

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): March 28, 2025

Shutterstock, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-35669
(Commission
File Number)

80-0812659
(IRS Employer
Identification No.)

350 Fifth Avenue, 20th Floor
New York, NY 10118
(Address of principal executive offices, including zip code)

(646) 710-3417

(Registrant's telephone number, including area code)
Not applicable

(Former name, former address and former fiscal year, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Class	Trading symbol	Name of each exchange on which registered
Common Stock, \$0.01 par value per share	SSTK	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

- Emerging growth company
- If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 8.01 Other Events.

As previously disclosed in the Current Report on Form 8-K filed with the U.S. Securities and Exchange Commission (the “SEC”) by Shutterstock, Inc. (the “Company” or “Shutterstock”) on July 22, 2024 (the “Original Form 8-K”), the Company consummated its previously announced acquisition of Envato Pty Ltd. (“Envato”) on July 22, 2024 pursuant to the Share Purchase Agreement, dated as of May 1, 2024, by and among the Company, Shutterstock AUS EMU Pty Ltd., Envato, the shareholders of Envato named thereto and their representative (the “Purchase Agreement”). The aggregate consideration payable by the Company in connection with the acquisition, after customary working capital and other adjustments in accordance with the terms of the Purchase Agreement, was approximately \$250 million.

On October 3, 2024, the Company amended the Original Form 8-K to include the financial statements required to be filed under Item 9.01(a) of Form 8-K and the pro forma financial information required to be filed under Item 9.01(b) of Form 8-K (the “Form 8-K/A”).

In connection with the filing of a Registration Statement on Form S-4 on or about the date hereof (the “Form S-4”) contemplated by the previously announced Agreement and Plan of Merger (the “Merger Agreement”), by and among Shutterstock, Getty Images Holdings, Inc. (“Getty Images”), and the other parties thereto, dated as of January 6, 2025, that provides for the combination of the two companies, this Current Report on Form 8-K is being filed to provide the following information related to the Company’s acquisition of Envato that will be incorporated by reference into the Form S-4: (i) Envato’s audited consolidated financial statements as of and for the year ended June 30, 2024 (the “Updated Audited Financial Statements”) and (ii) the Company’s unaudited pro forma condensed combined financial information for the year ended December 31, 2024 (the “Updated Pro Forma Financial Information” together with the Updated Audited Financial Statements, the “Updated Financial Information”). The Updated Financial Information updates and supplements the audited consolidated financial statements of Envato and unaudited pro forma condensed combined financial information of the Company and related disclosures contained in Exhibits 99.1 and 99.2 to the Form 8-K/A. To the extent that information in this Current Report on Form 8-K differs from or updates information contained in the Form 8-K/A, the information in this Current Report on Form 8-K shall supersede or supplement the information in the Form 8-K/A.

The Updated Financial Information included in this Current Report on Form 8-K has been presented for informational purposes only, as required by the Form S-4. It does not purport to represent the actual results or project future operating results of the Company following the acquisition of Envato.

Additional Information about the Acquisition and Where to Find It

In connection with the proposed transaction, Shutterstock intends to file a proxy statement with the Securities and Exchange Commission (the “SEC”), which will be included in the Form S-4 intended to be filed by Getty Images and that also will include an information statement of Getty Images and constitute a prospectus with respect to shares of Getty Images’ common stock to be issued in the transactions contemplated by the Merger Agreement (the “information statement and proxy statement/prospectus”). Each of Getty Images and Shutterstock may also file with or furnish to the SEC other relevant documents regarding the proposed transactions. This filing is not a substitute for the information statement and proxy statement/prospectus or any other document that Getty Images or Shutterstock may file with or furnish to the SEC. The definitive information statement and proxy statement/prospectus (if and when available) will be mailed to stockholders of Getty Images and Shutterstock. BEFORE MAKING ANY VOTING OR INVESTMENT DECISION, INVESTORS AND SECURITY HOLDERS ARE URGED TO READ THE INFORMATION STATEMENT AND PROXY STATEMENT/PROSPECTUS (WHEN AVAILABLE) AND ALL OTHER RELEVANT DOCUMENTS THAT ARE OR WILL BE FILED WITH OR FURNISHED TO THE SEC, AS WELL AS ANY AMENDMENTS OR SUPPLEMENTS TO THESE DOCUMENTS, CAREFULLY AND IN THEIR ENTIRETY BECAUSE THEY CONTAIN OR WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTIONS AND RELATED MATTERS. Investors and security holders will be able to obtain free copies of the information statement and proxy statement/prospectus (if and when available) and other documents containing important information about Getty Images, Shutterstock and the proposed transactions, once such documents are filed with or furnished to the SEC through the website maintained by the SEC at www.sec.gov. Copies of the documents filed with or furnished to the SEC by Getty Images will be available free of charge on Getty Images’ website at investors.gettyimages.com. Copies of the documents filed with or furnished to the SEC by Shutterstock will be available free of charge on Shutterstock’s website at investor.shutterstock.com.

Participants in the Solicitation

This Form 8-K is not a solicitation of proxies in connection with the proposed transactions. Getty Images, Shutterstock and certain of their respective directors and executive officers and other members of their respective management and employees may be deemed to be participants in the solicitation of proxies in respect of the proposed transactions. Information about the directors and executive officers of Getty Images, including a description of their direct or indirect interests, by security holdings or otherwise, is set forth in Getty Images' Form 10-K for the year ended December 31, 2024, which was filed with the SEC on March 17, 2025. Information about the directors and executive officers of Shutterstock, including a description of their direct or indirect interests, by security holdings or otherwise, is set forth in Shutterstock's Form 10-K/A for the year ended December 31, 2024 which was filed with the SEC on March 28, 2025. Other information regarding the participants in the proxy solicitations and a description of their direct and indirect interests, by security holdings or otherwise, will be contained in the information statement and proxy statement/prospectus and other relevant materials to be filed with or furnished to the SEC regarding the proposed transactions. You may obtain free copies of these documents using the sources indicated above.

No Offer or Solicitation

This Form 8-K is not intended to and shall not constitute an offer to buy or sell or the solicitation of an offer to buy or sell any securities, or a solicitation of any vote or approval, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offer of securities shall be made, except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.

Forward-Looking Statements

The statements in this Form 8-K include forward-looking statements concerning Getty Images, Shutterstock, the proposed transactions described herein and other matters. All statements, other than historical facts, are forward-looking statements. Forward-looking statements may discuss goals, intentions and expectations as to future plans, trends, events, results of operations or financial condition, financings or otherwise, based on current beliefs and involve numerous risks and uncertainties that could cause actual results to differ materially from expectations. Forward-looking statements speak only as of the date they are made or as of the dates indicated in the statements and should not be relied upon as predictions of future events, as there can be no assurance that the events or circumstances reflected in these statements will be achieved or will occur or the timing thereof. Forward-looking statements can often, but not always, be identified by the use of forward-looking terminology including "believes," "expects," "may," "will," "should," "could," "might," "seeks," "intends," "plans," "pro forma," "estimates," "anticipates," "designed," or the negative of these words and phrases, other variations of these words and phrases or comparable terminology, but not all forward-looking statements include such identifying words. Forward-looking statements are based upon current plans, estimates and expectations that are subject to risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary. The forward-looking statements in this Form 8-K relate to, among other things, filing of the Form S-4 with the SEC. Important factors that could cause actual results to differ materially from such forward-looking statements include, among other things: failure to file the Form S-4 with the SEC. A more fulsome discussion of the risks related to the proposed transactions contemplated by the Merger Agreement will be included in the information statement and proxy statement/prospectus. For a discussion of factors that could cause actual results to differ materially from those contemplated by forward-looking statements, see the section captioned "Risk Factors" in each of Getty Images' and Shutterstock's Annual Report on Form 10-K for the fiscal year ended December 31, 2024 and other filings with the SEC. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those indicated or anticipated by such forward looking statements. While the list of factors presented here is, and the list of factors presented in the information statement and proxy statement/prospectus will be, considered representative, no such list should be considered to be a complete statement of all potential risks and uncertainties. Unlisted factors may present significant additional obstacles to the realization of forward looking statements. Neither Getty Images nor Shutterstock assumes, and each hereby disclaims, any obligation to update forward-looking statements, except as may be required by law.

Item 9.01 Financial Statements and Exhibits.

(a) *Financial statements of businesses or funds acquired.*

Envato's audited consolidated financial statements as of and for the year ended June 30, 2024 and unaudited condensed consolidated financial statements as of December 31, 2023 and for the six-month periods ended December 31, 2023 and 2022 are attached as Exhibits 99.1 and 99.2, respectively, to this Form 8-K and incorporated herein by reference. Such financial statements of Envato were prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

(b) *Pro forma financial information.*

The unaudited pro forma condensed combined financial information for the year ended December 31, 2024, related to the Company's acquisition of Envato is attached as Exhibit 99.3 to this Form 8-K and incorporated herein by reference.

(d) *Exhibits.*

Exhibit No.	Exhibit Description
23.1	Consent of PricewaterhouseCoopers
99.1	Envato Pty Ltd audited consolidated financial statements as of and for the year ended June 30, 2024
99.2	Envato Pty Ltd unaudited condensed consolidated financial statements as of December 31, 2023 and for the six-month periods ended December 31, 2023 and 2022
99.3	Shutterstock, Inc. Unaudited pro forma condensed combined financial information for the year ended December 31, 2024
104	Cover Page Interactive Data File - The cover page XBRL tags are embedded within the Inline XBRL document.

SIGNATURE

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

SHUTTERSTOCK, INC.

Dated: March 28, 2025

By: /s/ Rik Powell
Rik Powell
Chief Financial Officer

CONSENT OF INDEPENDENT AUDITORS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-184371, 333-184544, 333-202395, 333-268480 and 333-280093) and Form S-3 (No. 333-276203) of Shutterstock, Inc. of our report dated March 14, 2025 relating to the financial statements of Envato Pty Ltd, which appears in this Current Report on Form 8-K.

/s/ PricewaterhouseCoopers
Melbourne, Australia
March 28, 2025

**Envato Pty Ltd and controlled entities
Financial Statements
For the Year Ended June 30, 2024**

Envato Pty Ltd and controlled entities
Financial Statements – June 30, 2024

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Envato Pty Ltd and controlled entities
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended June 30, 2024

	Note	<u>2024</u>
		<u>USD'000</u>
Revenue from ordinary activities	5	197,236
Direct costs		(55,814)
Employee costs		(53,457)
Service provider expenses		(3,258)
Depreciation, amortisation and impairment		(3,614)
Data and software expenses		(14,509)
Marketing expenses		(22,287)
Travel expenses		(880)
Rental expenses		(89)
Professional services	6	(9,762)
Foreign exchange loss		(551)
Other expenses (net of other income)		(2,055)
Operating Profit		30,960
Interest income		3,150
Interest expenses	19	(5,239)
Impairment of investment in associate accounted for using the equity method	8	(1,559)
Share of losses of associates accounted for using the equity method	8	(187)
Profit before income tax		27,125
Income tax expense	9	(8,400)
Profit for the period		18,725
Other comprehensive Income		
<i>Items that may be reclassified to profit or loss.</i>		
Exchange differences on translation of foreign operations		(276)
<i>Items that will not be reclassified to profit or loss.</i>		
Financial assets at fair value through other comprehensive income	7	(62)
Other comprehensive income for the period		(338)
Total comprehensive income for the period		18,387

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Envato Pty Ltd and controlled entities
Consolidated Statement of Financial Position
As at June 30, 2024

	Note	<u>June 30, 2024</u> <u>USD'000</u>
ASSETS		
Current Assets		
Cash and cash equivalent	11	96,619
Trade and other receivables	12	5,956
Current tax receivable	9	170
Total Current Assets		<u>102,745</u>
Non-Current Assets		
Property, plant and equipment	13	954
Intangible assets	14	10,127
Right-of-use assets	15	274
Non-current prepayments		1,193
Deferred tax asset	16	11,757
Total Non-Current Assets		<u>24,305</u>
TOTAL ASSETS		<u>127,050</u>
LIABILITIES		
Current Liabilities		
Trade and other payables	17	34,038
Lease liabilities	18	171
Provisions	19	21,034
Deferred revenue	20	47,454
Current tax payable	9	3,978
Total Current Liabilities		<u>106,675</u>
Non-Current Liabilities		
Provisions	19	957
Lease liabilities	18	18
Total Non-Current Liabilities		<u>975</u>
TOTAL LIABILITIES		<u>107,650</u>
NET ASSETS		<u>19,400</u>
EQUITY		
Contributed equity	21	14
Retained earnings		19,220
Other reserves	23	166
TOTAL EQUITY		<u>19,400</u>

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Envato Pty Ltd and controlled entities
Consolidated Statement of Changes in Equity
For the year ended June 30, 2024

	Note	<u>Contributed equity</u> USD'000	<u>Retained earnings</u> USD'000	<u>Other reserves</u> USD'000	<u>Total</u> USD'000
Balance as at July 1, 2023		14	16,899	1,781	18,694
Profit for the year		-	18,725	-	18,725
Other comprehensive income		-	-	(338)	(338)
Total comprehensive income for the year		-	18,725	(338)	18,387
Realisation of historic gain on disposal of Financial assets at fair value through other comprehensive income		-	1,277	(1,277)	-
Dividends declared and settled	22	-	(17,681)	-	(17,681)
Balance as at June 30, 2024		14	19,220	166	19,400

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Envato Pty Ltd and controlled entities
Consolidated Statement of Cash Flows
For the Year Ended June 30, 2024

	Note	<u>2024</u> <u>USD'000</u>
Cash flows from operating activities		
Receipts from customers		206,754
Payments to suppliers and employees		(168,518)
		<u>38,236</u>
Interest paid		(2,754)
Interest received		3,150
Income taxes received/(paid)		(7,239)
Net cash from operating activities	10	31,393
Cash flows from investing activities		
Purchase of property, plant and equipment	13	(470)
Proceeds on disposal of property, plant and equipment		25
Payments for Intangible assets	14	(6,816)
Net cash used in investing activities		(7,261)
Cash flows from financing activities		
Principal elements of lease payments		(708)
Payment of dividends	22	(11,700)
Net cash used in financing activities		(12,408)
Net increase/(decrease) in cash and cash equivalents		11,724
Cash and cash equivalents at the beginning of the year		84,895
Cash and cash equivalents at the end of the year	11	96,619

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Envato Pty Ltd and controlled entities
Notes to the Consolidated Financial Statements
For the Year Ended June 30, 2024

NOTE 1 General information

Envato Pty Ltd ("parent entity") is a company limited by shares, incorporated and domiciled in Australia. The financial statements are for the Consolidated Entity (referred to hereafter as the "Consolidated Entity", "Group" or "Envato") consisting of Envato Pty Ltd (referred to hereafter as the "Company" or "parent entity") and the entities it controlled at the end of, or during, the financial year ended June 30, 2024.

The addresses of the Company's registered office and principal place of business are shown below:

Registered office

C/O Thrive Governance & Growth Partners
16 Middle Street
Highgate Hill QLD 4101
Australia

Principal place of business

Level 7
180 Flinders Street
Melbourne VIC 3000
Australia

NOTE 2 Basis of preparation

The purpose of these consolidated financial statements is to meet the reporting requirements of Rule 3-05 of Regulation S-X which requires one year of audited financial statements. As a result, these financial statements do not include comparative figures for the prior years as required by IAS 1 "Presentation of financial statements".

The Group's financial statements for the year ended June 30, 2024 are general purpose financial statements (GPFS) issued by the Group that comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), with the exception that these consolidated financial statements do not include comparative figures as required by International Accounting Standard 1, "Presentation of Financial Statements" which constitutes a departure from IFRS as issued by the IASB.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

The financial statements are consolidated financial statements. The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Refer to note 24 (b) "Interest in Subsidiaries" for the list of controlled entities.

The financial statements are based on historical costs, except for certain financial instruments, which have been measured at fair value. The financial statements are presented in United States dollars (USD) and are rounded to the nearest thousand dollars, unless otherwise noted.

New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information
- IFRS S2 Climate-related Disclosures
- IAS 1 Amendments regarding Classification of Liabilities as Current or Non-current
- IAS 21 The Effects of Changes in Foreign Exchange Rates - Amendments regarding Lack of Exchangeability
- IFRS 16 Amendments regarding Lease liability in sale and leaseback
- IAS 7 and IFRS 7 Amendments regarding Supplier Finance Arrangements
- IFRS 18 - Presentation and disclosure of financial statements (amendments)
- IFRS 19 - Subsidiaries without public accountability disclosures (amendments)

International Tax Reform - Pillar Two Model Rules

In December 2021, the Organisation for Economic Co-operation and Development (OECD) released Global Anti-Base Erosion (GLOBE) Model rules ("Pillar Two"), introducing new 'top-up' taxing mechanisms for multinational enterprises (MNEs) that fall within the rules. MNEs will be liable to pay a top-up tax reflecting the difference between their GloBE effective tax rate per jurisdiction and the 15% minimum rate.

Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Group operates, effective for periods beginning on or after December 31, 2023, with the "under-taxed profit rule" to take effect for periods beginning on or after December 31, 2024. As at June 30, 2024, the Group was not within the scope of the Pillar Two legislation.

Management does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

Envato Pty Ltd and controlled entities
Notes to the Consolidated Financial Statements
For the Year Ended June 30, 2024

NOTE 3 Significant Accounting Policies

(a) Principles of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Revenue recognition

The Group derives revenue from granting access to a separate online subscription platform where subscribers can download digital creative assets with separate individual licences as well as from the facilitating of purchases and sales of digital creative assets through an online marketplace.

To determine whether to recognise revenue and at what amount, the Group applies a five-step model:

1. Identifying the contract with a customer.
2. Identifying the performance obligations within the customer contract.
3. Determining the transaction price.
4. Allocating the transaction price to the performance obligations.
5. Recognising revenue when/as performance obligation(s) are satisfied.

The Group recognises revenue when (or as) they transfer control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

- Over time, in a manner that depicts the entity's performance; or
- At a point in time, when control of the goods or services has transferred to the customer.

The Group assesses its revenue arrangements against specific criteria to determine if it is acting as the principal or the agent. This determination requires judgement and consideration of all relevant facts and circumstances.

Envato Pty Ltd and controlled entities
Notes to the Consolidated Financial Statements
For the Year Ended June 30, 2024

NOTE 3 Significant Accounting Policies (continued)

The Group is acting as a principal when the nature of its promise is to provide the goods or services itself. Features which indicate that the Group is acting as a principal include:

- (a) the Group has the primary responsibility for providing access to the subscription platform where users can obtain separate license of digital assets;
- (b) the Group has latitude in establishing prices, either directly or indirectly, for example, by providing additional goods or services.

The Group is acting as an agent when the nature of its promise is to arrange for the goods or services to be provided by another party. The Group expenses contract acquisition costs as incurred, to the extent that the amortization period would otherwise be one year or less.

(i) Platform subscriptions fees

The Group also provides several platform subscriptions which allow users to:

- Download digital assets
- Create mockups and videos
- Access tutorials
- Access marketing tools

Customers are required to pay in advance for access to the services with the relevant payment due dates and service periods specified in each contract. Revenue is recognised over time based on estimated consumption patterns.

For platform subscriptions fees, the Group meets the criteria of the principal set out above and therefore recognises the gross sales price. Revenue is recorded net of sales and consumption taxes, after considering any applicable discounts or refunds.

(ii) Platform one-time service fees:

The Group provides a collection of themed marketplaces where people buy and sell creative digital assets and offers single purchase customised products and services for sale. Revenue is recognised when or as the Group has transferred control of the assets to the customer, or in the case of services, on completion of the service.

Where the Group meets the criteria of the principal set out above it recognises the gross sales price. If it is identified as acting as an agent, revenue is recognised as the amount of commission receivable. For the platform one-time service fees, the Group is acting as an agent and therefore recognises the amount of commission receivable.

Revenue is recorded net of sales and consumption taxes and after considering any applicable discounts or refunds.

(iii) Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and on demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(d) Property, plant and equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

(i) Property, plant and equipment

Property, plant and equipment is measured initially at cost. Cost includes all directly attributable expenditure incurred including costs to get the asset ready for its use as intended by management and an estimate of any expenditure expected to be incurred at the end of the asset's useful life, including restoration, rehabilitation and decommissioning costs.

The carrying amount of property, plant and equipment is reviewed annually by management for indications of impairment. If any such indications exist, an impairment test is carried out and any impairment losses on the assets recognised.

Envato Pty Ltd and controlled entities
Notes to the Consolidated Financial Statements
For the Year Ended June 30, 2024

NOTE 3 Significant Accounting Policies (continued)

The cost of fixed assets constructed within the entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

All subsequent costs such as repairs and maintenance are charged to profit and loss during the financial period in which they are incurred.

(ii) Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over their useful lives (commencing from the time the asset is ready for use). Leasehold improvements are depreciated over the shorter of either; the unexpired period of the lease, or the estimated useful lives of the improvements.

The depreciable amount is the carrying value of the asset less estimated residual amounts. The residual amount is based on what a similar asset of the expected condition of the asset at the end of its useful life could be sold for.

The depreciation rates used for each class of depreciable assets are:

Class of Property, plant and equipment	Depreciation rate
Plant and equipment	5% - 50%
Leasehold improvements	Over the life of the lease

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the profit and loss.

(e) Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value, net of transaction costs, with the exception of financial assets and financial liabilities fair value through profit or loss, where transaction costs are recognised immediately in profit or loss.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

(i) Financial assets

(1) Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30-60 days and are therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less any allowance for expected credit losses.

The consolidated entity applies the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

(2) Term deposits

Term deposits comprise of deposits with a maturity of more than three months from the date of acquisition which are not held for the purpose of meeting short-term cash commitments. They are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method. Interest is accrued over the term of the deposit and is received periodically.

(3) Other assets

Other assets include security deposits and are held at amortised cost.

Envato Pty Ltd and controlled entities
Notes to the Consolidated Financial Statements
For the Year Ended June 30, 2024

NOTE 3 Significant Accounting Policies (continued)

(4) Financial assets at fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly;
- Level 3 inputs are unobservable inputs for the asset or liability.

(a) Financial assets at fair value through profit or loss

The Group classifies financial assets at fair value through profit or loss if they are acquired principally for the purpose of selling in the short term, i.e., are held for trading. They are presented as current assets if they are expected to be sold within 12 months after the end of the reporting period; otherwise, they are presented as non-current assets.

(b) Financial assets at fair value through other comprehensive income (FVTOCI)

Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at FVTOCI. Under this category, subsequent movements in fair value are recognised in other comprehensive income and are never reclassified to profit or loss.

Due to lack of observable inputs, the Group categorises its investment in financial assets at fair value through other comprehensive income (FVTOCI) into Level 3. The Group determines fair value by looking at the median enterprise value to revenue ratio for comparable companies on available data.

(5) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

(6) Impairment

The Group will recognise a loss allowance for expected credit losses on financial assets measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

(ii) Financial liabilities and equity

(1) Trade and other payables

Trade and other payables are recorded at cost. Trade and other payables are unsecured and generally settled within agreed supplier terms.

(2) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(3) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Envato Pty Ltd and controlled entities
Notes to the Consolidated Financial Statements
For the Year Ended June 30, 2024

NOTE 3 Significant Accounting Policies (continued)

(f) Income tax

(1) Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Group supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

(2) Deferred Tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination and on initial recognition of lease liabilities and Right-of-use assets under IFRS 16) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(3) Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(g) Tax consolidation

Envato Pty Ltd and its wholly-owned Australian resident entities are members of a tax-consolidated Group under Australian tax law. Envato Pty Ltd is the head entity within the tax-consolidated Group. In addition to its own current and deferred tax amounts, the Company also recognises the current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated Group.

Amounts payable or receivable under the tax funding arrangement between the Company and the entities in the tax-consolidated Group are determined using a 'separate taxpayer within Group' approach to determine the tax contribution amounts payable or receivable by each member of the tax-consolidated Group. This approach results in the tax effect of transactions being recognised in the legal entity where that transaction occurred, and does not tax effect transactions that have no tax consequences to the Group. The same basis is used for tax allocation within the tax-consolidated Group.

(h) Impairment

At each reporting date, the management reviews the carrying values of its assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the profit and loss, unless the relevant asset is carried at a revalued amount. In such case the impairment loss is treated as a revaluation decrease to the extent that the revaluation reserve relates to that asset.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Envato Pty Ltd and controlled entities
Notes to the Consolidated Financial Statements
For the Year Ended June 30, 2024

NOTE 3 Significant Accounting Policies (continued)

(i) Intangible assets

Trademarks, licences, and website domains are recognised at cost. Intangibles with an indefinite life are tested at each balance date for impairment and are carried at cost, less any accumulated impairment losses.

Assets with a finite life are carried at cost, less accumulated amortisation and any impairment losses. Intangibles with a finite life are amortised on a straight-line basis over their useful life. Amortisation is included in depreciation and amortisation expenses in the profit and loss.

Class of intangible asset	Depreciation/Amortisation rate
Purchased software	25%
Other intangibles	25% - 50%
Internally generated software	25% - 33.33%
Purchased content	25% to 100%

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

The Group had purchased content under certain specific contractual arrangements. The purchased content was amortised based on when the Group gains or loses control over such assets in accordance with the terms and conditions stipulated in the contract.

(j) Long term prepayments

The Group made one-time payments to a number of authors to obtain the rights to commercialise their assets for agreed periods of longer than 12 months. Under the terms of the arrangements, authors were entitled to repay the Group agreed amounts if they wished to terminate the agreements early after a defined non-cancellable period. The Group classifies the expenses as long term non-current prepayments and recognises and amortises purchased content intangible assets monthly to its direct costs on a straight-line basis. The useful life of this asset is calculated based on the terms and conditions of the underlying contracts.

(k) Leases

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the Group under residual value guarantees,
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance costs. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The Group chose not to revalue the right-of-use asset.

Envato Pty Ltd and controlled entities
Notes to the Consolidated Financial Statements
For the Year Ended June 30, 2024

NOTE 3 Significant Accounting Policies (continued)

(l) Employee benefits

(1) Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Contributions are made by the Group to superannuation funds nominated by employees and are charged to profit or loss during the financial period in which they occurred.

(2) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Long service leave expected to be settled within 12 months of the reporting date is recognised in current liabilities and is measured at the amounts expected to be paid when the liabilities are settled.

(m) Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation because of a past event, it is probable the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, considering the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

(n) Foreign currency translation

Foreign currency transactions during the year are converted to the functional currency at the exchange rates prevailing at the date of the transaction. At balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value which are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences are recognised in profit or loss in the period in which they arise.

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) which have a functional currency different from the presentation currency, are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

(o) Goods and service tax

Revenues, expenses and assets are recognised net of the amount of GST, VAT and other indirect taxes, except where the amount of tax incurred is not recoverable from the relevant taxation authority. In these circumstances, the tax is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST, VAT and other indirect taxes.

(p) Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. Further, they believe that the current liability position, primarily driven by the large deferred revenue balance, does not represent a genuine liquidity risk. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Envato Pty Ltd and controlled entities
Notes to the Consolidated Financial Statements
For the Year Ended June 30, 2024

NOTE 4 Critical accounting estimates and judgements

The preparation of financial statements requires the directors of the Group to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The disclosure of critical judgements in applying the Group's accounting policies, and key sources of estimation uncertainty have been included below.

Key estimate - Global sales tax provisions

The Group has created a provision for potential global sales tax exposures across all its products. At June 30, 2024, the provision was USD 17,873 thousand. The Group bases this provision on a weighted probability of estimated exposures by country, supported by various external sources for a guide on the applicability of sales tax. However, the actual exposure could be greater or lesser than the provided amounts, depending on the taxation laws in each country and the application of these laws to the Group.

Key estimate - Internally generated intangible assets – Useful life

The Group incurs spend on internal development of software to support its revenue generating activities. At June 30, 2024, the carrying amount of this software was \$9,562 thousand. The Group estimates the useful life of the internally generated software to be 1-4 years based on the expected technical obsolescence of such assets.

Key estimate - Revenue - Principal vs Agent

The Group assesses its revenue arrangements against specific criteria to determine if it is acting as the principal or the agent. This significantly impacts the Consolidated Statement of Profit or Loss under IFRS 15. This determination requires judgement and consideration of all relevant facts and circumstances.

The assessment includes high level of judgement around analysis of various factors including but not limited to:

- whether the Group has discretion with respect to accepting and rejecting orders from customers,
- whether the Group is responsible for sales strategy,
- whether the Group is the party that the customer believes is responsible for fulfilling the promise, and
- whether the Group has discretion on setting prices that are substantive.

For the platform one-time service fees, the Group has determined that it meets the criteria of acting as an agent and therefore recognises the amount of commission receivable as revenues. For platform subscriptions fees, the Group has determined that it meets the criteria of acting as a principal and therefore recognises the gross sales price. This assessment is reviewed when any change is made to the terms and conditions in the contract with customers.

Envato Pty Ltd and controlled entities
Notes to the Consolidated Financial Statements
For the Year Ended June 30, 2024

Note 5 Revenue

The Group reports its revenues from external customers for each Group of similar products and services. The amounts of revenues reported is based on the financial information used to produce the Group's financial statements.

(1) The following represents the Group's revenue based on product and services:

Platform subscriptions fees	Subscription platforms that allows subscribers to download and use digital assets and to download an unlimited number of licensed customised mockup and videos for the duration of the subscription.
Platform one-time service fees	This category includes revenue generated from collection of online marketplaces, where people buy and sell creative digital assets. Digital assets can be websites themes and templates, code, video, audio, graphics, photos or 3D files.

June 30, 2024

USD'000

The following represents the Group's revenue based on product and services:

Platform subscriptions fees	162,440
Platform one-time service fees	34,796
Total revenue from ordinary activities	197,236

Note 6 Professional Services

June 30, 2024

USD'000

Consulting	(4,409)
Managed Services	(977)
Legal fees and other	(4,376)
Total professional services	(9,762)

Note 7 Financial assets at fair value through other comprehensive income (FVTOCI)

During the financial years ended June 30, 2017 and June 30, 2018, the Group purchased 6.0085% of the shares in Looka Inc. (previously known as Logojoy Inc.)

Due to lack of observable inputs for the asset or liability, the Group categorises its investment in financial assets at fair value through other comprehensive income (FVTOCI) as Level 3.

The methodology used by the Group in determining the fair value of its investment in financial assets at fair value through other comprehensive income (FVTOCI) is described in the note (i) under significant accounting policies.

On June 28, 2024, Envato Ventures Pty Ltd (including this investment in financial assets at fair value through other comprehensive income (FVTOCI)) was distributed to the shareholders of Envato Pty Ltd as a dividend in kind, settling a dividend payable of USD 5,981 thousand.

June 30, 2024

USD'000

Opening balance of financial assets at fair value through other comprehensive income (FVTOCI)	1,894
Revaluation (losses)/gains recognised in other comprehensive income	(62)
Disposal of financial assets at fair value through other comprehensive income (FVTOCI) as part of the dividend in kind	(1,832)
Closing balance of financial assets at fair value through other comprehensive income (FVTOCI)	-

Note 8 Share of profits/(losses) of associates accounted for using the equity method

During the financial year ended June 30, 2022, the Group purchased 29.9% of the shares in Music Vine Limited ('Musicvine'), an unlisted company incorporated in the United Kingdom. The Group has determined that it has significant influence over Musicvine. The directors of the Group determined that the investment in associate is not material as it does not play a significant role in the Group's profitability. On June 28, 2024, Envato Ventures Pty Ltd (including this investment accounted for using the equity method) was distributed to the shareholders of Envato Pty Ltd as a dividend in kind, settling a dividend payable of USD 5,981 thousand.

Envato Pty Ltd and controlled entities
Notes to the Consolidated Financial Statements
For the Year Ended June 30, 2024

Note 8 Share of profits/(losses) of associates accounted for using the equity method (continued)

June 30, 2024
USD'000

Opening balance of investment in associates accounted for using the equity method	5,904
Group's share of the loss of investment	(187)
Impairment of investment	(1,559)
Disposal of investment in associates accounted for using the equity method as part of the dividend in kind	(4,158)
Closing balance of investment in associates accounted for using the equity method	-

Note 9 Income tax

(a) Income tax expense

June 30, 2024
USD'000

Current tax

Current tax on profits for the year	(9,487)
Adjustments for current tax of prior periods	(1,123)

Total current tax expense **(10,610)**

Deferred income tax

Increase in deferred tax assets	542
Increase in deferred tax liabilities	583
Adjustments for deferred tax of prior periods	1,085

Total deferred tax expense **2,210**

Income tax expense **(8,400)**

(b) Reconciliation of income tax expense to prima facie tax payable

Net profit before tax	27,125
Tax at the Australian tax rate of 30%	(8,137)
Effect of lower tax rates for foreign subsidiaries	(210)

Tax effect of amounts that are not deductible (taxable) in determining taxable income:

Depreciation of leasehold improvements	(43)
Disposal of investment in associate	164
Other non-deductible expenses	(136)
	(15)

Adjustments for tax of prior period (38)

Income tax expense **(8,400)**

Below table provides the balances of the tax receivable and payable as at the end of the financial year

June 30, 2024
USD'000

Current tax receivable	170
Current tax payable	3,978

Envato Pty Ltd and controlled entities
Notes to the Consolidated Financial Statements
For the Year Ended June 30, 2024

Note 10 Reconciliation of profit after income tax to net cash from operating activities

	<u>June 30, 2024</u>
	<u>USD'000</u>
Profit after income tax expense for the year	18,725
Adjustments for:	
- Depreciation, amortisation and impairment	4,083
- Loss on disposal of fixed assets	51
- Loss/(gain) on forward exchange contract	218
- Net exchange gains on net assets of foreign subsidiaries	(170)
- Impairment recognised on investment in associate	1,559
- Loss recognised from equity accounting of investment in associate	187
Net profit (after tax) adjusted for non cash items	24,653
Changes in operating assets and liabilities	
Changes in operating assets and liabilities, net of effect of business combinations:	
Increase in trade and other receivables	(834)
Increase in deferred tax assets	(1,713)
Increase in net tax payable	(93)
Increase/(decrease) in trade and other payables	7,593
(Decrease)/increase in deferred revenue	1,953
(Decrease)/increase in provisions (current and non-current)	(167)
Net cash from operating activities	31,393

Note 11 Cash and cash equivalents

	<u>June 30, 2024</u>
	<u>USD'000</u>
Cash and cash equivalents	96,619

Note 12 Trade and other receivables

	<u>June 30, 2024</u>
	<u>USD'000</u>
Trade receivables	187
Prepayments	2,736
Accrued income	2,090
Other receivables	943
Trade and other receivables total	5,956

Trade and other receivables are non-interest bearing.

Envato Pty Ltd and controlled entities
Notes to the Consolidated Financial Statements
For the Year Ended June 30, 2024

Note 13 Property, plant and equipment

	<u>Property, Plant and equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
	USD'000	USD'000	USD'000
Balance at 1 July 2023			
Cost	3,186	495	3,681
Accumulated depreciation	(2,013)	(340)	(2,353)
Net book amount	1,173	155	1,328
Year ended June 30, 2024			
Opening net book amount	1,173	155	1,328
Additions	470	-	470
Depreciation expense	(654)	(63)	(717)
Disposals	(92)	-	(92)
Effect of movements in exchange rates	(25)	(10)	(35)
Closing net book amount	872	82	954
Balance at June 30, 2024			
Cost	3,564	495	4,059
Accumulated depreciation	(2,692)	(413)	(3,105)
Net book amount	872	82	954

Note 14 Intangible assets

	<u>Content IP</u>	<u>Purchased software</u>	<u>Domain names</u>	<u>Purchased content</u>	<u>Internally generated software</u>	<u>Total</u>
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at 1 July 2023						
Cost	1,100	8,751	3	602	6,867	17,323
Accumulated amortisation	(1,100)	(8,751)	-	(584)	(1,317)	(11,752)
Net book amount	-	-	3	18	5,550	5,571
Year ended June 30, 2024						
Opening net book amount	-	-	3	18	5,550	5,571
Additions	-	387	-	712	6,144	7,243
Amortisation expense	-	(87)	-	(468)	(2,132)	(2,687)
Disposals - Costs in relation to fully amortised asset	(1,100)	-	-	-	(367)	(1,467)
Disposals - Accumulated depreciation/amortisation in relation to fully amortised asset	1,100	-	-	-	367	1,467
Closing net book amount	-	300	3	262	9,562	10,127
Balance at June 30, 2024						
Cost	-	9,138	3	1,314	13,011	23,466
Accumulated amortisation and impairment	-	(8,838)	-	(1,052)	(3,449)	(13,339)
Net book amount	-	300	3	262	9,562	10,127

The Group incurred spend on long term prepayments related to purchased content as disclosed in note 3(j). At June 30, 2024, the carrying amount of this long term prepayment was USD 1,193 thousand.

Envato Pty Ltd and controlled entities
Notes to the Consolidated Financial Statements
For the Year Ended June 30, 2024

Note 15 Right-of-use asset

		<u>June 30, 2024</u>
		<u>USD'000</u>
Buildings		
	Cost	1,882
	Accumulated depreciation	(1,608)
		<u>274</u>
		<u>206</u>
	Depreciation recognised in the statement of profit or loss	<u>(679)</u>

Note 16 Deferred tax assets/(liabilities)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

		<u>June 30, 2024</u>
		<u>USD'000</u>
The balance comprises temporary differences attributable to:		
	Internally generated software	360
	Global sales tax provisions	5,362
	Intangible assets	36
	Accruals	825
	Employee provisions	1,816
	Professional services and other	3,358
	Total deferred tax assets	<u>11,757</u>

Deferred tax assets movement schedule

<u>Movements</u>	<u>Internally generated software</u>	<u>Global sales tax provisions</u>	<u>Intangible assets</u>	<u>Accruals</u>	<u>Employee provisions</u>	<u>Professional fees and other</u>	<u>Total</u>
	<u>USD '000</u>	<u>USD '000</u>	<u>USD '000</u>	<u>USD '000</u>	<u>USD '000</u>	<u>USD '000</u>	<u>USD '000</u>
At July 1, 2023	815	5,437	38	717	1,171	1,866	10,044
profit or loss impact	(455)	(75)	(2)	108	645	1,492	1,713
At June 30, 2024	360	5,362	36	825	1,816	3,358	11,757

Note 17 Trade and other payables

		<u>June 30, 2024</u>
		<u>USD'000</u>
	Trade payables	16,335
	Other payables	17,703
	Trade and other payables total	<u>34,038</u>

The balance in other payables comprises various current liabilities attributable to:

	General accruals	12,643
	Sales tax liabilities	2,910
	Withholding tax liabilities	23
	Payroll related liabilities	2,030
	Other	97
	Other payables total	<u>17,703</u>

Trade payables and other payables are non-interest bearing.

Envato Pty Ltd and controlled entities
Notes to the Consolidated Financial Statements
For the Year Ended June 30, 2024

Note 18 Lease liabilities

	<u>June 30, 2024</u>
	<u>USD'000</u>
Current	171
Non-Current	18
Lease liabilities total	189

Future lease payments in relation to lease liabilities as at period end are as follows:

Within one year	171
One to five years	18
Future lease payments total	189

Lease liabilities movement schedule

Opening lease liabilities balance	650
Additions	206
Payments	(687)
Interest payment	20
Closing lease liabilities balance	189

Note 19 Provisions

Provision Class	<u>June 30, 2024</u>		
	<u>Current</u>	<u>Non-current</u>	<u>Total</u>
	<u>USD'000</u>	<u>USD'000</u>	<u>USD'000</u>
Employee benefits	3,161	957	4,118
Global sales tax	17,873	-	17,873
Provision Total	21,034	957	21,991

Movements in each class of provision during the current financial year, are set out below:

	<u>Employee benefits</u>	<u>Make good provision</u>	<u>Global sales tax</u>	<u>Total</u>
	<u>USD'000</u>	<u>USD'000</u>	<u>USD'000</u>	<u>USD'000</u>
Balance as at July 1, 2023	3,981	55	18,122	22,158
Charged/(credited) to profit or loss:				
- additional provisions recognised ¹	2,523	-	9,085	11,608
- unused amounts reversed	-	(55)	-	(55)
- amounts used during the year	(2,386)	-	(9,334)	(11,720)
Balance as at June 30, 2024	4,118	-	17,873	21,991

¹ The additional provisions recognised for global sales tax includes finance costs of USD 5,185 thousand.

Note 20 Deferred revenue

	<u>June 30, 2024</u>
	<u>USD'000</u>
Deferred revenue closing balance	47,454

Deferred revenue reported on the balance sheet represents unfulfilled performance obligations for which the Group has received payment. June 30, 2024 deferred revenue balance will be earned as content is downloaded or purchased, and nearly all is expected to be earned within the next twelve months.

Envato Pty Ltd and controlled entities
Notes to the Consolidated Financial Statements
For the Year Ended June 30, 2024

Note 21 Contributed equity

	<u>June 30, 2024</u>
	<u>USD'000</u>
10,000 ordinary shares	14

Ordinary shares entitle the holder to participate in dividends and to share in the proceeds of the winding up of the Group proportionate to the number of and amounts paid on the shares held.

Note 22 Dividends

	<u>June 30, 2024</u>
	<u>USD'000</u>
Dividends paid during the year	(11,700)
Distribution of Envato Ventures Pty Ltd to shareholders	(5,981)
	(17,681)
<i>Franking credits</i>	
Franking credits available for subsequent financial years based on a tax rate of 30%	7,578

The above amounts are calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking credits and debits that will arise from the settlement of liabilities or receivables for income tax and dividends after the end of the year.

Note 23 Other reserves

	<u>Financial assets at FVTOCI</u>	<u>Foreign currency translation</u>	<u>Total</u>
	<u>USD'000</u>	<u>USD'000</u>	<u>USD'000</u>
Balance as at July 1, 2023	1,253	528	1,781
Other currency translation differences	-	(276)	(276)
Revaluation of Financial assets at fair value through other comprehensive income	(62)	-	(62)
Realisation of historic gain on disposal of Financial assets at fair value through other comprehensive income	(1,277)	-	(1,277)
Balance as at June 30, 2024	(86)	252	166

Note 24 Related party transactions

(a) Parent entity

Envato Pty Ltd is the parent entity. The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. See note 3 for a summary of the significant accounting policies relating to the Group.

Envato Pty Ltd and controlled entities
Notes to the Consolidated Financial Statements
For the Year Ended June 30, 2024

Note 24 Related party transactions (continued)

(b) Subsidiaries

The consolidated financial statements incorporate the assets, liabilities, and results of the following subsidiaries in accordance with the accounting policy described in note 3:

<u>Name of controlled entity</u>	<u>Primary activity</u>	<u>Country of incorporation</u>	<u>June 30, 2024 % of shares held</u>
Envato Ventures Pty Ltd	Investment	Australia	-
Envato Sites Pty Ltd	Non-Trading	Australia	100%
Envato Elements Pty Ltd	Trading	Australia	100%
Envato USA, Inc.	Trading	USA	100%
Envato Placeit Pty Ltd	Trading	Australia	100%
Sonley Bell Mexico S.A. de C.V.	Trading	Mexico	100%
Envato Twenty20 Pty Ltd	Non-Trading	Australia	100%
Envato New Zealand Ltd	Trading	New Zealand	100%
Envato Israel Ltd	Trading	Israel	100%
Envato Ventures 2 Pty Ltd	Non-Trading	Australia	100%
Snowcap Labs Pty Ltd	Trading	Australia	100%

On June 28, 2024, Envato Ventures Pty Ltd was distributed to shareholders of Envato Pty Ltd as a dividend in kind, settling a dividend payable of USD 5,981 thousand.

(c) Key management personnel compensation

	<u>June 30, 2024</u> <u>USD'000</u>
Short-term employee benefits	1,554
Post-employment benefits	37
Total key management personnel compensation	1,591

(d) Transactions with other related parties

	<u>June 30, 2024</u> <u>USD'000</u>
The following transactions occurred with other related parties:	
Donations to the Envato Foundation	362
Distribution of Envato Ventures Pty Ltd to shareholders	5,981
Purchase of IP and software assets from related party	387

Although, Envato Pty Ltd owns 100% of the shares in Envato Foundation Pty Ltd, it does not have sufficient exposure or rights to variable returns from its involvement with Envato Foundation Pty Ltd to meet the definition of control under IFRS 10. Envato Foundation Pty Ltd has its sole purpose to act as the trustee of Envato Foundation Trust. Envato Foundation Pty Ltd does not in itself hold any assets or liabilities.

NOTE 25 Financial risk management

The Group's treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

(1) Market Risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The financial risk of changes in interest rates is minimal. The Group does not designate its derivative financial instruments into hedging relationships. There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

Envato Pty Ltd and controlled entities
Notes to the Consolidated Financial Statements
For the Year Ended June 30, 2024

NOTE 25 Financial risk management (continued)

(a) Foreign currency risk management

The Group's sales to international customers are denominated primarily in U.S. dollar and to a relatively lesser extent in Euro. Revenue denominated in foreign currencies (i.e. Euro) as a percentage of total revenue was approximately 16% for the year ended June 30, 2024. Changes in exchange rates will affect the Group's revenues and certain operating expenses to the extent that the Group's revenue are generated and expenses are incurred in currencies other than the U.S. dollars, Mexican pesos, New Zealand dollars and New Israeli shekels.

The Company expenses revenue share costs in the period a subscriber download occurs and includes the corresponding revenue share costs in direct costs. Revenue share costs are paid monthly to authors. These are denominated in the U.S. dollar and will not be affected by changes in exchange rates.

The Group's historical revenue by currency is as follows:

	<u>June 30, 2024</u>	
	<u>USD'000</u>	
	<u>U.S. dollars</u>	<u>Originating currency</u>
Euro	31,150	28,899
Total foreign currency	31,150	
U.S. Dollar	166,086	
Total revenue	197,236	

Based on the comparatively smaller portion of Euro currency denominated revenue for the year ended June 30, 2024, and the stability of Euro currency to U.S. dollar currency, the Group estimate that a change in the exchange rate of the U.S. dollars against Euros denominated revenues would not result in a material impact on the Group's revenues.

The Group has established foreign subsidiaries in various countries and have concluded that the functional currency of these entities is generally the local currency. Business transacted in currencies other than each entity's functional currency results in transactional gains and losses. Translation adjustments resulting from converting the foreign subsidiaries' financial statements into U.S. dollars are recorded as foreign currency translation reserves as a component of Other reserves in Equity.

The Group held the below net assets in non-functional currencies:

	<u>June 30, 2024</u>	<u>June 30, 2024</u>	<u>June 30, 2024</u>	<u>June 30, 2024</u>	<u>June 30, 2024</u>
	<u>USD'000</u>	<u>USD'000</u>	<u>USD'000</u>	<u>USD'000</u>	<u>USD'000</u>
	<u>US primary</u>	<u>MXN primary</u>	<u>NZD primary</u>	<u>ILS primary</u>	<u>Total</u>
	<u>currency ledger</u>	<u>currency ledger</u>	<u>currency ledger</u>	<u>currency ledger</u>	
Australian dollar	13,188	-	-	-	13,188
Euro	3,065	-	-	-	3,065
Great british pound	55	-	-	-	55
Mexican pesos	(5,099)	5,099	-	-	-
New zealand dollar	(3,271)	-	3,271	-	-
New israeli shekels	21	-	-	(21)	-

The sensitivity analysis below summarises the foreign exchange exposure on the net monetary position of each Group entity against its respective functional currency, expressed in the Group's presentation currency. The Group considers 4% as a reasonable shift in foreign exchange. This analysis assumes that all other variables remain constant.

Envato Pty Ltd and controlled entities
Notes to the Consolidated Financial Statements
For the Year Ended June 30, 2024

NOTE 25 Financial risk management (continued)

	<u>June 30, 2024</u>		<u>June 30, 2024</u>	
	<u>US primary currency ledger</u>		<u>MXN, NZD and ILS primary currency ledger</u>	
	<u>Effect on profit after tax</u>	<u>Effect on equity</u>	<u>Effect on profit after tax</u>	<u>Effect on equity</u>
	<u>USD'000</u>	<u>USD'000</u>	<u>USD'000</u>	<u>USD'000</u>
Australian dollar	277	277	-	-
Euro	64	64	-	-
Mexican Pesos	(107)	(107)	-	107
New Zealand dollar	(69)	(69)	-	69

Risk management: The Group manages foreign currency risk by evaluating its exposure to fluctuations. The Group also holds foreign currency cash balances in order to fund significant transactions denominated in non-functional currencies.

(b) Interest rate risk

Nature of risk: The Group may be exposed to variable interest rate risk on its interest-bearing financial assets and liabilities due to the possibility that changes in interest rates will affect future cash flows.

Risk management: As at June 30, 2024, the Group's primary exposure to interest rate risk arises from interest-bearing and cash and cash equivalents. Cash and cash equivalents consist primarily of cash held in transactional accounts, which are predominately interest-bearing accounts.

Exposure: Sensitivity analyses were performed to illustrate the impact of movements in interest rates, with all other variables held constant. If cash and cash equivalents were to increase or decrease by 10%, based on historic interest rates, the impact to interest income would be between \$0.5 million and (\$0.5 million).

(2) Credit Risk

Nature of risk: Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to pay for its obligation. The Group may be exposed to counterparty credit risk which is the risk of potential loss arising from default or insolvency of a financial institution used for treasury transactions. The primary sources of credit risk are bank accounts and payment processors.

Risk management: The Group manages the overall level of credit exposure to individual financial institutions to acceptable levels through institution selection and diversification.

Exposure: Counterparty exposure is measured as the total value of deposits and investments with any single legal or economic entity. The Group maintains and monitors a strict level of the maximum permitted gross credit exposure to any particular financial institution.

(3) Liquidity risk management

Nature of risk: Liquidity risk is that of being unable to meet financial obligations as and when they fall due.

Risk management: Liquidity risk is managed via the regular review of forecasted cash inflows and outflows, with any surplus funds being placed in interest bearing transactional bank accounts to maximise interest revenue. Principally, the Group sources liquidity from cash-generated from operations.

Exposure: The table below categorises the Group's financial liabilities into their relevant maturity groupings. The amounts included are the undiscounted expected cash outflows over the next 12 months. Current liabilities recognised in the form of deferred revenue are excluded from this table.

At June 30, 2024	<u>0 - 3 months</u>	<u>3 - 6 months</u>	<u>6 - 12 months</u>	<u>Total</u>
Trade and other payables	34,038	-	-	34,038
Lease liabilities	-	-	171	171
Total	34,038	-	171	34,209

Envato Pty Ltd and controlled entities
Notes to the Consolidated Financial Statements
For the Year Ended June 30, 2024

Note 26 Contingent liabilities

(1) Bank guarantee

An unsecured bank guarantee has been provided to the value of USD 185 thousand as part of the lease of premises. This bank guarantee is provided in Australian dollar currency which equates to AUD 278 thousand using the spot exchange rate as of June 30, 2024 between Australian dollar and U.S. dollar.

(2) Legal matters

From time to time, the Group may become party to litigation in the ordinary course of business, including direct claims brought by or against the Group with respect to intellectual property, contracts, employment and other matters, as well as claims brought against the Group's customers for whom the Group has a contractual indemnification obligation.

The Group assesses the likelihood of any adverse judgments or outcomes with respect to these matters and determines loss contingency assessments on a gross basis after assessing the probability of incurrence of a loss and whether a loss is reasonably estimable. In addition, the Group considers other relevant factors that could impact its ability to reasonably estimate a loss. A determination of the amount of reserves required, if any, for these contingencies is made after analyzing each matter.

The Group reviews reserves, if any, at regular intervals and may change the amount of any such reserve in the future due to new developments or changes in strategy in handling these matters. Although the results of litigation and threats of litigation, investigations and claims cannot be predicted with certainty, the Group currently believes that the final outcome of these matters will not have a material adverse effect on its business, consolidated financial position, results of operations, or cash flows. Regardless of the outcome, litigation can have an adverse impact on the Group because of defense and settlement costs, diversion of management resources and other factors.

The Group currently has no material active litigation matters and, accordingly, no material reserves related to litigation.

(3) Customer indemnifications

In the ordinary course of business, for majority of the customers, the Group does not indemnify the customers for any matters. The Group offers certain customers limited levels of indemnification. For these customers, the Group enters into contractual arrangements under which it agrees to provide indemnification of varying scope and terms to customers with respect to certain matters, including, but not limited to, losses arising out of the breach of the Group's intellectual property warranties for damages to the customer directly attributable to the Group's breach. The Group is not responsible for any damages, costs, or losses to the extent such damages, costs or losses arise as a result of the modifications made by the customer, or the context in which any content/service is used.

The standard maximum aggregate obligation and liability to any one customer for all claims is generally limited to certain predetermined limits depending on the type of revenue contract.

As of June 30, 2024, the Group has recorded no liabilities related to indemnification for loss contingencies. Additionally, the Group believes that it has the appropriate insurance coverage in place to adequately cover such indemnification obligations, if necessary.

Other than the above, the Group has no contingent liabilities at June 30, 2024 or any contractual commitments for the acquisition of material property, plant and equipment.

Note 27 Commitments

Besides leasing commitments disclosed above, the Group have no other significant unrecognised capital contractual commitments.

Note 28 Events occurring after the reporting period

In April 2024, agreements were put in place whereby the key management personnel would receive payments worth AUD 850 thousand conditional to change of control of the Group occurring prior to December 31, 2024. This condition was satisfied on July 22, 2024 resulting in the amount becoming payable. As of the date these financial statements were authorised for issue, this liability was paid in full.

On May 2, 2024, Shutterstock, Inc., listed as SSTK on NYSE, a leading global creative platform offering high-quality creative content for transformative brands, digital media and marketing companies, entered into a definitive cash purchase agreement to acquire 100% shares in Envato Pty Ltd for total consideration of USD 250 million, after customary working capital and other adjustments. The transaction completed on July 22, 2024.

As at June 30, 2024, the Group had agreements in place whereby current and former employees would receive payments totalling USD 55 million subject to successful completion of the acquisition by Shutterstock, Inc. As of the date these financial statements were authorised for issue, a substantial portion of the liabilities have been paid.

On December 31, 2024 the Group entered into an agreement to sell certain Intellectual Property assets (IP) to a related party, Shutterstock Inc., for a total of USD 179,872 thousand. Concurrently to the sale of the IP, the Group entered into an agreement with Shutterstock Inc. to provide them with certain services with respect to their global business operations on an ongoing basis.

On December 31, 2024 the Group entered into an agreement to sell its wholly owned subsidiary Envato USA, Inc. to a related party, Shutterstock Inc., for a total of USD 5,580 thousand.

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affects the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

The consolidated financial statements for the year ended June 30, 2024 were authorised for issue by the directors on March 14, 2025.



Report of Independent Auditors

To the Management and the Board of Directors of Envato Pty Ltd

Qualified Opinion

We have audited the accompanying consolidated financial statements of Envato Pty Ltd and its subsidiaries (the “Company”), which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of profit or loss and other comprehensive income, of changes in equity and of cash flows for the year then ended, including the related notes (collectively referred to as the “consolidated financial statements”).

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2024, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Qualified Opinion

As discussed in Note 2, the accompanying consolidated financial statements are not presented in accordance with International Accounting Standard 1, *Presentation of Financial Statements*, as they do not include comparative figures, which constitutes a departure from International Financial Reporting Standards as issued by the International Accounting Standards Board.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company’s ability to continue as a going concern for at least, but not limited to, twelve months from the end of the reporting period, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

PricewaterhouseCoopers

PricewaterhouseCoopers
Melbourne, Australia
March 14, 2025

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Envato Pty Ltd and controlled entities
Unaudited Condensed Consolidated Interim Financial statements
As of December 31, 2023 and for the six months ended December 31, 2023 and 2022

Envato Pty Ltd and controlled entities
As of December 31, 2023 and for the six months ended December 31, 2023 and 2022

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Envato Pty Ltd and controlled entities
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (unaudited)
for the six months ended December 31, 2023 and 2022

	<u>Note</u>	<u>Dec 31, 2023</u>	<u>Dec 31, 2022</u>
		<u>USD'000</u>	<u>USD'000</u>
Revenue from ordinary activities	4	99,804	92,308
Direct costs		(28,601)	(25,131)
Employee costs		(24,776)	(24,622)
Service provider expenses		(1,791)	(2,223)
Depreciation, amortisation and impairment		(1,887)	(1,097)
Data and software expenses		(6,987)	(6,109)
Marketing expenses		(11,786)	(13,572)
Travel expenses		(351)	(449)
Rental expenses		(14)	(51)
Professional fees	5	(1,384)	(3,582)
Foreign exchange loss/(gain)		364	(1,303)
Other expenses		(902)	(1,125)
Operating Profit		21,689	13,044
Finance income		1,019	112
Finance Costs		(4,592)	(53)
Share of profits/(losses) of associates accounted for using the equity method	6	(1,775)	35
Profit before income tax		16,341	13,138
Income tax expense	7	(5,556)	(4,113)
Profit for the period		10,785	9,025
Other comprehensive Income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		52	(638)
Other comprehensive income for the period		52	(638)
Total comprehensive income for the period		10,837	8,387

The above Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (unaudited) should be read in conjunction with the accompanying notes.

Envato Pty Ltd and controlled entities
Condensed Consolidated Statement of Financial Position (unaudited)

	<u>Note</u>	<u>Dec 31, 2023</u>	<u>Jun 30, 2023</u>
		<u>USD'000</u>	<u>USD'000</u>
ASSETS			
Current Assets			
Cash and cash equivalent		100,940	84,895
Trade and other receivables	9	5,801	5,122
Current tax receivable		-	64
Derivative financial instruments		393	218
Total Current Assets		107,134	90,299
Non-Current Assets			
Property, plant and equipment		1,112	1,328
Intangible assets	10	7,924	5,571
Right-of-use assets	11	621	724
Non-current prepayments		1,478	1,620
Financial assets at fair value through other comprehensive income		1,894	1,894
Investments accounted for using the equity method		4,123	5,904
Deferred tax asset	12	11,838	10,044
Total Non-Current Assets		28,990	27,085
TOTAL ASSETS		136,124	117,384
LIABILITIES			
Current Liabilities			
Trade and other payables	13	25,732	26,445
Lease liabilities	14	496	650
Provisions	15	28,104	20,972
Deferred revenue		45,457	45,501
Current tax payable		5,868	3,965
Total Current Liabilities		105,657	97,533
Non-Current Liabilities			
Provisions	15	863	1,186
Lease liabilities	14	73	-
Total Non-Current Liabilities		936	1,186
TOTAL LIABILITIES		106,593	98,719
NET ASSETS		29,531	18,665
EQUITY			
Contributed equity		14	14
Retained earnings		27,684	16,870
Other reserves		1,833	1,781
TOTAL EQUITY		29,531	18,665

The above Condensed Consolidated Statement of Financial Position (unaudited) should be read in conjunction with the accompanying notes.

Envato Pty Ltd and controlled entities
Condensed Consolidated Statement of Changes in Equity (unaudited)

	<u>Contributed equity</u> USD'000	<u>Retained earnings</u> USD'000	<u>Other reserves</u> USD'000	<u>Total</u> USD'000
Balance as at July 1, 2023	14	16,899	1,781	18,665
Profit for the period	-	10,785	-	10,785
Other comprehensive income	-	-	52	52
Total comprehensive income for the period	14	27,684	1,833	29,531
Balance as at December 31, 2023	14	27,684	1,833	29,531
Balance as at July 1, 2022	14	24,822	1,088	25,924
Profit for the period	-	9,025	-	9,025
Other comprehensive income	-	-	(638)	(638)
Total comprehensive income for the period	14	33,847	450	34,311
Balance as at December 31, 2022	14	33,847	450	34,311

The above Condensed Consolidated Statement of Changes in Equity (unaudited) should be read in conjunction with the accompanying notes.

Envato Pty Ltd and controlled entities
Condensed Consolidated Statement of Cash Flows (unaudited)
for the six months ended December 31, 2023 and 2022

	<u>Note</u>	<u>Dec 31, 2023</u>	<u>Dec 31, 2022</u>
		<u>USD'000</u>	<u>USD'000</u>
Cash flows from operating activities			
Receipts from customers		104,939	100,491
Payments to suppliers and employees		(81,832)	(84,286)
		<u>23,107</u>	<u>16,205</u>
Interest paid		(46)	(15)
Interest received		1,019	112
Income taxes paid		(3,896)	(3,351)
Net cash from operating activities	8	20,184	12,951
Cash flows from investing activities			
Purchase of property, plant and equipment		(303)	(364)
Proceeds on disposal of property, plant and equipment		-	96
Purchase of right-of-use asset		(250)	-
Payments on internally generated software		(3,503)	(2,822)
Net cash used in investing activities		(4,056)	(3,090)
Cash flows from financing activities			
Principal elements of lease payments		(83)	(302)
Net cash used in financing activities		(83)	(302)
Net increase in cash and cash equivalents		16,045	9,559
Cash and cash equivalents at the beginning of the period		84,895	86,065
Cash and cash equivalents at the end of the period		100,940	95,624

The above Condensed Consolidated Statement of Cash Flows (unaudited) should be read in conjunction with the accompanying notes.

Envato Pty Ltd and controlled entities
Notes to the condensed consolidated interim financial statements (unaudited)

Note 1 General information

Envato Pty Ltd ("parent entity") is a company limited by shares, incorporated and domiciled in Australia. The interim financial statements are for the Consolidated Entity (referred to hereafter as the "Consolidated Entity", "Group" or "Envato") consisting of Envato Pty Ltd (referred to hereafter as the "Company" or "parent entity") and the entities it controlled at the end of the periods presented.

The Group derives revenue from the facilitating of purchases and sales of digital creative assets through an online marketplace as well as from granting access to a separate online subscription platform where subscribers can download digital creative assets with separate individual licences. No significant change in the nature of these activities occurred during the periods presented.

These financial statements are presented in United States Dollars (USD) and are rounded to the nearest thousand dollars, unless otherwise noted.

The addresses of the Company's registered office and principal place of business are shown below:

Registered Office

C/O Thrive Governance and Growth Partners
16 Middle Street
Highgate Hill QLD 4101
Australia

Principal place of business

Level 7
180 Flinders Street
Melbourne VIC 3000
Australia

Note 2 Basis of preparation and accounting policies

These condensed consolidated interim financial statements as of December 31, 2023 and for the six months ended December 31, 2023 and 2022 have been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting.

The interim report does not include all of the notes normally included in an annual consolidated financial statements. Accordingly, this report should be read in conjunction with the annual consolidated financial statements for the year ended June 30, 2023.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Note 3 Critical accounting estimates and judgements

The preparation of financial statements requires the director of the entity to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The disclosure of critical judgements in applying the Group's accounting policies, and key sources of estimation uncertainty have been included below.

Key estimate - Global Sales tax provisions

The Group has created a provision for potential global sales tax exposures across all our products. At December 31, 2023, the provision was USD 25,083 thousand (USD 18,122 thousand as at June 30, 2023). The Group bases this provision on a weighted probability of estimated exposures by country, supported by various external sources for a guide on the applicability of sales tax. However, the actual exposure could be greater or lesser than the provided amounts, depending on the taxation laws in each country and the application of these laws to the group.

Key estimate - Internally generated intangible assets – Useful life

The Group incurs spend on internal development of software to support its revenue generating activities. At December 31, 2023, the carrying amount of this software was \$7,475 thousand (\$5,550 thousand as at June 30, 2023). The Group estimates the useful life of the internally generated software to be 1-4 years based on the expected technical obsolescence of such assets.

Key estimate - Revenue - Principal vs Agent

The Group assesses its revenue arrangements against specific criteria to determine if it is acting as the principal or the agent. This significantly impacts the Condensed Consolidated Statement of Profit or Loss under IFRS 15. This determination requires judgement and consideration of all relevant facts and circumstances.

The assessment includes high level of judgement around analysis of various factors including but not limited to:

- whether the Group has discretion with respect to accepting and rejecting orders from customers,
- whether the Group is responsible for sales strategy,
- whether the Group is the party that the customer believes is responsible for fulfilling the promise, and
- whether the Group has discretion on setting prices that are substantive.

For platform subscriptions fees, the Group has determined that it meets the criteria of acting as a principal and therefore recognises the gross sales price. For the platform one-time service fees, the Group has determined that it meets the criteria of acting as an agent and therefore recognises the amount of commission receivable as revenues. This assessment is reviewed when any change is made to the terms and conditions in the contract with customers.

Note 4 Revenue

The Group reports its revenues from external customers for each Group of similar products and services. The amounts of revenues reported is based on the financial information used to produce the Group's financial statements.

(1) The following represents the Group's revenue based on product and services:

Platform subscriptions fees	Subscription platforms that allows subscribers to download and use digital assets and to download an unlimited number of licensed customised mockup and videos for the duration of the subscription.
Platform one-time service fees	This category includes revenue generated from collection of online marketplaces, where people buy and sell creative digital assets. Digital assets can be websites themes and templates, code, video, audio, graphics, photos or 3D files.

	<u>Dec 31, 2023</u>	<u>Dec 31, 2022</u>
	<u>USD'000</u>	<u>USD'000</u>
The following represents the Group's revenue based on product and services:		
Platform subscriptions fees	81,777	71,643
Platform one-time service fees	18,027	20,665
Total revenue from ordinary activities	99,804	92,308

Note 5 Professional services

	<u>Dec 31, 2023</u>	<u>Dec 31, 2022</u>
	<u>USD'000</u>	<u>USD'000</u>
Consulting	(830)	(3,206)
Managed Services	(357)	(173)
Other	(197)	(203)
Total professional services	(1,384)	(3,582)

Note 6 Share of profits/(losses) of associates accounted for using the equity method

During the financial year ended June 30, 2022, the Group purchased 29.9% of the shares in Music Vine Limited ('Musicvine'), an unlisted company incorporated in the United Kingdom. The Group has determined that it has significant influence over Musicvine. The director of the Group determined that the investment in associate is not material as it does not play a significant role in the Group's profitability.

On December 31, 2023, the director identified impairment indicators. This led to a detailed internal valuation exercise. Management believes that these impairment indicators did not exist as at the financial year ended June 30, 2023. The process of determining fair value of Musicvine resulted in recognition of an impairment loss of USD 1,638 thousand.

The amount presented in the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income in relation to the investment in the associate is as follows:

	<u>Dec 31, 2023</u>	<u>Dec 31, 2022</u>
	<u>USD'000</u>	<u>USD'000</u>
Group's share of the profit or (loss) of associate	(137)	35
Impairment loss	(1,638)	-
Total share of profits/(losses) of associates accounted for using the equity method	(1,775)	35

Note 7 Income tax expense

(a) Income tax expense

	<u>Dec 31, 2023</u>	<u>Dec 31, 2022</u>
	<u>USD'000</u>	<u>USD'000</u>
Current tax		
Current tax on profits for the year	(6,226)	(3,759)
Adjustments for current tax of prior periods	(1,123)	-
Total current tax expense	(7,349)	(3,759)
Deferred income tax		
Increase/(decrease) in deferred tax assets	707	(354)
Adjustments for deferred tax of prior periods	1,085	-
Total deferred tax income/(expense)	1,792	(354)
Income tax expense	(5,556)	(4,113)

(b) Reconciliation of income tax expense to prima facie tax payable

	<u>Dec 31, 2023</u>	<u>Dec 31, 2022</u>
	<u>USD'000</u>	<u>USD'000</u>
Tax at the Australian tax rate of 30% (2022: 30%)	(4,902)	(3,941)
Effect of lower tax rates for foreign subsidiaries	26	20
Tax effect of amounts that are not deductible/(taxable) in determining taxable income:		
Other non-deductible expenses	(151)	(191)
Impairment of investment in associate (Musicvine)	(491)	-
	(642)	(191)
Adjustments for current tax of prior period	(1,123)	0
Adjustments for deferred tax of prior period	1,085	0
Income tax expense	(5,556)	(4,113)

Note 8 Reconciliation of profit after income tax to net cash from operating activities

	<u>Dec 31, 2023</u>	<u>Dec 31, 2022</u>
	<u>USD '000</u>	<u>USD '000</u>
Profit after income tax expense for the six months period	10,785	9,025
Adjustments for:		
Depreciation, amortisation and impairment	2,031	1,096
Loss/(gain) on disposal of fixed assets	11	33
Loss/(gain) on forward exchange contract	(175)	(109)
Net exchange losses/(gains) on net assets	203	(597)
(Profit)/loss from investment in associate	1,781	(35)
Changes in operating assets and liabilities, net of effect of business combinations:		
(Increase)/decrease in trade and other receivables	(1,184)	(2,999)
(Increase)/decrease in deferred tax asset	(1,794)	(1,200)
Increase/(decrease) in net tax payable	1,966	630
Increase/(decrease) in trade and other payables	(206)	(355)
Increase/(decrease) in deferred revenue	(43)	4,842
Increase/(decrease) in provisions	6,810	2,620
Net cash from operating activities	20,184	12,951

Note 9 Trade and other receivables

	<u>Dec 31, 2023</u>	<u>Jun 30, 2023</u>
	<u>USD '000</u>	<u>USD '000</u>
Trade receivables	76	33
Prepayments	2,684	2,477
Accrued income	1,540	1,316
Other receivables	1,501	1,296
Trade and other receivables total	5,801	5,122

Trade and other receivables are non-interest bearing.

Note 10 Intangible assets

	<u>Purchased and developed software</u>	<u>Purchased content</u>	<u>Domain names</u>	<u>Internally generated software</u>	<u>Total</u>
	<u>USD '000</u>	<u>USD '000</u>	<u>USD '000</u>	<u>USD '000</u>	<u>USD '000</u>
Balance at July 1, 2023					
Cost	8,750	602	3	6,867	16,222
Accumulated amortisation	(8,750)	(584)	-	(1,317)	(10,651)
Net book amount	-	18	3	5,550	5,571
Six months ended December 31, 2023					
Opening net book amount	-	18	3	5,550	5,571
Additions	387	87	-	3,049	3,523
Amortisation expense	(28)	(18)	-	(1,124)	(1,170)
Closing net book amount	359	87	3	7,475	7,924
Balance at December 31, 2023					
Cost	9,137	689	3	9,916	19,745
Accumulated amortisation	(8,778)	(602)	-	(2,441)	(11,821)
Net book amount	359	87	3	7,475	7,924

During the six months period to December 31, 2023, the Group disposed fully amortised intangible assets under the category "Content IP" worth USD 1,100 thousand. The Group incurred spend on purchased content classified as long term prepayment to support its revenue generating activities. At December 31, 2023, the carrying amount of this long term prepayment was USD 1,478 thousand.

Note 11 Right-of-use assets

	<u>Dec 31, 2023</u>	<u>Jun 30, 2023</u>
	<u>USD'000</u>	<u>USD'000</u>
Buildings		
Cost	1,926	1,676
Accumulated depreciation	(1,305)	(952)
	<u>621</u>	<u>724</u>
Additions to the Right-of-use assets	<u>250</u>	<u>598</u>
Depreciation disclosed in the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	<u>(353)</u>	<u>(772)</u>

Note 12 Deferred tax assets/(liabilities)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	<u>Dec 31, 2023</u>	<u>Jun 30, 2023</u>
	<u>USD'000</u>	<u>USD'000</u>
The balance comprises temporary differences attributable to:		
In house software development	37	815
Global sales tax provisions	7,525	5,437
Intangible assets	529	38
Accruals	322	717
Employee provisions	1,235	1,171
Professional services and other	2,190	1,866
Total deferred tax assets	<u>11,838</u>	<u>10,044</u>

Note 13 Trade and other payables

	<u>Dec 31, 2023</u>	<u>Jun 30, 2023</u>
	<u>USD'000</u>	<u>USD'000</u>
Trade payables	16,495	16,297
Other payables	9,237	10,148
Trade and other payables total	<u>25,732</u>	<u>26,445</u>
The balance in other payables comprises various current liabilities attributable to:		
General accruals	5,362	4,316
Sales tax liabilities	2,552	2,628
Payroll related liabilities	1,308	3,192
Other	14	12
Other payables total	<u>9,237</u>	<u>10,148</u>

Trade payables and other payables are non-interest bearing.

Note 14 Lease liabilities

	<u>Dec 31, 2023</u>	<u>Jun 30, 2023</u>
	<u>USD '000</u>	<u>USD '000</u>
Current	496	650
Non-current	73	-
Lease liabilities total	569	650

Future lease payments in relation to lease liabilities as at end of the period are as follows:

Within one year	496	779
One to five years	73	-
Future lease payments total	569	779

Note 15 Provisions

Provision Class	<u>Dec 31, 2023</u>		
	<u>Current</u>	<u>Non-current</u>	<u>Total</u>
	<u>USD '000</u>	<u>USD '000</u>	<u>USD '000</u>
Employee benefits	3,021	808	3,829
Global sales tax	25,083	-	25,083
Make good provision	-	55	55
Provision Total	28,104	863	28,967

Movements in each class of provision during the six months, are set out below:

	<u>Employee benefits</u>	<u>Make good provision</u>	<u>Global sales tax</u>	<u>Total</u>
	<u>USD '000</u>	<u>USD '000</u>	<u>USD '000</u>	<u>USD '000</u>
Carrying amount at start of July 2023	3,981	55	18,122	22,158
Charged/(credited) to profit or loss:				
- additional provisions recognised	2,220	-	7,386	9,606
- amounts used during the period	(2,372)	-	(425)	(2,797)
Carrying amount at end of December 2023	3,829	55	25,083	28,967

Note 16 Related party transactions**Key management personnel compensation**

	<u>Dec 31, 2023</u>	<u>Dec 31, 2022</u>
	<u>USD '000</u>	<u>USD '000</u>
Short-term employee benefits	492	413
Post-employment benefits	9	30
Long-term benefits	496	-
Total key management personnel compensation	997	443

As at December 31, 2023, there was an agreement in place whereby the key management personnel would receive payments totalling Australian dollars \$960 thousand on the change of control of Envato occurring prior to March 31, 2024. As the change of control did not occur prior to this date, no payment was made under this agreement.

Note 17 Contingent liabilities

An unsecured bank guarantee has been provided to the value of USD 189 thousand as part of the lease of premises. This bank guarantee is provided in Australian dollar currency which equates to AUD 278 thousand using the spot exchange rate as of December 31, 2023 between Australian dollar and U.S. dollar.

Note 18 Events occurring after the reporting period

On May 2, 2024, Shutterstock, Inc., listed as SSTK on NYSE, a leading global creative platform offering high-quality creative content for transformative brands, digital media and marketing companies, entered into a definitive cash purchase agreement to acquire 100% shares in Envato Pty Ltd for total consideration of US\$250M, after customary working capital and other adjustments. The transaction completed on July 22, 2024.

On June 28, 2024, the Group sold its investment in associates accounted for using the equity method and investment in Financial assets at fair value through other comprehensive income so as to maintain strong focus on its core business.

In April 2024, agreements were put in place whereby the key management personnel would receive payments worth Australian dollars \$850 thousand conditional to change of control of Group occurring prior to December 31, 2024. This condition was satisfied on July 22, 2024 resulting in the amount becoming payable.

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

The unaudited condensed consolidated interim financial statements as of December 31, 2023 and for the six months ended December 31, 2023 and 2022 were authorised for issue by the directors on September 10, 2024.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

On July 22, 2024, the Company completed its previously announced acquisition of Envato Pty Ltd. ("Envato") pursuant to a Share Purchase Agreement (the "Purchase Agreement") entered into on May 1, 2024, to acquire all of the issued and outstanding capital stock of Envato (the "Envato Acquisition"). The aggregate consideration paid by the Company, after customary working capital and other adjustments in accordance with the terms of the Purchase Agreement, was \$250 million.

The Envato acquisition was funded through an amended and restated credit agreement (the "A&R Credit Agreement"), which was entered into among the Company, as borrower, certain direct and indirect subsidiaries of the Company as guarantors, the lenders party thereto, and Bank of America, N.A., as Administrative Agent for the lenders. The A&R Credit Agreement provides for a five-year (i) senior unsecured term loan facility (the "Term Loan") in an aggregate principal amount of \$125 million and (ii) senior unsecured revolving credit facility (the "Revolver") in an aggregate principal amount of \$250 million. The A&R Credit Agreement provides for a letter of credit subfacility and a swingline facility.

The Envato Acquisition was accounted for using the acquisition method of accounting for business combinations under the provisions of Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") Topic 805, *Business Combinations* ("ASC 805").

The unaudited pro forma condensed combined financial statements were prepared in accordance with Article 11 of Regulation S-X, as amended by SEC Final Rule Release No. 33-10786, *Amendments to Financial Disclosures About Acquired and Disposed Businesses* and are presented to illustrate the estimated effects of the Envato Acquisition.

The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2024, was prepared as if the Envato Acquisition had occurred on January 1, 2024.

The following unaudited pro forma condensed combined financial information is derived from the historical financial statements of Shutterstock and Envato, and should be read in conjunction with:

- Shutterstock, Inc.'s consolidated financial statements included in its Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on February 25, 2025, and incorporated herein by reference.
- Envato's audited consolidated financial statements as of and for the year ended June 30, 2024, that are included as Exhibit 99.1 in the Company's Report on Form 8-K filed with the SEC on March 28, 2025 to which this unaudited pro forma condensed combined financial information is being filed as an exhibit.
- Envato's unaudited condensed consolidated financial statements as of December 31, 2023 and for the six months ended December 31, 2023 and 2022, that are included as Exhibit 99.2 in the Company's Report on Form 8-K filed with the SEC on March 28, 2025 to which this unaudited pro forma condensed combined financial information is being filed as an exhibit.
- Envato's statement of profit or loss from July 1, 2024 to July 22, 2024, the date of consummation of the Envato Acquisition, derived from the books and records of Envato.

The unaudited pro forma condensed combined financial information has been prepared for illustrative purposes only and are not necessarily indicative of the financial condition or results of operations of future periods or the financial condition or results of operations that would have been realized had the entities been a single entity as of or for the periods presented.

Assumptions underlying the pro forma adjustments are described in the accompanying notes, which should be read in conjunction with the unaudited pro forma condensed combined financial information. The transaction accounting adjustments are based on available information and assumptions that the Company's management believes are reasonable. Such adjustments are estimates and actual experience may differ from expectations.

**UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2024
(In thousands, except per share data)**

	Historical		Envato Acquisition Transaction Accounting Adjustments		Debt Financing Transaction Adjustments		Pro Forma Combined
	Shutterstock	Envato (Note 4)	Note	Note			
Revenue	\$ 935,262	\$ 108,988	\$ —	\$ —		\$ 1,044,250	
Operating expenses:							
Cost of revenue	396,297	42,117	8,042	5A	—	446,456	
Sales and marketing	222,704	15,969	—		—	238,673	
Product development	88,417	13,686	—		—	102,103	
General and administrative	159,136	24,607	142	5A	—	183,885	
Total operating expenses	866,554	96,379	8,184		—	971,117	
Income / (loss) from operations	68,708	12,609	(8,184)		—	73,133	
Interest expense	(10,561)	(662)	—		(11,696)	5B (22,919)	
Other income / (expense), net	4,401	1,276	—		—	5,677	
Income / (loss) before income taxes	62,548	13,223	(8,184)		(11,696)	55,891	
Provision (benefit) for income taxes	26,616	3,097	(2,455)	5A	(2,924)	5C 24,334	
Net income / (loss)	\$ 35,932	\$ 10,126	\$ (5,729)		\$ (8,772)	\$ 31,557	
Earnings per share:							
Basic	\$ 1.02					\$ 0.89	
Diluted	\$ 1.01					\$ 0.89	
Weighted average shares outstanding:							
Basic	35,330					35,330	
Diluted	35,658					35,658	

Notes to Unaudited Pro Forma Condensed Combined Financial Information

Note 1 – Basis of Pro Forma Presentation

On July 22, 2024, the Company completed its previously announced acquisition of Envato Pty Ltd. (“Envato”) pursuant to a Share Purchase Agreement (the “Purchase Agreement”) entered into on May 1, 2024, to acquire all of the issued and outstanding capital stock of Envato (the “Envato Acquisition”). The aggregate consideration paid by the Company, after customary working capital and other adjustments in accordance with the terms of the Purchase Agreement, was \$250 million.

The Envato acquisition was funded through an amended and restated credit agreement (the “A&R Credit Agreement”), which was entered into among the Company, as borrower, certain direct and indirect subsidiaries of the Company as guarantors, the lenders party thereto, and Bank of America, N.A., as Administrative Agent for the lenders. The A&R Credit Agreement provides for a five-year (i) senior unsecured term loan facility (the “Term Loan”) in an aggregate principal amount of \$125 million and (ii) senior unsecured revolving credit facility (the “Revolver”) in an aggregate principal amount of \$250 million. The A&R Credit Agreement provides for a letter of credit subfacility and a swingline facility.

The Envato Acquisition was accounted for using the acquisition method of accounting for business combinations under the provisions of Financial Accounting Standards Board (“FASB”) Accounting Standard Codification (“ASC”) Topic 805, *Business Combinations* (“ASC 805”).

The unaudited pro forma condensed combined financial statements were prepared in accordance with Article 11 of Regulation S-X, as amended by SEC Final Rule Release No. 33-10786, *Amendments to Financial Disclosures About Acquired and Disposed Businesses* and are presented to illustrate the estimated effects of the Envato Acquisition.

The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2024, was prepared as if the Envato Acquisition had occurred on January 1, 2024.

The following unaudited pro forma condensed combined financial information is derived from the historical financial statements of Shutterstock and Envato, and should be read in conjunction with:

- Shutterstock, Inc.’s consolidated financial statements included in its Annual Report on Form 10-K filed with the Securities and Exchange Commission (“SEC”) on February 25, 2025, and incorporated herein by reference.
- Envato’s audited consolidated financial statements for the year ended June 30, 2024, that are included as Exhibit 99.1 in the Company’s Report on Form 8-K filed with the SEC on March 28, 2025 to which this unaudited pro forma condensed combined financial information is being filed as an exhibit.
- Envato’s unaudited condensed consolidated financial statements for the six months ended December 31, 2023 and 2022, that are included as Exhibit 99.2 in the Company’s Report on Form 8-K filed with the SEC on March 28, 2025 to which this unaudited pro forma condensed combined financial information is being filed as an exhibit.
- Envato’s statement of profit or loss from July 1, 2024 to July 22, 2024, the date of consummation of the Envato Acquisition, derived from the books and records of Envato.

The unaudited pro forma condensed combined financial information is not necessarily indicative of what Shutterstock’s results of operations would have been had the Envato Acquisition occurred on the date indicated, nor is it necessarily indicative of what the financial position or results of operations of the combined company will be in future periods. The historical financial information has been adjusted to reflect transaction related adjustments that management believes are necessary to present fairly Shutterstock’s pro forma results of operations following the closing of the Envato Acquisition for the period indicated. Additionally, the unaudited pro forma condensed combined statement of operations does not reflect any benefits that may result from potential revenue enhancements, anticipated cost savings and expense efficiencies or other synergies that may be achieved from the transaction.

Envato's financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). There were no material adjustments required to convert these financial statements to United States generally accepted accounting principles ("U.S. GAAP"). The pro forma adjustments include certain reclassifications to conform Envato's historical accounting presentation to Shutterstock's accounting presentation. Shutterstock's management believes that its assumptions provide a reasonable basis for presenting all of the significant effects of the transactions and that the pro forma adjustments give appropriate effect to those assumptions and are properly applied in the unaudited pro forma condensed combined financial information.

Note 2 – Preliminary Fair Value Allocation of Assets Acquired and Liabilities Assumed

The allocation of the purchase price to assets acquired and liabilities assumed is as follows (in thousands):

Assets acquired and liabilities assumed:	As of July 22, 2024	
Cash and cash equivalents ¹	\$	90,591
Accounts receivable		6,818
Other assets		5,404
Right of use assets		273
Fixed assets		895
Intangible assets:		
Trademark		31,000
Developed technology		61,000
Customer relationships		14,200
Intangible assets, net		106,200
Deferred tax asset		37,350
Total assets acquired		247,531
Accounts payable		4,173
Contributor royalties payable		11,917
Accrued expenses		30,233
Deferred revenue		46,888
Other liabilities ¹		71,487
Lease liability		190
Total liabilities assumed		164,888
Net assets acquired		82,643
Purchase consideration		250,215
Goodwill		167,572

¹Envato's cash includes \$63.4 million for the funding of Envato obligations that were triggered upon the closing of the acquisition (the "Envato Seller Obligations"). These obligations are also reported as assumed liabilities within Other liabilities. The Envato Obligations would not have been incurred had the acquisition not closed, and are presented "on-the-line" because they are not reflected in either the acquirer's or acquiree's statement of operations.

The purchased assets included identifiable intangible assets, comprised of trademark, developed technology and customer relationships, which have weighted average useful lives of approximately 10 years, 5 years and 6 years, respectively. Fair values of the trademark and developed technology were determined using the relief-from-royalty method, and the fair value of the customer relationships was determined using the excess of earnings method. Determining the fair value requires management to use significant judgement and estimates, including revenue growth rates, the royalty rate and the discount rate, and the economic life related to developed technology and revenue growth rates, the royalty rate, and the discount rate related to the trademark, among others. The goodwill arising from the transaction is primarily attributable to expected operational synergies and is not deductible for income tax purposes.

Note 3 – Envato’s Statement of Operations Reconciliation for period from January 1, 2024 to July 22, 2024

For purposes of preparing Shutterstock (as adjusted), presented in the pro forma condensed combined statement of operations for the year ended December 31, 2024, Envato's historical audited statement of profit and loss for the twelve months ended June 30, 2024 was adjusted by deducting Envato's unaudited statement of profit and loss for the six months ended December 31, 2023, and adding the unaudited results for Envato from July 1, 2024 to July 22, 2024, the date of consummation of the Envato Acquisition.

The following presents a reconciliation of Envato's statement of operations for the period from January 1, 2024 to July 22, 2024:

(in thousands)	Twelve months ended June 30, 2024 (A)	Six months ended December 31, 2023 (B)	Period from July 1, 2024 to July 22, 2024 (C)	Period from January 1, 2024 to July 22, 2024 (A - B + C)
Revenue from ordinary activities	\$ 197,236	\$ 99,804	\$ 11,556	\$ 108,988
Direct costs	55,814	28,601	3,423	30,636
Employee costs	53,457	24,776	3,225	31,906
Service provider expenses	3,258	1,791	392	1,859
Depreciation, amortization and impairment	3,614	1,887	162	1,889
Data and software expenses	14,509	6,987	571	8,093
Marketing expenses	22,287	11,786	699	11,200
Travel expenses	880	351	44	573
Rental expenses	89	14	24	99
Professional fees	9,762	1,384	578	8,956
Foreign exchange loss / (gain)	551	(364)	87	1,002
Other expenses	2,055	902	15	1,168
Operating profit	30,960	21,689	2,336	11,607
Finance income	3,150	1,019	147	2,278
Finance costs	(5,239)	(4,592)	(15)	(662)
Impairment of investment in associate account for using the equity method	(1,559)	—	—	(1,559)
Share of losses of associates accounted for using the equity method	(187)	(1,775)	—	1,588
Profit before income tax	27,125	16,341	2,468	13,252
Income tax expense	8,400	5,556	253	3,097
Profit for the period	18,725	10,785	2,215	10,155

Note 4 – Envato Statement of Profit or Loss Adjustments and Reclassification

Certain pre-acquisition adjustments and reclassifications for the period from January 1, 2024 to July 22, 2024 have been made in the historical presentation of Envato's statement of operations, as follows.

		For the period from January 1, 2024 to July 22, 2024 (In thousands)					
Envato caption	Shutterstock caption	Envato Historical (Note 3)	Pre-acquisition adjustments	Ref.	Reclassification	Ref.	Envato As Reclassified
Revenue from ordinary activities	Revenue	\$ 108,988	\$ —		\$ —		\$ 108,988
Direct costs	Cost of revenue	30,636	—		—		30,636
Employee costs		31,906	—		(31,906)	(ii)	—
	Cost of revenue		—		5,313	(ii)	5,313
	Sales and marketing		—		4,389	(ii)	4,389
	Product development		—		12,031	(ii)	12,031
	General and administrative		—		10,173	(ii)	10,173
Service provider expenses		1,859	—		(1,859)	(iii)	—
	Cost of revenue		—		711	(iii)	711
	Sales and marketing		—		32	(iii)	32
	Product development		—		542	(iii)	542
	General and administrative		—		574	(iii)	574
Depreciation, amortization and impairment		1,889	—		(1,889)	(iv)	—
	Cost of revenue		—		86	(iv)	86
	General and administrative		—		1,803	(iv)	1,803
Data and software expenses		8,093	—		(8,093)	(v)	—
	Cost of revenue		—		5,371	(v)	5,371
	Sales and marketing		—		348	(v)	348
	Product development		—		1,113	(v)	1,113
	General and administrative		—		1,261	(v)	1,261
Marketing expenses	Sales and marketing	11,200	—		—		11,200
Travel expenses	General and administrative	573	—		—		573
Rental expenses	General and administrative	99	—		—		99
Professional fees	General and administrative	8,956	—		—		8,956
Foreign exchange loss / (gain)	Other income / (expense), net	1,002	—		—		1,002
Other expenses	General and administrative	1,168	—		—		1,168
Operating profit	Income before income taxes	11,607	—		—		11,607
Finance income	Other income / (expense), net	2,278	—		—		2,278
Finance costs		(662)	—		662	(vi)	—
	Interest expense	—	—		(662)	(vi)	(662)
Impairment of investment in associate account for using the equity method		(1,559)	1,559	(i)	—		—
Share of losses of associates accounted for using the equity method		1,588	(1,588)	(i)	—		—
Profit before income tax	Income before income taxes	13,252	(29)		—		13,223
Income tax expense	Provision (benefit) for income taxes	3,097	—		—		3,097
Profit for the period	Net income	\$ 10,155	\$ (29)		\$ —		\$ 10,126

- (i) Adjustment reflecting the change in the fair value of equity method investment that was disposed of prior to Shutterstock's acquisition of Envato.
- (ii) Represents the reclassification of "Employee cost" on Envato's statement of profit or loss into "Cost of revenue", "Sales and marketing", "Product development" and "General and administrative" to conform to the Company's statement of operations presentation.
- (iii) Represents the reclassification of "Service provider expenses" on Envato's statement of profit or loss into "Cost of revenue", "Sales and marketing", "Product development" and "General and administrative" to conform to the Company's statement of operations presentation.
- (iv) Represents the reclassification of "Depreciation, amortization and impairment" on Envato's statement of profit or loss into "Cost of revenue" and "General and administrative" to conform to the Company's statement of operations presentation.
- (v) Represents the reclassification of "Data and software expenses" on Envato's statement of profit or loss into "Cost of revenue", "Sales and marketing", "Product development" and "General and administrative" to conform to the Company's statement of operations presentation.
- (vi) Represents the reclassification of "Finance costs" on Envato's statement of profit or loss into "Interest expense" to conform to the Company's statement of operations presentation.

Note 5 – Envato Acquisition Pro Forma Adjustments

A. Amortization of intangible assets recorded in connection with purchase accounting adjustments.

(in thousands)	Period from January 1, 2024 to July 22, 2024
Cost of revenue	8,042
General and administrative	142
Provision (benefit) for income taxes	(2,455)

Fair value of intangible assets acquired are as follows:

(in thousands)	Useful Life (in years)	Amount
Trademark	10 \$	31,000
Developed technology	5	61,000
Customer relationships	6	14,200
Total		106,200

B. The adjustment to record interest expense and issuance costs amortization assumes the loans were obtained on January 1, 2024. The interest rate for this pro forma adjustment is 7.07% for the Senior Term Loan and 7.07% for Revolving Credit Facility. An increase or decrease in the interest rate on loans of one-eighth of one percent would result in a change in interest expense of approximately \$0.4 million for the year ended December 31, 2024.

(in thousands)	Period from January 1, 2024 to July 22, 2024
Interest expense	(11,229)
Amortization of deferred issuance cost	(468)

C. Estimated income tax impact of the Debt Financing Transaction Adjustments, using the statutory tax rate.