

ANNUAL REPORT AND  
CONSOLIDATED ACCOUNTS 2015



The Board of Directors and Managing Director present the following annual report and consolidated accounts.

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Unless otherwise stated, all amounts are in SEK.  
Information in brackets refers to the previous year.

Zound Industries International AB  
Corporate Identity Number 556757-4610

## ADMINISTRATION REPORT

### GROUP STRUCTURE

The Group is comprised of the Parent Company, Zound Industries International AB, the wholly owned subsidiary Zound Industries Ltd, the wholly owned sub-subsidiary Zound Industries Shenzhen Limited, the wholly owned subsidiary Zound Industries USA Inc. and the wholly owned subsidiary Zound Industries Smartphones AB.

The Parent Company prepares consolidated accounts, which includes all subsidiaries, in accordance with the Annual Accounts Act, Chapter 7, Paragraph 1.

### OPERATIONS

The Company engages in the development, design, production, sales and distribution of fashion-oriented audio products.

Zound Industries includes own trademarks, licensing, private-label manufacturing and retail concepts. The Company's current trademarks include the brands Urbanears, Coloud and Molami, as well as Marshall Headphones, which are operated under a license.

The head office is based in Stockholm with production offices in Shenzhen, China, and sales and marketing offices in New York, United States. The Group in 2015 had a total of 98 employees with 78 people at the headquarters in Stockholm and 20 employees at our other offices.

### COMPARATIVE FIGURES COVERING SEVERAL YEARS

Summary of the Group's and the Parent Company's financial development.

(TSEK)	2015	2014	2013	2012	2011
<b>The Group</b>					
Net sales, TSEK	757 408	532 513	312 213	322 918	247 801
Profit/loss after financial items, TSEK	29 322	41 400	-9 644	23 079	12 284
Balance sheet total, TSEK	458 258	302 048	190 061	162 770	134 031
Number of employees	98	71	62	54	39
Equity/assets ratio %	52,5	43,9	36,6	47,8	40,9
<b>Parent Company</b>					
Net sales, TSEK	725 406	536 210	312 213	322 912	247 801
Profit/loss after financial items, TSEK	43 694	41 055	-10 470	20 946	11 641

Definitions of key ratios are provided in Note 1.

### EVENTS DURING THE FISCAL YEAR

2015 was a successful year for Zound Industries. Total sales for the year amounted to 758.3 million, representing an increase of 223.6 million or + 41,8 % over the previous year. The Group reports an operating profit of 34.0 million, compared with 41.5 million last year. The reason for the profitability decrease is because the Company entered a new product segment with the launch of its smartphone Marshall London.

The Company's brands are currently represented in over 100 markets. The main markets are the Nordic countries, the US and France. The products are distributed through distributors, directly to B2B customers or to end-consumers via e-commerce.

During the year the speaker segment continued to have great success and contributed to the year's total positive sales development. The product category speakers represents 52% of total sales compared to 47% last year. The brand Marshall has been expanded further with battery-powered speaker models.

In autumn Marshall London, the Company's first self-developed mobile phone, was launched which contributed with 48.1 million in sales. The partnership with TeliaSonera continued during the year.

During the year work has continued on implementing internal and external changes to allow for growth and profitability in the coming years. Investments have been made to strengthen the organization by recruiting a number of key employees, introduction of business processes and product development.

## RESULTS AND POSITION

The result of the Company's operations and the financial position at year-end is apparent from the following income statement, balance sheet and notes.

## USE OF FINANCIAL INSTRUMENTS

The Company is exposed to fluctuations in exchange rates - mainly in USD. The Company uses no hedging in currency-sensitive transactions.

## NON-FINANCIAL DISCLOSURES

The Company made a new share issue of 92,158,030 SEK which was finalised in July 2015. The Company constantly works on gender equality, health and safety, skills development, quality and environmental issues. The Company's products are certified to meet legal requirements in the markets where products are sold. In the legal requirements of the EU included environmental requirements under REACH, RoHS and ERP, testing is also performed for the market's unique requirements outside the EU.

## EXPECTED FUTURE DEVELOPMENTS AND SIGNIFICANT RISK FACTORS

The future development is expected to continue as before, this in accordance with the main focus areas stipulated by the owners and the Board of Directors. The risks that may affect the Company are general business cycle risks and the negative impact of currency effects.

## PROPOSED APPROPRIATIONS OF PROFITS

The following profits are at the disposal of the Annual General Meeting:

Share premium reserve	148 075 127
Retained earnings	50 541 382
Net profit for the year	20 983 231
	<b>219 599 740</b>

The Board of Directors proposes that profits brought forward be appropriated as follows:

to be carried forward	219 599 740
	<b>219 599 740</b>

## CONSOLIDATED INCOME STATEMENT

	Note	2015	2014
Net sales		757 408 176	532 513 233
Other operating income		868 546	2 186 667
<b>Total income</b>		<b>758 276 722</b>	<b>534 699 900</b>
<b>Operating expenses</b>			
Goods for resale		-427 592 202	-310 000 628
Other external expenses	2	-210 194 301	-124 241 163
Personnel costs	3	-72 664 396	-49 326 438
Depreciation and write-downs of tangible and intangible fixed assets		-13 560 810	-9 566 671
Other operating expenses		-267 498	-99 097
<b>Total operating expenses</b>		<b>-724 279 207</b>	<b>-493 233 977</b>
<b>Operating profit</b>		<b>33 997 515</b>	<b>41 465 903</b>
<b>Profit/loss from financial items</b>			
Other interest income and similar profit/loss items		5 700	2 264 779
Interest expenses and similar profit/loss items		-4 681 434	-2 330 336
<b>Total profit/loss from financial items</b>		<b>-4 675 734</b>	<b>-65 557</b>
<b>Profit/loss after financial items</b>		<b>29 321 781</b>	<b>41 400 346</b>
Tax on profit/loss for the year	4	-5 319 008	-8 954 090
<b>Net profit/loss for the year</b>		<b>24 002 773</b>	<b>32 446 256</b>

## CONSOLIDATED BALANCE SHEET

	Note	2015-12-31	2014-12-31
<b>ASSETS</b>			
<b><u>Fixed assets</u></b>			
<b>Intangible fixed assets</b>			
Capitalised expenditure for development work	5	44 834 365	26 030 149
Patents, licenses, trademarks and similar rights	6	10 045 696	9 859 172
<b>Total intangible fixed assets</b>		<b>54 880 061</b>	<b>35 889 321</b>
<b>Tangible fixed assets</b>			
Equipment, tools, fixtures and fittings	7	7 612 514	4 242 356
<b>Financial assets</b>			
Deferred tax assets		2 283 165	242 264
Other non-current receivables		555 315	531 524
<b>Total financial assets</b>		<b>2 838 480</b>	<b>773 788</b>
<b>Total fixed assets</b>		<b>65 331 055</b>	<b>40 905 465</b>
<b><u>Current assets</u></b>			
<b>Inventories</b>			
Goods for resale		142 345 845	91 147 556
Goods in transit		14 976 585	5 122 450
<b>Total inventories</b>		<b>157 322 430</b>	<b>96 270 006</b>
<b>Current receivables</b>			
Accounts receivables - trade		120 057 159	147 408 629
Other current receivables		18 587 220	2 859 944
Prepaid expenses and accrued income	8	20 367 728	11 772 379
<b>Total current receivables</b>		<b>159 012 107</b>	<b>162 040 952</b>
Cash and bank balances		76 592 444	2 831 732
<b>Total current assets</b>		<b>392 926 981</b>	<b>261 142 690</b>
<b>TOTAL ASSETS</b>		<b>458 258 036</b>	<b>302 048 155</b>
<b>EQUITY AND LIABILITIES</b>			
<b><u>Equity</u></b>			
Share capital	9	762 876	684 142
Other contributed capital		148 075 127	63 402 113
Other equity inc. net profit/loss for the year		93 439 187	68 537 200
<b>Total equity</b>		<b>242 277 190</b>	<b>132 623 455</b>
Deferred taxes	10	6 543 530	4 167 223
<b><u>Non-current liabilities</u></b>			
Other non-current liabilities	11	0	86 100
<b>Total non-current liabilities</b>		<b>0</b>	<b>86 100</b>
<b><u>Current liabilities</u></b>			
Liabilities to credit institutions	11	0	1 000 000
Accounts payable - trade		109 687 674	102 647 371
Bank overdraft facility	12	0	27 038 673
Current income tax liabilities		8 250 444	4 593 301
Other current liabilities		26 617 128	2 777 160
Accrued expenses and deferred income	13	64 882 070	27 114 872
<b>Total current liabilities</b>		<b>209 437 316</b>	<b>165 171 377</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>458 258 036</b>	<b>302 048 155</b>
<b>Pledged assets</b>	14	<b>109 000 000</b>	<b>71 000 000</b>
<b>Contingent liabilities</b>	15	<b>6 036 970</b>	<b>400 645</b>

## CASH FLOW STATEMENT FOR THE GROUP

	Note	2015	2014
<b>Operating activities</b>			
Operating profit/loss before financial items		33 997 515	41 465 903
Depreciation/amortisation		13 560 810	9 566 671
Interest received		5 700	2 264 779
Interest paid		-4 681 434	-2 330 336
Adjustments for non-cash items, etc.	16	-1 379 459	4 557 184
Income tax paid		-2 643 945	-3 398 875
		<b>38 859 187</b>	<b>52 125 326</b>
Increase/decrease in inventories		-60 581 632	-43 872 819
Increase/decrease in accounts receivable - trade		27 351 470	-61 319 582
Increase/decrease in current receivables		-25 211 153	2 553 515
Increase/decrease in accounts payable - trade		7 040 303	41 533 998
Increase/decrease in other current operating liabilities		45 129 634	12 160 358
<b>Cash flows from operating activities</b>		<b>32 587 809</b>	<b>3 180 796</b>
<b>Investing activities</b>			
Investments in intangible fixed assets		-30 491 925	-28 121 463
Investments in tangible fixed assets		-5 690 187	-353 051
Investments in leased premises		0	-39 058
Paid deposits		0	-936 416
<b>Cash flows from investing activities</b>		<b>-36 182 112</b>	<b>-29 449 988</b>
<b>Financing activities</b>			
New share issue		84 751 748	29 999 971
Borrowings		-27 038 673	-8 558 510
New loans		65 000 000	0
Repayment of loans		-46 062 500	-1 750 000
Repayment of group contribution/shareholder contribution/warrant		-30 750	-30 750
<b>Cash flows from financing activities</b>		<b>76 619 825</b>	<b>19 660 711</b>
<b>Cash flow for the year</b>		<b>73 025 522</b>	<b>-6 608 481</b>
<b>Exchange rate differences in equity</b>		<b>735 190</b>	<b>595 153</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>2 831 732</b>	<b>8 845 060</b>
<b>Cash and cash equivalents at year-end</b>		<b>76 592 444</b>	<b>2 831 732</b>

## PARENT COMPANY INCOME STATEMENT

	Note	2015	2014
Net sales	17, 18, 19	725 405 963	536 209 525
Other operating income	17	718 458	989 087
<b>Total income</b>		<b>726 124 421</b>	<b>537 198 612</b>
<b>Operating expenses</b>			
Goods for resale		-448 170 290	-323 450 686
Other external expenses	2	-155 139 878	-119 144 745
Personnel costs	3	-62 468 551	-43 988 376
Depreciation and write-downs of tangible and intangible fixed assets		-13 428 095	-9 494 417
Other operating expenses		-276 498	0
<b>Total operating expenses</b>		<b>-679 474 312</b>	<b>-496 078 224</b>
<b>Operating profit/loss</b>		<b>46 650 109</b>	<b>41 120 388</b>
<b>Profit/loss from financial items</b>			
Other interest income and similar profit/loss items		1 135	2 264 779
Interest expenses and similar profit/loss items		-2 956 902	-2 330 336
<b>Total profit/loss from financial items</b>		<b>-2 955 767</b>	<b>-65 557</b>
<b>Profit/loss after financial items</b>		<b>43 694 342</b>	<b>41 054 831</b>
Appropriations	20	-18 494 202	-12 787 423
Tax on profit/loss for the year	4	-4 216 909	-6 392 333
<b>Net profit/loss for the year</b>		<b>20 983 231</b>	<b>21 875 075</b>



## PARENT COMPANY BALANCE SHEET

	Note	2015-12-31	2014-12-31
<b>ASSETS</b>			
<b>Fixed assets</b>			
Intangible fixed assets			
Capitalised expenditure for development work	5	44 834 365	26 030 149
Patents, licenses, trademarks and similar rights	6	10 004 470	9 808 517
<b>Total intangible fixed assets</b>		<b>54 838 835</b>	<b>35 838 666</b>
<b>Tangible fixed assets</b>			
Equipment, tools, fixtures and fittings	7	7 287 833	3 909 720
<b>Financial assets</b>			
Participations in Group companies	21	2 674 839	2 674 839
Other non-current receivables		187 809	187 809
<b>Total financial assets</b>		<b>2 862 648</b>	<b>2 862 648</b>
<b>Total fixed assets</b>		<b>64 989 316</b>	<b>42 611 034</b>
<b>Current assets</b>			
<b>Inventories</b>			
Goods for resale		93 358 049	85 363 428
Goods in transit		8 116 690	5 122 450
<b>Total inventories</b>		<b>101 474 739</b>	<b>90 485 878</b>
<b>Current receivables</b>			
Receivables from Group companies	19	70 857 002	7 443 722
Accounts receivables - trade		92 092 568	144 516 800
Other current receivables		2 744 525	2 552 076
Prepaid expenses and accrued income	8	17 044 272	10 894 073
<b>Total current receivables</b>		<b>182 738 367</b>	<b>165 406 671</b>
Cash and bank balances		54 421 526	690 583
<b>Total current assets</b>		<b>338 634 632</b>	<b>256 583 132</b>
<b>TOTAL ASSETS</b>		<b>403 623 948</b>	<b>299 194 166</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital (6.841.419 shares with a quotient value of SEK 0.10 per share)	9	762 876	684 142
<b>Non-restricted equity</b>			
Share premium reserve		148 075 127	63 402 113
Retained earnings		50 541 382	28 666 307
Net profit/loss for they year		20 983 231	21 875 075
<b>Total non-restricted equity</b>		<b>219 599 740</b>	<b>113 943 495</b>
<b>Total equity</b>		<b>220 362 616</b>	<b>114 627 637</b>
Untaxed reserves	22	29 743 317	18 941 920
<b>Non-current liabilities</b>			
Other non-current liabilities	11	0	86 100
<b>Total non-current liabilities</b>		<b>0</b>	<b>86 100</b>
<b>Current liabilities</b>			
Liabilities to Group companies	19	9 585 845	2 691 080
Liabilities to credit institutions		0	1 000 000
Bank overdraft facility	12	0	27 038 673
Accounts payable - trade		97 338 592	100 989 185
Current income tax liabilities		7 165 416	4 593 301
Other current liabilities		5 274 945	2 386 215
Accrued expenses and deferred income	13	34 153 217	26 840 055
<b>Total current liabilities</b>		<b>153 518 015</b>	<b>165 538 509</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>403 623 948</b>	<b>299 194 166</b>
<b>Pledged assets</b>	14	<b>109 000 000</b>	<b>71 000 000</b>
<b>Contingent liabilities</b>	15	<b>6 036 970</b>	<b>400 645</b>

## CASH FLOW STATEMENT FOR THE PARENT COMPANY

	Note	2015	2014
<b>Operating activities</b>			
Operating profit/loss before financial items		46 650 109	41 120 388
Depreciation/amortisation		13 428 095	9 494 417
Adjustments for non-cash items, etc.	16	685 233	4 799 448
Interest received		1 135	2 264 779
Interest paid		-2 956 902	-2 330 336
Income tax paid		-2 874 420	-3 009 024
		<b>54 933 250</b>	<b>52 339 672</b>
Increase/decrease in inventories		-10 518 069	-38 088 691
Increase/decrease in accounts receivable - trade		52 424 232	-58 427 753
Increase/decrease in current receivables		-70 644 456	-4 410 594
Increase/decrease in accounts payable - trade		-3 650 593	39 880 105
Increase/decrease in other current operating liabilities		10 640 628	14 132 901
<b>Cash flows from operating activities</b>		<b>33 184 992</b>	<b>5 425 640</b>
<b>Investing activities</b>			
Investments in intangible fixed assets		-30 491 925	-28 069 954
Investments in tangible fixed assets		-5 581 949	-219 795
Investments in subsidiaries		0	-2 665 329
Paid deposits		0	-631 759
<b>Cash flows from investing activities</b>		<b>-36 073 874</b>	<b>-31 586 837</b>
<b>Financing activities</b>			
New share issue		84 751 748	29 999 971
Change in overdraft facilities		-27 038 673	-8 558 510
New loans		30 000 000	0
Repayment of loans		-31 062 500	-1 750 000
Repayment of group contribution/shareholder contribution/warrant		-30 750	-30 750
<b>Cash flows from financing activities</b>		<b>56 691 825</b>	<b>19 660 711</b>
<b>Cash flow for the year</b>		<b>53 730 943</b>	<b>-6 500 486</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>690 583</b>	<b>7 191 069</b>
<b>Cash and cash equivalents at year-end</b>		<b>54 421 526</b>	<b>690 583</b>

## NOTES FOR THE PARENT COMPANY AND THE GROUP

### NOTE 1 ACCOUNTING AND VALUATION PRINCIPLES

Zound Industries International AB's annual and consolidated report has been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Accounting Standards Board BFNAR 2012: 1 Annual Report and Consolidated (K3). The accounting principles are unchanged compared with the previous year.

#### Consolidated accounts

The consolidated accounts include subsidiaries in which the Parent Company, either directly or indirectly, holds more than 50% of the votes or, in any other manner, exercises a controlling influence.

The Group's annual accounts have been prepared according to the purchase method, which entails that subsidiaries' equity at the time of acquisition, established as the difference between the actual value of the assets and liabilities, is eliminated in its entirety. The Group's equity includes, therefore, only that portion of the subsidiaries' equity, which has arisen after the acquisition.

Companies acquired during the year are included in the consolidated accounts with the amounts that have accrued after acquisition. Earnings from companies sold during the year have been included in the consolidated income statement for the period up to the date of divestment.

Intra-Group gains are eliminated in their entirety.

Participations in subsidiaries are reported in the consolidated annual accounts at acquisition cost with deductions for any possible write-downs. Only those dividends received from profits accruing after the acquisition of an associated company are reported as income from associated companies.

Subsidiaries in other countries prepare their annual accounts in their foreign currency. When consolidating the entries in these companies' balance sheets, income statements are recalculated on the balance sheet taking into consideration the date exchange rate and the spot rate on the date of each business event took place. The exchange differences that might occur are recognized in accumulated exchange differences in the Group's equity.

#### Revenue

##### Goods

Sales of goods are reported in conjunction with the delivery of the products to the customer in accordance with the terms of sale.

#### Appropriations

Changes in these reserves are reported as appropriations in the income statement.

#### Income tax

Current taxes are measured using tax rates and tax laws applicable at the balance sheet date. Deferred taxes are measured using tax rates and laws that have been enacted before the balance sheet date. Deferred tax loss carry forwards or other future tax deductions are recognized to the extent that it is probable that the deduction can be offset against future taxable profits. Receivables and liabilities are offset when there is a legally enforceable right to set off. Current taxes, as well as changes in deferred tax is recognized in the income statement unless the tax than attributable to an event or transaction which is recognized directly in equity. Tax effects of items recognized directly in equity are recognized in equity. Because of the relationship between accounting and taxation are not reported separately, the deferred tax liability is attributable to untaxed reserves.

#### Intangible assets

##### Development work

Expenses for development work are usually expensed on an on going basis when they arise. Certain major development projects are considered to be of significant value to the Company over the coming years and have been capitalised in the balance sheet as capitalised development costs. These assets are amortised on a straight-line basis, usually over a maximum of 5 years. Amortisation begins when development work is completed and is expected to generate economic benefits.

##### Patents, licenses, trademarks and similar rights

Expenses for acquired concessions, patents, licenses and trademarks are capitalised and amortised on a straight-line basis during their useful life as stipulated by contract, usually over a maximum of 5 years. Amortisation begins when the costs attributable to development work are completed and are expected to generate economic benefits.

#### Tangible fixed assets

Tangible fixed assets are reported at an acquisition cost reduced by the amount of depreciation. Cost includes expenditure that is directly attributable to the acquisition of the asset. When a component of a fixed asset is replaced and disposed of, any remaining part of the old component and the new component is activated. Subsequent expenditure relating to assets that are not broken down into components is capitalised if they are expected to give the Company future economic benefits, to the extent that the asset's performance increases compared to the asset's value at the acquisition date. Expenditures for repairs and maintenance are expensed. Capital gain or capital loss on disposal of a fixed asset is recognized as other operating income and other operating costs.

Tangible assets are systematically depreciated over the asset's estimated useful life. When the depreciation amount is determined, the residual value is considered. Straight-line depreciation is used for other types of tangible assets. The following depreciation periods apply:

Equipment, tools, fixtures and fittings	5 years
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### **Impairment of non-financial assets**

When there is an indication that an asset is impaired, an assessment is made of impairment. If the asset has a recovery value that is lower than the carrying amount, it is written down to its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). For non-financial assets other than goodwill that have previously been written down impairment tests are performed at the balance date. In the income statement impairment losses and reversals of impairment are considered in the function where the asset is in use.

### **Financial instruments**

Financial instruments recognized in the balance sheet include securities, accounts receivable and other receivables, short-term investments, accounts payable, and loans. These are recognized in the balance sheet when the Company becomes a party to the contractual terms and conditions and will be removed when the rights to receive cash flows from the investments have expired or have been transferred or when obligations have been settled or otherwise terminated.

### **Trade and other receivables**

Receivables are recognized as current assets, except for maturities greater than 12 months after the balance sheet date which are classified as fixed assets. Receivable are recorded at the amount expected to be paid after deductions for individually assessed impaired loans.

### **Borrowings and payables**

Borrowings and payables are recognized initially at cost, less transaction costs. If there is a difference between the carrying amount and the amount to be repaid on the due date, the difference is distributed as a financial cost over the duration of borrowings using the instrument's effective interest rate. Hereby the carrying amount and the amount to be repaid will correspond.

### **Inventories**

Inventories are valued at the lower of acquisition cost or net realisable value on the balance sheet date, according to the first-in, first-out method. Appropriate deduction for obsolescence has been made.

### **Provisions**

The Company recognizes a provision when there is a legal or constructive obligation and a reliable estimate of the amount can be made.

### **Untaxed reserves**

Untaxed reserves are reported as gross amounts in the balance sheet, including the deferred tax liability that is attributable to reserves.

### **Foreign currencies**

Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate. Transactions in foreign currency are translated using the transaction date.

### **Leases**

The Company has no significant lease. The leases are treated as operating leases where contributions are recognized as an expense on a linear basis. The Company's leasing costs relating to rents and warehouse rents amounted to 14.0 million (11.1 million).

### **Employee compensation**

#### Short-term compensation

Short-term compensation comprises salary, social security contributions, paid vacation, paid sick leave, health care and bonuses. Short-term benefits are recognized as an expense and a liability when there is a legal or constructive obligation to pay compensation.

#### Post-employment compensation

In the Company only pension plans exists and are treated as defined contribution plans. There are no other material agreements involving post-employment compensation other than what falls within the scope of collective or common practice for executives.

### **Cash Flow Statement**

The cash flow statement is prepared using the indirect method - its reported cash flow includes only transactions that entail payments.

### **Estimates and judgments**

The Company makes estimates and assumptions concerning the future. The estimates for accounting purposes that result from these, by definition, seldom equal the related actual results. There are no estimates and assumptions that have a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next year.

### **Definitions of key ratios**

#### Equity/assets ratio

Equity and untaxed reserves (less deferred tax) as a percentage of the total assets.

	Group		Parent Company	
	2015	2014	2015	2014
<b>NOTE 2 RENUMERATION TO AUDITORS</b>				
<b>PwC</b>				
Audit	450 000	390 000	450 000	390 000
Tax consultancy services	29 000	29 000	29 000	29 000
Assignments other than audit assignments	3 000	3 500	3 000	3 500
<b>Other auditing firms</b>				
Audit	38 239	49 078	0	0
<b>Total</b>	<b>520 239</b>	<b>471 578</b>	<b>482 000</b>	<b>422 500</b>

### NOTE 3 SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY CONTRIBUTIONS

#### Average number of employees

Women	49	33	36	23
Men	49	38	42	29
<b>Total</b>	<b>98</b>	<b>71</b>	<b>78</b>	<b>52</b>

#### Total salaries, remuneration, social security contributions and pension costs

Salaries and remuneration to the Board of Directors and Managing Director	4 474 285	3 480 000	4 474 285	3 480 000
Salaries and other remuneration to other employees	42 607 251	30 905 498	35 272 956	26 506 486
	47 081 536	34 385 498	39 747 241	29 986 486
Statutory and contractual social security contributions	15 637 320	8 319 270	13 313 407	7 576 441
Pension cost for the Board of Directors and Managing Director	1 255 908	822 189	1 255 908	822 189
Pension costs for other employees	5 135 578	3 479 538	5 044 667	3 461 788
<b>Total</b>	<b>69 110 342</b>	<b>47 006 495</b>	<b>59 361 223</b>	<b>41 846 904</b>

#### Members of the Board and senior management

Number of members of the Board on balance sheet date

Women	3	2	3	2
Men	5	5	5	5
<b>Total</b>	<b>8</b>	<b>7</b>	<b>8</b>	<b>7</b>

#### Number of Managing Directors and other senior management

Women	1	1	1	1
Men	1	1	1	1
<b>Total</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>

### NOTE 4 TAX ON PROFIT FOR THE YEAR

Current tax for the year	-5 225 865	-6 383 121	-4 216 909	-6 392 333
Deferred tax	-93 143	-2 570 969	0	0
<b>Tax on profit for the year</b>	<b>-5 319 008</b>	<b>-8 954 090</b>	<b>-4 216 909</b>	<b>-6 392 333</b>
Reported profit before tax	29 321 781	28 267 408	25 200 140	28 267 408
Tax calculated at applicable tax rate (22%)	-6 450 792	-6 218 830	-5 544 030	-6 218 830
Tax effect of non-deductible expenses	-284 977	-165 579	-284 977	-165 579
Tax attributable to prior years' reported earnings	1 629 382	0	1 629 382	0
Tax effect of imputed interest on tax allocation	-17 284	-7 924	-17 284	-7 924
Effect of foreign tax rates	-102 194	9 212	0	0
<b>Reported tax</b>	<b>-5 225 865</b>	<b>-6 383 121</b>	<b>-4 216 909</b>	<b>-6 392 333</b>

	Group		Parent Company	
	2015-12-31	2014-12-31	2015-12-31	2014-12-31
<b>NOTE 5 CAPITALISED EXPENDITURE FOR DEVELOPMENT WORK</b>				
Opening acquisition cost	41 811 008	18 078 836	41 811 008	18 078 836
Capitalised expenditure for the year, purchases	26 882 723	23 732 172	26 882 723	23 732 172
<b>Closing accumulated acquisition cost</b>	<b>68 693 731</b>	<b>41 811 008</b>	<b>68 693 731</b>	<b>41 811 008</b>
Opening amortisation	-15 780 859	-11 989 077	-15 780 859	-11 989 077
Amortisation for the year	-8 078 507	-3 791 782	-8 078 507	-3 791 782
<b>Closing accumulated amortisation</b>	<b>-23 859 366</b>	<b>-15 780 859</b>	<b>-23 859 366</b>	<b>-15 780 859</b>
<b>Book value at year-end</b>	<b>44 834 365</b>	<b>26 030 149</b>	<b>44 834 365</b>	<b>26 030 149</b>
<b>NOTE 6 PATENTS, LICENSES, TRADEMARKS AND SIMILAR RIGHTS</b>				
Opening acquisition cost	16 323 679	11 931 809	16 254 779	11 916 995
Exchange rate fluctuation, opening balance	1 493	2 572	0	0
Capitalised expenditure for the year, purchases	3 609 202	4 389 298	3 609 202	4 337 784
<b>Closing accumulated acquisition cost</b>	<b>19 934 374</b>	<b>16 323 679</b>	<b>19 863 981</b>	<b>16 254 779</b>
Opening amortisation	-6 464 507	-3 432 359	-6 446 262	-3 418 230
Exchange rate fluctuation, opening balance	-501	-2 579	0	0
Amortisation for the year	-3 423 670	-3 029 569	-3 413 249	-3 028 032
<b>Closing accumulated amortisation</b>	<b>-9 888 678</b>	<b>-6 464 507</b>	<b>-9 859 511</b>	<b>-6 446 262</b>
<b>Book value at year-end</b>	<b>10 045 696</b>	<b>9 859 172</b>	<b>10 004 470</b>	<b>9 808 517</b>
<b>NOTE 7 EQUIPMENT, TOOLS, FIXTURES, AND FITTINGS</b>				
Opening acquisition cost	16 751 782	16 341 218	16 240 329	16 020 534
Exchange rate fluctuation, opening balance	13 441	57 513	0	0
Changes for the year				
-Purchases	5 690 187	353 051	5 581 949	219 795
-Sales	-1 259 449	0	-1 259 449	0
<b>Closing accumulated acquisition cost</b>	<b>21 195 961</b>	<b>16 751 782</b>	<b>20 562 829</b>	<b>16 240 329</b>
Opening depreciation	-12 509 426	-9 741 793	-12 330 609	-9 656 004
Exchange rate fluctuation, opening balance	-7 340	-22 311	0	0
-Sales	991 952	0	991 952	0
Depreciations for the year	-2 058 633	-2 745 322	-1 936 339	-2 674 605
<b>Closing accumulated depreciation</b>	<b>-13 583 447</b>	<b>-12 509 426</b>	<b>-13 274 996</b>	<b>-12 330 609</b>
<b>Book value at year-end</b>	<b>7 612 514</b>	<b>4 242 356</b>	<b>7 287 833</b>	<b>3 909 720</b>
<b>NOTE 8 PREPAID EXPENSES AND ACCRUED INCOME</b>				
Prepaid rent	2 746 384	834 543	2 746 384	834 543
Other items	17 621 344	10 937 836	14 297 888	10 059 530
<b>Book value at year-end</b>	<b>20 367 728</b>	<b>11 772 379</b>	<b>17 044 272</b>	<b>10 894 073</b>

## NOTE 9 CHANGE IN EQUITY

### Parent Company

	Share Capital	Share premium reserve	Unconditional shareholders' contribution	Other non-restricted equity	Net profit/loss for the year	Total equity
<b>Equity 2014-12-31</b>	<b>684 142</b>	<b>63 402 113</b>	<b>8 019 521</b>	<b>20 646 786</b>	<b>21 875 075</b>	<b>114 627 637</b>
New share issue	78 734	-	-	-	-	78 734
Share Premium reserve	-	84 673 014	-	-	-	84 673 014
Retained earnings	-	-	-	21 875 075	-21 875 075	-
Net profit/loss for the year	-	-	-	-	20 983 231	20 983 231
<b>Equity 2015-12-31</b>	<b>762 876</b>	<b>148 075 127</b>	<b>8 019 521</b>	<b>42 521 861</b>	<b>20 983 231</b>	<b>220 362 616</b>

### Group

	Share Capital	Other contributed capital	Other equity inc. net profit/loss for the year	Total equity
<b>Equity 2014-12-31</b>	<b>684 142</b>	<b>63 402 113</b>	<b>68 537 200</b>	<b>132 623 455</b>
New share issue	78 734	-	-	78 734
Share Premium reserve	-	84 673 014	-	84 673 014
Exchange rate difference	-	-	732 833	732 833
Recovered VAT from subsidiary	-	-	156 931	156 931
Net profit from Zound Industries Smartphones due to prolonged financial year	-	-	-	-
Net profit/loss for the year	-	-	9 450	9 450
Net profit/loss for the year	-	-	24 002 773	24 002 773
<b>Equity 2015-12-31</b>	<b>762 876</b>	<b>148 075 127</b>	<b>93 439 187</b>	<b>242 277 190</b>

## NOTE 10 DEFERRED TAX

The difference between the income tax reported in the income statement and on the other hand, the income tax on operations consists of:

	Group	
	2015-12-31	2014-12-31
Deferred tax on untaxed reserves	6 543 530	4 167 223
<b>Book value at year-end</b>	<b>6 543 530</b>	<b>4 167 223</b>

## NOTE 11 BORROWING

The Company's borrowing is subject to interest renegotiations and maturity dates according to the following:

	Less than 1 year	1-5 years	More than 5 years	Total
As per 2015-12-31				
Total borrowing TSEK	20 055	0	0	20 055

	Group		Parent Company	
	2015-12-31	2014-12-31	2015-12-31	2014-12-31
<b>NOTE 12 BANK OVERDRAFT FACILITY</b>				
Bank overdraft facility agreed limit	65 000 000	58 000 000	65 000 000	58 000 000
<b>NOTE 13 ACCRUED EXPENSES AND DEFERRED INCOME</b>				
Accrued interest expense	264 583	0	0	0
Accrued payroll	131 710	0	0	0
Accrued holiday pay	2 887 693	1 856 197	2 887 693	1 856 197
Accrued social security contributions	903 600	576 545	903 600	576 545
Accrued sales commissions	18 573 874	11 948 285	11 902 849	11 948 285
Other items	42 120 610	12 733 845	18 459 075	12 459 028
<b>Book value at year-end</b>	<b>64 882 070</b>	<b>27 114 872</b>	<b>34 153 217</b>	<b>26 840 055</b>
<b>NOTE 14 PLEDGED ASSETS</b>				
<b>For the Company's own liabilities</b>				
Relating liabilities to credit institutions				
Floating charges	109 000 000	71 000 000	109 000 000	71 000 000
<b>Total pledged assets</b>	<b>109 000 000</b>	<b>71 000 000</b>	<b>109 000 000</b>	<b>71 000 000</b>
<b>NOTE 15 CONTINGENT LIABILITIES</b>				
Rental guarantee	6 033 325	397 000	6 033 325	397 000
Environmental Protection Agency	3 645	3 645	3 645	3 645
<b>Total contingent liabilities</b>	<b>6 036 970</b>	<b>400 645</b>	<b>6 036 970</b>	<b>400 645</b>
<b>NOTE 16 ADJUSTMENTS FOR NON-CASH ITEMS, ETC.</b>				
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Accrual of amortized cost	888 528	2 859 337	888 528	2 859 337
Inventory impairment	-470 792	1 940 111	-470 792	1 940 111
Deferred tax assets	-2 040 901	-242 264	0	0
Disposed equipment	267 497	0	267 497	0
Exchange rate fluctuation	-23 791	0	0	0
<b>Total adjustments for non-cash items</b>	<b>-1 379 459</b>	<b>4 557 184</b>	<b>685 233</b>	<b>4 799 448</b>
<b>NOTE 17 DISTRIBUTION OF INCOME</b>				
	<b>2015</b>	<b>2014</b>		
Net sales include income from:				
Goods	712 734 837	536 209 525		
Onward invoicing of cost to subsidiary	12 671 126	0		
<b>Total net sales</b>	<b>725 405 963</b>	<b>536 209 525</b>		
Other income includes income from:				
Contributions	256 431	619 751		
Other	462 027	369 336		
<b>Total other income</b>	<b>718 458</b>	<b>989 087</b>		
<b>NOTE 18 DISTRIBUTION OF NET SALES IN THE BUSINESS SEGMENTS AND GEOGRAPHICAL MARKETS</b>				
	<b>2015</b>	<b>2014</b>		
Net sales by geographic markets as follows:				
Scandinavia	156 192 390	170 042 270		
EMEA	278 192 090	150 479 890		
North America	128 901 077	123 393 510		
E-commerce	62 390 465	17 053 915		
Other markets	99 729 941	75 239 940		
<b>Total net sales</b>	<b>725 405 963</b>	<b>536 209 525</b>		



**NOTE 19 TRANSACTIONS WITH RELATED PARTIES**

	2015	2014
Purchases and sales between Group companies		
The percentages of purchases and sales regarding Group companies are listed below:		
Purchase, (%)	3	2
Sales, (%)	1	2

**NOTE 20 APPROPRIATIONS**

	2015	2014
Difference between recorded depreciation and depreciation according to plan	-4 412 139	-3 102 069
Change in tax allocation reserve	-6 389 258	-9 685 354
Granted group contribution	-7 692 805	0
<b>Total appropriations</b>	<b>-18 494 202</b>	<b>-12 787 423</b>

**NOTE 21 PARTICIPATIONS IN GROUP COMPANIES**

Zound Industries Ltd	Hong Kong
Zound Industries USA Inc.	Delaware, USA
Zound Industries Smartphones AB	Stockholm, Sverige

	Share of capital %	Share of voting power %	Book value	Number of participations
Zound Industries Ltd	100	100	9 510	100
Zound Industries USA Inc	100	100	2 465 329	1 000
Zound Industries Smartphones AB	100	100	200 000	2 000
<b>Book value at year-end</b>			<b>2 674 839</b>	

**NOTE 22 UNTAXED RESERVES**

	2015-12-31	2014-12-31
Accumulated difference between reported depreciation and depreciation according to plan	11 267 438	6 855 299
Tax allocation reserves	18 475 879	12 086 621
<b>Book value at year-end</b>	<b>29 743 317</b>	<b>18 941 920</b>



Stockholm 2016-

Pernilla Ekman  
Managing Director

Christel Kinning

Konrad Bergström

Kenneth Schönborg

Lars Roth

Tommy Jacobson  
Chairman

Margareta van den Bosch

Henri de Bodinat

## AUDITOR'S REPORT

Our auditor's report was submitted on \_\_\_\_-\_\_-\_\_.

Öhrlings PricewaterhouseCoopers AB

Pierre Fogelberg  
Authorised Public Accountant

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