
Soundboks ApS

Esromgade 15,1., DK-2200 København N

Annual Report for 1 January - 31 December 2019

CVR No 36 45 75 97

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
31/8 2020

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 2019.

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 2019 of the Company and of the results of the Company operations for 2019.

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, 31 August 2020

Executive Board

Jesper Theil Thomsen

Board of Directors

Jacob Christian Nielsen Thygesen
Chairman

Tue Manton
Deputy Chairman

Christoffer Nyvold

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 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019 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 2019, 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, 31 August 2020

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Ulrik Ræbild
statsautoriseret revisor
mne33262

Henrik Dich
statsautoriseret revisor
mne42826

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: 5th financial year
Municipality of reg. office: København

Board of Directors

Jacob Christian Nielsen Thygesen, Chairman
Tue Mantoni
Christoffer Nyvold

Executive Board

Jesper Theil Thomsen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

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 2019 shows a loss of DKK 9,087,001, and at 31 December 2019 the balance sheet of the Company shows equity of DKK 2,013,329.

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

Capital resources

The Parent Company Soundboks Inc. has after the balance sheet date closed a Series A funding round raising a total of USD 4.0M in new equity from a combination of new and existing investors.

The share capital of the Company has after the balance sheet date been increased by 15M DKK through af cash injection.

Management considers the company to have sufficient financial resources to continue operations and execute its strategy.

Subsequent events

The COVID-19 pandemic will have significant impact on the global economy, with many governments across the world deciding to "close down their countries. The company has taken necessary commercial and operational meassures to adapt to the situation and as of now does not expect the pandemic to have significant implications on the 2020 result.

Management considers the implications of COVID-19 a subsequent event, which occurred after the balance sheet date (31 December 2019). It is therefore a non-adjusting event for the Company.

Beside whats described under Capital ressources and subesequent 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	2019 DKK	2018 DKK
Gross profit/loss		14.744.687	11.276.631
Staff expenses	2	-20.421.192	-9.853.141
EBITDA		-5.676.505	1.423.490
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-2.033.672	-3.715.998
Profit/loss before financial income and expenses		-7.710.177	-2.292.508
Financial income		389.269	42.962
Financial expenses	4	-4.863.603	-2.932.202
Profit/loss before tax		-12.184.511	-5.181.748
Tax on profit/loss for the year	5	3.097.510	1.140.800
Net profit/loss for the year		-9.087.001	-4.040.948

Distribution of profit

Proposed distribution of profit

Retained earnings		-9.087.001	-4.040.948
		-9.087.001	-4.040.948

Balance Sheet 31 December

Assets

	Note	2019 DKK	2018 DKK
Completed development projects		5.227.714	2.590.548
Acquired licenses		19.383	31.311
Software		1.474.712	0
Intangible assets	6	6.721.809	2.621.859
Other fixtures and fittings, tools and equipment		370.421	425.151
Leasehold improvements		302.489	354.709
Property, plant and equipment	7	672.910	779.860
Deposits		478.492	0
Fixed asset investments		478.492	0
Fixed assets		7.873.211	3.401.719
Inventories		11.720.604	6.647.454
Trade receivables		7.566.065	3.725.350
Receivables from group enterprises		11.086.803	1.060.274
Other receivables		20.185	5.834.803
Deferred tax asset		6.153.942	4.017.356
Corporation tax		949.221	390.977
Prepayments		261.683	97.887
Receivables		26.037.899	15.126.647
Cash at bank and in hand		5.370.192	4.939.862
Currents assets		43.128.695	26.713.963
Assets		51.001.906	30.115.682

Balance Sheet 31 December

Liabilities and equity

	Note	2019 DKK	2018 DKK
Share capital		90.000	90.000
Reserve for development costs		4.077.617	2.590.548
Retained earnings		-2.154.288	-22.186.550
Equity		2.013.329	-19.506.002
Subordinate loan capital		0	27.810.076
Other payables long term		21.074.009	3.989.931
Long-term debt	8	21.074.009	31.800.007
Trade payables		14.677.307	6.168.630
Other payables short term	8	13.237.261	11.653.047
Short-term debt		27.914.568	17.821.677
Debt		48.988.577	49.621.684
Liabilities and equity		51.001.906	30.115.682
Subsequent events	1		
Contingent assets, liabilities and other financial obligations	9		
Related parties	10		
Accounting Policies	11		

Statement of Changes in Equity

	Share capital	Reserve for development costs	Retained earnings	Total
	DKK	DKK	DKK	DKK
Equity at 1 January	90.000	2.590.548	-22.186.550	-19.506.002
Contribution from group	0	0	30.606.332	30.606.332
Development costs for the year	0	1.487.069	-1.487.069	0
Net profit/loss for the year	0	0	-9.087.001	-9.087.001
Equity at 31 December	90.000	4.077.617	-2.154.288	2.013.329

Notes to the Financial Statements

1 Subsequent events

The COVID-19 pandemic will have significant impact on the global economy, with many governments across the world deciding to "close down their countries". Management considers the implications of COVID-19 a subsequent event, which occurred after the balance sheet date (31 December 2019). It is therefore a non-adjusting event for the Company.

Management has taken necessary commercial and operational measures to adapt to the situation and as of now does not expect the pandemic to have significant implications on the 2020 result.

The Parent Company Soundboks Inc. has after the balance sheet date closed a Series A funding roundraising a total of 4.0M USD in new equity from a combination of new and existing investors. The share capital of the Company has after the balance sheet date been increased by 15M DKK through a cashinjection.

Management considers the Company to have sufficient financial resources to continue operations and execute its strategy.

Beside whats described above, no other events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

	<u>2019</u> DKK	<u>2018</u> DKK
2 Staff expenses		
Wages and salaries	17.977.723	8.644.763
Pensions	626.282	59.773
Other social security expenses	355.767	199.233
Other staff expenses	<u>1.461.420</u>	<u>949.372</u>
	<u>20.421.192</u>	<u>9.853.141</u>
Average number of employees	<u>46</u>	<u>27</u>

3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment

Amortisation of intangible assets	1.844.319	3.627.051
Depreciation of property, plant and equipment	<u>189.353</u>	<u>88.947</u>
	<u>2.033.672</u>	<u>3.715.998</u>

Notes to the Financial Statements

	2019 <u>DKK</u>	2018 <u>DKK</u>
4 Financial expenses		
Interest expense, Group enterprises	1.340.349	1.241.834
Other financial expenses	<u>3.523.254</u>	<u>1.690.368</u>
	<u>4.863.603</u>	<u>2.932.202</u>
5 Tax on profit/loss for the year		
Current tax for the year	-949.221	-390.977
Deferred tax for the year	-1.745.608	-749.823
Adjustment of tax concerning previous years	-11.704	0
Adjustment of deferred tax concerning previous years	<u>-390.977</u>	<u>0</u>
	<u>-3.097.510</u>	<u>-1.140.800</u>

Notes to the Financial Statements

6 Intangible assets

	Completed development projects DKK	Acquired licenses DKK	Software DKK
Cost at 1 January	7.553.164	59.650	0
Additions for the year	4.314.643	0	1.629.627
Disposals for the year	-229.241	0	0
Cost at 31 December	<u>11.638.566</u>	<u>59.650</u>	<u>1.629.627</u>
Impairment losses and amortisation at 1 January	4.962.616	28.339	0
Amortisation for the year	1.677.477	11.928	154.915
Reversal of amortisation of disposals for the year	-229.241	0	0
Impairment losses and amortisation at 31 December	<u>6.410.852</u>	<u>40.267</u>	<u>154.915</u>
Carrying amount at 31 December	<u>5.227.714</u>	<u>19.383</u>	<u>1.474.712</u>
Amortised over	<u>2 years</u>	<u>5 years</u>	<u>5 years</u>

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 DKK	Leasehold improvements DKK
Cost at 1 January	482.896	390.496
Additions for the year	50.962	31.440
Cost at 31 December	<u>533.858</u>	<u>421.936</u>
Impairment losses and depreciation at 1 January	57.745	35.787
Depreciation for the year	105.692	83.660
Impairment losses and depreciation at 31 December	<u>163.437</u>	<u>119.447</u>
Carrying amount at 31 December	<u>370.421</u>	<u>302.489</u>
Depreciated over	<u>5 years</u>	<u>5 years</u>

8 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:

	2019 DKK	2018 DKK
Subordinate loan capital		
Between 1 and 5 years	0	27.810.076
Long-term part	0	27.810.076
Within 1 year	0	0
	<u>0</u>	<u>27.810.076</u>
Other payables long term		
Between 1 and 5 years	21.074.009	3.989.931
Long-term part	21.074.009	3.989.931
Within 1 year	0	0
	<u>21.074.009</u>	<u>3.989.931</u>

Notes to the Financial Statements

	2019 DKK	2018 DKK
9 Contingent assets, liabilities and other financial obligations		
Charges and security		
As security for Vækstfonden the Company has pledged a floating charge amounting to DKK 20.000.000 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.		
Rental and lease obligations		
Rent obligations. Total future rent payments:		
Within 1 year	964.596	872.546
Between 1 and 5 years	964.596	1.745.092
	1.929.192	2.617.638

10 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

11 Accounting Policies

The Annual Report of Soundboks ApS for 2019 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 Financial Statements for 2019 are presented in DKK.

Changes in accounting policies

Presentation of staff expenses related to work on own account is recognised as Gross Profit in accordance with the Danish Financial Statements Act. Previously, the value of staff expenses was recognised as reduction of Staff expenses. Comparative figures has been adjusted accordingly.

The change in presentation has increased Gross profit and Staff expenses of 2018 with TDKK 1.284 and TDKK 3.654 for 2019. The changes in presentation has no impact on profit/loss, total balance or equity.

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.

Notes to the Financial Statements

11 Accounting Policies (continued)

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, 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.

Notes to the Financial Statements

11 Accounting Policies (continued)

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.

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.

Notes to the Financial Statements

11 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 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.

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.

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.

Fixed asset investments

Fixed asset investments consist of deposits.

Notes to the Financial Statements

11 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.

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.

Notes to the Financial Statements

11 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.