

SoundBoks ApS

Silkegade 11, 3., 1113 København K

Company reg. no. 36 45 75 97

Annual report

1 January - 31 December 2017

The annual report have been submitted and approved by the general meeting on the 17 April 2018.

Martijn Visser
Chairman of the meeting

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Notes to users of the English version of this document:

- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points remain unchanged from the Danish version of the document. This means that for instance DKK 146.940 is the same as the English amount of DKK 146,940, and that 23,5 % is the same as the English 23.5 %.

Management's report

The board of directors and the executive board have today presented the annual report of SoundBoks ApS for the financial year 1 January to 31 December 2017.

The annual report has been presented in accordance with the Danish Financial Statements Act.

We consider the accounting policies used appropriate, and in our opinion the annual accounts provide a true and fair view of the company's assets and liabilities and its financial position as on 31 December 2017 and of the company's results of its activities in the financial year 1 January to 31 December 2017.

We are of the opinion that the management's review includes a fair description of the issues dealt with.

The annual report is recommended for approval by the general meeting.

København K, 21 February 2018

Executive board

Christoffer Nyvold

Hjalte Emilio Wieth

Jesper Theil Thomsen

Board of directors

Christoffer Nyvold

Hjalte Emilio Wieth

Jacob Thygesen

Independent auditor's report

To the shareholders of SoundBoks ApS

Opinion

We have audited the annual accounts of SoundBoks ApS for the financial year 1 January to 31 December 2017, which comprise accounting policies used, profit and loss account, balance sheet and notes. The annual accounts are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the annual accounts give a true and fair view of the company's assets, liabilities and financial position at 31 December 2017 and of the results of the company's operations for the financial year 1 January to 31 December 2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the below section "Auditor's responsibilities for the audit of the annual accounts". We are independent of the company in accordance with international ethics standards for accountants (IESBA's Code of Ethics) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these standards and requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

The management's responsibilities for the annual accounts

The management is responsible for the preparation of annual accounts that give a true and fair view in accordance with the Danish Financial Statements Act. The management is also responsible for such internal control as the management determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the management is responsible for evaluating the company's ability to continue as a going concern, and, when relevant, disclosing matters related to going concern and using the going concern basis of accounting when preparing the annual accounts, unless the management either intends to liquidate the company or to cease operations, or if it has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements may arise due to fraud or error and may be considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions made by users on the basis of the annual accounts.

As part of an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark, we exercise professional evaluations and maintain professional scepticism throughout the audit. We also:

Independent auditor's report

- Identify and assess the risks of material misstatement in the annual accounts, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the 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.
- Evaluate the appropriateness of accounting policies used by the management and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's preparation of the annual accounts being based on the going concern principle and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may raise significant doubt about the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the annual accounts, including the disclosures in the notes, and whether the annual accounts reflect the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the internal control that we identify during our audit.

Statement on the management's review

The management is responsible for the management's review.

Our opinion on the annual accounts does not cover the management's review, and we do not express any kind of assurance opinion on the management's review.

In connection with our audit of the annual accounts, our responsibility is to read the management's review and in that connection consider whether the management's review is materially inconsistent with the annual accounts or our knowledge obtained during the audit, or whether it otherwise appears to contain material misstatement.

Independent auditor's report

Furthermore, it is our responsibility to consider whether the management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we believe that the management's review is in accordance with the annual accounts and that it has been prepared in accordance with the requirements of the Danish Financial Statement Acts. We did not find any material misstatement in the management's review.

Copenhagen, 21 February 2018

BUUS JENSEN

State Authorised Public Accountants
Company reg. no. 16 11 90 40

Arne Sørensen

State Authorised Public Accountant
MNE-nr. 27757

Company data

The company	SoundBoks ApS Silkegade 11, 3. 1113 København K
	Company reg. no. 36 45 75 97
	Established: 5 December 2014
	Domicile: Copenhagen
	Financial year: 1 January 2017 - 31 December 2017 3rd financial year
Board of directors	Christoffer Nyvold Hjalte Emilio Wieth Jacob Thygesen
Executive board	Christoffer Nyvold Hjalte Emilio Wieth Jesper Theil Thomsen
Auditors	BUUS JENSEN, Statsautoriserede revisorer
Parent company	Soundboks Inc.

Management's review

The principal activities of the company

The company's aim is to produce and sell portable music system for consumers as well as any in related business.

Development in activities and financial matters

The results from ordinary activities after tax are DKK -164.352 against DKK -14.252.589 last year.

The management consider the results as expected due to the fact that the company is still in its start-up phase which has resulted in many promotional expenses.

At the end of the year, the company has a negative equity of DKK 15.360.348. The company's management expects the capital base to be re-established through own earnings and current capital formation. The parent company and owner of the company have also stated that it would supply the company with necessary liquidity for its operation.

The company operates significant trade with its American parant company. The parent company and the group together have a positive equity incl. SAFE.

The expected development

The company's management expects a positive result for the coming financial year.

Accounting policies used

The annual report for SoundBoks ApS is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class B enterprises. Furthermore, the company has chosen to comply with some of the rules applying for class C enterprises.

The accounting policies used are unchanged compared to last year, and the annual accounts are presented in Danish kroner (DKK).

Recognition and measurement in general

Income is recognised in the profit and loss account concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, provisions, and reversals which are due to changes in estimated amounts previously recognised in the profit and loss account are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the company is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the company is liable to lose future, financial benefits and the value of the liability can be measured reliably.

At the first recognition, assets and liabilities are measured at cost. Later, assets and liabilities are measured as described below for each individual accounting item.

Certain fixed asset investments and liabilities are measured at amortised cost, by which method a fixed, effective interest is recognised during the useful life of the asset or the liability. Amortised cost is recognised as the original cost with deduction of any payments and additions/deductions of the accrued amortisation of the difference between cost and nominal amount. In this way capital losses and capital profits are spread over the useful life.

At recognition and measurement, such predictable losses and risks are taken into consideration, which may appear before the annual report is presented, and which concerns matters existing on the balance sheet date.

Translation of foreign currency

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials.

Debtors, creditors, and other monetary items in foreign currency are translated by using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or the recognition in the latest annual accounts of the amount owed or the liability is recognised in the profit and loss account under financial income and expenses.

Accounting policies used

Fixed assets and other non-monetary assets acquired in foreign currency and which are not considered to be investment assets purchased in foreign currencies are measured at the exchange rate on the transaction date.

At recognition of foreign group enterprises which are integrated units, the monetary items are translated by using the closing rate. Non monetary items are translated by using the exchange rate prevailing at the time of acquisition or at the time of the following depreciation or writedown of the asset. The items of the profit and loss account are translated by using the exchange rate prevailing at the date of the transaction. However, items in the profit and loss account deriving from non monetary items are translated by using historical prices.

Currency adjustment of balances with group enterprises abroad that are considered part of the total investment in group enterprises are recognised directly in the equity. Likewise, foreign exchange gains and losses on loans and derived financial instruments for currency hedging independent group enterprises abroad are recognised in the equity.

The profit and loss account

Gross profit

The gross profit comprises the net turnover, changes in inventories of finished goods and work in progress, work performed for own purposes and capitalised, other operating income, and external costs.

The net turnover comprises the value of services provided during the year, including outlay for customers less VAT and price reductions directly associated with the sale.

The turnover is recognised in the profit and loss account when the sale has been completed. This is generally considered to be the case when:

- The service has been provided before the end of the financial year
- There is a binding sales agreement
- The sales price has been determined
- The payment has been received, or it can with reasonable assurance be expected to be received.

Hereby, it is ensured that recognition does not take place until the total income and costs as well as the scope of completion on the balance sheet date can be determined reliably, and when it is likely that the economic benefits, including payments, will be received by the enterprise.

Costs of sales includes costs for the purchase of raw materials and consumables less discounts and changes in inventories.

Staff costs

Staff costs include salaries and wages including holiday allowances, pensions and other costs for social security etc. for staff members. Staff costs are less public reimbursements.

Accounting policies used

Depreciation, amortisation and writedown

Depreciation, amortisation and writedown comprise depreciation on, amortisation of and writedown relating to intangible and tangible fixed assets respectively.

Net financials

Net financials comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities, amortisation of financial assets and liabilities, additions and reimbursements under the Danish tax prepayment scheme, etc. Financial income and expenses are recognised in the profit and loss account with the amounts that concerns the financial year.

Tax of the results for the year

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.

The balance sheet

Intangible fixed assets

Development projects, patents, and licences

Development costs and internally generated rights are recognised in the profit and loss account as costs in the acquisition year.

Patents and licenses are measured at cost with deduction of accrued amortisation. Patents and licenses are amortised on a straight-line basis over 5 years.

Gain and loss from the sale of development projects, patents, and licenses are measured as the difference between the sales price with deduction of sales costs and the book value at the time of the sale. Gain or loss are recognised in the profit and loss account as other operating income or other operating expenses respectively.

Tangible fixed assets

Other tangible fixed assets are measured at cost with deduction of accrued depreciation and writedown.

The basis of depreciation is cost with deduction of any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the book value, the amortisation discontinues.

If the amortisation period or the residual value is changed, the effect on amortisation will in the future be recognised as a change in the accounting estimates.

The cost comprises the acquisition cost and costs directly attached to the acquisition until the time when the asset is ready for use.

Accounting policies used

The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing.

Depreciation takes place on a straight line basis and based on an evaluation of the expected useful life:

	<i>Useful life</i>
<i>Other plants, operating assets, fixtures and furniture</i>	<i>5 years</i>

Minor assets with an expected useful life of less than 1 year are recognised as costs in the profit and loss account in the year of acquisition.

Profit or loss deriving from the sales of tangible fixed assets is measured as the difference between the sales price reduced by the selling costs and the book value at the time of the sale. Profit or losses are recognised in the profit and loss account as other operating income or other operating expenses.

Inventories

Inventories are measured at cost on basis of the FIFO method. In case the net realisable value of the inventories is lower than the cost, writedown takes place to this lower value.

The cost for trade goods, raw materials, and consumables comprises the acquisition cost with the addition of the delivery costs.

The net realisable value for inventories is recognised as the market price with deduction of completion costs and selling costs. The net realisable value is determined taking into consideration the negotiability, obsolescence, and development of the expected market price.

Debtors

Debtors are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, writedown takes place at the net realisable value.

Accrued income and deferred expenses

Accrued income and deferred expenses recognised under assets comprise incurred costs concerning the next financial year.

Available funds

Available funds comprise cash at bank and in hand.

Equity

Reserves for development costs

Reserves for development costs comprise recognised development costs with deduction of related deferred tax liabilities. The reserves can not be used as dividend or for payment of losses. The reserves are reduced or dissolved if the recognised development costs are amortised or abandoned. This takes place by direct transfer to the distributable reserves of the equity.

Accounting policies used

Corporate tax and deferred tax

Current tax receivable and tax liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivable and tax liabilities are set off to the extent that legal right of set-off exists and if the items are expected to be settled net or simultaneously.

Deferred tax is measured on the basis of all temporary differences in assets and liabilities with a balance sheet focus.

Deferred tax assets, including the tax value of tax losses eligible for carry-over, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation on the balance sheet date and prevailing when the deferred tax is expected to be released as current tax.

Liabilities

Other liabilities are measured at amortised cost which usually corresponds to the nominal value.

Segment information

Information on activity and geographical markets is provided. The segment information follows the consolidated accounting policies, risks and internal financial control systems.

Profit and loss account 1 January - 31 December

All amounts in DKK.

<u>Note</u>	<u>2017</u>	<u>2016</u>
Gross profit	3.545.850	-11.872.627
1 Staff costs	-4.908.702	-3.848.277
Depreciation, amortisation and writedown relating to tangible and intangible fixed assets	<u>-981.576</u>	<u>-386.913</u>
Operating profit	-2.344.428	-16.107.817
Other financial income	3.087.914	30
2 Other financial costs	<u>-930.540</u>	<u>-2.158.975</u>
Results before tax	-187.054	-18.266.762
3 Tax on ordinary results	<u>22.702</u>	<u>4.014.173</u>
Results for the year	<u>-164.352</u>	<u>-14.252.589</u>
Proposed distribution of the results:		
Allocated to other reserves	1.696.504	3.415.068
Allocated from results brought forward	<u>-1.860.856</u>	<u>-17.667.657</u>
Distribution in total	<u>-164.352</u>	<u>-14.252.589</u>

Balance sheet 31 December

All amounts in DKK.

<u>Note</u>	<u>2017</u>	<u>2016</u>
Assets		
Fixed assets		
4 Completed development projects, including patents and similar rights arising from development projects	4.375.301	3.415.068
5 Acquired concessions, patents, licenses, trademarks and similar rights	43.239	55.167
Intangible fixed assets in total	<u>4.418.540</u>	<u>3.470.235</u>
6 Other plants, operating assets, and fixtures and furniture	68.999	0
Tangible fixed assets in total	<u>68.999</u>	<u>0</u>
Fixed assets in total	<u>4.487.539</u>	<u>3.470.235</u>
Current assets		
Manufactured goods and trade goods	4.747.161	1.064.068
Prepayments for goods	2.611.961	556.828
Inventories in total	<u>7.359.122</u>	<u>1.620.896</u>
Trade debtors	1.001.453	210.636
Deferred tax assets	3.238.000	3.456.000
Receivable corporate tax	240.702	848.573
Other debtors	3.313.420	7.612.361
Accrued income and deferred expenses	22.616	100.932
Debtors in total	<u>7.816.191</u>	<u>12.228.502</u>
Available funds	<u>4.033.459</u>	<u>120.264</u>
Current assets in total	<u>19.208.772</u>	<u>13.969.662</u>
Assets in total	<u>23.696.311</u>	<u>17.439.897</u>

Balance sheet 31 December

All amounts in DKK.

<u>Note</u>	<u>2017</u>	<u>2016</u>
Equity and liabilities		
Equity		
7 Contributed capital	90.000	90.000
8 Reserve for development expenditure	5.111.572	3.415.068
9 Results brought forward	-20.561.920	-18.701.064
Equity in total	-15.360.348	-15.195.996
Liabilities		
Debt to group enterprises	27.810.076	17.936.518
Other debts	4.539.561	5.535.660
Long-term liabilities in total	32.349.637	23.472.178
Trade creditors	1.566.957	4.048.951
Other debts	5.140.065	5.114.764
Short-term liabilities in total	6.707.022	9.163.715
Liabilities in total	39.056.659	32.635.893
Equity and liabilities in total	23.696.311	17.439.897

10 Mortgage and securities

11 Contingencies

Notes

All amounts in DKK.

	<u>2017</u>	<u>2016</u>
1. Staff costs		
Salaries and wages	4.313.380	3.330.400
Pension costs	7.480	0
Other costs for social security	70.624	35.091
Other staff costs	517.218	482.786
	<u>4.908.702</u>	<u>3.848.277</u>
Average number of employees	<u>21</u>	<u>15</u>
2. Other financial costs		
Other financial costs	<u>930.540</u>	<u>2.158.975</u>
	<u>930.540</u>	<u>2.158.975</u>
3. Tax on ordinary results		
Tax of the results for the year	-240.702	-848.573
Adjustment for the year of deferred tax	<u>218.000</u>	<u>-3.165.600</u>
	<u>-22.702</u>	<u>-4.014.173</u>
4. Completed development projects, including patents and similar rights arising from development projects		
Cost 1 January 2017	3.797.498	0
Additions during the year	<u>1.925.296</u>	<u>3.797.498</u>
Cost 31 December 2017	<u>5.722.794</u>	<u>3.797.498</u>
Amortisation and writedown 1 January 2017	-382.430	0
Amortisation for the year	<u>-965.063</u>	<u>-382.430</u>
Amortisation and writedown 31 December 2017	<u>-1.347.493</u>	<u>-382.430</u>
Book value 31 December 2017	<u>4.375.301</u>	<u>3.415.068</u>

Notes

All amounts in DKK.

	<u>31/12 2017</u>	<u>31/12 2016</u>
5. Acquired concessions, patents, licenses, trademarks and similar rights		
Cost 1 January 2017	59.650	0
Additions during the year	<u>0</u>	<u>59.650</u>
Cost 31 December 2017	<u>59.650</u>	<u>59.650</u>
Amortisation and writedown 1 January 2017	-4.483	0
Amortisation for the year	<u>-11.928</u>	<u>-4.483</u>
Amortisation and writedown 31 December 2017	<u>-16.411</u>	<u>-4.483</u>
Book value 31 December 2017	<u>43.239</u>	<u>55.167</u>
6. Other plants, operating assets, and fixtures and furniture		
Additions during the year	<u>73.584</u>	<u>0</u>
Cost 31 December 2017	<u>73.584</u>	<u>0</u>
Depreciation for the year	<u>-4.585</u>	<u>0</u>
Amortisation and writedown 31 December 2017	<u>-4.585</u>	<u>0</u>
Book value 31 December 2017	<u>68.999</u>	<u>0</u>
7. Contributed capital		
Contributed capital 1 January 2017	<u>90.000</u>	<u>90.000</u>
	<u>90.000</u>	<u>90.000</u>
8. Reserve for development expenditure		
Reserve for development expenditure 1 January 2017	3.415.068	0
Development expenditure reserve for the year	<u>1.696.504</u>	<u>3.415.068</u>
	<u>5.111.572</u>	<u>3.415.068</u>

Notes

All amounts in DKK.

	<u>31/12 2017</u>	<u>31/12 2016</u>
9. Results brought forward		
Results brought forward 1 January 2017	-18.701.064	-1.033.407
Profit or loss for the year brought forward	<u>-1.860.856</u>	<u>-17.667.657</u>
	<u>-20.561.920</u>	<u>-18.701.064</u>

10. Mortgage and securities

For debts, DKK 5.535.660, the company has provided security in company assets representing a nominal value of DKK 6.000.000. This security comprises the below assets, stating the book values:

Completed development projects	DKK	4.375.301
Acquired rights	DKK	43.239
Other plants, operating assets, and fixtures and furniture	DKK	68.999
Inventorie	DKK	7.359.122
Trade debtors	DKK	1.001.453

11. Contingencies

Contingent liabilities

The Company has rental commitments as per. December 31, 2017 represents DKK 166.000