
Soundboks ApS

Esromgade 15,1., DK-2200 København N

Annual Report for 1 January - 31 December 2022

CVR No 36 45 75 97

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
16/6 2023

Michael Winther
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 2022.

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 2022 of the Company and of the results of the Company operations and cash flows for 2022.

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 N, 16 June 2023

Executive Board

Jesper Theil Thomsen

Board of Directors

Jacob Christian Nielsen Thygesen
Chairman

Tue Mantonì
Deputy Chairman

Christoffer Nyvold

Jesper Theil Thomsen

Christian Lindegaard Jepsen

Independent Auditor's Report

To the Shareholder 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 2022 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2022 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 2022, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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, 16 June 2023

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Ulrik Ræbild
statsautoriseret revisor
mne33262

Nikolaj Erik Johnsen
statsautoriseret revisor
mne35806

Company Information

The Company

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

CVR No: 36 45 75 97
Financial period: 1 January - 31 December
Incorporated: 5 December 2014
Financial year: 8th financial year
Municipality of reg. office: København

Board of Directors

Jacob Christian Nielsen Thygesen, Chairman
Tue Mantoni
Christoffer Nyvold
Jesper Theil Thomsen
Christian Lindegaard Jepsen

Executive Board

Jesper Theil Thomsen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Financial Highlights

Seen over a three-year period, the development of the Company is described by the following financial highlights:

| | 2022 TDKK | 2021 TDKK | 2020 TDKK |
|---|--------------|--------------|--------------|
| Key figures | | | |
| Profit/loss | | | |
| EBITDA | -25,765 | 14,392 | 2,270 |
| Profit/loss before financial income and expenses | -34,365 | 9,431 | -2,141 |
| Net financials | -10,114 | -3,349 | -1,891 |
| Net profit/loss for the year | -33,754 | 5,544 | -2,737 |
| Balance sheet | | | |
| Balance sheet total | 163,905 | 137,514 | 83,001 |
| Equity | 17,066 | 34,820 | 14,276 |
| Cash flows | | | |
| Cash flows from: | | | |
| - operating activities | -57,978 | 13,110 | -2,873 |
| - investing activities | -20,410 | -18,448 | -6,717 |
| including investment in property, plant and equipment | -1,259 | -2,160 | -489 |
| - financing activities | 17,881 | 30,750 | 34,940 |
| Change in cash and cash equivalents for the year | -60,507 | 25,413 | 25,350 |
| Number of employees | 91 | 60 | 50 |
| Ratios | | | |
| Return on assets | -21.0% | 6.9% | -2.6% |
| Solvency ratio | 10.4% | 25.3% | 17.2% |
| Return on equity | -130.1% | 22.6% | -33.6% |

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 2022 shows a loss of DKK 33,753,708, and at 31 December 2022 the balance sheet of the Company shows equity of DKK 17,066,281.

Management considers the result unsatisfactory.

The result for the Company does not reflect the financial performance of the Soundboks Group as a whole.

The past year and follow-up on development expectations from last year

The Company experienced continued strong growth in demand with revenue growing 36% YoY. Growth was partly driven by the launch of the SOUNDBOKS GO speaker, which expanded the Company's product portfolio and target market. Consumer demand slowed in the second half of the year as concerns over rising energy prices, high inflation and uncertainty related to the war in Ukraine affected consumer sentiment and buying behavior in the Company's core markets, particularly in Germany.

The 2022 result is negatively impacted by temporary effects on sourcing prices, specifically the increase in IC component prices, soaring transportation costs, and appreciation of the US dollar, which is the Company's main sourcing currency. In addition, the Company throughout 2021 and first half of 2022 grew the organization considerably, with a resulting increase in capacity costs. To realign the cost base to an economic scenario with lower expected growth in 2023 the Company completed a reorganization in October 2022 reducing the number of employees by 15.

The Company completed end of year a DKK 16M capital increase to strengthen the solidity of the Company.

The 2022 EBITDA of DKK -25.8 million is considerably below the 15-25M DKK expected for the year. The lower result can mainly be attributed to slower revenue growth in the second half of the year, increased sourcing prices and an increase in capacity costs.

Foreign exchange risks

Activities abroad cause net profit, cash flow and equity to be influenced by exchange rate developments and interest rate trends for a number of currencies. The company does not hedge these risks.

Management's Review

Targets and expectations for the year ahead

The Company expects consumer spending in its core markets will be negatively affected by continued inflation, higher interest rates and a potential economic recession in 2023. Due to the high uncertainty the Company expects little to no revenue growth in 2023. EBITDA for the year is expected at the level of 0M DKK.

Research and development

During the year the Company has incurred considerable research and development costs relating primarily to expansion of the hardware product portfolio and introduction of related digital services. The investments are made to support future growth and to strengthen the Company's market position in the coming years.

External environment

The Company focuses on raw materials and energy being optimally utilized, preventing pollution and recycling and minimizing waste where possible.

The Company in 2022 completed the review of its environmental footprint and is using the learnings to identify further opportunities for improvement.

Unusual events

The financial position of the Company at 31 December 2022 and the results of the activities and cash flows of the Company for the financial year 2022 are affected by the product recall of a new battery model in February/March 2022, and by redundancies implemented in October 2022. The combined effect on the Company's result is DKK -3.5 million.

Subsequent events

The Company in June 2023 completed an additional 14 MDKK capital increase.

Beside what's described under Capital resources and subsequent events, no other events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 January - 31 December

| | Note | 2022 DKK | 2021 DKK |
|--|------|--------------------|-------------------|
| Gross profit/loss | | 26,025,959 | 49,078,510 |
| Staff expenses | 2 | -51,790,952 | -34,686,243 |
| EBITDA | | -25,764,993 | 14,392,267 |
| Depreciation, amortisation and impairment of intangible assets and property, plant and equipment | 3 | -8,600,397 | -4,961,416 |
| Profit/loss before financial income and expenses | | -34,365,390 | 9,430,851 |
| Financial income | 4 | 1,813,279 | 2,985,652 |
| Financial expenses | | -11,926,967 | -6,334,469 |
| Profit/loss before tax | | -44,479,078 | 6,082,034 |
| Tax on profit/loss for the year | 5 | 10,725,370 | -538,187 |
| Net profit/loss for the year | | -33,753,708 | 5,543,847 |

Balance Sheet 31 December

Assets

| | Note | 2022 DKK | 2021 DKK |
|--|----------|---------------------------|---------------------------|
| Completed development projects | | 11,065,124 | 7,046,043 |
| Acquired licenses | | 0 | 0 |
| Development projects in progress | | 10,867,620 | 12,169,970 |
| Software | | <u>7,266,694</u> | <u>1,492,062</u> |
| Intangible assets | 6 | <u>29,199,438</u> | <u>20,708,075</u> |
| Other fixtures and fittings, tools and equipment | | 2,322,404 | 2,237,922 |
| Leasehold improvements | | <u>102,384</u> | <u>133,715</u> |
| Property, plant and equipment | 7 | <u>2,424,788</u> | <u>2,371,637</u> |
| Investments in subsidiaries | 8 | 200,000 | 0 |
| Deposits | 9 | <u>938,745</u> | <u>586,264</u> |
| Fixed asset investments | | <u>1,138,745</u> | <u>586,264</u> |
| Fixed assets | | <u>32,762,971</u> | <u>23,665,976</u> |
| Inventories | | <u>79,960,389</u> | <u>17,396,810</u> |
| Trade receivables | | 12,558,723 | 19,253,635 |
| Receivables from group enterprises | | 4,141,804 | 738,304 |
| Deferred tax asset | 12 | 11,697,450 | 2,893,391 |
| Corporation tax | | 1,921,311 | 2,666,197 |
| Prepayments | 10 | <u>5,474,277</u> | <u>14,766,895</u> |
| Receivables | | <u>35,793,565</u> | <u>40,318,422</u> |
| Cash at bank and in hand | | <u>15,387,678</u> | <u>56,132,853</u> |
| Currents assets | | <u>131,141,632</u> | <u>113,848,085</u> |
| Assets | | <u>163,904,603</u> | <u>137,514,061</u> |

Balance Sheet 31 December

Liabilities and equity

| | Note | 2022 DKK | 2021 DKK |
|--|------|--------------------|--------------------|
| Share capital | | 136,000 | 120,000 |
| Share premium account | | 0 | 29,970,000 |
| Reserve for development costs | | 15,673,294 | 14,988,490 |
| Retained earnings | | 1,256,987 | -10,258,501 |
| Equity | | 17,066,281 | 34,819,989 |
| Payables to group enterprises | | 18,891,927 | 15,750,000 |
| Other payables | | 62,938,804 | 36,386,612 |
| Long-term debt | 13 | 81,830,731 | 52,136,612 |
| Credit institutions | | 19,761,428 | 0 |
| Trade payables | | 22,735,704 | 26,225,321 |
| Payables to group enterprises | 13 | 2,142,193 | 0 |
| Other payables short term | 13 | 20,368,266 | 24,332,139 |
| Short-term debt | | 65,007,591 | 50,557,460 |
| Debt | | 146,838,322 | 102,694,072 |
| Liabilities and equity | | 163,904,603 | 137,514,061 |
| Uncertainty in recognition and measurement | 1 | | |
| Distribution of profit | 11 | | |
| Contingent assets, liabilities and other financial obligations | 16 | | |
| Related parties | 17 | | |
| Accounting Policies | 18 | | |

Statement of Changes in Equity

| | Share capital | Share premium account | Reserve for development costs | Retained earnings | Total |
|--|----------------|-----------------------|-------------------------------|-------------------|-------------------|
| | DKK | DKK | DKK | DKK | DKK |
| Equity at 1 January | 120,000 | 29,970,000 | 14,988,490 | -10,258,501 | 34,819,989 |
| Cash capital increase | 16,000 | 15,984,000 | 0 | 0 | 16,000,000 |
| Development costs for the year | 0 | 0 | 7,204,111 | -7,204,111 | 0 |
| Depreciation, amortisation and impairment for the year | 0 | 0 | -6,519,307 | 6,519,307 | 0 |
| Net profit/loss for the year | 0 | 0 | 0 | -33,753,708 | -33,753,708 |
| Transfer from share premium account | 0 | -45,954,000 | 0 | 45,954,000 | 0 |
| Equity at 31 December | 136,000 | 0 | 15,673,294 | 1,256,987 | 17,066,281 |

Cash Flow Statement 1 January - 31 December

| | Note | 2022 DKK | 2021 DKK |
|--|------|--------------------|--------------------|
| Net profit/loss for the year | | -33,753,708 | 5,543,847 |
| Adjustments | 14 | 8,025,939 | 8,848,417 |
| Change in working capital | 15 | -30,143,545 | 719,706 |
| Cash flows from operating activities before financial income and expenses | | -55,871,314 | 15,111,970 |
| Financial income | | 752,239 | 2,985,652 |
| Financial expenses | | -5,524,836 | -6,334,469 |
| Cash flows from ordinary activities | | -60,643,911 | 11,763,153 |
| Corporation tax paid | | 2,666,197 | 1,347,171 |
| Cash flows from operating activities | | -57,977,714 | 13,110,324 |
| Purchase of intangible assets | | -18,598,048 | -16,284,216 |
| Purchase of property, plant and equipment | | -1,258,980 | -2,160,199 |
| Fixed asset investments made etc | | -552,481 | -3,101 |
| Cash flows from investing activities | | -20,409,509 | -18,447,516 |
| Raising of payables to group enterprises | | 1,880,620 | 15,750,000 |
| Cash capital increase | | 16,000,000 | 15,000,000 |
| Cash flows from financing activities | | 17,880,620 | 30,750,000 |
| Change in cash and cash equivalents | | -60,506,603 | 25,412,808 |
| Cash and cash equivalents at 1 January | | 56,132,853 | 30,720,045 |
| Cash and cash equivalents at 31 December | | -4,373,750 | 56,132,853 |
| Cash and cash equivalents are specified as follows: | | | |
| Cash at bank and in hand | | 15,387,678 | 56,132,853 |
| Overdraft facility | | -19,761,428 | 0 |
| Cash and cash equivalents at 31 December | | -4,373,750 | 56,132,853 |

Notes to the Financial Statements

1 Uncertainty in recognition and measurement

When preparing an annual account, the management makes a series of accounting choices and estimates that form the basis for the recognition and measurement of the company's assets and liabilities as well as income and expenses. The estimates made are based on historical experience and other factors which management deems reasonable under the circumstances, but which are inherently uncertain or unpredictable. The forecasts may be incomplete or inaccurate, and unexpected events or circumstances may arise. Furthermore, the company is subject to risks and uncertainties which may lead to actual outcomes deviating from these estimates. This means that estimates can be subject to considerable uncertainty.

Deferred tax asset

Deferred tax asset is recognised with DKK 11.3 million in the balance sheet. The valuation of the deferred tax asset is based on expected positive earnings in the next 3-5 years. The valuation hereof is thus affected by uncertainty.

| | <u>2022</u> DKK | <u>2021</u> DKK |
|---|--------------------------|--------------------------|
| 2 Staff expenses | | |
| Wages and salaries | 45,468,320 | 29,489,541 |
| Pensions | 2,619,748 | 1,537,529 |
| Other social security expenses | 901,633 | 519,699 |
| Other staff expenses | <u>2,801,251</u> | <u>3,139,474</u> |
| | <u>51,790,952</u> | <u>34,686,243</u> |
| | | |
| Average number of employees | <u>91</u> | <u>60</u> |
| | | |
| 3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment | | |
| Amortisation of intangible assets | 7,463,600 | 4,277,886 |
| Depreciation of property, plant and equipment | <u>1,136,797</u> | <u>683,530</u> |
| | <u>8,600,397</u> | <u>4,961,416</u> |

Notes to the Financial Statements

4 Financial income

| | | |
|--|------------------|------------------|
| Interest received from group enterprises | 752,239 | 181,721 |
| Other financial income | 358,258 | 2,803,931 |
| Exchange gains | 702,782 | 0 |
| | <u>1,813,279</u> | <u>2,985,652</u> |

Notes to the Financial Statements

| | 2022 DKK | 2021 DKK |
|--|--------------------|----------------|
| 5 Tax on profit/loss for the year | | |
| Current tax for the year | -1,921,311 | -2,666,198 |
| Deferred tax for the year | -8,804,059 | 3,204,385 |
| | -10,725,370 | 538,187 |

6 Intangible assets

| | Completed development projects DKK | Acquired licenses DKK | Development projects in progress DKK | Software DKK |
|--|---|-----------------------------|---|-------------------|
| Cost at 1 January | 20,033,269 | 59,650 | 12,169,968 | 3,472,676 |
| Additions for the year | 4,444,395 | 0 | 8,726,869 | 5,426,784 |
| Transfers for the year | 6,093,993 | 0 | -10,029,217 | 3,935,224 |
| Cost at 31 December | 30,571,657 | 59,650 | 10,867,620 | 12,834,684 |
| Impairment losses and amortisation at 1 January | 12,987,226 | 59,650 | 0 | 1,980,614 |
| Impairment losses for the year | 2,643,083 | 0 | 0 | 0 |
| Amortisation for the year | 3,876,224 | 0 | 0 | 3,587,376 |
| Impairment losses and amortisation at 31 December | 19,506,533 | 59,650 | 0 | 5,567,990 |
| Carrying amount at 31 December | 11,065,124 | 0 | 10,867,620 | 7,266,694 |
| Amortised over | 3 years | 5 years | | 2 years |

Development projects relate to the development of new versions of the Company's existing products and new products. The development was progressing according to plan through the use of the resources allocated by Management to the development. The products is expected to be sold in the present market to the Company's existing customers. Prior to the initiation of the projects, the Company inquired of its customers as to the need for an updated product, which was well received.

Notes to the Financial Statements

7 Property, plant and equipment

| | Other fixtures and fittings, tools and equipment | Leasehold improvements |
|---|---|---------------------------|
| | DKK | DKK |
| Cost at 1 January | 3,155,409 | 421,936 |
| Additions for the year | 1,200,457 | 58,522 |
| Disposals for the year | -69,031 | 0 |
| Cost at 31 December | <u>4,286,835</u> | <u>480,458</u> |
| Impairment losses and depreciation at 1 January | 917,487 | 288,221 |
| Depreciation for the year | <u>1,046,944</u> | <u>89,853</u> |
| Impairment losses and depreciation at 31 December | <u>1,964,431</u> | <u>378,074</u> |
| Carrying amount at 31 December | <u>2,322,404</u> | <u>102,384</u> |
| Depreciated over | <u>3-5 years</u> | <u>5 years</u> |
| | <u>2022</u> | <u>2021</u> |
| | DKK | DKK |

8 Investments in subsidiaries

| | | |
|---------------------------------------|-----------------------|-----------------|
| Cost at 1 January | 0 | 0 |
| Additions for the year | <u>200,000</u> | <u>0</u> |
| Carrying amount at 31 December | <u>200,000</u> | <u>0</u> |

Investments in subsidiaries are specified as follows:

| Name | Place of registered office | Share capital | Votes and ownership | Equity | Net profit/loss for the year |
|----------------------|-------------------------------|---------------|------------------------|---------|---------------------------------|
| Direkt Streaming ApS | København N | 40,000 | 100% | 300,022 | 100,022 |

Notes to the Financial Statements

9 Other fixed asset investments

| | Deposits DKK |
|---------------------------------------|-----------------|
| Cost at 1 January | 586,264 |
| Additions for the year | 352,481 |
| Cost at 31 December | 938,745 |
| Carrying amount at 31 December | 938,745 |

10 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest as well.

| | 2022 DKK | 2021 DKK |
|----------------------------------|--------------------|------------------|
| 11 Distribution of profit | | |
| Retained earnings | -33,753,708 | 5,543,847 |
| | -33,753,708 | 5,543,847 |

12 Deferred tax asset

| | | |
|---|-------------------|------------------|
| Deferred tax asset at 1 January | 2,893,391 | 0 |
| Amounts recognised in the income statement for the year | 8,804,059 | -3,204,385 |
| Amounts recognised in equity for the year | 0 | 6,097,776 |
| Deferred tax asset at 31 December | 11,697,450 | 2,893,391 |

Notes to the Financial Statements

13 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:

| | 2022 DKK | 2021 DKK |
|--|-------------------|-------------------|
| Payables to group enterprises | | |
| Between 1 and 5 years | 18,891,927 | 15,750,000 |
| Long-term part | 18,891,927 | 15,750,000 |
| Other short-term debt to group enterprises | 2,142,193 | 0 |
| | 21,034,120 | 15,750,000 |
| Other payables | | |
| Between 1 and 5 years | 62,938,804 | 36,386,612 |
| Long-term part | 62,938,804 | 36,386,612 |
| Other short-term payables | 20,368,266 | 24,332,139 |
| | 83,307,070 | 60,718,751 |

14 Cash flow statement - adjustments

| | 2022 DKK | 2021 DKK |
|---|------------------|------------------|
| Financial income | -1,813,279 | -2,985,652 |
| Financial expenses | 11,926,967 | 6,334,469 |
| Depreciation, amortisation and impairment losses, including losses and gains on sales | 8,600,395 | 4,961,417 |
| Tax on profit/loss for the year | -10,725,370 | 538,187 |
| Other adjustments | 37,226 | -4 |
| | 8,025,939 | 8,848,417 |

15 Cash flow statement - change in working capital

| | | |
|-------------------------------|--------------------|----------------|
| Change in inventories | -62,563,579 | 1,364,166 |
| Change in receivables | 14,652,313 | -18,863,527 |
| Change in trade payables, etc | 17,767,721 | 18,219,067 |
| | -30,143,545 | 719,706 |

Notes to the Financial Statements

| | <u>2022</u> | <u>2021</u> |
|---|-------------------------|-------------------------|
| | DKK | DKK |
| 16 Contingent assets, liabilities and other financial obligations | | |
| Charges and security | | |
| As security for Danmark Eksport- og Investeringsfond the Company has pledged a floating charge amounting to DKK 45.600.000 secured in intangible- and tangible assets, inventory and receivables. | | |
| As security for Danske Bank the Company has pledged a floating charge amounting to DKK 39.200.000 secured in intangible- and tangible assets, inventory and receivables. | | |
| Rental and lease obligations | | |
| Rent obligations. Total future rent payments: | | |
| Within 1 year | 1,046,699 | 1,007,051 |
| Between 1 and 5 years | <u>0</u> | <u>479,745</u> |
| | <u>1,046,699</u> | <u>1,486,796</u> |

Notes to the Financial Statements

17 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

18 Accounting Policies

The Annual Report of Soundboks ApS for 2022 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2022 are presented in DKK.

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.

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.

Notes to the Financial Statements

18 Accounting Policies (continued)

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, work on own account recognised in assets, other operating income, expenses for raw materials and consumables and other external expenses.

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.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment and Grants.

Notes to the Financial Statements

18 Accounting Policies (continued)

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, licences and software

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.

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 and software 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. Software is amortised over the expected lifetime, however not exceeding 5 years.

Notes to the Financial Statements

18 Accounting Policies (continued)

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 | 3-5 years |
| Leasehold improvements | 5 years |

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

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.

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

Other fixed asset investments

Other fixed asset investments consist of deposits.

Notes to the Financial Statements

18 Accounting Policies (continued)

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.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

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 prepaid expenses regarding subsequent financial reporting years.

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.

Notes to the Financial Statements

18 Accounting Policies (continued)

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.

Cash Flow Statement

The cash flow statement shows the Company's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand".

The cash flow statement cannot be immediately derived from the published financial records.

Notes to the Financial Statements

18 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

| | |
|------------------|--|
| Return on assets | $\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$ |
| Solvency ratio | $\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$ |
| Return on equity | $\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$ |