to Enders' estimate of global recorded music retail revenues).

6.4.1 The Global Recorded Music Market is Undergoing a Transformation with a Milestone Year in 2014

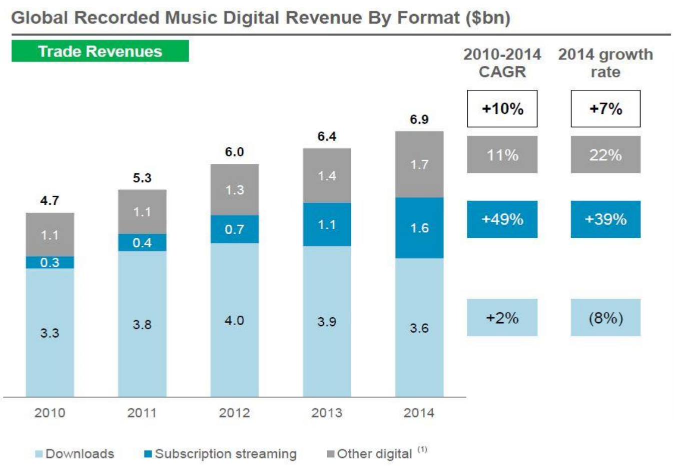
After a long period of decline caused by the steady fall in physical format music revenues, the global recorded music industry has stabilized as a result of the dynamic emergence of the digital format. The industry has undergone a major transformation over the past decade, with digital format revenues growing at the expense of physical format revenues and accounting for 46% of the global recorded music trade revenues in 2014 as compared to 2% in 2004. 2014 marked a milestone year in this transformation, with digital format trade revenues surpassing physical format trade revenues for the first time, $6.9 billion as compared to $6.8 billion (source: IFPI 2014).

Digital format sales are primarily composed of permanent downloads (either single track or full album), subscription streaming, advertising-supported streaming and mobile personalization sales (mobile ringtones, other downloads). Of these, streaming has emerged as the strongest driver of growth in the digital segment and the heart of the global music industry.



Source:IFPI 2014
(1) Trade recording rights revenues, excluding performance rights and synchronization (use of music in advertising, films, games and television programs), which together comprised approximately $1.3 billion in trade recording rights revenues in 2014.

Streaming revenues are divided into subscription streaming and advertising-supported streaming. Subscription streaming revenues primarily consist of revenues from the full access, advertising-free service on computers and mobile devices; a small amount of subscription streaming revenues also come from the advertising-supported free tier offered by such subscription services. Advertising-supported streaming revenues derive from both audio and video music services with more limited functionality and advertisements played between streams. Between 2010 and 2014, subscription streaming trade revenues grew by more than five times, to $1.6 billion, representing the fastest-growing sub-segment of the digital format (source: IFPI 2014).



Source: IFPI 2014
(1) including video advertising and mobile personalization.

6.4.2 Streaming is a Global Phenomenon

Subscription streaming has emerged globally as an important consumption channel of recorded music. In 2014, the subscription streaming market experienced 39% growth, with the United States, Europe and Latin America collectively accounting for over 75% of global streaming retail revenues growth (source: Enders).

	USA	Europe	Latin America	Rest of World	**Total**
2014 retail subscription streaming revenues (*$ millions*)	905	1,403	71	562	**2,941**
% growth vs. 2013	*29%*	*38%*	*79%*	*50%*	***39%***
Share of subscription streaming revenues in retail recorded music revenues (%)	15.7%	20.9%	14.3%	12.2%	**16.7%**
Share of global subscription streaming revenues growth (%)	25%	48%	4%	23%	**100%**

Source: Enders

- *United States*. In the United States, the largest single market for recorded music, subscription streaming retail revenues accounted for $905 million, or 15.7%, of local retail recorded music revenues in 2014. Subscription streaming generated 29% growth in 2014, and was the only growing retail segment in recorded music market, which declined by 3% as a whole (source: Enders).

- *Europe*. Europe, which represented the largest share of global subscription streaming revenues growth in 2014, exhibits different market dynamics across countries. Nordic countries have a very developed market for streaming. In Sweden, Norway and Denmark, streaming accounts for 70%, 63% and 49%, respectively, of recorded music trade revenues. Subscription streaming continued to grow dynamically in these three markets, with year-over-year growth rates for trade revenues in 2014 of 6% in Sweden, 13% in Norway and 54% in Denmark, driving the overall growth of local recorded music markets. Germany, the United Kingdom and France have traditionally had physical format trade revenues represent higher market share than in Nordic countries. In 2014, however, streaming was the primary driver of trade revenue growth in all three markets, achieving year-over-year growth of 87% in Germany, 58% in the United Kingdom and 35% in France (source: IFPI 2014).

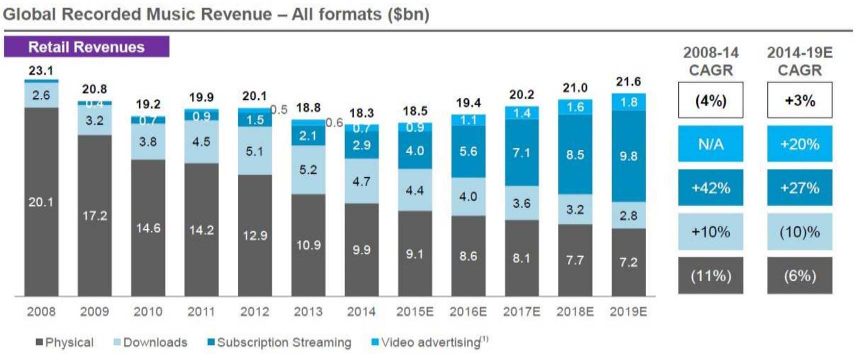
- *Latin America.* Latin America, while starting with a small base, is the fastest-growing region for streaming. Brazil and Mexico together accounted for 66% of Latin America's subscription streaming trade revenues in 2014. With subscription streaming trade revenues in Latin America growing 77% year-over-year in 2014, the region is becoming particularly attractive for streaming service providers (source: IFPI 2014).

- *Rest of the World*. The rest of the world segment exhibits different market dynamics across countries and across regions. Overall, retail subscription streaming revenues grew by 50% in 2014 to $562 million (source: Enders). Certain countries that generated strong streaming growth in this segment included South Korea and Japan, the largest streaming markets in Asia by trade revenues. In South Korea, subscription streaming is the primary channel for music consumption, generating $141 million of trade revenues, or 53% of the local recorded music trade revenues in 2014. The subscription streaming industry in South Korea is also growing dynamically, with 46% growth in trade revenues in 2014 as compared to 2013, supporting the overall 19% growth of the local recorded music trade revenues in 2014. In Japan, the subscription streaming market remains at a nascent stage, accounting for only 3% of the local recorded music trade revenues. The segment has grown steadily since 2010, however, and recorded 157% year-over-year growth in 2014. With over 95% smartphone market penetration, streaming is expected to continue to grow at a fast pace in Japan (source: IFPI 2014).

6.4.3 Streaming is Expected to Become the Single Largest Distribution Channel for Recorded Music Globally

The forecasts provided below are necessarily subject to uncertainty, and may prove to be untrue for numerous reasons, including those described in Chapter 4, "Risk Factors."

The subscription streaming market (comprised of paid subscriptions and advertising-supported tiers of subscription services) is expected to become the largest distribution channel for recorded music in the near future. By 2019, subscription streaming retail revenues are expected to reach $9.8 billion, or 49.4% of global retail music revenues, representing a compound annual growth rate (CAGR) of 27% between 2014 and 2019. During the 2014-2019 period, digital downloads are expected to decline at a (10)% CAGR from $4.7 billion in 2014 to $2.8 billion in 2019 and physical sales are expected to decline at a (6)% CAGR from $9.9 billion to $7.2 billion (source: Enders).



Source: Enders

(1) Includes advertising revenues from video platforms such as YouTube and Vevo.

This growth in subscription streaming is expected to be spread across all geographic regions. The table below sets forth an estimate of retail subscription streaming revenues by region for the period from 2014 through 2019:

Retail Subscription Streaming Revenues

	2014	2015E	2016E	2017E	2018E	2019E	CAGR '14-'19
				($ millions)			(%)
United States	905	986	1,440	1,850	2,111	2,265	20.2%
France	162	240	290	342	387	429	21.5%
Europe (excl. France)	1,242	1,797	2,291	2,731	3,179	3,617	23.8%
Latin America	71	116	177	248	325	405	41.6%
Rest of world	562	883	1,384	1,946	2,517	3,069	40.4%

Source: Enders

The growth in subscription streaming revenues is expected to be supported by the growth in the percentage of the population that are streaming subscribers across geographic regions. This percentage is expected to increase from 2.4% to 6.2% in the United States, 2.8% to 7.0% in France, 1.7% to 4.8% in Europe (excluding France), 0.3% to 1.5% in Latin America and 0.2% to 1.1% in the rest of the world between 2014 and 2019 (source: Enders).

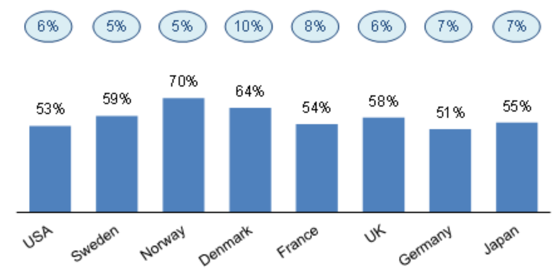
6.4.3.1 Key factors expected to drive streaming adoption

Streaming adoption is still in a nascent stage in most countries around the globe. Subscription streaming is the largest music consumption channel in Norway and Sweden at over 60% of total recorded music trade revenues but represents less than 20% of music consumption in most other countries. Therefore, increased adoption of streaming presents a significant growth opportunity for the industry (source: IFPI 2014).

6.4.3.1.1 *Demand-side factors driving streaming adoption*

- *Increase in global smartphone penetration and network speeds.* The smartphone is increasingly the main platform for the consumption of music and other media. Research conducted by IPSOS in 2015 on adults aged 16-64 across 13 countries showed that 50% of correspondents had listened to music on a smartphone in the preceding 6 months (source: IFPI 2014) and average smartphone usage based on the amount of traffic per smartphone increased by 45% year-over-year (source: Cisco Visual Networking Index 2014). Faster network speeds will further enable streaming, as data traffic over 4G networks only accounted for 40% of mobile traffic in 2014 (source: Cisco).

2014 smartphone penetration rate in selected countries and YoY growth rate



Source: Cisco VNI Mobile, 2015

- *Increase in consumer awareness of streaming services.* As the benefits and importance of subscription streaming become more evident, Deezer expects streaming services to intensify promotion of their products, helping to educate consumers and encourage further adoption of streaming and migration from other forms of audio consumption. Additionally, a number of leading telecommunications providers offer streaming services bundled with user tariffs. See Section 6.5.3.2, "Distribution through partnerships," for more information. Bundling deals are a key channel to provide streaming services to the mass market. Such deals provide effective promotion for streaming services and are expected to increase, as telecommunication providers seek to effectively translate music bundles into increased customer retention, acquisition, average revenue per user, and brand uplift.

- *Access to new music consumers in developing markets*. Unlike the physical format, which requires a dedicated retail presence on the ground to distribute, streaming is supported by technology that can be accessed globally by any consumer with a smartphone. In countries where physical distribution infrastructure is scarce, streaming represents a new and convenient solution to access music. Furthermore, in such developing markets, both physical and digital formats were subject to piracy, but streaming represents a new form of consumption that helps to mitigate the effect of piracy through a personalized music service that cannot be replicated by pirated content.

- *Change in consumer behavior*. As evidenced by the growing market share of streaming services, consumers have shifted from favoring ownership of media to favoring access. The streaming model represents a more convenient and better value-for-money proposition to consumers, as they can "access any music, on any device, at anytime, anywhere." A similar trend has been observed in other industries as well, where new business models such as car-ride sharing and book lending have emerged.

- *Continued innovation in streaming offerings.* As the streaming industry matures over time, innovations in consumer offerings should emerge. Examples include new pricing plans to better segment audiences, new features, and an increase in content available. Such innovations should further increase the value for money proposition to consumers, thereby encouraging more adoption.

6.4.3.1.2 *Supply-side factors driving streaming adoption*

Deezer believes that streaming represents a mutually beneficial proposition for all stakeholders in the global recorded music industry, resulting in a favorable ecosystem for the growing adoption of streaming. The stakeholders involved in content creation can be divided into artists, record labels and publishers.

A record label, or label, is a company involved in the production and marketing of music recordings and music videos. The three major labels are Universal Music Group, Sony Music Entertainment and Warner Music Group. A label typically enters into an exclusive recording contract with an artist to market the artist's recordings in return for royalties on the selling price of the recordings. A contract provides for either the artist to deliver completed recordings to the label, or for the label to undertake the recording with the artist. The copyright on a master recording is typically owned by a record label. Labels take on the financial risk for artists by providing them with resources to help market their creations. They support them with marketing teams, press teams, accounts departments and other back-office support, enabling artists to focus on creating music to attract audiences.

A publishing company is responsible for ensuring the songwriters and composers receive payments when their compositions are used commercially. Through an agreement called a publishing contract, songwriters or composers assign the copyright of their compositions to a publishing company. The copyright is then owned and administered by publishing companies.

Streaming has been instrumental in reviving the recorded music market after a ten-year decline and is becoming a significant revenue opportunity for record labels and publishers. Streaming is global and delivered as a service, which, unlike content, cannot be pirated. As such, streaming helps curb piracy by offering consumers a convenient alternative and migrating them to licensed services.

Streaming offers artists, whether well-known or local, an equal opportunity to have their content efficiently distributed worldwide. With streaming, artists have access to a wider geographic market at a much lower cost. Streaming services also assure artists a steady income stream over time, employing a new payment model whereby artists continuously receive a series of per-stream payments. As artists' customer bases grow, overall recorded music industry revenues increase. A study by IFPI of the recorded music market in Sweden (where subscription streaming dominates) has shown that payments to artists rose by 111% between 2009-2014, compared to a corresponding 47% increase in corresponding trade music sales revenues (source: IFPI 2014). The study indicates that in the majority of markets where subscriptions streaming accounts for more than 30% of trade revenues, artists have benefited from higher royalty payments as a share of revenues.

Furthermore, streaming offers royalty holders and artists data on the consumption of their works that is not available through physical and digital download sales channels, such as demographic information on consumers listening to their tracks, as well as how often, where, when, and on what device the track was streamed Such data can assist the royalty holders and artists in a variety of ways, including in understanding their audience, improving marketing of a product and in planning locations for their next concert tour.

6.4.4 A Broad Ecosystem with Two Different Models: On-Demand vs. Radio Streaming

6.4.4.1 Different types of business model: radio streaming vs. on-demand

Radio streaming is an online or mobile service model comparable to traditional radio. Advertising is historically at the core of its monetization model. Listeners of internet radio typically cannot reasonably predict what song will be played next as they listen. In the U.S., radio streaming services typically comply with the U.S. Digital Millenium Copyright Act (DMCA), which imposes limitations on track choice and track skipping, and therefore DMCA-compliant services are able to pay royalties at rates determined by statute or under certain judicial settlements. In general, royalties for radio streaming are lower than for on-demand services due to the lower level of "control" exercised by the end user on the music playback. A service that complies with the DMCA rules is generally considered to be a replacement for traditional radio rather than for music purchases or on-demand streaming. Some radio streaming services offer a subscription option with extended features, the ability to partially personalize the radio programming, and / or no advertisements. By the end of 2014, there were estimated to be 210 million people streaming on advertising-supported streaming services (source: MIDIA August 2014).

On-demand services are generally based on a revenue-sharing model, with a higher cost of content than radio streaming services because of the high level of control by the end user on the music playback, which creates a user experience that is meant to replace consumer purchases of music. Such services are granted licensing rights by direct agreement with content rights holders, with content costs determined contractually rather than by statute. Under their license agreements with content rights holders, many on-demand streaming services, including Deezer, are able to provide both on-demand streaming services and radio streaming to attract new users with a broader offering. Historically, services focused on radio streaming have not provided the same choice, as providing on-demand playback would require direct agreements with content rights holders.

6.4.4.2 Competitive landscape

Deezer operates in a music market among services offering both advertisement-based and subscription-based music streaming models, as well as other music monetization channels like physical sales retailers, digital download services, terrestrial radios, and more. Direct subscription streaming competitors include Spotify, Rdio, YouTube, Rhapsody, Amazon Prime Music, Tidal, Apple Music and Google Play. Several new services have entered this market, attracted by growth potential, including traditional MP3 leaders (e.g., Amazon), video aggregators (e.g., YouTube) and even some physical retailers (e.g., Fnac).

Over time, Deezer expects that the music ecosystem will favor multiple pure play streaming services of scale. This is primarily driven by a need on the supply side not to have any one single distribution channel in a controlling or dominant position, and particularly a need to have several pure play options that share the rights holders' interests in upholding the value of music. Similarly, each market has several sizeable telecom distribution partners, each of which might seek a streaming service partnership, which would require the existence of several services in any market. Finally, Deezer believes that music listening is not a one-size-fits-all experience, and therefore multiple streaming services will be needed to cater to diverse consumer tastes.

Deezer believes that significant investments, know-how and relationships are required to build a position in the streaming market. Several years are needed to build a competitive catalogue and build know-how in managing agreements with rights holders. Scale is also needed to satisfy minimum revenue requirements from rights holders. Furthermore, market participants must develop a competitive service offering, and experience is needed to develop and run a complex product technology and perform data analysis. Several smaller services have suspended operations in 2015 alone (e.g., Simfy, Grooveshark) due to an inability to compete effectively across all of these dimensions.

Deezer believes that it has established a strong competitive position in the size of its content library and subscriber base. Deezer content library consists of over 35 million tracks, as compared to more than 30 million for Apple Music (source: Bloomberg Business, June 2015), approximately 34 million on Rhapsody (source: PR Newswire, February 2015), approximately 32 million for Rdio (source: Rdio, May 2015), approximately 30 million for Spotify (source: Spotify, May 2015) and approximately 25 million for Tidal (source: Bloomberg Business, April 2015). Based on publicly available information, Deezer believes that its subscriber base of approximately 6.9 million[3] is the second-largest in the subscription streaming market behind Spotify's 20 million subscribers (source: Spotify, June 2015), and ahead of Rhapsody's 2.5 million (source: Rhapsody, February 2015) and Tidal's approximately 0.8 million (source: Tidal, May 2015). Based on a public statement from Apple, as of August, 2015 Apple Music had approximately 11 million users who had registered to use its services on a free three month trial basis since its launch on June 30, 2015 (source: USA Today, August 6, 2015).

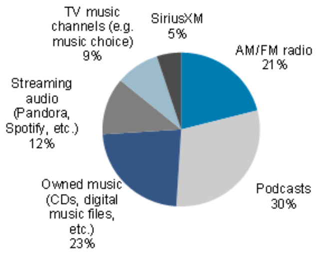
For discussion of certain risks associated with Deezer's competitive environment, see Chapter 4.1.1.3 "*Deezer operates in a highly competitive industry, and competitive pressures could affect its revenues and growth*."

6.4.4.3 Non-musical audio content

Non-musical audio content, including podcasts and talk radio, is a growing content form in the digital space. A podcast is a digital audio program downloaded or streamed via a mobile device or computer, played back on-demand, and typically consists of talk content. Talk radio, which is similar in content to podcasts, need not be distributed digitally. The sizeable talk radio audience and the growing number of podcasts being consumed globally indicate significant demand for talk content.

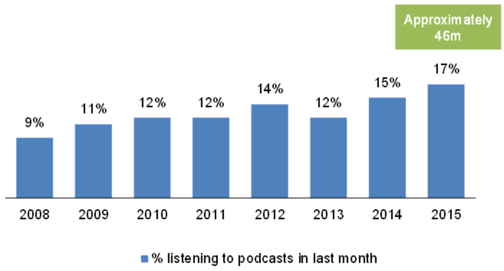
[3] Includes standalone subscribers, monthly active bundle subscribers and monthly inactive bundle subscribers. See Section 6.5.2 "Subscribers and Subscription Revenues".

Share of time spent listening to audio sources (US)



Source: Edison Research / January 2015
Note: Podcast listeners (defined as those who reported listening to a podcast in the last 24 hours) spend an average of 6 hours and 8 minutes each day consuming audio)

Monthly podcast listening (US)



Source: Edison – Triton

In the US, the monthly audio podcast consumption grew from approximately 39 million monthly users in 2014 to approximately 46 million in 2015 (or 18% growth year-over-year). The percentage of the United States population that has listened to a podcast in the past month has nearly doubled since 2008 (from 9% to 17%) (source: Edison Research, January 2015).[4] Additionally awareness of podcasting has more than doubled since 2006 (49% in 2014 vs. 22% in 2006) (source: Nielsen).[5]

Talk content is also popular in certain of Deezer's other large markets. For example, in France, the Company estimates that approximately 20 million people listened to talk radio in the first quarter of 2015 (source: Company calculation based on Mediametrie survey, April 2015),[6] with over 2 million listeners per week to its most popular talk radio show (source: Le Figaro, April 2015).[7] The large demand for this type of content provides significant growth potential for digital audio services that are able to incorporate such content into their platforms, including Deezer.

The increasing demand for talk content digitally represents an opportunity for audio subscription services such as Deezer to enhance their product by incorporating talk content into their streaming platform, aggregating all of the audio content that a consumer could wish to listen to in one location and interface.

6.5 DESCRIPTION OF DEEZER'S BUSINESS

Deezer is a leading global provider of on-demand digital audio streaming services. It offers millions of subscribers access to an innovative listening and audio discovery experience featuring high quality on-demand audio, individually customized playlists, genre and artist-based radio stations, off-line listening, personalized recommendations based on each subscriber's tastes, music playback with simultaneous lyrics display and more. Deezer has established relationships with a wide variety of copyright holders and has built one of the market's largest libraries of audio content, which is available for streaming in over 180 countries.

[4] Podcast listeners (defined as those who report listening to a podcast in the last 24 hours) spend an average of 6 hours and 8 minutes each day consuming audio.
[5] Expressed as % of U.S. population age 12 or older.
[6] Based on 38.8% of surveyed individuals age 13 and older who listened to generalist radio (primarily talk content) in Q1 2015, multipled by Mediametrie estimated population of 53.3 million in France age 13 and older.
[7] http://tvmag.lefigaro.fr/programme-tv/article/television/86460/audiences-radio-hanouna-ko-debout-face-a-ruquier-.html

6.5.1 Service Offerings

Deezer provides a multi-tier service offering to consumers. Its flagship paid service offering is its Premium+ subscription (which generated €122 million, or 86% of consolidated revenues in 2014). A consumer may subscribe to Premium+ directly on Deezer's website, www.deezer.com, through its mobile application or indirectly through its selected distribution partners. See Section 6.5.3, "Distribution Channels". Premium+ users are typically automatically billed monthly through stored payment card details unless they choose to discontinue their membership.

Deezer also provides other paid service offerings that have been specifically developed together with and distributed by its partners. Depending on the range of features available, these partner-distributed services may be sold at higher or lower retail prices than Deezer's Premium+ subscription. In addition, Deezer offers a free, advertising-supported tier of service, which is designed primarily to attract users to its paid subscription service offerings.

6.5.1.1 User interface

Users of all tiers of service access Deezer's offering through its website user interface and mobile applications, both of which were developed and are maintained by its in-house team of computer programmers and graphic designers. Deezer's dedicated mobile applications for Apple, Android, Blackberry and Windows-based mobile phones and tablets provide users access to its service wherever they listen to music, in addition to the website interface for desktop usage. Deezer's user interface, which is designed to be easy-to-use and intuitive, displays in 32 languages, offers 17 payment solutions in 35 currencies and is accessible from over 180 countries.

6.5.1.2 Premium+ service offering

Deezer's flagship Premium+ subscription is provided for a set retail price when sold directly to consumers, typically £/$/€9.99 per month in Europe and North America and at lower prices in Africa and Asia. The retail price for a Premium+ subscription may also vary where distributed by Deezer's partners. Premium+ subscribers have unlimited access to Deezer's catalogue on up to three devices of their choice, including their desktop or laptop computer, tablet, mobile phone, smart TV or wireless sound system.

Deezer's Premium+ service offering provides users with a full suite of the functionalities available on Deezer's feature-rich user interface:

- *<u>Unlimited on-demand music and browsing</u>*. Deezer's Premium+ service offering give its users the ultimate freedom to determine their listening experience. Users can search and manually select which songs, albums and playlists to listen to from Deezer's audio catalogue without restriction. The search function for Deezer's catalogue provides users with real-time suggestions as the search terms are input and also allows the user to look at a full list of results to help them locate and navigate any content in Deezer's catalogue.

  There are no limitations on the amount of songs that subscribers can skip as they listen, and subscribers can manually select individual songs from playlists to stream. Subscribers have complete control over their content and can choose to either enjoy the curated music selected by Deezer's recommendation services or actively choose content to create their own customized playlist. See "—*Individually customized and themed playlists*", below. This provides a differentiated listening experience compared with online, satellite and terrestrial radios, which do not typically allow listeners to choose specific content.

- *Access to new categories of audio content*. In addition to the over 35 million music tracks available on Deezer's platform, users also have unlimited access to news and entertainment talk and podcast content following Deezer's acquisition of Stitcher in 2014. Deezer provides access to over 40,000 shows from over 14,000 content producers, including top producers like RFI, Télérama, Radio Nova, BBC, NPR, Fox News, MSNBC, Wall Street Journal, This American Life and more. The new content addresses a large market and an active consumer segment.

- *Advertising-free listening*. Users with access to Deezer's Premium+ service offerings are able to listen to their favorite tracks without interruption from video or audio advertising. In a January 2015 Deezer-commissioned survey of streaming service users in some of Deezer's key geographic markets, approximately 24% of all streaming users said that advertising-free content was the primary benefit of a paid music streaming subscription (source: YouGov Quarterly Tracker, January 2015).

- *Sound quality*. Users with access to Deezer's Premium+ service offering benefit from higher quality audio playback than users of its free advertising-supported service, with playback of up to 320kbps on its Premium+ offer. In a January 2015 survey, approximately 18% of Deezer's subscribers and 15% of streaming service users overall indicated that high quality audio is the primary benefit of paid streaming services (source: YouGov).

- *Personalized music recommendations*. Deezer aspires to tailor its streaming experience to each user and make personalized recommendations that better match a user's musical tastes the more frequently the user streams. Deezer's personalized home page provides access to a continuously updated selection of artists, playlists and albums that are curated to suit the user's preferences. Deezer uses a mix of advanced algorithm-based recommendation tools and editor recommendations (human curation) to recommend music to users.

  Flow

  Deezer's "Flow" feature displays a customized playlist that is based on users' individual preferences. The "Flow" playback is generated by Deezer's proprietary algorithm, which analyzes the music that the user has saved to his or her library, the music he or she has previously streamed, his or her stated genre and artist preferences, usage and preference data from Deezer's broader user base, recent suggestions from Deezer's music editors and tags from Deezer's in-house tagging algorithm that categorizes music based on a number of subjective criteria. Based on this analysis, "Flow" plays a mix of new content for the user to discover and content that the user already knows. As the user adds more songs as favorites and/or skips songs, the algorithm learns the user's preferences and enriches that user's playlist accordingly. Users can also indicate that they dislike the track, in which case it is never played again for them in the "Flow" feature.

  Individually customized and themed playlists.

  Users can also browse pre-set playlists or personalized mixes of related content to discover music in a more targeted fashion. This includes playlists created and made public by other users and by Deezer's music editors. It also includes mixes created by Deezer's proprietary algorithm technology, which uses its tagging engine to categorize audio content based on a number of objective and subjective criteria and characteristics, as well as listening history and favorites. Playlists and mixes can be categorized by genre or mood to help users quickly find content that interests them. Users can also create personalized playlists which are stored in each user's library and can be re-accessed whenever the subscriber logs on to Deezer. Playlists are an important driver of user engagement.

Music Editors

Deezer has an experienced team of more than 40 music editors who select tracks, albums and playlists to recommend to users. These recommendations are presented to users based on their streaming interests and also provide important data that is used by Deezer's algorithms in generating "Flow". Users can visit the Deezer profile of the editor who provides a recommendation and view the editor's library and his or her favorite albums, playlists, artists and songs, which allows for further exploration of content that subscribers may enjoy. Deezer believes that its human curation and recommendation function complements its proprietary algorithm-based personalization technology and is a key value-added element of the Premium+ subscriber experience. Musical editors might provide recommendations that are less closely related to a user's historical preferences and therefore provide unexpected new musical discoveries. Editorial curation also permits Deezer to encourage users to listen to compelling new content and provides a brand building tool for artists and content providers.

- *Offline listening*. Premium+ users can listen to unlimited audio content offline by temporarily saving the selected content to device memory for as long as they are subscribers. This affords subscribers access to their favorite audio content anytime, anywhere, even when network connectivity is limited or unavailable (such as in train or metro tunnels). Moreover, offline listening service reduces the data load of using the service and therefore enables better performance on a low mobile data plan, or lower cost. The audio content selected for offline listening is programmed to remain on the relevant subscriber's device memory only for so long as the user has access to a paid subscription offer and thereafter is automatically erased.

- *Import MP3s*. Users are able to import their own MP3s onto their personal Deezer interface, collecting all of their music in one place for a seamless listening experience. In the event the files are not in Deezer's catalogue, they are available only to the uploading user.

- *Synchronization across devices*. Users can synchronize their personal audio library on Deezer's platform and have access to their listening history across the devices from which they access its services. Subscribers can save audio content to their libraries by marking tracks, artists, albums and playlists as favorites, making it easy to return to all the content that they love at a later time.

- *Sharing and social media*. Deezer provides its users with more than just a platform to listen to high-quality audio content. It is also a digital meeting place where users can express their views on music, share their favorite tracks, interact within Deezer's community and with members of other social media networks, like Facebook, Google+ and Twitter. Deezer allows users to follow other Deezer users and make their libraries and playlists public to other users. Users can also elect to receive notifications when editors, artists or other users post or release new playlists, albums or tracks.

Deezer is also committed to connecting music lovers with their favorite artists and to giving artists a channel to raise awareness of their catalogue. Users can access a unique "artist page" for each artist containing pictures and a biography along with their audio content. Deezer allows artists to have a certain amount of input and control over of the presentation of their page and provides a flexible upload tool for artists to add content directly onto the platform. Deezer hopes in the future to act as a direct link between content producers and fans around the world.

6.5.1.3 Additional subscription offerings

In order to adapt to different customer segments and geographic markets, Deezer has developed other subscription service offerings in addition to its Premium+ service. Deezer believes these service offerings allow it to capture value by targeting customers who have specific needs and provides key growth opportunities as the music streaming market matures and streaming services become less one-size-fits-all.

6.5.1.3.1 *Elite offering*

Deezer's Elite service offering was launched in 2014 and was originally designed for streaming on high-end equipment manufactured by Sonos. Deezer's Elite service is sold mainly with certain Sonos home audio systems and can be controlled through the Sonos application on subscribers' mobile devices. The Elite service is typically promoted to Sonos customers by third-party installers when they install a Sonos system, often in exchange for a sales commission. Deezer has also sold its Elite subscription through direct offers to Premium+ subscribers streaming on a Sonos device allowing them to upgrade to the Elite offer.

An Elite subscription, which is currently priced at £/$/€19.99 per month, provides subscribers access to all the features of a Premium+ subscription, except with higher CD-sound quality streaming (Flac - 16 bit). (Flac, or Free Lossless Audio Codec, is an audio file coding format that allows file compression without loss in sound quality.) As of May 2015, approximately 83% of Deezer's catalogue and 97% of the songs streamed during the month were available with this high definition quality. Deezer believes that this offering is well-suited to the home audio products segment, because listeners willing to pay for specialized audio hardware are more likely to consider sound quality to be very important. In a January 2015 study commissioned by Deezer, approximately 90% of Elite users surveyed considered sound quality to be of primary importance for music listening.

6.5.1.3.2 *Mid-tier subscription offerings*

Deezer also sells mid-tier subscription offerings specific to certain partners and geographies, including:

- Deezer for Cricket. Deezer for Cricket is available to subscribers of Cricket Wireless, a pre-paid mobile carrier service in the United States. Deezer for Cricket has most of the features of Premium+, but is available only on the consumer's Cricket mobile device and is streamed at a 64kbps sound quality when on mobile networks. This allows the consumer to use less data and save on data costs as well as avoid buffering during playback on lower-limit data plans or less powerful mobile networks.

- Deezer Single-Device. Deezer Single-Device is available as part of a mobile phone plan from Tigo (a Millicom brand) in Bolivia, Colombia, Costa Rica, Guatelmala, Honduras, Paraguay and El Salvador. Subscribers of the Deezer Single-Device service offered by Tigo have access to music content from one device only (mobile or tablet).

- *Deezer Mobile*. Deezer Mobile, which is offered by the United Kingdom telecom service provider EE, allows subscribers to benefit from all features of its Premium+ service but only from a mobile device (not limited to one mobile device).

- *Premium*. This is a legacy offer available only in France. Premium subscribers have most of the benefits of a Premium+ membership but can access Deezer's platform only on its desktop interface. Deezer is not making this subscription available to new subscribers and expects that it will become largely obsolete as more users migrate to mobile.

6.5.1.4 Advertising-supported free service

Deezer provides an advertising-supported free service offering that includes certain core features of its paid service offerings at no cost to consumers. Deezer generates revenue from advertisements that are played between tracks streamed on its free service and banners on screens. However, Deezer does not count users of its Deezer's advertising-supported free service as part of the revenue-generating or total subscriber base because by definition users of this tier of service do not pay any subscription fee and no fee is paid by distribution partners in respect of such subscriptions. See Chapter 6.5.2, "Subscribers and Subscription Revenues".

Deezer believes that its free service provides an important channel to attract new paying subscribers, and also strives to provide an attractive free service to retain and generate revenues from users who choose not to subscribe. Free streaming offers more limited service than Premium+, in order to encourage users to subscribe. Deezer's free service is characterized by the following:

- *Desktop on demand and mobile smart radio*. Free registered users are able to stream unlimited content on-demand from its desktop interface. From its mobile interface, users can access only its "Flow" and mixes features. When free service users search for and select content on mobile devices, Deezer's service automatically plays a mix inspired by that selection, but does not immediately play the selected track. Users of the free service are limited to skipping six tracks per hour on the playlists and mixes that they play on their mobile device.

- *No offline use*. Unlike the Premium+ service, free service users are not able to listen to audio content offline or upload their own audio content to the Deezer platform for playback.

- *Sound quality*. Deezer's free service streams at a sound quality lower than that available on its Premium+ service, at 128kbps, but is competitive with other free streaming services like Pandora (64k AAC+ for mobile, 128kbps desktop) and Spotify (96-160kbps).

- *Editor recommendations*. Free service users have access to Deezer's curated editor recommendations only through its desktop interface and are not able to access them on mobile devices.

- *Advertising*. Advertisements typically are video and audio advertisements of roughly 30 seconds in length, as well as advertisements in display formats. Video and audio advertisements are played following the first song and approximately every next ten minutes of listening thereafter on average by users on the free service. Deezer has a 20-person ad sales team, including dedicated direct sales personnel for France, Brazil and the United States, and relies on multi-brand packages sold by advertising agencies or programmatic ad sales in other markets to generate advertising revenues.

6.5.2 Subscribers and Subscription Revenues

Deezer tracks the number of its subscribers according to the distribution channel and the methodology used to calculate the subscription revenues that are payable to Deezer. Deezer's subscriber base is generally broken down into two categories of subscribers:

- *Standalone subscribers*. Standalone subscribers are subscribers who have opted to enroll in Deezer's service for a fee that is specifically charged for its service. This category is composed of:

    - Direct standalone subscribers, who subscribe directly through Deezer's websites or mobile applications and pay the subscription price directly to Deezer or through a third-party app store; and

    - Indirect standalone subscribers, who opt to subscribe to Deezer's service through its telecom or other distribution partners. In such cases, the subscriber pays for Deezer's services separately for an additional fee, which is typically billed and collected by the distribution partner.

- *Bundle subscribers*. Bundle subscribers are automatically granted access to Deezer's Premium+ service when they purchase specified products or services from its telecom and internet service partners. These partners do not charge a separate fee to bundle subscribers for access to Deezer's services.

    - Monthly active bundle subscribers are subscribers who have played at least one stream of 30 seconds or more on Deezer's service in the previous month.

    - Monthly inactive bundle subscribers are subscribers who have access to Deezer's services through a bundled offer but who have not played a stream of 30 seconds or more in the previous month. Accordingly, the number of inactive subscribers may fluctuate from month to month as users who are inactive in one month may be active in the next, and vice versa.

For more information on standalone and bundled offers with distribution partners, see Section 6.5.3.2.2 "Partnerships – Partnership service plans" below.

The following table breaks down Deezer's subscriber base among these categories as of December 31, 2014, 2013 and 2012:

	As of December 31, 2014	As of December 31, 2013	% change 2013-2014	As of December 31, 2012	% change 2012-2013
Standalone subscribers(1)	1,298,151	692,486	87.5%	377,812	83.3%
Monthly active bundle subscribers(2)	1,570,034	1,367,739	14.8%	539,434	153.6%
Total standalone and monthly active bundle subscribers......	**2,868,185**	**2,060,225**	**39.2%**	**917,246**	**124.6%**
Monthly inactive bundle subscribers(3)	4,025,044	4,067,956	(1.1)%	2,150,974	89.1%
Total subscribers	**6,893,229**	**6,128,181**	**12.5%**	**3,068,220**	**99.7%**

(1) Comprises direct and indirect standalone subscribers. For standalone subscribers, Deezer is paid mainly on a per subscriber basis.
(2) Includes all monthly active bundle subscribers, irrespective of the calculation methodology by which payments from the relevant distribution partner to Deezer in respect of such subscribers are determined. Depending on the terms of the relevant distribution partnership agreement, Deezer receives payment primarily based on (x) the total number of subscribers in that bundle, without regard to activity levels, or (y) the total number of monthly active bundle subscribers.
(3) Includes both revenue-generating and non-revenue-generating monthly inactive bundle subscribers. Monthly inactive bundle subscribers are bundle subscribers who have not played at least one stream of 30 seconds or more on Deezer's service in the previous month.

The revenue generated from Deezer's standalone and bundled subscriptions that are offered by its distribution partners varies depending on the terms and conditions of the agreement between Deezer and the relevant distribution partner. Deezer receives fees directly from its direct standalone subscribers. Indirect standalone subscribers typically pay Deezer's distribution partner and Deezer receives a portion of the standalone subscription fees. For its bundled offers, Deezer is typically paid a fee on a monthly basis by the distribution partner based on the number of monthly active subscribers, the total number of bundle subscribers (both active and inactive) or a combination of the two metrics. See Section 6.5.3.2.3, "Payment terms", below.

Deezer tracks its revenue-generating subscriber base by the category of subscriber. It categorizes subscribers both by type of subscription (standalone v. bundled offer) as well as the applicable calculation base for determining the payment it receives from its distribution partners (monthly active subscribers v. total subscribers), as set forth in the table below.

	As of December 31,				
	2014	**2013**	**% change 2013-2014**	**2012**	**% change 2012-2013**
Total standalone and monthly active bundle subscribers[(1)(3)]	**2,868,185**	**2,060,225**	**39.2%**	**917,246**	**124.6%**
Revenue-generating monthly inactive bundle subscribers[(2)(3)]........................	1,008,184	1,099,269	(8.3)%	266,658	312.2%
Total revenue-generating subscribers[(3)]	**3,876,369**	**3,159,494**	**22.7%**	**1,183,904**	**166.9%**
Total revenue-generating subscribers as % of total subscribers[(3)]	*56%*	*52%*	*n.a.*	*39%*	*n.a.*

(1) See notes (1) through (3) to the previous table.
(2) Consists of revenue-generating monthly inactive bundle subscribers in respect of whom Deezer is paid mainly based on the total number of subscribers, without regard to activity level.
(3) This figure does not include users of Deezer's free advertising-supported service. See Chapter 6.5.1.4 "Advertising supported free service". The number of monthly active bundle subscribers and revenue-generating monthly inactive bundle subscribers may fluctuate from month to month as users who are inactive in one month may be active in the next, and vice versa, and as such these figures represent only the month immediately preceding the relevant date

6.5.3 Distribution Channels

Deezer historically built its subscriber base primarily through partnerships, limiting its marketing costs and taking advantage of the extensive customer bases of its partners. More recently, Deezer has begun to acquire an increasing number of standalone subscribers to its services directly.

6.5.3.1 Direct distribution

As Deezer's business has grown and matured, it has attracted a growing number of subscribers directly through its website and mobile applications. While acquiring customers through partnerships with telecom operators and other distribution partners continues to represent an important part of Deezer's distribution strategy, and an essential means of entering new markets and accessing new customer segments, it expects direct subscriptions to increase as its brand becomes better known and its business grows.

Deezer has historically been able to generate growth in direct subscriptions in France with relatively limited marketing expenditures, which is partially attributable to the positive impact of strong word-of-mouth recommendations by its users. Deezer plans to increase its marketing expenditures with a view to acquiring new direct subscribers.

To attract subscribers through the direct distribution channel, Deezer typically offers consumers a free trial of its Premium+ package without advertising for a period of between 15 and 45 days. Consumers are typically prompted to enter their payment details either at the beginning of the trial or after 15 days to continue the trial. At the end of the trial, consumers either choose to cancel their subscription or are automatically enrolled for a fully priced subscription using stored payment details. Consumers who cancel their subscription may still access Deezer's free advertising-supported service.

Deezer receives the full subscription fee paid by users who subscribe through its website or its mobile applications. Deezer's payment providers (e.g., Worldpay and PayPal) store the subscribers' payment card details and process their subscription fees automatically each month, in consideration of which Deezer pays such payment providers a commission (typically between 3-5% of sales). Users may also purchase subscriptions as an "in-app" purchase through Deezer's iOS mobile application and payment is processed by the Apple platform, which charges a 30% billing fee. In certain circumstances, Deezer may be able to subtract a portion of the amount paid for these fees from its revenues for purposes of calculating revenue-sharing payments to certain content rights holders, which may partially offset their impact on its financial results. See Section 6.5.4, "Content Licensing", for further discussion.

Deezer also acquires direct subscribers through its arrangements with certain mobile device and audio equipment manufacturers. For example, third-party installers of Sonos sound systems can offer a Deezer Elite subscription when they install a Sonos system, often for a sales commission. Such subscriptions are sold at the full local retail price, often with an extended trial offer the cost of which is partially or fully borne by the relevant partner. Deezer handles billing and customer service for these subscriptions. In certain instances, Deezer may agree to limited exclusivity with consumer electronics partners (such as the Elite subscription which was launched exclusively with Sonos products) and promotional free trial offers that partners such as Bose are permitted to offer customers who purchase specific products during a defined multi-month period. These limited exclusivity provisions are applicable within a delineated territory and Deezer may not launch comparable standalone promotional offers with competing device or equipment manufacturers during the specified time period.

6.5.3.2 Indirect distribution through partnerships

Deezer has built on its success with indirect sales channels and today has partnerships with more than 40 telecommunications and internet service providers as of June 30, 2015.

Deezer's partnerships create meaningful benefits for both Deezer and its partners. Deezer is able to broaden the reach of its services quickly by marketing to its partners' established customer bases, share or eliminate the cost of free trials and discounted promotional offerings when its distribution partner agrees to help fund the promotion, and enhance its brand image by association with other strong brands. Furthermore, billing integration with telecommunications partners (broadband and phone subscriptions, and even television bills) has proven to be an efficient way to bill consumers who may not all have access to credit cards or prefer to have multiple services billed through one source to facilitate sign up and management of payments. Deezer's partners, in turn, are able to improve the effectiveness of their customer acquisition and brand loyalty efforts by offering promotional or trial access to Deezer's services and by taking advantage of its customizable user interface to tailor their offering to serve their customers' needs. These partnerships also provide a significant opportunity for growth. Deezer estimates that the percentage of the total subscribers of its telecom partners that access Deezer's service on a standalone or monthly active bundle basis is in the range of 3-6% in France, 0-2% in Latin America, 0-2% in Europe (excluding France) and 0-2% in the rest of the world. Deezer strives to improve penetration through its promotional offers, sales incentives and innovative integration to increase its subscriber base.

Deezer and its partners have also developed and launched service offerings and promotional offers that are not available through its website or applications. Due to the ease with which Deezer is typically able to launch and integrate its offering with its partners operating systems, it can develop and launch a partner-specific service offer in as little as one month.

6.5.3.2.1 *General terms*

Deezer's partnership agreements with telecom and internet service providers have terms of two to three years on average, and are often renewable automatically. The agreements may typically be terminated by either party upon relatively short notice (e.g., one month). Under these agreements, Deezer is responsible for technical integration and the quality of its service, as well as the negotiation and settlement of content licensing costs with the relevant rights holders. Deezer's partners are usually responsible for acting as the direct point of contact for subscribers, including providing customer service support and the billing of subscription fees.

Both parties generally have obligations with respect to marketing and promoting Deezer's service. Standalone offers are structured as paid subscriptions at full retail price, or access at a discounted price, with monthly renewals. Deezer generally agrees on the timing and nature of any promotional and trial offers with its partners, which can take many forms. Certain partners offer short or extended free trials of Deezer's service. In some cases partners make a promotional offer of a subscription at a discount to retail price for 3-12 months. At the end of the free trial or discounted promotional offer, the customer must opt in or opt out of the full-priced service. Deezer often accepts lower compensation per subscriber for the duration of the promotional offer, although typically the partner bears at least part of the cost of the promotional offering.

In order to maximize the impact of its marketing efforts, Deezer shares its communication plans and strategies with its partners and seeks to coordinate its marketing campaigns with theirs. Deezer also provides materials – logo, demos, illustrative content – to support marketing and promotion of its co-branded services. In some instances Deezer may also agree to obligations to invest a minimum amount in marketing campaigns.

6.5.3.2.2 *Partnership service plans*

Deezer's subscriber base was initially comprised mostly of bundle subscribers acquired through its distribution partnerships with telecom and internet service providers. As Deezer's business has matured, a growing number of subscribers have been acquired through standalone offerings.

Under the terms of its distribution partnership agreements, Deezer agrees to market and distribute two broad categories of subscriptions:

- *Standalone subscriptions*. For standalone offers, customers must opt to subscribe separately to Deezer's service, the price of which is communicated to the customer and charged in addition to the normal price the customer would pay to receive only the partner's service. Deezer is typically paid either a fixed per subscriber fee or a fixed percentage of the subscription fees received by its partners. Deezer generally receives higher per subscriber revenues from its standalone offers than from its bundled offers. Deezer often offers incentives to its partners or their sales teams to promote its offering.

- *Bundled subscriptions*. Deezer has developed both hard and soft bundled offers together with its telecom and internet service provider partners. Hard bundled offers are commercialized at a single retail price together with a mobile phone or internet service plan, allowing the customer to benefit from access to Deezer's service at no additional cost. Under the terms of the partnership agreements, a subscriber of a hard bundled offer automatically has access to Deezer's services for as long as he or she is subscribed to the associated mobile phone or internet service plan. Under a soft bundled offer, subscribers are offered the option to choose from a number of services or features – which includes Deezer's service – to add at no cost to their mobile phone or internet service plan. For most bundled offers (hard and soft), Deezer is paid a fixed fee per user with access to its service, whether or not they are active during a given month. In a number of cases, however, Deezer is instead paid fees based on a combination of the total number of monthly active and inactive subscribers, or just on the number of monthly active subscribers.

6.5.3.2.3 *Payment terms*

For its indirect subscriptions acquired through telecom and internet service providers, Deezer's partners generally handle the billing and collection of subscription fees from customers and provide sales reports to Deezer, which it uses to calculate the fees payable to it under the partnership agreements. Deezer's partners pay such fees on a monthly basis, generally within 30 to 60 days of receipt or transmission of Deezer's invoice. Both Deezer and its partners are entitled to audit each other's systems to ensure the accurate reporting of the elements needed to calculate the compensation under the partnership agreement.

Under most of Deezer's bundled partnership agreements, it receives a minimum guaranteed payment for the term of the agreement, which provides Deezer some visibility on its future revenue streams under each contract. The amount of these minimum guaranteed payments varies among different partnerships based on a variety of factors, including the size and strategic focus of the partnership, the commercial relationship with the partner and general supply and demand dynamics in the local market.

6.5.3.2.4 *Exclusivity*

Deezer benefits from mutual exclusivity with all of its key telecom and internet service provider partners within a delineated territory, such as its exclusive relationship with Orange in France through 2016. In order to preserve maximum flexibility, however, Deezer may negotiate exceptions, including permission to enter into agreements with device manufacturers to pre-load or pre-install its streaming service or application on such manufacturers' devices or to develop the technical compatibility between such devices and Deezer's services or application.

6.5.3.2.5 *Technical integration and performance*

Deezer is responsible for the technical integration of its product with those of its partners and strives to provide a seamless experience to users. Deezer often develops dedicated mobile or other device applications which feature both Deezer's and its partner's brand prominently. With its approximately 100-person team of developers and programmers and more than six years' of experience in providing turnkey technical integration solutions to its partners, Deezer is able to launch a Deezer service that is fully integrated with a partner's technology and platform in as little as three months.

After launch, Deezer handles the hosting and operation of the customized streaming service. Its partnership agreements typically include service level obligations in respect of its hosting and operation responsibilities. Deezer is required to meet a target rate of availability of the service, usually expressed as a number of minutes the service is not available during the month (excluding scheduled maintenance that has been notified to the partner and internet connectivity issues). Deezer is also required to meet an efficiency target rate, which is typically defined as its capacity to deliver a service within a certain timeframe and expressed as a capacity to process requests in less than a second, and commits to certain minimum time requirements for addressing major technical issues depending on their seriousness. Failure to meet these rates may result in penalties and/or the early termination of the relevant contract.

6.5.4 Content Licensing

Deezer has built one of the world's largest catalogues of audio content, with its library of over 35 million music tracks and 40,000 talk shows and podcasts. To maintain a catalogue of the latest and most popular audio content and to ensure access to local content in its various geographic markets, Deezer has established expertise in negotiating with a wide variety of content rights holders, including major record labels, independent record labels, publishers, collective societies and podcast producers.

There are generally two broad categories of rights holders for each track of recorded music streamed on Deezer's platform: the publishing rights holders (songwriters, composers and publishers of the lyrics and melodies), and the recording right holders (performing artists (singers and session musicians) and record labels that produce the music). Deezer enters into licensing agreements with major and independent record labels, which act on their own behalf and on behalf of the performing artists, and with publishing rights collecting societies and publishers, all of whom are owed royalty payments for the streaming of their content on Deezer's platform.

6.5.4.1 Record labels

Deezer has historically maintained contractual arrangements with the three major record labels, Sony Music Entertainment, Universal Music Group and Warner Music Group. As of June 2015, these three record labels account for approximately 13% of Deezer's catalogue, but represent approximately 67% of the content streamed on its platform. As the most listened-to content on Deezer's platform, music licensed by the major record labels is a key component of Deezer's service offering. As holders of warrants that are immediately exercisable for shares in Deezer, all three major record labels have an interest in the success of its service and interests that are aligned with Deezer in this respect. See Chapter 18, "Principal Shareholders", and Chapter 4.1.7.6, "*Certain of Deezer's significant shareholders may have interests that diverge from those of Deezer*".

Deezer's content licensing agreements with record labels have terms of one to two years on average, with the possibility to extend the term. The agreements may typically only be terminated with cause, including for material breach of Deezer's obligations under the agreement. Given the relatively short terms of its licensing agreements, Deezer sometimes operates under ad hoc arrangements with some of the music labels, pending the signature of a definitive renewal agreement. See Chapter 4.1.2.2 "*If Deezer does not maintain licensing relationships with the major music labels upon favorable terms or at all, its business, financial condition and results of operations would be materially and adversely affected.*"

6.5.4.1.1 *Royalty payments*

Royalty payments to the record labels are generally structured as a subscription or advertising revenue sharing arrangement between Deezer and the relevant record label based on how frequently such label's licensed content is streamed on Deezer's platform. Under the terms of the licensing agreements, Deezer typically pays record labels an amount equal to (a) the label's "market share" of content streamed on Deezer's platform multiplied by the (b) the higher of (i) a per subscriber fee and (ii) a percentage of all subscription revenues received. For its free advertising-based service, Deezer typically pays record labels an amount equal to the label's "market share" multiplied a percentage of all advertising revenues received. In certain cases, Deezer may have per-stream minimum payments for the advertising-based service. In any case, payments to the record labels are typically net of certain billing commissions to mobile application stores, third-party payment service providers and advertising agencies. The "market share" is the percentage represented by the number of the relevant record label's tracks that are streamed in a given period relative to the number of all tracks streamed on Deezer's platform. If a user listens to more than 30 seconds of a track, it is typically counted toward the calculation of the label's market share. Royalty payments to the record labels typically represent between 80-85% of Deezer's total royalty costs.

Royalty payments vary depending on the service offering, the distribution channel (through partners or direct distribution) and geographic territory. Royalty payments are typically lower for content streamed on Deezer's free advertising-supported service than for its paid subscription services. For bundled offers through partners, the royalty payments may be impacted by the number of monthly active subscribers or the ratio of monthly active subscribers relative to the number of total bundle subscribers in the relevant monthly period.

Some of Deezer's licensing agreements provide for minimum guaranteed payments to the record label by Deezer. The minimum guaranteed payments are generally paid periodically in advance and are offset by the amount of royalty payments payable pursuant to the "market share" calculation methodology described above.

Deezer may be required to provide periodic reports to the record labels containing extensive information on streaming activity, subscriber base, marketing activity and other metrics necessary for the relevant label to determine the royalty payments due and music usage behaviors. Deezer calculates its subscriber and advertising revenues pursuant to the calculation methodology set forth in the relevant contract and sends a report to the record label setting forth the estimated amount of royalty payments. The label then verifies the amounts using the data provided in Deezer's periodic reports and generates an invoice for Deezer, and Deezer typically has 30 days from receipt of the invoice to pay the record label under its licensing contracts.

Under the terms of the licensing agreements, Deezer may be required to pay penalties for the late payment of royalties or the late reporting of information needed to calculate royalty payments. The penalties may take the form of late payment interest rates or liquidated damages and if material, may entitle a record label to terminate the agreement.

6.5.4.1.2 *Use of content*

The content licensing agreements with the major labels set forth a number of provisions relating to Deezer's use of content:

- *Geographic coverage*. The agreements either allow the streaming of the licensed content worldwide in over 180 countries (excluding, however, Japan, China and India, which Deezer believes have potential to be profitable streaming markets in the future) or streaming in specified countries, usually concluded in connection with a specific partnership arrangement. For example, Deezer's services are distributed in the United States through Cricket, Bose and Sonos pursuant to such specific arrangements.

- _Streaming only_. Deezer's licenses with the record labels strictly limit its exploitation of the content to its streaming services, and contain restrictions on use of the content for other purposes (like advertising and music videos) without label consent. The licenses also typically contain restrictions on making any changes or alterations to the content, such as cutting or editing the content or sampling.

  The agreements may also allow certain record labels to remove certain content from the scope of the streaming license or delay the release of content on Deezer's service until after the retail release date or after it has been released to other digital music services for purposes of exclusive pre-release promotions. Artists may also elect not to license streaming rights, in which case their music cannot be streamed on Deezer's platform. See Chapter 4.1.2.10, *"Deezer may be unable to acquire the rights to stream popular content, including because the relevant rights holders refuse to grant licenses at all or only agree to do so at very high prices*".

- _Specific approval of partnership offers_. With limited exceptions, Deezer is required to obtain specific approval for the standalone and bundled offers that it distributes through its distribution partners as a co-branded service as well as approval for promotional offers. See Chapter 4.1.2.6 "*Deezer's content providers generally must approve its service offerings*".

- _Free trial offers_. Deezer is typically permitted to offer free trials to entice consumer to subscribe. Deezer's ability to offer and promote free trials may be subject to contractual restrictions to ensure that free trials are used sparingly to drive conversion to full paid subscription services.

- _Promotion of licensed content_. Deezer has in some instances agreed to minimum levels of marketing spending to promote its service offering as well as certain artists and licensed content from certain record labels via TV, radio or other forms of advertising.

6.5.4.2 Producers collective societies

Deezer also maintains contractual relationships with certain producers collective societies, such as the SCPP (*Société civile des Producteurs Phonographiques*) and SPFF (*Société civile des Producteurs de Phonogrammes en France*) in France and PPL (Phonographic Performance Limited) in the United Kingdom. These organizations administer the producers rights for certain catalogues with respect to radio streaming. Deezer's licenses with these collectives typically are limited to radio features. Royalty arrangements are set forth in the model agreements of such collective societies and are typically similar to those that Deezer has with record labels with respect to such services.

6.5.4.3 Publishing rights holders

Deezer maintains licensing relationships with holders of the copyrights in the lyrics and musical compositions of the tracks in Deezer's catalogue. Holders of these copyrights include the publishing arm of major record labels and national and regional publishing rights collective societies such as SACEM (*Société des Auteurs, Compositeurs et Editeurs de Musique*), PRS For Music and UBEM (*Uniãno Brasileia de Editoras de Música*). These societies of songwriters, composers, and publishers license copyrights on their members' behalf and administer the distribution of royalties. Authorship and publishing rights holders may not be part of collective societies and tend to be dispersed and fragmented, and it may be challenging to identify within Deezer's catalogue of tracks who owns the rights in each instance. As a result, Deezer has entered into licensing agreements with many collective societies and publishers administering copyrights, in each case usually only in respect of a limited geographic market or a relatively small catalogue of content. Deezer's licensing agreements are with dozens of publishers and collective societies around the world and also include the publishing arms of the major record labels, Universal Music Publishing Group, Warner/Chappell Music and Sony/ATV Music Publishing.

Deezer's license agreements with publishing rights holders have terms of one to three years on average, with the possibility to extend the term. Like Deezer's agreements with record labels, the agreements may typically only be terminated with cause, including failure to make payments when due and security breaches leading to unauthorized access to the rights holder's content or unauthorized use of such content.

6.5.4.3.1 *Royalties*

The economic terms of Deezer's agreements with publishing rights holders vary substantially between different publishers or collective societies for a number of reasons, including the rights holders' geographic markets, market shares and the sizes and popularity of catalogues. The formula for determining revenues is typically similar to that used for record labels, with publishers being entitled to their pro rata share of the higher of a per-unit fee and Deezer's revenue from the relevant service. However, the revenue sharing percentage and per-unit fees are significantly lower for publishing rights holders than for sound recording rights holders, typically representing between 15-20% of Deezer's total royalty costs. In some cases, publishing rights holders are paid flat annual fees, particularly with respect to the advertising-supported free service. Many of the contracts also feature minimum guaranteed payments that are structured similarly to those for record labels but are likewise set at lower levels.

Deezer typically also has periodic reporting obligations under publishing contracts. Most publishing rights holders maintain an in-house database of copyrights under management and use this database, together with Deezer's periodic reports, to calculate the royalty payments owed and provide the corresponding invoice to Deezer.

6.5.4.3.2 *Use of content*

- <u>*Geographic Coverage*</u>. Many publishing rights holders only control copyrights for a few markets. As a result, Deezer is often required to make royalty payments to multiple publishing rights holders in different markets with respect to the same content. The fragmentation of the market can, in some cases, lead to competing royalty claims, in which case Deezer has worked with the relevant rights holders to resolve any competing claims.

- <u>*Streaming only*</u>. Under the terms of the licensing agreements with publishing rights holders, Deezer is subject to use restrictions on the exploitation of the copyrights (similar to its agreements with the labels, only to be used for music streaming). Deezer has obtained approval from many publishing rights holders to display lyrics to songs that are being streamed on its platform.

- <u>*Specific approval of offers*</u>. As is the case for agreements with sound recording rights holders, publishing rights holders must approve use of their content in connection with distribution by Deezer's partners. However, the agreements in some instances provide that the rights holder will not unreasonably withhold approval for arrangements similar to those it has already approved, or that if Deezer notifies the rights holder of the offer and the rights holder does not object the license is automatically extended to cover the new offer.

6.5.5 Marketing

Deezer's 60-person marketing team designs and executes a multi-channel customer acquisition strategy focused on both direct and partner-based channels. Deezer engages in direct brand building campaigns both online and through traditional media like television and radio to enhance brand awareness. For example, it has a privileged advertising partnership with television channel Prosieben in Germany, from whom it acquired certain television marketing rights as part of its acquisition of the music streaming service AMPYA. It also has other commercial marketing agreements in certain geographic markets, such as its agreement in Brazil with web content and internet services firm Universo Online (UOL) and its agreement in the United Kingdom with Channel 4, a public television station.. Deezer also pursues marketing campaigns to increase platform traffic through search engine marketing and social media. In addition to direct marketing spending (€36 million during the 2007-2014 period), Deezer has also attracted new subscribers by partially financing promotional free and reduced trial offers of its services through distribution partners and directly.

In addition, Deezer uses direct marketing tools deployed through its user interface to convert registered free users into paying users. When mobile users on its free service attempt to skip more than the allocated number of songs on their mobiles, a pop-up invites them to subscribe and describes the benefits of paid access. Similarly, when users of Deezer's free service search for specific content, a pop-up button automatically appears inviting the user to subscribe in order to be able to hear the selected content. It also sometimes uses targeted promotional offers distributed primarily through email and in-app channels to existing users to encourage conversion. Deezer continuously evaluates its registered free user conversion strategy to ensure that it is effectively marketing its subscription service at times when the added functionalities it offers would be most appealing to free users.

Deezer's distribution partnerships with telecom operators and manufacturers are also a particularly important marketing channel to increase product awareness and build a subscriber base. Its partnerships provide it with access to its partners' established customer bases and the opportunity to attract paying subscribers through promotional offers. Partnership contracts with partners typically contain marketing commitments and/or minimum guaranteed payments to Deezer that obligate or incentivize the partner to promote its service to their customers. In addition, Deezer has in the past created dedicated co-branded services with partners to enhance and align their combined efforts.

Deezer plans to launch major marketing campaigns in key markets with a view to expanding this subscriber base substantially. Not only does it plan to increase traditional and online advertising, but it also intends to launch more targeted partner-distributed offers and appealing promotional trial offers to drive conversion of free users to its paid subscription plans.

6.5.6 Information Technology

Deezer has established a scalable IT system to support its operations and has developed innovative proprietary software, applications and databases for its website interface, mobile applications and royalty payments. Deezer has strong in-house expertise to maintain its highly sophisticated IT infrastructure and systems, with a view to ensuring efficient and cost-effective IT operations.

6.5.6.1 Servers

Deezer's worldwide network architecture is designed to provide reliable and secure service to its users around the world. The system is primarily based in two third-party data centers in France, with dedicated network servers in New York and Singapore that are synchronized with the primary system in France and store commonly-accessed content to reduce data processing times for users in local markets. Deezer is also exploring relocating its servers to a new data center in France to enhance capacity and security. Deezer owns almost all of the 500 specialized servers that support its network architecture, including the dedicated Netapp servers that store its audio files and extensive system log data in use on its platform. Audio content on Deezer's servers comprise the single largest component of Deezer's data storage needs, requiring an estimated 1.7 petabytes (one petabyte equals 1,000,000 gigabytes) of storage capacity. All of Deezer's servers are maintained in data centers with access limitations, and particular attention is given to maintaining the appropriate levels of data protection in respect of its audio content.

Deezer maintains full backup systems for non-audio content such as its web and mobile application platforms, images, graphics and codes. Deezer maintains partial redundancy systems for its sizeable audio content catalogue, with full backup of substantially all audio content in MP3 128 kbit/s format, which is an audio coding format where the relevant audio file is compressed to reduce the amount of data storage space required for a single track, resulting in reduced sound quality. Deezer has chosen to implement partial redundancy of its audio content using this format with a view to ensuring continuity of service in the event of damage to its audio content stored using other audio coding formats (*e.g.*, Flac - 16 bit which requires larger amounts of data storage per track than MP3 128 kbit/s).

Deezer has developed relationships with various third-party providers to ensure the smooth and efficient functioning of its systems. Deezer's hosting service provider provides server maintenance, repair and security solutions, monitors Deezer's servers and rolls out the necessary updates to its servers. The service provider has a team dedicated to Deezer that collaborates directly with Deezer's IT team on an ongoing basis. This close relationship is designed to enhance Deezer's reactivity to security threats and cyber-attacks. In addition, Deezer uses three content delivery network providers who operate servers that maintain copies of user-accessed content to permit quicker loading of content.

6.5.6.2 Proprietary algorithms and mobile applications

Deezer's IT team of approximately 100 employees has allowed it to develop many of the major aspects of its software and systems in-house, including its websites, mobile applications, internal security solutions and content recommendation algorithms. Developers are divided between front end developers, who develop Deezer's websites and mobile applications, and back end developers who build the systems and servers that support its operations and ensure the smooth functioning of its user-facing systems. The majority of its system is based on open source software and modified by its in-house developers for Deezer's specific needs. To help minimize software bugs that may lead to security or other operational issues, Deezer's IT team has instituted protocols of peer review of code for all elements of its infrastructure and systems that are developed in-house.

Deezer's computer programmers developed its audio content recommendation algorithms, which are continuously evaluated and enhanced by Deezer's teams. Deezer employs specialists in data science to evaluate the functioning of its algorithms and develop improvements to its services, including its in-house business intelligence engine developed to help identify in-demand tracks that are not in its catalogue. Deezer also has established partnerships with Orange Labs (a research program for Orange and its business clients) and certain universities in France to work together on algorithmic research and share research processes. Deezer believes this helps it to stay on the cutting edge of technological innovation.

6.5.6.3 Apps

Deezer's platform uses an open application program interface and provides plugin capabilities and a software development kit to allow third-party developers to build integrated applications that seamlessly interact with its platform. Certain of these applications are featured on Deezer's platform and subscribers can access and use these apps. Examples of popular third-party apps include the Disney and Deutsche Grammophone apps, which allow users to browse the musical universes of the brands through dedicated interfaces, targeted musical recommendation services and playlist building tools, listening statistics engines concert information and ticket services and more.

Deezer also develops applications in-house that integrate within the main Deezer application to allow users access to personalized functions and additional content. Deezer developed its "Deezer Sessions" application through which it releases videos of live performances from established and up-and-coming artists performed exclusively for Deezer's platform.

6.5.6.4 Data analysis

Deezer's network contains dedicated system log servers that log and track all usage data on its platform in real time. It collects data on what songs are streamed by its users, length of streams, when songs are favorite or skipped and more, recording around 280 million user actions per day as of July, 2015, providing Deezer with rich insight into the functioning of its service and ways to improve it. Log data analysis is also crucial to Deezer's ability calculate to royalties for content providers, which is an immensely complex process due to the volume of data and variability involved. Deezer is in the process of upgrading the hardware and software system used to perform this analysis to more efficiently calculate royalties and process payments while providing scalability for future growth (see Chapter 5.2.1, "Historical Investments").

6.5.6.5 Partnership and content integration

Deezer's in-house IT team has developed a dedicated network interface through which its telecom and other partners access Deezer's platform. The standardization of this interface allows Deezer to easily integrate new partners into its system and allows the partners to control access to Deezer's platform for users of its service. Deezer also has set up a dedicated point of entry into the network for content providers to upload content quickly and easily into its data storage environment.

6.6 REGULATION

Deezer is subject to a variety of laws and regulations in France and the other jurisdictions in which it conducts its business. As a website based business serving consumers, Deezer is required to comply with consumer protection and data protection laws and regulations as well as other laws and regulations that are specific to businesses with e-commerce activities.

6.6.1 Regulation on consumer protection

6.6.1.1 Consumer and e-commerce law

Deezer is subject to laws and regulations governing the provision of its audio streaming services on its web-based platform and its relationship with consumers, including requirements relating to information to be given to consumers who purchase goods and services and the terms of use.

6.6.1.1.1 *European regulatory framework on consumer and e-commerce law*

Deezer's activities in the European Union are governed by the European Union ("EU") Consumer Rights Directive, which was enacted in 2011 and sets forth certain requirements for online sales to consumers. All member states of the European Union were required to implement these requirements into their respective national laws as from June 2014, and in some instances are allowed to supplement the requirements of the EU Consumer Rights Directive with stricter national legislation. In this way, the sales of Deezer's services are subject not only to the EU Consumer Rights Directive, but also to the national laws and regulations of the Member State in whose territory the online seller is established (unless otherwise agreed between the parties). The sale is also subject to the national laws and regulations of the Member State in which the consumer resides (if the consumer resides in a different Member State from the online seller), notwithstanding any agreement to the contrary between the parties.

The European Commission announced in May 2015 a series of targeted actions intended to further harmonize the legal and regulatory framework governing consumer protection across EU Member States, in particular to:

- establish rules for facilitating cross-border e-commerce. These include harmonized rules in the EU regarding contracts and consumer protection when shopping online, the purpose being to ensure that consumers benefit from a wider range of rights and offers. For example, new rules on personal data protection are expected to be adopted by the end of 2015;

- ensure compliance with consumer protection rules in an accelerated and uniform way, by reviewing the rules on cooperation in the field of consumer protection;

- promote the development of more efficient and less expensive package delivery services; and

- prohibit online sellers from blocking consumers from accessing a website on the basis of their location or redirecting consumers to a website that displays different prices for the same good or service.

6.6.1.1.2 *French regulatory framework on consumer and e-commerce law*

French law tends to provide for a higher level of consumer protection than that which is required under the EU Consumer Rights Directive. The provisions relating to consumer protection are principally codified in law no. 2014-344 of March 17, 2014 (the "Hamon" law), which amended the French Consumer Code to implement the EU Consumer Rights Directive, and a law adopted in 2004 relating specifically to the digital economy (the "*Loi sur la confiance dans l'Economie Numérique*" or "LCEN"). These laws apply to all businesses established in France and non-compliance with these laws may result in financial sanctions.

Consumer information obligation

Under the Hamon law and the LCEN, sellers of goods and services are required to inform consumers of certain information when the contracts to purchase such goods or services are concluded online. Such information includes in particular the main characteristics of the relevant good or service, the price (including taxes and delivery charges), the seller, payment terms, delivery or execution terms, conditions and procedures for exercising the right of withdrawal, the duration for which the offer is valid, the deadline by which the seller commits to deliver the goods or to perform the service, information on the terms of the guarantees (if any) and dispute resolution mechanisms.

These informational requirements applies at different stages the online purchase process: before the order is placed (*i.e.*, before the purchase contract is concluded), when the consumer places the order so that the consumer can verify the details; and after the conclusion of the contract, at the latest upon delivery of the good or service.

Payment fraud and order cancellation

Under French law, the holder of a credit card enjoys protection against the fraudulent credit card use. If a credit card holder reports an unauthorized payment transaction, the issuer of the credit card is required to immediately refund the credit card holder for the amount of the unauthorized payment transaction. The issuer of the credit card may also be required to make additional payments in order to return the wrongfully debited account to the state in which it would have been if the transaction had not occurred (e.g., reimburse any overdraft charges payable solely due to the unauthorized payment). In case of unauthorized payment transaction following the loss or theft of a payment instrument, the payment services provider of the holder of the payment instrument may, under certain conditions, require reimbursement from the seller of the amounts incurred as a result of the loss or theft of the payment instrument. Subscribers who enroll directly through Deezer's website or mobile applications have the option to cancel anytime.

Seller's liability in distance contracts

French law also provides that the seller is strictly liable towards the buyer for the proper performance of the obligations under a contract concluded by telephone, e-mail or other means not requiring the simultaneous presence of the parties to the contract (a "distance contract"), regardless of whether these obligations are carried out by the seller which concluded the contract or by a third-party. Limited exemptions from this strict liability regime exist where the non-performance or defective performance of the contract is attributable either to the buyer, or to an unforeseeable and unavoidable act of a third party, or to an event of force majeure.

6.6.1.2 Unfair commercial practices

Deezer is subject to the laws and regulations related to unfair trade practices pursuant to the EU Unfair Commercial Practice Directive, which was adopted in 2005 and defines the unfair business-to-consumer commercial practices that are prohibited in the European Union. The Unfair Commercial Practice Directive was implemented into the French Consumer Code in 2008.

The French Consumer Code prohibits deceptive marketing practices, notably when they create confusion with other goods or services, or when they are based on allegations or false representations likely to mislead the consumer, for example, on the availability and the main characteristics of goods or services, on the price and the promotional character as well as the sale, payment and delivery of goods or service conditions. The Consumer Code also prohibits marketing practices that omit or conceal information needed to make a well-informed decision or the information provided is incomprehensible. The use of deceptive marketing practices is punishable by two years of imprisonment and a €300,000 fine. The amount of the fine may be increased up to 10% of the average annual turnover or 50% of expenses incurred for the realization of the practice constituting the offense.

Deezer is also subject to the prohibition of aggressive commercial practices. In particular, the repeated and insistent demands that vitiate or are likely to vitiate a consumer's consent of are prohibited, such as unwanted solicitations by email. Aggressive commercial practices are punished with the same sentence.

6.6.1.3 Solicitations by email

Deezer from time to time communicates information about its services by email. These solicitations by email are regulated pursuant to the French Consumer Code and the French Post and Electronic Communications Code.

Under these Codes, it is prohibited to directly solicit a natural person, subscriber or user by email if their express consent to receive direct solicitations by this means has not been obtained. However, the direct solicitations via email are permissible in respect of similar products provided by the same legal entity as long as (x) the contact information of the recipient is obtained directly from such recipient as at the time of sale and (y) the recipient may easily and without charge prohibit the use of this contact information both at the time it is provided and each time a email solicitation is addressed to him/her. Illegal direct solicitations by email are punishable with a maximum fine of €15,000 per legal person.

6.6.1.4 Internet Content Regulation and Operators' Responsibility

The European Directive of June 8, 2000 on certain legal aspects of information society services, in particular electronic commerce, established the obligations and responsibilities of Internet operators. This directive was partially transposed in France *via* the law of August 1, 2000, which amended the law of September 30, 1986 with a new chapter entitled "*Provisions on online communication services other than private correspondence*" (Articles 43-7 to 43-10). These provisions were then supplemented by the LCEN.

This LCEN created a direct or indirect identification obligation for online communication service publishers. Article 6-III of the LCEN includes an obligation that individuals and legal entities who publish a website for professional purposes must include their contact details on their website as well as the name and address of their hosting provider. Online communication service publishers must ensure that this information is available to the public in an open standard. Otherwise, they can be liable for damages for non-compliance with this obligation or to a criminal sanction notably in case of defamation.

The LCEN also stipulates the liability of technical service providers on the Internet and in particular, electronic commerce and data encryption. In particular, the LCEN distinguishes between online communications service publishers, having an active role in the publication of online content and subject to a strict liability for such published content, and hosting service providers, not exercising control over the content before publication and being potentially liable only after prior notification of the unlawful nature of a content not followed by the withdrawal of such content.

6.6.1.5 Internet advertising

French law n°93-122 of January 29, 1993 (the "Loi Sapin") imposes certain transparency and disclosure obligations on purchasers of advertising space, their intermediaries and vendors of advertising space. Loi Sapin applies to the extent the advertising message is disseminated for the benefit of a French company and is primarily received in France and establishes restrictions on payment terms and conditions. For example, Loi Sapin requires that pricing conditions be clearly mentioned and that purchase invoices be sent directly to the advertiser, even if payment is to be made by an intermediary. As Loi Sapin applies to advertisers in France, its applications to the online advertising space are not entirely clear. While case law on this subject is limited, scholars have tended to apply Loi Sapin to the internet space to the extent the purchaser of advertising space is a French company and the message is received mainly in France.

As for targeted advertising, the CNIL requires the website operator publisher to obtain the consent of the Internet user prior to the display and to offer him the opportunity to object to such targeted advertising.

6.6.2 Intellectual Property rights

The intellectual property to the content streamed on Deezer's web-based platform is owned by various rights holders, including major record labels, independent record labels, producers' collective societies and various publishing rights holders. Deezer enters into various licensing agreements to provide its services in the jurisdictions in which its offering is available. See Chapter 6.5.4, "Content Licensing".

Deezer owns most of the rest of the intellectual property used in connection with its business, including rights to its proprietary software, trademarks, database rights, among others. See Chapter 11.2, "Intellectual Property, License, Usage Rights, and Other Intangible Assets".

6.6.3 Protection of personal data

In connection with its business activities, Deezer collects and processes information subject to personal data protection laws and regulations in Europe. Such personal data processing is carried out on behalf of both Deezer and its customers.

Personal data on users registered on Deezer's websites are mainly collected during the registration of members. Deezer aims to ensure the personal data provided by its customers and members is kept confidential.

6.6.3.1 Personal data processing within the European Economic Area ("EEA")

Directive 95/46/EC of October 24, 1995 (the "Personal Data Directive") is the point of reference for personal data protection regulation within the European Economic Area (the "EEA," which includes the European Union, Iceland, Norway and Liechtenstein). The goals of the Personal Data Directive are (i) to harmonize European law on personal data, (ii) facilitate their circulation (provided that the country to which the personal data is being transferred offers an appropriate level of protection) and to (iii) protect individuals' privacy and freedoms. In France, the Personal Data Directive was implemented through law no. 78-17 of January 6, 1978, which relates to information technology, filing system and civil liberties, as modified by law 2004-801 of August 6, 2004 (the "French Data Protection Act").

The Personal Data Directive applies to processing of "personal data", which is broadly defined as all information relating to a natural person who has been identified or is directly or indirectly identifiable. The Personal Data Directive requires persons and entities that are responsible for processing personal data and that are either incorporated in an EEA member state or have recourse to data processing functions in an EEA member state, to put in place a number of measures prior to and at the time the relevant data is collected, while it is stored and until it is erased. According to the Personal Data Directive, the person or entity that, alone or jointly with others, determines the purposes and means of the processing of personal data is considered to be a “data controller”.

Deezer acts as a data controller for each of its activities involving processing of personal data, from collecting data of its customers and members to monitoring of the business relationship.

Where a Deezer entity functions as a data controller, it is subject to the following obligations:

- to satisfy the criteria set forth in the Personal Data Directive to ensure that the personal data processing is legitimate, which criteria include, among others, that the person concerned has given his or her consent, the processing of personal data is necessary for the purposes of pursuing a legitimate interest, or for the performance of a contract to which the person concerned is a party;

- to ensure that the personal data is (i) processed fairly and lawfully, collected for specific, explicit and legitimate purposes, and proportionate for such processing and/or collecting purposes, and (ii) accurate and, where necessary, kept up-to-date;

- to take particular precautions before processing sensitive data (e.g., health or biometric data) such as checking that the explicit consent of the person concerned was received or that the processing is based on one of the enumerated exceptions that permit such processing;

- to put in place technical and organizational measures to protect personal data against accidental and unlawful destruction, accidental loss or unauthorized modification, dissemination or access;

- except in certain instances set out in the Personal Data Directive, to inform the persons concerned of (a) the fact that their personal data are being processed, (b) the identity of the recipients of the data, (c) the identity of the data controller (d) the purpose of the data processing, and (e) their access and rectification rights and, in certain cases, their right to object to such processing (and, as the case may be, allow them to enforce these rights);

- to retain personal data for a term that does not exceed the time required for the purposes of the processing thereof;

- to refrain from transferring personal data outside of the EEA unless the European Commission considers that the recipient country ensures an adequate level of protection or the transfer is governed by contractual clauses of the type established by the European Commission; and

- to carry out the formalities required by the relevant national authorities that regulate personal data protection (such as the *Commission nationale de l’informatique et des libertés* or “CNIL” in France) prior to effecting data processing operations; these formalities vary according to national laws.

In addition, website operators must comply with applicable regulations as regards *cookies* and related technologies. Among these rules, those from the EU Directive 2002/58/EC (as amended) on data protection in the electronic communications sector, as implemented under French law, requires website operators to inform and gather the consent of users prior to proceeding with the installation of some *cookies*. However, cookies exclusively designed to perform or facilitate the transmission of a message, or those strictly necessary to provide a service expressly requested by the user are outside the scope of this provision. The regulations as regards *cookies* were transposed into French law by Law No. 2004-801 of August 6, 2004 on the protection of individuals with regard to the processing of personal data and by the "Telecom Package" Order of August 24, 2010. A CNIL recommendation dated December 5, 2013 details the practical procedures for (i) obtaining Internet users' consent to the use of cookies, which can be explicit (*e.g*. tick a tick box) or implicit (*e.g*. information banner at the top of the first page displayed warning of cookie use) and (ii) allowing the website visitor to refuse the cookie via a link to an information page. Otherwise consent is assumed to be granted for a period of 13 months. The CNIL has the power to carry out online checks and uses this power to verify that the particular website publishers fulfill their obligations regarding *cookies*. Depending on the country, the violation of these obligations by a data controller may result in administrative, civil or criminal sanctions, including fines of up to €1.5 million for legal entities in France. In addition to these financial sanctions, the CNIL can publish the warnings and sanctions it has pronounced. The CNIL's powers have also been extended and procedures for performing on-site inspections have been specified, with the CNIL now being able to issue injunctions to cease or suspend the processing of data, block information and withdraw authorization. Finally, the Hamon law authorized the CNIL to monitor compliance with the French Data Protection Law online remotely from a computer connected to the Internet. It records any violations it observes in a report it sends to the offender and may use this report in legal proceedings. The CNIL is thus now provided with the investigation power and authority it needs to keep pace with the development of digital technology and enables it to be more responsive and effective in a constantly evolving environment. It is also able to quickly note data security failures on the Internet and take action and can easily check the compliance of the legally required information provided on online forms and the rules that govern Internet user consent. This new power applies to "*data that are freely accessible or made accessible*" online and does not allow the CNIL to override security measures to penetrate an information system.

Although the personal data regulation has been subject to harmonization in the EEA, the implementation of the Personal Data Directive into national laws of the Member States has given rise to varying national regimes and, as the case may be, be more restrictive than what is required under the Personal Data Directive.

In early 2012, the European Commission proposed draft regulation intended to replace the current Personal Data Directive. Among the more significant aspects of the draft regulation are the following:

- the introduction of a principal of accountability, which would require data controllers to implement internal rules and mechanisms intended to guarantee and demonstrate to each of their clients, the persons concerned and the authorities in charge of monitoring the protection of personal data that they are in compliance with the regulation,

- a requirement to appoint a personal data protection representative in the European Union where the data controller is not established in the European Union,

- a requirement to carry out impact studies relating to data protection before processing operations that present potential risks, and

- a requirement to provide notifications of personal data violations and, in particular, security breaches.

On March, 12, 2014, a Regulation proposal of the European Commission was adopted by the European Parliament. Over a year after, on 15 June 2015, the Council approved a compromise text. The so-called "trilogue" discussions, which are between the three European institutions, have begun on June 2015, with the aim of determining a final version of the Regulation. The final adoption of such Regulation is expected to take place by the end of 2015, for the Regulation to enter into force two years later.

6.6.3.2 Transfers of personal data outside the EEA

Transfer of personal data to countries outside the EEA, which does not provide a sufficient level of protection of personal data according to the Personal Data Directive, is prohibited and requires a prior authorization from the CNIL, unless one of the exceptions set up by Article 69 of the French Data Protection Act applies (*e.g.* if the data controller obtains the express consent of the data subject) or where the data controller has implemented standard EU contractual clauses or Binding Corporate Rules or is Safe Harbor certified. In addition, such data transfers are subject to CNIL prior authorization where the transfer is framed by the standard EU contractual clauses or by BCR.

As part of its activities, the Company transfers:

- limited customer personal data to certain branches located outside the EEA acting as "points of presence" of Deezer, which provide a local server access to users to ensure faster and more efficient service; and

- limited employee personal data to certain subsidiaries for internal management purposes or to third party providers of payroll services.

In each case, Deezer ensures that such transfers are made in accordance with (i) standard contractual clauses set out by the European Commission for the transfer of personal data by granting to the data subjects contractual protections substantially equivalent to what such third parties would benefit within the EEA, or (ii) in the case of certain service providers located in the United States, the EU-US "Safe Harbor" scheme allowing the transfer of personal data from the EEA.

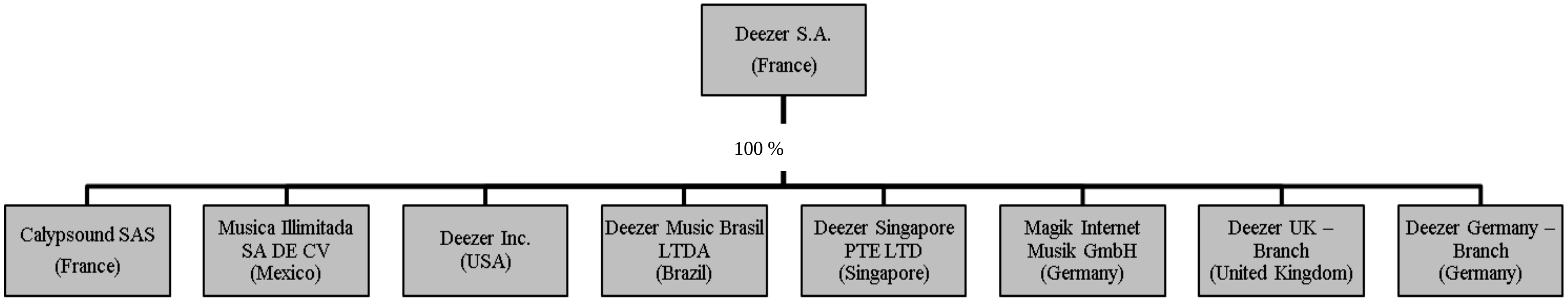
6.7 DEPENDENCE ON PATENTS, LICENSES AND COMMERCIAL CONTRACTS

Deezer considers that its current activities are not dependent on third-party patents. Deezer believes that its current activities are dependent on obtaining licenses from music and other audio content rights holders and entering into contracts with telecommunications companies and other distribution partners, although it is not dependent on any single license or partnership agreement individually. See Chapter 6.5.3, "Distribution Channels", and Chapter 6.5.4, "Content Licensing". Some partnership agreements and licenses may be more important to Deezer's business than others. See Chapter 4.1.2.2, *"If Deezer does not maintain licensing relationships with the major music labels upon favorable terms or at all, its business, financial condition and results of operations would be materially and adversely affected."* and Chapter 4.1.3.3, *"Deezer may be unable to renew its partnership agreements with its various distributions partners when they expire, particularly its partnership agreement with Orange in France, on favorable terms or at all.*"

7. ORGANIZATIONAL CHART

7.1 SIMPLIFIED GROUP ORGANIZATIONAL CHART

The organizational chart below shows the Group's ownership structure as of the date of this Registration Document.


Deezer S.A.
(France)
100 %
Calypsound SAS
(France)
Musica Illimitada
SA DE CV
(Mexico)
Deezer Inc.
(USA)
Deezer Music Brasil
LTDA
(Brazil)
Deezer Singapore
PTE LTD
(Singapore)
Magik Internet
Musik GmbH
(Germany)
Deezer UK –
Branch
(United Kingdom)
Deezer Germany –
Branch
(Germany)

7.2 SUBSIDIARIES AND EQUITY INVESTMENTS

7.2.1 Major Subsidiaries

The Company's principal subsidiaries are described below. None of the Company's subsidiaries is a listed company. All the Company's subsidiaries provide the Deezer service (apart from Calyspound S.A.S., see description below)

Calypsound S.A.S. is a French simplified stock company (*société par actions simplifiée*) whose registered office is located at 12, rue d'Athènes, 75009 Paris, and it is registered with the Paris Trade Registry under number 513 016 972. The Company directly holds 100% of Calypsound's share capital and voting rights. Calypsound develops a specific ancillary activity which provides soundtracks for business locations.

Musica Illimitada S.A. de C.V. is a Mexican corporation whose registered office is located at Alicia 18 PH 3 Piso Lomas Virreyes Migual Hidalgo Distrito Federal 11000, Mexico. The Company directly holds 100% of Musica Illimitada's share capital and voting rights.

Deezer Inc. is a Delaware corporation whose registered office is located at Paracorp Incorporated, 2140 S Dupont Highway, Camden, Kent De 19934, Delaware. The Company directly holds 100% of Deezer Inc.'s share capital and voting rights.

Deezer Music Brasil Ltda. is a Brazilian business limited liability company whose registered office is located at Rua Arandu, 281, conjunto 83, Brooklin, CEP 04562-030, Sao Paulo, SP, and it is registered with the Board of Commerce of the State of Sao Paulo (JUCESP) under NIRE 35.227.525.956. The Company directly holds 100% of Deezer Music Brasil's share capital and voting rights.

Deezer Singapore PTE Ltd. is a Singaporean private company limited by shares whose registered office is located at 4 Battery Road, 25-01 Bank of China Building, Singapore (049908), and it is registered with the Singapore Trade Registry under number 201330419W. The Company directly holds 100% of Deezer Singapore's share capital and voting rights.

Magik Internet Musik GmbH is a German limited liability company (*société à responsabilité limitée*) whose registered office is located at Rungestrasse 22-24 (3. HH), D-10179 Berlin, and it is registered with the Berlin-Charlottenburg Trade Registry under number HRB 146886 B. The Company directly holds 100% of Magik Internet Musik's share capital and voting rights.

Deezer UK Branch and **Deezer German Branch** are both branches of Deezer S.A..

See Chapter 19, "Related Party Transactions", for a description of the various agreements that have been entered into between Group entities.

7.2.2 Recent Acquisitions and Disposals

See Section 9.6, "Significant Acquisitions".

7.2.3 Equity Investments

As of the date of this Registration Document, the Group does not hold any participating interests other than those described under Section 7.2.1, "Major Subsidiaries" above.

8. PROPERTY, PLANTS AND EQUIPMENT

8.1 SIGNIFICANT EXISTING OR PLANNED PROPERTY, PLANT AND EQUIPMENT

As of December 31, 2014, Deezer owned property, plant and equipment with a gross value of €3.9 million. This was primarily composed of the 500 specialized servers and other technical hardware that Deezer owns to support its network architecture and systems. Deezer leases its headquarters and other business properties its network hardware is hosted by third-party data centers. Deezer therefore does not have significant property holdings. The following table sets forth the gross amounts of various categories of property, plant and equipment owned by Deezer as of the dates indicated, as well as the aggregate amortization and the net balance.

	As of December 31,		
	2014	**2013**	**2012**
	(*in € thousands*)		
Technical equipment	2,836	1,973	1,560
Fixtures and fittings	316	297	239
Vehicles	22	22	22
Office and IT Equipment	559	463	319
Furniture	144	121	103
Total gross property, plant and equipment	**3,878**	**2,876**	**2,244**
Total amortization of property, plant and equipment	2,363	1,507	922
Total property, plant and equipment	1,515	1,369	1,322

As of the date of this Registration Document, Deezer believes that the rate of use of its property, plant and equipment is adequate to support its current business and expected growth, as well as its current and planned investments. For further discussion of Deezer's investments, see Chapter 5.2 "Investments".

8.2 ENVIRONMENT AND SUSTAINABLE DEVELOPMENT

Environmental constraints are unlikely to significantly affect the Group's activities.

However, sustainable development is a priority for the Group. The Group focuses its efforts on cost reduction, energy savings and operations that increasingly comply with the principles of sustainable development.

If its shares are listed on Euronext Paris before December 31, 2015, the Company will prepare, in respect of the 2015 fiscal year, a report containing social and environmental information, as set forth in Article L.225-102-1 of the French Commercial Code.

9. OPERATING AND FINANCIAL REVIEW

The following information concerning Deezer's financial condition and results of operations should be read in conjunction with Deezer's consolidated financial statements as of and for the years ended December 31, 2014, 2013 and 2012 included in Annex I, "Group Consolidated Annual Financial Statements", to this Registration Document and Deezer's interim condensed consolidated financial statements as of and for the six months ended June 30, 2015 included in Annex III "Group Interim Condensed Consolidated Financial Statements" to this Registration Document.

Deezer's consolidated financial statements were prepared in accordance with IFRS as adopted by the European Union for the fiscal years and periods in question. Ernst & Young et Autres and Erik Decourtray have audited its consolidated financial statements as of and for the years ended December 31, 2014, 2013 and 2012 and Ernst & Young Audit and Erik Decourtray conducted a limited review of its interim condensed consolidated financial statements as of and for the six months ended June 30, 2015. The reports of Deezer's statutory auditors for the financial statements included in this Registration Document are included in Annex II, "Statutory Auditor's Report on the Group Consolidated Annual Financial Statements", and Annex IV, "Statutory Auditor's Report on the Group Interim Condensed Consolidated Financial Statements".

9.1 OVERVIEW

Deezer is a leading global provider of on-demand digital audio streaming services, offering millions of subscribers access to streamed music from a catalogue of over 35 million tracks. Deezer's users can listen to individually customized music libraries and radio channels on their web-enabled device or hardware of choice, including laptops, tablets, smartphones, smart TVs and wireless audio systems.

Deezer's revenues consist primarily of subscription fees received from its subscribers, either directly or through its partners. Its revenues depend primarily on the number of its subscribers and the mix of subscriber categories. Deezer also earns revenue from selling advertising space on its platform (such as advertisements between the playback of its audio content, which may take the format of banners and other on-screen displays or videos). The majority of Deezer's expenses are content royalties payable to rights holders. Deezer also incurs expenses for product development, sales and marketing and general administration.

Deezer's results of operations are recorded in five geographical segments: France, Europe, Latin America, United States and Rest of World. France is Deezer's largest segment, with an activity that is sufficiently developed to have reached operating profitability. Deezer's activities in other areas are newer and growing very quickly, but have not yet reached operating profitability.

Consolidated Revenue has grown significantly over the past three years, from €63.6 million in 2012, to €92.8 million in 2013, to €141.9 million in 2014. First half 2015 revenue was €93.2 million, representing an increase of 40.9% compared to the same period in 2014. This rapid revenue growth has been driven primarily by a significant increase in Deezer's revenue-generating subscriber base, which has more than doubled since the end of 2012.

The substantial growth in revenue has resulted in a similar increase in gross margin (which is equal to revenues less content royalty charges and other costs of revenue). In 2014, gross margin represented 15.6% of revenue, and in the first half of 2015, gross margin was 17.7% of revenue. Deezer expects gross margin to represent a greater share of revenue as the business grows, and it shifts its focus from bundled subscriptions to a greater standalone subscriber base.

Deezer has not yet recorded positive operating income, EBITDA or net income, reflecting its status as a young company that has invested heavily in its technology, its international deployment and building its customer base internationally. Deezer has achieved positive EBITDA in France in each of the past three years and in the first half of 2015,[8] and its objective is to do the same in its newer markets in the coming years. See Chapter 12, "Trend Information."

9.2 PRINCIPAL FACTORS AFFECTING DEEZER'S RESULTS OF OPERATIONS

The following discussion describes the composition of the most significant items in Deezer's consolidated income statement, and the principal factors that influence these items. Certain of these items are calculated differently from similar items in the consolidated income statement of other groups.

9.2.1 Revenue

9.2.1.1 Composition of revenue

Deezer's revenues consist primarily of subscriber fees, for both standalone and bundled subscription offerings. Revenue from standalone and bundle subscriptions represented 95.1% of Deezer's consolidated revenue in 2014. Most of the remainder consisted of advertising revenues. Revenues can be divided into four main categories:

- *Revenue from "Standalone" subscriptions*. Deezer generates revenues from two types of standalone subscribers: direct standalone subscribers and indirect standalone subscribers. Revenues from standalone subscribers represented 45.6% of Deezer's total revenues in 2014.

  Direct standalone subscribers generally register for Deezer's service directly on its website or through its mobile application. Revenues from direct standalone subscribers consist of periodic subscription payments, generally on a month-by-month basis. In the event that a direct standalone subscriber is billed through a third party provider like a mobile app store, revenue is recognized gross of any payment processing commissions taken by the third-party provider (which are recognized in "Cost of revenues – other"). Subscription fees that Deezer receives for direct standalone subscribers are generally higher than for other categories, but Deezer typically bears a higher cost of acquisition of direct standalone subscribers relative to other acquisition channels.

  Indirect standalone subscribers register for Deezer through one of Deezer's telecom operator or internet service provider distribution partners who promotes Deezer's subscription as a separate service. Deezer recognizes revenues net of any sales commission paid to the partner.

- *Revenue from bundle subscriptions*. Deezer also distributes its service through telecom operator or internet service provider distribution partners who bundle it together with their own product or service and provide it to customers for a single price. Revenues from bundle subscribers represented 49.4% of consolidated revenues in 2014. Under bundle arrangements, Deezer typically receives payment in the form of a fee based on the subscriptions sold as part of the distribution partner's bundle – either all such subscriptions, or "monthly active" subscriptions (where the subscriber has listened to a minimum amount of streamed content each month), or a combination of the two. Revenue is recognized monthly for the fee amount payable by the distributor to Deezer under the relevant contract. In certain cases, distribution partnership agreements contain minimum guaranteed payments from the distribution partner to Deezer. In such cases revenue recognized corresponds to the number of subscriptions actually sold by the partners (or the number of active users actually reported), independent of the minimum guaranteed payments. Any revenue resulting solely

[8] EBITDA by segment is calculated using an equal allocation of corporate expenses to each segment. See Section 9.4.2, "Corporate Expenses" and Section 9.9.3 "EBITDA".

from the minimum guaranteed payment obligation is generally recognized at the end of the contract.

- *Advertising revenue*. Deezer's free advertising-supported service generates revenues from payments received from advertisers. Deezer's subscriber acquisition strategy does not focus on its advertising-supported service offering and consequently advertising revenue contributes much less to consolidated revenue than revenue earned from paid subscriptions. Advertising revenue represented 3.8% of 2014 consolidated revenue. Such revenue is recognized in the period in which the advertising service is provided.

- *"Other income" revenue*. Deezer receives other revenues from various activities, including revenue realized from its background music streaming services for businesses, amounts paid by certain partners like Sonos in connection with special sales events and other ancillary revenues. Other revenues represented 1.1% of 2014 consolidated revenue.

9.2.1.2 Subscriber base

Deezer's revenue growth is driven primarily by the growth and composition of its subscriber base. An increase in subscribers in a given year has an impact on revenue growth in the same year, and also in the following year, as subscribers are acquired over the course of the year. As a result, revenues in 2014 were impacted by the new subscribers acquired in both 2013 and 2014. Conversely, when Deezer's partnership agreements expire, its partners typically cease acquiring new subscribers (while continuing to provide Deezer's services to existing subscribers for a further specified period). This has an impact on the number of revenue-generating subscribers acquired from the relevant partner primarily in the year of expiration.

The following table sets forth the increase in Deezer's revenue-generating subscriber base since the end of 2012.

	As of December 31,					**As of June 30**		
	2014	**2013**	**% change 2013-2014**	**2012**	**% change 2012-2013**	**2015**	**2014**	**% change H1 2014-H1 2015**
Standalone subscribers(1)...............	1,298,151	692,486	87.5%	377,812	83.3%	1,538,561	931,562	65.2%
Monthly active bundle subscribers(2)....	1,570,034	1,367,739	14.8%	539,434	153.6%	1,459,610	1,574,028	(7.3)%
Total standalone and monthly active bundle subscribers	**2,868,185**	**2,060,225**	**39.2%**	**917,246**	**124.6%**	**2,998,171**	**2,505,590**	19.7%
Revenue-generating monthly inactive bundle subscribers(3)...............	1,008,184	1,099,269	(8.3)%	266,658	312.2%	795,855	1,059,124	(24.9)%
Total revenue-generating subscribers(4)	**3,876,369**	**3,159,494**	**22.7%**	**1,183,904**	**166.9%**	**3,794,026**	**3,564,714**	**6.4%**

(1) Includes direct and indirect standalone subscribers. For standalone subscribers, Deezer is paid mainly on a per subscriber basis.

(2) Includes all monthly active bundle subscribers, irrespective of the calculation methodology by which payments from the relevant distribution partner to Deezer in respect of such subscribers are determined. Depending on the terms of the relevant distribution partnership agreement, Deezer receives payment primarily based on (x) the total number of subscribers in that bundle, without regard to activity levels or (y) the total number of monthly active bundle subscribers.

(3) Consists of revenue-generating monthly inactive bundle subscribers in respect of whom Deezer is paid mainly based on the total number of subscribers, without regard to activity level.
(4) Calculated by adding "total standalone and monthly active bundle subscribers" to "revenue-generating monthly inactive bundle subscribers".

9.2.1.3 Average Revenue Per User (ARPU)

Deezer's results of operations are affected by its average revenue per user (ARPU). Deezer tracks its monthly ARPU on a consolidated Group basis by the category of subscriber (standalone and monthly active bundle). Monthly ARPU is calculated as (x) total subscription revenues from the applicable category of subscribers for a given period, (y) divided by the average of the number of subscribers of the applicable category as of the end of the relevant period and the end of the immediately preceding comparable period, and (z) divided by 12.

The monthly ARPU for standalone subscribers depends on a number of factors, including the impact on revenue of reduced price promotional offers in the period and the pricing of Deezer's direct standalone services in the relevant geographic markets. Deezer's flagship Premium+ subscription is provided for a set retail price when sold directly to consumers, typically £/€/$9.99 per month in Europe and North America and at lower prices in Latin America, Africa and Asia. Monthly ARPU for standalone subscribers is also affected by the relative weight of indirect standalone subscribers compared to total standalone subscribers, the price of the indirect standalone offer, and the percentage of subscription fees that is payable to Deezer under the revenue sharing arrangements in the relevant partnership agreements. Monthly ARPU for standalone subscribers may therefore increase or decrease depending on the amount of revenue, net of the relevant partner's share of the subscription fees, recognized in respect of each indirect standalone subscriber.

The monthly ARPU for bundle subscribers principally depends on the mix of the type of bundle offer – hard bundle or soft bundle – in the period, the proportion of monthly inactive bundle subscribers relative to total bundle subscribers in the period, the maturity of the partnership and the terms of the relevant partnership agreement. Under the terms of its partnership agreements, Deezer tends to generate higher revenue per soft bundle subscriber than hard bundle subscriber. Under a soft bundled offer, subscribers are offered the option to choose from a number of services or features – which includes Deezer's service – as an add-on to their mobile phone or internet service plan. In this way, soft bundles require the subscriber to indicate his/her specific desire to enroll for Deezer's service and accordingly, Deezer receives a higher fee to reflect this. See Chapter 6.5.3.2.2, "Partnership service plans". Under a smaller number of its partnership agreements, Deezer receives fees mainly based on the number of monthly active bundle subscribers, which also impacts monthly ARPU for the geographic markets covered by such agreements, which include the Orange contract in France.

The following tables set forth Deezer's revenue by category and Deezer's monthly ARPU at a consolidated level by category of subscriber, respectively.

Revenue by category

	Year Ended December 31,			Six months ended June 30,	
	2014	2013	2012	2015	2014
	(*in € thousands*)				
Revenue – Standalone subscriptions(1)	64,704	35,177	13,618	46,558	29,367
Revenue – Bundles subscriptions(2)	70,246	49,904	42,201	39,492	33,882
Revenue – Advertising	5,349	5,723	7,358	3,451	2,254
Other revenues(3)	1,624	1,996	388	3,718	633
Total revenues	**141,923**	**92,800**	**63,565**	**93,219**	**66,137**

(1) Revenues generated from standalone subscribers. See note (1) in Section 9.2.1.2, "Subscriber Base", above.
(2) Consists of revenues generated from monthly active bundle subscribers and revenue-generating monthly inactive bundle subscribers. See Chapter 6.5.2 "Subscribers and Subscription Revenues", above.
(3) Includes revenues generated by Deezer from the soundproofing of commercial premises and from the sale of access codes for Deezer's service to commercial partners.

Consolidated ARPU

(*in euros*)	For the year ended December 31,			For the six months ended June 30,		
	2014	2013	% change 2013-2014	2015	2014	% change H1 2014-H12015
Standalone subscribers	€5.4	€5.5	(1.1)%	€5.5	€6.0	(13.2)%
Monthly active bundle subscribers	€4.0	€4.4	(8.6)%	€4.3	€3.8	9.2%

(1) Calculated as (x) total subscription revenues from the applicable type of subscribers for a given period, (y) divided by the average of the number of subscribers of that type as of the end of the relevant period and the end of the immediately preceding comparable period, and (z) divided by 12.

The decrease in monthly ARPU for standalone subscribers from the first half of 2014 and the first half of 2015 was primarily due to the effect of a low price promotional offer launched by Orange in France. The increase in monthly ARPU for monthly active bundle subscribers from the first half of 2014 to the first half of 2015 was driven primarily by more favorable payment terms in Deezer's contract with Orange in France for the first half of 2015. See Section 9.7.1, "Revenue". The payment terms in the Orange contract feature periodic increases in the payment that Deezer receives from Orange per monthly active bundle subscriber between 2015 and the end of the current contract in 2018.

The decrease in monthly ARPU for monthly active bundle subscribers from €4.4 to €4.0 from 2013 to 2014 was primarily due to decreasing fees per monthly active bundle subscriber in France pursuant to the terms of the Orange contract. The slight decrease in monthly ARPU for standalone subscribers from 2013 to 2014 reflected the significant increase in the number of direct and indirect standalone subscribers (the latter acquired through Deezer's partnership with TIM) in Latin America, as well as the reduced price promotional offers launched in late 2013 and continued through 2014. See Section 9.9.1, "Revenue".

9.2.1.4 Churn rate

Because of the importance of subscription fees for Deezer's consolidated revenues, the success of its efforts to retain existing subscribers is an essential factor for its revenues. Trends in its "churn rate" allow Deezer to evaluate the effectiveness of its efforts to retain subscribers. Deezer tracks churn rate for its Premium+ direct standalone subscribers because indirect subscribers through distribution partnerships may leave Deezer's for a variety of reasons that are not directly related to Deezer's service, such as changing telecom operators at the end of a contract or the telecom changing its tariff plan. Thus, churn rates for indirect subscribers do not provide the same insight into the performance of Deezer's service.

The monthly churn rate is equal to the percentage of total subscribers as of the end of the previous month (N-1) who cancel or fail to renew their subscriptions in the relevant month (N). Most subscribers of Deezer's services can cancel their subscription at any time. There are some instances where subscribers have committed to a subscription period of up to 12 months or more, although this is usually as part of bundle subscription with a telecom or internet service provider. Subscribers may cancel their subscriptions or allow them to lapse through inaction (*e.g.*, failure to update payment information) for a number of reasons, including dissatisfaction with the pricing or quality of Deezer's services as compared to those of its competitors. Notable reasons for churn include, among others, the expiration of the subscriber's credit card or other technical payment issues and subscribers leaving the standalone service in order to subscribe to a bundle product offered by a telecom provider.

In 2014, the average monthly churn rate for Premium+ direct standalone subscriptions was 4.9% for Deezer as a whole. The 4.9% average monthly churn rate represents a blended rate of both mature and new cohorts of members, and Deezer believes that churn is typically higher during the first months of a subscription and lower for subscribers who have been subscribing for a longer period of time. For example, for the cohort of direct standalone subscribers who were already subscribers in France in January 2013 (representing approximately 100,000 Premium+ subscribers as of January 2015), the average monthly churn rate in the first five months of 2015 was 1.6%. Thus, faster member growth can lead to higher average monthly churn rate because more recent members will represent a larger portion of the relevant subscriber population. Deezer believes that its churn rate for direct standalone subscriptions tends to decrease and stabilize the longer Deezer is present in the relevant market, which is reflected in its lower average monthly churn rate in France (Deezer's home market) relative to other geographic markets (where it has been present from 2012 at the earliest). In the medium term Deezer plans to launch a specific analytics tool on its system with the objective of reducing churn by analyzing its usage data for specific certain user behaviors that are often associated with users who churn and notifying Deezer's customer service team to take specified follow up measures to mitigate churn activity.

9.2.2 Gross Margin

Gross margin is equal to revenues, less the sum of Cost of revenues – music rights, and Cost of revenues – other.

"Cost of revenues – music rights" is primarily composed of royalties payable to content rights holders in connection with the audio content on its platform. The treatment of royalties in Deezer's consolidated income statement, and the principal factors that influence this line item, are discussed in Section 9.3, "Music Rights."

"Cost of revenues – other" has two primary components:

- <u>*Payment processing and billing commissions*</u>. This line item also includes amounts charged by mobile application stores as payment processing or billing services commissions when they process payments for certain of Deezer's subscribers through their systems. This element of cost of revenue is dependent on the amount of the commissions, the proportion of

Deezer's subscribers who are billed through such third parties, and its overall volume of subscribers.

- *Technology costs*. Expenses relating to maintaining and operating Deezer's network hardware such as servers and processers, as well as payments to third party network service providers that house and monitor Deezer's servers or host other portions of its network. The cost of Deezer's technology infrastructure has historically been fixed, but may be affected by the introduction of new services and capabilities, the need for storage and to handle extensive traffic, backup and redundancy strategy and service level priorities.

Gross margin is impacted by the effective costs of Deezer's free and discounted promotional offerings, because Deezer pays royalties and other costs during the free and promotional periods (although often at lower rates than it pays in respect of full price subscribers), but it does not receive revenues except to the extent that its partners agree to pay it during these periods. The effective cost of free and promotional offers is recorded in gross margin rather than marketing expenses.

9.2.3 EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization)

EBITDA is equal to gross margin less product and development expenses, sales and marketing expenses and general and administrative expenses.

Product and development expenses. The primary components of product and development expenses are personnel expenses related to Deezer's in-house IT team, in particular hiring to support improvements and new features of its service offering and IT infrastructure.

Sales and marketing expenses. Sales and marketing expenses are primarily composed of the following:

- *Marketing expenses*. Deezer engages in brand awareness and marketing through a variety of media, including traffic acquisition costs related to generating online traffic toward Deezer's websites and mobile applications through search engines and social networks such as Google and Facebook. Expenses related to Deezer's events, marketing relating to distribution partnerships and artists relations expenses are also recognized as part of Deezer's sales and marketing expenses.

- *Employee benefits expenses.* These include salaries, benefits and other personnel expenses related to Deezer's in-house marketing and sales team, as well as its customer service and support team and public relations team are included in this line item.

General and administrative expenses. Deezer's general and administrative expenses are composed of back office, operational and corporate cost items. The significant components of this item are:

- *Employee benefits expenses*. This line item includes salaries, and benefits and other personnel costs related to Deezer's management, content licensing team, support staff and other employees who are not covered under the "Product and development expenses" or "Sales and marketing expenses" line items. Employee benefits expenses represented 56% of total general and administrative expenses for 2014.

- *Property costs*. Rentals on Deezer's offices, as well as office equipment and services are included in this line item.

- *Other Expenses*. Other expenses in general and administrative expenses include insurance costs, professional fees, travel expenses and non-income tax expenses are included in the general and administrative expenses line item. Other expenses represented 38.0% of total general and administrative expenses for 2014.

9.2.4 Operating Loss

Operating loss is equal to EBITDA, less depreciation and amortization charges, plus or minus other operating income and expense. There was no other operating income or expense during the period covered by this discussion.

Depreciation and amortization charges also include depreciation and amortization of Deezer's tangible and intangible assets, depreciation of advances for music rights as well as net provisions for unused minimum guarantee payments in respect of content licenses (see Section 9.3, "Music Rights"), as well as net provisions for employee benefits and other liabilities.

9.2.5 Loss for the Year

Loss for the year is equal to operating loss plus financial revenues, less financial expenses and income tax. It includes profit or loss for the year attributable to shareholders of the company, and profit or loss for the year attributable to non-controlling interests (there was no profit or loss attributable to non-controlling interests during the period covered by this discussion).

9.3 MUSIC RIGHTS

9.3.1 Music Rights Expenses

The majority of Deezer's expenses consist of royalties payable in respect of music rights and other content obtained from rights holders, including major record labels, independent record labels, publishers, collective societies and podcast producers. See Chapter 6.5.4, "Content Licensing". Music rights expenses are recorded under "Cost of revenues – music rights" in Deezer's consolidated income statement. In 2014, they amounted to €112.5 million, or 79.3% of consolidated revenue.

The amount of Deezer's music rights expenses depends primarily on the amount of subscription revenue earned and/or the number and categories of Deezer's subscribers in the period, and on the terms of its contractual arrangements with rights holders. See Chapter 6.5.4, "Content Licensing", for a description of these contractual arrangements. Payments to rights holders are generally based on how frequently their licensed content is streamed on Deezer's platform and a percentage of all subscription or advertising revenues received. Payments vary depending on the service offering, the distribution channel (through partners or direct distribution) and geographic territory. Payments are typically lower for content streamed on Deezer's free advertising-supported service and content streamed as part of a promotional free or reduced-price trial offer, and higher for its paid subscription services.

Music Rights expenses for Deezer's standalone and bundle subscriptions represent the substantial majority of total Cost of revenues – music rights, but have decreased as a percentage of subscription revenues over time as Deezer has expanded its business and negotiated more favorable licensing agreements with the relevant rights holders. Deezer has experienced gross margin improvement largely due to the decreasing impact of music rights expenses on standalone and bundle subscription revenues. Content cost margin is equal to revenue from standalone and bundle subscription, less Cost of revenues – music rights for such subscriptions. The content cost margin does not reflect minimum guaranteed payments (the impact of which is described in Section 9.3.2, "Minimum Guaranteed Payments", below), content costs associated with offering free advertising-supported services and promotional trial access to paid subscription services, the impact on revenue of reduced price trial offers and other amounts that do not relate directly to paid subscriber categories. In addition, the content cost margin does not include items included in Cost of revenues – other, which comprise payment processing, mobile application store billing commissions and technology costs (as described in Section 9.2.2, "Gross Margin").

The following table sets forth the content cost margin for Deezer's standalone and bundle subscriptions combined.

	For the year ended December 31,			For the six months ended June 30,	
	2014	2013	2012	2015	2014
	(millions of euros)				
Total subscription revenue[(1)]	135,036	85,641	55,814	86,050	63,444
Cost of revenues – music rights for subscriptions[(2)]	(104,301)	(69,059)	(44,790)	(63,010)	(49,240)
Content cost margin.....................	**30,735**	**16,582**	**11,024**	**23,040**	**14,204**
% of standalone and bundle revenues..	***22.8%***	***19.4%***	***19.8%***	***26.8%***	***22.4%***

(1) Calculated as the sum of revenues from direct and indirect standalone and bundle subscriptions.
(2) Comprises music rights expenses related to direct and indirect standalone and bundle subscriptions.

9.3.2 Minimum Guaranteed Payments

Pursuant to some of Deezer's licensing arrangements, it has been required to pay record labels minimum guaranteed payments. The minimum guaranteed payments are generally paid in part in advance, and in part over the term of the license agreement. They are offset against total royalties paid for music rights under the agreements. Minimum guaranteed payments significantly impacted gross margin and operating loss in 2012 and 2013 (and to a lesser extent in 2014). Deezer's gross margin was 15.6%, 2.4% and 8.7% of consolidated revenue in the years ended December 31, 2014, 2013 and 2012, respectively. Excluding the impact of minimum guaranteed payments, Deezer's gross margin was 17.0%, 16.6% and 17.1% of consolidated revenue in the years ended December 31, 2014, 2013 and 2012, respectively.

Deezer has in the past agreed to minimum guaranteed payments primarily in connection with its entry into new geographical markets. The risk associated with the minimum guaranteed payment obligation is effectively the cost of entry into new markets, which Deezer anticipates recovering over time as its subscriber base grows. Certain expenses in respect of minimum guaranteed payments are nonetheless recorded in the consolidated income statement under "Cost of revenues – music rights" at the time they are recognized as expenses (as described below), as is the case for all royalties payable.

Deezer has entered into agreements providing for minimum guaranteed payments that exceed the anticipated amount of royalties that it expects to be payable based on expected usage (this is effectively the market entry cost). In such cases, the difference at the date of the signature of the contract is recorded in the consolidated balance sheet under "other liabilities" and as an intangible asset that is amortized over the life of the contract, typically on a straight-line basis. The amortization charge in each year is recorded under "Depreciation and Amortization."

At each reporting date, Deezer estimates the amount of royalties it expects to be used for contracts and compares this with the amount of minimum guaranteed payments. If the anticipated royalties are lower than the minimum guaranteed payment obligations (after taking into account the amount of anticipated shortfall previously recorded as an intangible asset, if any), the difference is recorded as a write-down of advances against royalties to the extent the relevant amounts were previously paid and then any remaining difference as a provision. A corresponding charge in the same year is recorded in the income statement under "Depreciation and Amortization." In each subsequent period covered by the contract a charge recorded under "Cost of revenues – music rights" equal to the portion of the minimum guaranteed payment allocable to the period less the amount of intangible assets for the same period and the actual royalties calculated for that period. The provision recorded at the end of the prior year is reversed in the same amount with the reversal reflected in the income statement under "Depreciation and Amortization". A detailed presentation of the impact of the minimum guaranteed payments on Deezer's consolidated statement of operations and consolidated operating profit as of and for the years ended December 31, 2014, 2013 and 2012 is set forth in note 6.8 to Deezer's consolidated financial statements as of and for the years ended December 31, 2014, 2013 and 2012, included in in Annex I, "Group Consolidated Annual Financial Statements".

Deezer signed licensing agreements at the end of 2012 with minimum guaranteed payment obligations as part of its strategy to expand into new markets. At the time, it estimated that it would have unused minimum guaranteed payments of €4.8 million in excess of the expected actual royalties and recognized an intangible asset for this amount, which it amortized over the two-year contractual period in 2013 and 2014. In connection with the preparation of Deezer's 2012 consolidated financial statements, a new estimate of anticipated royalties was prepared, and Deezer determined that the expected shortfall would be greater than initially expected. After deducting the amount already being amortized, Deezer recorded a write-down of advance payments for music rights of €6.5 million, and an additional provision of €11.0 million as of December 31, 2012. In 2013, Deezer recorded, under "Cost of revenues – music rights," €13.2 million of minimum guaranteed payments in excess of the amount already being amortized plus actual calculated royalties, which was offset by a release of provisions recorded under "Depreciation and Amortization." Deezer recorded additional residual minimum guaranteed payment charges of €2.0 million under "Cost of revenues – music rights" in 2014 (after deducting the amount already being amortized and actual calculated royalties).

The table below sets forth the impact of the minimum guarantee charges on Deezer's gross margin:

	For the year ended December 31,			**For the six months ended June 30,**	
	2014	**2013**	**2012**	**2015**	**2014**
			(millions of euros)		
Revenues	141.9	92.8	63.6	93.2	66.1
Cost of revenues – music rights	(112.5)	(87.4)	(57.1)	(71.2)	(54.6)
Of which:					
Unused minimum guarantees on rights	*(2.0)*	*(13.2)*	*(5.4)*	*(0.5)*	*(3.2)*
Actual calculated cost of revenues - music rights	*(110.4)*	*(74.2)*	*(51.7)*	*(70.7)*	*(51.3)*
Cost of Revenues - other	(7.3)	(3.2)	(0.9)	(5.5)	(2.3)
Gross margin	22.1	2.2	5.5	16.5	9.2
% of revenues	*15.6%*	*2.4%*	*8.7%*	*17.7%*	*14.0%*
Gross margin excluding impact of the unused minimum guarantee charge	24.1	15.4	10.9	17.1	12.5
% of revenues	*17.0%*	*16.6%*	*17.1%*	*18.3%*	*18.9%*

As of December 31, 2014, Deezer's provisions for minimum guaranteed payments are substantially lower than those recorded in respect of the 2012 contracts. The total provision at the end of 2014 was €1.0 million, representing minimum guaranteed royalties payable by MIM, a company that Deezer acquired in 2014, which operates a music streaming service in Germany. See Section 9.6, "Significant Acquisitions".

9.4 SEGMENT INFORMATION

Deezer was founded in France in 2007. Since 2012, it has rapidly expanded its service coverage to include over 180 countries. Consistent with its strategy in its home market of France, it has partnered with leading telecommunications companies as a means of gaining a foothold in key geographic markets and raising brand awareness to support future growth. As of the end of 2012, Deezer had established partnerships in 22 countries, principally with telecommunications companies in Latin America (such as Columbia and Guatemala) and Europe (such as the United Kingdom and Hungary). Since January 2013, Deezer concluded telecom partnerships in an additional 26 countries, including Brazil, which has rapidly become home to one of Deezer's largest countries by size of subscriber base.

9.4.1 Geographic Segments

Deezer's segment reporting is based on five geographical segments: France, Europe, Latin America, United States and Rest of World. The table below sets forth the number of revenue-generating subscribers by geographic region and by category of subscriber:

	For the year ended December 31,			For the six months ended June 30,	
	2014	**2013**	**2012**	**2015**	**2014**
France:					
Standalone and monthly active bundle subscribers[(1)] ..	**1,554,689**	**1,358,626**	**737,158**	**1,550,312**	**1,482,883**
Revenue-generating monthly inactive bundle subscribers[(2)] ..	--	--	--	--	--
Total revenue-generating subscribers France[(3)]	**1,554,689**	**1,358,626**	**737,158**	**1,550,312**	**1,482,883**
Europe:					
Standalone and monthly active bundle subscribers[(1)] ..	**568,553**	**414,256**	**161,950**	**702,768**	**553,289**
Revenue-generating monthly inactive bundle subscribers[(2)] ..	556,363	487,325	186,916	496,447	495,616
Total revenue-generating subscribers Europe[(3)(4)]	**1,124,916**	**901,581**	**348,866**	**1,199,215**	**1,048,905**
Latin America:					
Standalone and monthly active bundle subscribers[(1)] ..	**698,865**	**248,173**	**9,802**	**623,182**	**427,822**
Revenue-generating monthly inactive bundle subscribers[(2)] ..	309,509	142,544	15,516	253,039	312,975
Total revenue-generating subscribers Latin America[(3)]..............................	**1,008,374**	**390,717**	**25,318**	**876,221**	**740,797**
United States:					
Standalone and monthly active bundle subscribers[(1)] ..	**5,659**	**--**	**--**	**67,984**	**--**

	For the year ended December 31,			For the six months ended June 30,	
	2014	**2013**	**2012**	**2015**	**2014**
Revenue-generating monthly inactive bundle subscribers[(2)] ..	--	--	--	--	--
Total revenue-generating subscribers United States[(3)] ..	**5,659**	**--**	**--**	**67,984**	**--**
Rest of World:					
Standalone and monthly active bundle subscribers[(1)] ..	**40,419**	**39,170**	**8,336**	**53,925**	**41,596**
Revenue-generating monthly inactive bundle subscribers[(2)] ..	142,313	469,401	64,226	46,369	250,533
Total revenue-generating subscribers Rest of World[(3)]	**182,731**	**508,571**	**72,562**	**100,294**	**292,129**
Total Group:					
Standalone and monthly active bundle subscribers	2,868,185	2,060,225	917,246	**2,998,171**	**2,505,590**
Revenue-generating monthly inactive bundle subscribers	1,008,184	1,099,269	266,658	795,855	1,059,124
Total revenue-generating subscribers	**3,876,369**	**3,159,494**	**1,183,904**	**3,794,026**	**3,564,714**

(1) See notes (1) and (2) to the table in Section 9.2.1.2. "Subscriber Base", above.
(2) See note (3) to the table in Section 9.2.1.2. "Subscriber Base", above.
(3) See notes (1) through (4) to the table in Section 9.2.1.2. "Subscriber Base", above.
(4) Includes revenue from all of Deezer's European markets outside of France.

Deezer's geographic segments are as follows:

- *France (52.3% of 2014 revenue).* Deezer is the leading provider of streaming services in its home market of France, where it has benefitted from its partnership with Orange. Its strong development in France has allowed it to concentrate on establishing its direct standalone subscriber base, which in recent years has grown substantially, in large part due to the high degree of brand recognition and positive brand image Deezer enjoys in its home market.

- *Europe (28.7% of 2014 revenue).* Deezer has expanded significantly in Europe (which includes all European countries outside France) in the past two years. Deezer has achieved its greatest market penetration, in terms of number of revenue-generating subscribers, in Hungary through its partnership with Telenor and in the Netherlands through its partnership with T-Mobile. It had also built a significant revenue-generating subscriber base in the United Kingdom due to its mobile partnership with EE, which has recently shifted from offering a bundled package to offering standalone Deezer subscriptions (See Chapter 6.5.3.2 "Distribution through partnerships".)

- *Latin America (15.1% of 2014 revenue).* Present in Latin America since 2012, Deezer has acquired subscribers in this region mostly through its partnership with TIGO, a Millicom brand. Deezer has built a significant subscriber base in Brazil (which is also its largest in Latin America). The vast majority of Deezer's revenue-generating subscriber base in Latin

America is comprised of bundle subscribers, with a growing number of direct standalone subscribers as Deezer begins to benefit from increased brand awareness.

- *United States (0.2% of 2014 revenue).* Deezer entered the United States market for the first time in 2014 with the launch of its pre-paid mobile offer with Cricket. Deezer aims to grow the proportion of its revenues from the United States.

- *Rest of World (3.7% of 2014 revenue).* Deezer has significant numbers of subscribers in several countries in Africa (including South Africa) and Asia (such as Malaysia and Thailand).

9.4.2 Corporate Expenses

Deezer reports the "contribution to margin" for each segment, which is equal to the segment's contribution to EBITDA before allocation of corporate expenses. Corporate expenses comprise product and development expenses, sales and marketing expenses and general and administrative expenses that are not attributable to a specific country. Corporate expenses include personnel costs for computer programmers and data scientists that develop and maintain Deezer's IT infrastructure as well as marketing and support functions related to its global business (e.g., fees payable under worldwide publicity contracts).

Corporate expenses are equally applicable to all geographic segments. Deezer considers that the costs recorded as corporate expenses represent a shared pool of expenses that benefits all segments equally, as no one segment receives a disproportionately greater benefit than other segments. Alternate bases for the allocation of corporate expenses (including, for example, a pro rata allocation based on segment contribution to EBITDA or based on the number of revenue-generating subscribers by segment) does not represent the economic reality. In addition, the equal allocation of corporate expenses across geographic segments is in line with Deezer's internal business plan and budget control. Accordingly, to determine the EBITDA of each segment, corporate expenses are equally allocated among the five geographical segments. This equal allocation was initiated in 2014 in connection with the preparation of Deezer's consolidated annual financial statements that are contained in Annex I, "Group Consolidated Annual Financial Statements" and applied retroactively to Deezer's segment results for 2012 and 2013. For a discussion of the segment EBITDA before allocation of corporate expenses, see Sections 9.9 and 9.11.

9.5 IMPACT OF EXCHANGE RATE FLUCTUATIONS

Exchange rate fluctuations impact Deezer's consolidated financial statements. This impact is mainly due to the conversion of income statement and balance sheet items of its foreign subsidiaries located outside the eurozone into euros. Deezer seeks to pay most of its operating expenses for its foreign subsidiaries in the same currency as the reporting currency for such subsidiaries in order to hedge against the impact of exchange rate fluctuations on its gross margin and operating income. The principal currency for which Deezer bears conversion risk is the Brazilian Real. The risk is limited however since Deezer's subsidiary in Brazil records its revenue and most of its operating expenses in Brazilian Real.

Deezer is also exposed to euro exchange rate fluctuations in respect of the direct distribution of its services. Deezer receives direct subscription fees in currencies other than the euro that are settled through Deezer's bank accounts in countries outside the eurozone and Deezer's accounts with payment processing providers such as Worldpay or Paypal or mobile app stores such as the Apple store. Of the €141.9 million of the Group's consolidated revenue for the year ended December 31, 2014, less than 1% is exposed to the fluctuations in the EUR exchange rate.

9.6 SIGNIFICANT ACQUISITIONS

Deezer has opportunistically acquired streaming businesses and assets that complement and expand its service offering and geographic presence:

- Deezer acquired Magic Internet Musik (MIM) in July 2014 for total consideration of €20 million, consisting of up to 30,000 conditional warrants issued by Deezer to Prosieben. MIM operated a music streaming service in Germany called "Ampya". In addition to acquiring Ampya, Deezer also acquired a distribution contract with a telecom operator and a right to advertise on Prosieben TV, a German TV channel, until 2019. The warrants were determined to be 50% related to the operating assets of MIM and 50% related to the advertising contract for accounting purposes. Deezer recognized an asset of €3.6 million for a distribution contract with a telecom company acquired as part of the transaction and an associated €1.1 million deferred tax asset. It also recognized residual goodwill of €7.5 million on the transaction. For further description of this transaction, see note 6.2 to Deezer's consolidated annual financial statements included in Annex I, "Group Consolidated Annual Financial Statements".

  For a description of the terms and conditions of these warrants issued to Prosieben (hereafter referred to as the "Warrants 2014-1"), see Chapter 21.1.4.1, "Warrants". Under their terms and conditions, the Warrants 2014-1 are exercisable in case of an IPO. Prosieben, as sole holder of such Warrants 2014-1, undertook to exercise the maximum amount of the exercisable Warrants 2014-1, with condition precedent of the closing of the IPO.

- In October 2014, Deezer acquired the assets of Stitcher, a U.S. based aggregator of on-demand podcast and news and entertainment talk show programming.

- In December 2014, Deezer acquired certain assets of Muve, a music streaming service in the United States, from Cricket, an AT&T subsidiary.

As a result of these bolt-on acquisitions, Deezer has acquired know-how, subscribers, and in the case of its acquisition of MIM, advertising space on Prosieben TV and a contract with telecom provider Vodafone.

9.7 COMPARISON OF DEEZER'S RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2015 AND JUNE 30, 2014.

The table below shows Deezer's consolidated statement of income for the six months ended June 30, 2015 and June 30, 2014, in thousands of euros and as a percentage of revenues for the periods in question.

	Six months ended June 30, 2015		**Six months ended June 30, 2014**		
	(€ thousands)	*As a % of rev.*	*(€ thousands)*	*As a % of rev.*	*% change H1 2014-H1 2015*
Revenue	**93,219**	**100%**	**66,137**	**100%**	**40.9%**
Cost of revenues – music rights	(71,227)	(76.4)%	(54,572)	(82.5)%	30.5%
Cost of Revenues - other	(5,461)	(5.9)%	(2,337)	(3.5)%	133.7%
Gross margin	**16,531**	**17.7%**	**9,228**	**14.0%**	**79.1%**
Gross margin (%) before impact of minimum guaranteed payments		***18.3%***		***18.9%***	

	Six months ended June 30, 2015		Six months ended June 30, 2014		
	(€ thousands)	*As a % of rev.*	*(€ thousands)*	*As a % of rev.*	*% change H1 2014-H1 2015*
Product and development expenses	(4,207)	(4.5)%	(3,110)	(4.7)%	35.3%
Sales and marketing expenses.............	(14,409)	(15.5)%	(9,462)	(14.3)%	52.3%
General and administrative expenses...	(8,895)	(9.5)%	(7,808)	(11.8)%	13.9%
EBITDA...	**(10,981)**	**(11.8)%**	**(11,152)**	**(16.9)%**	**(1.5)%**
Depreciation and amortization............	(1,215)	(1.3)%	(1,590)	(2.4)%	(23.6)%
Current operating loss.........................	**(12,196)**	**(13.1)%**	**(12,741)**	**(19.3)%**	**(4.3)%**
Other operating income and expenses.	-	-	-	-	-
Operating loss	**(12,196)**	**(13.1)%**	**(12,741)**	**(19.3)%**	**(4.3)%**
Financial revenues	3,456	3.7%	256	0.4%	12.2x
Financial expenses	(28)	n/s	(227)	(0.3)%	(87.7)%
Financial result	3,428	3.7%	28	0.0%	12.2x
Loss before tax	**(8,768)**	**(9.4)%**	**(12,713)**	**(18.4)%**	**(28.0)%**
Income Tax	(202)	(0.2)%	(106)	(0.2)%	90.6%
Loss for the period...............................	**(8,969)**	**(9.6)%**	**(12,819)**	**(19.4)%**	**(30.0)%**

9.7.1 Revenue

Deezer's revenue increased from €66.1 million in the first half of 2014 to €93.2 million in the first half of 2015, an increase of 40.9%. Deezer generated revenue growth in each of its segments, other than the Rest of the World segment. Growth was particularly strong in its Europe segment, where revenues increased by €13.4 million or 74.7% compared to the first half of 2014, its France segment, which generated an increase in revenues of €7.6 million or 21.0%, and its Latin America segment, which generated an increase in revenues of €5.4 million or 62.2%.

The table below shows revenue by category for the six month periods ended June 30, 2015 and June 30, 2014, in thousands of euros and as a percentage of revenues for the periods in question.

	Six months ended June 30, 2015		Six months ended June 30, 2014		
	(€ thousands)	*As a % of rev.*	*(€ thousands)*	*As a % of rev.*	*% change H1 2014 – H1 2015*
Revenue – Standalone subscriptions..................................	46,558	49.9%	29,367	44.4%	58.5%
Revenue – Bundle subscriptions	39,492	42.4%	33,882	51.2%	16.6%
Revenue – Advertising	3,451	3.7%	2,254	3.4%	53.1%
Other revenue	3,718	4.0%	633	1.0%	487.4%
Total...	**93,219**	**100.0%**	**66,137**	**100.0%**	**40.9%**

Deezer's growth in its standalone subscriber base resulted in an 58.5% increase in revenues from standalone subscribers, from €29.4 million in the first half of 2014 to €46.6 million in the first half of 2015, which represented an increase as a percentage of total revenues from 44.4% in the first half of 2014 to 49.9% in the first half of 2015. Revenues from bundle subscribers also grew, increasing by 16.6% from €33.9 million in the first half of 2014 to €39.5 million in the first half of 2015. The growth in standalone revenues was primarily supported in France by the transition of bundle subscribers through Deezer's partnership with Orange to standalone subscribers, reflecting the new focus of the partnership. See Chapter 4.1.3.3, "*Deezer may be unable to renew its partnership agreements with its various distributions partners when they expire, particularly its partnership agreement with Orange in France, on favorable terms or at all*". Deezer also achieved 53.1% growth in advertising revenues from €2.3 million in the first half of 2014 to €3.5 million in the first half of 2015, primarily as a result of the greater number of users of Deezer's free service, which resulted in part from Deezer's marketing efforts. Other revenue grew from €0.6 million in the first half of 2014 to €3.7 million in the first half of 2015. This increase was primarily a result of amounts received in the first half of 2015 from distribution partners to help defray the royalty costs associated with special long-term free trial offers of Deezer's service through the partner's distribution channel.

Consolidated revenue growth was driven by the 65.2% increase in the standalone subscriber base from June 2014 to June 2015, which more than compensated for the 7.3% decline in monthly active bundle subscribers and the 24.9% decline in revenue-generating inactive bundle subscribers over the same period. As a result, Deezer generated overall growth in revenue-generating subscribers of 6.4% from June 2014 to June 2015. Revenue growth in the first half of 2015 was also attributable to the positive impact of revenue-generating standalone and bundle subscribers acquired in the second half of 2014. See Section 9.2.1.2, "Subscriber Base."

Deezer experienced a decrease of €0.6 in the monthly ARPU for standalone subscribers from €6.0 in the first half of 2014 to €5.5 in the first half of 2015. The decrease in the monthly ARPU for standalone subscribers was primarily due to the effect of a promotional offer launched by Orange in France, offering 6 months of Deezer service for €1 for indirect standalone subscribers. Deezer expects that subscribers added through this promotion could have a greater effect on revenues in the second half of 2015 and 2016 as the free trial periods expire and a portion of the trial users become full-price subscribers. The monthly ARPU for monthly active bundle subscribers increased from €3.8 in the first half of 2014 to €4.3 in the first half of 2015, driven primarily by more favorable payment terms for monthly active bundle subscribers in Deezer's contract with Orange in France for the first half of 2015.

9.7.2 Gross Margin

Gross margin improved significantly in the first half of 2015 as compared to the first half of 2014, increasing from €9.2 million to €16.5 million, an increase of 79.1%. Gross margin represented 17.7% of revenues in the first half of 2015 and 14.0% in the first half of 2014.

Gross margin for the first half of 2014 was affected to some extent by minimum guaranteed payments to rights holders, primarily relating to a licensing agreement signed in 2012 and a distribution contract acquired as part of Deezer's acquisition of MIM. The effect of minimum guaranteed payments on Deezer's gross margin in the first half of 2015 was more limited and primarily resulted from the distribution contract acquired as part of Deezer's acquisition of MIM.

Absent the impact of the minimum guaranteed payments, gross margin in the first half of 2014 would have been €12.5 million, or 18.9% of revenue, and in the first half of 2015 it would have been €17.1 million, or 18.3% of revenue.

Gross margin was also impacted by an increase in Cost of revenues – other, of €3.1 million, from €2.3 million in the first half of 2014 to €5.5 million in the first half of 2015, representing an increase as a percentage of revenues from 3.5% to 5.9% over the same period. This increase was driven primarily by the increasing proportion of subscription fees processed through the Apple payment platform, which charges higher payment processing fees compared to other payment processing providers.

9.7.3 EBITDA

Deezer's earnings before interest, tax depreciation and amortization were negative in both the first half of 2014 and 2015, but improved slightly over the period. Deezer's earnings before interest, tax depreciation and amortization were €(11.1) million in the first half of 2014, and €(11.0) million in the first half of 2015, an improvement of 1.5%. This improvement was primarily the result of Deezer's improved gross margin in the first half of 2015 as compared to the first half of 2014 due to increased revenues and improved content cost margin, as well as a decline in general and administrative expenses from 11.8% of revenues in the first half of 2014 to 9.5% of revenues in the first half of 2015 due to Deezer's revenue growth, which outpaced the growth in general and administrative expenses. These effects were offset by an increase in sales and marketing expenses from 14.3% of revenues in the first half of 2014 to 15.5% of revenues in the first half of 2015.

Product and development expenses declined slightly as a percentage of revenues between the first half of 2014 and the first half of 2015, increasing in absolute terms from €3.1 million, or 4.7% of revenues, in the first half of 2014 to €4.2 million, or 4.5% of revenues, in the first half of 2015. This increase was driven primarily by an 41.7% increase in employee-related expenses for product and development as a result of recruitment and hiring, including the effects of hiring in the second half of 2014. This was offset somewhat by a 15.7% decline in external expenses paid to third parties for product and development in the first half of 2015.

Sales and marketing expenses increased by 52.3% from €9.4 million in the first half of 2014 €14.4 million in the first half of 2015. The increase in sales and marketing expenses was principally due to hiring of additional marketing personnel, expenditures related to Deezer's continued focus on acquiring traffic across all markets, and the recognition of expenses relating to Deezer's advertisements pursuant to an advertising contract acquired in connection with its acquisition of MIM in July 2014. Deezer's expansion in 2014 was also driven largely by free trial and promotional offers, the impact of which is recorded under gross margin rather than under sales and marketing expenses.

General and administrative expenses increased by €1.1 million, from €7.8 million in the first half of 2014 to €8.9 million in the first half of 2015, but declined as a percentage of revenues from 11.8% to 9.5% in the first half of 2014 and 2015, respectively. The increase in G&A related mainly to hiring of additional personnel at corporate headquarter level, which generated a 28.0% increase in general and administrative personnel expenses from €4.4 million for the first half of 2014 to €5.7 million for the first half of 2015, as well as external fees relating to Deezer's Reorganization Transaction. The decline as a percentage of revenues was primarily due to the relatively fixed nature of many components of general and administrative expenses, combined with Deezer's strong revenue growth in the first half of 2015.

9.7.4 Operating Loss

Deezer incurred an operating loss of €(12.2) million in the first half of 2015, an decrease of 4.3% from its operating loss of €(12.7) million in the first half of 2014. This was primarily a result of Deezer's improved EBITDA in the first half of 2015 as compared to the first half of 2014, as well as by the diminished impact of depreciation and amortization charges in the period.

Depreciation and amortization decreased from €(1.6) million in the first half of 2014 to €(1.2) million in the first half of 2015. Depreciation and amortization decreased in the first half of 2015 as compared to the first half of 2014 primarily because Deezer recognized an expense in the first half of 2014 due to depreciation of its intangible asset related to minimum guarantees. See Section 9.3.2, "Minimum Guaranteed Payments".

9.7.5 Loss before Tax

Deezer incurred a pre-tax loss of €(8.8) million in the first half of 2015, as compared to €(12.7) million in the first half of 2014, reflecting primarily the change in EBITDA for the reasons described above, as well as an significant increase in financial revenues.

Financial revenues increased by €3.2 million from €0.3 million in the first half of 2014 to €3.5 million in the first half of 2015. This increase resulted from the recognition of a decrease in fair value of Deezer's liability for warrants issued to ProSieben as consideration in the acquisition of MIM in July 2014. See Section 9.6, "Significant Acquisitions". The valuation was reduced as the result of an update of the probabilities of different scenarios of vesting for certain of the warrants. In addition, financial expenses decreased from €226 thousand in the first half of 2014 to €28 thousand in the first half of 2015.

Income tax increased from €0.1 million for the first half of 2014 to €0.2 million for the first half of 2015. This was primarily due to the effect of the reversal in 2014 of tax provision taken in 2013, which reduced the tax burden for 2014. Deezer has incurred tax losses in France, but has not recorded deferred tax assets in respect of these losses. The total of tax losses through June 30, 2015 is approximately €100 million.

9.7.6 Loss for the period

Deezer incurred losses of €(9.0) million in the first half of 2015, a decrease of 30% from its €(12.8) million loss in the first half of 2014.

9.8 ANALYSIS OF DEEZER'S RESULTS BY SEGMENT FOR THE SIX MONTHS ENDED JUNE 30, 2015 AND JUNE 30, 2014.

9.8.1 Subscribers

Deezer's revenue-generating subscriber base grew by 6.4%, from 3.6 million as of June 30, 2014 to 3.8 million as of June 30, 2015, mainly reflecting growth in the number of subscribers in all of Deezer's segments, except from the Rest of the World segment, where the number of revenue-generating subscribers declined as of June 30, 2015 compared to June 30, 2014.

The table below sets forth the number of revenue-generating subscribers as of June 30, 2014 and 2015, respectively.

	As of June 30, 2015	**% Group total**	**As of June 30, 2014**	**% Group total**	**% change H1 2014 - H1 2015**
France	1,550,312	40.9%	1,482,883	41.6%	4.5%
Europe	1,199,215	31.6%	1,048,905	29.4%	14.3%
Latin America	876,221	23.1%	740,797	20.8%	18.3%
United States	67,984	1.8%	--	--	100%
Rest of World	100,294	2.6%	292,129	8.2%	(65.7)%

Total Group:					
Standalone and monthly active bundle subscribers	***2,998,171***	***79.0%***	***2,505,590***	***70.3%***	***19.7%***
Revenue-generating monthly inactive bundle subscribers	*795,855*	*21.0%*	*1,059,124*	*29.7%*	*(24.9)%*
TOTAL Revenue-generating subscribers	3,794,026	100.0%	3,564,714	100.0%	6.4%

Deezer's total number of revenue-generating subscribers declined by 2.1%, between December 31, 2014 and June 30 2015. This decline was driven by a 7.0% decrease in the total number of monthly active bundle subscribers and a 21.1% decline in the total number of revenue-generating monthly inactive bundle subscribers, which more than offset an 18.5% increase in the total number of standalone subscribers over the same period.

The decline in revenue-generating subscribers was driven primarily by the shift in focus of Deezer's partnership with Orange in France starting from the end of 2014 from offering bundled subscriptions to offering standalone subscriptions to Orange customers. See Chapter 4.1.3.3, "*Deezer may be unable to renew its partnership agreements with its various distributions partners when they expire, particularly its partnership agreement with Orange in France, on favorable terms or at all*". This trend drove the decrease in monthly active bundle subscribers as Orange bundle subscribers churned or migrated to Deezer's standalone offers. It also helped to drive corresponding growth in the number of standalone subscribers in France, which partially offset the loss of monthly active bundle subscribers, resulting in an overall decline in revenue-generating subscribers in France of only 0.3% between December 31, 2014 and June 30, 2015.

The decline in Deezer's total revenue-generating subscribers was also driven by the 45.1% decline in revenue-generating subscribers in the Rest of World in the first six months of 2015. This was primarily due to the non-renewal of a telecom contract in Asia at the end of 2014. Many of the subscribers lost as a result of the non-renewal of this contract were revenue-generating monthly inactive bundle subscribers, resulting in a 67.4% decline in revenue-generating monthly inactive bundle subscribers in the Rest of World segment in the first six months of 2015. To a lesser extent, the decline in revenue-generating monthly inactive bundle subscribers was driven by a 10.8% decline revenue-generating monthly inactive bundle subscribers in the Europe segment and an 18.2% decline in the Latin America segment in the first six months of 2015. In each case, this decline resulted primarily from changes in the terms of Deezer's contracts with certain telecom operators that eliminated a portion of the inactive subscribers from the subscriber base for purposes of calculating the fees owed by the telecom partner. In Latin America, this was primarily in connection with telecom partnerships in Brazil and Colombia, and in Europe it was primarily in connection with Deezer's telecom partnership in Hungary. This decline in revenue-generating monthly inactive bundle subscribers in Europe was more than offset by a 23.6% increase in standalone and monthly active bundle subscribers in the first six months of 2015, in particular as a result of an increase in standalone subscribers in Germany in the first quarter of 2015 resulting in part from Deezer's television advertising through Prosieben TV. See Section 9.6, "Significant Acquisitions".

9.8.2 Revenues

The increase in consolidated revenue was driven primarily by revenue growth in France, Europe, Latin America, and the generation of revenues in the United States, where revenue generation did not start until after the first half of 2014. This was partially offset by a decline in revenues in the Rest of World segment, consistent with the decline in the relevant subscriber base. The table below sets forth the revenue for each of Deezer's segments for the six months ended June 30, 2015 and June 30, 2014 and as a percentage of its consolidated revenue for the periods in question.

	Six months ended June 30,			
	2015		2014	
	(€ thousands)	*% of total*	*(€ thousands)*	*% of total*
France	43,811	47.0%	36,222	54.7%
Europe	31,392	33.7%	17,971	27.1%
Latin America	14,031	15.1%	8,650	13.1%
United States	1,728	1.8%	--	--
Rest of World	2,256	2.4%	3,265	4.9%
HQ(1)	0	0.0%	29	*n.s.*
Total	**93,219**	**100%**	**66,137**	**100%**

(1) Headquarter revenue comprises revenue recognized from the reinvoicing of miscellaneous costs.

Revenues in France increased by 21.0% from €36.2 million in the first half of 2014 to €43.8 million in the first half of 2015, driven primarily an increase in the number of standalone subscribers in the French market. France accounted for 47.0% of consolidated revenue in the first half of 2015, as compared to 54.7% in the first half of 2014, as Deezer continued to focus on diversifying its geographic coverage.

Revenues in the European segment grew by 74.7% from €18.0 million in the first half of 2014 to €31.4 million in the first half of 2015, driven by strong growth in the standalone subscriber base, which increased from the first half of 2014 to the first half of 2015 due to Deezer's increased market share and its increasing focus on indirect standalone partnership offers with telecom operators. Revenue growth was particularly strong in the United Kingdom and in Germany, primarily as a result of strong growth in standalone direct subscribers. In Germany, this was in part a result of the effect of Deezer's television advertising through Prosieben TV, which Deezer believes had a positive effect on its brand recognition. The Europe segment accounted for a greater percentage of Deezer's total revenues in the first half of 2015, at 33.7%, compared to the first half of 2014, at 27.1%, reflecting the growing importance of Deezer's international markets.

Deezer's Latin America segment also experienced strong revenue growth between the first half of 2014 and the first half of 2015. Revenues increased by 62.2% from €8.7 million in the first half of 2014 to €14.0 million in the first half of 2015, increasing from 13.1% of total Deezer revenues the first half of 2014 to 15.1% in the first half of 2015. This increase in revenues was primarily driven by growth in bundle revenues generated from Deezer's partnership with Millicom in Colombia and strong growth indirect standalone revenues in Brazil through Deezer's partnership with TIM.

Revenues in the Rest of World segment declined from €3.3 million in the first half of 2014 to €2.3 million in the first half of 2015, a decrease of 30.9%. This reflected a 65.7% decrease in the number of revenue-generating subscribers, resulting primarily from the non-renewal of a telecom contract in Asia at the end of 2014. The percentage decrease in revenues was not as great as the percentage decrease in revenue-generating subscribers because many of the subscribers under the relevant telecom contract were monthly inactive bundle subscribers and thus generated relatively smaller portions of Deezer's revenue compared with other types of subscribers.

9.8.3 EBITDA

The table below sets forth the contribution to EBITDA for each of Deezer's segments for the six months ended June 30, 2015 and June 30, 2014, in each case before and after the equal allocation of corporate expenses to each segment.

(€ thousands)	For the six months ended June 30, 2015	2014
France:		
Contribution to the margin (*before equal allocation of corporate expenses*)	8,488	6,124
EBITDA (*after equal allocation of corporate expenses*)	5,547	3,716
Europe:		
Contribution to the margin (*before equal allocation of corporate expenses*)	(2,989)	(2,030)
EBITDA (*after equal allocation of corporate expenses*)	(5,931)	(4,438)
Latin America:		
Contribution to the margin (*before equal allocation of corporate expenses*)	955	(2,067)
EBITDA (*after equal allocation of corporate expenses*)	(1,987)	(4,475)
United States:		
Contribution to the margin (*before equal allocation of corporate expenses*)	(2,766)	(456)
EBITDA (*after equal allocation of corporate expenses*)	(5,707)	(2,864)
Rest of World:		
Contribution to the margin (*before equal allocation of corporate expenses*)	38	(683)
EBITDA (*after equal allocation of corporate expenses*)	(2,903)	(3,091)
Total segment contribution to EBITDA before corporate expenses	**3,725**	**888**
Corporate expenses	(14,706)	(12,040)
EBITDA	**(10,981)**	**(11,152)**

Consolidated EBITDA for the six months ended June 30, 2015 was €(11.0) million, as compared to €(11.2) million for the six months ended June 30, 2014, net of €14.7 million and €12.0 million of corporate expenses for the first half of 2015 and 2014, respectively. EBITDA improvements between the first half of 2014 and the first half of 2015 in the France, Latin America and Rest of World segments were largely offset by increased EBITDA losses in Deezer's Europe and United States segments.

Corporate expenses increased by 22.1% from the first half of 2014 to the first half of 2015, from €12.0 million to €14.7 million. Corporate expenses for the first half of 2015 mostly comprised staff costs, including recruitment of staff for the corporate headquarters, engineering, marketing and support functions. As a percentage of revenue, corporate expenses were 15.8% in the first half of

2015, as compared to 18.2% in the first half of 2014, primarily as a result of Deezer's revenue growth, which outpaced the growth in corporate expenses.

In France, EBITDA before corporate expenses increased by 38.6% from €6.1 million in the first half of 2014 to €8.5 million the first half of 2015, which was primarily attributable to revenue growth and a decline in operating expenses. As a percentage of segment revenues, EBITDA before corporate expenses increased from 16.9% in the first half of 2014 to 19.4% in the first half of 2014, primarily reflecting Deezer's improved revenues in France. Cost of revenues increased from €27.1 million in the first half of 2014 to €32.9 million in the first half of 2015, but stayed relatively stable as a percentage of segment revenue, increasing from 74.9% of segment revenue for the six months ended June 30, 2014 to 75.2% of segment revenue for the six months ended June 30, 2015. Other operating expenses declined by 19.5% from €3.0 million in the first half of 2014 to €2.4 million in the first half of 2015. This mainly reflected reduced marketing spending in France in the first half of 2015 as compared to the first half of 2014. Marketing spending in the first half of 2014 was higher as a result of a television marketing campaign during the period.

EBITDA before allocation of corporate expenses for the Europe segment remained negative during the period and declined from €(2.0) million in the first half of 2014 to €(3.0) million in the first half of 2015. This principally reflected significant increases in cost of revenues, which increased by 66.2% between the first half of 2014 and the first half of 2015, as well as increases in operating expenses, which increased by 101.6% over the same period driven by increases in marketing expenses due hiring of additional marketing personnel, expenditures related to Deezer's continued focus on acquiring new subscribers, and the accounting impact of an advertising contract acquired in connection with Deezer's acquisition of MIM in July 2014. These increased expenses more than offset Deezer's strong revenue growth of 74.7% in the Europe segment in the first half of 2015 as compared to the first half of 2014.

Deezer generated positive EBITDA before allocation of corporate expenses of €1.0 million for the Latin America segment in the first half of 2015, as compared to €(2.1) million of EBITDA losses before allocation of corporate expenses for the first half of 2014. This principally reflected increased revenues, which more than offset the increase in cost of revenues during the period.

Deezer generated negative EBITDA before allocation of corporate expenses for the United States segment of €(2.8) million for the six months ended June 30, 2015, compared to an EBITDA loss before allocation of corporate expenses of €(0.5) million for the six months ended June 30, 2014. This primarily reflected increases in both cost of revenues and operating expenses in the segment, which more than offset the increased revenues generated by Deezer during the period.

Deezer generated positive EBITDA before allocation of corporate expenses for the Rest of World segment of €38 thousand for the six months ended June 30, 2015, as compared to an EBITDA loss before allocation of corporate expenses of €(0.7) million for the six months ended June 30, 2014. This primarily reflected decreases in cost of revenues and operating expenses, which more than offset the decrease in segment revenues. The decrease in revenues was primarily the result of a decrease in revenue-generating subscribers resulting primarily from the non-renewal of a telecom contract in Asia at the end of 2014.

9.9 COMPARISON OF DEEZER'S ANNUAL RESULTS FOR THE YEARS ENDED DECEMBER 31, 2014 AND DECEMBER 31, 2013.

The table below shows Deezer's consolidated statement of income for the year ended December 31, 2014 and December 31, 2013, in thousands of euros and as a percentage of revenues for the periods in question.

	Year ended December 31, 2014		Year ended December 31, 2013		
	(€ thousands)	*As a % of rev.*	*(€ thousands)*	*As a % of rev.*	*% change 2013- 2014*
Revenue	**141,923**	**100%**	**92,800**	**100%**	**52.9%**
Cost of revenues – music rights	(112,484)	(79.3)%	(87,401)	(94.2)%	(28.7)%
Cost of Revenues - other	(7,308)	(5.2)%	(3,166)	(3.4)%	(130.8)%
Gross margin	**22,130**	**15.6%**	**2,233**	**2.4%**	**x9**
Gross margin (%) before impact of minimum guaranteed payments		***17.0%***		***16.6%***	
Product and development expenses	(6,553)	(4.6)%	(4,182)	(4.5)%	(56.7)%
Sales and marketing expenses	(21,293)	(15.0)%	(23,931)	(25.8)%	11.0%
General and administrative expenses	(15,243)	(10.7)%	(12,627)	(13.6)%	(20.7)%
EBITDA	**(20,958)**	**(14.8)%**	**(38,507)**	**(41.5)%**	**45.6%**
Depreciation and amortization	(6,016)	(4.2)%	15,993	17.2%	(137.6)%
Current operating loss	**(26,974)**	**(19.0)%**	**(22,514)**	**(24.3)%**	**(19.8)%**
Other operating income and expenses	-	-	-	-	-
Operating loss	**(26,974)**	**(19.0)%**	**(22,514)**	**(24.3)%**	**(19.8)%**
Financial revenues	363	0.3%	791	0.9%	(54.1)%
Financial expenses	(206)	(0.1)%	-	-	N/A
Financial result	158	0.1%	791	0.9%	(80.0)%
Loss before tax	**(26,816)**	**(18.9)%**	**(21,723)**	**(23.4)%**	**(23.5)%**
Income Tax	(359)	(0.3)%	(336)	(0.4)%	(6.8)%
Loss for the year	**(27,175)**	**(19.2)%**	**(22,059)**	**(23.8)%**	**(23.2)%**

9.9.1 Revenue

Deezer's revenue increased from €92.8 million for 2013 to €141.9 million for 2014, an increase of €49.1 million, or 52.9%. This increase was driven by increases in revenues across all of Deezer's segments. Growth was particularly strong in its Latin America segment, where revenues increased by €16.2 million or 311.6% year-over-year, its Europe segment, which generated an increase in revenues of €18.5 million, or 82.9%, and the French market which generated €13.4 million in additional revenues, a 22.0% increase.

The table below shows revenue by category for the years ended December 31, 2014 and December 31, 2013, in thousands of euros and as a percentage of revenues for the periods in question.

	Year ended December 31, 2014		Year ended December 31, 2013		
	(€ thousands)	*As a % of rev.*	*(€ thousands)*	*As a % of rev.*	*% change 2013- 2014*
Revenue – Standalone subscriptions..................................	64,704	45.6%	35,177	37.9%	83.9%
Revenue – Bundles subscriptions...	70,246	49.5%	49,904	53.8%	40.8%
Revenue – Advertising..................	5,349	*n.s.*	5,723	6.2%	(6.5)%
Other revenue	1,624	*n.s.*	1,996	*n.s.*	(18.6)%
Total..	**141,923**	**100.0%**	**92,800**	**100.0%**	**52.9%**

Deezer's growth in standalone subscriber base resulted in an 83.9% increase in revenues from standalone subscribers from €35.2 million in 2013 to €64.7 million in 2014, which represented an increase as a percentage of total revenues from 37.9% in 2013 to 45.6% in 2014. Deezer also generated growth of 40.8% in revenues from bundled subscribers, from €49.9 million in 2013 to €70.2 million in 2014. The growth in standalone and bundle subscriber revenues was partially supported by Deezer's decisions to offer discounts to subscribers in 2014 to drive subscriber base growth. Combined, the effects of the increase in total standalone and bundled revenues more than offset a decrease in advertising revenues from €5.7 million to €5.3 million and a decrease in other revenues from €2.0 million to €1.6 million.

The revenue growth was primarily driven by the increase in the standalone subscriber base, which increased 87.5% from the end of 2013 to the end of 2014, and to a lesser extent by 14.8% growth in Deezer's monthly active bundle subscriber base over the same period. It was also driven by the full year impact of the new revenue-generating subscribers acquired in 2013, including both standalone and bundle subscribers. See Section 9.2.1.2, "Subscriber Base."

There has been a decrease of €0.4 in the monthly ARPU for monthly active bundle subscribers, which was €4.4 in 2014 and €4.0 in 2013, and to a lesser extent, a slight decrease from €5.5 to €5.4 in the monthly ARPU for standalone subscribers. The decrease of the ARPU for monthly active bundle subscribers reflected the terms of Deezer's contract with Orange France, pursuant to which Deezer received decreasing fees per monthly active bundle subscriber up until the acquisition of a specified number of new monthly active bundle subscribers in the relevant period (which threshold was reached at the end of 2014).

The decrease of the ARPU for standalone subscribers was mainly due to the significant growth of the subscriber base in Latin America in 2014 where the Group's services are offered at a lower market price and the impact of discounted promotional offers in several countries outside of France. This was partially offset by an increase of ARPU for standalone subscribers in France (due to the decreasing number of Premium subscribers paying only €4.99) and Europe (due to the higher share of subscribers coming from Western Europe, such as Germany or United Kingdom where Deezer's services are sold at a higher market price). In addition, the standalone subscriber base grew significantly in both the France and Europe segments in 2014.

9.9.2 Gross Margin

Gross margin improved significantly in 2014 as compared with 2013, increasing from €2.2 million in 2013 to €22.1 million in 2014. Gross margin represented 2.4% of revenues in 2013 and 15.6% in 2014.

Gross margin for 2013 and, to a lesser extent, 2014, were impacted by the effect of minimum guaranteed payments for rights holders, relating to a licensing agreement signed in 2012. The impact on overall financial results was largely offset by releases of provisions for these amounts recorded in 2012. See Section 9.3, “Music Rights.”

Absent the impact of the minimum guaranteed payments, gross margin in 2013 would have been €15.4 million, or 16.6% of revenue, and in 2014 would have been €24.1 million, or 17.0% of revenue. Deezer believes that its gross margin represented a particularly low percentage of revenues in 2013 and 2014, largely due to the direct impact of minimum guaranteed payments.

Gross margin was also impacted by an increase in Cost of revenues – other, of €4.1 million, from €3.2 million in 2013 to €7.3 million in 2014, representing an increase as a percentage of revenues from 3.4% to 5.2% over the same period. This increase was driven primarily by the increasing proportion of subscription fees processed through the Apple payment platform, which charge higher payment processing fees compared to other payment processing providers.

9.9.3 EBITDA

Deezer’s earnings before interest, tax .depreciation and amortization were negative in both 2013 and 2014, but improved by 45.6% from €(38.5) million in 2013 to €(21.0) million in 2014. This improvement was primarily the result of Deezer’s improved gross margins in 2014, augmented by a decline in sales and marketing expenses from 25.8% of revenues in 2013 to 15.0% of revenues in 2014 and general and administrative expenses from 13.6% of revenues in 2013 to 10.7% in 2014, offset slightly by an increase in product and development expenses.

Product and development expenses stayed relatively stable as a percentage of revenues between 2013 and 2014, increasing from €4.2 million, or 4.5% of revenues, in 2013 to €6.5 million, or 4.6% of revenues, in 2014. This increase was driven primarily by additional hiring for Deezer’s IT team to support continued improvement of its user interface and IT infrastructure, as personnel-related expenses in product and development expenses increased by 54.8%. Deezer also incurred increased third-party expenses in 2014 related to travel costs, software costs, and technical and consulting fees paid to third parties.

Sales and marketing expenses declined from €23.9 million in 2013 to €21.3 million in 2014 was primarily a result of a significant decrease in marketing expenses, which declined 27.5% from 2013. Deezer’s marketing expenses in 2013 were particularly high as a result of its widespread international launch near the beginning of 2013 and its efforts to build brand recognition and subscriber base internationally. Accordingly, much of the sales and marketing expenses in 2013 were non-recurring and specifically tied to launch of Deezer’s services in each country. Deezer’s substantial expansion in 2014 was driven largely by free trial and promotional offers, the impact of which is recorded under gross margin rather than under sales and marketing expenses.

General and administrative expenses increased by €2.6 million from €12.6 million in 2013 to 15.2 million in 2014, but declined as a percentage of revenues from 13.6% to 10.7% in 2013 and 2014, respectively. This decline was primarily a result of the increase in Deezer’s revenues in 2014, which more than offset the increases in personnel expenses, which grew by 28.8% from €6.6 million in 2013 to €8.5 million in 2014. This hiring was primarily related to support functions and was important to ensure capacity and scalability for anticipated growth. Deezer also incurred increased professional expenses in 2014 in connection with the acquisition of Stitcher in 2014 and other external adviser fees.

9.9.4 Operating Loss

Deezer incurred an operating loss of €(27.0) million in 2014, an increase of 19.8% over its operating loss of €(22.5) million in 2013. This was primarily a result of the effect of a significant change in the effect of depreciation and amortization between 2013 and 2014, offset to some extent by improved EBITDA in 2014.

Depreciation and amortization generated a positive effect on Deezer's earnings in 2013 and a negative effect in 2014, as Deezer recorded a net release of provisions of €20.1 million in 2013, relating to minimum guaranteed payments and advance payments. See Section 9.3, "Music Rights." Depreciation and amortization (excluding provisions) increased from €4.1 million in 2013 to €5.5 million in 2014, reflecting the depreciation of fixed assets and the depreciation of some intangible assets resulting from the acquisition of Stitcher, among others.

9.9.5 Loss before Tax

Deezer incurred a pre-tax loss of €(26.8) million in 2014, as compared to €(21.7) million in 2013, reflecting largely the change in EBITDA for the reasons described above.

Financial revenues declined by 54.1% from €0.8 million in 2013 to €0.3 million in 2014, reflecting a decrease in income earned on Deezer's cash and cash equivalents, the amount of which decreased in the period. This decline was partially offset by financial income €0.2 million in 2014.

Income tax remained steady at €0.4 million for 2013 and 2014, corresponding to a withholding tax on revenue earned from a foreign telecom operator. Deezer has incurred tax losses in France, but has not recorded deferred tax assets in respect of these losses. The total of tax losses was approximately €90 million as of December 31, 2014.

9.9.6 Loss for the Year

Deezer incurred losses of €(27.2) million in 2014, an increase of €5.1 million from its €(22.1) million loss in 2013.

9.10 ANALYSIS OF DEEZER'S ANNUAL RESULTS BY SEGMENT FOR THE YEARS ENDED DECEMBER 31, 2014 AND DECEMBER 31, 2013.

9.10.1 Subscribers

Deezer's revenue-generating subscriber base grew by 22.7% from 2013 to 2014, mainly reflecting growth in the number of subscribers in Latin America, Europe (excluding France) and France, partially offset by a decline in the number of revenue-generating subscribers in the Rest of World segment, as compared to year-end 2013.

The table below sets forth the number of revenue-generating subscribers as of December 31, 2014 and 2013, respectively.

	As of December 31, 2014	**% Group total**	**As of December 31, 2013**	**% Group total**	**% change 2013- 2014**
France	1,554,689	40.1%	1,358,626	43.0%	14.4%
Europe	1,124,916	29.0%	901,581	28.5%	24.8%
Latin America	1,008,374	26.0%	390,717	12.4%	158.1%
United States	5,659	0.1%	--	--	100%
Rest of World	182,731	4.7%	508,571	16.1%	(64.1)%

	As of December 31, 2014	% Group total	As of December 31, 2013	% Group total	% change 2013- 2014
Total Group:					
Standalone and monthly active bundle subscribers	***2,868,185***	***74.0%***	***2,060,225***	***65.2%***	***39.2%***
Revenue-generating monthly inactive bundle subscribers	*1,008,184*	*26.0%*	*1,099,269*	*34.8%*	*(8.3)%*
TOTAL Revenue-generating subscribers	3,876,369	100.0%	3,159,494	100.0%	22.7%

9.10.2 Revenues

The increase in consolidated revenue was driven primarily by revenue growth in Latin America, Europe and France, consistent with the growth in the subscriber base. The table below sets forth the revenue for each of Deezer's segments for the years ended December 31, 2014 and December 31, 2013 and as a percentage of its consolidated revenue for the periods in question.

	Year ended December 31,			
	2014		2013	
	(€ thousands)	*% of total*	*(€ thousands)*	*% of total*
France	74,171	52.3%	60,806	65.5%
Europe	40,777	28.7%	22,293	24.0%
Latin America	21,451	15.1%	5,211	5.6%
United States	231	0.2%	--	--
Rest of World	5,257	3.7%	4,501	4.9%
HQ(1)	36	*n.s.*	(11)	*n.s.*
Total	**141,923**	**100%**	**92,800**	**100%**

(1) Headquarter revenue comprises revenue recognized from the reinvoicing of miscellaneous costs.

Revenues in France increased by 22.0% from €60.8 million in 2013 to €74.2 million in 2014, driven primarily an increase in the number of standalone subscribers in the French market. France accounted for 52.3% of consolidated revenue in 2014, as compared to 65.5% in 2013, as Deezer focused on diversifying its geographic coverage.

Revenues for the Europe segment grew by 82.9%, from €22.3 million in 2013 to €40.8 million in 2014, driven by strong growth in the standalone subscriber base, which increased from 2013 to 2014 due to Deezer's increased market share and its increasing focus on indirect standalone partnership offers with telecom operators. This was reflected in the increase in the number of standalone and bundle subscribers in the Netherlands and Slovakia, where Deezer has a partnership with T-Mobile, as well as supported by the large existing revenue generating subscriber base in the UK through its partnership with EE (which is expected to progressively decrease as new subscriber acquisition ceased following the expiration of the partnership agreement with EE in early 2014). Revenue growth was also supported by partner-distributed offers in Hungary, where Deezer has a partnership with Telenor. The Europe segment accounted for a greater percentage of Deezer's total revenues in 2014, at 28.7%, compared to 2013, at 24.0%, reflecting the growing importance of Deezer's international markets.

Deezer's Latin America segment experienced the strongest revenue growth in 2014 in terms of percentage, when compared to Deezer's other geographic segments. Revenues increased by 311.6% from €5.2 million in 2013 to €21.5 million in 2014, increasing from 5.6% of total Deezer revenues in 2013 to 15.1% in 2014. This increase in revenues was primarily driven by significant increase in standalone subscriptions in Brazil. Deezer was able to achieve this growth by increasing subscriptions and market share through the success of various telecom partnerships, particularly its partnerships with TIM in Brazil, and Millicom in Colombia, Paraguay, Guatemala, El Salvador, Bolivia and Honduras.

Revenues in the Rest of World segment increased from €4.5 million in 2013 to €5.3 million in 2014, an increase of 16.8%. Notwithstanding that Deezer's subscriber acquisition objectives in the Rest of World segment were modest as compared to key geographies such as the U.K., Brazil, Germany and France, revenue from standalone subscriptions more than doubled in this segment in 2014. Due to the favorable impact on revenue of the change in the mix of revenue-generating subscribers in 2014, Deezer's revenue for the segment increased in the period notwithstanding a decrease of 64.1% in the total number of revenue-generating subscribers. While the number of bundle subscribers decreased in 2014, the number of standalone significantly increased in the year as Deezer focused on its direct distribution channel. This was mainly due to a significant decrease in the number of bundle subscribers in Thailand, where some monthly inactive bundle subscribers were no longer offered access to Deezer's services in 2014.

9.10.3 EBITDA

The table below sets forth the contribution to EBITDA for each of Deezer's segments for the years ended December 31, 2014 and December 31, 2013, in each case before and after the after the equal allocation of corporate expenses to each segment.

	For the year ended December 31,	
(€ thousands)	**2014**	**2013**
France:		
Contribution to the margin (*before equal allocation of corporate expenses*)	11,723	7,614
EBITDA (*after equal allocation of corporate expenses*)	7,043	3,770
Europe:		
Contribution to the margin (*before equal allocation of corporate expenses*)	(5,193)	(11,397)
EBITDA (*after equal allocation of corporate expenses*)	(9,873)	(15,242)
Latin America:		
Contribution to the margin (*before equal allocation of corporate expenses*)	(924)	(9,149)
EBITDA (*after equal allocation of corporate expenses*)	(5,605)	(12,994)
United States:		
Contribution to the margin (*before equal allocation of corporate expenses*)	(2,927)	(247)

(€ thousands)	For the year ended December 31, 2014	2013
EBITDA (*after equal allocation of corporate expenses*)	(7,607)	(4,092)
Rest of World:		
Contribution to the margin (*before equal allocation of corporate expenses*)	(234)	(6,105)
EBITDA (*after equal allocation of corporate expenses*)	(4,914)	(9,949)
Total segment contribution to EBITDA before corporate expenses	**2,445**	**(19,284)**
Corporate expenses	(23,404)	(19,223)
EBITDA	**(20,958)**	**(38,507)**

Consolidated EBITDA for the year ended December 31, 2014 was €(21.0) million, as compared to €(38.5) million for the year ended December 31, 2013, net of €23.4 million and €19.2 million of corporate expenses for fiscal years 2014 and 2013, respectively. EBITDA improved in all segments except the United States, with France recording significant positive EBITDA both before and after corporate expenses (with an equal amount of corporate expenses allocated to each segment for purposes of calculating EBITDA, see Section 9.4.2 “Corporate Expenses”), and Latin America and Rest of World coming close to breakeven before corporate expenses allocation.

Corporate expenses increased by 21.7% from 2013 to 2014, which were driven by Deezer’s international expansion in the period. Corporate expenses in 2014 mostly comprised staff costs, including recruitment of staff for the engineering, marketing and support functions. As a percentage of revenue, corporate expenses was 16.5% in 2014, as compared to 20.7% in 2013.

In France, EBITDA before corporate expenses increased by 54.0% from 2013 to 2014, which was primarily attributable to revenue growth. As a percentage of segment revenues, EBITDA before corporate expenses increased from 12.5% to 15.8%, reflecting the greater proportion of standalone subscribers in the overall base. Cost of revenues increased from €48.2 million in 2013 to €57.0 million in 2014, but decreased as a percentage of segment revenue, from 79.3% of segment revenue for the year ended December 31, 2013 to 76.9% of segment revenue for the year ended December 31, 2014. This mainly reflected the renegotiation of certain terms and conditions under the licensing agreements that were favorable to Deezer. Other operating expenses were €5.4 million for the year ended December 31, 2014, as compared to €5.0 million for the year ended December 31, 2013.

EBITDA before allocation of corporate expenses for the Europe segment remained negative in 2014 but improved from €(11.4) million in 2013 to €(5.2) million in 2014. This principally reflected segment revenue growth, a decrease in marketing expenses as well as a smaller amount of unrecouped minimum guaranteed payments in 2014 versus 2013.

EBITDA before allocation of corporate expenses for the Latin America segment remained negative for the year ended December 31, 2014 but improved substantially from €(9.1) million in 2013 to €(0.9) million in 2014. This principally reflected increased revenue, as well as a decrease in traffic acquisition expenses and a significant decrease in unused minimum guarantees from 2013 to 2014.

EBITDA before allocation of corporate expenses for the Rest of World segment was negative for the year ended December 31, 2014 but improved substantially from €(6.1) million in 2013 to €(0.2) million in 2014. This principally reflected segment revenue growth, as well as a decrease in traffic acquisition expenses and a significant decrease in unused minimum guarantees from 2013 to 2014.

9.11 COMPARISON OF DEEZER'S ANNUAL RESULTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND DECEMBER 31, 2012.

The table below shows Deezer's consolidated statement of income for the year ended December 31, 2013 and December 31, 2012, in thousands of euros and as a percentage of revenues for the periods in question.

	Year ended December 31, 2013		**Year ended December 31, 2012**		
	(€ thousands)	*As a % of rev.*	*(€ thousands)*	*As a % of rev.*	*% change 2012- 2013*
Revenue	92,800	100%	63,565	100%	46.0%
Cost of revenues – music rights	(87,401)	(94.2)%	(57,128)	(89.9)%	(53.0)%
Cost of revenues - other	(3,166)	(3.4)%	(895)	(1.4)%	(253.7)%
Gross margin	**2,233**	**2.4%**	**5,542**	**8.7%**	**(59.7)%**
Gross margin (%) before impact of minimum guaranteed payments		***16.6%***		***17.1%***	
Product and development expenses	(4,182)	(4.5)%	(3,078)	(4.8)%	(35.9)%
Sales and marketing expenses	(23,931)	(25.8)%	(7,601)	(12.0)%	(214.9)%
General and administrative expenses	(12,627)	(13.6)%	(6,010)	(9.5)%	(110.1)%
EBITDA	**(38,507)**	**(41.5)%**	**(11,147)**	**(17.5)%**	**(245.5)%**
Other operating income and expenses	15,993	17.2%	(17,986)	(28.3)%	188.9%
Current operating loss	**(22,514)**	**(24.3)%**	**(29,132)**	**(45.8)%**	**22.7%**
Other operating income and expenses	-	-	-	-	-
Operating Loss	**(22,514)**	**(24.3)%**	**(29,132)**	**(45.8)%**	**22.7%**
Financial revenues	791	0.9%	286	0.5%	176.5%
Financial expenses	-	-	-	-	-
Financial result	791	0.9%	286	0.5%	176.5%
Loss before tax	**(21,723)**	**(23.4)%**	**(28,846)**	**(45.4)%**	**24.7%**
Income Tax	(336)	(0.4)%	-	-	N/A
Loss for the year	**(22,059)**	**(23.8)%**	**(28,846)**	**(45.4)%**	**23.5%**

9.11.1 Revenue

Deezer's revenue increased from €63.6 million for 2012 to €92.8 million for 2013, an increase of €29.2 million, or 46.0%. This increase was driven primarily by the increase in subscribers as a result of Deezer's launch in numerous international markets in late 2012 and early 2013 and the development of these markets. International revenues, which represented only 10.1% of Deezer's total revenues in 2012, represented 34.5% of revenues in 2013. Growth in consolidated revenue was principally due to the acquisition of over 1.9 million new revenue-generating subscribers in the period.

Growth was particularly strong in Deezer's Europe and Latin America segments, which grew quickly after launch. Revenue from the Europe segment grew from €6.2 million in 2012 to €22.3 million in 2013 and Latin America revenues increased from €0.1 million in 2012 to €5.2 million in 2013. Deezer's principal market in France also grew, principally as a result of growth in active bundle subscriber base, and generated a 7.7% growth in revenues.

The table below shows revenue by category for the years ended December 31, 2013 and December 31, 2012, in thousands of euros and as a percentage of revenues for the periods in question.

	Year ended December 31, 2013		**Year ended December 31, 2012**		
	(€ thousands)	*As a % of rev.*	*(€ thousands)*	*As a % of rev.*	*% change 2012- 2013*
Revenue – Standalone	35,177	37.9%	13,618	21.4%	158.3%
Revenue – Bundle	49,904	53.8%	42,201	66.4%	18.3%
Revenue – Advertising	5,723	6.2%	7,358	11.6%	(22.2)%
Other revenue	1,996	2.2%	388	0.1%	414.4%
Total	**92,800**	**100.0%**	**63,565**	**100.0%**	**46.0%**

Deezer's revenue growth in 2013 was strongly focused on standalone subscribers, with revenues from this segment increasing by €21.6 million from €13.6 million in 2012 to €35.2 million in 2013. Bundled revenues also generated strong growth, increasing by 18.3% from €42.2 million in 2012 to €49.9 million in 2013. The combined effects of these increases more than offset the decline in advertising revenues from €7.4 million to €5.7 million, which reflected Deezer's increasing focus on its subscription service.

9.11.2 Gross Margin

Gross margin declined by 59.7% in 2013 from €5.5 million in 2012 to €2.2 million in 2013, reflecting the impact of minimum guaranteed payments, as described in Section 9.3, "Music Rights." As a percentage of consolidated revenue, gross margin was 8.7% in 2012 and 2.4% in 2013.

Absent the impact of the minimum guaranteed payments, gross margin in 2013 would have been €15.4 million, or 16.6% of revenue, and in 2012 would have been €10.9 million, or 17.1% of revenue. Gross margins in 2012 and 2013 were particularly impacted by minimum guaranteed payment obligations as Deezer signed licensing agreements at the end of 2012 pursuant to which it estimated that the minimum guaranteed payments would exceed the expected actual royalties, which shortfall had a significant negative impact on the gross margin in the two fiscal years. See Section 9.3.2, "Minimum Guaranteed Payments".

Cost of revenues – other also increased in the period, from €0.9 million in 2012 to €3.2 million in 2013. This increase was primarily a result of increased payment processing commissions as the number of subscribers billed through the Apple Store grew in line with Deezer's expansion into new geographic markets in 2013 and to a lesser extent, the costs associated with building Deezer's technology platform to support international expansion.

9.11.3 EBITDA

The substantial increases in minimum guaranteed payment charges, coupled with increased sales and marketing expenses and general and administrative expenses, more than offset Deezer's increased revenue for 2013. As a result, Deezer's losses before interest tax depreciation and amortization increased by €27.4 million, from €(11.1) million in 2012 to €(38.5) million in 2013.

Deezer incurred product and development expenses of €3.1 million in 2012 and €4.2 million in 2013. This represented a 35.9% increase in product and development expenses, primarily driven by an increase in employee benefits costs by 112.0% to €3.7 million in 2013, reflecting significant hiring for Deezer's IT team to support continued improvement of its user interface and IT infrastructure. This was offset to some extent by a reduction in payments to third parties. However, product and development expenses declined as a percentage of revenues from 4.8% to 4.5% as a result of Deezer's strong revenue growth in 2013.

Sales and marketing expenses increased significantly from €7.6 million in 2012 to €23.9 million. Deezer incurred increased expenses primarily in connection with campaigns to build its subscriber base in its international markets in 2013. In 2012, Deezer's €3.3 million of marketing spending was centered on the French market and the launch of its services in various geographic markets. In 2013, Deezer increased this marketing spending to €18.0 million and focused the majority of the spending outside of France to grow its subscriber base. Deezer also expanded its sales and marketing team to support the growth of its local country and regional teams, with personnel expenses increasing by 46.8% to €5.9 million in 2013.

General and administrative expenses increased substantially in 2013, from €6.0 million in 2012 to €12.6 million in 2013. This increase was primarily a result of hiring of new employees, principally in respect of Deezer's local country and regional teams, which drove an increase in personnel expenses of €4.3 million. Deezer also incurred increased external expenses in 2013, primarily as a result of increased expenses relating to professional services.

9.11.4 Operating Loss

Operating losses decreased by 22.7% between 2012 and 2013, from €(29.1) million in 2012 to €(22.5) million in 2013. This improvement was primarily a result of the substantial provisions recognized for minimum guaranteed payments and impairment of advance royalties recorded in 2012, which were released in 2013 and thus largely offset the impact of minimum guaranteed payments on gross margin and EBITDA. The variation in net provisions therefore shifted substantially between 2012 and 2013, generating an augmentation of Deezer's operating loss of €18.0 million in 2012, as compared to a reduction of operating loss of €16.0 million in 2013. Apart from provisions, depreciation and amortization increased from €3.3 million in 2012 to €4.1 million in 2013, reflecting the amortization of intangible assets (principally comprising minimum guaranteed payments, as described in Section 9.3.2, "Minimum Guaranteed Payments".)

9.11.5 Loss before Tax

Losses before taxes improved by 24.7% from €(28.8) million in 2012 to €(21.7) million in 2013, primarily as a result of the factors described above. In addition, financial revenues increased from €0.3 million in 2012 to €0.8 million in 2013.

9.11.6 Loss for the Year

Loss for 2013 improved from €(28.8) million in 2012 to €(22.1) million in 2013, a decrease of 23.5%. This decline was a result of the factors described above, and particularly the impact of the provision for minimum guaranteed payments recorded in 2012. Deezer incurred no income taxes in 2012 as a result of its operating loss. Income taxes increased to €0.3 million in 2013, reflecting a withholding tax on revenue earned from a foreign telecom operator.

9.12 ANALYSIS OF DEEZER'S ANNUAL RESULTS BY SEGMENT FOR THE YEARS ENDED DECEMBER 31, 2012 AND DECEMBER 31, 2013.

9.12.1 Subscribers

Deezer's revenue generating subscriber base grew by 71.6% during the period, mainly reflecting growth in the number of subscribers in Europe and France as at year-end 2013, partially offset by a decline in the number of revenue generating subscribers in Latin America, as compared to year-end 2012.

The table below sets forth the number of revenue generating subscribers as of December 31, 2013 and 2012, respectively.

	As of December 31, 2013	**% Group total**	**As of December 31, 2012**	**% Group total**	**% change 2012- 2013**
France	1,358,626	43.0%	737,158	62.3%	84.3%
Europe	901,581	28.5%	348,866	29.5%	158.4%
Latin America	390,717	12.4%	25,318	n.s.	14x
United States	--	--	--	--	--
Rest of World	508,571	16.1%	72,562	0.1%	6x
TOTAL revenue-generating subscribers	**3,159,494**	**100.0%**	**1,183,904**	**100.0%**	**166.9%**
Total Group:					
Standalone and monthly active bundle subscribers	***2,060,225***	***65.2%***	***917,246***	***77.5%***	***124.6%***
Revenue-generating monthly inactive bundle subscribers	*1,099,269*	*34.8%*	*266,658*	*22.5%*	*3x*
TOTAL revenue-generating subscribers	**3,159,494**	**100.0%**	**1,183,904**	**100.0%**	**166.9%**

9.12.2 Revenues

The increase in consolidated revenue was driven primarily by revenue growth in Latin America and Europe. The table below sets forth the revenue for each of Deezer's segments for the years ended December 31, 2013 and December 31, 2012 and as a percentage of its consolidated revenue for the periods in question.

	Year ended December 31,			
	2013		2012	
	(€ thousands)	*% of total*	*(€ thousands)*	*% of total*
France	60,806	65.5%	56,468	88.8%
Europe	22,293	24.0%	6,183	9.7%
Latin America	5,211	5.6%	69	0.0%
United States	--	--	--	--
Rest of World	4,501	4.9%	844	1.3%
HQ[1]	-11	(0.0)%	--	--
Total	92,800	100.0%	63,565	100.0%

[1] Headquarter revenue comprises revenue recognized from the reinvoicing of miscellaneous costs to third parties.

Revenues for the France segment increased by 7.7% from €56.5 million in 2012 to €60.8 million in 2013, driven primarily by an increase in the number of bundle subscribers from 2012 to 2013 (although a large portion of the effect of this increase was not felt until 2014). Revenues were also driven by growth in the standalone subscriber base from 2012 to 2013.

Revenues for the Europe segment increased substantially in 2013 as Deezer pursued its initial international expansion. Revenues grew from €6.2 million to €22.3 million, an increase of 260.6%, driven by an increase in the number of standalone and bundle subscribers. This was primarily due to subscribers acquired through Deezer's partnerships with EE in the United Kingdom, T-Mobile in the Netherlands and Croatia and Telenor in Denmark, partially offset by a decrease in the number of subscribers from its partner-distributed offering with Telenor in Hungary. As a result of the strong growth in the number of subscribers and segment revenue, the segment also increased as a percentage of consolidated revenue, from 9.7% in 2012 to 24.0% in 2013, consistent with the international expansion strategy pursued by Deezer.

Revenues in Deezer's Latin America segment increased significantly in the period, from €0.1 million in 2012 to €5.2 million in 2013, as the partnerships entered into late 2012 and early 2013 began to generate growth in the number of subscribers, and in particular subscribers who subscribed to Deezer's services through its partner Millicom in a number of countries in Latin America, including in particular Colombia, Guatemala and Paraguay. Latin America segment revenue also grew as a percentage of consolidated revenue, from 0.1% to 5.6% for the years ended December 31, 2012 and 2013, respectively.

Revenues for the Rest of World segment increased significantly as a result of the launch of Deezer's service in new markets and increasing market share in existing markets. Deezer's revenues increased from €0.8 million in 2012 to €4.5 million in 2013, primarily as a result of adding over 436,000 new standalone and monthly active bundle subscribers in 2013, primarily as a result of Deezer's new partnership with mobile service provider DTAC in Thailand.

9.12.3 EBITDA

The table below sets forth the contribution to EBITDA for each of Deezer's segments for the years ended December 31, 2013 and December 31, 2012, in each case before and after the after the equal allocation of corporate expenses to each segment.

(€ thousands)	For the year ended December 31, 2013	2012
France:		
Contribution to the margin (*before equal allocation of corporate expenses*)	7,614	8,180
EBITDA (*after equal allocation of corporate expenses*)	3,770	5,123
Europe:		
Contribution to the margin (*before equal allocation of corporate expenses*)	(11,397)	(5,803)
EBITDA (*after equal allocation of corporate expenses*)	(15,242)	(8,860)
Latin America:		
Contribution to the margin (*before equal allocation of corporate expenses*)	(9,149)	(56)
EBITDA (*after equal allocation of corporate expenses*)	(12,994)	(3,113)
United States:		
Contribution to the margin (*before equal allocation of corporate expenses*)	(247)	--
EBITDA (*after equal allocation of corporate expenses*)	(4,092)	--
Rest of World:		
Contribution to the margin (*before equal allocation of corporate expenses*)	(6,105)	(1,240)
EBITDA (*after equal allocation of corporate expenses*)	(9,949)	(4,297)
Total segment contribution to EBITDA before corporate expenses	**(19,284)**	**1,081**
Corporate expenses	(19,223)	(12,229)
EBITDA	**(38,507)**	**(11,148)**

Consolidated EBITDA for the year ended December 31, 2013 was €(38.5) million, as compared to was €(11.1) million for the year ended December 31, 2012, net of €19.2 million and €12.2 million of corporate expenses for fiscal years 2013 and 2012, respectively. This was primarily due to a decrease in EBITDA for the French segment, which was more than offset by EBITDA losses for each of the other segments during the period.

Corporate expenses increased by 57.2% from 2012 to 2013, which reflected an increase in operating expenses Deezer's expansion into new geographic markets. As a percentage of revenue, corporate expenses was 20.7% in 2013, as compared to 19.2% in 2012.

EBITDA before corporate expenses for the France segment decreased from €8.2 million to €7.6 million, or 6.9%. As a percentage of revenue, EBITDA before corporate expenses decreased from 14.5% in 2012 to 12.5% in 2013. The increase in revenue generated by the France segment (7.7% from 2012 to 2013), was more than offset by the combined impact of the increase in each of Cost of revenues and Operating expenses in the period. Cost of revenues increased from €45.5 million in 2012 to €48.2 million in 2013, an increase of 6.1%, which was mainly attributable to the significant growth in the monthly active bundle subscriber base. As a percentage of consolidated revenue, Cost of revenues decreased slightly from 80.5% in 2012 to 79.3% in 2013. Operating expenses increased from €2.8 million for the year ended December 31, 2012 to €5.0 million for the year ended December 31, 2013, an increase of 75.9%. As a percentage of revenue, operating expenses increased from 5.0% in 2012 to 8.2% in 2013, mainly due to an increase in marketing expenses.

EBITDA before corporate expenses for the Europe segment decreased from €(5.8) million for the year ended December 31, 2012 to €(11.4) million for the year ended December 31, 2013, or a decrease of 96.4% from 2012 to 2013. The strong segment revenue growth was more than offset by an increase in operating expenses, particularly sales and marketing expenses, which more than tripled in the period due to the acceleration of Deezer's expansion into other European markets particularly in Eastern Europe, and Cost of revenues, which exceeded segment revenue in each of 2012 and 2013 and grew by 147.3%. Minimum guaranteed payment obligations had a negative impact in the period. See Section 9.3.2, "Minimum Guaranteed Payments".

EBITDA before corporate expenses for the Latin America segment decreased from €(56) thousand in 2012 to €(9.1) million in 2013, mainly due to an increase in Cost of revenues and Operating expenses, which more than offset strong segment revenue growth. Cost of revenues exceeded segment revenue, largely as a result of high minimum guaranteed payments and the portion of such minimum guaranteed payments that were not recouped.

EBITDA before corporate expenses for the Rest of World segment decreased from €(1.2) million in 2012 from €(6.1) million in 2013, which increase was mainly attributable to an increase in both Cost of revenues and Operating expenses, which more than offset strong segment revenue growth. This was primarily due to the impact of minimum guaranteed payments and increased marketing expenses in connection with Deezer's development of its international markets. Minimum guaranteed payment obligations had a negative impact in the period. See Section 9.3.2, "Minimum Guaranteed Payments".

9.13 CRITICAL ACCOUNTING ESTIMATES

The preparation of Deezer's consolidated financial statements in accordance with IFRS requires Deezer to make a number of estimates and assumptions that have an effect on the amounts of its assets and liabilities as well as on its income and expenses. Deezer's management continually revisits these estimates and assumptions based on its experience and other reasonable factors used in its evaluation. Deezer's actual results may differ from these estimates.

10. CAPITAL RESOURCES

10.1 OVERVIEW

Deezer's operations have generated cash outflows, reflecting its status as a relatively young company and the costs associated with its international expansion. Its funding needs also include its investments, although cash used in investments has generally been modest in amount. Deezer has relied primarily on two sources of financing:

- *Negative working capital*. Deezer's structurally negative working capital position is due to long invoicing and payment cycles for most royalty payments. Invoices for royalties are typically only generated after Deezer provides a streaming activity report to the relevant rights holder and a further verification process is performed by the relevant rights holder. This generates structurally negative working capital despite Deezer's obligations to make certain payments to content rights holders in advance. See Chapter 6.5.4.1.1 "Royalty Payments".

- *Equity financing*. Deezer has received more than €80 million in equity capital investments from third party investors since its founding in 2007, of which €70.0 million[9] was invested in 2012, mostly from Access Industries, a privately held industrial group with long-term holdings worldwide, investors that are leading players in the telecommunications and/or e-commerce sectors (*e.g.*, founders of Pixmania and Free) and private equity funds (such as Idinvest Partners and CM-CIC Capital Privé). Certain of Deezer's partners (Prosieben) and major record labels also hold warrants entitling them to purchase shares in the Company at a fixed exercise price, which if exercised, represent a potential source of equity funding for Deezer in the future. See Chapter 18, "Principal Shareholders". In connection with the planned listing of its shares on Euronext Paris, Deezer expects to raise significant additional equity capital.

Deezer also entered into an on-balance sheet receivables factoring arrangement with GE Factorfrance in 2009. The receivables assigned to the factor principally consist of advertising revenues from French clients. The receivables assigned pursuant to the GE Factorfrance arrangement amounted to €7.1 million, €5.8 million and €5.2 million for the years ended December 31, 2014, 2013 and 2012, respectively.

10.2 ANALYSIS OF CASH FLOW

The following table sets forth Deezer's cash flow for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2014	2013	2012	2015	2014
	(in € thousands)				
Net cash (used in)/generated by operating activities net of income tax paid and before changes in working capital	(19,271)	(38,830)	(11,121)	(9,984)	(11,244)
Net cash (used in)/generated by operating activities	(2,852)	(27,597)	577	5,249	(19,402)

[9] Investment amounts indicated are gross investment amounts before taking into account fees and commissions. The total cash flow from this share capital increase was €68.0 million, see Section 10.2.3, "Cash Flows Generated by Financing Activities".

Net cash (used in)/generated by investing activities	(2,386)	(1,113)	(7,103)	(684)	(744)
Net cash (used in)/generated by financing activities	533	318	68,499	(178)	101
Increase (decrease) in net cash and cash equivalents	**(4,706)**	**(28,393)**	**61,973**	**4,387**	**(20,045)**

10.2.1 Cash Flow from Operating Activities

Deezer recorded net cash outflow from operating activities before changes in working capital in the first half of 2015 of €10.0 million, as compared to €11.2 million for the first half of 2014. The figures primarily reflect the net loss for each six month period. In the first half of 2015, the net cash outflow was also influenced by the deduction of non-cash expenses that Deezer recognized as it utilized its marketing rights under the advertising contract acquired as part of its acquisition of MIM in July 2014. See Chapter 9.6, "Significant Acquisitions".

In the first half of 2015 Deezer generated a net cash inflow from operating activities after changes in working capital of €5.2 million, as compared to a net cash outflow of €19.4 million in the first half of 2014. The net cash outflow in the first half of 2014 was driven by its net loss for the six month period, increased by the €8.2 million negative effect of its working capital results on its net cash flows from operating activities of for the period. This was primarily as a result of an increase in the amount of Deezer's advance payments to content rights holders and a decline in its trade payables and current liabilities. In the first half of 2015, Deezer's net cash inflow was primarily driven by its negative working capital, which had a positive effect of €15.2 million on its net cash flow from operations. This improvement was principally the result of a significant increase in Deezer's accrued payables to unidentified publishing rights holders. See Section 10.3.2, "Current Liabilities". Deezer also did not make significant advance payments to content rights holders in the first half of 2015, which resulted in lower receivables and augmented its negative working capital.

Deezer recorded net cash outflow from operating activities before changes in working capital of €19.3 million in 2014, as compared to a net cash outflow of €38.8 million in 2013 and €11.1 million in 2012. The figures in each case reflect primarily net loss for each year, before deduction of provisions for minimum guarantee payments and depreciation and amortization charges. The 2013 figure reflects a significant cash payment of minimum guaranteed amounts under a licensing agreement signed in 2012. See Chapter 9.3, "Music Rights."

After changes in working capital, net cash outflow from operating activities was lower than the figure before changes in working capital in each of 2012, 2013 and 2014 due to Deezer's long invoice payment cycles described above. The negative working capital position increases as the size of Deezer's business increases. Changes in working capital had a positive effect of €16.4 million, €11.2 million and €11.7 million on Deezer's net cash used in operating activities for 2014, 2013 and 2012, respectively.

10.2.2 Cash Flow Used in Investing Activities

Deezer's net cash used in investing activities declined slightly from €744 thousand in the first half of 2014 to €684 thousand in the first half of 2015. This was primarly due to reduced outflows for property, plant and equipment and intangible assets in the first half of 2015 as compared to the first half of 2014, offset somewhat by the positive effect on net cash used in investing activities in the first half of 2014 resulting from the closing of one of Deezer's subsidiary entities.

Deezer's net cash used in investing activities increased from €1.1 million in 2013 to €2.4 million in 2014. This increase was primarily attributable to the purchase of IT equipment (such as servers and other hardware) and the purchase of software and other licenses as part of the acquisition of Stitcher assets in 2014.

Deezer's net cash used in investing activities decreased from €7.1 million in 2012 to €1.1 million in 2013. This was primarily due to payments for property, plant and equipment and intangible assets of €6.8 million in 2012, €4.8 million of which reflected the portion of minimum guaranteed payments recognized as intangible assets under "Exclusive rights and access rights". See Chapter 9.3, "Music Rights" and note 6.10 to the Group's consolidated financial statements, included in Annex I, "Group Consolidated Annual Financial Statements".

10.2.3 Cash Flow Generated by Financing Activities

The following table sets forth Deezer's cash flow generated by financing activities for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2014	**2013**	**2012**	**2015**	**2014**
	(in € thousands)				
Increase in share capital	--	--	68,020	--	--
Proceeds from the exercise of stock options or warrants	196	11	2	--	23
Net interest received	363	791	286	132	234
Other cash flows relating to financing activities	(27)	(484)	191	(310)	(156)
Net cash generated by financing activities	**532**	**318**	**68,499**	**(178)**	**101**

Deezer recognized a net cash inflow from financing activities of €0.1 million in the first half of 2014 and a net cash outflow from financing activities of €0.2 million in the first half of 2015. The change was driven primarily by a decrease in net interest received resulting from Deezer's use of cash between the periods and lower market interest rates in the first half of 2015 as compared to 2014, as well as an increase in other cash flows relating to financing activities.

Deezer's net cash inflow from financing activities during fiscal years 2012, 2013 and 2014 was most significantly impacted by €68.0 million of equity capital raised in 2012. The impact of the remaining items was much smaller. The figures for net interest paid reflects the positive impact of interest on Deezer's cash balances (particularly following the 2012 capital increase), offset by interest paid in respect of receivables factoring.

10.3 LIABILITIES AND SHAREHOLDERS' EQUITY

10.3.1 Financial Liabilities

Deezer's current and non-current financial liabilities were €11.0 million as of December 31, 2014, of which:

- €10.0 million in non-current financial liabilities corresponds to the issuance of warrants by Deezer as part of the consideration for its acquisition of MIM from Prosieben in 2014. This amount will be reassessed at each reporting period based on achievement of past performance conditions and re-assessment of future conditions; and

- €1.0 million in current financial liabilities comprising trade receivables assigned to a factor as part of a typical factoring arrangement.

As of June 30, 2015, Deezer's current and non-current financial liabilities were €7.4 million. Of this amount, €6.7 million represents a non-current financial liability corresponding to the issuance of warrants in connection with the MIM acquisition. This liability decreased from €10.0 million as of December 31, 2014 to €6.7 million as of June 30, 2015 as a result of a determination that the fair value of the warrant liability had decreased based on the number of warrants to be issued and the probabilities of different scenarios of vesting and performance conditions for certain of the warrants. The remaining €0.7 million in current liabilities correspond to factored receivables.

10.3.2 Current Liabilities

As of December 31, 2014, Deezer's current liabilities amounted to €71.2 million and as of June 30, 2015 current liabilities amounted to €87.7 million, of which €58.0 million were accruals for royalties that may be payable to publishers that the Group is unable to identify, and who historically have not identified themselves to claim payment. See Chapter 4.1.2.8, "*Licenses from publishing rights holders may be difficult and costly to obtain because publishing rights holders tend to be a dispersed and fragmented group, and Deezer may have limited information on publishing rights holders and royalties.*"

10.3.3 Shareholder's Equity

As of June 30, 2015, Deezer's shareholders' equity was €(14.2) million, as compared to €(6.6) million as of December 31, 2014 and positive shareholders' equity of €18.8 million as of December 31, 2013. After taking into account non-controlling interests (which reflect warrants issued to partners and major record labels), equity attributable to owners of the company was €(15.3) million as of June 30, 2015, €(7.6) million as of December 31, 2014 and €17.8 million as of the end of 2013. Negative equity reflects Deezer's equity capital raised, less accumulated and current period net losses.

10.3.4 Contractual and Off-balance Sheet Obligations

The following tables set forth Deezer's contractual obligations (comprising guaranteed minimum payment obligations under its licensing agreements and trade receivables factoring arrangement) and off-balance sheet contractual obligations as of December 31, 2014.

10.3.4.1 Contractual obligations

(in thousands of euros)	**As of December 31, 2014**	**Up to 1 year**	**1 to 5 years**	**Over 5 years**
Contractual Obligations				
Minimum guaranteed payments	2,513	2,513	-	-
Liabilities for factored receivables	1,013	1,013	-	-
On Balance Sheet Commitments	**3,526**	**3,526**	**-**	**-**

10.3.4.2 Off-balance sheet Obligations

(in thousands of euros)	**As of December 31, 2014**	**Up to 1 year**	**1 to 5 years**	**Over 5 years**
Operating leases	3,812	847	2,965	-
Off Balance Sheet Commitments	**3,812**	**847**	**2,965**	**-**

11. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

11.1 RESEARCH AND DEVELOPMENT

Deezer seeks to promote a culture of innovation designed to spur its employees to creativity and encourage the design and implementation of value-creating projects. Deezer's research and development efforts and its capacity for innovation and improvement of its products and solutions are critical strengths in an industry that is constantly evolving. Deezer's development efforts are focused not only on creating new products, services and technologies, but also on protecting its existing assets. Accordingly, Deezer invests in digital rights management technologies and various technical protection measures to secure its data and audio content. While Deezer does typically purchase intellectual property in the ordinary course of business, it acquired certain copyrights, domain names, trademarks and patents as part of its 2014 acquisition of the Stitcher business (see Chapter 9.6 "Significant Acquisitions").

Deezer dedicates substantial resources to its research and development efforts, which are principally performed in-house. However, Deezer has also developed relationships with Orange Labs, an affiliate of internet provider Orange, and with various universities with whom it collaborates to develop and improve certain algorithms related to personalization, including some that have been applied to Deezer's user interface. While the universities generally publish the results of their research, Deezer is usually given advanced access to ensure that it can be the first in the market to implement them. Deezer's recommendation system is developed nearly entirely by its in-house team.

Amounts that Deezer spends on its research efforts are recognized as expenses in the year in which they are incurred. Deezer incurred product and development costs (including personnel costs) of €6.6 million in 2014, €4.2 million in 2013 and €3.1 million 2012.

11.1.1 Recent Research and Development Highlights

- *Deezer's user interface*. Deezer constantly strives to innovate and optimize its user interface for desktop and mobile. Deezer plans to launch a new mobile interface in the short term as part of the Company's continuing efforts to improve its user experience. Deezer's interface is designed to be easy-to-use and intuitive, allowing users to easily access personalized content built from their musical preferences.

- *"Flow"*. Deezer developed its cutting-edge, one-click play "Flow" feature, which uses a proprietary algorithm to play a customized playlist that is based on music that the user has saved to his or her library, the music he or she has previously streamed, his or her stated genre and artist preferences, usage and preference data from Deezer's broader user base, recent suggestions from Deezer's music editors, tags from Deezer's algorithms and user's real-time indications of whether they like a track or not.

- *Lyrics*. Deezer developed a feature that permits music playback with simultaneous lyrics display across its platform to add additional value to its user experience.

- *Elite*. Deezer's Elite subscription provides subscribers access to all the features of a Premium+ subscription, except with higher CD sound quality streaming (Flac 16 bit).

- *Deezer's talk radio and podcast platform*. Deezer recently launched talk and podcast content on its platform, enabled through the acquisition of Stitcher's catalogue of podcasts and talk radio. Through this service, it can offer users over 40,000 shows, including those from top producers like BBC, NPR, Fox News, MSNBC, Wall Street Journal, This American Life and more.

11.1.2 Current Development Efforts

Deezer has dozens of ongoing technological projects seeking to improve its systems and operations. It is notably focused on innovations relating to the use of its system log database. Deezer is currently working to explore improvements to its algorithms to allow it to better analyze and leverage the usage data that it collects to optimize its business operations. Algorithm and software development efforts are also ongoing in an effort to improve the efficiency of the process of calculating royalties due to content rights holders, which requires the analysis and rendering of large quantities of data.

For further details of Deezer's systems and recent research and development advancements, see Chapter 6.5, "Description of Deezer's Business".

11.2 INTELLECTUAL PROPERTY, LICENSE, USAGE RIGHTS, AND OTHER INTANGIBLE ASSETS

Deezer owns most of the intellectual property used in connection with its activity. Accordingly, Deezer is largely self-sufficient and is able to develop its own technological solutions and provide its services with minimal dependence on third parties.

Deezer's intellectual property rights comprise the following:

- *Software and copyright*. Deezer has developed source code in-house for its website and mobile application and it owns the copyright to its user interface, its website and mobile application.

- *Database rights*. Deezer owns rights in the databases that cover the client information used to enable its personalized user interface capability. This is a key aspect of the Deezer platform and accordingly, database rights are of high importance to the business. Database rights are *sui generis* EU rights. They are available to database producers in recognition of the investment that is made in compiling a database. Database rights can be granted in addition to any copyright that a producer may have over the presentation of the database. They last fifteen years from their completion or publication, and prevent third parties from extracting information without the database producer's permission.

- *Trademarks*. Deezer owns a portfolio of trademarks relevant to its business, including the "DEEZER" mark and graphical representation. Deezer has registered these trademarks in various countries where it conducts its business.

- *Domain names*. Deezer owns a portfolio of approximately 142 domain names, predominantly incorporating the words "Deezer", "Sounddeezer" or "Calypsound".

- *Technical protection measures*. As part of its digital rights management program, Deezer has developed its own technical protection measures ("TPMs", i.e. technologies that control and/or restrict the use of and access to digital media content on electronic devices). TPMs are protected in the EU and other jurisdictions either by regulations preventing their circumvention or under copyright laws applicable to software.

Deezer does not generally enter into licensing arrangements with third parties. However, in certain limited circumstances it is necessary for Deezer to obtain services or content from specialist providers or rights holders. Deezer's intellectual property licenses with third parties comprise the following:

11.2.1 Inbound Licenses

- *Content Licensing*. Deezer has negotiated numerous agreements with content rights holders, including major record labels, independent record labels, producers collective societies and various publishing rights holders. For details of the relationships Deezer has with these rights holders, please see Chapter 6.5.4, “Content licensing”.

- *Open source licenses.* Deezer’s platform utilizes open source software which is generally made available to the public by its authors and/or other third parties. Open source software is often made available under licenses, which impose certain obligations upon users such as Deezer in the event the user distributes derivative works of the open source software. Deezer has implemented a policy of making no modifications to the open source software it uses, in order to avoid disclosure of source code relating to Deezer’s proprietary software (see Chapter 4.1.6.10, “*Much of Deezer’s software is based on "open source" software, which may restrict how Deezer uses or distributes its services or require that it release the source code of certain services subject to those licenses*”).
- *Service contracts with third parties*. Deezer values its self-sufficient business model and to the extent possible, tries not to depend on third-party service provides. However, for the provision of artist biographies and album reviews, which are integrated into Deezer’s user interface, it has entered into contractual arrangements with providers, such as Music Story, S.A.S. and Rovi International Solutions, SARL.

11.2.2 Outbound Licenses

Deezer does not generally license intellectual property to third parties. However, “Deezer for developers” provides users with access to Deezer’s application programming interface (“API”) and associated plugins, which enable users to customize their personal sites and/or develop personal web pages, blogs or personal applications embedding some of the Deezer features, such as its music player. Users are granted access to the API under standard terms of use, which are highly restrictive. The terms permit use of the API and Deezer’s plugins solely for non-commercial purposes and developers agree that they will not modify, edit, disassemble, decompile or reverse-engineer the API. In certain discrete cases, partners such as Disney and Deutsche Grammophon have been granted a customized license from Deezer that permits enhanced access to the API on bespoke terms to allow them to create applications that integrate into the Deezer ecosystem.

12. TREND INFORMATION

12.1 BUSINESS TRENDS

For a detailed description of Deezer's results in 2014 and the first half of 2015, see Chapter 9, "Operating and Financial Review".

12.2 GENERAL

The objectives presented below do not constitute forecasts or estimates of Deezer's profits, but are objectives resulting from its strategic orientations. These objectives are based on data, assumptions, and estimates that Deezer considers reasonable, including in particular on Deezer's expectations as to prevailing market trends. Such data, assumptions and estimates are subject to change or modification based on uncertainties in the economic, financial, competitive, tax or regulatory environment and other factors of which the Group may not be aware at the date of this Registration Document. The occurrence of one or more of the risks described in Chapter 4, "Risk Factors", could have an impact on Deezer's business, results, financial condition or prospects and therefore jeopardize its ability to achieve the objectives presented below. Moreover, Deezer's ability to achieve its objectives depends on the success of its strategy, as described in Chapter 6.3, "Strategy". Deezer does not guarantee and can give no assurance that the objectives described in this section will be achieved and does not undertake to publish updates to this information.

12.3 MEDIUM-TERM OBJECTIVES

Deezer believes that, historically with limited investment, it has been able to achieve a strong position in terms of the quality of its services, its geographic presence, its catalogue and its well-established relationships with key strategic distribution partners as well as the relevant audio content rights holders. The global recorded music market has undergone a major transformation in the last decade, with digital format revenues (including subscription streaming revenues) surpassing physical format revenues for the first time in 2014. The subscription streaming market (comprised of paid subscriptions and advertising-supported tiers of subscription services) is expected to become the largest distribution channel for recorded music in the near future. See Chapter 6.4, "Industry and Market Overview". Deezer intends to increase significantly its investments in key marketing and other strategic initiatives in the next three years to take advantage of these promising trends in the streaming market, with a view to achieving accelerated revenue growth, and reaching monthly EBITDA and cash-flow breakeven by the end of 2018.

12.3.1 Market trends

Deezer's medium-term objectives are based on its business plan and expectations that the subscription streaming market will continue to grow, on the basis of current analysts' estimates. For example, according to Enders, by 2019 subscription streaming retail revenues are expected to reach $9.8 billion, or 49.4% of global retail music revenues, representing a CAGR of 27% between 2014 and 2019. This growth in subscription streaming is expected to be spread across all geographic regions and is expected to be supported by the growth in the percentage of the population that are streaming subscribers. With streaming adoption still at the nascent stage in most countries across the globe, increased adoption of streaming presents a significant growth opportunity for the industry. See Chapter, 6.4, "Industry and Market Overview" for an analysis of the key factors expected to drive streaming adoption.

12.3.2 Revenue Objective

Deezer is targeting revenue of over €750 million in 2018. In 2014, Deezer recorded €141.9 million of revenue. Deezer has generated a 37% increase in overall revenues in July and August 2015 as compared to July and August of 2014, and is on track to achieve an increase in revenue of more than 35% in 2015 as compared to 2014.

Deezer will seek to achieve accelerated revenue growth through a significant increase in marketing and subscriber acquisition investments and ongoing innovation to increase the attractiveness of the service to consumers, which is expected to continue to drive high revenue growth, particularly in 2017 and 2018.

Deezer believes that its revenue growth will be supported primarily by its continued focus on standalone subscriptions. Deezer expects that standalone subscriptions will represent a major part of its revenues in the next few years, particularly in Deezer's developed markets such as France and the rest of Europe. Deezer plans to concentrate much of its efforts on direct subscriber acquisition in these developed markets where Deezer already benefits from strong awareness or partnerships in place. In developed markets, Deezer also intends to closely monitor opportunities of further distribution partnerships, notably with telecom operators as well as other types of partners, as an efficient way of growing its subscriber base. Overall, Deezer expects that the bundle subscription model will represent a more important share of revenue in emerging countries than it does in more developed countries. Deezer aims to further build and strengthen partnerships with telecom operators and other partners to distribute its services and drive market penetration in the early stages of its entry into key emerging markets.

12.3.3 EBITDA Objective

Deezer aims to achieve monthly positive EBITDA and cash flow by the end of 2018, as compared to an EBITDA loss of €21.0 million and a change in net cash position of €(4.7) million for the year ended December 31, 2014. Deezer has already achieved positive EBITDA in France in each of the past three years and in the first half of 2015,[10] and its objective is to do the same in its other markets in the coming years.

Deezer plans to implement a number of strategic initiatives that may initially cause EBITDA to decline significantly, especially in 2016 and 2017, when Deezer plans to significantly increase its marketing and commercial investments as compared to previous years. By the end of 2018 Deezer expects that its marketing investments as a percentage of revenue will have returned to a lower level.

Deezer intends to focus its investments on the strategic orientations below. See Chapter 6.3, "Strategy".

- *Brand / marketing / content.* Deezer plans to invest in marketing in traditional media and targeted audio content and artist marketing opportunities to differentiate Deezer's service offering. Deezer's objective is to raise awareness and perceived value of the service primarily in Europe and other developed markets where it sees the highest potential return from such efforts.

- *Direct customer acquisition.* Deezer intends to optimize its subscriber acquisition by leveraging its free advertising-supported service and customer relationship management, offering promotions and in certain markets participating in direct web and mobile marketing, among other customer acquisition initiatives. Deezer will focus its customer acquisition investments where Deezer expects the highest returns, primarily in developed markets.

- *Partner-based subscriber acquisition.* In parallel to its investments in direct subscriber acquisition and marketing campaigns, Deezer plans to co-finance customer acquisition campaigns in markets in which its service is available, through distribution partnerships with

[10] EBITDA by segment is calculated using an equal allocation of corporate expenses in each segment. See Chapter 9.4.2, "Corporate Expenses" and Chapter 9.9.3, "EBITDA".

current and new telecom operators as well as other partners. Deezer also intends to incentivize its partners to promote Deezer's services with a view to growing Deezer's subscriber base. This activity could take many forms, including agreeing to the commercialization of exclusive offers by select Deezer partners and giving financial incentives to key partners' sales teams for the promotion of Deezer's services.

To support its growth, Deezer also plans to hire a few hundred employees in the next three years, depending on the business opportunities available to Deezer, prevailing marketing conditions and the success of the main strategic initiatives described above. The hiring of additional personnel would help to support the initiatives described above and would also foster continued product and technological innovation, with a specific focus on growing Deezer's engineering and content teams. Deezer's strategic objectives may also evolve as and when strategic opportunities arise, including opportunistic bolt-on acquisitions such as its acquisition of Stitcher.

12.3.4 Dividend Distribution Policy

The Company has not declared any dividends since its inception. Deezer currently intends to focus on achieving growth and expects to reinvest any profits it generates into the operation and growth of Deezer's business. Accordingly, the Company currently does not anticipate paying dividends in the foreseeable future. See Chapter 20.5, "Dividend Policy".

13. PROFIT FORECASTS OR ESTIMATES

None.

14. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES AND SENIOR MANAGEMENT

14.1 COMPOSITION OF MANAGEMENT AND SUPERVISORY BODIES

The Company is a limited liability corporation (*société anonyme*) with a board of directors. A description of the main provisions of the bylaws that the Company plans to adopt, subject to the listing of its shares on Euronext Paris, relating to the functioning and powers of the Board of Directors, as well as a summary of the main provisions of the internal regulations of the Board of Directors and of the special board committees that the Company plans to create effective as of the listing date of the Company's shares on Euronext Paris, are included in Chapter 16, "Practices of Administrative and Management Bodies" and in Chapter 21, "Additional Information".

14.1.1 Board of Directors

The table below shows the composition of the Board of Directors as of the date of this Registration Document and the main positions and offices held by the Company's directors outside of the Company during the last five years.

Name; business address; number of Company shares held	**Date of birth**	**Nationality**	**Expiration date of term of office**	**Main position within the Company**	**Main positions and offices held outside the Company and Group during the last 5 years**
Didier Bench 12 rue d'Athènes 75009 Paris Number of Company shares held: n/a (2,300 (Warrants 2014, see Section 21.1.4, "Other Securities Giving Access to Share Capital")	9/02/1961	French	Annual Shareholders' Meeting called to approve the financial statements for the fiscal year ending December 31, 2018	Chairman	Positions and offices held as of the date of this Registration Document: - Senior Advisor at Silver Lake Sumeru Positions and offices held during the last five years that are no longer held: - Executive Chairman at Acision - Director of i2 Ltd
Hans–Holger Albrecht 12 rue d'Athènes 75009 Paris Number of Company shares held: n/a (18,412 (Stock Options 15, see Section 21.1.4, "Other Securities Giving Access to Share Capital")	29/07/1963	German	Annual Shareholders' Meeting called to approve the financial statements for the fiscal year ending December 31, 2020	CEO and Director	Positions and offices held as of the date of this Registration Document: - Director of AINMT Holdings Positions and offices held during the last five years that are no longer held: - President and CEO of Modern Times Group MTG - President and CEO of Millicom
Daniel Marhely 12 rue d'Athènes 75009 Paris Number of Company shares held: 46,736 (See Chapter 18, "Principal	19/08/1984	French	Annual Shareholders' Meeting called to approve the financial statements for the fiscal year ending December 31, 2020	Director	Positions and offices held as of the date of this Registration Document: - General Manager of Monster Capital Positions and offices held during the last five years that are no longer held: - n/a

Name; business address; number of Company shares held	Date of birth	Nationality	Expiration date of term of office	Main position within the Company	Main positions and offices held outside the Company and Group during the last 5 years
Shareholders")					
Annie Ferton 12 rue d'Athènes 75009 Paris Number of Company shares held: n/a	07/12/1952	French	Annual Shareholders' Meeting called to approve the financial statements for the fiscal year ending December 31, 2020	Director	Positions and offices held as of the date of this Registration Document: - Director of Voyageurs du Monde - Director of I&P Afrique Entrepreneurs Positions and offices held during the last five years that are no longer held: - Director of VIA PAX - President of Dotcorp Asset Management
Guillaume Lautour 12 rue d'Athènes 75009 Paris Number of Company shares held: n/a	17/06/1968	French	Annual Shareholders' Meeting called to approve the financial statements for the fiscal year ending December 31, 2020	Director	Positions and offices held as of the date of this Registration Document: - Managing Partner at Level-Up - Director of Eden Games SA - Director of eRepublik Labs Ltd. - Director of Ezakus Inc. - Director of Family & Co SA -Director of GrandCru Games Oy. - Director of IFeelGoods Inc. - Director of Plumbee Ltd. - Director of Pretty Simple SA - Director of Social Point S.L. - Director of Sightcall Inc. Positions and offices held during the last five years that are no longer held: - Director of Lyatiss Inc. - Director of Kobojo SA - Director of Travelhorizon SA - Director of Mentum SA - Director of Celsius X VI II, SA
Pierre Louette 12 rue d'Athènes 75009 Paris Number of Company shares held: n/a	31/12/1962	French	Annual Shareholders' Meeting called to approve the financial statements for the fiscal year ending December 31, 2018	Director	Positions and offices held as of the date of this Registration Document: - Deputy CEO at Orange - Director of Dailymotion - Director of Orange Pologne - Director of Orange Espagne - Director of Iris Capital - Director of *Réunion des musées nationaux Grand Palais* - Director of Buylin SAS - Director of *Fédération des télécoms* - President of *Comité transformation numérique du Medef* Positions and offices held

Name; business address; number of Company shares held	Date of birth	Nationality	Expiration date of term of office	Main position within the Company	Main positions and offices held outside the Company and Group during the last 5 years
					during the last five years that are no longer held: - n/a
Jorg Mohaupt 12 rue d'Athènes 75009 Paris Number of Company shares held: n/a	10/11/1966	Dutch	Annual Shareholders' Meeting called to approve the financial statements for the fiscal year ending December 31, 2017	Director	Positions and offices held as of the date of this Registration Document: - Director of Access Media Ventures Limited - Director of AINMT Holdings AB - Director of Audeze LLC - Director of Complete Entertainment Resources Ltd - Director of GT Get Taxi Limited - Director of Non-Executive - - Director of Perform Group Limited Public - Director of R.G.E. Group Limited - Director of Rebate Networks - Director of Sentient Technologies Holdings Limited - Director of Songkick.com Limited - Director of Top Up TV Europe Limited - Director of Top Up TV Holdings Limited - Director of Warner Music International Positions and offices held during the last five years that are no longer held: - Director of Acision B.V. - Director of Bergkamp Cooperatief U.A. - Director of Beats Music, LLC - Director of Canaal Digitaal BV - Director of Cellmax Technologies AB - Director of Digiturk (Digital Platform İletişim Hizmetleri AŞ) - Director of Fida Film Yapım Dagitim ve Reklamcilik A.S. - Director of GPOS Holdings Ltd BVI - Director of Icon UK Distribution Holdings Limited - Director of Mendeley Research Networks - Director of Minds 1 Limited - Director of O-zone Networks Private Limited - Director of Perform Media Services LTD - Director of SB Capital

Name; business address; number of Company shares held	Date of birth	Nationality	Expiration date of term of office	Main position within the Company	Main positions and offices held outside the Company and Group during the last 5 years
					Limited - Member of Consultancy Board of Slivinat Services Limited - Director of The Nod Limited - Director of Top Up TV 2 Limited - Director of Tory Burch LLC - Director of VersaTel Telecom NV
Guillaume d'Hauteville 12 rue d'Athènes 75009 Paris Number of Company shares held: n/a	12/06/1963	French	Annual Shareholders' Meeting called to approve the financial statements for the fiscal year ending December 31, 2017	Director	Positions and offices held as of the date of this Registration Document: - Vice-Chairman of Access Industries - Director of STT Properties Positions and offices held during the last five years that are no longer held: - Vice Chairman of Nomura International.

In connection with the planned listing of the Company's shares on Euronext Paris, the Company appointed, upon condition precedent and effective as of such listing, Andria Vidler and Amanda Cameron.

As defined by the Corporate Governance Code for Listed Companies published by AFEP and MEDEF (the "AFEP-MEDEF Code"), the Board of Directors considered that Annie Ferton, Guillaume Lautour, Andria Vidler and Amanda Cameron were independent directors.

The table below shows the main positions and offices of the new directors of the Board of Directors appointed upon condition precedent of the listing of the Company's shares on Euronext Paris during the last five years.

Name; business address; number of Company shares held	Date of birth	Nationality	Expiration date of term of office	Main position within the Company	Main positions and offices held outside the Company and Group during the last 5 years
Hans–Holger Albrecht 12 rue d'Athènes 75009 Paris Number of Company shares held: n/a[1] (18,412 (Stock Options 15, see Section 21.1.4, "Other Securities Giving Access to Share Capital")	29/07/1963	German	Annual Shareholders' Meeting called to approve the financial statements for the fiscal year ending December 31, 2018	Chairman and CEO	Positions and offices held as of the date of this Registration Document: - Director of AINMT Holdings Positions and offices held during the last five years that are no longer held: - President and CEO of Modern Times Group MTG - President and CEO of Millicom
Annie Ferton 12 rue d'Athènes	07/12/1952	French	Annual Shareholders' Meeting called	Director	Positions and offices held as of the date of this Registration Document:

Name; business address; number of Company shares held	Date of birth	Nationality	Expiration date of term of office	Main position within the Company	Main positions and offices held outside the Company and Group during the last 5 years
75009 Paris Number of Company shares held: n/a(1)			to approve the financial statements for the fiscal year ending December 31, 2016		- Director of Voyageurs du Monde - Director of I&P Afrique Entrepreneurs Positions and offices held during the last five years that are no longer held: - Director of VIA PAX - President of Dotcorp Asset Management
Guillaume Lautour 12 rue d'Athènes 75009 Paris Number of Company shares held: n/a(1)	17/06/1968	French	Annual Shareholders' Meeting called to approve the financial statements for the fiscal year ending December 31, 2016	Director	Positions and offices held as of the date of this Registration Document: - Managing Partner at Level-Up - Director of Eden Games SA - Director of eRepublik Labs Ltd. - Director of Ezakus Inc. - Director of Family & Co SA -Director of GrandCru Games Oy. - Director of IFeelGoods Inc. - Director of Plumbee Ltd. - Director of Pretty Simple SA - Director of Social Point S.L. - Director of Sightcall Inc. Positions and offices held during the last five years that are no longer held: - Director of Lyatiss Inc. - Director of Kobojo SA - Director of Travelhorizon SA - Director of Mentum SA - Director of Celsius X VI II, SA
Pierre Louette 12 rue d'Athènes 75009 Paris Number of Company shares held: n/a(1)	31/12/1962	French	Annual Shareholders' Meeting called to approve the financial statements for the fiscal year ending December 31, 2018	Director	Positions and offices held as of the date of this Registration Document: - Deputy CEO at Orange - Director of Dailymotion - Director of Orange Pologne - Director of Orange Espagne - Director of Iris Capital - Director of *Réunion des musées nationaux Grand Palais* - Director of Buylin SAS - Director of *Fédération des télécoms* - President of *Comité transformation numérique du Medef* Positions and offices held during the last five years that are no longer held: - n/a
Jorg Mohaupt	10/11/1966	Dutch	Annual	Director	Positions and offices held as of

Name; business address; number of Company shares held	Date of birth	Nationality	Expiration date of term of office	Main position within the Company	Main positions and offices held outside the Company and Group during the last 5 years
12 rue d'Athènes 75009 Paris Number of Company shares held: n/a(1)			Shareholders' Meeting called to approve the financial statements for the fiscal year ending December 31, 2018		the date of this Registration Document: - Director of Access Media Ventures Limited - Director of AINMT Holdings AB - Director of Audeze LLC - Director of Complete Entertainment Resources Ltd - Director of GT Get Taxi Limited - Director of Non-Executive - - Director of Perform Group Limited Public - Director of R.G.E. Group Limited - Director of Rebate Networks - Director of Sentient Technologies Holdings Limited - Director of Songkick.com Limited - Director of Top Up TV Europe Limited - Director of Top Up TV Holdings Limited - Director of Warner Music International Positions and offices held during the last five years that are no longer held: - Director of Acision B.V. - Director of Bergkamp Cooperatief U.A. - Director of Beats Music, LLC - Director of Canaal Digitaal BV - Director of Cellmax Technologies AB - Director of Digiturk (Digital Platform İletişim Hizmetleri AŞ) - Director of Fida Film Yapım Dagitim ve Reklamcilik A.S. - Director of GPOS Holdings Ltd BVI - Director of Icon UK Distribution Holdings Limited - Director of Mendeley Research Networks - Director of Minds 1 Limited - Director of O-zone Networks Private Limited - Director of Perform Media Services LTD - Director of SB Capital Limited - Member of Consultancy Board of Slivinat Services Limited

Name; business address; number of Company shares held	Date of birth	Nationality	Expiration date of term of office	Main position within the Company	Main positions and offices held outside the Company and Group during the last 5 years
					- Director of The Nod Limited - Director of Top Up TV 2 Limited - Director of Tory Burch LLC - Director of VersaTel Telecom NV
Guillaume d'Hauteville 12 rue d'Athènes 75009 Paris Number of Company shares held: n/a(1)	12/06/1963	French	Annual Shareholders' Meeting called to approve the financial statements for the fiscal year ending December 31, 2018	Director	Positions and offices held as of the date of this Registration Document: - Vice-Chairman of Access Industries - Director of STT Properties Positions and offices held during the last five years that are no longer held: - Vice Chairman of Nomura International.
Andria Vidler 12 rue d'Athènes 75009 Paris Number of Company shares held: n/a(1)	12/05/1966	British	Annual Shareholders' Meeting called to approve the financial statements for the fiscal year ending December 31, 2016	Director	Positions and offices held as of the date of this Registration Document: - CEO of Centaur Media - Trustee of The Roundhouse Positions and offices held during the last five years that are no longer held: - CEO of MI UK & Ireland
Amanda Cameron 12 rue d'Athènes 75009 Paris Number of Company shares held: n/a(1)	10/07/1974	British	Annual Shareholders' Meeting called to approve the financial statements for the fiscal year ending December 31, 2016	Director	Positions and offices held as of the date of this Registration Document: - Director of Unigram - Director of Amanda Ghost Ltd - Director of Outsiders Recorded Music Ltd - Director of Outsiders Music Publishing Ltd - Director of Faena Art Positions and offices held during the last five years that are no longer held: - n/a

(1) To comply with (i) article 15 of the bylaws that the Company plans to adopt, subject to the listing of its shares on Euronext Paris, and (ii) article 14 of the AFEP-MEDEF Code, the members of the Company's Board of Directors shall hold at least 300 shares in the Company. Such Company shares shall be purchased by the members of the Company's Board of Directors within twelve months following the date of the listing of the Company's shares on Euronext Paris.

The above-mentioned members of the Company's Board of Directors will be appointed by the Company's general shareholders' meeting to be held on October 9, 2015 for a term of either two or four years to expire at the close of the annual shareholders' meeting called to approve the financial statements for the fiscal year ending respectively either 2016 or 2018.

The Board of Directors will be renewed each two years on a rolling basis. In order to allow for rolling renewal, the directors making up the initial Board of Directors will be divided into two groups of four directors each (including two independent directors) appointed for terms of two and four years, respectively.

Biographical Information About the Members of the Board of Directors:

Mr. Bench began his career in 1994 at Netscape EMEA as Vice President and General Manager. In 1998, he joined iMediation as Chairman and CEO before becoming Senior Partner at Caisse de dépôt et placement du Québec. He joined Cartesis in 2004 as Chairman and CEO. In 2008, he joined Silver Lake as senior advisor, focusing on the firm's middle market strategy. Mr. Bench joined Deezer in December 2013 as Chairman of the Board of Director.

Mr. Albrecht began his career in 1994 at RTL Group as Director, he was in charge of new development and business in Germany and Eastern Europe. In 1997, he joined Modern Times Group MTG as Head of Pay TV before becoming President and CEO in 2000. He joined Millicom in 2012 as President and CEO. Mr. Albrecht joined Deezer in February 2015 as CEO.

Mr. Marhely is co-founder of Deezer. In 2006, he developed the first version of Deezer, called Blogmusik, in Paris, with the objective of providing music lovers with unlimited access to audio content using streaming technology.

Mrs. Ferton began her career in 1979 at RSCG, where she served as CFO. In 1992, she joined Group LMBO as Associate Director, she left in 2007. She has since served as a consultant for the investment company DC Music and a Member of the Board of Directors of the listed Company Voyageurs du Monde and I&P Afrique Entrepreneurs. Mrs. Ferton joined Deezer as Director.

Mr. Lautour began his career in M&A and project management, working for 5 years in France, China and the USA. He was then a Partner for 15 years at Idinvest, a leading Private Equity firm based in Paris. While there, Mr. Lautour led the funding of more than 35 early-stage startups in Europe and the United States in Digital Media (Gaming, Music, Video), Telecoms and AdTech. His investments have helped drive corporate value and include companies like Deezer, Dailymotion or Criteo. In the last four years, Mr. Lautour has also funded seven gaming studios in Europe including Pretty Simple and SocialPoint. Mr. Lautour recently co-founded Level-Up, an investment firm dedicated to independent mobile game studios in Europe and Asia, from seed to late-stage. He is now Managing Partner at Level-Up. He is a seasoned venture capitalist with a focus on product innovation and creative media.

Mr. Louette is a graduate of Sciences Po, Sorbonne Law School and ENA. He started his career in 1989 at the French Government Audit Office (*Cour des comptes*). In 1993, Mr. Louette worked at the French Prime Minister's Cabinet Office as technical advisor for communications, youth and sports. In 1995, he became General Secretary and Director of Communications at France Télévisions before moving to the Havas Group in 1996 to found and develop the web agency Connectworld. Afterwards, he became Managing Director at Europatweb, Bernard Arnault's venture capital fund, and he participated in the incubation of Webhelp and the development of more than 50 start-ups including Immostreet, Gate 5, among others. CEO of Agence France-Presse from 2003 to 2005, he was appointed as Chairman and CEO in 2005 and held that position until 2010, when he joined Orange. Mr. Louette is currently Deputy CEO at Orange, in charge of the General Secretariat, Orange Wholesale France, Group Sourcing and Supply Chain, Chrysalid operational efficiency program, Orange Silicon Valley, Orange Horizons and Orange Digital Ventures. Mr. Louette joined Deezer in 2015 as Director.

Mr. Mohaupt began his career at Continuum Group Limited as Co-Founder and Manager. He then became Executive Director at Morgan Stanley and Lehman Brothers. In 2004, he joined Providence Equity Partners as Managing Director in charge of European investment activities. Mr. Mohaupt joined Access Industries in May 2007, where he is responsible for the media, online and telecom business. Mr. Mohaupt serves on the boards of Audeze LLC, Perform Group Plc, AINMT Holdings, Gettaxi Ltd, ULE, Sentient Technologies, and Acision B.V. Mr. Mohaupt joined Deezer in 2012 as Director.

Mr. d'Hauteville graduated from HEC and Harvard Business School with an MBA. He began his career in investment banking in the USA and in Europe. In 2000 he joined Banque Lehman Brothers France (BLB) where he was subsequently appointed Chairman and CEO. After the BLB sale to Nomura, he became Vice Chairman at Nomura International in January 2009. Mr. d'Hauteville is currently Vice Chairman of Access Industries and Chairman - Director of STT Properties. He joined Deezer in 2012 as Director.

Mrs. Andria Vidler is CEO of Centaur Media, one of the UK's leading multiplatform content groups whose brands include The Lawyer, Celebrity Intelligence and Marketing Week. Previously CEO of EMI Music UK & Ireland, Andria also held senior positions at Bauer, Capital Radio and the BBC. At EMI Andria was charged with delivering growth; through digital innovation, expanding the artist roster and the adoption of new revenue streams. As Chief Marketing Officer at Bauer, Andria was responsible for marketing across all of the group's platforms from radio to magazines. Andria is a trustee of The Roundhouse and a former member of the Advertising Association's Children's Panel which was set up to tackle the commercialization and sexualisation of childhood. She also sits on industry award panels and is particularly keen to support the next generation of marketing leaders.

Mrs. Amanda Cameron (Amanda Ghost) is a three time Ivor Novello Award winner, a Golden Globe nominee, and has been nominated for six Grammy Awards. Ghost started her musical career as a singer-songwriter signed to Warner Music in Los Angeles. Ghost served as president of Epic Records from 2009 to 2011 and went on to sign artists through her own imprint 'Outsiders', a joint venture with Universal Music Group. In 2015, Amanda and Gregor Cameron parented with Len Blavatnik's Access Industries to launch UNIGRAM: an independent British film, television, and multimedia production company focused on the development of projects featuring music at its core. She currently sits on the Board of Faena Art.

Balance in the Composition of the Board of Directors:

As indicated above, in connection with the planned listing of the Company's shares on Euronext Paris, the Company plans to appoint, with effect from the listing date of the Company's shares on Euronext Paris, two independent directors pursuant to the criteria adopted by the Company. As of the listing date of the Company's shares on Euronext Paris, four of the Company's Board of Directors will comprise four directors who are considered independent under these criteria.

The Board of Directors will ensure that the selection of those two new members, to be appointed effective as of the listing of the Company's shares on Euronext Paris, will complete the Board's composition so that it will reflect a diversity of skills as well as balanced representation of men and women, in proportions that comply with applicable legal requirements.

14.1.2 Senior Management

In accordance with Article 22 of the Company's bylaws, the Board of Directors has decided to combine the positions of Chairman of the Board of Directors and Chief Executive Officer of the Company, with effect from the listing date of the Company's shares on Euronext Paris.

14.1.3 Executive Committee

The role of the Executive Committee is to develop and implement the Group's strategy, while delivering service quality and added value to the Group's projects for the benefit of its clients, shareholders and employees. It is also charged with improving interaction and cooperation among the Group's business lines and among the different geographic markets where the Group does business.

The composition of the Group's Executive Committee is as follows:

- Hans-Holger Albrecht, Chief Executive Officer

- Simon Baldeyrou, Chief Operating Officer
- Tyler Goldman, Chief of North America & New Business
- Alexander Holland, Chief Product & Content Officer
- Gerrit Schumann, Chief International Officer

Biographical Information About the Members of the Executive Committee:

- Mr. Simon Baldeyrou began his career at Toulouse & Associés, a M&A and strategy consulting firm. Before joining the music industry, he worked extensively in the area of sport by co-founding two consulting firms specializing in finance and brand marketing, notably for sports clubs and federations, and as Head of Finance for the Rugby World Cup 2007 Organising Committee. Simon joined Deezer in 2009 as CFO and COO. In June 2012, as Deezer was about to launch globally, he was appointed Managing Director of Deezer France. He was appointed Deputy CEO in July 2014 and COO again in June 2015, being notably in charge of Finance, Human Resources and Strategy & Special Projects. Born on 11/27/1978 (Clamart / France), he is a graduate of the University of Paris XI and ESSEC (Master) in France and University of Birmingham in United Kingdom.

- Mr. Gerrit Schumann started his career as co-founder and CEO of the global e-commerce company element 5 in 1996. After the acquisition of the company by Digital River in 2004, he continued as President of Digital River Europe. In 2009 he started simfy, a music streaming service based in Germany, before joining Deezer in 2013 as VP Europe, and now Chief International Officer. Born on 26/10/1973 (Berlin, Germany), he studied Computer Science, Physics & Business Administration at the Karlsruhe University in Germany.

- Mr. Goldman has been CEO of Deezer North America since 2013. From 2007 until 2012, he served as CEO of Buzzmedia, a leading digital publisher. Prior to that Mr. Goldman helped found and operate two pioneering Internet companies, Broadband Sports in 1996, where he served as CEO, and Movielink, a video streaming service owned by Sony Pictures and Warner Brothers that was sold to Blockbuster, in 2003. He started his career as a corporate attorney and has worked at Wilson Sonsini, Steinberg & Moorad and LFP, Inc. Mr. Goldman is a graduate of Dartmouth College, the Kellogg Graduate School of Management and Northwestern University School of Law.

- Mr. Holland joined the RTL Group as head of Business Development, then became CEO of the pay channels at Viasat (Scandinavia). He subsequently managed TV Files UK Limited, Europe Movieco Partners Ltd and Viasat Broadcasting Ltd., where he held the position of Head of Content Acquisition, Branding and Promotion and was later promoted to Chief of Staff. More recently Mr. Holland became COO at Antenna Group in Athens. Born on 12/04/1967 (Hambourg, Germany), he is a graduate of Ludwig Maximilian University of Munich in Germany.

The Group's Executive Committee is complemented by an expanded Executive Committee that includes the representatives of the main support functions and geographic areas.

14.1.4 Statement Regarding the Board of Directors and Senior Management

As of the date of the registration of this Registration Document, to the Company's knowledge, there are no family relationships among the members of the Company's Board of Directors and Senior Management.

To the Company's knowledge, over the course of the past five years: (i) none of the above persons has been convicted of fraud; (ii) none of the above persons has been associated with any bankruptcy, receivership or liquidation; (iii) no accusations or official public sanctions have been brought against any of the above persons by statutory or regulatory authorities (including designated professional bodies); and (iv) none of the above persons has been disqualified by a court from acting as a member of the administrative, management or supervisory body of any company, or from being involved in the management or performance of business of any company.

14.2 CONFLICTS OF INTEREST

To the Company's knowledge, and subject to the relationships described in Chapter 19, "Related Party Transactions", as of the date of this Registration Document there are no potential conflicts of interest between the duties of the members of the Board of Directors and of Senior Management to the Company and their private interests. For more information regarding the relationship between Access Industries and Warner Music, see Section 16.3.5 "Specific Governance Principles".

To the Company's knowledge, as of the date of this Registration Document, there are no agreements or undertakings of any kind with shareholders, clients, suppliers or others pursuant to which any member of the Company's Board of Directors or Senior Management has been appointed to such position.

As of the date of this Registration Document, the members of the Board of Directors have not agreed to any restriction on their right to transfer shares of the Company, with the exception of rules relating to the prevention of insider trading and the recommendations of the AFEP-MEDEF Code with respect to obligation to retain shares.

15. COMPENSATION AND BENEFITS OF DIRECTORS AND SENIOR EXECUTIVES

15.1 COMPENSATION AND BENEFITS OF SENIOR EXECUTIVES

The sections below provide an overview of compensation and benefits of any kind due to the Chairman of the Board of Directors, the CEO, the Deputy CEO ("*Directeur Général Délégué*") (together, the "Senior Executives") and the Directors in connection with their office with (i) the Company; (ii) companies controlled by the Company; (iii) companies controlled by companies that control the Company; and (iv) companies that control the Company, all within the meaning of Article L. 233-16 of the French Commercial Code.

15.1.1 Directors' Fees

The members of the Company's Board of Directors did not receive any directors' fees or other compensation from the Company during the years ended December 31, 2013 and 2014.

In connection with the listing of the Company's shares on Euronext Paris, the Company intends to pay directors' attendance fees to all Board members, in accordance with the following principles:

- EUR 40,000 per year, consisting of a 50% fixed share and a 50% variable share depending on attendance at meetings of the Board of Directors; and

- EUR 5,000 per year for a member of a Board Committee (EUR 10,000 for the Chairman of a Committee), consisting of a fixed share of 50% and a variable share of 50% depending on attendance at Committee meetings.

15.1.2 Compensation of Senior Executives

15.1.2.1 Principles Governing the Compensation of Mr. Didier Bench, Chairman of the Board of Directors

Mr. Didier Bench was appointed as Chairman of the Board of Directors on December 16, 2013, for the duration of his term as a director. His term as a director of the Company ends at the close of the annual shareholders' meeting that will take place in 2019 to approve the financial statements for the 2018 fiscal year. Mr. Didier Bench will resign from his function as Chairman of the Board of Directors, with condition precedent to the listing of the Company's shares on Euronext Paris.

Mr. Didier Bench receives no compensation in his capacity as Chairman of the Company's Board of Directors.

DJLB Consulting Limited (a company wholly owned by Mr. Didier Bench) entered into a service agreement with the Company on April 9, 2014 (effective for a one-year period as from December 16, 2013, and tacitly renewable for additional periods of one year), the purpose of which is to assist the Company with its international development; the Company paying a monthly fee of EUR 6,250 (exclusive of any VAT) in consideration for the services rendered pursuant to the service agreement. This agreement will be subject to approval as a related party agreement at the next annual general meeting of the shareholders of the Company.

Mr. Didier Bench will not receive any severance or compensation under a non compete clause in the event of termination from the Company.

15.1.2.2 Principles Governing the Compensation of Mr. Hans-Holger Albrecht, CEO

Mr. Hans-Holger Albrecht was appointed as CEO of the Company on January 29, 2015, effective as of February 2, 2015, for an undefined term. Mr. Hans-Holger Albrecht was appointed as Director on April 23, 2015. His term as a director of the Company ends at the close of the annual shareholders' meeting that will take place in 2019 to approve the financial statements for the 2018 fiscal year. Mr. Hans-Holger Albrecht will be appointed as Chairman of the Board of Directors to replace Mr. Didier Bench, with condition precedent to the listing of the Company's shares on Euronext Paris.

Mr. Hans-Holger Albrecht receives compensation in his capacity as CEO of the Company as follows:

- an initial gross compensation of EUR 200,000 per annum; and
- a bonus of up to EUR 120,000, at such intervals and subject to such conditions as the Company may in its absolute discretion determine, taking into account specific performance targets to be established by the Board of Directors of the Company from time to time. Some of the targets will have a discretionary and qualitative nature. Variances versus targets will result in variances in bonus with maximal total bonus, including bonus for over-delivery versus target, capped to EUR 240,000.

Mr. Hans-Holger Albrecht receives compensation in his capacity as Chief of International Development pursuant to his employment agreement with Deezer UK Branch as follows:

- an initial salary of GBP 150,000 per annum; and
- a bonus of up to GBP 210,000, at such intervals and subject to such conditions as the employer may in its absolute discretion determine, taking into account specific performance targets to be established by the Board of Directors of the Company from time to time. Some of the targets will have a discretionary and qualitative nature. Variances versus targets will result in variances in bonus with maximal total bonus, including bonus for over-delivery versus target, capped to GBP 420,000.

Such employment agreement is governed by UK law and provides that it would be automatically terminated without indemnity and without notice in case of termination of Mr. Hans-Holger Albrecht's CEO position. As a result, the Board has taken the position that this situation is compliant with the AFEP-MEDEF Code.

The performance targets mentioned above will be set by the Board of Directors every six to twelve months subject to the need of the Company. Such targets have not been set to date. The terms and conditions of the compensation of the CEO will be presented to the general meeting of the shareholders of the Company in accordance with the provisions of the Afep-Medef Code regarding the "*say on pay*" rule.

Mr. Hans-Holger Albrecht will not receive any severance or compensation under a non-compete clause in the event of termination from the Company.

15.1.2.3 Principles Governing the Compensation of Mr. Simon Baldeyrou, Deputy CEO

Mr. Simon Baldeyrou was appointed as Deputy CEO of the Company on July 3, 2014, for an undefined term.

Mr. Simon Baldeyrou receives no compensation and has not been granted any options or performance shares in his capacity as Deputy CEO of the Company.

Mr. Simon Baldeyrou receives compensation in his capacity as Chief Operating Officer pursuant to his employment agreement with Deezer (governed by French law) as follows:

- an initial salary of EUR 250,000 per annum; and

- a bonus of up to EUR 100,000 per annum, at such intervals and subject to such conditions as the employer may in its absolute discretion determine, taking into account specific performance targets to be established by the Board of Directors of the Company from time to time. Some of the targets will have a discretionary and qualitative nature.

Mr. Simon Baldeyrou will not receive any severance or compensation under a non-compete clause in the event of termination from the Company of his Deputy CEO position.

15.1.2.4 Summary Table of Compensation, Options and Warrants Granted to Senior Executives

(in Euros (EUR))	**2014**	**2015**
Mr. Didier Bench, Chairman of the Board of Directors		
Compensation due for the fiscal year (detailed in Section 15.1.2.5 below)(1)	EUR 242,329	EUR 75,000
Valuation per warrants granted during the fiscal year	EUR 63	-
Valuation of performance shares granted during the fiscal year	-	-
Total	EUR 242,329	-

(in Euros (EUR) or Pound Sterling (GBP))	**2015**	
Mr. Hans-Holger Albrecht, CEO		
Compensation due for the fiscal year (detailed in Section 15.1.2.5 below)(2) (3)	-	-
Valuation per options granted during the fiscal year(4)	EUR 220	
Valuation of performance shares granted during the fiscal year	-	
Total	-	-

(in Euros (EUR))	**2014**	**2015**
Mr. Simon Baldeyrou, Deputy CEO		
Compensation due for the fiscal year (detailed in Section 15.1.2.5 below)(2)	EUR 238,847	EUR 221,102
Valuation per options granted during the fiscal year	-	-
Valuation of performance shares granted during the fiscal year	-	-
Total	EUR 238,847	-

(1) Exclusive of any VAT. Such compensation arise from the service agreement entered into between DJLB Consulting Limited (a company wholly owned by Mr. Didier Bench) and the Company.
(2) On a gross basis (before social charges and taxes).
(3) Because Mr. Hans-Holger Albrecht assumed his position from the first quarter of year 2015, this amount corresponds to his fixed compensation calculated on a pro rata basis.
(4) Those options were granted to Mr. Hans-Holger Albrecht (i) for 30% in his capacity as CEO of the Company, and (ii) for 70% in his capacity as Chief of International Development pursuant to his employment agreement with the Deezer UK Branch.

15.1.2.5 Compensation of Senior Executives

(*in Euros*)	2014		2015	
	Due[4]	**Paid**[5]	**Due**[4]	**Paid**[5]
Mr. Didier Bench, Chairman of the Board of Directors				
Fixed Compensation[1]	EUR 242,329	EUR 208,333	EUR 75,000	-
Variable Compensation	-	-	-	-
Exceptional Compensation	-	-	-	-
Directors' Fees	-	-	-	-
Benefits in Kind	-	-	-	-
Total	EUR 242,329	EUR 208,333	EUR 75,000	-

(in Euros (EUR) or Pound Sterling (GBP))	2015			
	Due[4]		**Paid**[5]	
Mr. Hans-Holger Albrecht, CEO				
Fixed Compensation[2] [3]	EUR 200,000	GPB 150,000	-	-
Variable Compensation[2]	-	-	-	-
Exceptional Compensation	-		-	
Directors' Fees	-		-	
Benefits in Kind	-		-	
Total	-	-	-	-

(*in Euros*)	2014		2015	
	Due[4]	**Paid**[5]	**Due**[4]	**Paid**[5]
Mr. Simon Baldeyrou, Deputy CEO				
Fixed Compensation[2]	EUR 150,000	EUR 150,000	EUR 221,102	-
Variable Compensation	EUR 71,250	EUR 62,500	-	-
Exceptional Compensation	EUR 17,597	EUR 17,597	-	-
Directors' Fees	-	-	-	-
Benefits in Kind	-	-	-	-
Total	EUR 238,847	EUR 230,097	-	-

[1] Exclusive of any VAT. Such compensation arise from the service agreement entered into between DJLB Consulting Limited (a company wholly owned by Mr. Didier Bench) and the Company.
[2] On a gross basis (before social charges and taxes).
[3] Because Mr. Hans-Holger Albrecht assumed his position from February 2, 2015, this amount corresponds to his fixed compensation for a 12-month period.
[4] Compensation due in respect of relevant fiscal year, regardless of payment date.
[5] Compensation paid in 2014 or expected to be paid in 2015 .

15.1.2.6 Stock options grants in 2014 to each Senior Executives by the Company or any company of the Group

No stock options were granted to Senior Executives during the year ended December 31, 2014. For stock options granted to Senior Executives from the beginning of the fiscal year, see Section 15.1.2.9 "History of Allocation of Stock Options, Call Options and Warrants" of this Registration Document.

15.1.2.7 Stock Options exercised in 2014 by each Senior Executives

No stock options were exercised by any Senior Executive during the year ended December 31, 2014 or from the beginning of the fiscal year.

15.1.2.8 Performance Shares

As of the date of the registration of this Registration Document, neither the Company nor any Group company has put in place performance shares plans.

15.1.2.9 History of Allocation of Stock Options and Warrants

Information on stock options and warrants			
	Warrants 2014	**Stock Options 15**	**Stock Options 10-2**
Date of Shareholders' Meeting	May 22, 2014	April 23, 2015	June 30, 2011
Date of Board of Directors Meeting	n/a	April 23, 2015	January 12, 2012
Total number of shares that may be subscribed or purchased, including that number that may be subscribed or purchased by Senior Executives:	2,300	18,412	1,800
- Mr. Didier Bench, Chairman	2,300(1)	-	-
- Mr. Hans-Holger Albrecht, CEO	-	18,412(2)	-
- Mr. Simon Baldeyrou, Deputy CEO	-	-	1,500(4)
Starting date for exercise of all the incentive instruments	December 16, 2016(3)	February 2, 2019	January 12, 2016
Expiration date	December 31, 2024(3)	December 31, 2024	December 31, 2020
Stock or purchase option price	EUR 703.32	EUR 703.32	EUR 153.81

(1) Those warrants were granted to Mr. Didier Bench in his capacity as Chairman of the Board of Directors of the Company.
(2) Those options were granted to Mr. Hans-Holger Albrecht (i) for 30% in his capacity as CEO of the Company, and (ii) for 70% in his capacity as Chief of International Development pursuant to his employment agreement with the Deezer UK Branch.
(3) Such warrants will lapse in case of an initial public offering. As a consequence, such warrants are expected to be exercised as at the date of the listing of the Company's shares on Euronext Paris.
(4) Those options were not granted to Mr. Simon Baldeyrou in his capacity as Deputy CEO of the Company.

15.1.2.10 Stock Subscription or Purchase Options of the Company Granted to the Company's Top Ten Employees

	Total number of options granted/shares subscribed or purchased	**Weighted average price**	**Plan**
Options granted during the year by the Company and any company whose employees were eligible for option grants to the ten employees of the Company and any such company who received the highest number of such options	2,500	-	2,500 Stock Options 15-2 granted on July 16, 2015
Options on the Company and the companies previously mentioned exercised during the year by the ten employees of the Company and such companies who purchased or subscribed for the greatest number of options	n/a	n/a	n/a

All equity instruments described in Section 15.1.2. above are outstanding as of the date of the Registration Document.

15.1.3 Benefits of Senior Executives

Senior Executives	Employment Agreement		Supplementary Pension Plan		Benefits or advantages due or likely to be due as a result of termination or change of office		Benefits relating to a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Mr. Didier Bench Chairman of the Board of Directors Beginning of term: December 16, 2013 End of term: 2018		X		X		X		X
Mr. Hans-Holger Albrecht CEO Beginning of term: February 2, 2015 End of term: n/a	X			X		X		X
Mr. Simon Baldeyrou Deputy CEO Beginning of term: July 3, 2014 End of term: n/a	X			X		X		X

It is expected that the Company's senior executives will receive a specific bonus relating to the Company's initial public offering. Such specific bonus is not set yet but will be determined in a discretionary way by the Board of Directors and disclosed in the Securities Note.

15.1.4 Compliance of Total Executive Director Compensation with the Recommendations of the AFEP-MEDEF Code

As from the listing of the Company's shares on Euronext Paris, the Company intends to comply with substantially all of the recommendations of the Corporate Governance Code for Listed Companies of the AFEP and the MEDEF (the "AFEP-MEDEF Code") (See Chapter 16, "Practices of Administrative and Management Bodies", for more information).

The AFEP-MEDEF Code may be consulted on the Internet.[11] The Company keeps copies of such code available to the members of its governing bodies at all times.

15.2 AMOUNT OF PROVISIONS MADE OR RECORDED BY THE COMPANY OR BY ITS SUBSIDIARIES FOR THE PAYMENT OF PENSIONS, RETIREMENT PLANS OR OTHER BENEFITS

The Company has not provisioned any amounts for payments of pensions, retirements or other similar benefits to its directors.

[11] http://www.medef.com/fileadmin/www.medef.fr/documents/AFEP-MEDEF/Code_de_gouvernement_d_entreprise_des_societes_cotees_juin_2013_FR.pdf

16. PRACTICES OF ADMINISTRATIVE AND MANAGEMENT BODIES

16.1 TERMS OF OFFICE OF MEMBERS OF THE ADMINISTRATIVE AND MANAGEMENT BODIES

The terms of office of the members of the Company's Board of Directors and senior management can be found in Section 14.1, "Composition of Management and Supervisory Bodies".

16.2 INFORMATION ON SERVICE CONTRACTS BETWEEN MEMBERS OF THE ADMINISTRATIVE AND MANAGEMENT BODIES AND THE COMPANY OR ANY ONE OF ITS SUBSIDIARIES

To the Company's knowledge, apart from those mentioned in Chapter 15, "Compensation and Benefits of Directors and Senior Executives" and in the paragraph below, there are no service contracts between members of the Company's Board of Directors and the Company or any of its subsidiaries providing for the granting of benefits.

Monster Capital (a company wholly owned by Mr. Daniel Marhely) entered into a service agreement with the Company on May 1, 2015 (effective for a six-month period as from May 1, 2015, and tacitly renewable for additional periods of three months), the purposes of which is to provide the Company with consulting and advisory services on innovation, strategy and operations; the Company paying a monthly fee of EUR 10,000 (exclusive of any VAT) in consideration for the services rendered pursuant to the service agreement. This agreement will be subject to approval as a related party agreement at the next annual general meeting of the shareholders of the Company.

16.3 INTERNAL REGULATIONS OF THE BOARD OF DIRECTORS

Subject to the listing of the Company's shares on Euronext Paris, the Company's Board of Directors will adopt internal regulations setting forth its composition, responsibilities and powers, and procedural rules (in addition to those set forth in legislative and regulatory provisions and the Company's bylaws). The internal regulations contain the principal provisions described below.

16.3.1 Participation in Board of Directors' Meetings by Video Conference or Other Means of Telecommunication

As permitted by Article L. 225-37 of the French Commercial Code, meetings of the Board of Directors may be held by video conference or any other means of telecommunication permitting directors to be identified and ensuring their effective participation in the meeting, at a minimum by transmitting the participants' voices and meeting technical requirements enabling the uninterrupted and simultaneous transmission of the proceedings.

Directors who wish to participate in a meeting of the Board of Directors by means of video conference or telecommunication as described above must so indicate by email to the chairman at least 24 hours in advance of the meeting, so that the chairman may make video conferencing or other means of telecommunication, as the case may be, available to such directors.

Directors participating in a meeting by means of video conference or other means of telecommunication are deemed present for purposes of calculating quorum and majority. Adequate measures must be taken to permit identification of each participant and to verify the quorum. Otherwise, the meeting must be adjourned.

The preceding provisions do not apply to meetings at which the decisions set forth in Articles L. 232-1 and L. 233-16 of the French Commercial Code are to be voted on, relating, respectively, to the preparation of the Company's annual financial statements and management report and to the preparation of the Group's annual consolidated financial statements and management report.

16.3.2 Decisions Reserved for the Board of Directors

The chief executive officer must submit the following decisions for the prior authorization of the Board of Directors:

(i) any amendment to the Articles of Association, or the articles of association of any of its Subsidiary;

(ii) any merger, de-merger, spin-off, capital contributions in cash or in kind of all or part of any business or assets or any similar corporate reorganization of the Group Companies;

(iii) any share capital increase or decrease or issuance of any Securities of the Group Companies or any changes in outstanding Securities of the Group Companies, except for any capital increase as a result of the exercise of (y) any outstanding exchangeable or convertible Securities issued by any Group Company as the date hereof or (z) any further Incentive Instrument duly issued or authorized from time to time thereafter in accordance with the provisions hereof;

(iv) the definition or amendment of the terms and conditions of any Incentive Instruments and their granting or allocation to their respective beneficiaries;

(v) the initiation and structure of any proposed IPO, and any major decisions in connection with its implementation as set forth in Section 5.3;

(vi) the decision to engage any Group Company in any activity other than the activities operated as at the date hereof, or to reduce or terminate any business activities generating at least EUR 300,000 individually or EUR 600,000 in the aggregate in turnover for the Group Companies over the last 12 months, or the Transfer of the Deezer trademark to any Person other than a Group Company;

(vii) the declaration or payment of any dividend or return of capital on, or the making of any other distribution in respect of, the Shares or any shares of the Subsidiaries of the Company;

(viii) the liquidation, dissolution or winding-up of, or the initiation of any Insolvency Proceeding with respect to any Group Company;

(ix) the incorporation or setting up of any new Subsidiary, branch or agency by any Group Company;

(x) the approval of the Group Companies' annual financial statements;

(xi) the adoption of the annual Company's business plan or budget for each fiscal year, and any significant amendment thereof;

(xii) the acquisition or disposal by any Group Company of a participating interest or a business activity, or the conclusion, amendment or termination by any Group Company of any partnership or joint-venture agreement whose value equal to or in excess of EUR 200,000;

(xiii) the decision of any Group Company to engage or incur any capital expenditure, investment, disinvestment or other commitment (or a series of several related transactions) that involves any expenses or liabilities (whether actual or contingent) equal to or in excess of the initial or reforecast annual budget of, EUR 500,000 individually, or EUR 1,000,000 in the aggregate, in each case on a budget line item basis (e.g., general and administrative expenses, staff, marketing);

(xiv) the granting or creation by any of the Group Companies of any Lien on any Securities, business ("*fonds de commerce*") or other assets of the Group Companies other than in the ordinary course of business or, alternatively, representing a value equal to or in excess of EUR 50,000;

(xv) the entering into or amendment by any Group Company of any credit facility agreement as borrower or lender or more generally the incurrence by any of them of an indebtedness (including as a result of the issuance of bonds or debt securities) for an aggregate amount equal to or in excess of EUR 50,000 individually or EUR 100,000 in the aggregate;

(xvi) the entering into, amendment or termination by any Group Company of any shareholder's loan, cash-pooling and credit facility agreement or other services agreement among the Group Companies or between any of them and the Shareholders, as the case may be;

(xvii) the appointment and removal of the statutory auditors or the accounting firm of any Group Company and any material changes to their accounting procedures, practices or principles other than negligible or as required by applicable Laws;

(xviii) the appointment, removal and the determination or amendment of the terms and conditions (including compensation) of the Chief Executive Officer ("*directeur général*"), the Chief Operating Officers ("*directeurs généraux délégués*") of the Company as well as the Chairman and the other Board Members, as the case may be, or any directors, officers or legal representatives of the Subsidiaries of the Company having equivalent management and/or supervisory authority;

(xix) the recruitment, hiring or dismissal and the determination or amendment of the terms and conditions (including compensation, unless the annual compensation is increased from an amount not exceeding 10%) of any of director, officer or employee of the Group Companies (who is part of the Executive Committee) (y) whose fixed annual gross compensation is higher than EUR 200,000, or (z) whose fixed and variable annual gross compensation could be, in the aggregate, higher than EUR 300,000, except for mandatory changes as a result of any applicable collective bargaining agreement or Laws;

(xx) the entering into, amendment or termination by any Group Companies of any license agreement with any owner or licensee of copyrights in any musical and other related works (including the Majors), involving a fixed and guaranteed payment of any Group Company equal to or in excess of EUR 5,000,000 individually on an annual basis;

(xxi) the sale, assignment, transfer, exclusive licensing, or disposal (including by means of allowing to lapse, or failing to renew or maintain) of any material intellectual property rights or know-how owned or co-owned by any of the Group Companies, other than in the ordinary course of business;

(xxii) the commencement or conduct by any Group Company of any judicial, regulatory or arbitration proceedings of any kind before any Governmental Authority, or the conclusion of any settlement agreement to which one of the Group Companies is a party as defendant or plaintiff, and in which the amount of the claim exceeds EUR 1,000,000 individually;

(xxiii) the allocation of any remainder of Call Option Securities in accordance with Section 4.5(b) or Section 4.6(b), and more generally, the exercise or waiver by the Company of any of its material rights provided under this Agreement or under any Liquidity Agreement, as the case may be; and

(xxiv) any undertaking to perform any of the acts referred to above or to grant an option or to perform any other agreement whose exercise will require or may require the Group Companies to perform one of the acts referred to above.

16.3.3 Evaluation of Work Performed by the Board of Directors

The Board of Directors must evaluate its ability to meet shareholder expectations by periodically analyzing its composition, organization and procedures, as well as the composition, organization and procedures of its committees. In particular, it must analyze the rules governing the functioning of the Board and its committees, reflect on the desirable balance in their composition, periodically ask itself whether their organization and functioning are adequate to their tasks, verify that important questions are properly prepared and debated, and measure the effective contribution of each director to the work of the Board of Directors and of the committees in light of such person's skills and involvement in deliberations.

To that end, once a year the Board's meeting agenda must include a discussion of its functioning. Furthermore, once a year in its annual report, the Board must inform shareholders of the completion of these evaluations and the results thereof.

A formal evaluation, which may be implemented under the direction of the Nomination and Compensation Committee with the assistance of an outside consultant, must also be carried out at least every three years. The shareholders must be informed each year in the annual report of the completion of these evaluations and the results thereof.

16.3.4 Committees of the Board of Directors

The Company's internal regulations set forth rules applicable to the composition, responsibilities and powers, and procedural rules of the committees of the Board of Directors (see Section 16.4, "Committees of the Board of Directors").

16.3.5 Specific Governance Principles

The Company's internal regulations set forth rules applicable to all Directors in respect of conflicts of interests, and especially rules concerning Directors representing Access Industries and Orange. As to Access Industries (and as long as Access Industries holds at least the majority of Warner Music's share capital): (i) such Director shall not receive any detailed and sensitive (financial or not) information related to any negotiation or specific agreement entered into between the Company and any Major, (ii) as the case may be, if the Board of Directors needs to consider a specific agreement with a Major, such Director shall only be given aggregate information on several Majors, so that he/she may not identify the specific commercial conditions negotiated by this Major, and (iii) such Director shall be required to refrain from any voting related to any commercial agreement or draft agreement between the Company and Warner Music. As to Orange: (i) such Director shall not receive any detailed and sensitive (financial or not) information related to any negotiation or specific agreement between the Company and any telecommunication company outside the Orange group, (ii) such Director shall not receive any information related to the profitability for the Company of any agreement entered into between the Company and Orange or one of its subsidiaries, and (iii) such Director shall be required to refrain from any voting related to any commercial agreement or draft agreement with any entity of the Orange group.

16.4 COMMITTEES OF THE BOARD OF DIRECTORS

Pursuant to Article 17 of the Company's bylaws that are to be adopted at the Company's Extraordinary Shareholders' Meeting on October 9, 2015, subject to the listing of the Company's shares on Euronext Paris, the Company's Board of Directors may create committees charged with examining questions submitted to it by the Board or its Chairman.

It is expected that two such Board committees will be created: an Audit Committee and a Nomination and Compensation Committee. The composition, responsibilities and powers, and procedural rules of these Committees are described below. The Committees will be put in place on the listing date of the Company's shares on Euronext Paris. Their composition are expected to substantially comply with the recommendations of the AFEP-MEDEF Code.

16.4.1 Audit Committee

16.4.1.1 Responsibilities and Powers (Article 9.3.2 of the Internal Regulations of the Board of Directors)

The Audit Committee's mission will be to prepare and facilitate the work of the Board of Directors within its areas of competence, as set forth in the Internal Regulations of the Board of Directors. It will assist the Board of Directors in analyzing the accuracy and truthfulness of the Company and consolidated financial statements and will oversee the quality of internal controls and of the information disclosed to shareholders and the markets.

The Audit Committee may provide the Board with any opinion or recommendation within the areas described below. In particular, the Audit Committee will be tasked by the Board of Directors with the following responsibilities:

With respect to the financial statements:

- to conduct a preliminary review and give its opinion on the draft annual and interim company and consolidated accounts prepared by the finance department;

- to assess the relevance and consistency of accounting principles and rules;

- to inform itself as to changes in the scope of consolidation;

- to meet, where necessary, with the statutory auditors, senior management, financial and accounting department, internal control department or any other management representative, if necessary outside the presence of the members of senior management;

- to review the financial documentation distributed by the Company at the closing of each year's accounts, as well as other significant financial documents and press releases.

With respect to the Company's external audit:

- to examine questions relating to the nomination or renewal of the Company's statutory auditors and to the amount of the fees to be paid for statutory audit assignments;

- to pre-approve any assignment entrusted to the statutory auditors other than the statutory audit and, more generally, to ensure compliance with the principles guaranteeing the independence of the statutory auditors; to oversee the rotation of statutory auditors; and to inform themselves of the amounts paid to the networks to which the statutory auditors belong.

With respect to internal controls and monitoring the Company's risks:

- to evaluate, together with Group-level management, the quality and effectiveness of the Group's internal control systems and procedures; to review significant off-balance sheet risks and undertakings; and to meet with the head of internal audit, give its opinion as to the organization of the internal audit department and remain informed of its planned work. The Audit Committee will receive internal audit reports or a periodic summary of such reports;

- to assess the reliability of the systems and procedures used in preparing the accounts, to review methods and procedures for reporting and processing accounting and financial information;

- to regularly review the Company's financial condition, cash position and significant undertakings and risks and to review the procedures used to evaluate and manage those risks.

With respect to agreements entered into by the Company:

- to review drafts of framework agreements relating to relevant provisions of Section 16.3.2 above.

16.4.1.2 Composition (Articles 9.2.4 and 9.3.2 of the Internal Regulations of the Board of Directors)

At the date of the registration of this Registration Document, it is expected that the Audit Committee will be composed of three members, of which one will be independent member of the Board of Directors.

In accordance with the Ordinance of December 8, 2008, the Audit Committee will include members who are knowledgeable in finance and accounting. All members of the Audit Committee must, at the time of their nomination, be informed about the Company's accounting, financial and operational specificities.

The term of office of the members of the Audit Committee is the same as their term as members of the Board of Directors. The term of a member of the Audit Committee may be renewed at the same time as such member's term as a member of the Board of Directors.

The chairman of the Audit Committee will be appointed from among its independent members by the Board of Directors, upon the proposal of the Nomination and Compensation Committee. The Audit Committee may not include any executive director of the Company.

The Committee's secretary is any person designated by the chairman of the Committee or with the chairman's approval.

16.4.1.3 Functioning (Article 9.3.2 of the Internal Regulations of the Board of Directors)

The Audit Committee may validly deliberate either in a meeting or by telephone or video conference, when convened by its chairman or secretary, as long as at least half of its members participate. The notice of meeting must include an agenda and may be transmitted orally or by any other means. Audit Committee votes are by the majority of members participating in the meeting, with each member having one vote.

The Audit Committee meets as often as necessary and, in any event, twice per year on the occasion of the preparation of the annual and interim financial statements. Meetings take place prior to the meeting of the Board of Directors and, to the extent possible, at least two days before such meeting whenever the Audit Committee's agenda includes examination of the annual or interim financial statements prior to their review by the Board of Directors.

16.4.2 Nomination and Compensation Committee

16.4.2.1 Missions (Article 9.3.1 of the Internal Regulations of the Board of Directors)

The mission of the Nomination and Compensation Committee's will be to prepare and facilitate the decisions of the Board of Directors, within its areas of competence.

With respect to nominations, the Nomination and Compensation Committee will be charged generally with researching and analyzing any candidacy for a position on the Board of Directors or for a position as a senior executive or officer, and with delivering an opinion and/or recommendation with respect to such candidacy to the Board of Directors.

The Nomination and Compensation Committee reviews important operations that involve risks of conflicts of interests between the Company and the members of the Board of Directors. The Nomination and Compensation Committee will make a preliminary determination as to the independence of members of the Board of Directors, which determination will then be reviewed and discussed annually by the Board of Directors prior to publication of the Company's Registration Document.

With respect to compensation, the Nomination and Compensation Committee will be charged with drafting proposals with respect to the compensation of the Chairman and of the CEO (including defining the rules for determination of variable compensation, ensuring the consistency of these rules with the annual performance evaluation and with the Group's medium-term strategy, and verifying the annual application of these rules).

The Nomination and Compensation Committee will also participate in preparing an incentive compensation policy for employees of the Company and its subsidiaries. In particular, it will prepare proposals for grants of stock subscription and/or purchase options or of performance shares to executive officers and directors and to all or any employees of the Company and its subsidiaries.

The rules governing the compensation of senior management are described in Chapter 15, "Compensation and Benefits of Directors and Senior Executives".

With respect to members of the Board of Directors, the Committee will be charged with proposing the annual amount of directors' fees to be submitted for the approval of the annual shareholders' meeting as well as the terms for allocation of such directors' fees among the directors, taking into consideration, in particular, the presence of such directors at Board and Committee meetings, the level of responsibility assumed by such directors, and the time that they are required to devote to their responsibilities.

The Committee will also make observations and/or recommendations relating to retirement and employment insurance schemes, benefits in kind and the financial benefits accorded to officers of the Company and its subsidiaries.

16.4.2.2 Composition (Article 9.3.1 of the Internal Regulations of the Board of Directors)

At the date of the registration of this Registration Document, it is expected that the Nomination and Compensation Committee will be composed of three members, of which two will be independent members of the Board of Directors.

They will be appointed by the Board of Directors from among its members and taking into consideration their independence, experience and skills. The Nomination and Compensation Committee may not include any senior executive or officer of the Company.

The term of office of the members of the Nomination and Compensation Committee is the same as their term as members of the Board of Directors. The term of a member of the Audit Committee may be renewed at the same time as such member's term as a member of the Board of Directors.

The chairman of the Nomination and Compensation Committee is appointed from among the independent members by the Board of Directors, upon the proposal of the Chairman of the Board of Directors.

The Committee's secretary is any person designated by the chairman of the Committee or with the chairman's approval.

16.4.2.3 Functioning (Article 9.3.1 of the Internal Regulations of the Board of Directors)

The Nomination and Compensation Committee may validly deliberate either in a meeting or by telephone or video conference, when convened by its chairman or secretary, as long as at least half of its members participate. The notice of meeting must include an agenda and may be transmitted orally or by any other means.

Nomination and Compensation Committee votes are by the majority of members participating in the meeting, with each member having one vote. The Nomination and Compensation Committee meets as often as necessary and, in any event, at least three times per year, in particular before the Board of Directors meets to assess the independence of its members pursuant to the independence criteria adopted by the Company and, in any event, prior to any meeting at which the Board of Directors votes on the compensation of members of Senior Management or the allocation of directors' fees.

16.5 STATEMENT RELATING TO CORPORATE GOVERNANCE

As from the definitive listing of the Company's shares on Euronext Paris, the Company intends to comply with substantially all of the recommendations of the AFEP-MEDEF Code, in particular in connection with preparation of the report of the Chairman of the Board of Directors provided for by Article L. 225-37 of the French Commercial Code on the composition of the Board of Directors and the application of the principle of gender balance in the Board's composition, the terms for preparation and organization of the Board's work, and the internal control and risk management procedures implemented by the Company, with the exception of the following:

Recommendations of the AFEP-MEDEF Code	Comments of the Company
Recommendation n° 22. Termination of employment contract in case of appointment as executive director *When an employee is appointed as executive director, it is recommended to terminate his or her employment contract with the company or with a company affiliated to the group, whether through contractual termination or resignation.* *This recommendation applies to the Chairman, Chief Executive Officer and managing director of companies having a Board of Directors, to the Chairman of the Management Board and to the sole managing director of companies having a Management Board and a Supervisory Board and to statutory managers of limited stock partnerships.*	The CEO of the Company is also an employee of the Deezer S.A. UK Branch. Such employment agreement is governed by UK law and provides that it would be automatically terminated without indemnity and without notice in case of termination of Mr. Hans Holger Albrecht's CEO position. As a result, the Board has taken the position that this situation is compliant with the AFEP-MEDEF Code.
Recommendation n° 23.2.1. Requirement to retain shares *The Chairman of the Board, the Chief Executive Officer, the deputy Chief Executive Officers, the members of the Management Board or the statutory manager of a limited stock partnership are required*	The current incentive instruments plans do not provide with any holding requirements as they did not provide with such requirements as of the date of their issuance.

to hold as registered shares until the end of their term of office a significant number of shares periodically determined by the Board of Directors or the Supervisory Board. The number of shares, which may be made up of exercised stock options or performance shares, must be significant and increasing, where necessary, to a level determined by the Board.	
Recommendation n° 23.2.4. Stock options and performance shares *The exercise by executive directors of all of the options and the acquisition of the shares must be related to serious and demanding performance conditions that are to be met over a period of several consecutive years.*	The current incentive instruments plans do not provide with any performance conditions as they did not provide with such conditions as of the date of their issuance.
Recommendation n° 14. Duration of directors' terms of office *Even though it is not required by law, it is imperative that the by-laws or the internal rules set a minimum number of shares in the corporation concerned that each director must personally hold and which must appear in the annual report and/or in the booklet or the notice calling the meeting of shareholders.* **Recommendation n° 20. Ethical rules for directors** *In the absence of legal provisions to the contrary, the director should be a shareholder personally and hold a fairly significant number of shares in relation to the directors' fees; if he or she does not hold these shares when assuming office, he or she should use his or her directors' fees to acquiring them.*	Most of the board members do not currently hold any shares of the Company. To comply with (i) article 15 of the bylaws that the Company plans to adopt subject to the listing of its shares on Euronext Paris, and (ii) Recommandation n°14 of the AFEP-MEDEF Code, the members of the Company's Board of Directors shall hold at least 300 shares in the Company. Such Company shares shall be purchased by the members of the Company's Board of Directors within twelve months following the date of the listing of the Company's shares on Euronext Paris.
Recommendation n° 23.2. Compensation policy applicable to executive directors and award of stock options and performance shares *The Board of Directors must monitor the evolution in all components of the compensation over several years, with regard to corporate performance.*	The Board of Directors decided to keep the possibility to change the compensation of the executive directors regularly without such constraint.

16.6 INTERNAL CONTROL

16.6.1 System of Internal Control

The Group's internal control relies on the following principles:

- It is based on the internal control framework prescribed by the *Autorité des marchés financiers*.
- It aims to ensure:
    - compliance with laws and regulations;
    - application of the instructions and guidelines set by the Group's senior management;
    - the proper functioning of the Company's internal processes, in particular those relating to protection of its assets; and
    - the reliability of financial information.

The internal control system encompasses the following:

- *Organization/Control environment,* including:
    - a matrix organizational structure with respect to business lines and countries, enabling double review of all transactions, contributing to the improvement of the control environment;
    - a formal definition of powers and responsibilities in connection with policies and procedures;
    - a set of key policies and procedures, including an ethics code and operational procedures (such as prudential rules, investment rules, data protection rules and physical safety and security rules); and
    - process management, human resources and IT systems supporting the Group's activities.
- *A risk management system,* as described in Section 4.4.2, "Risk Management".

Oversight of the Group's internal control procedures includes an analysis of the results of controls carried out (identification and processing of incidents) and the evaluation of controls to ensure their relevance and adequacy for ensuring the control objectives. Such oversight makes use of both self-evaluations and audits.

Given that as of the filing date of this Registration Document, no Group securities are listed on a regulated market, the Chairman of the Company's Board of Directors is not required to prepare the report provided for in Article 225-37 of the French Commercial Code on the composition of the Board of Directors and the application of the principle of gender balance in the Board's composition, the terms for preparation and organization of the Board's work, and the internal control and risk management procedures implemented by the Group.

Beginning with the fiscal year ending December 31, 2015, and for so long as the Group's shares are listed on Euronext Paris, the Chairman of the Group's Board of Directors will be required to prepare this report in accordance with Article L. 225-37 of the French Commercial Code.

16.6.2 Organization of Internal Control and Risk Management

The following bodies are involved in implementing the Group's internal control and risk management system:

Board of Directors, assisted by the Audit Committee

The Board of Directors establishes the governance rules specifying the role of the Board, assisted by its committees. The Audit Committee informs the Board as to the quality of the internal control procedures. The Board is also informed of the content and implementation of the internal control procedures applied to ensure the reliability and accuracy of the Group's financial information, and is kept informed as to the proper deployment of the internal control system.

Executive Committee

The purpose of the Executive Committee is to guide the Group's operational performance. Management at various levels is responsible for implementing and monitoring the internal control system within their various areas of responsibility.

Risk Management Committee

The Risk Management Committee monitors and reviews contracts (offers, contractual undertakings and performance) while ensuring an optimal balance between risk and opportunity. It also identifies possible areas for improvement in the Group's operational processes, including with respect to control.

Operational Control

The role of Operational Control is to guide overall security, quality, compliance and operational governance in order to create and maintain strong relationships of trust with the Group's clients.

Internal Audit

Internal Audit is outsourced to the Group in order to function globally in accordance with consistent methodology. After the listing of the Company's shares on Euronext Paris, Internal Audit will continue to be outsourced to the Group. The Audit Committee will receive regular reports on the execution of the audit plan, the mission objectives and the results and recommendations resulting therefrom. Internal Audit will remain in contact with the statutory auditors to ensure effective coordination between internal and external control.

17. EMPLOYEES

17.1 HUMAN RESOURCE MANAGEMENT

17.1.1 Number and Breakdown of Employees

As of December 31, 2014, the Group had 271 employees, as compared with 79 employees as of January 1, 2012, representing an increase of 192 employees in 3 years.

The table below shows the changes in the number of employees of the Group over the last three years.

	2012	2013	2014
As of January 1	**79**	**151**	**219**
New hires	85	103	128
Departures[(1)]	13	35	76
Dismissals[(2)]	0	4	15
As of December 31	**151**	**219**	**271**

(1) This category includes both voluntary and involuntary departures.
(2) Individual dismissals (for cause).

The table below shows the geographical distribution of the Group's employees as of June 30, 2015.

Region	Country	Total
Europe	France	209
	Germany	6
	United Kingdom	19
	Belgium	2
	Spain	3
	Hungary	1
	Italy	2
	Netherlands	1
	Poland	3
	Romania	1
Total Europe		**247**
Rest of the World	Mexico	4
	Brazil	9
	USA	27
	Singapore	2
	Colombia	6
	Thailand	1
Total Rest of the World		**49**
Total		**296**

The table below shows the geographical distribution of the Group's employees as a percentage of the Group's total number of employees as of June 30, 2015.

Region	Country	Total
Europe	France	70.61%
	Germany	2.03%
	United Kingdom	6.42%
	Belgium	0.68%
	Spain	1.01%
	Hungary	0.34%
	Italy	0.68%
	Netherlands	0.34%
	Poland	1.01%
	Romania	0.34%
Total Europe		**83.45%**
Rest of the World	Mexico	1.35%
	Brazil	3.04%
	USA	9.12%
	Singapore	0.68%
	Colombia	2.03%
	Thailand	0.34%
Total Rest of the World		**16.55%**
Total		**100%**

17.1.2 Human Resources Policy

Human resources management at the Group is organized around four main principles:

(i) alignment of human resources strategy with operational needs, priorities, and the Group's strategic three-year plan;

(ii) management of headcount so as to anticipate growth and its impact on staffing needs in order to ensure a qualified labor force on a global scale;

(iii) human resource management through an integrated interface covering all personnel-related subjects; and

(iv) centers of expertise that anticipate future needs and ensure the necessary agility to face new challenges.

17.1.3 Training

In 2014, the total number of employees trained by the Group in France was 97, representing 2,954 hours of training. In 2013, 46 employees were trained, representing 1,884 hours of training. At current scope of consolidation (excluding the Reorganization Transaction), the number of employees trained in 2014 significantly increased, from 27,2% of employees in France in 2013 to 51,6% in 2014. The 2014 training plan called for training of 97 employees, an objective that was 100% achieved.

In addition, the Company believes that on-the-ground training is one of the most effective methods for developing its employees' skills. The Group therefore offers its employees opportunities for internal mobility.

17.2 SHAREHOLDINGS AND STOCK SUBSCRIPTION OR PURCHASE OPTIONS HELD BY MEMBERS OF THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

See Chapter 15, "Remuneration and Benefits of Directors and Senior Executives".

17.3 EMPLOYEE SHAREHOLDING PLAN AND LONG-TERM INCENTIVE PLANS

See Chapter 15, "Remuneration and Benefits of Directors and Senior Executives".

17.4 PROFIT-SHARING AGREEMENTS AND INCENTIVE SCHEMES

17.4.1 Group Savings Plans

None.

17.4.2 Profit-Sharing Agreements

None.

17.4.3 Incentive Schemes

None.

18. PRINCIPAL SHAREHOLDERS

18.1 SHAREHOLDERS

As of the date of this Registration Document, the Company is not controlled by any majority shareholder and the Company's share capital is equal to €128,535.25, divided into 443,225 shares of par value €0.29 (i.e., 99,528 Class A Shares and 343,697 Class B Shares), fully subscribed and paid-up.

The following table sets forth the non-diluted share capital structure of the Company as of the date of the registration of this Registration Document.

Shareholders	**Number of shares**	**% of share capital (non-diluted)**
Jonathan Benassaya	3,910	0.88%
Daniel Marhely	46,736	10.54%
Thomas Erhel	3,611	0.81%
Xavier Niel	22,331	5.04%
DC Music[12]	57,960	13.08%
Idinvest Partners	57,169	12.90%
CM-CIC Capital Privé	23,472	5.30%
Orange Participations	64,514	14.56%
Access Industries[13]	162,770[14]	36.72%
Sony	2	0.00%
Former employees	750	0.17%
Total	**443,225**	**100%**

The following table sets forth the fully-diluted share capital structure of the Company as of the date of the registration of this Registration Document.

Shareholders	**Number of securities**	**% of share capital (fully diluted)**
Jonathan Benassaya	3,910	0.65%
Daniel Marhely	46,736	7.72%
Thomas Erhel	3,611	0.60%
Xavier Niel	22,331	3.69%
DC Music	57,960	9.58%
Idinvest Partners	57,169	9.45%
CM-CIC Capital Privé	23,472	3.88%
Orange Participations	64,514	10.66%
Access Industries	162,770	26.90%
MIH	30,000	4.96%
Universal	35,588	5.88%
EMI	11,459	1.89%
Sony	22,920	3.79%
Warner	22,920	3.79%
Former employees / Employees / Mr. Didier Bench / Mr. Mark Oiknine	39,755	6.57%
Total	**605,115**	**100%**

[12] See Chapter 5, "History and Development", for more information.
[13] See Chapter 5, "History and Development", for more information. The direct shareholder is AI European Holdings Sàrl of which the beneficial owner is Mr. Len Blavatnik.
[14] Of which 99,528 Class A Shares.

18.2 SHAREHOLDERS' VOTING RIGHTS

Each share of the Company entitles its holder to one vote.

The bylaws of the Company, as modified and effective as of the date of and subject to the listing of the Company's shares on the regulated market of Euronext Paris, by express derogation to Article L. 225-123 paragraph 3 of the French Commercial Code, do not grant double voting rights to the shares of the Company.

18.3 CONTROL STRUCTURE

As of the date of this Registration Document, no shareholder has exclusive control over the Company.

18.4 SHAREHOLDERS' AGREEMENTS

The shareholders' agreement entered into order to regulate the respective rights and obligations of the holders of the shares and other equity instruments issued by the Company will be automatically terminated as of the listing of the Company's shares on Euronext Paris.

18.5 AGREEMENTS LIKELY TO LEAD TO A CHANGE IN CONTROL

None.

19. RELATED PARTY TRANSACTIONS

19.1 AGREEMENTS ENTERED INTO IN CONNECTION WITH THE REORGANIZATION TRANSACTIONS

For discussion of the Reorganization Transactions and the associated agreements, see Chapter 5.1.6 "The Reorganization Transactions" and Chapter 18 "Principal Shareholders".

19.2 OTHER RELATED PARTY AGREEMENTS

In connection with the Reorganization Transaction agreements between Odyssey Music Group ("Odyssey") and Blogmusik are expected to cease to be effective. Agreements between either Odyssey or Blogmusik and another affiliate are expected to be transferred to the Company.

19.2.1 Treasury Agreement

On October 12, 2009, Odyssey Music Group ("Odyssey"), Blogmusik and Calypsound SAS entered into a treasury agreement that is retroactively applied as of the creation of Odyssey on March 20, 2009. The purpose of the agreement is to centralize Deezer's cash management to optimize the utilization of cash surpluses and ensure stable cash coverage for the three companies. Pursuant to the agreement, any of the companies may request cash loans from the other companies for a term of up to one year at an interest rate indexed to Euribor and payable upon an annual accounting. Loans are recallable with one month's notice. The agreement provides that each company's rights under the agreement are only valid for so long as it remains part of Deezer. The agreement has a one year term that automatically renews unless terminated by the parties.

19.2.2 Assistance Agreements

On January 1, 2013, Odyssey entered into two separate assistance agreements, one with each of subsidiaries Blogmusik and Calypsound. The purpose of the agreement is to formalize arrangements for Odyssey to provide various corporate and administrative services for each of its subsidiaries. These services include reception and telephone switchboard services, financial and accounting services, marketing and communications, IT support, logistics, billing and purchasing support, and legal support services. Odyssey receives a reimbursement of directly incurred costs plus an 8% premium, a reimbursement for all expenses incurred on the subsidiaries' behalf related to third parties and an amount in respect of other functions determined by prorating its total group costs by the relative revenues of the companies. Pursuant to the agreement, Odyssey bills the subsidiaries for services rendered 15 days prior to the end of each calendar year quarter. The agreements have one-year terms that automatically renew unless terminated by the parties.

19.2.3 Advertising Sales Agency Agreement

On September 27, 2009, Odyssey and Blogmusik entered into an advertising sales agency agreement retroactively effective as of September 1, 2009. The purpose of the agreement is to enable Odyssey to manage the sale of advertising space on Deezer's website in France. Odyssey is authorized to use the Deezer trademark, corresponding Deezer logos and screenshots of deezer.com as part of its business development efforts with prospective advertisers. Blogmusik is also obligated to provide Odyssey with regular updates regarding the content on the website as well as user statistics. In return for its services, Odyssey is entitled to 30% of net revenues generated by the sale of advertising space Deezer's website. The agreement has a one year term that automatically renews unless terminated by the parties.

19.2.4 Service License Agreement

On January 1, 2014, Blogmusik and Deezer Music Brasil LTDA ("Deezer Brasil") entered into a service license agreement. The purpose of the agreement is to enable Deezer Brasil to offer the Deezer service in Brazil. The agreement permits Deezer Brasil to make available Deezer's core service offerings and use its application program interface ("API"). In return for the rights secured under the agreement, Deezer Brasil is obligated to pay Blogmusik the greater of 78% of gross revenues on direct subscriptions (less taxes) or a minimum flat fee of €100,000 per month. The agreement has a one year term that automatically renews unless terminated by the parties.

19.2.5 Sublease Agreements

On October 14, 2010, Odyssey entered into two separate sublease agreements, one with each of subsidiaries Blogmusik and Calypsound with respect to its office in Paris, France to permit the subsidiaries to use the lease premises for their operations. The subleases have two-year terms equivalent to those of the principal lease and the subsidiaries benefit from the same rights under the sublease and are subject to the same terms and conditions as Odyssey is under the principal lease. In return for the use of the subleased property, each subsidiary pays a portion of the overall rent, €220,000, owed under the principal lease equivalent to the percentage of the total leased surface area occupied by such subsidiary.

19.2.6 Service provision agreement between Odyssey and its subsidiaries Deezer Inc (USA), Musica Illimitada (Mexico) and Deezer Singapore (Singapore)

In 2015, Blogmusik executed separate service agreements with each of its subsidiaries Deezer Inc (USA), Musica Illimitada (Mexico) and Deezer Singapore (Singapore). The purpose of the agreements is for the subsidiaries to provide certain marketing, sales and related services for Blogmusik in their respective local markets. The subsidiaries receive reimbursement of direct and indirect expenses incurred in connection with providing the services along with their overhead costs, plus a 5% premium, as well as a reimbursement for travel expenses. The agreements have one-year terms that automatically renew unless terminated by the parties.

19.3 AUDITOR'S REPORT ON RELATED PARTY AGREEMENTS

The special report of the statutory auditors on related party agreements is included in Annex V, "Special Report of the Statutory Auditors on Related Party Agreements".

20. FINANCIAL INFORMATION CONCERNING THE GROUP'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES

20.1 GROUP CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

20.1.1 Group Consolidated Annual Financial Statements

The Group's consolidated annual financial statements for the fiscal years ended December 31, 2014, 2013 and 2012, which were prepared in accordance with IFRS, can be found in Annex I.

20.1.2 Statutory Auditor's Report on the Group Consolidated Annual Financial Statements

The statutory auditor's report on the Group consolidated annual financial statements can be found in Annex II.

20.2 GROUP INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20.2.1 Group Interim Condensed Consolidated Financial Statements

The Group's interim condensed consolidated financial statements for the six months ended June 30, 2015 and 2014, prepared under IAS 34, "Interim Financial Information," the IFRS standard applicable to interim reporting, can be found in Annex III.

20.2.2 Statutory Auditor's Report on the Group Interim Condensed Consolidated Financial Statements

The statutory auditor's report on the Group interim condensed consolidated financial statements can be found in Annex IV.

20.3 STATUTORY AUDITOR FEES

The fees paid to the statutory auditors for the fiscal years 2014, 2013 and 2012 (excluding consolidated financial statements prepared specifically for purposes of this Registration Document) are set forth below.

	Ernst & Young Audit			**Erik Decourtray**		
(in thousands of euros)	***2014***	***2013***	***2012***	***2014***	***2013***	***2012***
Auditors' services	227	301	163	29	19	23
Services directly related to the Statutory Auditors' assignment	-	-	-	-	-	-
Subtotal	227	301	163	29	19	23
Tax advice	-	-	-	-	-	-
Other services	-	-	-	-	-	-
TOTAL	**227**	**301**	**163**	**29**	**19**	**23**

20.4 DATE OF LATEST FINANCIAL INFORMATION

The latest financial information on the Group that was reviewed by the statutory auditors and included in this Registration Document is the consolidated financial statements as of and for the six months ended June 30, 2015.

20.5 DIVIDEND POLICY

In accordance with the law and the Company's articles of association, the Company's shareholders may at their annual general meeting, upon the recommendation of the Company's Board of Directors, authorize the distribution of dividends.

The Company's dividend distribution policy will take into account the Company's results of operations, its financial condition, its growth strategy, its liquidity requirements and the achievement of its objectives, and any other factor deemed relevant by the Company's Board of Directors.

The Company has not declared any dividends since its inception, including the years ended December 31, 2012, 2013 et 2014. The Company currently intends to focus on achieving growth and expects to reinvest any profits it generates into the operation and growth of the Group's business. Accordingly, the Company currently does not anticipate paying dividends for the foreseeable future.

20.6 LEGAL AND ARBITRATION PROCEEDINGS

The Group is involved in legal, administrative and regulatory proceedings in the ordinary course of business. The Group records a provision in cases that it considers likely to result in financial loss to the Company or one of its subsidiaries, where the amount of such loss can reasonably be estimated.

Except as set forth below, as of the date of this Registration Document, to the knowledge of the Company, there are no governmental, legal or arbitral proceedings (including any proceedings of which the Group is aware, that are pending or with which the Group is threatened), likely to have, or having had in the course of the last twelve months, a material adverse effect on the operations, financial position or the results of the Group.

Performers' Rights

The Group has been named as a defendant in litigation or has been notified of claims in Hungary, Croatia, Spain and Portugal from performers' collective societies which allege that the performer rights they administer on behalf of their members should be licensed directly from such collective societies rather than from the record labels. Deezer believes these claims are without merit and intends to defend its position. Deezer believes that that these proceedings are unlikely to have a material impact at the Group level, although given the inherent uncertainty involved in litigation, no assurance can be given.

20.7 SIGNIFICANT CHANGE IN FINANCIAL OR COMMERCIAL POSITION

To the Company's knowledge, there has been no material change in the financial or commercial position of the Group since June 30, 2015 other than those described in this Registration Document.

21. ADDITIONAL INFORMATION

21.1 SHARE CAPITAL

21.1.1 Subscribed Share Capital and Authorized but Unissued Share Capital

As of the date of this Registration Document, the Company's share capital is equal to €128,535.25, divided into 443,225 shares at par value of €0.29, fully subscribed and paid-up:

- 99,528 class A preferred shares (the "Class A Shares"); and
- 343,697 class B preferred shares (the "Class B Shares").

Upon listing of the Company's shares on Euronext Paris, in accordance with the provisions of article 10.2.1 of the current bylaws of the Company, Class A and B Shares shall be automatically converted into ordinary shares and:

- the conversion ratio applicable to Class A Share shall be either (i) one ordinary share for every one Class A Share if the IPO price per share is above an amount corresponding to the issuance price of the Class A Shares (plus a minimum return over holding period), or (ii) above one ordinary share for every one Class A Share if the IPO price per share is below such amount; and
- the conversion ratio applicable to Class B Share shall be one ordinary share for every one Class B Share, in any case.

A free translation of the report of the statutory appraiser on the appraisal of the special advantages attached to Class A and B Shares is included in Annex VI.

21.1.2 Securities Not Representing Share Capital

As of the date of this Registration Document, the Company has not issued any securities not representing share capital.

21.1.3 Shares Controlled by the Company, Treasury Shares and Purchase by the Company of Its Own Shares

As of the date of this Registration Document, the Company does not hold any of its own shares, and no shares of the Company are held by any of its subsidiaries or by any third party on its behalf.

21.1.4 Other Securities Giving Access to Share Capital

21.1.4.1 Warrants

The extraordinary general meeting of the shareholders of Blogmusik dated July 31, 2008 decided the issuance of 9,656 warrants (as amended) with an exercise price of €324, exercisable at any time until December 31, 2019, each giving right to subscribe to two Class B Shares (the "Class O Warrants"), the subscription price of one newly-issued Class B Share upon exercise of each Class O Warrant being equal to €162. The terms and conditions of the Class O Warrants provide for lapsing of such Class O Warrants in case of an IPO; as a consequence, such warrants are expected to be exercised prior to the listing of the Company's shares on Euronext Paris.

The extraordinary general meeting of the shareholders of Blogmusik dated June 29, 2009 decided the issuance of 9,656 warrants (as amended) with an exercise price of €215.25, exercisable at any time until December 31, 2019, each giving right to subscribe to two Class B Shares (the "Class B Warrants"), the subscription price of one newly-issued Class B Share upon exercise of each Class B Warrant being equal to €107.63. As of the date of this Registration Document, one of the Class B

Warrants has been exercised by its holder, the remainder being outstanding. The terms and conditions of the Class B Warrants provide for lapsing of such Class B Warrants in case of an IPO; as a consequence, such warrants are expected to be exercised prior to the listing of the Company's shares on Euronext Paris.

The extraordinary general meeting of the shareholders of the Company dated July 24, 2009 decided the issuance of 1,342 warrants with an exercise price of €111.73, exercisable subject to certain conditions until July 24, 2019, each giving right to subscribe to one Class B Share (the "Warrants$_{07/09}$").

The extraordinary general meeting of the shareholders of Blogmusik dated July 30, 2009 decided the issuance of 5,520 warrants (as amended) with an exercise price of €324, exercisable at any time until December 31, 2019, each giving right to subscribe to two Class B Shares (the "Class C Warrants"), the subscription price of one newly-issued Class B Share upon exercise of each Class C Warrant being equal to €162. The terms and conditions of the Class C Warrants provide for lapsing of such Class C Warrants in case of an IPO; as a consequence, such warrants are expected to be exercised prior to the listing of the Company's shares on Euronext Paris.

The extraordinary general meeting of the shareholders of the Company dated December 2, 2010 decided the issuance of 35,132 warrants (as amended) with an exercise price equal to the nominal value of the shares, exercisable at any time between September 1, 2015 and November 15, 2015, each giving right to subscribe to a maximum of one Class B Share subject to certain performance conditions (the "Orange Warrants"). As of the date of this Registration Document, 30,163 Orange Warrants have been exercised, the remainder being cancelled.

The extraordinary general meeting of the shareholders of Blogmusik dated June 30, 2011 decided the issuance of 17,272 warrants (as amended) with an exercise price of €283.10, exercisable at any time until December 31, 2019, each giving right to subscribe to two Class B Shares (the "Class D Warrants"), the subscription price of one newly-issued Class B Share upon exercise of each Class D Warrant being equal to €141.55. The terms and conditions of the Class D Warrants provide for lapsing of such Class D Warrants in case of an IPO; as a consequence, such warrants are expected to be exercised prior to the listing of the Company's shares on Euronext Paris.

The extraordinary general meeting of the shareholders of Blogmusik dated June 30, 2011 decided the issuance of 2,066 warrants (as amended) with an exercise price of €393.43, exercisable at any time until December 31, 2019, each giving right to subscribe to two Class B Shares (the "Class E Warrants"), the subscription price of one newly-issued Class B Share upon exercise of each Class E Warrant being equal to €196.72. The terms and conditions of the Class E Warrants provide for lapsing of such Class E Warrants in case of an IPO; as a consequence, such warrants are expected to be exercised prior to the listing of the Company's shares on Euronext Paris.

The extraordinary general meeting of the shareholders of the Company dated May 22, 2014 decided the issuance of 2,300 warrants with an exercise price of €703.32, exercisable subject to certain conditions until December 31, 2024, each giving right to subscribe to one Class B Share (the "Warrants 2014"). The terms and conditions of the Warrants 2014 provide for an acceleration of such Warrants 2014 in case of an IPO; as a consequence, such warrants are expected to be exercised prior to the listing of the Company's shares on Euronext Paris.

The extraordinary general meeting of the shareholders of the Company dated July 31, 2014 decided the issuance of 30,000 warrants (as amended) with an exercise price equal to the nominal value of the shares, exercisable subject to certain conditions until June 30, 2020, each giving right to subscribe to one Class B Share subject to certain performance conditions (the "Warrants 2014-1"). Under the terms and conditions of the Warrants 2014-1, an IPO is an event triggering the exercise of all or a portion of the Warrants 2014-1, the number of the exercisable Warrants 2014-1 being calculated pursuant to a formula taking into account the initial public offering price per share. Magic Internet

Holding GmbH, as sole holder of the Warrants 2014-1, undertook to exercise the maximum amount of the exercisable Warrants 2014-1, with condition precedent to the listing of the Company's shares on Euronext Paris.

The extraordinary general meeting of the shareholders of the Company dated September 4, 2015 decided the issuance of 4,547 warrants with an exercise price of €161.91, exercisable at any time until December 31, 2019, each giving right to subscribe to one Class B Share (the "Class F Warrants"). The terms and conditions of the Class F Warrants provide for lapsing of such Class F Warrants in case of an IPO; as a consequence, such warrants are expected to be exercised prior to the listing of the Company's shares on Euronext Paris.

21.1.4.2 Summary table of the outstanding warrants issued by the Company

The following table shows the aggregate amount of warrants outstanding as of the date of this Registration Document and the beneficial holders thereof. Of this aggregate 82,358 warrants (giving right to 126,527 Class B Shares), 81,016 warrants will lapse as of the date of the listing of the Company's shares on Euronext Paris and accordingly are expected to be exercised prior to or as at such date. The aggregate proceeds from the exercise of such warrants based on their strike prices and other relevant terms and conditions will be approximately €15 million.

Shareholder	**Warrants 07/09**	**Warrants 2014**	**Warrants 2014-1**	**Class O Warrants**	**Class B Warrants**	**Class C Warrants**	**Class D Warrants**	**Class E Warrants**	**Class F Warrants**	**Number of Class B Shares which may be subscribed**	**Share capital held on a fully diluted basis (%)**
Mr. Mark Oiknine[1]	1,342	-	-	-	-	-	-	-		1,342	0.22%
Mr. Didier Bench	-	2,300	-	-	-	-	-	-		2,300	0.38%
MIH	-	-	30,000	-	-	-	-	-		30,000[2]	4.96%
Warner	-	-	-	9,656	-	277	863	103	1,122	22,920	3.79%
Sony	-	-	-	-	9,655	277	863	103	1,122	22,918	3.79%
EMI	-	-	-	-	-	4,966	432	51	561	11,459	1.89%
Universal	-	-	-	-	-	-	15,114	1,809	1,742	35,588	5.88%
Total	**1,342**	**2,300**	**30,000**	**9,656**	**9,655**	**5,520**	**17,272**	**2,066**	**4,547**	**126,527**	**20.91%**
Subscription price of the warrants	€11.17	€75	€666.67	€0.01	€0	€0.10	€0.01	€0.01	€0.01	-	-
Exercise price of the wrrants	€111.73	€703.32	€0.29	€324	€215.25	€324	€283.10	€393.43	€161.91	-	-
Subscription price of the underlying shares	€111.73	€703.32	€0.29	€162	€107.63	€162	€141.55	€196.72	€161.91		
Performance conditions	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	-
Lapsing date	July 24, 2019	December 31, 2024[4]	June 30, 2020[3]	December 31, 2019[4]	December 31, 2019[4]	December 31, 2019[4]	December 31, 2019[4]	December 31, 2019[4]	December 31, 2019[4]	-	-

(1) Mr. Mark Oikinine is a former counsel of the Company.
(2) The final amount of Warrants 2014-1 exercisable will depend on the final initial public offering price per share. The Company currently estimates that the number of Warrants 2014-1 exercisable as of the date of pricing of the initial public offering will be in the range of 10,000 to 16,000 warrants.
(3) The Warrants 2014-1 will lapse in case of an initial public offering, and will be exercised as at the date of the listing of the Company's shares on Euronext Paris.
(4) Such warrants will lapse in case of an initial public offering. As a consequence, such warrants are expected to be exercised as at the date of the listing of the Company's shares on Euronext Paris.

21.1.4.3 Stock options

The extraordinary general meeting of the shareholders of the Company dated September 30, 2010 decided the issuance of 5,500 stock options (as amended) with an exercise price of €106.14, exercisable at any time subject to vesting calendar until December 31, 2020, each giving right to subscribe to one Class B Share (the “Stock Options 10”). As of the date of this Registration Document, all the Stock Options 10 have been granted pursuant to decisions of the Board of Directors of the Company, of which 1,800 are outstanding, 1,100 have been exercised and 2,600 are void.

The extraordinary general meeting of the shareholders of the Company dated June 30, 2011 decided the issuance of 7,000 stock options (as amended) with an exercise price of €153.81, exercisable at any time subject to vesting calendar until December 31, 2020, each giving right to subscribe to one Class B Share (the “Stock Options 10-2”). As of the date of this Registration Document, 3,100 Stock Options 10-2 have been granted pursuant to decisions of the Board of Directors of the Company, of which 1,800 are outstanding, 150 have been exercised and 5,050 are void

The extraordinary general meeting of the shareholders of the Company dated May 22, 2014 decided the issuance of 16,000 stock options (as amended) with an exercise price of €703.32, exercisable at any time subject to vesting calendar until December 31, 2024, each giving right to subscribe to one Class B Share (the “Stock Options 14”). As of the date of this Registration Document, 14,631 Stock Options 14 have been granted pursuant to decisions of the Board of Directors of the Company, of which 10,851 are outstanding and 3,780 are void; it being specified that the remainder that will not have been attributed as at the date of the closing of the IPO will become void.

The extraordinary general meeting of the shareholders of the Company dated April 23, 2015 decided the issuance of 18,412 stock options with an exercise price of €703.32, exercisable at any time subject to vesting calendar until December 31, 2024, each giving right to subscribe to one Class B Share (the “Stock Options 15”). As of the date of this Registration Document, all the Stock Options 15 have been granted pursuant to a decision of the Board of Directors of the Company, all being outstanding.

The extraordinary general meeting of the shareholders of the Company dated July 16, 2015 decided the issuance of 7,500 stock options with an exercise price of €703.32, exercisable at any time subject to vesting calendar until December 31, 2024, each giving right to subscribe to one Class B Share (the “Stock Options 15-2”). As of the date of this Registration Document, 2,500 Stock Options 15-2 have been granted pursuant to a decision of the Board of Directors of the Company; it being specified that the remainder that will not have been attributed as at the date of the closing of the IPO will become void.

Pursuant to the terms and conditions of all the Stock Options mentioned above, such Stock Options may be exercised in one or more times during their term on the following vesting timetable:

- a maximum of 25% of the Stock Options may be exercised as from the first anniversary of the date of their granting to the beneficiary; and
- a maximum of 6.25% of the Stock Options may be exercised for each quarter as from the second anniversary of the date of their granting to the beneficiary, until the fourth anniversary of the date of their granting to the beneficiary.

Mr. Tyler Goldman, Chief of North America & New Business, has been granted stock units representing 6% of Deezer Inc. on a fully diluted basis. Half of those units have vested as of June 30, 2015, the remainder will vest at specified vesting dates thereafter until 2017. The vested units will be settled and paid on a change of control of either Deezer Inc. or Deezer S.A. An IPO is not considered a change of control under the relevant terms. Upon a change of control of Deezer Inc., the Company can choose to settle with either cash or shares of Deezer Inc. Upon a change of control of Deezer S.A., fair market value is determined in good faith by the Board of Directors of Deezer S.A. If a change of control has not occurred by December 2, 2020, each vested unit will be settled with either shares of Deezer Inc., shares of Deezer S.A., or cash equal to the fair market value of shares of Deezer Inc.

21.1.4.4 Summary table of the outstanding stock options granted by the Company

Shareholder	Stock Options 10	Stock Options 10-2	Stock Options 14	Stock Options 15	Stock Options 15-2	Number of Class B Shares which may be subscribed	Share capital held on a fully diluted basis (%)
Senior Executives	-	1,500	-	18,412	-	19,912	3.29%
Employees	1,800	300	10,851	-	2,500	15,451	2.55%
Total	**1,800**	**1,800**	**10,851**	**18,412**	**2,500**	**35,363**	5.84%

21.1.4.5 Call options to the benefit of Mr. Axel Dauchez and Mr. Simon Baldeyrou

Axel Dauchez (former CEO of the Company), as beneficiary, and Jonathan Benassaya, Daniel Marhely, Thomas Erhel, Xavier Niel, DC Music, FCPI Capital Croissance, FCPI Objectif Innovation Patrimoine, FCPI La Banque Postale Innovation 3, FCPI Allianz Innovations 9 FCPI Objectif Innovation, FCPI Select Innovation 6, FCPI Select Innovation 7, FCPI Select Innovation 8, FCPI Select Patrimoine 2008, FIP Select Patrimoine 2009, as promisors, entered into a call option agreement on November 10, 2010, pursuant to which Axel Dauchez may acquire 12,500 Class B Shares from the different promisors on a prorata basis. Such call option agreement has no dilutive impact.

Simon Baldeyrou, as beneficiary, and Jonathan Benassaya, Daniel Marhely, Thomas Erhel, Xavier Niel, DC Music, FCPI Capital Croissance, FCPI Objectif Innovation Patrimoine, FCPI La Banque Postale Innovation 3, FCPI Allianz Innovations 9 FCPI Objectif Innovation, FCPI Select Innovation 6, FCPI Select Innovation 7, FCPI Select Innovation 8, FCPI Select Patrimoine 2008, FIP Select Patrimoine 2009, as promisors, entered into a call option agreement on November 10, 2010, pursuant to which Simon Baldeyrou may acquire 1,500 Class B Shares from the different promisors on a prorata basis. Such call option agreement has no dilutive impact.

21.1.5 Terms Governing any Right of Acquisition and/or any Obligation Attached to Subscribed but not Paid-Up Capital

None.

21.1.6 Share Capital of any Company of the Group that is the Subject of an Option or of an Agreement to Put it under Option

None.

21.1.7 History of the Company’s Share Capital

The Company’s share capital has changed during the last three years with the following transactions:

In 2012, Access Industries acquired 148,737 shares of the Company through:

- the subscription of 99,528 newly-issued Class A Shares; and
- the purchase of 37,815 Class B Shares from other shareholders.

In 2014:

- Mrs. Béatrice Tourvieille (former employee) exercised 100 Stock Options 10 (subscribing to 100 Class B Shares);
- Mr. Mark Foster (former employee) exercised 150 Stock Options 10-2 (subscribing to 150 Class B Shares);
- Idinvest Partners purchased 2,270 Class B Shares from Mr. Jonathan Benassaya; and
- Access Industries purchased 11,394 Class B Shares from Mr. Jonathan Benassaya.

In 2015:

- Mr. Clément Cezard (former employee) exercised 1,000 Stock Options 10 (subscribing to 1,000 Class B Shares);
- Idinvest Partners purchased 500 Class B Shares from Mr. Clément Cezard;

- Idinvest Partners purchased 967 Class B Shares from Mr. Jonathan Benassaya; and
- Access Industries purchased 14,033 Class B Shares from Mr. Daniel Marhely.

21.2 CONSTITUTIVE DOCUMENTS AND BYLAWS

The Company's bylaws were prepared in accordance with the laws and regulations applicable to French limited liability corporations (*sociétés anonymes*) with boards of directors. The principal provisions described below have been taken from the Company's bylaws that the Company expects to adopt with effect as from the listing of the Company's shares on Euronext Paris.

21.2.1 Corporate Purpose (Article 2 of the Bylaws)

Pursuant to Article 2 of its bylaws, the Company's purpose is:

- the development of software, patents, intellectual or industrial property rights or any other technological solution;
- the resale and maintenance of computer hardware;
- the development and publishing of Internet web sites;
- the sale of advertising space on all existing or future media;
- the acquisition, the management of securities and of all corporate rights;
- the acquisition of all kind of interests and holdings by any means in any company or existing business or to be created;
- the technical, commercial, administrative, financial management, in France or abroad, of any company or business; the studies and implementation of any financial, industrial or commercial operations; the acquisition, management, development and exploitation of any industrial property rights as well as of all processes; and
- more generally, all financial, commercial, industrial, real estate or securities operations that may be related, directly or indirectly, to the above purposes or to any similar or related purposes, such as to facilitate its expansion or development.

21.2.2 Fiscal Year (Article 36 of the Bylaws)

The Company has a fiscal year of twelve months, beginning on January 1 and ending on December 31 of each year.

21.2.3 Board of Directors and Senior Management

21.2.3.1 Members of the Board of Directors (Articles 13, 14 and 15 of the Bylaws)

The Company is governed by a Board of Directors composed of at least 3 members and at most 18 members elected by the ordinary shareholders' meeting. The Board of Directors is renewed every four years on a rolling basis, such that half of the members are renewed every two years. Directors are appointed for a two-year term. Within twelve months after being nominated and for the duration of the term of office, each member of the Board of Directors (other than directors representing employee shareholders) must hold at least 300 shares of the

Company.

21.2.3.2 Chairman (Articles 19 and 21 of the Bylaws)

The Board of Directors elects a Chairman from among the members who are natural persons. The Chairman represents the Board of Directors. He organizes and manages its work, and reports on such work to the general shareholders' meeting. He oversees the proper functioning of the Company's governing bodies and ensures, in particular, that the directors are able to carry out their duties.

21.2.3.3 Chief Executive Officer (Article 23 of the Bylaws)

At the option of the Board of Directors, the Company may be managed either by the Chairman or by a person appointed by the Board of Directors and given the title of Chief Executive Officer (CEO). The CEO is granted the broadest powers to act in all circumstances in the Company's name. He exercises these powers within the limits of the Company's purpose and subject to the powers that the law and the bylaws grant expressly to the shareholders' meeting or the Board of Directors. The CEO represents the Company in its relations with third parties.

21.2.3.4 Convening and Holding of Board of Directors' Meetings (Article 18 of the Bylaws)

The Board of Directors meets as often as necessary in the Company's interest, but at least every three months. The Chairman convenes these meetings. If the Board of Directors has not met in more than two months, at least one-third of its members may request that the Chairman convene it to discuss a particular agenda. The CEO may also request that the Chairman convene the Board of Directors to discuss a particular agenda. Decisions are taken by a majority of members present or represented. In the event of a tie, the vote of the meeting's chairman prevails.

21.2.3.5 Powers of the Board of Directors (Article 17 of the Bylaws)

The Board of Directors determines the direction of the Company's business and ensures its implementation. Subject to the powers expressly granted to the shareholders' meeting, and within the limits of the Company's purpose, the Board of Directors decides any question concerning the proper functioning of the Company and, through its decisions, settles matters concerning it.

The Board of Directors determines the limits to the CEO's authority, as the case may be, pursuant to its rules of procedure, by establishing the transactions for which Board authorization is required.

21.2.3.6 Related-Party Agreements (Article 25 of the Bylaws)

Any agreement entered into either directly or through an intermediary party between the Company and its CEO, any deputy managing director, any director, any shareholder holding more than 10% of the Company's voting rights or, in the case of shares held by a company, its controlling company within the meaning of Article L. 233-3 of the French Commercial Code is subject to the procedure provided for in Articles L. 225-38 to L. 225-43 of the French Commercial Code.

21.2.3.7 Compensation of Directors (Article 20 of the Bylaws)

Members of the Board of Directors may receive directors' fees, the aggregate amount of which is set by the shareholders' meeting and allocated freely by the Board of Directors among its members. The Board of Directors may grant a larger portion to those directors serving on committees.

21.2.4 Rights, Privileges and Restrictions Attached to Shares

21.2.4.1 Voting Rights

Each share gives the right to one vote.

By derogation to Article L. 225-123 paragraph 3 of the French Commercial Code, the bylaws do not grant double voting rights to the shares of the Company.

21.2.4.2 Limitation on Voting Rights

The Bylaws do not contain any provisions restricting the voting rights attached to the shares.

21.2.4.3 Preferential Subscription Rights

The Company's shares have a preferential right to subscribe for capital increases in accordance with the French Commercial Code.

21.2.4.4 Participation in General Shareholders' Meetings (Article 28 of the Bylaws)

Every shareholder has the right to attend general shareholders' meetings and to participate in its votes, either personally or by proxy. Every shareholder may be represented by his spouse, by another shareholder, or by his partner under a civil solidarity pact. Moreover, a shareholder may be represented by any other natural person or legal entity of his choice. The representative must show proof of his appointment.

Each shareholder's right to participate in general shareholders' meetings is subject to his shares being registered in his name or in the name of the intermediary registered on his behalf on the third day preceding the shareholders' meeting at 12am (Paris time), either in the registered-share account kept by the Company or in a bearer-share account kept by an approved intermediary. An owner of bearer shares may participate in the general shareholders' meeting only if the approved intermediary holding his account provides a certificate of ownership ("*attestation de participation*").

Upon decision of the Company's Board of Directors, shareholders may participate in general meetings by videoconference or other means of telecommunication, including the Internet, in particular through an electronic voting form available on the Company's website.

21.2.4.5 Identifiable Bearer Shares (Article 9 of the Bylaws)

The Company may at any time verify the identity of the holders of bearer shares in accordance with applicable laws and regulations.

If a person who has been asked for information fails to provide such information within the time period required by applicable laws and regulations, or provides incomplete or inaccurate information either as to his capacity or as to the owners of the shares or the number of shares held by each of them, the shares or other securities giving immediate or future access to the share capital and for which such person is registered shall be stripped of their voting rights for any shareholders' meeting occurring before the information is corrected, and payment of the corresponding dividend shall be delayed until such date.

21.2.4.6 Modifications of the Rights of Shareholders

The rights of shareholders may be modified in accordance with applicable laws and regulations. The bylaws do not contain any particular provisions with respect to modification of the rights of shareholders that are more stringent than the law.

21.2.4.7 Convening and Holding of Ordinary Shareholders' Meetings and Extraordinary Shareholders' Meetings (Articles 34 and 35 of the Bylaws)

Shareholders' meetings are called "extraordinary" when their purpose is to modify the Company's bylaws or nationality, or when the law so provides. All other shareholders' meetings are "ordinary". Decisions at extraordinary shareholders' meetings are made by a two-thirds vote of the shares present or represented, and decisions at ordinary shareholders' meetings are made by a simple majority of shares present or represented.

Shareholders' meetings are convened and held in accordance with the rules and conditions provided for under French law.

21.2.4.8 Crossing of Statutory Thresholds (Article 10 of the Bylaws)

In addition to the thresholds provided for by applicable laws and regulations, any natural person or legal entity who comes to hold, acting alone or in concert, directly or indirectly, a number of shares representing at least 3% of the share capital or voting rights, or any multiple of 1% thereafter, including beyond the reporting thresholds provided for by laws and regulations, must inform the Company of the total number of shares, voting rights, or securities giving access to the share capital or voting rights of the Company that such person holds, as well as of any securities giving access to the share capital or to voting rights potentially attached thereto, by registered letter with return receipt requested sent to the Company's registered office within four trading days after crossing such threshold(s).

In the event of a failure to comply with the above provisions, the legal penalties for breach of the obligation to report crossing a legal threshold shall apply to thresholds provided for in the bylaws only upon the request, recorded in the minutes of the shareholders' meeting, of one or more shareholders holding at least 3% of the Company's share capital or voting rights.

Subject to the above provisions, this obligation under the bylaws is governed by the same provisions as those governing the legal obligation, including with respect to shares deemed to be held.

The Company reserves the right to report the information provided or a breach of the above obligation by the person in question to the public and to the Company's shareholders in accordance with applicable laws and regulations.

The same reporting obligation, with the same deadline and terms, applies each time the proportion of the share capital or voting rights held by a shareholder decreases to below any of the thresholds referred to above.

21.2.5 Financial Statements (Articles 37, 38 and 39 of the Bylaws)

21.2.5.1 Legal Reserve

Five percent of each fiscal year's profit, after deduction of losses carried forward from previous years, if any, is allocated to a legal reserve fund whenever the amount in such fund is less than 10% of the share capital.

21.2.5.2 Approval of Dividends

The general shareholders' meeting votes on the payment of dividends in accordance with Articles L. 232-12 to L. 232-18 of the French Commercial Code. The general shareholders' meeting may give shareholders the option to receive payment in cash or in new shares of the Company, pursuant to legal conditions.

The general shareholders' meeting may also decide, upon the proposal of the Board of Directors, to distribute any profit or reserves in kind in the form of assets or securities. In the event of the distribution of securities that are not listed on a regulated market or traded on an organized multilateral trading facility, or whose admission to such a market or trading facility will not occur in connection with such distribution, the shareholders have the right to choose between payment in cash and the delivery of such securities.

21.2.5.3 Control of the Issuer

There are no provisions either in the Company's Bylaws or in any internal charter or rules of procedure that could have the effect of delaying, postponing or preventing a change of control of the Company

22. MATERIAL CONTRACTS

As of the date of this Registration Document, the Group considers that its distribution agreement with telecom provider Orange in France and its content licensing agreements with the three major record labels are material to its business.

Orange France.

- Distribution contract by and between Orange and Blogmusik S.A.S, dated as of July 29, 2014, as amended by the first amendment dated as of July 22, 2015.

See Chapter 4.1.3, "*Deezer may be unable to renew its partnership agreements with its various distributions partners when they expire, particularly its partnership agreement with Orange in France, on favorable terms or at all*", Chapter 6.5.3, "Distribution Channels", and Chapter 9.2.1.3, "Average Revenue Per User (ARPU)" for a description of certain key terms of this contract.

Content licensing agreements with major record labels.

- *Contrat applicable aux services gratuits* and *Contrat applicable aux services payants* (France only), by and between Universal Music France and Blogmusik S.A.S, in application as of January 1, 2015.

- Deezer Global Deal Renewal Termsheet (worldwide excluding France), in application as of January 1, 2015.

- Digital Audio Distribution Agreement by and between Sony Music Entertainment International Limited and Blogmusik S.A.S, in application as of April 1, 2015.

- Warner Streaming Agreement by and among Warner Music Inc and WEA International Inc., in application as of January 1, 2015.

Certain of these agreeements are in agreed form but awaiting final signature. Deezer is operating on an ad hoc basis under the terms of these agreements pending signature. See Chapter 4.1.2.9, "*Some of Deezer's licensing arrangements with rights holders include minimum guaranteed payment requirements.*", Chapter 6.5.4.1, "Record labels" and Chapter 9.3 "Music Rights" for a description of certain key terms of these contracts.

23. THIRD PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST

Certain information found in Chapter 6, "Business Overview", comes from a study prepared by Enders Analysis Limited ("Enders"), 46A Great Marlborough Street, London W1F 7JW in July 2015 at the request of Deezer (hereinafter, the "Enders Report"). To prepare the Enders Report, Enders obtained, reviewed and analyzed consumer and market data on the recorded music industry. Its recorded music model was based on data sourced from national trade associations including the Recording Industry Association of America (RIAA), British Phongraphic Industry (BPI), Bundersverband, Musikindustrie (BVMI), *Syndicat national de l'édition phonographique* (SNEP) and *Associação Brasileira de Produtores de Disco* (APBD), supplemented by global unit sales and trade revenue figures from International Federation of the Phonographic Industry (IFPI), from which Enders performed calculations to estimate retail figures. Certain other information in found in Chapter 6, "Business Overview", comes from third-party sources. Deezer cannot guarantee that a third party using other methods to collate, analyze or compile the market data would obtain the same results. In addition, Deezer's competitors may define their economic and geographic markets differently.

The Company certifies that this information has been, to the best of its knowledge, accurately reproduced and that to the knowledge of the Company, based on the data published or provided by these sources, no fact has been omitted that would render this information inaccurate or misleading.

24. DOCUMENTS ON DISPLAY

Copies of this Registration Document are available free of charge at the Company's registered office. This document may also be consulted on the Company's website (www.deezer.com/company) and on the AMF's website (www.amf-france.org).

While this Registration Document is valid, the following documents (or a copy of such documents) may be viewed:

- the Company's bylaws;
- any report, correspondence or other historical financial information or document, assessment or statement prepared by an expert upon the Company's request, of which a portion is included or referred to in this Registration Document; and
- the historical financial information included in this Registration Document.

All such legal and financial documents relating to the Company and made available to shareholders in accordance with applicable regulations may be viewed at the Company's registered office.

Once the Company's shares have been admitted to trading on Euronext Paris, regulated information pursuant to the AMF General Regulations will be available on the Company's website. The Company does not intend to publish financial information on a quarterly basis.

25. INFORMATION ON HOLDINGS

Information relating to companies in which the Company holds equity that could have a material impact on the value of its assets, financial condition or results is included in Chapter 7.2.3, "Equity Investments". Please also see Note 1.2 to the Group's consolidated financial statements found in Annex I, "Group Consolidated Annual Financial Statements", for information on the Group's equity holdings.

ANNEX I

GROUP CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

DEEZER
Public Limited Company (*Société Anonyme*) with a share capital of €121.972
Registered in the Paris Trade and Companies Register
511 716 573
Registered office: 12 rue d'Athènes 75009 Paris (France)

CONSOLIDATED FINANCIAL STATEMENTS PREPARED UNDER IFRS FOR THE YEARS ENDED DECEMBER 2014, 2013 and 2012

Contents

CONSOLIDATED STATEMENT OF OPERATIONS (in thousands of euros)	Note	12/31/2014 12 months	12/31/2013 12 months	12/31/2012 12 months
Revenue	6.3	**141 923**	**92 800**	**63 565**
Cost of Revenues - Music rights	**6.4**	(112 484)	(87 401)	(57 128)
Cost of Revenues - Other	**6.5**	(7 308)	(3 166)	(895)
Gross Margin		**22 130**	**2 233**	**5 542**
Product and Development expenses	**6.6**	(6 553)	(4 182)	(3 078)
Sales and Marketing expenses	**6.6**	(21 293)	(23 931)	(7 601)
General and administrative expenses	**6.6**	(15 243)	(12 627)	(6 010)
EBITDA		**(20 958)**	**(38 507)**	**(11 147)**
Depreciation and Amortization	**6.8**	(6 016)	15 993	(17 986)
Current operating loss		**(26 974)**	**(22 514)**	**(29 132)**
Operating loss		**(26 974)**	**(22 514)**	**(29 132)**
Financial revenues		363	791	286
Financial expenses		(206)	-	-
Financial result		**158**	**791**	**286**
Loss before tax		**(26 816)**	**(21 723)**	**(28 846)**
Income tax	**6.9**	(359)	(336)	-
Loss for the year		**(27 175)**	**(22 059)**	**(28 846)**
Of which attributable to:				
Shareholders of Odyssey Music Group		**(27 175)**	**(22 059)**	**(28 846)**
Non-controlling interests		-	-	-
Earnings per share - Attributable to shareholders of Odyssey Music Group				
Basic earnings per share (€)		**(64,6)**	**(52,5)**	**(79,1)**
Diluted earnings per share (€)		**(64,6)**	**(52,5)**	**(79,1)**

Consolidated statement of comprehensive loss (in thousands of euros)	12/31/2014 12 months	12/31/2013 12 months	12/31/2012 12 months
Loss for the year	**(27 175)**	**(22 059)**	**(28 846)**
Currency translation adjustments	(130)	-	-
Total consolidated losses	**(27 305)**	**(22 059)**	**(28 846)**
Of which attributable to:			
Shareholders of Odyssey Music Group	**(27 305)**	**(22 059)**	**(28 846)**
Non-controlling interests	-	-	-

ODYSSEY MUSIC GROUP

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (in thousands of euros)

ASSETS	Note	12/31/2014	12/31/2013	12/31/2012
NON-CURRENT ASSETS				
Goodwill	6.10.1	7 487	-	-
Intangible assets	6.10.1	4 239	4 169	7 384
Property, plant and equipment	6.10.2	1 515	1 370	1 322
Non-current financial assets	6.11	534	678	502
Deferred tax assets		-	-	-
TOTAL NON-CURRENT ASSETS		13 776	6 217	9 207
CURRENT ASSETS				
Advances payments for Music rights	6.12.1	4 051	12 436	1 632
Trade receivables and other receivables	6.12.2	20 283	14 484	10 709
Other current assets	6.12.3	4 463	9 645	5 905
Cash and cash equivalents	6.12.4	33 231	37 933	66 342
TOTAL CURRENT ASSETS		62 028	74 491	84 588
TOTAL ASSETS		75 804	80 708	93 796

EQUITY AND LIABILITIES	Note	12/31/2014	12/31/2013	12/31/2012
Share capital		122	122	122
Additional paid in capital		89 504	87 653	87 643
Retained earnings		(97 084)	(69 967)	(47 921)
Currency translation adjustement		(130)	-	-
Equity attributable to shareholders of Odyssey Music Group	**6.13**	**(7 588)**	**17 808**	**39 844**
Non-controlling interest		1 023	1 023	1 023
Non-controlling interest		**1 023**	**1 023**	**1 023**
TOTAL EQUITY		(6 566)	18 831	40 867
NON-CURRENT LIABILITIES				
Provision for employee benefits	6.15	108	84	54
Non-current financial liabilities	6.21	10 000	-	-
Deferred tax liabilities	6.10.1	1 087	-	-
TOTAL NON-CURRENT LIABILITIES		11 195	84	54
CURRENT LIABILITIES				
Provisions	6.16	1 090	552	14 166
Borrowings and financial liabilities	6.17	1 025	1 048	1 548
Trade and other payables	6.18	50 827	48 666	26 868
Taxes on operations	6.19	5 597	3 917	2 968
Employee-related liabilities	6.19	3 406	2 523	1 629
Other current liabilities	6.20	9 230	5 095	5 696
TOTAL CURRENT LIABILITIES		71 174	61 793	52 876
TOTAL EQUITY AND LIABILITIES		75 804	80 708	93 796

ODYSSEY MUSIC GROUP

CONSOLIDATED STATEMENTS OF CASH FLOWS (in thousands of euros)	**12/31/2014 12 months**	**12/31/2013 12 months**	**12/31/2012 12 months**
Loss before tax	**(27 175)**	**(22 059)**	**(28 846)**
Adjustments			
- Depreciation, amortization and provisions	6 222	(15 993)	17 986
- Other non-cash income and expenses	2 045	13	25
Cash generated from operations after borrowing cost net of income tax	**(18 908)**	**(38 039)**	**(10 835)**
Financial expenses	(363)	(791)	(286)
Cash generated from operations before borrowing cost net of income tax	**(19 271)**	**(38 830)**	**(11 121)**
Income taxes paid	-	-	-
Change in receivables, Advances and Other current assets	(7 561)	11 806	5 815
Change in payables and current liabilities	8 858	23 039	17 513
Movements in operating working capital (including liability for employee benefits)	16 419	11 233	11 698
Net cash generated by operating activities	**(2 852)**	**(27 597)**	**(577**
Payments for property, plant and equipment and intangible assets	(2 068)	(937)	(6 809)
Payments for investments	(89)	(256)	(344)
Proceeds from the disposal of non-current assets	60	80	50
Impact of changes in the scope of consolidation	55	-	-
Other cash flows relating to investing activities	(345)	-	-
Net cash (used in)/generated by investing activities	**(2 386)**	**(1 113)**	**(7 103)**
Increase in share capital	-	-	68 020
Proceeds from the exercise of stock options or warrants	196	11	2
Interest received	363	791	286
Other cash flows relating to financing activities	(26)	(484)	191
Net cash (used in)/generated by financing activities	**533**	**318**	**68 499**
Change in net cash position	**(4 706)**	**(28 393)**	**61 973**
Effect of exchange rate changes	-	-	-
Cash and cash equivalents at the beginning of the year	37 925	66 318	4 345
Cash and cash equivalents at the end of the year	33 219	37 925	66 318
Change in cash position	**(4 706)**	**(28 393)**	**61 973**

ODYSSEY MUSIC GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (in thousands of euros)

	Share capital	Additional paid in capital	Retained earnings	Currency translation adjustement	Equity attributable to shareholders	Non-controlling interest	Total
Balance at 01/01/12	**91**	**19 651**	**(19 099)**		**643**	**722**	**1 364**
Capital increase on 06/27/12	29	67 991	-	-	**68 020**	-	**68 020**
Capital increase on 11/8/12	2	-	-	-	**2**	-	**2**
Loss for the year 2012	-	-	(28 846)	-	**(28 846)**	-	**(28 846)**
Share-based payments	-	25	-	-	**25**	301	**326**
Balance at 12/31/12	**122**	**87 667**	**(47 945)**	**-**	**39 844**	**1 023**	**40 867**
Capital transactions	-	11	-	-	**11**	-	**11**
Loss for the year 2013	-	-	(22 059)	-	**(22 059)**	-	**(22 059)**
Share-based payments	-	13	-	-	**13**	-	**13**
Balance at 12/31/13	**122**	**87 691**	**(70 004)**	**-**	**17 809**	**1 023**	**18 831**
Capital transactions	-	-	-	-	**-**	-	**-**
Loss for the year 2014	-	-	(27 175)	-	**(27 175)**	-	**(27 175)**
Share-based payments	-	1 896	-	-	**1 896**	-	**1 896**
Currency translation adjustments	-	-	-	(130)	**(130)**	-	**(130)**
Other	-	13	-	-	**13**	-	**13**
Balance at 12/31/2014	**122**	**89 600**	**(97 180)**	**(130)**	**(7 587)**	**1 023**	**(6 565)**

Notes to the consolidated financial statements

1. Information on the Company

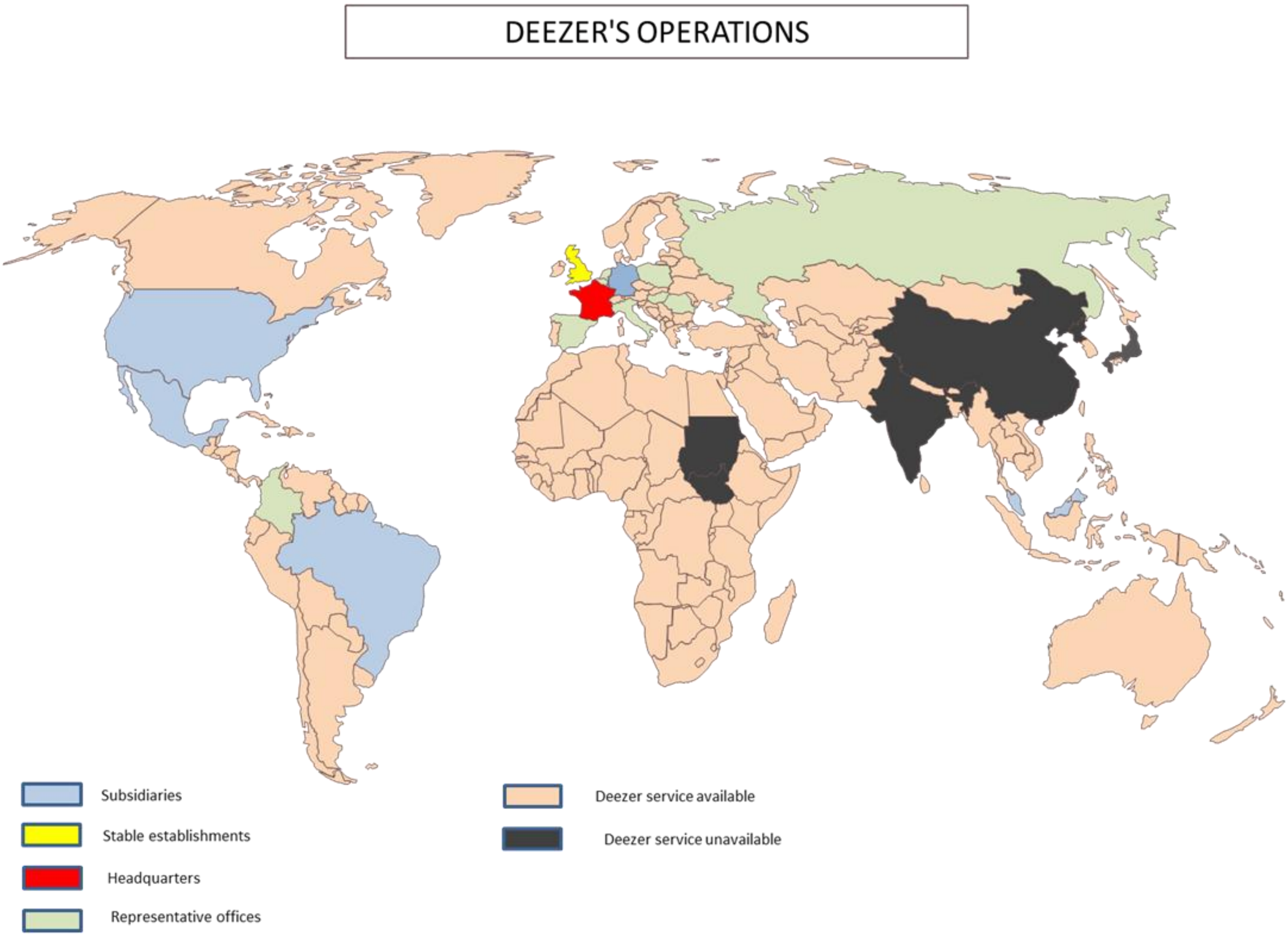
1.1 General information:

On September 4, 2015, Blogmusik, a wholly-owned subsidiary of Odyssey, merged into Odyssey.

Immediately after this reorganization transaction, Odyssey was renamed "Deezer" Accordingly, the financial statements as of and for the period ended December 31, 2014, 2013 and 2012 presented herein refer to "Odyssey Music Group" (the predecessor entity to Deezer)

ODYSSEY MUSIC GROUP is a French Public Limited Company (*Société Anonyme*) with a share capital of €121,972, registered as number 511 716 573 in the Paris Trade and Companies Register.

ODYSSEY MUSIC GROUP as the holding company and its subsidiaries (together the "Group" or "Deezer Group") operates a music streaming service via the Deezer.com site in more than 180 countries.

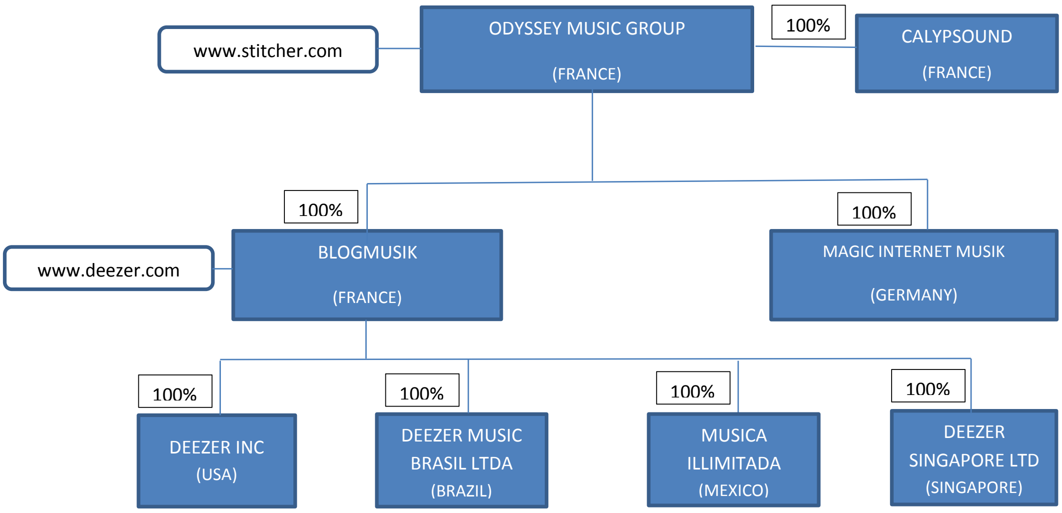


Deezer Group makes more than 35 million musical titles available to its clients based on streaming website, accessible from a computer or mobile device (telephone, tablet).

Group subsidiaries are primarily engaged in:

- An online music listening service on Deezer.com, provided free of charge to users (paid for by advertising) or by way of subscription. This activity is operated by Blogmusik and its affiliates, and by Magic Internet Musik;
- Advertising sales (sale of advertising space on the Internet) operated by ODYSSEY MUSIC GROUP;
- A sound marketing service for business users operated by Calypsound.

The Group's organization chart is as follows at December 31, 2014:



1.2 Consolidated entities and reporting date:

			% INTEREST			CONSOLIDATION METHOD		
Subsidiaries	**Reporting date**	**Functional currency**	**2014**	**2013**	**2012**	**2014**	**2013**	**2012**
ODYSSEY MUSIC GROUP	December 31	Euro	100%	100%	100%	FC	FC	FC
BLOGMUSIK	December 31	Euro	99,9994%	99,9994%	99,9994%	FC	FC	FC
CALYPSOUND	December 31	Euro	100%	100%	100%	FC	FC	FC
MUSICA ILLIMITADA SA DE CV	December 31	Mexican peso	100%			FC		
DEEZER SINGAPORE PTE. LTD.	December 31	Singapore dollar	100%			FC		
DEEZER INC USA	December 31	US dollar	100%			FC		
DEEZER MUSIC BRASIL LTDA.	December 31	Brazilian	100%			FC		
MAGIC INTERNET MUSIK GMBH	December 31	Euro	100%			FC		

FC = Fully Consolidated

1.3 Significant event of the year:

On August 1, 2014, the Group acquired the German company Magic Internet Musik, which operates a music streaming service under the name Ampya.com. The detail of this operation is disclosed in paragraph 6.2.

On October 14, 2014, the Group acquired the assets of Stitcher, a US-based entity that broadcasts Podcast content. Assets were the licence for a platform and technical equipment. The acquisition price totaled less than USD 500 thousand.

1.4 Going Concern:

The interim condensed consolidated financial statements are prepared on a going concern basis, which does not rely exclusively on future proceeds of an initial public offering or private funding. The alternative financial projections prepared by the Group (in a scenario without such funding), which include a reduction of marketing expenses and an assumption of an unchanged pattern of payments of the various categories of direct costs, confirm the going concern assumption.

2. Basis of presentation

These IFRS consolidated financial statements of ODYSSEY MUSIC GROUP S.A. as of and for the years ended December 31, 2014, 2013 and 2012 have been prepared as part of a planned listing of the shares of ODYSSEY MUSIC GROUP S.A. on the French regulated market. They have been presented specifically in a single set of three-year financial statements for the purpose of the Registration Document submitted for approval to the Autorité des marchés financiers (the French securities regulator).

These three-year consolidated financial statements for the purpose of the Registration Document have been prepared from the consolidated financial statements as of and for the years ended December 31, 2014, 2013 and 2012 which were respectively authorized for issue by the Board of Directors on April 23, 2015, April 30, 2014 and May 30, 2013.

These IFRS consolidated financial statements as of and for the years ended December 31, 2014, 2013 and 2012 were authorized for inclusion in the Registration Document by the Board of Directors of ODYSSEY MUSIC GROUP S.A. on September 15, 2015.

Consistent with the IFRIC Agenda Decision issued in May 2013 (IAS 10 *Events After the Reporting Period – Reissuing Previously Issued Financial Statements*), these financial statements do not reflect events that arose after the dates on which the financial statements for each period presented were respectively authorized for issue by the Board of Directors.

Accordingly, events which occurred after September 15, 2015 are not reflected in these three-year consolidated financial statements except for the latest period presented.

Disclosure in these three-years consolidated financial statements have been supplemented with Segment Information and EPS disclosure.

3. Statement of compliance

Fiscal year end is December 31.

The consolidated financial statements (hereinafter, "the Financial Statements") have been prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the European Union and applicable at December 31, 2014.

Details of the IFRS as adopted by the European Union can be found on the European Commission's website: http://ec.europa.eu/finance/accounting/ias/index_en.htm.

4. Recent changes in accounting policies

The application by the Group of:

- IFRS 10 *Consolidated financial statements* ;
- IFRS 11 *Joint arrangements*;

- IFRS 12 *Disclosure of interests in other entities*.

did not have a material impact on the Group's financial statements at December 31, 2014 and for all periods presented.

The Group did not early apply IFRIC 21 *Levies*.

5. Accounting policies

The financial statements are presented in thousands of euros unless otherwise specified.

They are prepared on a historical cost basis, except for certain categories of assets and liabilities in accordance with IFRS rules.

5.1 Estimates and assumptions

Preparing financial statements under IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the amounts of assets and liabilities, income and expenses. The underlying estimates and assumptions are based on past experience and other factors considered reasonable under the circumstances. They act as a basis for making assumptions necessary to the determination of the carrying amount of assets and liabilities, which cannot be obtained directly from other sources. Actual values may differ from these estimates.

The underlying estimates and assumptions are regularly reviewed. The impact of changes in accounting estimates is recognized in the period in which the change is made and in all subsequent affected periods.

Information on the key assumptions for the estimates made in application of the accounting policies, that materially affect the amounts recognized in the financial statements, are presented in the following notes:

- Share-based payments (note 5.11);
- Intangible assets (note 5.12);
- Provision (note 5.19).

5.2 Foreign currencies

5.2.1 Foreign currency translations

The Group's financial statements are presented in euros.

The financial statements of entities whose functional currency is not the euro are translated into euros according to the provisions of IAS 21 *The effects of changes in foreign exchange rates*. Translation differences are accumulated in "Currency translation adjustment" and presented separately in the Group's equity.

5.2.2 Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies at the exchange rate effective at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency using the exchange rate effective at that date.

The resulting exchange gains or losses are recorded in the statements of consolidated operations in financial gain (loss).

5.3 Revenue

The Group has four main sources of revenue:

- Revenue from "Standalone" subscriptions.

  These subscriptions are taken out by the user directly on the Deezer.com site or via a distributor such as a telecom company.Subscriptions sold by Deezer as well as subscriptions taken out via distributors "Stores" (Apple, Android) are recognized as their gross value and the commission earned by the platform is included in "Cost of Revenues-Other".

  For subscriptions taken out directly on the site Deezer.com, revenue is recognized *pro rata temporis* as of the subscription date.

- Revenue from “Bundles” subscriptions.

  The Deezer subscription is included in the service or product sold by the distributor. The partner pays Deezer based on all subscriptions sold or on active subscriptions depending on the terms of the contract (an active subscription is a subscriber who has listened for at least 30 seconds over the last 30 days).

  Revenue is recognized monthly for the net amount paid by the distributor.

  The Group has signed certain contracts with telecom companies which include guaranteed minimums from the operators.

  The revenue recognized in the financial statements corresponds to the monthly amount of sales realized by the operators (or the number of active users reported), independently of the guaranteed minimum. Any difference between the current sales and the guaranteed minimum is recognized at the end of the contract.

- Advertising revenue is recognized in the period in which the advertising service is provided.

- Other revenue corresponds to revenue realized from the CALYPSOUND activity, as well as revenue received by BLOGMUSIK from partners, particularly for the sale of site access codes to commercial partners.

5.4 Cost of Revenues – Music rights

Cost of revenues consists in royalties paid for Music rights.

This item includes the cost of royalties :

-for paying subscribers and bundles sold by telecom operator

-for the free users

-for the cost of extended free trials when they are totally or partially funded by a partner

-for the unused minimums guaranteed.

Some royalties’ contracts may include guaranteed minimum payments over the term of the contract, as well as significant Advance payments to be paid up-front.

At inception of contracts with guaranteed minimums, the Company estimates the amount of royalties expected to be consumed over the term of contract.

Any difference between this amount of expected royalties to be consumed and the amount of guaranteed minimums over the entire contractual period is recognized as an intangible asset (Access Right according to the criteria of IAS 38 *Intangible Assets*). This intangible asset is amortized over the terms of the contract and annual amortization expenses are presented under “Depreciation and Amortization expenses”.

At the end of each reporting period, the Group estimates the amount of royalties it expects to pay each year for contracts and compares this with the amount of minimum guaranteed payments. If the anticipated royalties are lower than the minimum guaranteed payment obligations (after taking into account the amount of anticipated shortfall previously recorded as an intangible asset, if any), the difference is recorded as a provision, or as a write down of advances against royalties to the extent the relevant amounts were previously paid.

When the amount of the guaranteed minimums cannot be distributed between the accounting periods covered by the term of the contract, this amount is distributed *pro rata temporis*.

5.5 Cost of Revenue – Other

Other cost of revenue includes:

- Hosting infrastructure servers and network bandwidth costs,
- Commissions charged by the sales platforms.

5.6 Product and Development expenses

This line item includes salaries, social security contributions and expenses relating to employees assigned to the development of the product and its interfaces.

5.7 Sales and Marketing expenses

This line item includes salaries, social security contributions and expenses relating to employees assigned to advertising sales, central marketing and marketing services in other countries, as well as customer support services.

Communications expenses relating to public relations and the purchase of traffic are also recognized in this line item, in addition to any commission paid to distributors.

5.8 General and Administrative expenses

This line item includes salaries, social security contributions and expenses relating to administration, support employees, the legal department as well as rent expenses and the corresponding charges.

5.9 Income tax

Income tax includes the current tax expense (or income) and the deferred tax expense (or income). The tax is recognized in profit or loss, unless it relates to items that are directly recognized in equity.

Current tax represents the amount of tax determined in accordance with the rules established by the competent tax authorities on the basis of taxable profit for the year. The latest enacted tax rates on the reporting date are used. Deferred tax is determined using the liability method for all temporary differences between the carrying amount of assets and liabilities and their tax bases.

5.10 Earnings per share:

Basic earnings per share are calculated by dividing profit (loss) for the year by the weighted average number of ordinary shares outstanding during the year, less the average number of ordinary shares held as treasury shares.

Diluted earnings per share are calculated by dividing profit (loss) for the year by the weighted average number of shares issued or to be issued at the end of the period, excluding treasury shares and including the impact of all potentially dilutive ordinary shares (share warrants, employee warrants, stock options).

5.11 Share-based payments:

For equity-settled share-based payment transactions, the Group must measure the goods or services received and the corresponding increase in equity, at the fair value of the goods or services received. If a reliable measurement of the goods or services received is not possible, the Group measures these by determining the fair value of the equity instruments awarded.

The fair value of the equity instruments awarded to employees was determined using the Black & Scholes model, the key parameters of which include:

- valuation of the company on the date the financial instrument is allocated;

- maturity of the financial instrument (estimated date of its liquidity);

- government bond yields on the date of valuation of the financial instrument;

- company volatility index having regard to comparable companies;

- exercise price of the financial instrument.

The resulting valuation is reduced by a discount for non-transferability using the Finnerty model.

The cost of the equity instruments awarded to employees is recognized over the vesting period and the period expense is recorded under Employee benefits expense with a corresponding increase in the Group' shareholders equity.

Services received and goods acquired in exchange of equity instruments are recognized at the fair value of the equity instruments issued by Group.

5.12 Intangible assets:

Research expenses are expensed immediately.

Capitalized development costs: In accordance with IAS 38 *Intangibles Assets*, development expenses are recorded as intangibles assets only if all capitalization criteria are met.

Software and licenses acquired are recognized at cost of acquisition and amortized on a straight-line basis over their useful life.

Other intangible assets include acquired trademark rights. They are recognized at acquisition cost and are amortized over their useful life.

Exclusive rights and access rights:

- Exclusive rights are related to exclusivity of partnerships with telecom companies. These rights are amortized over the expected future useful life.

- Access rights (see note 5.4 Cost of Revenues – Music rights)

Amortization

Intangible assets with a finite life are amortized over their expected useful life on a straight-line basis and are tested for impairment whenever there is indication that they may have been impaired.

Useful lives are reviewed annually and any resulting adjustments are recognized prospectively.

Intangible assets with indefinite life are not amortized and are tested for impairment annually, either individually or as part of the cash generating unit to which they belong.

The expected useful lives are as follows:

• Development expenses	3 years
• Licenses	1 year
• Websites	3 years
• Other assets	between 1 and 2 years
• Exclusive rights and access rights	term of the contract

Impairment of assets

In accordance with IAS 36 *Impairment of Assets,* whenever events or changes in market conditions indicate a risk of impairment of intangibles assets, property, plant and equipment, an impairment test is carried out in order to determine whether the net carrying amount of such assets remains lower than their recoverable amount, which is defined as a greater of a fair value and value in use.

Goodwill is tested once a year for impairment, value in use is measured by expected future cash flows from continuing use of the asset and from its ultimate disposal.
In the event that the recoverable value is lower than the net carrying value, the difference is recognized as an impairment loss.

5.13 Property, plant and equipment:

Property, plant and equipment is measured at cost less accumulated depreciation and impairment.

Depreciation

Depreciation is expensed on a straight-line basis over the estimated useful life for each component of an item of property, plant and equipment.

The estimated useful lives are as follows:

• Building improvements	10 years
• Technical equipment and tools	3 years
• Fixtures & fittings, installations	between 5 and 8 years
• Vehicles	5 years
• Office and computer equipment	3 years
• Furniture	between 4 and 5 years

The carrying amounts of property, plant and equipment are tested for impairment whenever events or changes in circumstances indicate that an asset has been impaired.

5.14 Advances payments for Music rights

(See note 5.4 Cost of Revenues – Music rights).

5.15 Trade and other receivables

Trade and other receivables are measured at fair value upon initial recognition.

Valuation allowances are recognized when recoverability of trade receivables is not probable.

Group factors some of its trade receivables. As contractual terms do not permit de-recognition under IAS 39 *Financial Instruments – Recognition and Measurement*, such factored receivables continue to be reported as "Trade receivables", while a financial liability is recognized in the line item "Borrowings and financial liabilities".

5.16 Financial assets

The measurement of financial assets and liabilities is covered by IAS 39 *Financial Instruments - Recognition and Measurement.*

Assets at fair value through profit or loss

Financial assets measured at fair value through profit or loss are held-for-trading financial assets. They are held by the Company for the purposes of making short-term gains.

Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not listed on an active market. They are included under current assets except where the maturity date is more than 12 months from the reporting date.

These loans and receivables are recognized at fair value upon initial recognition, and subsequently at amortized cost calculated using the effective interest method.

Loans and receivables are monitored for objective evidence of impairment. A financial asset is impaired if, during impairment testing, its carrying amount is found to exceed its estimated recoverable amount. The impairment loss is recognized in profit or loss.

5.17 Cash and cash equivalents

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments rather than for the purpose of investments or for other purposes. They are readily convertible into a known amount of cash accounts and are subject to an insignificant risk of changes in value. Cash and cash equivalent include cash, bank accounts, money market funds and fixed bank deposits that meet the definition of a cash equivalent. Short-term investments are considered as being held-for-trading and measured at fair value on the reporting date. Changes in fair value are recognized in profit or loss.

5.18 Derivatives

The Group does not use derivatives for operational hedging and management of exposure to exchange rate fluctuations.

5.19 Provisions

A provision is recognized when the Group has a present obligation (legal or implicit) arising from past events, that can be reliably estimated, provided it is probable that an outflow of economic benefits will be required to settle the obligation.

Where there is a significant time value effect, the amount of the provision is determined by discounting expected future cash flows at a rate that reflects current market assessment of the time value of money and, where appropriate, risks specific to this liability.

Provisions for claims and litigation

Provisions for claims are assessed on a case-by-case basis by Group's management's.

Provision for onerous contracts with record companies

(See note 5.4 Cost of Revenues – Music rights).

5.20 Provision for employee benefits

The Group's obligations for retirement and similar post-employment benefits relate to defined benefit plans, in line with relevant legal and regulatory obligations in France (retirement benefits). These obligations are measured using the projected unit credit method. Under this method, benefit entitlements are attributed to service periods in accordance with vesting conditions, using a straight-line basis to stagger the expense generated when the entitlement doesn't vest in a uniform manner over the remaining service periods to retirement.

The amount of future payments is measured on the basis of assumptions regarding salary increases, retirement age, life expectancy, employee turnover and discounting assumptions for anticipated payments using a rate that reflects the anticipated repayment period.

6. Notes to the consolidated financial statements

6.1 Segment reporting

The Company operates in five regional segments. The CEO of the Group is the Chief Operating Decision Maker ("CODM") as defined in IFRS 8 *Segment reporting and* manages the Group's operations on a regional basis for purposes of managing performance and allocating resources.

The CODM reviews Revenues and Earnings Before Interest, Tax, Depreciation and Amortization ("EBITDA") in the management reporting.

Functional costs are equally distributed per region.

Internal sector reports are prepared according to the IFRS standards and inter-sector transactions are eliminated.

2014

	FR	Europe	LATAM	ROW	US	HQ	Total
Revenue	74 171	40 777	21 451	5 257	231	36	**141 923**
Cost of Revenues	(57 036)	(37 702)	(18 252)	(4 879)	(149)	(1 773)	**(119 791)**
Operating expenses	(5 412)	(8 267)	(4 123)	(611)	(3 009)	(21 667)	**(43 089)**
Contribution to the margin	**11 723**	**(5 193)**	**(924)**	**(234)**	**(2 927)**	**(23 404)**	**(20 958)**
Breakdown of corporate expenses	(4 681)	(4 681)	(4 681)	(4 681)	(4 681)	23 404	
Earnings Before Interest Tax Depreciation and Amortization	**7 043**	**(9 873)**	**(5 605)**	**(4 914)**	**(7 607)**	**-**	**(20 958)**

2013

	FR	Europe	LATAM	ROW	US	HQ	Total
Revenue	60 806	22 293	5 211	4 501	-	(11)	**92 800**
Cost of Revenues	(48 213)	(23 463)	(9 013)	(8 194)	-	(1 684)	**(90 567)**
Operating expenses	(4 978)	(10 228)	(5 347)	(2 412)	(247)	(17 528)	**(40 740)**
Contribution to the margin	**7 614**	**(11 397)**	**(9 149)**	**(6 105)**	**(247)**	**(19 223)**	**(38 507)**
Breakdown of corporate expenses	(3 845)	(3 845)	(3 845)	(3 845)	(3 845)	19 223	
Earnings Before Interest Tax Depreciation and Amortization	**3 770**	**(15 242)**	**(12 994)**	**(9 949)**	**(4 092)**	**-**	**(38 507)**

2012

	FR	Europe	LATAM	ROW	US	HQ	Total
Revenue	56 468	6 183	69	844	-	-	**63 565**
Cost of Revenues	(45 458)	(9 488)	(113)	(1 823)	-	(1 142)	**(58 024)**
Operating expenses	(2 830)	(2 498)	(12)	(262)	-	(11 086)	**(16 689)**
Contribution to the margin	**8 180**	**(5 803)**	**(56)**	**(1 240)**	**-**	**(12 229)**	**(11 148)**
Breakdown of corporate expenses	(3 057)	(3 057)	(3 057)	(3 057)	-	12 229	-
Earnings Before Interest Tax Depreciation and Amortization	**5 123**	**(8 860)**	**(3 113)**	**(4 297)**	**-**	**-**	**(11 148)**

FR: France

Europe: Europe excluding France

LATAM: Latin America

ROW: Rest of World

US: USA

HQ: Corporate expenses

One client represents more than 10% of the total revenue from consolidated revenue in 2014, 2013 and 2014.

Tangible assets are all located in France, except for a small portion which is located in the USA.

6.2 Acquisition of Magic Internet Musik

<u>1 – Description of the transaction</u>

On August 1, 2014, the Group acquired the German company Magic Internet Musik ("MIM") from Magic Internet Holding GmbH, a subsidiary of Prosiebensat.1 Media AG (together the" Sellers"). MIM operated a music streaming service under the name Ampya.com

As part of the transaction, ODYSSEY MUSIC GROUP

- Received some operating assets including a distribution contract with a Telecom company contract, and
- Entered into a contract with Prosieben TV whereby the Group will receive future advertising services to promote Deezer operations in Germany until 2019.

ODYSSEY MUSIC GROUP issued 30 000 warrants to the Sellers at the closing of this transaction. The number of warrants, finally exercisable by Prosieben (up to 30.000) will depend on performance conditions, including conditions related to the portion of German revenue in the Group revenues and conditions related to the Group equity value at vesting date (only if vesting occurs in the first two years for the later). The warrants will vest to the Sellers either in December 31, 2019 or before December 31, 2019 if a trigger event occurs.

This operation was valued for € 20 millions based on both the fair value of ODYSSEY MUSIC GROUP shares and probabilities of different scenarios of vesting and performance conditions.

It has been considered that 50% of the warrants are related to the operating assets of MIM, and 50% of the warrants are related to the advertising contract.

<u>2 – Accounting for the acquisition of operating assets of MIM</u>

The acquisition of MIM operations was qualified as a business, and therefore this acquisition was accounted for under the provisions of IFRS 3 *Business combinations*:
The consideration paid was provisionally allocated to the following assets

- The distribution contract with the Telecom company for € 3,6 million, and a related deferred tax liability for € 1,1 million.
- A residual goodwill for € 7.5 million, that represents future synergies that will benefit to Deezer from its implementation in Germany.

The counterpart from warrants, € 10 million, is booked under "Financial liabilities" and will be re-estimated at each reporting date through the income statement, subject to achievement of past performance conditions and re-assessment of future conditions.

3 - Accounting for the future advertising services

The warrant promised to the Sellers for future advertising spaces (which represent € 10 million at transaction date) will be recorded as an expense when the services will be rendered. No balance sheet item has therefore been accounted at transaction date.

In compliance with IFRS 2 *Share based payments,* expenses will be recorded based on estimated at warrants' fair value at the date the advertising services will be received.

At December 31, 2014 an expense of € 2 million has been recorded in the Consolidated Statement of Operations for the advertising services already received.

6.3 Revenue

Revenue is detailed as follows:

In thousands of euros	12/31/2014	12/31/2013	12/31/2012
Revenue - Standalone subscriptions	64 704	35 177	13 618
Revenue - Bundles subscriptions	70 246	49 904	42 201
Revenue - Advertising	5 349	5 723	7 358
Other revenue	1 624	1 996	388
Total	**141 923**	**92 800**	**63 565**

6.4 Cost of revenues – Music rights

In thousands of euros	12/31/2014	12/31/2013	12/31/2012
Cost of Revenues -Music rights	(110 442)	(74 248)	(51 718)
Unused guaranteed minimums on rights	(2 042)	(13 153)	(5 410)
Total	**(112 484)**	**(87 401)**	**(57 128)**

Unused guaranteed minimums on rights expenses amounted to € 5 410 thousand, € 13 153 thousand and € 2 042 thousand, in fiscal year 2012, 2013 and 2014 respectively.

At the end of 2012, some provisions were recorded to cover the risk of unused guaranteed minimums. The detail of these provisions and the net impact of the unused guaranteed minimums on the operating profit are disclosed in note 6.8.

	12/31/2014	12/31/2013	TOTAL
Impact of guaranteed minimums included in item "Cost of revenue- Rights"	(2 042)	(13 153)	(15 195)
Amortization of Intangible assets	(2 400)	(2 400)	(4 800)
TOTAL IMPACT	**(4 442)**	**(15 553)**	**(19 995)**

6.5 Cost of Revenues - Other

In thousands of euros	12/31/2014	12/31/2013	12/31/2012
Transaction costs	(4 919)	(978)	(446)
Infrastructure	(1 935)	(1 529)	(451)
Other	(455)	(659)	
Total Cost of Revenues-Other	**(7 308)**	**(3 166)**	**(896)**

Transaction costs include Commissions to payment platform, including E-Stores.
Infrastructure costs include the cost of Data center rentals and costs of bandwith.

6.6 Product and Development, Sales and Marketing, General and Administrative expenses

2014

In thousands of euros	Product and Development	General and administrative	Sales and marketing
Employee benefits expense	(5 760)	(8 539)	(8 217)
External expenses	(793)	(5 719)	-
Marketing expenses	-	-	(13 076)
Others taxes	(1)	(985)	-
TOTAL	**(6 553)**	**(15 243)**	**(21 293)**

2013

In thousands of euros	Product and Development	General and administrative	Sales and marketing
Employee benefits expense	(3 722)	(6 628)	(5 886)
External expenses	(472)	(5 346)	-
Marketing expenses	-	-	(18 045)
Others taxes	12	(654)	-
TOTAL	**(4 182)**	**(12 627)**	**(23 931)**

2012

In thousands of euros	Product and Development	General and administrative	Sales and marketing
Employee benefits expense	(1 756)	(2 287)	(4 009)
External expenses	(1 300)	(3 095)	(278)
Marketing expenses	-	-	(3 295)
Others taxes	(23)	(628)	(20)
TOTAL	**(3 078)**	**(6 010)**	**(7 601)**

The substantial increase of operating expenses between 2012 and the following years results from the launch of the international service.

6.7 Headcount

At December 31, 2014, the Group's average headcount was 247 people (136 people at December 31, 2013, 99 people at December 31, 2012).

In thousands of euros	Product and Development	General and administrative	Sales and marketing	Total
Average headcount	71	67	109	247

6.8 Depreciation, amortization, valuation allowances and provisions

In thousands of euros	12/31/2014	12/31/2013	12/31/2012
Net provisions for liabilities	134	29	(218)
Net provisions for unused guaranteed minimums	(671)	13 586	(8 333)
Valuation allowance on advances	-	6 514	(6 162)
Valuation allowances on trade receivables	(2)	(1)	3
Net provisions for employee benefits	(24)	(31)	(26)
Total provisions and valuation allowances	(563)	20 097	(14 736)
Total depreciation and amortization expenses	(5 453)	(4 104)	(3 250)
TOTAL	**(6 016)**	**15 993**	**(17 986)**

At the time of signature of licensing contracts in 2012, the company assessed the amount of unused minimum guaranteed (MG) payments and, in accordance with IAS 38, recognized an intangible asset equal to €4,800 thousand. This asset was amortized over the two years of the contract term, with €2,400 thousands amortization per year.

The company re-assessed the amount of unused minimum guaranteed payments as of December 31, 2012, and identified an additional risk of € 17,531 thousand. This additional risk was accounted for in the 2012 consolidated financial statements as follows :

Impact of the reassessment of Minimum Guaranteed usage	Amount (*in € thousands*)	Item in the Balance sheet	Reference of the note to the accounts
Valuation allowance	6,514	« Advances Payment for music rights »	6.12.1
Provision, according to IAS 37	11,017	« Provisions »	6.16
TOTAL impact	**17,531**		

At the end of 2013 the valuation allowance and provision were reversed, as shown in the following table detailing the allowances and reversals of Amortization and Depreciation recorded in ODYSSEY MUSIC GROUP's consolidated statements of operation for the years ended December 31, 2014, 2013 and 2012:

In thousands of euros	12/31/2014	12/31/2013	12/31/2012
Net provisions for liabilities	134	29	(218)
Reversal (Allowance) of provisions for unused MG from 2011			5 615
Reversal (Allowance) for Advances depreciation from 2011			352
Reversal (Allowance) for unused MG for Telco contracts		2 931	(2 931)
Reversal (Allowance) for unused MG		**11 017**	**(11 017)**
Allowance of unused MG	362	(362)	
Reversal (Allowance) for unused MG booked as Advances depreciation		**6 514**	**(6 514)**
Reversal (Allowance) for unused MG MIM	(1 035)		
Valuation allowances on trade receivables	(2)	(1)	3
Net provisions for employee benefits	(24)	(31)	(26)
Total provisions and valuation allowances	(565)	20 097	(14 736)
Depreciation of Intangible assets other than Rights	(2 195)	(1 120)	(2 946)
Depreciation of capitalized unused MG	**(2 400)**	**(2 400)**	-
Depreciation of Tangibles assets	(856)	(584)	(304)
Total amortization expenses	(5 451)	(4 105)	(3 250)
TOTAL DEPRECIATION AND AMORTIZATION PER CONSOLIDATED STATEMENT OF OPERATIONS	**(6 016)**	**15 993**	**(17 986)**

The table below presents the aggregate impact of the unused minimums guaranteed on consolidated operating profit for the periods indicated.

In thousands of euros	12/31/2014	12/31/2013	12/31/2012
Unused guaranteed minimum on rights	(2 042)	(13 153)	(5 410)
Impact on "Cost of Revenue- Music Rights" of unused minimums guaranteed	(2 042)	(13 153)	(5 410)
Reversal (Allowance) of provisions for unused MG from 2011			5 615
Reversal (Allowance) for Advances depreciation from 2011			352
Reversal (Allowance) for unused MG for Telco contracts		2 931	(2 931)
Reversal (Allowance) for unused MG		11 017	(11 017)
Allowance of unused MG	362	(362)	
Reversal (Allowance) for unused MG booked as Advances depreciation		6 514	(6 514)
Reversal (Allowance) for unused MG MIM	(1 035)		
Depreciation of capitalized unused MG	(2 400)	(2 400)	-
Impact on "Depreciation and Amortization" of unused guaranteed minimums	(3 073)	17 700	(14 495)
IMPACT ON "OPERATING PROFIT" OF UNUSED GUARANTEED MINIMUMS	**(5 115)**	**4 547**	**(19 905)**

6.9 Current income tax and deferred tax

The Group does not pay current income tax in any of its locations.

The effective tax rate is presented as follows:

In thousands of euros	12/31/2014	12/31/2013	12/31/2012
Consolidated loss for the year before tax	(27 175)	(22 059)	(28 846)
Theoretical tax rate	33,33%	33,33%	33,33%
Theoretical tax income (expense)	9 057	7 352	9 614
Impact of permanent differences	(875)	(124)	(243)
Share-based payment	(15)	(4)	(8)
Impact of temporary differences	129	6 673	(6 892)
Unrecognized loss from inactive foreign subsidiaries	(629)	-	-
Unrecognized tax loss	(7 667)	(13 897)	(2 463)
Other	-	-	(9)
Effective tax income (expense)	-	-	-
Effective tax rate	**0%**	**0%**	**0%**

At December 31, 2014, the amount of unrecognized tax losses totaled € 90 050 thousand (€ 67 049 thousand in 2013 and € 25 357 thousand in 2012), mainly in France.

6.10 Non-current assets

6.10.1 Intangible assets

The gross amount and amortization of intangible assets are shown in the table below:

In thousands of euros	Gross amount at 01/01/2012	Increases	Decreases	Gross amount at 12/31/2012	Increases	Decreases	Gross amount at 12/31/2013	Increases	Decreases	Gross amount at 12/31/2014
Goodwill	-	-	-	-	-	-	-	7 487	-	**7 487**
Development expenses	**1 645**	203	-	**1 848**	-	-	**1 848**	50	-	**1 898**
Licenses	**28**	119	-	**147**	581	12	**715**	879	-	**1 594**
Website	**40**	-	-	**40**	-	-	**40**	-	-	**40**
Other Goodwill	-	-	-	-	-	-	-	130	-	**130**
Other assets	**2 382**	301	-	**2 683**	-	-	**2 683**	3 600	-	**6 283**
Exclusive rights and access rights	**5 461**	4 800	-	**10 261**	-	-	**10 261**	-	4 800	**5 461**
Intangible assets in progress	**35**	292	35	**292**	15	292	**15**	18	11	**23**
Total intangible assets	9 591	5 715	35	15 271	596	304	15 563	12 164	4 811	22 916

In thousands of euros	Dep. & Prov. at 01/01/2012	Increases	Decreases	Dep. & Prov. at 12/31/2012	Increases	Decreases	Dep. & Prov. at 12/31/2013	Increases	Decreases	Dep. & Prov. at 12/31/2014
Development expenses	**690**	480	-	**1 170**	334	-	**1 503**	239	-	**1 743**
Licenses	**19**	44	-	**63**	276	12	**326**	696	-	**1 023**
Website	**30**	10	-	**40**	-	-	**40**	-	-	**40**
Goodwill	-	-	-	-	-	-	-	130	-	**130**
Other assets	**652**	502	-	**1 154**	510	-	**1 664**	1 131	-	**2 795**
Exclusive rights and access rights	**3 550**	1 911	-	**5 461**	2 400	-	**7 861**	2 400	4 800	**5 461**
Total amort. of intangible assets	4 941	2 947	-	7 888	3 520	12	11 395	4 597	4 800	11 191
Total intangible assets - net	4 650			7 383			4 168			11 725

In 2012, the € 4 800 thousand increase in Exclusive rights and access rights is the estimate made by the Group of the unused guaranteed minimums for Music rights contracts covering years 2013 and 2014. Amortization expenses for the year 2012 relates to Wormee exclusive rights acquired from Orange in 2010.

In 2014, the main variation is related to MIM operation (see note 6.2 Acquisition of Magic Internet Musik) and Access right decrease with the end of some music rights contracts.

6.10.2 *Property, plant and equipment*

The gross amount and depreciation are shown in the table below:

In thousands of euros	Gross amount at 01/01/2012	Increases	Decreases	Gross amount at 12/31/2012	Increases	Decreases	Gross amount at 12/31/2013	Increases	Decreases	Gross amount at 12/31/2014
Technical equipment	**624**	936	-	**1 560**	413	-	**1 973**	864	-	**2 836**
Fixtures and fittings	**14**	225	-	**239**	58	-	**297**	19	-	**316**
Vehicles	**22**	-	-	**22**	-	-	**22**	-	-	**22**
Office and IT equipment	**135**	184	-	**319**	144	-	**463**	96	-	**559**
Furniture	**18**	85	-	**103**	18	-	**121**	23	-	**144**
Total property, plant and equipment	813	1 430	-	2 244	633	-	2 876	1 002	-	3 878

In thousands of euros	Dep. & Prov. at 01/01/2012	Increases	Decreases	Dep. & Prov. at 12/31/2012	Increases	Decreases	Dep. & Prov. at 12/31/2013	Increases	Decreases	Dep. & Prov. at 12/31/2014
Technical equipment	**516**	233	-	**749**	409	-	**1 158**	648	-	**1 806**
Fixtures and fittings	**6**	12	-	**18**	40	-	**58**	45	-	**103**
Vehicles	**1**	5	-	**6**	4	-	**10**	4	-	**15**
Office and computer equipment	**79**	48	-	**127**	111	-	**238**	136	-	**374**
Furniture	**17**	6	-	**23**	20	-	**43**	23	-	**66**
Total amort. of property, plant and equipment	619	304	-	922	584	-	1 507	856	-	2 363
Total property, plant and equipment - net	194			1 322			1 369			1 515

6.11 Non-current and current financial assets

In thousands of euros	Gross amount at 01/01/2012	Increases	Decreases	Gross amount at 12/31/2012	Changes in the scope of consolidation	Increases	Decreases	Gross amount at 12/31/2013	Changes in the scope of consolidation	Increases	Decreases	Gross amount at 12/31/2014
Investments	-	-	-	-	173	-	-	**173**	(173)	-	-	-
Deposits and guarantees	**208**	344	50	**502**	-	83	80	**505**	-	89	60	**534**
Total non-current financial assets	208	344	50	502	173	83	80	678	(173)	89	60	534

The amount of € 173 thousand corresponds to the share capital of the US and Brazilian subsidiaries created at the end of 2013; these subsidiaries were not consolidated in 2013 as they were insignificant and were consolidated starting from January 1st, 2014.

At 12/31/2014:

In thousands of euros	Carrying amount	Financial assets at fair value (through profit or loss)	Loans and receivables	Held-to-maturity assets	Non-financial assets
Non-current financial assets	534	-	534	-	-
Trade and other receivables	20 283	-	20 283	-	-
Other current assets	4 463	-	4 012	-	451
Cash and cash equivalents	33 231	33 231	-	-	-
Total financial assets	**58 511**	**33 231**	**24 829**	**-**	**451**

At 12/31/2013:

In thousands of euros	Carrying amount	Financial assets at fair value (through profit or loss)	Loans and receivables	Held-to-maturity assets	Non-financial assets
Non-current financial assets	678	-	678	-	-
Trade and other receivables	14 484	-	14 484	-	-
Other current assets	9 645	-	9 441	-	204
Cash and cash equivalents	37 933	37 933	-	-	-
Total financial assets	**62 740**	**37 933**	**24 603**	**-**	**204**

At 12/31/2012:

In thousands of euros	Carrying amount	Financial assets at fair value (through profit or loss)	Loans and receivables	Held-to-maturity assets	Non-financial assets
Non-current financial assets	502	-	502	-	-
Trade and other receivables	10 709	-	10 709	-	-
Other current assets	5 905	-	5 715	-	190
Cash and cash equivalents	66 342	66 342	-	-	-
Total financial assets	**83 458**	**66 342**	**16 926**	**-**	**190**

6.12 Current assets

6.12.1 Advances payments for Music rights

In thousands of euros	12/31/2014	12/31/2013	12/31/2012
Advances payments for Music rights	4 051	12 436	8 146
Valuation on allowance on advances	-	-	(6 514)
TOTAL advances	**4 051**	**12 436**	**1 632**

All advances against royalties are due within a year.

The advance of € 8 146 thousand paid on December 31, 2012 was an advance on distribution contracts for 2013-2014.

6.12.2 Trade receivables and other receivables

In thousands of euros	12/31/2014	12/31/2013	12/31/2012
Trade and other receivables	20 299	14 499	10 723
Valuation on allowance on trade receivables	(16)	(15)	(14)
TOTAL net trade receivables	**20 283**	**14 484**	**10 709**

Receivables are related to Telco operators and result from the recurrent billing made each month. No significant amount is overdue.

The company did not recognize any loss on receivables in the past three years.

6.12.3 Other current assets

In thousands of euros	12/31/2014	12/31/2013	12/31/2012
Trade payables - Advances paid	14	22	18
Trade payables - Credit notes to be received	60	520	568
Employees and social security bodies	57	68	47
State and local authorities	3 378	8 494	3 820
Sundry debtors	709	337	1 262
Prepaid expenses	451	204	191
TOTAL other current assets - gross	**4 669**	**9 645**	**5 906**
Valuation allowance	(206)	-	-
TOTAL other current assets - net	**4 463**	**9 645**	**5 906**

The "State and local authorities" item includes a VAT receivable for the amount of € 3 143 thousand and a tax receivable (research tax credit) of € 235 thousand.

6.12.4 Cash and cash equivalents

In thousands of euros	12/31/2014	12/31/2013	12/31/2012
Marketable securities	10 537	31 026	-
Cash reserve	22 694	6 907	66 342
TOTAL net cash	**33 231**	**37 933**	**66 342**

Cash equivalent are held for the purpose of meeting short-term cash commitments, rather than for investments or other purposes.

Marketable securities are mainly composed by fixed bank deposits which have fixed terms that are less than three months or are readily convertible to a known amount of cash.

6.13 Equity

6.13.1 Share capital

The share capital of ODYSSEY MUSIC GROUP is split into 420,592 shares with a par value of €0.29, including 99,528 class A preference shares and 321,064 class B preference shares.

As provided under Article 12.2.1 of the current bylaws of the Company, it is contemplated that the Class A Shares and Class B Shares will be converted into ordinary shares when the Company's shares will be listed on Euronext Paris.

The following table shows the change in capital:

In thousands of euros	Share capital	Share premiums, warrants	Number of shares	Par value in €
At December 31, 2012	122	102 567	420 342	0,29
Exercise of stock options	-	11	100	0,29
At December 31, 2013	122	102 578	420 442	0,29
Exercise of stock options	-	23	150	0,29
Warrant subscriptions	-	19 828	-	0,29
At December 31, 2014	**122**	**122 429**	**420 592**	**0,29**

6.13.2 Share-based payments

A total of € 45 thousand, €13 thousand and € 25 thousand in stock option expenses and € 510 thousand, € 510 thousand and € 502 thousand in warrants were recognized in 2014, 2013 and 2012 respectively.

ODYSSEY MUSIC GROUP has issued the following stock options and warrants:

Type of plan	Warrants	Stock options 10	Warrants Tranche 1	Warrants Tranche 2	Stock options 10-2	Stock options 14	Warrants	Warrants
Award date	7/24/09	9/30/10	12/2/10	12/2/10	6/30/11	5/22/14	5/22/14	7/31/14
Expiry date	7/24/19	12/31/20	11/15/15	11/15/15	12/31/20	12/31/24	12/31/24	12/31/19
Number of securities issued	1 342	5 500	18 588	16 544	7 000	16 000	2 300	30 000
Number of securities awarded at 12/31/2012	1 342	5 500	18 588	16 544	7 000	N/A	N/A	N/A
Number of securities expired at 12/31/2012	-	2 600	-	-	3 900	N/A	N/A	N/A
Number of securities exercised at 12/31/2012	-	-	8 530	-	-	N/A	N/A	N/A
Number of securities awarded at 12/31/2013	1 342	5 500	18 588	16 544	7 000	N/A	N/A	N/A
Number of securities expired at 12/31/2013	-	2 600	-	-	4 200	N/A	N/A	N/A
Number of securities exercised at 12/31/2013	-	100	8 530	-	-	N/A	N/A	N/A
Number of securities awarded at 12/31/2014	1 342	5 500	18 588	16 544	7 000	9 851	2 300	30 000
Number of securities expired at 12/31/2014	-	2 600	-	-	5 050	-	-	-
Number of securities exercised at 12/31/2014	-	100	8 530	-	150	-	-	-
Number of instruments outstanding	1 342	2 800	10 058	16 544	1 800	9 851	2 300	30 000
Exercise price	111,73 €	106,14 €	0,29 €	0,29 €	153,81 €	703,32 €	703,32 €	0,29 €
Maximum capital increase (in euros)	389	812	2 917	4 797,76	522	2 857	-	-
Vesting condition	-	-	Performance condition between 08/01/2010 and 7/31/2015	Performance condition between 08/01/2012 and 7/31/2015				Performance condition between 7/31/2014 and 12/31/2019

Assumptions used for valuation are as follows:

Type of plan	Warrants	Stock options	Warrants	Warrants	Stock options	Stock options	Warrants	Warrants
Volatility	50,60%	50,60%	50,60%	50,60%	50,60%	50,60%	50,60%	N/A
Risk-free rate	3,05%	1,87%	2,21%	2,21%	3,20%	0,71%	0,71%	N/A
Expected maturity (years)	6,44	5,25	5,08	5,08	4,00	4,00	4,00	N/A
Turnover rate	0,00%	43,00%	0,00%	0,00%	10,00%	10,00%	10,00%	N/A
Dividend yield	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	N/A
Illiquidity discount rate	40,00%	30,00%	31,00%	31,00%	20,00%	0,00%	0,00%	N/A

Blogmusik issued the following warrants:

Type of plan	Warrants	Warrants	Warrants	Warrants	Warrants	Warrants	Warrants	Warrants
Award date	7/31/08	6/29/09	11/17/09	6/29/09	11/17/09	7/30/09	2/9/12	2/9/12
Expiry date	12/31/38	12/31/38	12/31/18	6/28/14	12/31/18	12/31/18	7/24/19	7/24/19
Number of instruments	9 148	508	277	9 655	277	4 966	17 272	2 066
Exercise price	115,00 €	115,00 €	115,00 €	6,25 €	115,00 €	115,00 €	74,10 €	184,43 €
Maximum capital increase (in euros)	2 653	147	80	2 799,95	80,33	1 440	5 009	599
Vesting condition	-	-	-	-	-	-	-	-

Assumptions used for valuation are as follows:

Type of plan	Warrants	Warrants	Warrants	Warrants	Warrants	Warrants	Warrants	Warrants
Volatility	50,60%	50,60%	50,60%	50,60%	50,60%	50,60%	50,60%	50,60%
Risk-free rate	4,44%	3,07%	2,85%	3,07%	2,85%	2,85%	3,20%	3,20%
Expected maturity (years)	7,42	6,51	6,13	6,51	6,13	6,13	4,00	4,00
Turnover rate	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
Dividend yield	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
Illiquidity discount rate	54,00%	40,00%	37,00%	40,00%	37,00%	37,00%	50,00%	50,00%

For warrants issued by Blogmusik, a subsidiary of ODYSSEY MUSIC GROUP, the equity counterpart of compensation expenses are recorded in “Non-controlling interests”.

6.14 Earnings per share

Basic earnings per share are determined by dividing profit (loss) for the year attributable to the shareholders of the Company by the number of preference shares. Diluted earnings per share take account of the dilutive effect of warrants and stock options.

	12/31/2014	12/31/2013	12/31/2012
Loss for the year attributable to shareholders of Odyssey Music Group (in thousands of euros)	(27 175)	(22 059)	(28 846)
Weighted average number of preference shares	420 554	420 355	364 514
Earnings per share (in euros)	**(65)**	**(52)**	**(79)**

6.15 Provisions for pension and retirement obligations

In France, pension funds are generally financed by employer and employee contributions and are accounted for as defined contribution plans, with the employer contributions recognized as expense as incurred. There are no actuarial liabilities in connections with these plans. Expenses recorded in the years 2014, 2013 and 2014 amounted € 24 thousand, € 31 thousand and € 26 thousand, respectively.

French law also requires payment of a lump sum retirement indemnity to employees based on years of service and annual compensation at retirement. Benefits do not vest prior to retirement. We are paying this defined benefit plan. It is calculated as the present value of estimated future benefits to be paid, applying the projected unit credit method whereby each period of service is seen as giving rise to an additional unit of benefit entitlement, each unit being measured separately to build up the final.

The 2012, 2013 and 2014 provision for pension and retirement obligations was estimated using the retrospective method and on the basis of the following assumptions:

	12/31/2014	12/31/2013	12/31/2012
Collective agreement applied	SYNTEC	SYNTEC	SYNTEC
Rate of salary increase	2,00%	2,00%	2,00%
Annual discount rate	2,00%	2,00%	2,00%
Retirement age	65	65	65
Mortality table	Insee 2007-2009	Insee 2007-2009	Insee 2007-2009
Average turnover rate	5,00%	5,00%	5,00%

In thousands of euros	1/1/2012	Increases	Decreases	12/31/2012	Increases	Decreases	12/31/2013	Increases	Decreases	12/31/2014
Retirement obligation	**28**	26	-	**54**	31	-	**85**	24	-	**108**
Provisions for employee benefits	**28**	**26**	**-**	**54**	**31**	**-**	**85**	**24**	**-**	**108**

6.16 Provisions

In thousands of euros	1/1/2012	Increases	Decreases	12/31/2012	Increases	Decreases	12/31/2013	Increases	Decreases	12/31/2014
Provisions for unused guaranteed minimums	**5 615**	13 949	5 615	**13 949**	363	13 948	**364**	1 035	364	**1 035**
Other provisions	-	218	-	**218**	-	29	**188**	20	154	**55**
Provisions for liabilities and charges	**5 615**	**14 167**	**5 615**	**14 167**	**363**	**13 977**	**552**	**1 055**	**517**	**1 090**

For all periods presented there was no significant reversal corresponding to unused amounts.

For the year 2012:

The amount of € 13 949 thousand in 2012 includes a provision for unused guaranteed minimums, resulting from a revised valuation made by the Group at year end (see note 5.4 Cost of revenue – Music rights).

The decrease of € 5 615 thousand corresponds to anticipated losses on unused guaranteed minimum related to Telco contracts recorded before 2011.

For the year 2013:

At the end of the year 2013, the Group reversed the entire provision as the result of a lower usage than expected in the year 2013. Provision for unused guaranteed minimums at year end was based on a new estimate for the usage in year 2014.

6.17 Borrowings and financial liabilities

In thousands of euros	12/31/2014	12/31/2013	12/31/2012
Liabilities for factored receivables	1 013	1 040	1 524
Current bank overdrafts	12	8	24
TOTAL borrowings and financial liabilities	**1 025**	**1 048**	**1 548**

All borrowings and financial liabilities are due within a year.

6.18 Trade and other payables

In thousands of euros	12/31/2014	12/31/2013	12/31/2012
Trade and other payables	50 827	48 666	26 868
TOTAL trade and other payables	**50 827**	**48 666**	**26 868**

All trade payables are due within a year.

6.19 Tax and employee-related liabilities

In thousands of euros	12/31/2014	12/31/2013	12/31/2012
Employee-related liabilities	1 696	1 262	773
Social security bodies	1 710	1 261	856
State, taxes on revenue	4 927	3 368	2 427
Other similar taxes and levies	670	549	541
TOTAL tax and employee-related liabilities	**9 003**	**6 440**	**4 597**

All tax and employee-related liabilities are due within a year.

6.20 Other current liabilities

In thousands of euros	12/31/2014	12/31/2013	12/31/2012
Credit notes to be issued	1 025	-	25
Creditors trade receivables	1 241	2	-
Sundry creditors	101	2	1
Fixed-asset payables	-	4 823	4 800
Deferred income	6 864	268	870
TOTAL other liabilities	**9 230**	**5 095**	**5 696**

All other liabilities are due within a year.
Deferred income corresponds to subscription payments received that covers periods after year-end.
Payables to fixed-asset suppliers in 2013 and 2012 are the counterpart of access rights recognized in assets.

6.21 Current and non-current financial liabilities

The fair value is determined based on future cash flows for each borrowing, discounted at market interest rates.

At 12/31/2014:

In thousands of euros	Carrying amount	Financial liabilities at amortized cost	Non-financial liabilities
Non-current financial liabilities	10 000	10 000	
Borrowings and financial liabilities	1 025	1 025	-
Trade and other payables	50 827	50 827	-
Other liabilities	9 230	2 366	6 864
Total financial liabilities	**71 082**	**64 218**	**6 864**

Non-current financial liabilities include the amount of warrants issued to former shareholders of MIM (see note 6.2 Acquisition of Magic Internet Musik).

At 12/31/2013:

In thousands of euros	Carrying amount	Financial liabilities at amortized cost	Non-financial liabilities
Non-current financial liabilities	-	-	-
Borrowings and financial liabilities	1 048	1 048	-
Trade and other payables	48 666	48 666	-
Other liabilities	5 095	4 823	272
Total financial liabilities	**54 809**	**54 537**	**272**

At 12/31/2012:

In thousands of euros	Carrying amount	Financial liabilities at amortized cost	Non-financial liabilities
Non-current financial liabilities	-	-	-
Borrowings and financial liabilities	1 548	1 548	-
Trade and other payables	26 868	26 868	-
Other liabilities	5 696	4 800	896
Total financial liabilities	**34 112**	**33 216**	**896**

7. Other information

7.1 Market risks and financial instruments

7.1.1 Interest rate risk

Interest rate risks are not considered material as the Group doesn't have any bank debt.

7.1.2 Foreign exchange risk

Foreign exchange risks are not considered material as most of the Group's operations are in euros.

7.1.3 Liquidity risk

Since its inception, the Group has funded its growth through the support of its shareholders, which has meant that the Group hasn't needed to borrow from banks. Furthermore, as of the reporting date the Group had a positive net cash position.

7.2 Related parties

Except for the Key Management Personnel described below, the Group has not identified any physical persons linked to the ODYSSEY MUSIC GROUP in the sense of IAS 24 *Related parties*.

7.2.1 Key management personnel compensation

For the three years 2012 to 2014, The Key Management Personnel were the CEO's of ODYSSEY MUSIC GROUP and Blogmusik, who were also members of The Board of directors.

Their total compensation for the years 2012, 2013 and 2014 amounted to € 457 thousand, €431 thousand and € 515 thousand.

Other Board Members did not receive any compensation.

7.2.2 Transactions with the shareholders of the Group

The company did not support any billing or management fee costs from any of its shareholders.

7.3 Off-balance sheet commitments and contractual obligations

At December 31, 2014, the Group has committed to making the following future payments:

In thousands of euros	Total	Within 1 year	Between 1 and 5 years	Over 5 years
Operating leases	3 812	847	2 965	-
Total	**3 812**	**847**	**2 965**	**-**

ANNEX II

STATUTORY AUDITOR’S REPORT ON THE GROUP CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

ERIK DECOURTRAY

ERNST & YOUNG Audit

Deezer
(formerly Odyssey Music Group)
Years ended December 31, 2012, 2013 and 2014

Statutory auditors' report on the consolidated financial statements prepared under IFRS as adopted by the European Union

ERIK DECOURTRAY
19, rue des Vosges
92500 Rueil-Malmaison

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

ERNST & YOUNG Audit
1/2, place des Saisons
92400 Courbevoie - Paris-La Défense 1
S.A.S. à capital variable

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

Deezer
(formerly Odyssey Music Group)
Years ended December 31, 2012, 2013 and 2014

Statutory auditors' report on the consolidated financial statements prepared under IFRS as adopted by the European Union

To the Board of Directors,

In our capacity as statutory auditors of Deezer and in accordance with Commission Regulation (EC) n° 809/2004, we have audited the accompanying financial statements prepared under International Financial Reporting Standards ("IFRS") as adopted by the European Union for the years ended December 31, 2012, 2013 and 2014 (thereafter the "IFRS consolidated financial statements") in the context of the admission to trading on the regulated market of Euronext Paris of the company's shares.

IFRS consolidated financial statements were prepared under the responsibility of the Board of Directors. We issued a first opinion in a report dated July 31, 2015 according to which the IFRS consolidated financial statements presented fairly, in all material respects, the assets and liabilities and the financial position of the group as at December 31, 2012, 2013 and 2014 and the results of its operations for the years then ended in accordance with IFRS as adopted by the European Union.

These IFRS consolidated financial statements have been modified by the Board of Directors to take into account additional information to the notes to the consolidated financial statements. We are therefore required to issue a new report which replaces our first report dated July 31, 2015.

These IFRS consolidated financial statements have been prepared under the responsibility of the Board of Directors. Our role is to express an opinion on these modified IFRS consolidated financial statements based on our audit.

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the IFRS consolidated financial statements are free of material misstatement. An audit involves performing procedures, using samples techniques or other methods of selections, to obtain audit evidence about the amounts and disclosures in the IFRS consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the IFRS consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the IFRS consolidated financial statements, prepared for the purpose of the prospectus, present fairly, in all material respects, the assets and liabilities and the financial position of the group as at December 31, 2012, 2013 and 2014 and the results of its operations for the years then ended in accordance with IFRS as adopted by the European Union.

This report shall be governed by, and construed in accordance with, French law and professional auditing standards applicable in France. The courts of France shall have exclusive jurisdiction in relation to any claim, difference or dispute which may arise out of or in connection with our engagement letter or this report.

Rueil-Malmaison and Paris-La Défense, September 16, 2015

The statutory auditors

Erik DECOURTRAY	ERNST & YOUNG Audit
	Franck Sebag

ANNEX III

GROUP INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

DEEZER
Public Limited Company (*Société Anonyme*) with a share capital of €121.972
Registered in the Paris Trade and Companies Register
511 716 573
Registered office: 12 rue d'Athènes 75009 Paris (France)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS PREPARED UNDER IFRS FOR THE 6 MONTHS PERIOD ENDED JUNE, 30th 2015

Contents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(in thousands of euros)

	Note	6/30/2015 6 months	6/30/2014 6 months
Revenue	**4.2**	**93 219**	**66 137**
Cost of Revenues - Music rights	**4.3**	(71 227)	(54 572)
Cost of Revenues - Other		(5 461)	(2 337)
Gross Margin		**16 531**	**9 228**
Product and Development expenses	**4.4**	(4 207)	(3 110)
Sales and Marketing expenses	**4.4**	(14 409)	(9 462)
General and administrative expenses	**4.4**	(8 895)	(7 808)
EBITDA		**(10 981)**	**(11 152)**
Depreciation and Amortization		(1 215)	(1 590)
Current operating loss		**(12 196)**	**(12 741)**
Operating loss		**(12 196)**	**(12 741)**
Financial revenues	**4.5**	3 456	256
Financial expenses		(28)	(227)
Financial result		**3 428**	**28**
Loss before tax		**(8 768)**	**(12 713)**
Income tax		(202)	(106)
Loss for the period		**(8 969)**	**(12 819)**
Of which attributable to:			
Shareholders of Odyssey Music Group		**(8 969)**	**(12 819)**
Non-controlling interests		-	-
Earnings per share - Attributable to shareholders of Odyssey Music Group			
Basic earnings per share (€)		**(21,3)**	**(30,5)**
Diluted earnings per share (€)		**(21,3)**	**(30,5)**

Interim condensed consolidated statement of comprehensive loss (in thousands of euros)	**6/30/2015**	**6/30/2014**
	6 months	**6 months**
Loss for the period	**(8 969)**	**(12 819)**
Currency translation adjustments	(82)	-
Total consolidated losses	**(9 051)**	**(12 819)**
Of which attributable to:		
Shareholders of Odyssey Music Group	**(9 051)**	**(12 819)**
Non-controlling interests	-	-

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in thousands of euros)

ASSETS	Note	6/30/2015	12/31/2014
NON-CURRENT ASSETS			
Goodwill		7 487	7 487
Intangible assets		3 152	4 239
Property, plant and equipment		1 560	1 515
Non-current financial assets		531	534
Deferred tax assets		-	-
TOTAL NON-CURRENT ASSETS		**12 730**	**13 776**
CURRENT ASSETS			
Advances payments for Music rights		1 028	4 051
Trade receivables and other receivables		25 305	20 283
Other current assets		4 675	4 463
Cash and cash equivalents		37 618	33 231
TOTAL CURRENT ASSETS		**68 627**	**62 028**
TOTAL ASSETS		**81 358**	**75 804**

EQUITY AND LIABILITIES	Note	6/30/2015	12/31/2014
Share capital		122	122
Additional paid in capital		89 504	89 504
Retained earnings		(104 670)	(97 084)
Currency translation adjustement		(212)	(130)
Equity attributable to shareholders of Odyssey Music Group		**(15 257)**	**(7 588)**
Non-controlling interest		1 023	1 023
Non-controlling interest		**1 023**	**1 023**
TOTAL EQUITY		**(14 234)**	**(6 566)**
NON-CURRENT LIABILITIES			
Provision for employee benefits		108	108
Non-current financial liabilities	**4.5**	6 700	10 000
Deferred tax liabilities		1 087	1 087
TOTAL NON-CURRENT LIABILITIES		**7 895**	**11 195**
CURRENT LIABILITIES			
Provisions		600	1 090
Borrowings and financial liabilities		715	1 025
Trade and other payables	**4.6**	66 748	50 827
Taxes on operations		6 928	5 597
Employee-related liabilities		4 175	3 406
Other current liabilities		8 530	9 230
TOTAL CURRENT LIABILITIES		**87 697**	**71 174**
TOTAL EQUITY AND LIABILITIES		**81 358**	**75 804**

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (in thousands of euros)	6/30/2015 6 months	6/30/2014 6 months
Loss before tax	**(8 768)**	**(12 713)**
Adjustments		
- Depreciation, amortization and provisions	1 034	1 795
- Other non-cash income and expenses	(1 917)	14
- Financial revenues	(132)	(234)
- Income taxes paid	(202)	(106)
Cash generated from operations net of income tax paid	**(9 984)**	**(11 244)**
(Increase)/Decrease in receivables, Advances and Other current assets	(2 088)	(7 519)
Increase/(decrease) in payables and current liabilities	17 321	(639)
Movements in operating working capital (including liability for employee benefits)	**15 233**	**(8 158)**
Net cash generated by operating activities	**5 249**	**(19 402)**
Payments for property, plant and equipment and intangible assets	(687)	(937)
Payments for investments	(8)	(49)
Proceeds from the disposal of non-current assets	11	51
Impact of changes in the scope of consolidation	-	190
Other cash flows relating to investing activities	-	-
Net cash (used in)/generated by investing activities	**(684)**	**(744)**
Increase in share capital	-	-
Proceeds from the exercise of stock options or warrants	-	23
Interest received	132	234
Other cash flows relating to financing activities	(310)	(156)
Net cash (used in)/generated by financing activities	**(178)**	**101**
Change in net cash position	**4 387**	**(20 045)**
Effect of exchange rate changes	-	-
Cash and cash equivalents at the beginning of the year	33 231	37 925
Cash and cash equivalents at the end of the year	37 618	17 880
Change in cash position	**4 387**	**(20 045)**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(in thousands of euros)

	Share capital	Additional paid in capital	Consolidated reserves	Group Earnings	Equity attributable to shareholders	Non-controlling interest	Total
Balance at 12/31/2014	**122**	**89 504**	**(70 038)**	**(27 175)**	**(7 587)**	**1 023**	**(6 566)**
Capital transactions	-	-	-	-	-	-	-
Loss for the year 12/31/14	-	-	(27 175)	27 175	-	-	-
Loss for the period 06/30/15	-	-	-	(8 969)	(8 969)	-	(8 969)
Share-based payments	-	1 383	-	-	1 383	-	1 383
Translation differences	-	-	(82)	-	(82)	-	(82)
Other	-	-	-	-	-	-	-
Balance at 06/30/2015	**122**	**90 887**	**(97 295)**	**(8 969)**	**(15 255)**	**1 023**	**(14 234)**

	Share capital	Additional paid in capital	Consolidated reserves	Group Earnings	Equity attributable to shareholders	Non-controlling interest	Total
Balance at 12/31/2013	**122**	**87 653**	**(47 907)**	**(22 059)**	**17 809**	**1 023**	**18 831**
Capital transactions	-	23	-	-	23	-	23
Loss for the year 12/31/13	-	-	(22 059)	22 059	-	-	-
Loss for the period 06/30/14	-	-		(12 819)	(12 819)	-	(12 819)
Share-based payments	-	-	10	-	10	-	10
Translation differences	-	-	1	-	1	-	1
Other	-	-	17	-	17	-	17
Balance at 06/30/2014	**122**	**87 676**	**(69 938)**	**(12 819)**	**5 041**	**1 023**	**6 064**

Notes to the consolidated condensed interim financial statements

1. Corporate information

On September 4, 2015, Blogmusik, a wholly-owned subsidiary of Odyssey, merged into Odyssey.

Immediately after this reorganization transaction, Odyssey was renamed "Deezer" Accordingly, the interim condensed consolidatedfor the 6 months period ended June, 30th 2015 presented herein refer to "Odyssey Music Group" (the predecessor entity to Deezer)

The interim condensed consolidated financial statements of ODYSSEY MUSIC GROUP and its subsidiaries (collectively, the Group) for the six months ended 30 June 2015 were authorised for issue in accordance with a resolution of the directors on September 15, 2015 .

ODYSSEY MUSIC GROUP is a French Public Limited Company (*Société Anonyme*) with a share capital of €121,972, registered as number 511 716 573 in the Paris Trade and Companies Register.

ODYSSEY MUSIC GROUP as the holding company and its subsidiaries (together the "Group" or "Deezer Group") operates a music streaming service via the Deezer.com site in more than 180 countries.

The interim condensed consolidated financial statements are prepared on a going concern basis, which does not rely exclusively on future proceeds of an initial public offering or private funding. The alternative financial projections prepared by the Group (in a scenario without such funding), which include a reduction of marketing expenses and an assumption of an unchanged pattern of payments of the various categories of direct costs, confirm the going concern assumption.

2. Basis of presentation

The interim condensed consolidated financial statements for the six months ended 30 June 2015 have been prepared in accordance with IAS 34 *Interim Financial Reporting.*

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2014.

3. Accounting policies

The financial statements are presented in thousands of euros unless otherwise specified.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2014, except for the adoption of new standards and interpretation effective as of 1 January 2015. These new standards do not have a material impact on the interim condensed consolidated financial statements of the Group. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3.1 Estimates and assumptions

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgments made by management in applying the group's accounting policies and the key sources of estimation were the same as those applied to the consolidated financial statements for the year ended 31 December 2014:

- Share-based payments (see note 5.11 of the annual financial statements)
- Intangible assets (see note 5.11 of the annual financial statements): No intangible was recorded as at June 2015, as the Company estimates that the guaranteed minimums included in the contracts will be fully used.
- Provision (see note 5.19 in the annual financial statements)

Acquisition of Magic Internet Musik (see note 6.2 in the annual financial statements):

4. Notes to the consolidated condensed interim financial statements

4.1 Segment reporting

The Company operates in five regional segments. The CEO of the Group is the Chief Operating Decision Maker ("CODM") as defined in IFRS 8 *Segment reporting and* manages the Group's operations on a regional basis for purposes of managing performance and allocating resources.

The CODM reviews Revenues and Earnings Before Interest, Tax, Depreciation and Amortization ("EBITDA") in the management reporting.

Functional costs are equally distributed per region.

Internal sector reports are prepared according to the IFRS standards and inter-sector transactions are eliminated.

30/06/2015

	FR	Europe	LATAM	ROW	US	HQ	Total
Revenue	43 811	31 392	14 031	2 256	1 728	-	93 219
Cost of Revenues	(32 941)	(27 891)	(11 067)	(1 978)	(1 126)	(1 686)	(76 688)
Operating expenses	(2 382)	(6 490)	(2 010)	(240)	(3 368)	(13 021)	(27 511)
Contribution to the margin	**8 488**	**(2 989)**	**955**	**38**	**(2 766)**	**(14 706)**	**(10 981)**
Breakdown of corporate expenses	(2 941)	(2 941)	(2 941)	(2 941)	(2 941)	14 706	-
Earnings Before Interest Tax Depreciation and Amortization	**5 547**	**(5 931)**	**(1 987)**	**(2 903)**	**(5 707)**	**-**	**(10 981)**

30/06/2014

	FR	Europe	LATAM	ROW	US	HQ	Total
Revenue	36 222	17 971	8 650	3 265	-	29	66 137
Cost of Revenues	(27 139)	(16 782)	(8 388)	(3 579)	-	(1 020)	(56 909)
Operating expenses	(2 959)	(3 219)	(2 328)	(368)	(456)	(11 049)	(20 380)
Contribution to the margin	**6 124**	**(2 030)**	**(2 067)**	**(683)**	**(456)**	**(12 040)**	**(11 152)**
Breakdown of corporate expenses	(2 408)	(2 408)	(2 408)	(2 408)	(2 408)	12 040	-
Earnings Before Interest Tax Depreciation and Amortization	**3 716**	**(4 438)**	**(4 475)**	**(3 091)**	**(2 864)**	**-**	**(11 152)**

FR: France

Europe: Europe excluding France

LATAM: Latin America

ROW: Rest of World

US: USA

HQ: Corporate expenses

4.2 Revenue

Revenue is detailed as follows:

In thousands of euros	6/30/2015	6/30/2014
Revenue - Standalone subscription	46 558	29 367
Revenue - Bundles	39 492	33 882
Revenue - Advertising	3 451	2 254
Other revenue	3 718	633
Total	**93 219**	**66 137**

4.3 Cost of revenues – Music rights

In thousands of euros	6/30/2015	6/30/2014
Cost of Revenues -Music rights	(70 695)	(51 323)
Guaranteed minimums on rights	(532)	(3 249)
Total	**(71 227)**	**(54 572)**

The company has negotiated its royalties conditions for 2015 the worldwide standalone direct payments and these new conditions of royalties are reflected in the first half financial statements.
No intangible was recorded as at June 2015, as the Company estimates that the guaranteed minimums included in the contracts will be fully used.

The Amount of € 532 thousand recorded as at June 30th, 2015 in "Guaranteed minimums on rights" relates to the German Market (Europe Segment)

4.4 Product and Development, Sales and Marketing, General and Administrative expenses

30/06/2015

In thousands of euros	Product and Development	General and administrative	Sales and marketing
Employee benefits expense	(3 891)	(5 658)	(5 684)
External expenses	(307)	(2 658)	(152)
Marketing expenses	(3)	-	(8 573)
Others taxes	(7)	(579)	-
TOTAL	**(4 207)**	**(8 895)**	**(14 409)**

The Marketing expenses include the fair value of advertising services received by Prosieben during the period amounting to € 1 300 thousand.

30/06/2014

In thousands of euros	Product and Development	General and administrative	Sales and marketing
Employee benefits expense	(2 745)	(4 422)	(3 598)
External expenses	(364)	(2 965)	(0)
Marketing expenses	-	-	(5 864)
Others taxes	(1)	(421)	-
TOTAL	**(3 110)**	**(7 808)**	**(9 462)**

4.5 Financial revenue

The financial revenue includes € 3300 thousand related to the amount of warrant issued to former shareholders of MIM (refer to the note 3.1).
Based on the update of both the fair value of Odyssey Music Group share and probabilities of different scenarios of vesting and performance conditions, the company re-estimates the financial liabilities related to the acquisition of operating assets of MIM which amounts to €6 700 thousand and records a financial revenue of € 3300 thousand.

4.6 Trade and other payables

In thousands of euros	6/30/2015	12/31/2014
Accounts payables	8 755	9 006
Accruals for payables	57 993	41 820
TOTAL trade and other payables	**66 748**	**50 827**

The amount of accruals as at 30th June, 2015 includes € 4790 thousand generated in 2013 and before.
The increase of accruals for payables is mainly due to accruals to Publishers.

4.7 Share-based payments

In February 2015, 21562 stock options were granted to senior executives and employees. The contractual life of each option granted is 4 years and the exercise price is € 703.

The fair value of options granted was estimated on the date of grant using the Black and Scholes model, with the following assumptions:

Expected volatility (%)	45
Risk free interest rate (%)	0.32
Share Fair value (€)	703

For the 6 months ended 30 June 2015, the group has recognized € 115 741 of share base payment expense in the statement of operations.

4.8 Subsequent Event

The company intends to merge Odyssey Music with BlogMusik in Q3 2015. As a result of this reorganization, each warrant of Blogmusik giving a right to subscribe for one (**1**) share of Blogmusik was exchanged for one (**1**) warrant of Odyssey giving access to one (**1**) share of Odyssey multiplied by the exchange ratio in accordance with L. **228-101** of the French Commercial Code.

ANNEX IV

STATUTORY AUDITOR'S REPORT ON THE GROUP INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Erik DECOURTRAY

ERNST & YOUNG Audit

Deezer
(formerly Odyssey Music Group)

Period from January 1 to June 30, 2015

Statutory auditors' review report on the interim condensed consolidated financial statements

ERIK DECOURTRAY
19, rue des Vosges
92500 Rueil-Malmaison

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

ERNST & YOUNG Audit
1/2, place des Saisons
92400 Courbevoie - Paris-La Défense 1
S.A.S. à capital variable

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

Deezer
(formerly Odyssey Music Group)

Period from January 1 to June 30, 2015

Statutory auditors' review report on the interim condensed consolidated financial statements

To the Board of Directors,

In our capacity as statutory auditors of Deezer and in accordance with Commission Regulation (EC) n° 809/2004 in the context of the admission of equity securities to trading on the regulated market of Euronext Paris, we have reviewed the accompanying interim condensed consolidated financial statements, for the period from January 1 to June 30, 2015, as they are attached to this report.

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

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 interim condensed consolidated 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.

This report shall be governed by, and construed in accordance with, French law and professional standards applicable in France. The courts of France shall have exclusive jurisdiction in relation to any claim, difference or dispute which may arise out of or in connection with our engagement letter or this report.

Rueil-Malmaison and Paris-La Défense, September 16, 2015

The statutory auditors

Erik DECOURTRAY	ERNST & YOUNG Audit
	Franck Sebag

ANNEX V

STATUTORY AUDITOR'S SPECIAL REPORT ON RELATED PARTY AGREEMENTS

ERIK DECOURTRAY

ERNST & YOUNG et Autres

This is a free translation into English of a report issued in French and it is provided solely for the convenience of English-speaking users.
This report should be read in conjunction with and construed in accordance with French law and professional standards applicable in France.

Odyssey Music Group

General meeting of shareholders to approve the financial statements for the year ended December 31, 2014

Statutory auditors' report on related party agreements

ERIK DECOURTRAY
19, rue des Vosges
92500 Rueil-Malmaison

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

ERNST & YOUNG et Autres
1/2, place des Saisons
92400 Courbevoie - Paris-La Défense 1
S.A.S. à capital variable

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

Odyssey Music Group

General meeting of shareholders to approve the financial statements for the year ended December 31, 2014

**Statutory auditors' report
on related party agreements**

To the Shareholders,

In our capacity as statutory auditors of your company, we hereby report on certain related party agreements.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements indicated to us, or that we may have identified in the performance of our engagement. We are not required to comment as to whether they are beneficial or appropriate or to ascertain the existence of any such agreements. It is your responsibility, in accordance with Article R. 225-31 of the French commercial code (*Code de commerce*), to evaluate the benefits resulting from these agreements prior to their approval.

In addition, we are required, where applicable, to inform you in accordance with article R. 225-31 of the French commercial code (*Code de commerce*) concerning the implementation, during the year, of the agreements already approved by the general meeting of shareholders.

We performed those procedures which we considered necessary to comply with professional guidance issued by the national auditing body (*Compagnie nationale des commissaires aux comptes*) relating to this type of engagement. These procedures consisted in verifying that the information provided to us is consistent with the documentation from which it has been extracted.

Agreements submitted for approval by the general meeting of shareholders

Agreements authorized during the year

We hereby inform you that we have not been advised of any agreements authorized in the course of the year to be submitted to the general meeting of shareholders for approval in accordance with article L. 225-38 of the French commercial code (*Code de commerce*).

Agreements with no prior authorization

In accordance with articles L. 225-42 and L. 823.12 of the French commercial code (*Code de commerce*), we inform you that these agreements did not receive prior authorization from your board of directors.

Our role is to advise you of the reasons for which authorization was not requested.

1. With Blogmusik, a 99.9994%-owned subsidiary of your company

a. Assistance agreement

Nature and purpose

An assistance agreement between Blogmusik and your company has been signed with effective date of January 1, 2013 and tacitly renewed, covering the areas of accounting, finance, management control, payroll management, marketing and communication, iT support, logistics support, purchase administration assistance, pooling of services and legal assistance. All management fees incurred are recharged with a markup of 8%.

Conditions

Under this agreement, your company recorded revenue of € 9,175,825 for the year ended December 31, 2014.

b. Cash agreement

Nature and purpose

A cash agreement between Blogmusik and your company, remunerated at EURIBOR plus 0.25%, has been entered into with effective date of March 20, 2009 and tacitly renewed.

Conditions

Under this agreement, your company recorded interest income of € 311,589 for the year ended December 31, 2014.

c. Advertising network agreement

Nature and purpose

An advertising network agreement has been entered into between Blogmusik and your company with effective date of September 1, 2009 and tacitly renewed, providing for the sale, by your company, of the inventory of the website www.deezer.com owned by Blogmusik, and for the making available of the inventory of the www.deezer.com website by Blogmusik to your company exclusively.

Management costs correspond to 30% of net sales excluding taxes generated by the sale of advertising space and the inventory of the website. The remaining 70% are paid back to Blogmusik.

Conditions

Under this agreement, your company recorded a charge corresponding to 70% of the net sales generated by the advertising activity due to Blogmusik, amounting to € 3,110,872 for the year ended December 31, 2014.

2. With Calypsound, a 100%-owned subsidiary of your company

a. Assistance agreement

Nature and purpose

An assistance agreement between Calypsound and your company has been entered into with effective date of January 1st, 2013 and tacitly renewed, covering the areas of accounting, finance, management control, payroll management, marketing and communication, IT support, logistics support, purchase administration assistance, pooling of services and legal assistance. All management fees incurred are recharged with a markup of 8%.

Conditions

Under this agreement, your company recorded revenue of € 19,776 for the year ended December 31, 2014.

b. Cash agreement

Nature and purpose

A cash agreement between Calypsound and your company, remunerated at EURIBOR plus 0.25%, has been signed with effective date of March 20, 2009 and tacitly renewed.

Conditions

Under this agreement, your company did not record any interest income in the year ended December 31, 2014.

3. With Deezer Ing, a 100%-owned subsidiary of Blogmusik, itself 99.9994%-owend by your company

a. Advertising network agreement

Nature and purpose

An advertising network agreement has been entered into between Deezer Inc and your company providing for the sale, by Deezer Inc, of the inventory of the website www.stitcher.com owned by your company, and for the making available of the inventory of the www.stitcher.com website by your company to Deezer Inc exclusively.

Management costs correspond to 30% of net sales excluding taxes generated by the sale of advertising space and the inventory of the website. The remaining 70% are paid back to your company.

Conditions

Under this agreement, your company recorded income corresponding to 70% of the net sales generated by the advertising activity, amounting to € 133,767 in the year ended December 31, 2014.

Due to an omission by your board of directors, the above agreements have not been the subject of prior authorization provided for in article L. 225-38 of the French commercial code.

Agreements already approved by the general meeting of shareholders

In addition, we have been advised of the implementation during the year of the following agreement which was approved by the extraordinary general meeting of shareholders on July 31, 2014 based on the statutory auditors' report dated July 29, 2014.

An amendment to the shareholders agreement was signed on June 4, 2014, amending the initial agreement of December 2, 2010 between Mr Daniel Marhely (director and shareholder holding more than 10% of the voting rights), AI European Holding Sarl, Dotcorp Asset Management, Idinvest Partners and Orange Participations (shareholders holding more than 10% of the voting rights).

Pursuant to this amendment, the following changes were made to the original shareholders agreement stating that your company:

- agrees to the substitution of another entity of the group ProSiebenSat. 1 Media AG ("P7S1") by Magic Internet Holding GmbH ("MIH") if MIH exercises its pre-emption right,

- agrees that the resale right mechanism will not apply to Magic Internet Holding GmbH ("MIH"),

- agrees that Magic Internet Holding GmbH ("MIH) should be released from its obligation to provide any guarantee or make any commitment in the event of disposal, including as a result of the exercise of the pre-emption right or withdrawal right or resale obligations under article 8 of the shareholders' agreement,

- has undertaken to maintain the holding of Magic Internet Holding GmbH ("MIH"),

- grants Magic Internet Holding GmbH ("MIH") a right of communication and audit.

Rueil-Malmaison and Paris-La Défense, June 12, 2015

French original signed by
The statutory auditors

Erik DECOURTRAY	ERNST & YOUNG et Autres
	Franck Sebag

ERIK DECOURTRAY

ERNST & YOUNG et Autres

This is a free translation into English of a report issued in French and it is provided solely for the convenience of English-speaking users.
This report should be read in conjunction with and construed in accordance with French law and professional standards applicable in France.

Odyssey Music Group

General meeting of shareholders to approve the financial statements for the year ended December 31, 2013

Statutory auditors' report on related party agreements

ERIK DECOURTRAY
19, rue des Vosges
92500 Rueil-Malmaison

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

ERNST & YOUNG et Autres
1/2, place des Saisons
92400 Courbevoie - Paris-La Défense 1
S.A.S. à capital variable

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

Odyssey Music Group

General meeting of shareholders to approve the financial statements for the year ended December 31, 2013

Statutory auditors' report
on related party agreements

To the Shareholders,

In our capacity as statutory auditors of your company, we hereby report on certain related party agreements.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements indicated to us, or that we may have identified in the performance of our engagement. We are not required to comment as to whether they are beneficial or appropriate or to ascertain the existence of any such agreements. It is your responsibility, in accordance with Article R. 225-31 of the French commercial code (*Code de commerce*), to evaluate the benefits resulting from these agreements prior to their approval.

In addition, we are required, where applicable, to inform you in accordance with article R. 225-31 of the French commercial code (*Code de commerce*) concerning the implementation, during the year, of the agreements already approved by the general meeting of shareholders.

We performed those procedures which we considered necessary to comply with professional guidance issued by the national auditing body (*Compagnie nationale des commissaires aux comptes*) relating to this type of engagement. These procedures consisted in verifying that the information provided to us is consistent with the documentation from which it has been extracted.

Agreements submitted for approval by the general meeting of shareholders

Agreements authorized during the year

We hereby inform you that we have not been advised of any agreements authorized in the course of the year to be submitted to the general meeting of shareholders for approval in accordance with article L. 225-38 of the French commercial code (*Code de commerce*).

Agreements with no prior authorization

In accordance with articles L. 225-42 and L. 823-12 of the French commercial code (*Code de commerce*), we inform you that these agreements did not receive prior authorization from your board of directors.

Our role is to advise you of the reasons for which authorization was not requested.

1. With Blogmusik, a 99.9994%-owned subsidiary of your company

a. Assistance agreement

Nature and purpose

An assistance agreement between Blogmusik and your company has been signed with effective date of January 1, 2013 and tacitly renewed, covering the areas of accounting, finance, management control, payroll management, marketing and communication, iT support, logistics support, purchase administration assistance, pooling of services and legal assistance. Management fees incurred are recharged with a markup of 8%.

Conditions

Under this agreement, your company recorded revenue of € 6,466,136 for the year ended December 31, 2013.

b. Cash agreement

Nature and purpose

A cash agreement between Blogmusik and your company, remunerated at EURIBOR plus 0.25%, has been entered into with effective date of March 20, 2009 and tacitly renewed.

Conditions

Under this agreement, your company recorded interest income of € 197,450.24for the year ended December 31, 2013.

c. Advertising network agreement

Nature and purpose

An advertising network agreement has been entered into between Blogmusik and your company with effective date of September 1st, 2009 and tacitly renewed, providing for the sale, by your company, of the inventory of the website www.deezer.com owned by Blogmusik, and for the making available of the inventory of the www.deezer.com website by Blogmusik to your company exclusively.

Management costs correspond to 30% of net sales excluding taxes generated by the sale of advertising space and the inventory of the website. The remaining 70% are paid back to your company.

Conditions

Under this agreement, your company recorded a charge corresponding to 70% of the net sales generated by the advertising activity due to Blogmusik, amounting to € 3,731,608.85 for the year ended December 31, 2013.

2. With Calypsound, a 100%-owned subsidiary of your company

a. Assistance agreement

Nature and purpose

An assistance agreement between Calypsound and your company has been entered into with effective date of January 1, 2013 and tacitly renewed, covering the areas of accounting, finance, management control, payroll management, marketing and communication, IT support, logistics support, purchase administration assistance, pooling of services and legal assistance. Management fees incurred are recharged with a markup of 8%.

Conditions

Under this agreement, your company recorded revenue of € 35,613 for the year ended December 31, 2013.

b. Cash agreement

Nature and purpose

A cash agreement between Calypsound and your company, remunerated at EURIBOR plus 0.25%, has been signed with effective date of March 20, 2009 and tacitly renewed.

Conditions

Under this agreement, your company has recorded interest income of € 1,950 in the year ended December 31, 2013.

Due to an omission by your board of directors, the above agreements have not been the subject of prior authorization provided for in article L. 225-38 of the French commercial code.

Agreements already approved by the general meeting of shareholders

We hereby inform you that we have not been advised of any agreements already approved by the general meeting of shareholders, whose implementation continued during the year.

Rueil-Malmaison and Paris-La Défense, June 11, 2014

The statutory auditors
French original signed by

Erik DECOURTRAY	ERNST & YOUNG et Autres
	Franck Sebag

ERIK DECOURTRAY

ERNST & YOUNG et Autres

This is a free translation into English of a report issued in French and it is provided solely for the convenience of English-speaking users.
This report should be read in conjunction with and construed in accordance with French law and professional standards applicable in France.

Odyssey Music Group

General meeting of shareholders to approve the financial statements for the year ended December 31, 2012

Statutory auditors' report on related party agreements

ERIK DECOURTRAY
19, rue des Vosges
92500 Rueil-Malmaison

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

ERNST & YOUNG et Autres
1/2, place des Saisons
92400 Courbevoie - Paris-La Défense 1
S.A.S. à capital variable

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

Odyssey Music Group

General meeting of shareholders to approve the financial statements for the year ended December 31, 2012

**Statutory auditors' report
on related party agreements**

To the Shareholders,

In our capacity as statutory auditors of your company, we hereby report on certain related party agreements.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements indicated to us, or that we may have identified in the performance of our engagement. We are not required to comment as to whether they are beneficial or appropriate or to ascertain the existence of any such agreements. It is your responsibility, in accordance with Article R. 225-31 of the French commercial code (*Code de commerce*), to evaluate the benefits resulting from these agreements prior to their approval.

In addition, we are required, where applicable, to inform you in accordance with article R. 225-31 of the French commercial code (*Code de commerce*) concerning the implementation, during the year, of the agreements already approved by the general meeting of shareholders.

We performed those procedures which we considered necessary to comply with professional guidance issued by the national auditing body (*Compagnie nationale des commissaires aux comptes*) relating to this type of engagement. These procedures consisted in verifying that the information provided to us is consistent with the documentation from which it has been extracted.

Agreements submitted for approval by the general meeting of shareholders

Agreements authorized during the year

We hereby inform you that we have not been advised of any agreements authorized in the course of the year to be submitted to the general meeting of shareholders for approval in accordance with article L. 225-38 of the French commercial code (*Code de commerce*).

Agreements with no prior authorization

In accordance with articles L. 225-42 and L. 823-12 of the French commercial code (*Code de commerce*), we inform you that these agreements did not receive prior authorization from your board of directors.

Our role is to advise you of the reasons for which authorization was not requested.

1. With Blogmusik, a 99.9994%-owned subsidiary of your company

a. Cash agreement

Nature and purpose

A cash agreement between Blogmusik and your company, remunerated at EURIBOR plus 0.25%, has been entered into with effective date of March 20, 2009 and tacitly renewed.

Conditions

Under this agreement, your company recorded interest income of € 33,218.59 for the year ended December 31, 2012.

b. Assistance agreement

Nature and purpose

An assistance agreement between Blogmusik and your company has been signed with effective date of January 1, 2009 and tacitly renewed, covering the areas of reception and switchboard services, accounting, finance, management control, payroll management, marketing and communication, IT support, logistics support, purchase administration assistance, pooling of services and legal assistance. All management fees incurred are recharged with a markup of 8%.

Conditions

Under this agreement, your Company recorded revenue of € 188,754 and a charge of € 17,395 for the year ended December 31, 2012.

c. Advertising network agreement

Nature and purpose

An advertising network agreement has been entered into between Blogmusik and your company with effective date of September 1, 2009 and tacitly renewed, providing for the sale, by your company, of the inventory of the website www.deezer.com owned by Blogmusik, and for the making available of the inventory of the www.deezer.com website by Blogmusik to your company exclusively.

Management costs correspond to 30% of net sales excluding taxes generated by the sale of advertising space and the inventory of the website. The remaining 70% are paid back to Blogmusik.

Conditions

Under this agreement, your company recorded a charge corresponding to 70% of the net sales generated by the advertising activity due to Blogmusik, amounting to € 4,964,696.42 for the year ended December 31, 2012.

d. With Calypsound, a 100%-owned subsidiary of your company

a. Cash agreement

Nature and purpose

A cash agreement between Calypsound and your company, remunerated at EURIBOR plus 0.25%, has been signed with effective date of March 20, 2009 and tacitly renewed.

Conditions

Under this agreement, your company recorded interest income amounting to € 659.18 for the year ended December 31, 2012.

Due to an omission by your board of directors, the above agreements have not been the subject of prior authorization provided for in article L. 225-38 of the French commercial code.

Agreements already approved by the general meeting of shareholders

We hereby inform you that we have not been advised of any agreements already approved by the general meeting of shareholders, whose implementation continued during the year.

Rueil-Malmaison and Paris-La Défense, June 14, 2013

The statutory auditors
French original signed by

Erik DECOURTRAY	ERNST & YOUNG et Autres
	Franck Sebag

ANNEX VI

REPORT OF THE STATUTORY APPRAISER ON THE SPECIFIC ADVANTAGES ATTACHED TO CLASS A AND CLASS B SHARES

Jean-Charles de Lasteyrie [*letterhead*]
Statutory Auditor – Member of the *Compagnie de Paris*
Accountant – Registered on the *Tableau de l'Ordre de la région de Paris*

Odyssey Music Group

Creation of preferred shares to the benefit of designated shareholders

Allocation of special advantages

Statutory appraiser's report on the appraisal of special advantages

Statutory appraiser's report on the appraisal of special advantages

Dear shareholders,

We were engaged by unanimous appointment by the shareholders of June 1, 2012 in relation to the creation of preferred shares by the company Odyssey Music Group and the special advantages conferred thereby, and we have prepared this report in accordance with articles L.225-147 and L.228-15 of the French Commercial Code.

The terms and conditions of the creation of preferred shares are set forth in the draft amended by-laws of your company attached to this report.

We describe and appraise the contemplated special advantages in this report. For this purpose, we have carried out our duties in accordance with the professional standards of the *Compagnie nationale des commissaires aux comptes* (the national auditing body) relating to this engagement.

At no time did we find ourselves in circumstances of incompatibility, prohibition or disqualification, as provided for by the law.

Our engagement ended with the delivery of this report, and it is not our responsibility to update this report to take into account the facts and circumstances subsequent to its date of signature.

Please review our appraisals and findings set forth below in accordance under the following headings:

1. Presentation of the operation and description of the special advantages

2. Services rendered and appraisal of the special advantages granted

1. Presentation of the operation and description of the special advantages

1.1 General context

Odyssey Music Group is the holding company of a group comprising the two operational companies Blogmusik, which manages the on demand music streaming website Deezer and Calypsound, in which it holds 100% of the share capital.

Deezer allows its users to have a simple access, without any downloading, to their favourite artists, tracks and albums, and can create and exchange their playlists thanks to a catalogue of 15 million tracks covering all musical styles. Deezer gathers 20 million users and 1.5 million subscribers of the “Premium” and “Premium +” services.

After establishing a strategic partnership in France with Orange in July 2010, which resulted in Odyssey’s access to a subscriber base through offers marketed by this telecommunications operator, followed by such operator’s subscription of capital in Odyssey, the Group launched in June 2011 its direct paid subscription offer and in September 2011 deployed internationally. It announced in December of the same year its objective to offer streaming in 200 countries before June 2012, other than in the United States and Japan given the specificities of these two markets.

Odyssey Music Group (the “Company”) is a *société anonyme* with share capital of €90,562.36 dividing into 312,284 shares with a par value of €0.29 each (including 164,713 ordinary shares and 147,571 preferred shares.

It is currently held by its founders for 29.10% (Messrs. Marhely and Benassaya), the natural person shareholders for 9.66% (Messrs. Niel and Erhel, present since the creation), the financial investors (the Dotcorp asset Management fund, and funds managed by the management companies CM-CIC and Idinvest) for 50.23% and a strategic partner, the Orange group for 11%.

Moreover, Orange, the managers, the employees and a financial intermediary hold warrants or stock options, or benefit from put options potentially giving them access to the capital of the Company up to 16% after dilution (before the operations mentioned hereinafter being taken into account). On a fully diluted basis, the capital of Odyssey Music Group, before taking into account the operations mentioned hereinafter would be €103,082.82 divided into 355,458 shares with a par value of €0.29 each.

Blogmusik has also issued warrants for the benefit of the music majors (EMI, Universal, Sony, Warner) potentially giving them access to more than 20% of Blogmusik’s capital after dilution.

In order to finance its development and international growth, the group has decided to open its capital to a new investor, the Access Industries Group set up in 1986. It holds strategic interests in the sector of media and telecommunications (including Warner Group Music), industries connected to natural and climatic resources, as well as in real estate and biotechnologies.

Within the framework of this operation, it is at this stage contemplated:

(i) that the Company create two new classes of preferred shares A and B with voting rights and granting their holders certain financial advantages;

(ii) that all of the preferred shares of the Company existing to date be converted into ordinary shares. These new ordinary shares as well as previously existing shares will then be converted into class B preferred shares;

(iii) that Access Industries subscribe a reserved capital increase in cash of the Company in an amount of approximately €70 million by issuance of class A preferred shares (by reference to a pre-money valorization of the Company of €250 million);

(iv) that Access Industries acquire class B preferred shares in an amount of €25 million (by reference to a pre-money valorization of the Company of €235 million).

The acquisition, that will take place at the unitary price of €661.12, will be carried out with the various current shareholders of the Company, with the exception of Orange.

This term makes it possible to offer a liquidity to historical shareholders for part of the securities held.

Following these operations, the share capital of the Company will amount to €119,425.48 divided into 411,812 preferred shares, including 99,528 class A shares and 312,284 class B shares, all with a par value of €0.29 per share. On a fully diluted basis, the Company's capital would amount to €131,945.94 and would be divided into 454,986 shares with a €0.29 par value each.

The financial rights attached to the two classes of preferred shares to be created by the Company consist in particular in priority rights to distributions and to the liquidation dividend, it being specified that the financial rights of the new class A shares are expressed in terms of priority as compared to the rights attached to new class B shares on any amount to be distributed or allocated between the shareholders subsequent to any distribution of the Company or any other operation giving rise to any payment in kind or in cash to the shareholders (total or partial secondary transfer, merger, spin-off, etc.)

Moreover, the draft by-laws also provide that the Access Industries will appoint two persons among the 7 members comprising the Company's Board of Directors, it being specified that the other directors will be appointed by some other shareholders.

In this context, and in accordance with the provisions of article L.228-15 of the French Commercial Code, we have appraised the special pecuniary advantages granted to the holders of these class A and B preferred shares, as well as the specific representation ,rights granted to certain shareholders.

1.2 Description of special advantages

As specified hereinbefore, the contemplated amendment to the by-laws provides for the creation of 2 new classes of preferred shares (classes A and B).

Class A preferred shares will be issued by the Company in consideration for the investment in cash of €70 million by Access Industries.

Class B preferred shares result from the conversion of the shares held by the Company's current shareholders, it being specified that some of them will transfer their shares to Access Industries, in an aggregate amount of €25 million.

Following the various transactions to take place on the closing day (*i.e.*, the day of the Company's general shareholders' meeting called to approve these transactions), all the Company's shareholders (*i.e.*, all current shareholders as well as Access Industries) will hold class B preferred shares (the "Class B Shares").

Class A preferred shares (the "Class A Shares") will be fully held by the new investor, Access Industries.

The special advantages granted to the holders of Class A Shares and Class B Shares can be summarized as follows:

Rights of conversion into ordinary shares

Each Class A or B Share may, at any time, at its holder's discretion, be converted into an ordinary share.

In case of initial public offering of the Company:

- Each Class A Share will be converted as a matter of right into a number of ordinary shares that depends upon the initial public offering price per share:
  - If this price (defined as the median price of the indicative price range announced in the preliminary prospectus) exceeds or is equal to the sum of the Preferential Amount A1 and the Preferential Amount A2 (as defined hereinafter) outstanding on the date of the initial public offering, each Class A Share will be converted into an ordinary share;
  - If is represents less than the sum of the Preferential Amount A1 and the Preferential Amount A2 outstanding on the date of the initial public offering, each Class A Share will be converted into a number of ordinary shares determined in accordance with the following formula:

$$\frac{\text{Sum of the Preferential Amount A1 and the Preferential Amount A2 outstanding on the date of the IPO}}{\text{offering price per share}}$$

- Each Class B Share will be automatically converted into an ordinary share.

Maintenance of rights

All of the rights granted to Class A and B Shares will be maintained in case of transfer except in case of previous conversion into ordinary shares.

Allocation of profits and distribution

In case (i) of distribution of the Company to its shareholders, in kind or in cash and in any respect (dividend, interim dividend, distribution of reserve, capital reduction, etc…), (ii) of total or partial transfer of the Company's shares (other than an IPO), or (iii) of any merger or spin-off transaction, the total amount to be distributed will be shared between the shareholders in accordance with a "waterfall" system;

- first, each holder of a Class A share will benefit from a Preferential Amount A1 corresponding to a cumulative and capitalized priority dividend, equal to 6% a year of the issuance price of the Class A Share, *i.e.*, €703.32;

- second, a Preferential Amount A2 (subordinated to the Preferential Amount A1) that is capped at the €703.32 issuance price of the Class A Share will be allotted for each Class A Share;

- third, a Preferential Amount B, subordinated to the Preferential Amounts A1 and A2, equal to the sum of the Preferential Amounts A1 and A2 will be allocated for each Class B Share;

- fourth, the remaining amount will be distributed among all the shareholders in proportion to the number of shares they hold.

The by-laws also provide specific provisions where non-cash payments are made, including the assessment of the cash equivalent of such amount with the appointment of an independent expert, as the case may be.

In case of winding-up or liquidation of the Company, the liquidation dividend will be distributed among the shareholders by order of priority, in accordance with the above-described terms.

2. Services rendered and appraisal of the special advantages granted

2.1 Services rendered

In order to appraise the special advantages granted to the Class A and B Shares and/or provided for by the new by-laws of the Company that will be allocated to the specifically named shareholders, Access Industries and the Company's current shareholders, we have carried out our duties in accordance with the professional standards applicable to this type of transaction, in particular:

  - o we have reviewed the transaction proposed and the conditions of a new investor's subscription of capital of the Company, through the review of the various legal documents attached to the creation of preferred shares by the Company and interviews with persons in charge of the transaction or their counsel;

- we have ensured that the contemplated capital increase of the Company would be with waiver on the part of the current shareholders of the preferential subscription right for the benefit of persons identified;

- we have also examined the Group and analysed historical data (consolidated financial statements of Odyssey Music Group for the period ended December 31, 2011) and provisional data (budget and business plan for the fiscal years 2012 to 2016);

- we examined the valuation approaches implemented by the advisory bank, which has been involved at the request of Odyssey Music Group in the context of a capital raising, and of the results obtained to determine the "pre-money" valorization of the group;

- we have studied the specific characteristics of the preferred shares to be created (substance and impact on the situation on the various categories of shareholders);

- we have appraised the substance of the special advantages granted.

2.2 Appraisal of the special advantages granted

In accordance with the professional standards applicable to this mission, it is not up to us to appraise the merit of the grant of special advantages. Our mission consists in describing and appraising each of the special advantages granted to the holders of preferred shares, as they appear in the draft of the amended by-laws attached to this report.

The appraisal, as presented hereinafter, of the special advantages attached to the preferred shares the issuance of which is contemplated, is carried out in a substantial and simplified manner. For an exhaustive presentation of these advantages, please refer to the draft of the amended by-laws.

2.21 On the legality of the special advantages

After the adoption of the contemplated modifications of the by-laws, the capital will consist of two categories of shares: A Shares on the one hand, and B Shares on the other hand.

The special advantages attached to the Class A and B Shares are characterized by specific financial rights consisting:

- on the one hand, in the priority allocation in case of any distribution by the Company, in case of a total or partial transfer, or in case of liquidation, with a priority of Class A Shares over Class B Shares,

- on the other hand, in an upward adjustment mechanism of the number of ordinary shares obtained in conversion of Class A Shares upon an initial public offering of the Company, in the case where the offering price would be lower than the Preferential Amounts still owed to the holder of these Class A Shares.

Moreover, we note that the draft by-laws of the Company also provide for specific representation rights allocated to Access Industries (sole holder of A Shares) consisting in the possibility to appoint two members out of the 7 comprising the Board of Directors of the

Company. Some shareholders holding B Shares will also benefit from this representation right to appoint representatives within the Board of Directors.

The special advantages so granted, through clauses in the by-laws, do not seem to contradict public order provisions and seem to be in the interest of the Company.

2.22 Assessment of the special advantages granted

Representation rights

The representation rights concern the appointment of the members of the Board of Directors by the investor who will hold A Shares, as well as by certain other shareholders holding B Shares.

Access Industries will appoint 2 directors out of a total of 7 persons forming this governing body.

In addition to the Chairman of the Board of Directors, 4 other Directors will be appointed as follows:

- one director will be appointed by Mr. Benassaya and Mr. Marhely, it being specified that as long as he performs duties within the Company or its subsidiaries, Mr. Marhely will be the member appointed;

- one director will be appointed by Dotcorp Asset Management,

- one director will be appointed by CM-CIC Capital Privé and Idinvest Partners,

- provided that at least one offer of the Company is marketed by the Orange group or any of its subsidiaries or that the Company has a minimum of 1 million clients marketed by the Orange group, one member will be appointed by Orange Participations.

The special advantages granted, including representation rights, cannot be valued.

Financial rights

Initial Public Offering

In the event of the Company's initial public offering, an upward adjustment mechanism of the number of ordinary shares obtained by converting A shares is expected, depending on the offering price.

Whereas the conversion of a B Share grants one ordinary share, the number of ordinary shares obtained by converting an A Share depends on the level of the offering price per share compared to the unpaid Preferential Amounts A1 and A2 at the date of the offering, in the event this offering price is lower than such unpaid Preferential Amounts.

This mechanism allows for a holder of A Shares to receive, by converting each A Share that it owns, an adjusted number of ordinary shares, thereby offsetting, via this positive effect, the spread between the unpaid Preferential Amounts A1 and A2 and the liquidity conditions offered through the offering price.

Distribution

A holder of A Shares enjoys a priority right in the event of a distribution by the Company or liquidation. This right can be exercised over any other class of shares and is likely to result in reduced distributions, or even a lack of dividend, reserve or liquidation surplus payments.

This distribution can take place for any matter, in the context of a distribution of dividends, interim dividends or reserves, in case of a total or partial transfer of the Company's shares (other than an initial public offering), as part of any merger or demerger or in case of a the Company's liquidation.

The total amount to be distributed is allocated among the different shareholders according to a waterfall system in such a way that the holder of Class A Shares is served in priority.

If the amount to be distributed is sufficient, the holder of Class A Shares receives in priority:

- an amount equal to 6% per year of the issuance price of the Class A Shares of €703.32 for each of the 99,528 A Shares to be issued by the Company in exchange for the €70 million investment by Access Industries. This unpaid Preferential Amount A1 is cumulative and capitalized;

- plus an Preferential Amount A2 that cannot exceed the issuance price of the A Shares, *i.e.* €70 million.

When applicable, this mechanism seeks to provide Access Industries with a return on investment negotiated between the parties.

The holders of Class B Shares are then served, if the remaining amount is sufficient, up to the amount received per Class A Share for each of the Class B Shares held.

Finally, if the total amount to be distributed has not yet been allocated, the remainder is distributed among the shareholders in proportion to the number of shares held.

As a result of the allocation or distribution priority mechanism described above, the Class A Shares may receive all or part of the amount due to them while the Company's other shares may receive nothing. Similarly, the Class B Shares may receive all or part of the amount due to them, while the Company's ordinary shares may receive nothing.

We note that the parties have valued the shares issued as remuneration for the capital increase (Class A Shares) and the Class B Shares acquired by Access Industries differently, transactions which took place concurrently. The unit values per share for these transactions amount to €703.32 euros and €661.12, respectively (on a totally diluted basis). The nominal value of these two categories of shares is identical, at €0.29 per share.

The specific financial rights assigned to the Class A Shares can explain all or part of the spread observed, given that, considering the Company's activity and its development plan, we understand that it does not intend to make distributions to its shareholders, other than in the case of relatively exceptional transactions over the 2012-2016 forecast horizon, under conditions that cannot be predicted at the date of this report.

A precise valuation of the advantages granted to the new preferential shares cannot be made at the date of this report given that it depends on potential and future events that are, by nature, of random and uncertain character with regards to their nature, amount and occurrence.

The granting of the special advantages falls under the sovereign power of the general shareholders' meeting and does not require any other comments from us.

2.3 Conclusion

In conclusion, based on the information at our disposal and the more general context of a new investor's subscription of the Company's capital, the creation and allocation of preferential shares and the granting of certain advantages of a political nature to the beneficiaries mentioned, upon which you are called to vote, do not call for any particular remarks from us.

The financial advantages granted to the preferential shares depend on future events whose occurrence and amounts remain uncertain at the date of this report.

Paris, June 15, 2012

Jean-Charles de Lasteyrie