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# ***Soundboks ApS***

c/o Soundboks ApS, Esromgade 15, 1. 1., DK-2200  
København N

## **Annual Report for 1 January - 31 December 2018**

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CVR No 36 45 75 97

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
4 /6 2019

Martijn Visser  
Chairman of the General  
Meeting



**pwc**

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# Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Soundboks ApS for the financial year 1 January - 31 December 2018.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2018 of the Company and of the results of the Company operations for 2018.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

København, 4 June 2019

## Executive Board

Jesper Theil Thomsen

## Board of Directors

Jacob Christian Nielsen Thygesen  
Chairman

Tue Mantonì  
Deputy Chairman

Christoffer Nyvold

Hjalte Emilio Wieth

# Independent Auditor's Report

To the Shareholders of Soundboks ApS

## Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Soundboks ApS for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

# Independent Auditor's Report

## Management's responsibilities for the Financial Statements

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

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the Financial Statements

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive 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 for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

## Independent Auditor's Report

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on 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 Financial Statements 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 Financial Statements, including the disclosures, and whether the Financial Statements represent 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 internal control that we identify during our audit.

Hellerup, 4 June 2019

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Ulrik Ræbild

statsautoriseret revisor

mne33262

## Company Information

### The Company

Soundboks ApS  
c/o Soundboks ApS  
Esromgade 15, 1. 1.  
DK-2200 København N

CVR No: 36 45 75 97  
Financial period: 1 January - 31 December  
Incorporated: 5 December 2014  
Financial year: 4th financial year  
Municipality of reg. office: København

### Board of Directors

Jacob Christian Nielsen Thygesen, Chairman  
Tue Mantoni  
Christoffer Nyvold  
Hjalte Emilio Wieth

### Executive Board

Jesper Theil Thomsen

### Auditors

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
DK-2900 Hellerup

### Lawyers

Joseph Nivaro

### Bankers

Danske Bank

# **Management's Review**

## **Key activities**

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

## **Development in the year**

The income statement of the Company for 2018 shows a loss of DKK 4,040,948, and at 31 December 2018 the balance sheet of the Company shows negative equity of DKK 19,506,002.

The results for the Company does not reflect the financial performance of the Soundboks Group.

## **Subsequent events**

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.



## Income Statement 1 January - 31 December

	Note	2018 DKK	2017 DKK
<b>Gross profit/loss</b>		<b>9.992.031</b>	<b>3.545.850</b>
Staff expenses	1	-8.568.541	-4.908.702
<b>EBITDA</b>		<b>1.423.490</b>	<b>-1.362.852</b>
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-3.715.998	-981.576
<b>Profit/loss before financial income and expenses</b>		<b>-2.292.508</b>	<b>-2.344.428</b>
Financial income		42.962	3.087.914
Financial expenses	2	-2.932.202	-930.540
<b>Profit/loss before tax</b>		<b>-5.181.748</b>	<b>-187.054</b>
Tax on profit/loss for the year	3	1.140.800	22.702
<b>Net profit/loss for the year</b>		<b>-4.040.948</b>	<b>-164.352</b>

## Distribution of profit

### Proposed distribution of profit

Retained earnings		-4.040.948	-164.352
		<b>-4.040.948</b>	<b>-164.352</b>

# Balance Sheet 31 December

## Assets

	Note	2018 DKK	2017 DKK
Completed development projects		2.590.548	4.375.301
Acquired licenses		31.311	43.239
<b>Intangible assets</b>	4	<b>2.621.859</b>	<b>4.418.540</b>
Other fixtures and fittings, tools and equipment		425.151	68.999
Leasehold improvements		354.709	0
<b>Property, plant and equipment</b>	5	<b>779.860</b>	<b>68.999</b>
<b>Fixed assets</b>		<b>3.401.719</b>	<b>4.487.539</b>
Finished goods and goods for resale		4.414.516	4.747.161
Prepayments for goods		2.232.938	2.611.961
<b>Inventories</b>		<b>6.647.454</b>	<b>7.359.122</b>
Trade receivables		3.725.350	1.001.453
Receivables from group enterprises		1.060.274	0
Other receivables		5.834.803	3.313.420
Deferred tax asset		4.017.356	3.238.000
Corporation tax		390.977	240.702
Prepayments		97.887	22.616
<b>Receivables</b>		<b>15.126.647</b>	<b>7.816.191</b>
<b>Cash at bank and in hand</b>		<b>4.939.862</b>	<b>4.033.459</b>
<b>Currents assets</b>		<b>26.713.963</b>	<b>19.208.772</b>
<b>Assets</b>		<b>30.115.682</b>	<b>23.696.311</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	2018 DKK	2017 DKK
Share capital		90.000	90.000
Reserve for development costs		2.590.548	4.375.301
Retained earnings		-22.186.550	-19.825.649
<b>Equity</b>		<b>-19.506.002</b>	<b>-15.360.348</b>
Subordinate loan capital		27.810.076	0
Payables to group enterprises		0	27.810.076
Other payables long term		3.989.931	4.539.561
<b>Long-term debt</b>	6	<b>31.800.007</b>	<b>32.349.637</b>
Trade payables		6.168.630	1.566.957
Other payables short term	6	11.653.047	5.140.065
<b>Short-term debt</b>		<b>17.821.677</b>	<b>6.707.022</b>
<b>Debt</b>		<b>49.621.684</b>	<b>39.056.659</b>
<b>Liabilities and equity</b>		<b>30.115.682</b>	<b>23.696.311</b>
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## Statement of Changes in Equity

	Share capital	Reserve for development costs	Retained earnings	Total
	DKK	DKK	DKK	DKK
Equity at 1 January	90.000	4.375.301	-19.825.649	-15.360.348
Fair value adjustment of hedging instruments	0	0	-134.239	-134.239
Tax on adjustment of hedging instruments for the year	0	0	29.533	29.533
Development costs for the year	0	1.830.370	-1.830.370	0
Depreciation, amortisation and impairment for the year	0	-3.615.123	3.615.123	0
Net profit/loss for the year	0	0	-4.040.948	-4.040.948
<b>Equity at 31 December</b>	<b>90.000</b>	<b>2.590.548</b>	<b>-22.186.550</b>	<b>-19.506.002</b>

# Notes to the Financial Statements

	<u>2018</u>	<u>2017</u>
	DKK	DKK
<b>1 Staff expenses</b>		
Wages and salaries	7.360.163	4.313.380
Pensions	59.773	7.480
Other social security expenses	199.233	70.624
Other staff expenses	949.372	517.218
	<u><b>8.568.541</b></u>	<u><b>4.908.702</b></u>
<b>Average number of employees</b>	<u><b>27</b></u>	<u><b>21</b></u>
<b>2 Financial expenses</b>		
Interest expense, Group enterprises	1.241.834	0
Other financial expenses	1.213.368	930.540
Exchange loss	477.000	0
	<u><b>2.932.202</b></u>	<u><b>930.540</b></u>
<b>3 Tax on profit/loss for the year</b>		
Current tax for the year	-390.977	-240.702
Deferred tax for the year	-749.823	218.000
	<u><b>-1.140.800</b></u>	<u><b>-22.702</b></u>

# Notes to the Financial Statements

## 4 Intangible assets

	Completed development projects DKK	Acquired licenses DKK
Cost at 1 January	5.722.794	59.650
Additions for the year	1.830.370	0
Cost at 31 December	<u>7.553.164</u>	<u>59.650</u>
Impairment losses and amortisation at 1 January	1.347.493	16.411
Amortisation for the year	3.615.123	11.928
Impairment losses and amortisation at 31 December	<u>4.962.616</u>	<u>28.339</u>
<b>Carrying amount at 31 December</b>	<b><u>2.590.548</u></b>	<b><u>31.311</u></b>
Amortised over	<u>2 years</u>	<u>5 years</u>

## 5 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost at 1 January	73.584	0
Additions for the year	409.312	390.496
Cost at 31 December	<u>482.896</u>	<u>390.496</u>
Impairment losses and depreciation at 1 January	4.585	0
Depreciation for the year	53.160	35.787
Impairment losses and depreciation at 31 December	<u>57.745</u>	<u>35.787</u>
<b>Carrying amount at 31 December</b>	<b><u>425.151</u></b>	<b><u>354.709</u></b>
Depreciated over	<u>5 years</u>	<u>5 years</u>

# Notes to the Financial Statements

## 6 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	<u>2018</u> DKK	<u>2017</u> DKK
<b>Subordinate loan capital</b>		
Between 1 and 5 years	<u>27.810.076</u>	<u>0</u>
Long-term part	27.810.076	0
Within 1 year	<u>0</u>	<u>0</u>
	<b><u>27.810.076</u></b>	<b><u>0</u></b>
<b>Payables to group enterprises</b>		
Between 1 and 5 years	<u>0</u>	<u>27.810.076</u>
Long-term part	0	27.810.076
Within 1 year	<u>0</u>	<u>0</u>
	<b><u>0</u></b>	<b><u>27.810.076</u></b>
<b>Other payables long term</b>		
Between 1 and 5 years	<u>3.989.931</u>	<u>4.539.561</u>
Long-term part	3.989.931	4.539.561
Other short-term payables	<u>11.653.047</u>	<u>5.140.065</u>
	<b><u>15.642.978</u></b>	<b><u>9.679.626</u></b>

# Notes to the Financial Statements

	2018 DKK	2017 DKK
<b>7 Contingent assets, liabilities and other financial obligations</b>		
<b>Charges and security</b>		
As security for Vækstfonden the Company has pledged a floating charge amounting to DKK 6.000.000 secured in intangible- and tangible assets, inventory and receivables.		
As security for Danske Bank the Company has pledged a floating charge amounting to DKK 6.700.000 secured in intangible- and tangible assets, inventory and receivables.		
<b>Rental and lease obligations</b>		
Rent obligations. Total future rent payments:		
Within 1 year	872.546	166.000
Between 1 and 5 years	1.745.092	0
	<b>2.617.638</b>	<b>166.000</b>

## 8 Related parties

### Basis

#### Controlling interest

Soundboks Inc. Parent Company

#### Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act. No transactions to be disclosed.

#### Consolidated Financial Statements

The company is included in the group report for the parent company

Name	Place of registered office
Soundboks Inc.	Los Angeles, USA



# Notes to the Financial Statements

## 9 Accounting Policies

The Annual Report of Soundboks ApS for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2018 are presented in DKK.

### Changes in accounting estimates

The amortisation period for Completed development projects in the financial statements for 2018 has been changed from 5 years to 2 years. Completed development projects is amortised over a shorter periode because of a shorter product life cycle.

This assumption is based on analysis of previous product life cycles.

The change in the amortisation period is a change of accounting estimate; thus, comparative figures have not been restated.

### Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

# Notes to the Financial Statements

## 9 Accounting Policies (continued)

### Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

## Income Statement

### Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

### Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

### Other external expenses

Other external expenses comprise production costs and expenses for premises, sales and distribution as well as office expenses, etc.

### Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, expenses for raw materials and consumables and other external expenses.

# Notes to the Financial Statements

## 9 Accounting Policies (continued)

### Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

### Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

### Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

### Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

## Balance Sheet

### Intangible assets

#### *Development projects and licences*

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount.

# Notes to the Financial Statements

## 9 Accounting Policies (continued)

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 2 years.

Licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Licences are amortised over the licence period, however not exceeding 5 years.

### Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	5 years
Leasehold improvements	5 years

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 13,500 are expensed in the year of acquisition.

### Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

### Inventories

Inventories are measured at the lower of cost based on weighted average prices and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

# Notes to the Financial Statements

## 9 Accounting Policies (continued)

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour.

### Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

### Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

### Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

### Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

### Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.