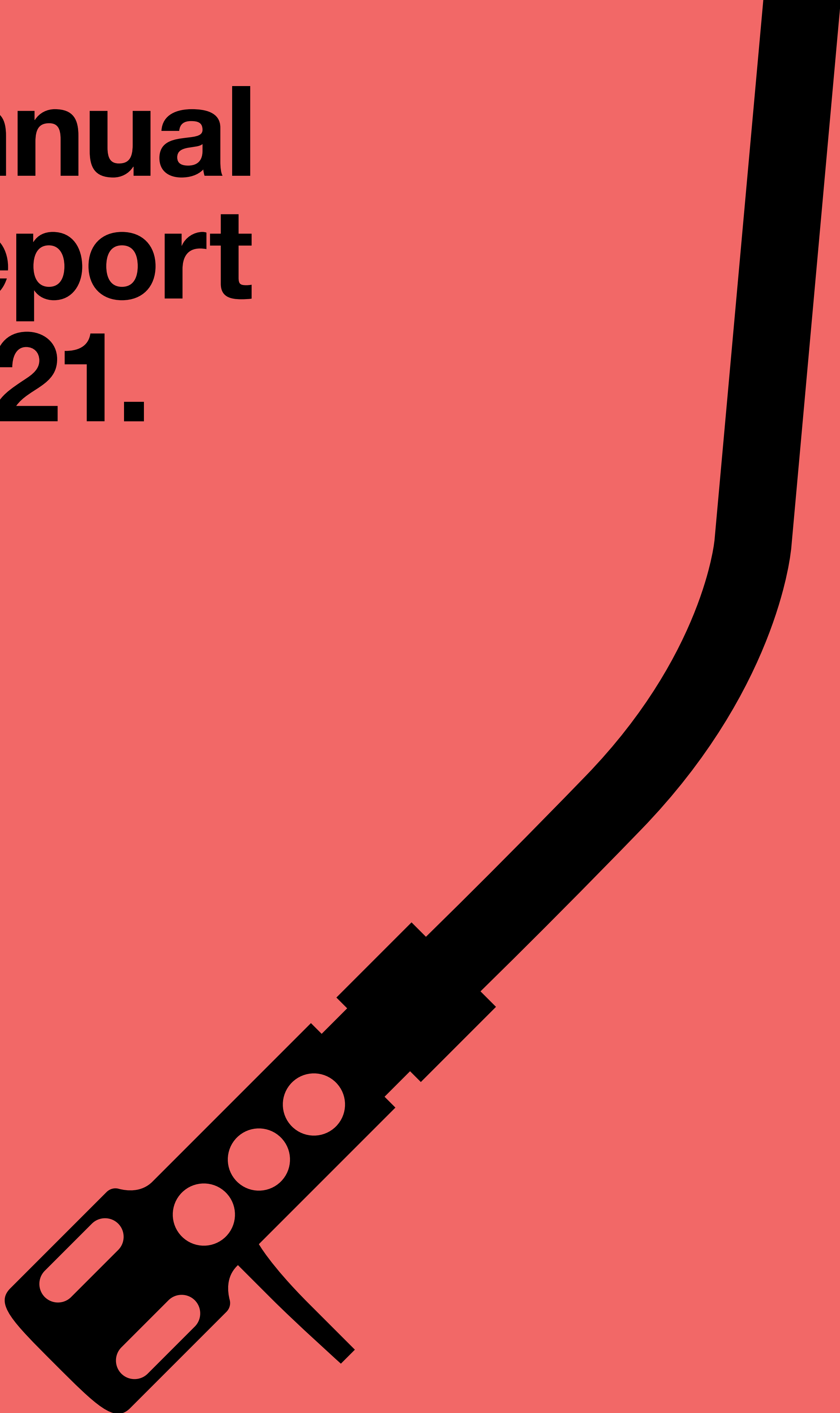
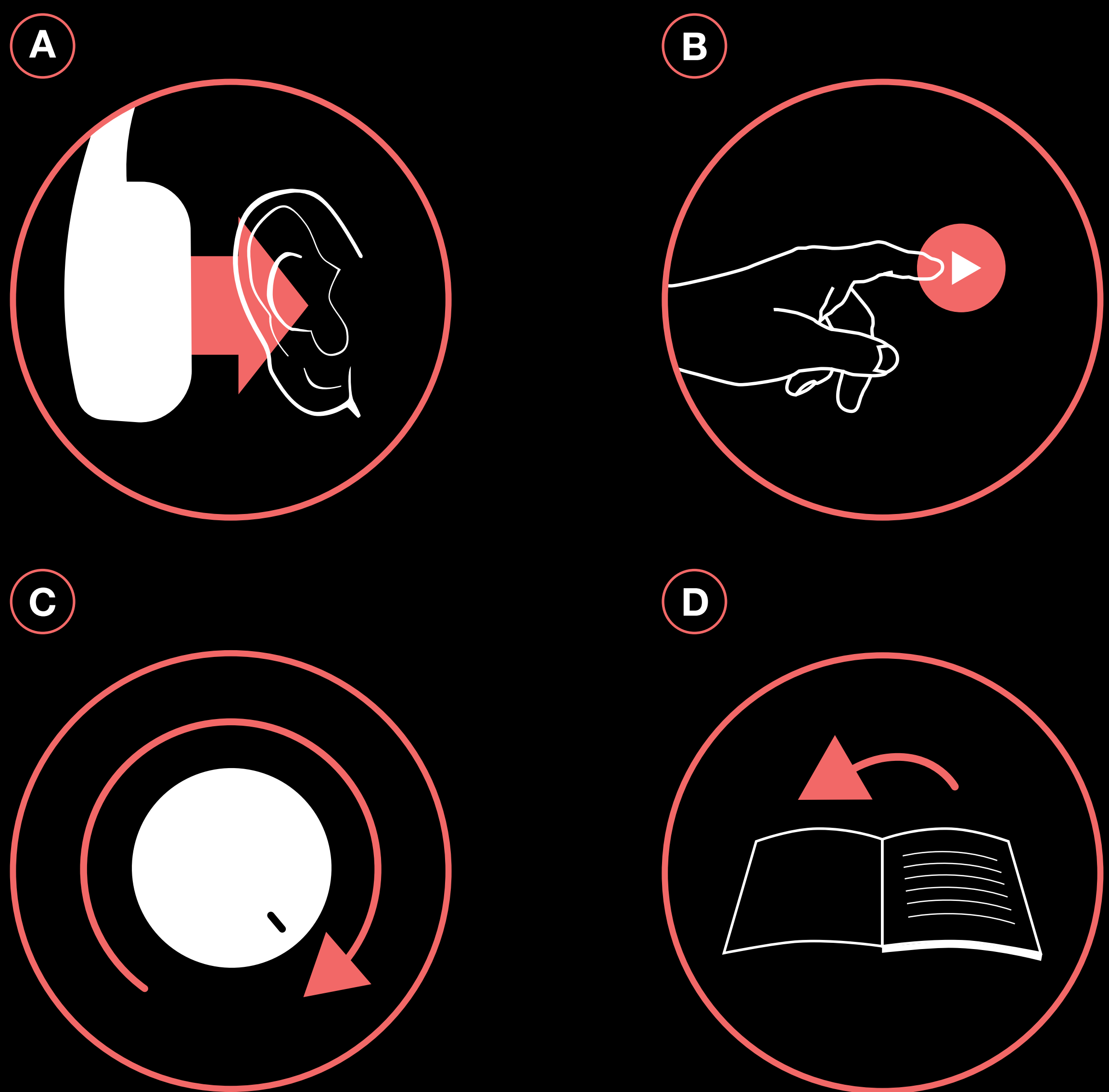
Annual Report 2021.



zoundustries

Our purpose is to amplify life by humanising tech.



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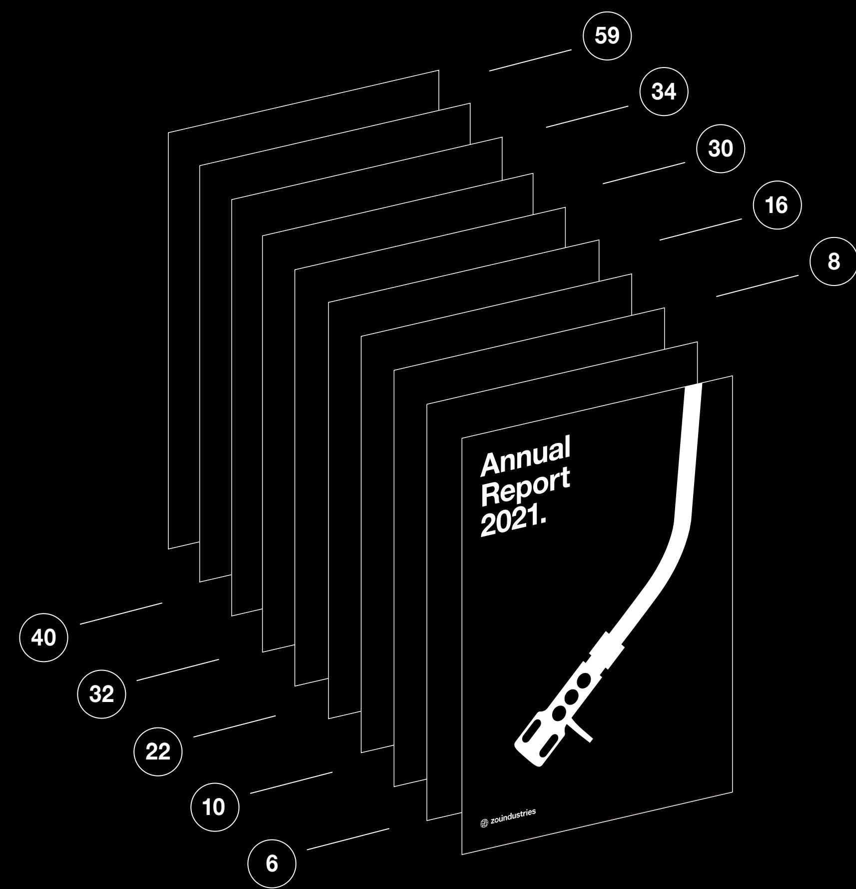
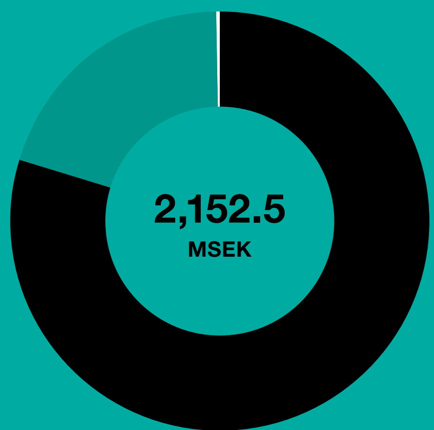


2021 was a new record year for Zound in terms of sales, despite continued supply challenges. It was a year of successful product launches and increasing consumer demand for Zound's brands and products.

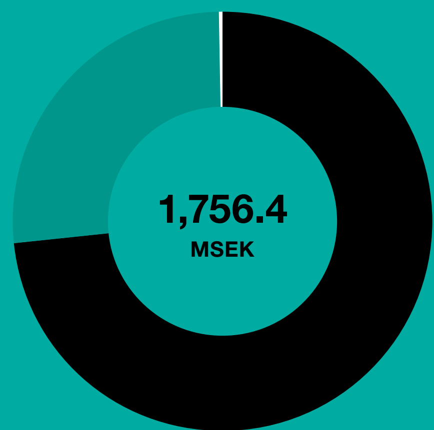
Sales segmentation

2021 / Full year



- **Speakers** 1,716.4 MSEK
- **Headphones** 434.3 MSEK
- **Other** 1.8 MSEK

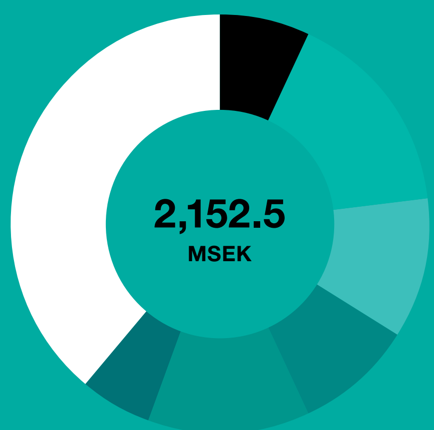
2020 / Full year



- **Speakers** 1,289.0 MSEK
- **Headphones** 465.3 MSEK
- **Other** 2.1 MSEK

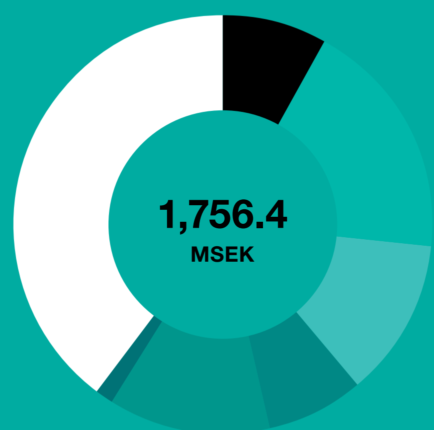
Sales key markets

2021 / Full year



- **Nordic Countries** 150.0 MSEK
- **USA** 349.6 MSEK
- **France** 235.3 MSEK
- **Germany** 193.7 MSEK
- **China** 269.8 MSEK
- **UK** 121.1 MSEK
- **Other** 833.0 MSEK

2020 / Full year



- **Nordic Countries** 145.1 MSEK
- **USA** 327.9 MSEK
- **France** 211.3 MSEK
- **Germany** 134.7 MSEK
- **China** 216.1 MSEK
- **UK** 24.1 MSEK
- **Other** 697.2 MSEK

Net sales

Adjusted operating profit, EBIT*: 132.5 MSEK

2,152+ MSEK

23% increased net sales

14x operating profit

*Adjusted for expenses affecting comparability

2021 Highlights

March Marshall released their first ever true wireless headphone, the Mode II. This was accompanied by a new brand campaign featuring Iggy Pop under the tagline Never Stop Listening.

April Zound won two red dot awards for high quality design for the Marshall products Emberton and Monitor II ANC.

September Marshall launched two new true wireless products, the Minor III and the Motif ANC. The Minor III has become one of Zound's fastest selling products ever.

October Zound unveiled three new true wireless products joining the adidas line-up. The Z.N.E 01, the Z.N.E. 01 ANC and the FWD-02 Sport.

November – December We strengthened the management team with the appointment of Kenoma Agbamu as our new Head of Strategy and Go to Market, followed by Nick Street as our new Chief Marketing Officer.

MSEK / Full year	2021	2020	Δ %
Net sales	2,152.5	1,756.4	23
Gross profit	878.0	644.4	36
Gross margin, %	40.8	36.7	-
Operating profit, EBIT	132.4	9.4	1 310
Operating margin, %	6.2	0.5	-
Adjusted operating profit, EBIT*	132.5	20.7	678
Adjusted operating margin, %*	6.2%	1.2	-
Net profit/loss for the period	101.8	6.4	1 485
Equity/assets ratio, %	36.5	45.8	-
Interest-bearing net debt	-300.9	-89.7	236

** Adjusted for expenses affecting comparability of MSEK -0.1 in the full year 2021 and -11.3 in the full year 2020*

Back to growth

"Thanks to the talent, resilience, and passion of the entire team, we've delivered the best year ever in the history of Zound."

Jeremy de Maillard, CEO

2021 has been full of challenges and opportunities for everyone at Zound. The global pandemic shaped yet another year, global supply and logistics challenges intensified and all the while consumer demand for our products has never been higher. Thanks to the talent, resilience, and passion of the entire team, we've been able to meet a big part of this demand and delivered the best year ever in the history of Zound.

Through our product obsession, drive for innovation, flawless digital execution, focus on sustainability, diversity and inclusion, we're showcasing the true potential of Zound. We've continued to challenge the status quo in the industry, and we've shown that we are uniquely positioned to capture the growing demand from consumers all around the world.

Despite continued supply chain challenges, the team managed to deliver our best fourth quarter in the history of Zound. Net sales rose to 953.8 MSEK a strong 62 percent increase from the same period last year.

Jeremy de Maillard, CEO

This successful finish to the year was a major contributor to delivering the best year in the history of the company, both in terms of revenues and profits. Net sales for the full year grew by 23 percent to 2,152.5 MSEK and profit grew 14 times to 132.4 MSEK.

Our digital sales continued to grow this year, building on a successful 2020. Our eCommerce channel grew by 26% and if we take online retail share into account the growth is even stronger.

In sustainability, we continued to phase out virgin plastics and introduced new ways to extend product lifetime.

Our commitment to diversity and inclusion showed in recruitment throughout the year, adding the most diverse pool of talent yet, all the while elevating the knowledge about D&I across the organization.

We've learned a ton about managing a very unstable supply chain and this experience will make us even stronger as the situation stabilizes moving forward. Our ability to plan demand, secure key components and to optimize product allocation across markets, channels and categories have been paramount to our growth in 2021. We've made the most out of a year where demand was far greater than the available supply.

While our Homeline and Portable speaker ranges for Marshall remain the biggest sales drivers in 2021, we have taken big steps towards a stronger product offering in headphones which will help fuel our growth moving forward. In 2021, we've completely revamped our headphones offering, introducing six new true wireless headphones under the Marshall and adidas brands.

Our product offer will be strengthened even more in 2022, with major updates coming to our range of speakers, new colours for our best-selling products, and overall innovation across all brands.

Our team is constantly focused on satisfying the needs of our audience while future-proofing our business to ensure sustainable and profitable growth of the business.

The dedication, determination, ambition, and positive mindset from the team is reinforcing our confidence that we have everything we need to fully unlock Zound's potential in 2022 and beyond.

Marshall

Marshall is an iconic British brand that has been at the forefront of guitar amplification innovation for more than half a century. Marshall not only designs and makes cutting edge products, it also makes handwired reissues of its historic amplifiers – amps that in the '60s, '70s & '80s defined the sound of rock and British blues music. Marshall still makes vintage and modern all-valve amplifiers today at its home in Bletchley, England.

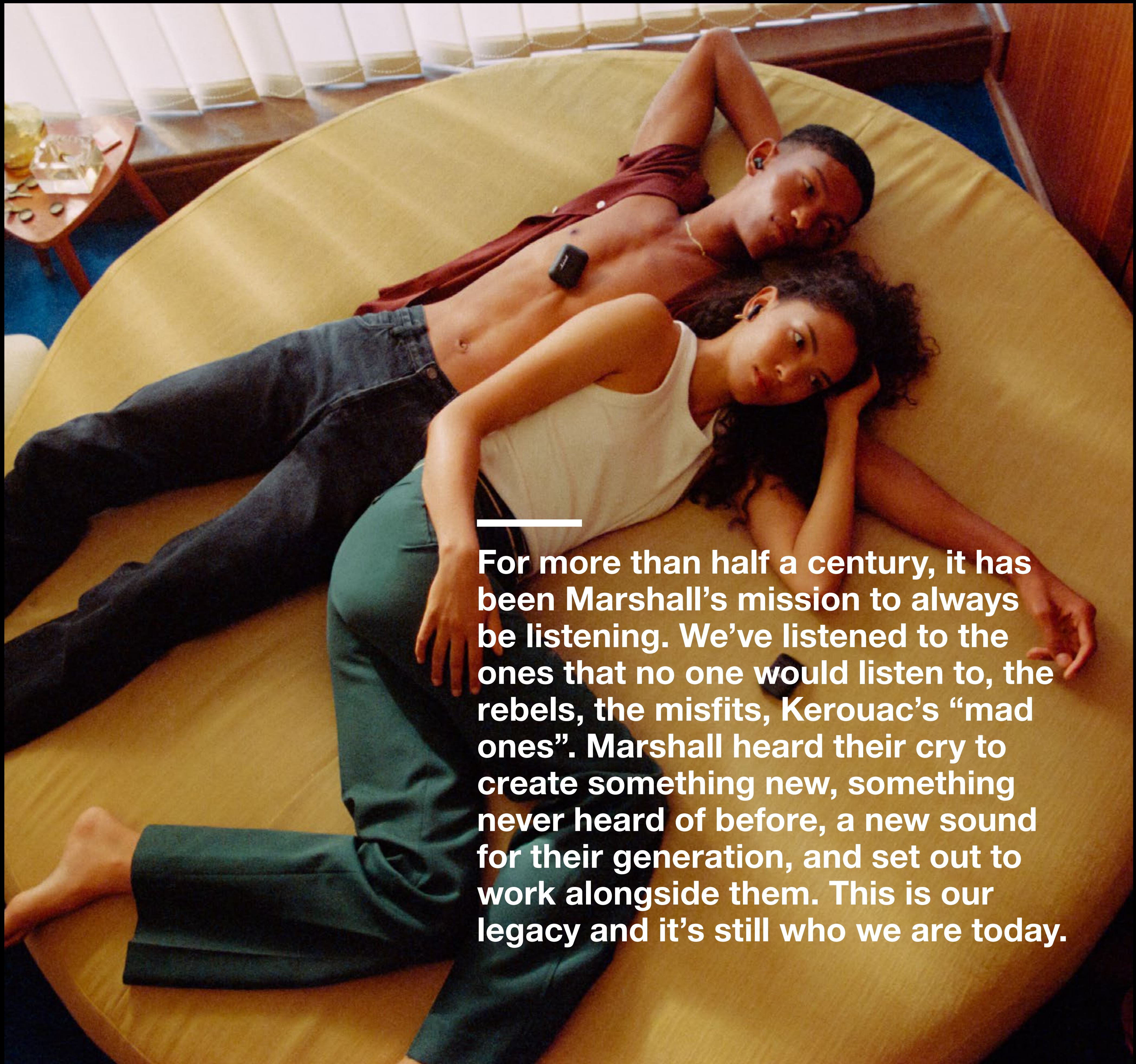
In 2010 a now legendary partnership was formed between Marshall and the two-year-old start-up Zound Industries. We released the first Marshall headphones that same year and in 2012 the first Marshall home speaker entered the scene.

The sound of Marshall has rocked stages all over the world for more than half a century. Breathless roadies and roaring trucks have worked hard to deliver this iconic sound. This unparalleled amount of wisdom has been distilled and fused into every part of our Marshall headphones and speakers. Nothing has been compromised when translating the heritage of big stage performance to the individual enjoyment of good music.

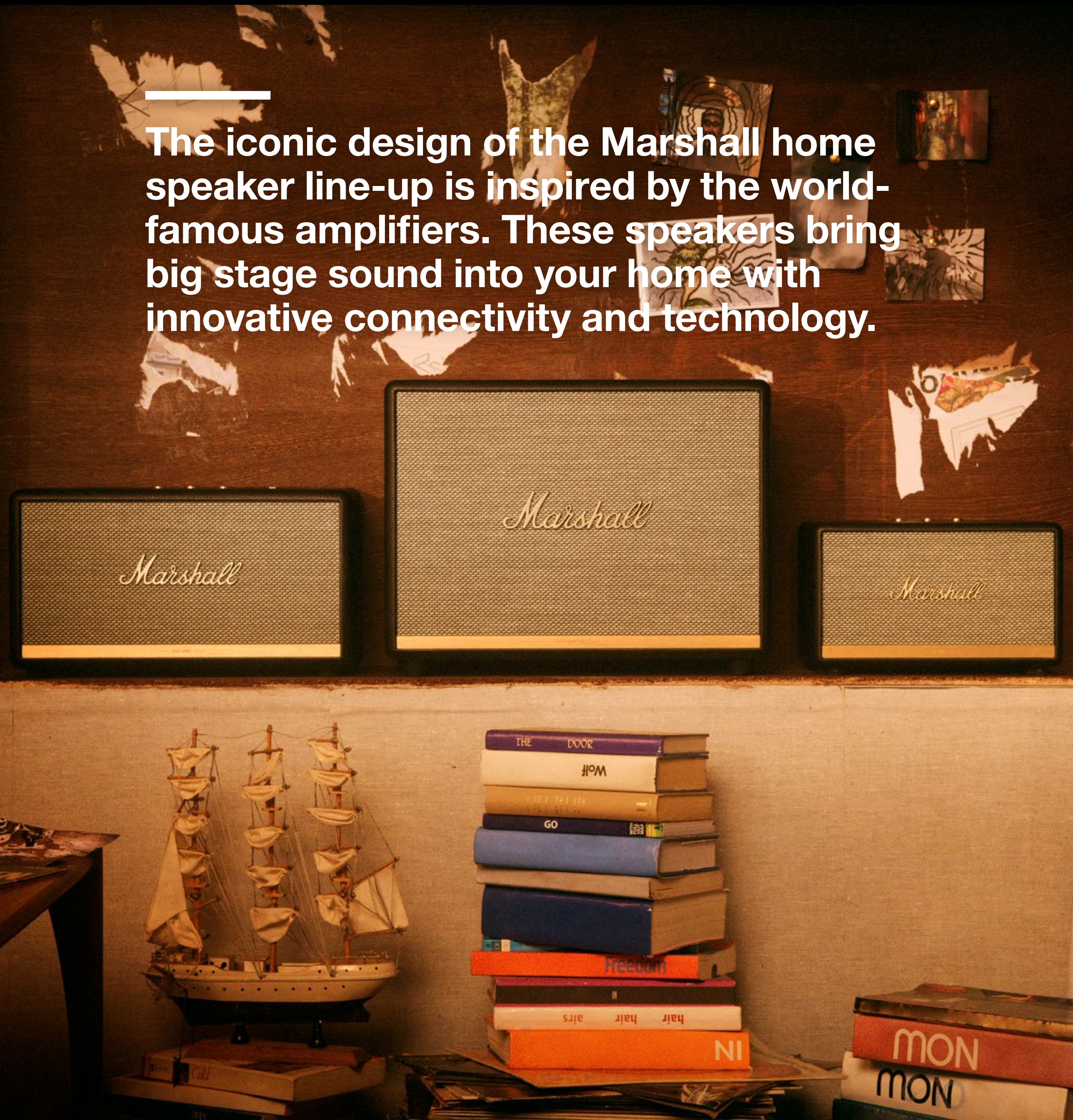
We are not only here to sell products in the world of consumer electronics, we are here to create rock 'n' roll experiences that are built on years of credibility. We aim to create new, authentic stories that connect with our consumers, and to become an integral part of their everyday lives.

When we speak about rock 'n' roll, we use it as a verb. Rock 'n' roll isn't a genre, it's a way of life. We speak about it in a broader sense to describe the contemporary lifestyle and mentality that we want to be associated with.

This mentality is strongly connected to our brand values, values in which we live and die by. It's everything that we do.



For more than half a century, it has been Marshall's mission to always be listening. We've listened to the ones that no one would listen to, the rebels, the misfits, Kerouac's "mad ones". Marshall heard their cry to create something new, something never heard of before, a new sound for their generation, and set out to work alongside them. This is our legacy and it's still who we are today.



The iconic design of the Marshall home speaker line-up is inspired by the world-famous amplifiers. These speakers bring big stage sound into your home with innovative connectivity and technology.

Home Bluetooth line-up

The Marshall portable speaker line-up is made for backstage roadies, poolside fun and the open road. These speakers bring rugged design and the Marshall signature sound wherever the adventure leads.

From top: Black and Brass family, Emberton Forest

From top: Mode II, Motif A.N.C., Minor III, True wireless range, Major IV Brown

Marshall headphones are made for an all-day listening experience and their design is deeply rooted in our rock ’n’ roll heritage. They combine contemporary technology with bold attitude.

Monitor II A.N.C.

URBANEARS

Say hi to Urbanears — Zound's own brand. Designed and engineered in Stockholm, Urbanears is about creating sustainable products for people who care. Clean aesthetics, user-friendly features and heavy attention to detail combined with a sustainable mindset.

Since 2009, Urbanears have been creating products to connect great tech with the world of style, culture, and self-expression. How? By focusing on what matters. Design and functionality, all created for the conscious, in more ways than one.

To us, sustainability and style go hand in hand and is the heartbeat of our brand. We take full responsibility (and credit) for our products, from design process to distribution. From fair pay to fair materials. Making listening a statement starts by simplifying and streamlining — from clean aesthetics to green manufacturing.

We work to turn up the volume for the whole industry and set the tone for a new way of thinking, where we can become circular and climate neutral by the year 2030.

A better sounding future is in the making.

Urbanears goal is to become circular and climate neutral by 2030.

Clean aesthetics, user-friendly features and heavy attention to detail combined with a sustainable mindset.

From top: **Plattan 2 Bluetooth Powder Pink, Boo Slightly Blue, Boo Tip Almost Green, Sumpan Dark Grey**

This is Boo. Introducing our most sustainable headphones yet. Made from 97% recycled plastics (bottles, air conditioner units and other junk).

From top: **Boo Slightly Blue, Boo Almost Green, Boo Tip Slightly Blue, Boo Tip Almost Green, Boo Tip Charcoal Black**

adidas

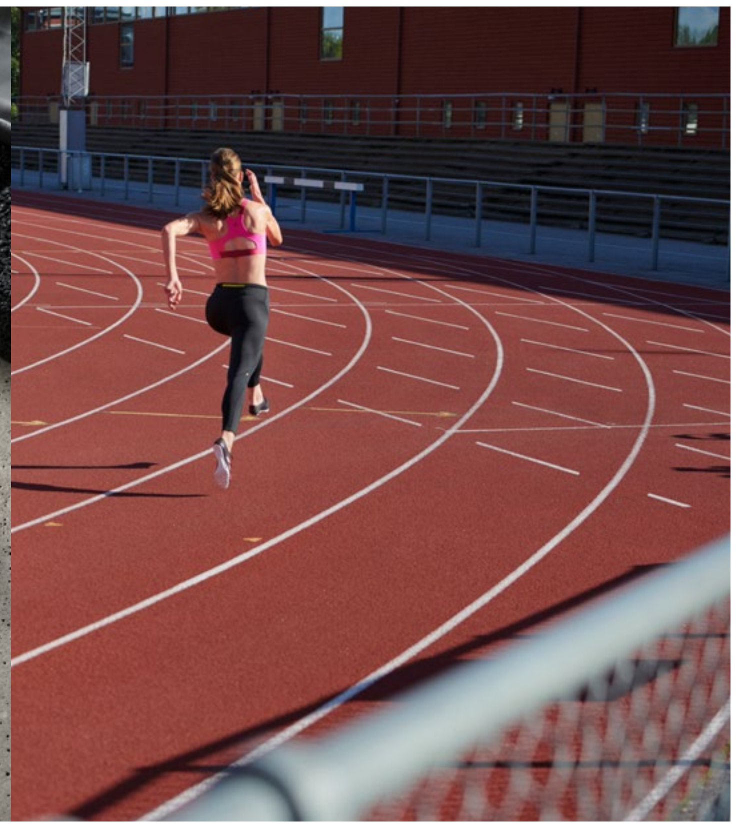
Everything adidas does is rooted in sport. And sport plays an increasingly important role in people's lives, on and off the field of play. It's central to every culture and society and is core to an individual's health and happiness. adidas believes that, through sport, we have the power to change lives.

Recognising the inherent link between music, sport and lifestyle, adidas and Zound have teamed up to create a unique offering that matches the unrivalled brand and product experience you expect from adidas footwear and apparel. This is a partnership that fuses functional and cutting-edge tech with style and performance.

Co-created by athletes, the headphones are crafted to meet the specific needs of different sporting disciplines. With a focus on technology innovation, function and fit, adidas and Zound Industries are determined to give athletes at every level the ultimate audio experience, in any field of play. From warm-up, to workout, right through recovery.

Co-created by athletes, the headphones are crafted to meet the specific needs of different sporting disciplines.

FWD-02 Sport Night Grey



True Wireless Night Grey Range

True wireless headphones offering freedom of movement, so you can perform at your best in sport and life.

Z.N.E. 01 ANC Light Grey

RPT-01 Light Grey

A fully equipped wireless on-ear headphone engineered to meet the demands of any training routine head-on.

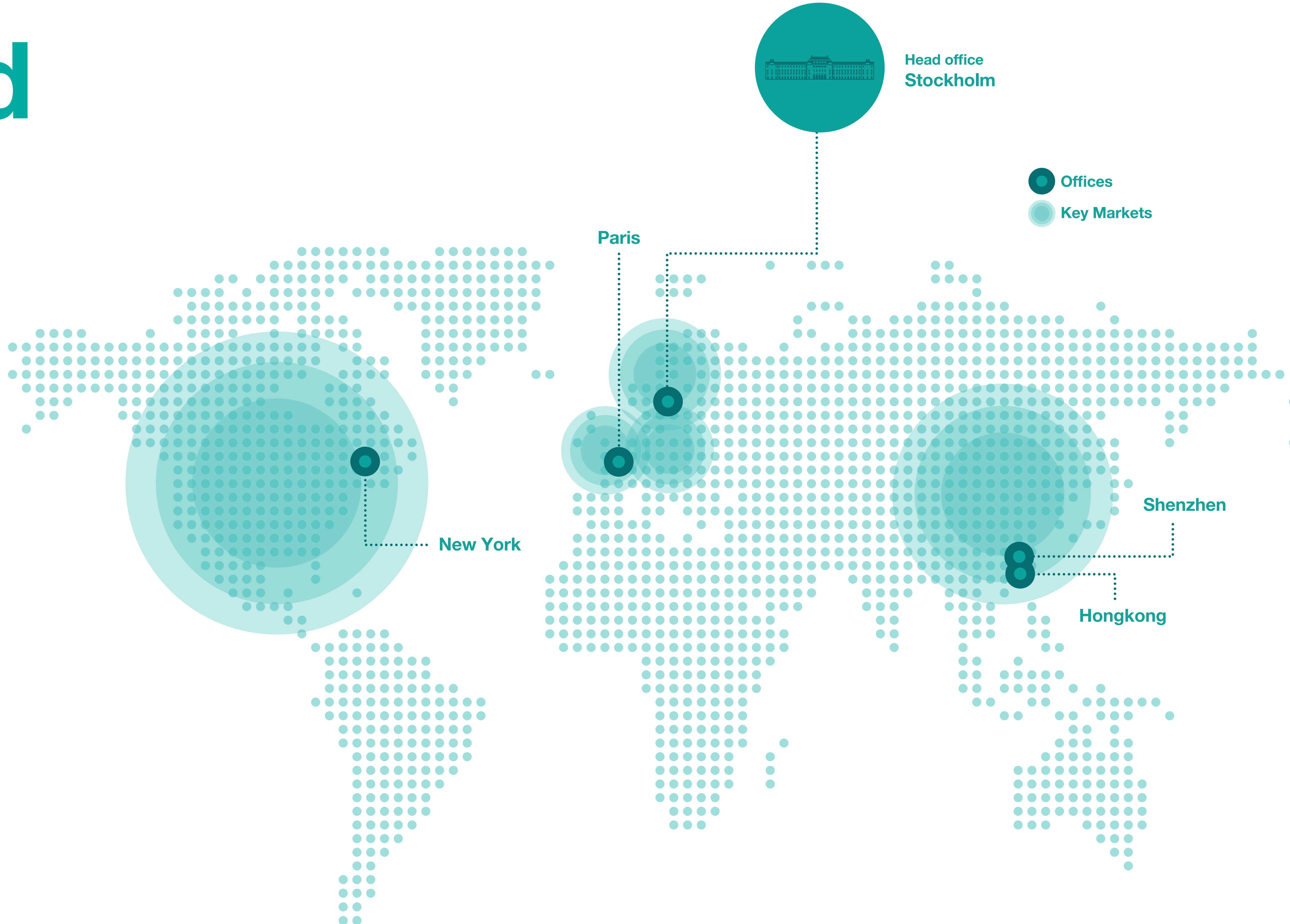
RPT-01 Light Grey

The World of Zound.

Zound is the powerhouse behind the Marshall, adidas and Urbanears brands. For over a decade, we have been shaking things up on the audio electronics market. We redefined headphones from an electronics product to a fashion accessory, sprinkled colour across the audio world and set a new standard for portable and home speakers. We've shaped fresh narratives for brands from other categories. We shrunk stereo sound into a single speaker. We put people first and we dare to challenge the status quo in everything we do.

We can do this because we design and develop all our products in house. From concept to consumer, our team of magicians come together to create something that resonates on the inside as well as it does on the out and represent who our consumers are as individuals and what they care about as a community.

We are here to amplify life by humanising tech.
We bring life to sound.



Distribution to 90+ markets worldwide

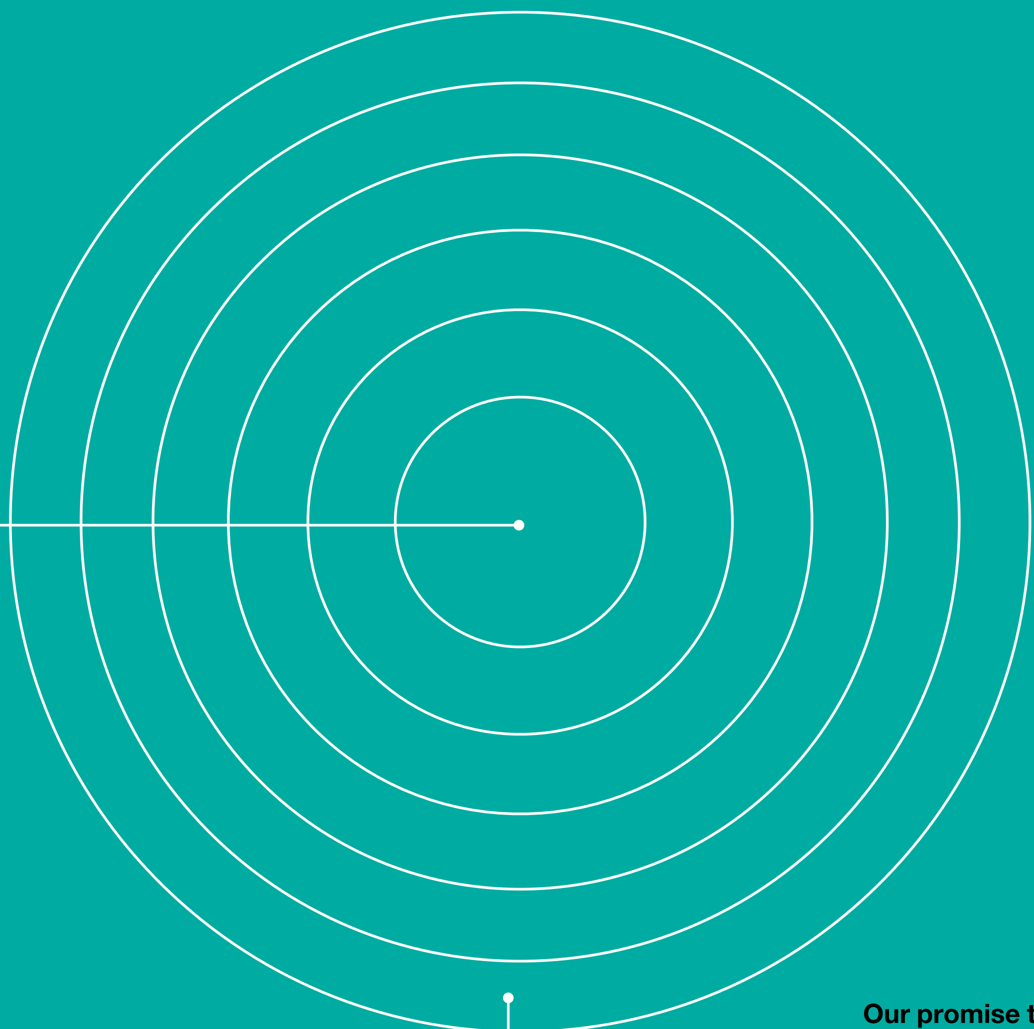
239 employees across 5 offices

Our head office is in Stockholm, Sweden, connected to a global network of local offices in Shenzhen, New York, Hong Kong and Paris. We distribute our products to 90+ markets globally with a special focus on our key markets China, USA, France, Germany, UK and the Nordic region.

From purpose to strategy.

Our purpose in the world

To amplify life by humanising tech



Our promise to the world

We bring life to sound

Our purpose inspires us. Our strategy guides us. Our people & culture make magic happen.

Ambition

The most loved, human and connected audio electronics company as well as the #1 challenger and the most exciting alternative to traditional players.

- Double-digit, profitable, revenue growth year-on-year.

Where to play

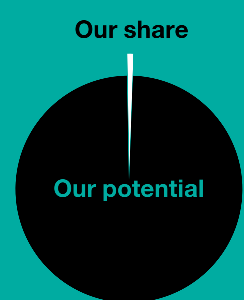
Engage with the audiences of our three distinct brands. Focus on our own eCom, pure players, CE, lifestyle and B2B. Deliver on true wireless, home and portable speakers as well as innovation.

How to win

Be product obsessed, digitally connected, innovation driven, sustainability committed and diversity & inclusion minded.

Enablers

Attract, develop and retain top talent. Build best-in-class capabilities across legal, supply chain, IT & systems and finance.



With 1% market share on the global audio electronics market today, we're only getting started in achieving our true potential.

Sustainability report 2021.

At Zound we take our sustainability responsibility seriously. Making consumer electronics means we can challenge long-held industry conventions, as well as initiate change that brings about better outcomes for both people and the planet.

Out of everything we do, our products have the biggest impact on the environment. To tackle this impact we focus on sustainable design to create headphones and speakers that not only look and sound great, but that push our industry towards more sustainable practices.

Mapping our climate impact is key to our sustainability work. We need to know where and how we are affecting the environment to make better decisions to reduce it.

Our supply chain involves many stakeholders both upstream and downstream. Because it is so complex, we know there are lots of opportunities for us to make a difference. A focus on responsible sourcing is key for us to continue to improve together with our suppliers.

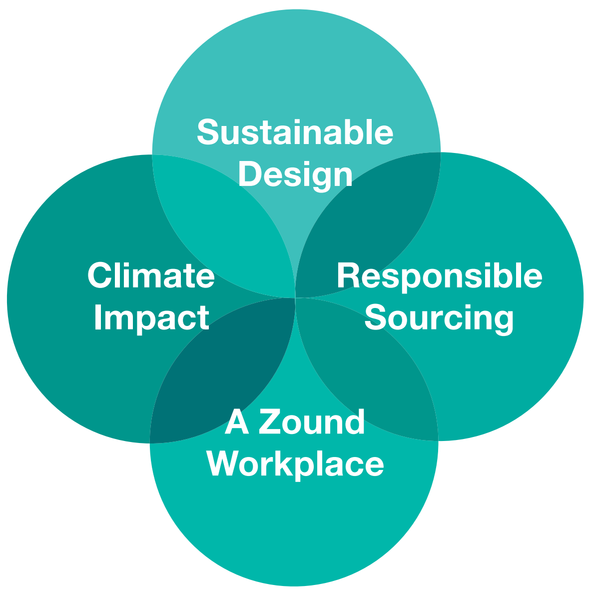
But it is not all about our products. It is also about our people. We show respect for and treat all our employees fairly, just like we would want to be treated.

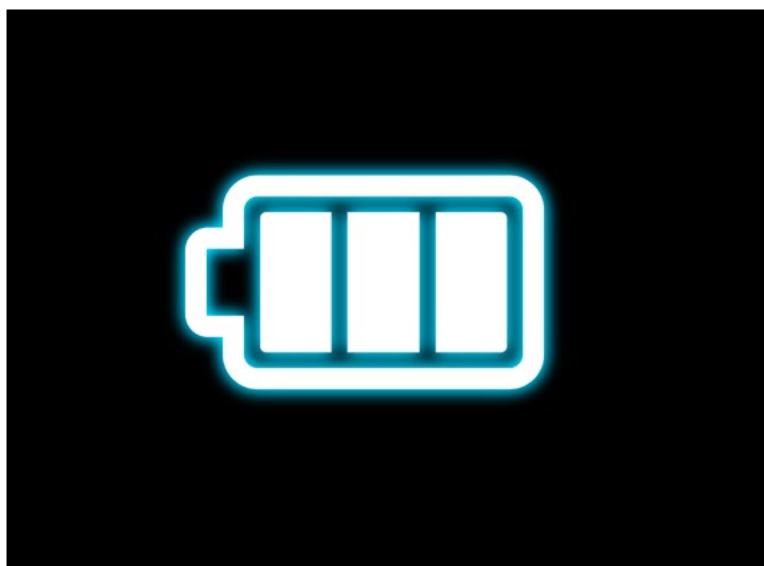
2020 was an unusual year and 2021 continued to surprise us. Zound, like all companies, had to continue to adapt to the unforeseen changes sparked by the global pandemic.

We have established new ways of working, to protect our employees, react to global supply and logistics challenges, find new ways to meet our partners and customers, and build financial resilience.

We have continued to work hard to find new solutions to challenges, meet demand, and improve our sustainability processes. As our business has grown, so has our climate footprint, but our continued focus on sustainability and the actions we are taking is making sure we lower the footprint of our products over the long term.

These focus areas make up the foundation of our sustainability work.





Sustainable design

At Zound, design is our passion. It drives us to create products our audience desire. Design is also our most valuable tool to enrich lives, reduce our environmental footprint and show our genuine love for our planet. Through clever design, careful choice of materials, and tech innovation we can create quality and sustainable products.

Our approach

We are innovative, curious and not afraid to challenge conventional methods to make our products and packaging more sustainable throughout their lifecycle. We use sustainable and durable materials and components when possible, minimize power consumption, as well as take responsibility to extend product longevity and the life of the materials we use.

It is not always clear how consumer electronics can be more sustainable. However, we believe that our portfolio of products has several both common and unique, opportunities for improvement. Working across departments, we identify these opportunities early in the concept phase, set out clear targets, and work to find solutions to implement.

We love a challenge and do not take 'no' for an answer. Sustainable design is not an isolated product development island, it stretches right across our organization. And all our departments and locations can research and innovate so we can affect longer-lasting positive change.

The main environmental and social impact from our products lies in the electrical components. Electrical components are to large extent pre-defined in each industry, which makes it hard to reduce and substitute them. For now, our main focus is to make our products easier to recycle and prolong their lifetime. This year we initiated work to improve recyclability and prolong product lifetime. We performed a repairability study of our existing products to gain insights, started building knowledge around battery lifetime improvements, implemented eco-charging and we joined the research-industry project "Certified to LAST" hosted by RISE (Research Institutes of Sweden). Aiming to define a methodology to measure and improve product lifetime of consumer products.

Prolonging battery lifetime

Battery capacity degradation is among the most common causes limiting product lifetime. In true wireless earbuds, it is a common issue, due to the small battery. To change this, during the year we initiated work to find ways to prolong battery lifetime in collaboration with battery suppliers. Setting an upper charge limit can prolong the battery lifetime by two to three times. This feature named "Eco-charge" has therefore been implemented in all headphones launched in 2021, either as a choice in the app, or as a pre-set feature. The battery lifetime of course depends on many factors, and we continue to look for ways to improve this further.

Making use of recycled plastic

Reducing our environmental footprint using recycled, responsible sourced materials is another focus area. One key area for us is finding ways to phase out virgin plastics. We want to make sure that the plastic we put in our products reuses waste, is durable and has a minimal impact on the environment. Over the past year, we have continued the successful journey of implementing recycled plastics in new applications. This has resulted in more suppliers and more color variants, all certified through GRS (Global Recycle Standard). By using post-consumer recycled plastic in our top-selling headphone Marshall Major IV emissions from the use of plastics in the product decreased by 98% according to an analysis done by our external partner.

Reducing climate impact

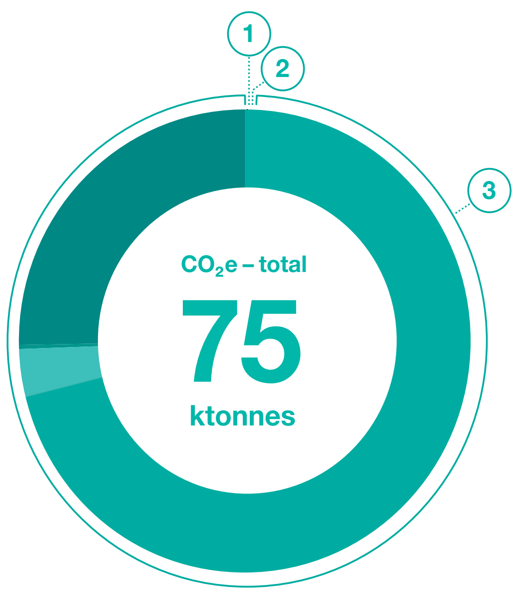
Being transparent about our sustainability performance is critical. And so is reducing climate impact across our entire value chain. To achieve the best possible results, we need to concentrate our efforts on where we have the biggest footprint, and first we need to know what that footprint is.

Our approach

For a holistic view of our climate impact, we calculate our emissions based on the Greenhouse Gas Protocol. In our calculations, we use internal and third-party data as well as emission factors from recognized databases. We constantly look for ways to improve the quality of our data and the accuracy of our calculations.

We report all our direct emissions (Scope 1 and Scope 2), as well as our most significant indirect emissions (Scope 3) where data is available. For example, we are still evaluating the best way to calculate greenhouse gas emissions for end of life of our sold products.

Most of our emissions are indirect. Our direct emissions account for only 0,2 percent.



Scope 1	Direct GHG emissions	0.00%
Scope 2	Electricity indirect GHG emissions	0.10 %
Scope 3	Purchased goods and services	71.1 %
	Fuel- and energy related activities	0.00 %
	Upstream & Downstream transportation and distribution	3.30 %
	Business travel	0.10 %
	Employee commuting	0.10 %
	Use of sold products	25.20 %

Purchased goods and services

In 2021 emissions generated from materials used in the production of our headphones and speakers is estimated at 53,330 tonnes CO2e, compared to 20,726 tonnes CO2e in 2020. 2020 was an exceptional year where we mostly sold out inventory due to supply constraints. As production capacity increased in 2021 and demand drove sales to new all-time highs, emission numbers went up as a consequence.

Product usage

Emissions from consumers using our products are estimated at 18,946 tonnes of CO2e for 2021, compared to 18,907 tonnes of CO2e in 2020. Due to the product mix, with a lower number of voice and WIFI speakers sold compared to 2020 emissions are estimated to be in line with 2020 despite the increase in total sales. Our product usage estimations are based on speaker power consumption during active, idle and standby mode.

Transportation of products

Transport of our products accounts for about three percent of our total carbon footprint. Carbon emissions from transporting our products are estimated at 2,510 tonnes of CO2e in 2021, compared to 3,665 tonnes of CO2e in 2020. In 2021 it corresponds to 0.3 CO2e/tonnes of shipped product. We distribute products from our factories in China to our hub in Shenzhen to consolidate customer orders and transfers between our warehouses in order to reach a high utilization. From here we distribute to our local warehouses in Europe and the U.S. The largest share, 99%, of these transports was by sea or rail. The final one percent of transport was by air, down from five percent in 2020 which accounts for most of the overall decline in estimated transport emissions for 2021. After the products have reached our local warehouses, they are distributed to local markets largely by road.

Business travel

During 2021, business travel was still significantly lower then travel before the COVID-19 outbreak. We instigated early travel restrictions and changed meetings in person to digital events. In 2021 emissions generated from business travel by air and train is estimated at just 91 tonnes of CO2e, compared to 1,309 tonnes in 2019. We do not currently measure taxi emissions and hotel stays in our business travel calculations but are looking at ways to incorporate this data.

[1] Our climate calculations are based on the Greenhouse Gas (GHG) Protocol, the most widely used international accounting tool used to understand, quantify, and manage greenhouse gas emissions. Different greenhouse gases are recalculated into CO2 equivalent (CO2e). In GHG Protocol the emissions are divided into three scopes; Scope 1 is direct emissions from operations; Scope 2 is indirect emissions from electricity, heating and cooling; Scope 3 is indirect emissions. We use Scope 3 because we do not own nor control any sources directly. It also gives us a fuller picture of our emissions both downstream and upstream from our core operations.

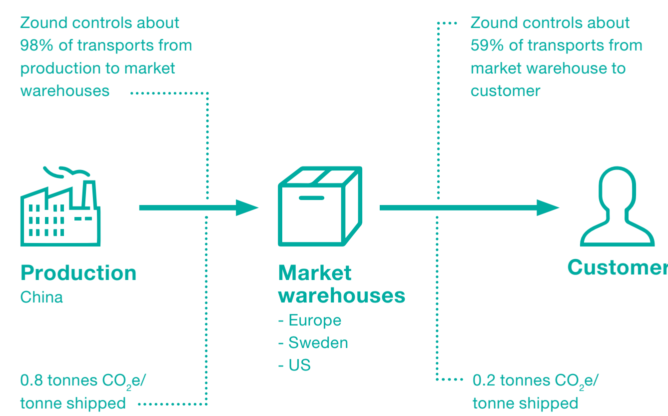
*ZI sustainability survey

Energy use in offices

Our head office and most of our employees are based in Stockholm, Sweden. The office uses 100% renewable electricity and heating comes from waste incineration. For offices outside Sweden, we cannot choose the energy source, so we use the countries' general energy mix to calculate emissions. Total emissions generated from heating, cooling and electricity for 2021 is estimated at 85 tonnes of CO2e.

Employee commuting

In a normal year, most employees either walk, cycle or use public transport to get to work. In 2021, the majority of staff worked from home with an exemption for Q3, and if people had to come to the office, they took a taxi or came by car to avoid public transport. For the 2020 report we conducted an employee survey on travel patterns. We assess that traveling has been very similar in 2021, and therefore used the same proportions for 2021, just scaled to the current number of employees. On average, Zound employees traveled 23 km a day to and from work in 2020. Total emissions for commuting are estimated at 58 tonnes of CO2e*.



Employee commuting	Distance	tCO_2e (2021)
Train/Subway	26%	7.0
Walk/Bike	51%	0.0
Bus	15%	24
Car	9%	26

Responsible Sourcing

The consumer electronics supply chain faces challenges in terms of human rights, health and safety, and the environmental impact of sourcing materials. We are committed to improving, but we cannot do it alone. We need to work with our suppliers to keep raising standards and improve social, environmental and ethical performance together.

The COVID-19 pandemic continued to present many unexpected challenges. Shortage on integrated circuits and many other components and materials has made it necessary to spend a lot of work to find new components and suppliers, still keeping our standards on quality, compliance and fair conditions. Production had to adjust to supply. However, we continued working with all our suppliers throughout the year, having an open and ongoing dialogue with them about subjects like their financial situation, working conditions and health protection measures. Since the majority of suppliers are located in the same province as our local office, many visits and audits could go on during 2021. It was only at the end of the year when travel restrictions stopped the last planned audits. In total, we managed to do more full audits according to our Code of Conduct than ever before.

Our approach

We want to collaborate with a selected number of long-term suppliers who share our values and sustainability vision. By working closely with these suppliers and maintaining a high presence at our factories we can raise standards. We also work with our partners to share knowledge and experience of sustainability. This year we initiated training on circularity and what it will mean for us with our long-term suppliers.

Supplier Code of Conduct

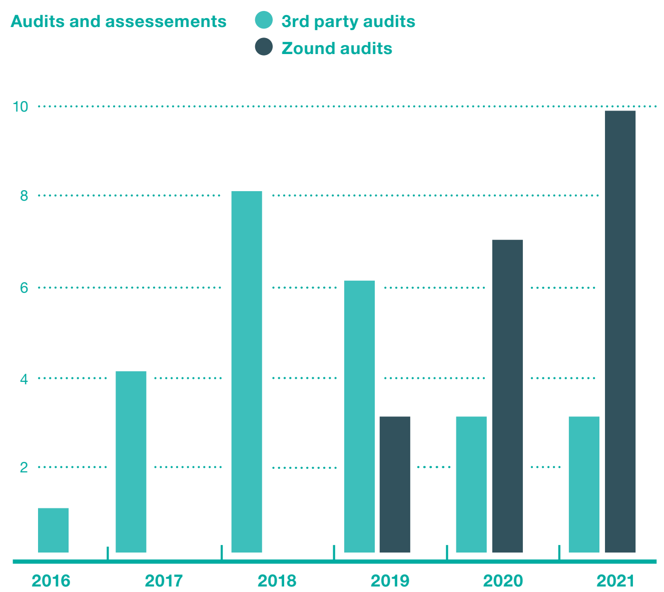
Zound Industries' Supplier Code of Conduct sets out the sustainability requirements that we expect all our suppliers to fulfill. It covers management, health and safety, human rights, environment and ethics. In 2021, the code was updated with a clearer requirement on overtime. The updated code has been signed by all our product suppliers.

Supplier Audits

Audits are an important tool to help our suppliers act in accordance with our requirements. Zound Audits are based on our Supplier Code of Conduct. They focus on identified risk areas typical for our industry and locations. During 2021, we carried out 12 full Zound Audits; these were at five long-term suppliers, three new potential suppliers and four second-tier suppliers. We also conduct third-party audits as a requirement of our partners. During 2021, we performed three third-party audits at product manufacturers. In the past five years, 100% of our long-term product manufacturers have been audited by a third party. We follow up any identified non-compliance with suppliers and draw up action plans to find and implement improvements. Zound audits result in a score, and in 2021 we increased using the score by making it part of supplier review, award and business review. Several suppliers improved their scores during 2021 and no one was impaired.

As a result of our audits, health, safety processes and conditions at our manufacturing partners' sites have improved. Progress in 2021 include social insurance for operators at all long-term product suppliers, increased use of Personal Protective Equipment (PPE) and included PPE-training at all long-term product suppliers. Improved chemical waste management performance through clearer requirements on approved collectors. During the year we have also updated our Code of Conduct with clearer requirements on maximum overtime.

We work in collaboration with suppliers to solve any issues highlighted by our audits. However, if this approach is unsuccessful, we reserve the right to terminate our contract with the supplier.



A Zound workplace

If 2020 was the year when the global pandemic affected all areas of the business, 2021 was more of a versatile year. We were still impacted by the ongoing pandemic both on an individual and company level, however, people got used to work from home and managed quite well to do most of their work without having to go to the office. Through dialogues and from asking the employees about their work environment in our employee survey, it was clear though that Zound employees missed their colleagues and the interaction with others but the perception of the necessity of going back full time to the office, had changed. The ask was to have more of a hybrid model with the possibility to work from home to a larger extent than before the pandemic, but also to be able to go to the office to collaborate, socialize and be creative together. In September we introduced new guidance for employees in our Work at Zound policy.

The right balance between the physical and digital workplace

A strong culture needs to be nurtured and requires constant attention to be kept alive through activities and activations. In our updated policy, we wanted to capture the learnings from the rapid transition to the virtual workplace brought on by the pandemic in 2020 and combine this with our ambition to keep the cultural activities going. The result was a flexible model that gives the individual more ownership of their working situation, giving employees the opportunity to decide a place of work for themselves for the majority of working days each month, but also four days a month where everyone across the company comes together in our offices.

Physical & mental health

To capture different perspectives and angles from the organization within areas such as how productive staff feel, how engaged they are with our goals and what they think about Zound leadership, we have an employee survey to follow this up. Our employee index was 75 out of 100 with a 76% response rate.

In 2021 our sickness absence rate was 1.7% across all offices, down 0.4% compared to 2020.

Diversity & Inclusion

As a part of Zound's updated strategy Diversity & Inclusion has been defined as one of five key strategic pillars. The work to further strengthen our capabilities in this area, to ensure a more diverse workforce and a more inclusive workplace was started in 2022.

We established a partnership with an external D&I consultancy, and set a project plan to develop a holistic D&I strategy. We also initiated company-wide lectures to elevate the competence within D&I and get the organization on the same page.

In recruitment, we have reviewed and adapted our processes. We actively sourced international talents with more focus on a global scope to find the right talent. Enhanced focus on relocation with an increased budget to enable help and support for international candidates moving to Sweden. Emphasized the importance of D&I to hiring managers, we ensured inclusive language in all candidate communication touchpoints and we started measuring key KPI's within D&I and showcased progress throughout the year.

Fight Corruption

We do not tolerate any form of corruption or other unethical business. Our employee Code of Conduct and our Anti-Corruption policy set out how we fight corruption. Employees must not offer, give or accept bribes or any other inappropriate benefits. They must always put our company's interests first and escalate any potential conflicts of interests. To support employees, we offer online training about preventing bribery and corruption.

In 2020 we carried out a risk assessment to identify elevated risks for bribery and corruption. We interviewed managers about any changes to the business. No incidents or elevated risks have been reported. In fact, there has been a reduction in risk in 2020 and 2021 due to presenting new products digitally rather than in person.

Governance of Sustainability at Zound Industries

Our sustainability resources consist of a Sustainable Design Manager with focus on product sustainability and circular materials while a Sustainability and Compliance Manager works with products and our corporate responsibility. Alongside these dedicated posts, a cross function team explores new solutions and ways of working, for example new materials, usability, life cycle assessment and transportation.

To help communicate our sustainability work with employees and partners we use policies and guidelines including our Sustainability Policy, Zound Play – our employee code of conduct – and our Supplier Code of Conduct.

Sustainability risks and mitigation
Zound's approach to sustainability is defined from both a risk and an opportunity perspective. In 2017, we conducted a review of the company's sustainability topics, risks and activities, including interviews with internal and external stakeholders and it has been revised ever since. During 2021 we have involved a large part of the organisation to compile a new company strategy which also includes sustainability.

Risks and risk management sheet

Area	Material impact	Scope	Management
Environment	**Environmental impact from products** From a lifecycle perspective, most of our products' environmental impact comes from extraction of materials, manufacturing and packaging. Apart from managing legal requirements, such as those linked to chemical management, Zound Industries' brand could be exposed if associated with causing negative environmental impacts.	Zound Suppliers	Reducing negative environmental impacts starts with product design and carries on throughout the entire value chain. • Sustainability policy • Sustainable design guidelines – covering the lifecycle of the product. • Build awareness of sustainable design, materials and technologies through training, workshops and guidelines for designers and product development teams • Chemical analyses of materials and products • Sustainability requirement training, including adidas' enhanced requirements for product manufacturers • Sustainability audits of manufacturers • Collection of end-of-life products, batteries and packaging • Continued improvements to size and recycled content of product packaging
	Environmental impact from product transports From a lifecycle perspective, the second largest environmental impact is product transports. Transports made by air lead to both increased costs and a greater climate impact.	Zound	• Sustainability policy • Plan production and optimize logistics • Implement targets on consolidated goods • Evaluate alternative modes of transport, use carbon off-set for US ecom • Use rail to limit air shipments
Human rights	**Responsible supply chain** Zound Industries outsources production to suppliers in China. The electronics industry has a complex supply chain that includes a risk of negatively impacting human rights. Stakeholder interviews in 2020 deem the risks of outsourced production and mineral and metal sourcing high. There is a clear need for a continued focus on risk control.	Zound Suppliers	Zound Industries Supplier Code of Conduct, (revised 2021) communicated and signed by product manufacturers • Training of product manufacturers • Audit of product manufacturers, both Zound audits and third party audits
Anti-corruption	**Fight corruption** Zound Industries advocates free and fair trade, strives for open and fair competition and ethical conditions within the legal frameworks of the countries in which it operates. If Zound Industries does not follow these principles, it can jeopardise the company's reputation and can also result in fines.	Zound Suppliers	• Supplier Code of Conduct • Employee Code of Conduct • Anti-corruption policy • Risk analysis • Anti-corruption training • Audit of product manufacturers • Routines for follow-up of irregularities • Interviews of managers of teams with elevated risks
Employees & social conditions	**Strategic talent supply** At Zound Industries we manage the entire value chain in-house, apart from production. This means we have expertise in several areas. Having people with the right competencies in the right position is business critical.	Zound	• Quality-assured recruitment process • Skills development according to individual needs
	Strong commitment and wellbeing An inspiring workplace where employees are happy, developing and want to stay, is important to ensure Zound Industries' stable development. Clear leadership, defined areas of responsibility and the right competencies help create a healthy working environment.	Zound	• Employee Code of Conduct • Working with our culture and values • Diversity & Inclusion strategy, staring with awareness building with several workshops • Employee survey conducted in September on leadership, wellbeing, communication • Heartpace, performance management tool, to follow up individual development connected to role, responsibility and performance • Systematic working environment work, including a forum that meets quarterly and employee representatives • Online activities – sports and learning • OneLab, a health platform that identifies ill health and offers the right care at the right time

Reporting principles

Climate Impact:

Zound Industries used the Greenhouse Gas (GHG) Protocol in its climate calculations. This Protocol is the most widely used international accounting tool to understand, quantify, and manage greenhouse gas emissions. The different gases are calculated into CO2 equivalent (CO2eq) depending on their global warming potential. To calculate CO2eq we use emission factors from DEFRA and NTM (default and benchmark transport data).

In the GHG Protocol emissions are divided into three scopes:
Scope 1 is direct emissions from operations.
Scope 2 is indirect emissions from purchases in electricity, heating and cooling.
Scope 3 is indirect emissions.

We have chosen to use a financial approach when declaring our emissions, which means all our emissions fall into Scope 3 because we do not own nor control any sources directly.*

Scope 3 categories that we have not evaluated are capital of goods, fuel- and energy-related activities, waste generated in operations, upstream leased assets, processing of sold products and downstream leased assets. These are estimated to represent less then 1% of total CO2eq emissions.

*Scope 3 categories which are not applicable are franchises and investments.

About the statutory sustainability report:
The following table shows where information required for the statutory sustainability report is reported.

Area	Requirement	Page
Overall	Business Model	36 – 37
Environmental issues	Policy and procedures Risks and risk management Performance	38 – 45
Employees and social issues	Policy and procedures Risks and risk management Performance	38 – 45
Human rights	Policy and procedures Risks and risk management Performance	38 – 45
Anti-corruption	Policy and procedures Risks and risk management Performance	38 – 45

Report by the Board of Directors

The Board of Directors and the CEO of Zound Industries International AB (publ.), 556757-4610, hereby submit the annual accounts and consolidated financial statements together with the statutory sustainability report for the financial year 2021. All amounts are reported in SEK million (MSEK) unless otherwise stated. Any amounts in parentheses refer to the previous year.

Business overview

Zound Industries International AB was established in 2008 and is the parent company of the Zound Industries Group. The Group consists of the parent company Zound Industries International AB with branches in France and Switzerland, the subsidiaries Zound Industries Ltd, Zound Industries Shenzhen Limited, Zound Industries Services Shenzhen Ltd, Zound Industries USA Inc., Zound Industries UK Ltd and Zound Industries Smartphones AB, all fully owned.

Zound Industries operates the entire value chain from design and development to marketing and sales of audio products. However, the company does not manufacture its products, but contracts manufacturers in Asia.

The company's brands are the proprietary Urbanears as well as Marshall and adidas, which are operated under licence. These brands are currently represented in 101 markets. The principal markets are the Nordic region, USA, France, Germany, UK and China. Distribution takes place via third-party distributors, through business-to-business, as well as directly to the consumer via owned e-com channels.

The head office is in Stockholm, Sweden, connected to a global network of local offices in Shenzhen, New York, Hong Kong and Paris.

Events during the financial year

Consolidated net sales for the year amounted to 2,152.5 MSEK, an increase of 23% compared to the previous year. The Group reported an operating profit of 132.4 MSEK compared to 9.4 MSEK in 2020.

Important product launches in 2021:

- On March 18th Marshall released their first ever true wireless headphone, the Mode II. This was accompanied by a new brand campaign featuring Iggy Pop under the tagline Never Stop Listening.
- In April Zound won two red dot awards for high quality design for the Marshall products Emberton and Monitor II ANC.
- On the 15th of September Marshall launched two new true wireless products, the Minor III and the Motif ANC. The Minor III has become one of Zound's fastest selling products ever.
- On October 27th Zound unveiled three new true wireless products joining the adidas line-up. The Z.N.E 01, the Z.N.E. 01 ANC and the FWD-02 Sport.

Sales in the Speakers segment was the main driver for growth increasing 33 percent compared to last year and amounted to 1,716.4 MSEK. The Homeline and Portable Speakers for Marshall, specifically the Stanmore II, Acton II and Emberton, were the biggest sellers.

Sales in the Headphones segment decreased by 7 percent to 434.3 MSEK mainly due to most of the new launches coming at the end of the year. The Marshall Minor III, released in 2021 and the Marshall Major IV, released in 2020, stand out as the top sellers looking at the full year 2021.

Sales of Marshall products increased by 29 percent to 2,052.8 MSEK. Urbanears' sales were down 47 percent from last year at 75.8 MSEK due to a lack of new product launches. Sales of adidas products was up compared to last year, albeit from low levels, and amounted to 24.1 MSEK. Zound is going into 2022 with a much stronger product range for adidas on the back of the TWS-launches in the second half of 2021.

E-commerce sales increased 26 percent compared to last year and amounted to 375,0 MSEK and were equivalent to 17 percent (20) of total sales during the period. Zound was able to maintain a strong momentum in E-com building on 2020 where online sales grew on the back of major lockdowns and quarantines in response to the global pandemic.

Sales in Zound Industries' main markets, the Nordic countries, USA, France, Germany, China and UK increased by 25 percent to 1319,5 MSEK during 2021. Stable growth on all key markets is attributed to stock allocation being the biggest determining factor in 2021. Notably the growth in the UK is tied to a distributor shift that took place last year. Sales in other markets also saw an increase in 2021 with a growth of 19 percent compared to last year to 833.0 MSEK.

During 2021 Zound increased its profitability and reported an improved operating profit in comparison to the previous year. Operating profit in 2021 amounted to 132.4 MSEK, equivalent to an operating margin of 6.2 percent (0.5). Adjusted for fluctuations in exchange rates, the operating margin amounted to 6.4 percent during the year. The profitability increase was a result of the growth in net sales and higher margins.

The corona pandemic is ongoing and has impacted Zound in different ways during the year. The demand for Zound's products fluctuated throughout the year and the pandemic caused disruption to production, supply problems and a component shortage. Zound's focus has been, and still is, to secure employees' health and safety and employees have mostly worked from home. It is difficult to assess what the continued effects of this will be on Zound's operations and financial development. A reasonable assessment is that COVID-19, which continues to be an issue at the beginning of 2021, could lead to both disruption in supply and changes in consumer behaviour in the coming year. The company is activity working to minimise the impact of such disruption and to find alternative ways to meet demand.

Earnings and financial position

The results of the company's operations and the financial position at the end of the financial year are shown in the accompanying income statement and balance sheet.

Five-year summary, Group

KEY RATIOS

Amounts in MSEK	2021	2020	2019	2018	2017
Earnings					
Net sales	2 152,5	1,756.4	1,997.0	1,856.4	1,403.1
EBITDA	167,9	47.7	23.5	101.9	105.2
EBIT	132,4	9.4	-16.6	76.4	83.3
Profit before tax	135,8	13.5	-40.4	64.8	80.0
Net profit for the period	101,5	6.4	-34.3	45.4	60.6
Margins					
Margin, %, EBITDA	7,8	2.7	1.2	5.5	7.5
Operating margin, %, EBIT	6,2	0.5	-0.8	4.1	5.9
Profit margin, %	4,7	0.0	-2.0	3.5	5.7
Financial position					
Total assets	1 424,9	878.5	1,112.6	1,127.4	690.0
Equity	520,4	402.9	405.9	430.0	314.9
Equity/assets ratio, %	37	46	36	38	46
Employees					
Average number of employees	239	231	228	192	161

Principal risks and uncertainties

Risks and risk management

Risk management is primarily handled by the CEO and CFO in consultation with the Board. Risk management includes identifying, evaluating and securing commercial, operational, financial, legal and regulatory risks, which also comprise sustainability-related risks. This happens in close collaboration with the company's operating units and there are specific departments for handling certain individual areas.

Commercial risks

The company is exposed to several commercial risks such as changing market conditions, technological developments, dependence on individual brands, product categories, customers, partners and suppliers. Among other things, the company works with diversification, partnerships, competencies and process development to handle the Group's commercial risks.

Operational risks

The strong growth and pace of change in the company demands high awareness of risks that can arise due to inadequate internal routines, processes, systems or due to other internal and external events. The company works continuously to develop and adapt internal routines, processes and systems to support and control the operations accordingly. In addition to this basic work, there are several policies and manuals to minimise the risk of losses due to shortcomings in these areas as far as possible.

Legal and regulatory risks

The company has Legal and Compliance units that handle contract-related obligations, external regulations and other laws and regulations. Both functions work together to ensure compliance in relevant areas and to minimise the company's risks. Awareness concerning legal and regulatory risks is considered good.

Financial risks

Zound Industries is an international business with operations in several countries. The presentation currency is Swedish Crowns. This means that the Group is exposed to currency risks as fluctuating exchange rates, among other things, can impact earnings and equity.

For a more detailed description of the Group's financial risk management, refer to the section Financial risk management, Note 25, in the supplementary disclosures.

Ownership

As of 31st December 2021

As of 31st December 2021 the Parent Company's biggest owner is Varenne AB, along with subsidiary Zenith Capital, representing a 23.6% interest. Telia Company AB owns 12% and Time Investors SAS owns 9.1%. Zound Industries' shares were distributed among a total of 423 shareholders.

Sustainability

Zound Industries' Sustainability Report is found on pages 38 – 45.

Proposed profit allocation at the 2022 annual general meeting

The Board proposes that the disposable profit on 31 December 2021 of 409 858 942 SEK, shall be carried forward.

For changes in equity during the financial year refer to the Group and Parent Company statements of changes in equality. Otherwise, refer to the accompanying financial statements with notes.

Consolidated Income Statements

Amounts in MSEK	Note	2021-01-01 2021-12-31	2020-01-01 2020-12-31
Net sales	4	2 152,5	1 756,4
Other operating income		3,0	14,8
Total revenue		**2 155,5**	**1 771,2**
Operating expenses			
Raw materials and consumables		-1 274,5	-1 112,1
Other external expenses	5	-454,1	-387,4
Personnel expenses	6	-258,9	-224,1
Depreciation/amortisation and impairment of property, plant and equipment and intangible assets	9,10,11	-35,5	-38,3
Other operating expenses		0.0	0.0
Total operating expenses		-2 023,0	-1 761,9
Operating profit/loss		**132,5**	**9,4**
Result from financial items			
Financial income	7	8,6	13,9
Financial expenses	7	-5,2	-9,8
Profit/loss from financial items		3,4	4,1
Profit/loss before tax		**135,9**	**13,5**
Income tax	8	-34,3	-7,1
Net profit/loss for the year		**101,5**	**6,4**
Net profit for the year attributable to:			
Parent company shareholders		101,5	6,4
Earnings per share before dilution (SEK)			
Profit from continuing operations		11,78	0,74
Earnings per share after dilution (SEK)			
Profit from continuing operations		11,78	0,74
Average number of shares before dilutive effects		8 612 658	8,612,658
Average number of shares after dilutive effects		8 612 658	8,612,658

Consolidated Comprehensive Income Statement

	2021-01-01 2021-12-31	2020-01-01 2020-12-31
Net profit/loss for the year	**106,4**	**6,4**
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss		
Translation differences	12,9	-9,4
Other comprehensive income for the year, net after tax	12,9	-9,4
Total comprehensive income for the year	**119,2**	**-3,0**
Total comprehensive income attributable to:		
Parent company shareholders	119,2	-3,0

Consolidated Balance Sheet

Amounts in MSEK	Note	2021-12-31	2020-12-31
ASSETS			
Non-current assets			
Patents and trademarks	9	5,1	4,7
Other intangible non-current assets	9	58,1	64,4
Right-of-use assets	10	47,0	70,2
Equipment. tools. fixtures and fittings	11	4,9	4,1
Other non-current receivables	12	20,0	14,0
Deferred tax assets	8	10,4	13,1
Total non-current assets		**145,5**	**170,6**
Current assets			
Inventories	13	317,0	220,1
Trade receivables	14	489,0	264,9
Other receivables		6,7	4,4
Prepaid expenses and accrued income	15	48,7	48,8
Cash and cash equivalents		406,8	169,7
Total current assets		**1 268,1**	**707,9**
TOTAL ASSETS		**1 413,6**	**878,5**

Consolidated Balance Sheets, cont.

Amounts in MSEK	Note	2021-12-31	2020-12-31
EQUITY	15		
Equity attributable to owners of the Parent company			
Share capital		0,9	0,9
Other contributed capital		225,7	225,7
Reserves		0,0	-7,0
Earned profit including net profit for the year		298,6	183,3
Total equity		**525,2**	**402,9**
LIABILITIES			
Non-current liabilities			
Liabilities relating to Right-of-use assets	10	21,5	46,8
Credit facilities	17	62,5	53,3
Other non-current liabilities		2,4	2,4
Deferred tax liabilities	8	2,6	0,0
Total non-current liabilities		**89,0**	**102,6**
Current liabilities			
Credit facilities	17	0,0	0,0
Liabilities relating to Right-of-use assets	10	23,2	20,9
Credit facilities	17	43,3	26,7
Trade payables		391,9	162,4
Current tax liabilities	8	18,0	4,7
Other liabilities	18	15,9	12,7
Accrued expenses and deferred income	19	307,1	145,6
Total current liabilities		**799,4**	**373,0**
TOTAL EQUITY AND LIABILITIES		**1 413,6**	**878,5**

Parent Company Statement of changes in Equity

Amounts in MSEK	Note	Share capital	Other contributed capital	Reserves	Retained earnings including net profit for the year	Total equity
Balance at 2020-01-01		**0,9**	**225,7**	**2,4**	**176,9**	**405,9**
Comprehensive income						
Net profit/loss for the year					6,4	
Other comprehensive income for the year						
Translation difference				-9,4		
Total Comprehensive income				**-9,4**	**6.4**	**-3,0**
Balance at 2020-12-31	18	**0,9**	**225,7**	**-7,0**	**183,3**	**402,9**
Balance at 2021-01-01		**0,9**	**225,7**	**-7,0**	**183,3**	**402,9**
Comprehensive income						
Net profit/loss for the year					106,3	106,3
Other comprehensive income for the year						0,0
Translation difference				12,9		12,9
Total Comprehensive income				**12,9**	**106,3**	**119,1**
Transactions with shareholders						
Subscription warrants	16		3,2			3,2
Total Transactions with shareholders		0,0	**3,2**	0,0	0,0	**3,2**
Balance at 2021-01-01	18	**0,9**	**228,9**	**5,9**	**289,6**	**525,3**

Consolidated Statement of Cash Flows

Amounts in MSEK	Note	2021-01-01 2021-12-31	2020-01-01 2020-12-31
Cash flow from operating activities			
Operating profit		132,4	9,4
Adjustment of items not included in the cash flow			
- Reversal of depreciation and amortisation		35,5	38,3
- Other items not affecting cash flow	23	-1,6	27,1
Interest received		0,2	0,1
Interest paid		-5,2	-9,8
Tax paid		-12,0	-7,8
Cash flow from operating activities before change in working capital		**149,2**	**57,3**
Changes in working capital			
Increase/decrease in inventories and work in progress		-84,0	351,9
Increase/decrease in trade receivables		-220,9	-25,6
Increase/decrease in other current receivables		-0,6	16,6
Increase/decrease in other current liabilities		228,9	19,5
Increase/decrease in trade payables		157,4	-32,9
Total changes in working capital		**80,7**	**329,6**
Cash flow from operating activities		**229,9**	**386,9**
Cash flow from investing activities			
Investments in intangible non-current assets	9	-2,7	-1,4
Investments in property. plant and equipment	11	-2,6	-0,6
Investments in financial assets		-5,4	-0,3
Cash used in investing activities		**-10,7**	**-2,2**
Cash flow from financing activities			
Subscription warrants		3,2	
Overdraft facility	25	10,0	-289,9
Amortisation of liabilities	25	-24,6	-25,1
Non-current liabilities	25	25,8	80,0
Cash flow from financing activities		**14,5**	**-235,0**
Cash flow for the period		**233,7**	**149,6**
Cash and cash equivalents at the beginning of the period		169,7	25,1
Exchange difference in cash and cash equivalents		3,5	-5,1
Cash and cash equivalents at end of period		**406,8**	**169,7**

*Cash and cash equivalents consist entirely of bank balances.

Parent Company

Income Statement

Amounts in MSEK	Note	2021-01-01 2021-12-31	2020-01-01 2020-12-31
Operating income			
Net sales		1 883,3	1 468,2
Other operating income		0,0	10,9
Total revenue		**1 883,3**	**1 479,1**
Operating expenses			
Raw materials and consumables		-1 243,2	-1 035,6
Other external expenses	5	-343,0	-303,7
Personnel expenses	6	-203,4	-184,2
Depreciation/amortisation and impairment of property. plant and equipment and intangible assets	9,10,11	-10,2	-13,1
Other operating expenses			0,0
Total operating expenses		**-1 799,8**	**-1 536,6**
Operating profit/loss		**83,5**	**-57,5**
Result from financial items			
Other interest income and similar profit/loss items		8,2	13,3
Interest expenses and similar profit/loss items		-4,0	-8,8
Profit/loss from financial items		**4,2**	**4,5**
Profit/loss before tax		**87,7**	**-53,0**
Appropriations	24	-12,1	22,9
Tax on net profit/loss for the year	8	-16,6	3,2
Net profit/loss for the year		**59,1**	**-26,9**

Parent Company

Balance Sheet

Amounts in MSEK	Note	2021-12-31	2020-12-31
ASSETS			
Non-current assets			
Intangible assets			
Patents and trademarks	9	5,1	4,5
Other intangible non-current assets	9	58,1	64,4
Total intangible assets		**63,2**	**69,0**
Tangible assets			
Equipment, tools and fixtures	11	3,1	3,5
Total property. plant and equipment		**3,1**	**3,5**
Financial assets			
Participations in group companies	27	12,4	12,4
Deferred tax assets	8	0,0	7,8
Other non-current receivables	12	11,9	11,9
Total financial assets		**24,4**	**32,1**
Total non-current assets		**90,7**	**104,6**
Current assets			
Current receivables			
Inventories	13	216,5	173,4
Trade receivables	14	308,9	167,9
Receivables from group companies		207,6	109,3
Other receivables		6,4	4,0
Prepaid expenses and accrued income	15	41,6	34,8
Total current receivables		**781,1**	**489,4**
Cash and cash bank balances		309,4	150,7
Total current assets		**1 090,5**	**640,1**
TOTAL ASSETS		**1 181,2**	**744,7**

Parent Company

Balance Sheet, cont.

Amounts in MSEK	Note	2021-12-31	2020-12-31
EQUITY AND LIABILITIES			
Equity	16		
Restricted equity			
Share capital		0,9	0,9
Total restricted equity		**0,9**	**0,9**
Non-restricted equity			
Share premium reserve		225,7	225,7
Retained earnings		125,1	148,6
Net profit/loss for the year		59,1	-26,9
Total non-restricted equity		**410,0**	**347.4**
Total equity		**410,7**	**348,2**
Untaxed reserves	28	**12,1**	**0,0**
Non-current liabilities			
Liabilities to group companies		0	7,8
Credit facilities	17	62,5	53,3
Total non-current liabilities		**2,3**	**1,9**
Untaxed reserves		**64,8**	**63,0**
Current liabilities			
Bank overdraft facilities	17	0,0	0,0
Credit facilities	17	43,3	26,7
Trade payables		386,3	156,6
Liabilities to group companies		14,8	9,0
Current tax liabilities	8	8,4	2,3
Other liabilities	18	11,6	12,0
Accrued expenses and deferred income	19	229,0	127,0
Total current liabilities		693,5	333,4
TOTAL EQUITY AND LIABILITIES		**1 181,2**	**744,7**

Parent Company

Statement of changes in Equity

		Restricted equity	Non-restricted equity			
Amounts in MSEK	Note	Share capital	Share premium reserve	Retained earnings	Profit for the year	Total equity
Equity as at 2020-01-01		**0,9**	**225,7**	**165,7**	**-16,4**	**375,9**
Net profit/loss for the year				-26,9	-26,9	-26,9
Profit carried forward			-16,4	16,4	-	9,4
Subscription warrants						0,1
Translation difference branch			-0,7		-0,7	–
Equity as at 2021-01-01	18	**0,9**	**225,7**	**148,6**	**-26,9**	**348,2**
Net profit/loss for the year					59,1	59,1
Profit carried forward				-26,9	26,9	0
Subscription warrants	16		3,2			3,2
Translation difference branch				0,2		0,2
Equity as at 2021-12-31	18	**0,9**	**228,9**	**121,9**	**59,1**	**410,7**

Parent Company

Cash Statement of Cash Flow

Amounts in MSEK	Note	2021-01-01 2021-12-31	2020-01-01 2020-12-31
Cash flow from operating activities			
Operating profit		83,5	-57,5
Adjustment of items not included in cash flow			
- Reversal of depreciation and amortization		10,2	13,1
- Other items not affecting cash flow	23	3,6	20,5
Interest received		–	–
Interest paid		-4,0	-8,8
Tax paid		-3,0	3,7
Cash flow from operating activities before changes in working capital		**90,2**	**-29,1**
Changes in working capital			
Increase/decrease in inventories and work in progress		-46,7	323,7
Increase/decrease in trade receivables		-194,5	87,7
Increase/decrease in other current receivables		-71,7	22,8
Increase/decrease in other current liabilities		227,4	-46,6
Increase/decrease in trade payables		119,9	6,9
Total changes in working capital		**34,4**	**394,5**
Cash flow from operating activities		**124,6**	**365,4**
Cash flow from investing activities			
Investments in intangible non-current assets		-2,7	-1,4
Investments in property. plant and equipment		-1,3	-0,4
Divestment of fixed assets		0,0	0,0
Purchase of financial assets		0,0	-0,4
Disposal/amortization of other financial assets		0,0	0,0
Cash used in investing activities		**-4,1**	**-2,2**
Cash flow from financing activities			
Subscription warrants		3,2	
Overdraft facility	17,25	9,8	-290,4
Non-current liabilities	25	25,8	80,0
Cash flow from financing activities		**38,8**	**-210,4**
Cash flow for the period		**159,3**	**152,8**
Cash and cash equivalents at beginning of the period		150,7	1,1
Exchange differences in cash and cash equivalents		-0,6	-3,2
Cash and cash equivalents at end of period		**309,4**	**150,7**

*Cash and cash equivalents consist entirely of bank balances.

Five-year summary

Group

KEY RATIOS Amounts in MSEK	2021-01-01 2021-12-31	2020-01-01 2020-12-31	2019-01-01 2019-12-31	2018-01-01 2018-12-31	2017-01-01 2017-12-31
Earnings					
Net sales	2 152,5	1 756,4	1 997,0	1 856,4	1 403,1
EBITDA	167,9	47,7	-23,5	101,9	105,2
EBIT	132,4	9,4	-16,6	76,4	83,3
Profit before tax	135,8	13,5	-40,8	64,8	80,0
Net profit/loss for the period	101,5	6,4	-34,3	45,4	60,6
Margins					
Margin, %, EBITDA	7,8	2,7	1,2	5,5	7,5
Operating margin, %, EBIT	6,2	0,5	-0,8	4,1	5,9
Profit margin, %	4,7	0,0	-2,0	3,5	5,7
Financial position					
Total assets	1 424,9	878,5	1 112,6	1 127,4	690,0
Equity	525,3	402,9	405,9	430,0	314,9
Equity/assets ratio, %	37	46	36	38	46
Employees					
Average number of employees	239	231	228	192	161

Notes with Accounting Policies and Risks

Note 1
Corporate information

Zound Industries International AB with subsidiaries ("Zound Industries" or "the Group") operates the entire chain from design and development, to marketing and sales of audio products.

The parent company is a limited company, which is registered in Sweden and has its registered office in Stockholm, Centralplan 15.

On May 10 2022, these consolidated financial statements were approved by the Board of Directors for publication.

The annual accounts are prepared in Swedish kronor and all amounts are reported in millions of Swedish kronor (MSEK) unless otherwise stated.

Note 2
Accounting and valuation principles

2.1 Basis of preparation

Group

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, the Swedish Annual Accounts Act and RFR 1 Supplementary Accounting Rules for Groups.

The preparation of financial reports in accordance with IFRS requires the use of accounting estimates. It also requires Management to exercise its judgement in the process of applying the Group's accounting principles. Areas which involve a high degree of judgment, which are complex or areas where assumptions and estimates are of considerable significance for the consolidated financial statements, are specified in Note 2.

Parent Company

The parent company's accounts are prepared in accordance with the Annual Accounts Act. Zound Industries International AB applies IFRS, with the additions and exceptions ensuing from the Swedish Financial Reporting Board recommendation RFR 2 Accounting for Legal Entities. In those cases, the parent company applies other accounting principles than the Group, this is stated separately at the end of described accounting principles.

2.2 Amended accounting principles

New and amended standards that will be adopted by the Group in the current period

A number of new or amended standards and interpretations come into force during the coming financial year or later and have not been applied prematurely to these financial reports. Zound has assessed that new or amended standards and interpretations will not have a significant effect on the financial reports.

2.3 Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed to or has the right to a variable return from its holding in the entity and has the possibility to affect this return through its influence in the entity. Subsidiaries are included in the consolidated financial statements from and including the date on which control is transferred to the Group. They are deconsolidated from and including the date on which that control ceases. All subsidiaries in the Group were established by the parent company.

2.4 Segment reporting and earnings per share

Operating segments

Zound Industries has voluntarily chosen to apply IFRS 8 Operating segments.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief executive decision maker. The chief executive decision maker is the function that is responsible for allocating resources and assessing the operating segments' results. Within Zound Industries, a group, composed of the CEO and the company's Management team, has been identified as the Chief Executive Decision Maker.

The operation are followed up on a net sales and gross profit on operating segments, which comprise the product categories: Headphones, Speakers and Other.

In addition, sales are presented per key geographical area, sales channel and brand. Earnings are followed up for the Group as a whole, i.e., not broken down by operating segment.

Earnings per share

Earnings per share before dilution is calculated by dividing profit for the year attributable to the parent company's shareholders by a weighted average of the number of outstanding shares during the year.

Earnings per share after dilution are calculated by dividing profit for the year attributable to the parent company's shareholders by the total number of the weighted average ordinary shares and potential ordinary shares that may give rise to a dilutive effect. The dilutive effect of potential ordinary shares is only recognized if a conversion to ordinary shares would lead to a decrease in earnings per share after dilution.

2.5 Foreign currency translation

Functional currency and presentation currency

Items included in the financial statements of the various Group units are measured in the functional currency, which is used in the economic environment in which each company mainly operates (functional currency). In the consolidated financial statements, the Swedish krona (SEK) is used as the presentation currency, which is also the parent company's functional currency and presentation currency.

Transactions and balance sheet items

Transactions in foreign currencies are translated to the functional currency at the exchange rates that apply on the transaction date. Exchange gains and losses arising on settlement of such transactions and on translation of monetary assets and liabilities in foreign currency at the closing day rate, are recognized in the income statement. Exchange differences on lending and borrowing are recognized in net financial items, while other exchange differences are included in operating profit.

Group companies

For all Group companies whose earnings and financial position are in a functional currency other than the presentation currency,

amounts are translated to the Group's presentation currency, as follows:

(a) assets and liabilities for each of the balance sheets are translated at the closing day rate;
(b) income and expenses for each of the income statements are translated at the average exchange rate (provided this average rate represents a reasonable approximation of the cumulative effect of the rates prevailing on the transaction date, otherwise income and expenses are translated at the transaction date rate), and
(c) all exchange differences arising are recognized as a separate component of other comprehensive income and in the category Reserves within equity.

During consolidation, exchange differences, which arise in consequence of the translation of net investment in foreign operations are transferred to equity. On divestment of a foreign operation, in part or entirely, the exchange differences recognized in equity are transferred to income statement and recognized as a component of the capital gain/loss.

2.6 Intangible assets

Capitalized expenditure for development and similar work

Expenditures directly attributable to the development and testing of identifiable and unique products controlled by the Group are recognized as intangible assets when the following criteria are met:

i. it is technically possible to complete the product so that it can be used,
ii. the company's intention is to complete the product and to use or sell it,
iii. the potential exists to use or sell the product,
iv. it is possible to show how the product will generate probable future economic benefits,
v. adequate technical, financial and other resources are available to complete development and in order to use or sell the product, and
vi. the expenditure attributable to the product during its development can be estimated in a reliable way.

Directly attributable expenditure that is capitalized as part of the asset includes consultancy costs, materials and a reasonable proportion of indirect costs. Capitalized development costs are recognized as intangible assets and are amortized from the date when the asset is ready to be used.

The company expense accrued costs for product development continuously as these do not meet the criteria for being recognized as an intangible asset. This has led to the increased investments in recent years affecting the Company's income statement. Accrued development costs, such as costs for consultants and certifications, are accrued over the period the services are received (usually 12 months or less).

Patents and trademarks

Capitalized expenditures related to trademark protection and patents.

Other intangible assets

Other intangible assets mainly consist of expenditure for license agreements, and business systems.

Other intangible assets that have been externally purchased is recognized at cost.

Amortization periods

All intangible assets in the Group have a determinable useful life and are recognized at cost less accumulated amortization and any impairment losses. Amortization occurs on a straight-line basis over the useful life (5–15 years).

2.7 Tangible assets

Tangible assets in the Group consists of equipment, tools and fixtures. Only if it is most likely that future economic benefits associated with the asset will benefit the Group and that the cost of the asset can be measured in a reliable manner, the asset will be capitalized in the balance sheet. All tangible assets are recognized at historical cost less depreciation. Historical cost includes expenditure which can be directly attributable to the acquisition of the asset.

Additional expenditure is added to the asset's carrying amount or is recognized as a separate asset, depending on what is appropriate. The carrying amount for the replaced portion is derecognized. All other forms of repair and maintenance expenditure are expensed in the income statement during the period in which such expenditure arises.

Depreciation period of tangible assets

Depreciation in order to allocate their cost at the estimated residual value is performed over the estimated useful life. Depreciation is phased on a straight-line basis over the useful life (3–5 years).

Gains and losses on disposal are determined by a comparison between sales revenue and the carrying amount and are recognized in other operating income and other operating expenses, respectively, in the income statement.

2.8 Impairment of non-financial assets

Assets with an indefinite useful life and capitalized expenses for development where depreciation has not yet begun are not depreciated but are tested annually for possible impairment. At present, the Group has no assets with indefinite useful lives or capitalized expenses for development where depreciation has not yet begun. The assets' residual values and useful lives are tested for impairment on each balance sheet date and adjusted if required. The carrying amount of an asset is immediately written down to the asset's recoverable amount if the carrying amount of the asset should exceed its estimated recoverable amount.

An impairment loss is reversed if there is an indication that the impairment need no longer exists and a change has occurred in the assumptions that provided the basis for the measurement of the recoverable amount. However, impairment of goodwill is never

Note 2
Accounting and valuation principles

Note 2
Accounting and valuation principles

reversed. A reversal is only made to the extent that the carrying amount of the asset after reversal does not exceed the carrying amount that would have been recognized, less deprecation where appropriate, if no impairment loss had been recognized.

2.9 Financial instruments

A financial asset or financial liability is recognized in the balance sheet when the company becomes a party according to the instrument's contractual terms. A receivable is raised when the company has performed and there is a contractual obligation for the counterparty to pay, even if the invoice has not yet been sent. Liability is raised when the counterparty has performed and there is a contractual obligation to pay, even if the invoice has not yet been received.

A financial asset is removed from the balance sheet when the rights in the agreement are realized, expire or the company loses control over the asset. The same applies to part of a financial asset. A financial liability is removed from the balance sheet when the obligation of the agreement is fulfilled or in other way is executed. The same applies to part of a financial liability. A financial asset and a financial liability are offset and reported with a net amount in the balance sheet only when there is a legal right to offset the amounts and that there is an intention to settle the items with a net amount or to simultaneously realize the asset and settle the liability. Acquisitions and divestments of financial assets are recognized when the transaction is carried out (reporting on settlement date).

The Group classifies and has financial assets and liabilities in the following categories:

a. financial assets at amortized cost, as well as
b. financial liabilities at amortized cost.

Financial instruments are initially reported at acquisition value corresponding to the instrument's fair value with the addition of transaction costs. In subsequent periods, financial instruments are reported as below.

Financial assets in Zound consist of Other long-term receivables, Accounts receivable, Cash and cash equivalents. All financial assets in Zound consist of liability instruments and their classification is determined by the business model of the portfolio in which the financial asset is included and the nature of the contractual cash flows. Zound's business model for all financial assets that are liability instruments is to collect the principal amount and any interest on the principal amount. The contractual cash flows from these assets consist only of principal amounts and interest, which is therefore classified as financial assets valued at amortized cost. Assets in this category are reported in subsequent periods at amortized cost using the effective interest method. For further information on accounting principles see section Trade payables and borrowing.

Financial liabilities in Zound consist of Bank overdrafts facilities, short and long-term debt to credit institutions, and Accounts payable. All financial liabilities in Zound are classified as amortized cost. Liabilities in this category are reported in subsequent periods at amortized cost using the effective interest method. For further information on accounting principles, see section *Accounts payable and Borrowing*.

2.10 Inventories

Inventories are recognized at the lower of cost and net realizable value. Cost is determined by applying the first in first out method (FIFO). The cost of goods for resale consists of the cost of purchase of the goods. Borrowing costs are not included. Inventories mainly consist of products for sale. Net realizable value is the estimated selling price in the ordinary course of business, less applicable selling expenses. The required provision for obsolescence has been made after individual assessment. Regular testing for possible impairment occurs during the year at an overall level. A review of the inventory is performed item by item once every year with regards to possible impairment requirements.

2.11 Account receivables

Account receivables are reported after deductions for expected credit losses. Discounting is not applied due to the short term, which is why amortized cost value corresponds to the nominal amount. None of the Group's account receivables contain any significant financing component.

The Group's account receivables is short-term, which is why the Group has chosen to apply the simplified method to estimate expected credit losses in accounts receivable. The Group values the loss reserve at the amount corresponding to the expected credit losses for the remaining maturity from the date on which they are recognized for the first time. The assessments are made taking into account forward-looking information on macroeconomic factors that may affect the customers' ability to pay the claim. The size of the provision reflects a probability-weighted amount that is determined by the Group evaluating receivables item by item. Both losses on accounts receivable and recovered previously written down account receivables are recognized in the income statement as an Other external cost.

A summary of the Group's assessment of loss reserve can be found in note *25 Financial risk and note 13 Accounts receivable.*

The reported value of accounts receivable, after any write-downs, is assumed to correspond to its fair value, since this item is short-term by nature.

2.12 Cash and cash equivalents

Cash include cash in hand, bank balances and other current investments with an initial maturity of three months or less. Overdraft facilities are recognized as borrowing among current liabilities.

2.13 Share capital

Ordinary shares are classified as equity. Transaction costs which can be directly attributed to an issue of new shares are recognized, net after tax, in equity as a deduction from the proceeds of the issue.

2.14 Trade payables

Account payables are initially recognized at fair value and subsequently at amortized cost. Discounting is not applied due to the short term, which is why the amortized cost corresponds to the nominal amount. The reported value of accounts payable is assumed to correspond to its fair value, since this item is short-term by nature.

2.15 Borrowing

Borrowing in the Group consists of a bank overdraft facility and is initially reported at fair value, net after transaction costs and subsequently at amortized cost. Discounting is not applied due to the short term, which is why amortized cost value corresponds to the nominal amount. The accounted amount of the overdraft facility is assumed to correspond to its fair value, since this item is short-term by nature.

Borrowing is classified as current liabilities unless the Group has an unconditional right to postpone payment of the liability for at least 12 months after the balance sheet date.

Borrowing costs (interest expenses and transaction costs) are recognized in the income statement in the period to which they relate.

2.16 Current and deferred tax

The current tax expense is calculated based on the tax rules enacted or in practice enacted on the balance sheet date in the countries where the parent company's subsidiaries operate and generate taxable income. Management regularly evaluates the claims made in tax returns regarding situations where applicable tax rules are subject to interpretation and, when deemed appropriate, makes provisions for amounts likely to be paid to the tax authorities.

Deferred income tax is recognized in its entirety, according to the balance sheet method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The tax base value of tax loss carry forwards is capitalized as a deferred tax asset. However, deferred tax is not recognized if it arises as a result of a transaction which constitutes the initial recognition of an asset or liability, which is not a business combination and which, at the time of the transaction, does not affect the recognized or taxable profit. Deferred income tax is calculated on the basis of tax rates (and laws) that have been enacted or which were in practice enacted on the balance sheet date and that are expected to apply when the deferred tax asset or the deferred tax liability concerned is reversed.

Deferred tax assets are recognized insofar as it is probable that future taxable surpluses will be available against which the temporary differences can be offset.

2.17 Employee benefits

Retirement benefit obligations

The Group operates defined contribution pension plans only. For defined contribution plans, Zound Industries pays contributions to public or privately managed pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as personnel expenses in line with being earned when the employees perform services to the company. Prepaid contributions are recognized as an asset to the extent that a cash refund or decrease in future payments could accrue to the Group. Costs related to service during previous periods are recognized directly in the income statement.

Remuneration

Short-term employee remunerations are calculated without discounting and are recognized as an expense when they are paid out.

Termination benefits

Severance pay are payable when an employee's position has been terminated by the Group before the normal retirement date or when an employee accepts voluntary retirement in exchange for such compensation. Zound Industries recognizes Severance pay when the Group is demonstrably obliged either to give notice to employees according to a detailed formal plan without the possibility of retraction, or to provide compensation in the event of termination as a result of an offer made to encourage voluntary redundancy.

Profit-sharing and bonus schemes

The Group recognizes a liability and a cost for an earned bonus and profit-sharing, based on a formula that takes into account the profit attributable to the employees after certain adjustments. The Group reports a provision when there is a legal obligation or an informal obligation due to previous practice.

Share warrants

At the Annual General Meeting 2021, it was resolved to issue 2,407,238 subscription warrants in four series to the CEO and CFO/Deputy CEO at Zound Industries. Subscription for all warrants occurred in July 2021. The warrants may be exercised to subscribe for new shares during the period commencing the date on which the issue resolution is registered at the Swedish Companies Registration Office, up to and including 31 May 2026 (series 2021/2026:2 and 2021/2026:1) and 31 May 2028 (series 2021/2028:2 and 2021/2028:1.

At an Extra General Meeting on the 15 of December 2021 it was also resolved to issue a maximum of 637,738 subscription warrants in two series (2021/2026:3 and 2021/2026:4) to senior executives and key employees at Zound as well as the Board of Directors. Subscription for the vast majority of the warrants occurred in January 2022. The warrants may be exercised to subscribe for new shares during the period from subscription until the 31 December 2026.

All warrants have a conversion price of 200 SEK, or more, and the transfer and repurchase of all warrants have been made on market terms calculated using the Black & Scholes valuation model. The program structure of all programs includes limitations on how many warrants that can be converted into shares, depending on the fair value at conversion, which makes it difficult at this time to exactly determine the maximum possible dilution. It will however be considerably less than the resulting dilution of an issue of new shares directly corresponding to the number of issued warrants.

2.18 Revenue recognition

Revenue is recognized when the Group fulfils a performance commitment by transferring a promised goods to a customer. The goods are transferred when the customer gets control of

Note 2
Accounting and valuation principles

Note 2
Accounting and valuation principles

the goods, which is at a certain time. The transaction price is the compensation that the Group expects to receive in exchange for transferring the goods to the customer.

Sale of goods
Sales of goods stands for the majority of the Group's sales. The majority of the goods are sold through distributors but also direct to businesses and are reported as revenue when the goods are transferred, which occurs when the goods are delivered to the distributor and there are no unfulfilled commitments that can affect the distributor's approval of the goods. Sales also take place against the end customer via e-commerce and are reported as revenue when the control of the goods is transferred, which occurs when the goods are delivered to the end customer.

When selling goods, there are discounts and income from the sale that are reported based on the price in the agreement, with deductions for estimated discounts. Historical data is used to estimate the discounts expected value and income are only recognized to the extent that it is most likely that a significant reversal of revenue does not occur. A liability is reported for expected volume discounts in relation to sales up to and including the balance sheet date. The Group does not expect to have any contract where the time between transfer of goods to customer or payment from customer exceeds 12 months, which is why no adjustment is made for the transaction price with respect to the time value.

A receivable is recognized when the goods have been delivered, as this is the time when the compensation becomes unconditional (i.e., only the time required for payment to be made).

The Group has no significant provisions for product guarantees or liabilities for return rights. There are no significant contractual assets or contractual liabilities in the Group. The Group's agreements with customers have a lock-in period of less than 12 months. Therefore, in accordance with the exemption rules in IFRS 15, information about the transaction price allocated to the long-term performance commitments that are unfulfilled at the end of the reporting period is not reported.

Cost of license and royalties is accounted gross as goods for resale.

Interest income
Interest income is recognized as income and allocated over the term by application of the effective interest method.

2.19 Leases
Zound Industries leases premises for its business operations. Otherwise, the existence of leases is limited to assets of lower value or with short lease terms. Examples of short lease terms can be vehicles that are leased for a number of days. The Group's leases of premises generally run for a period of five years but may vary according to jurisdiction and the counterparty in the leasing contract.

Lease agreements for premises are recognized as a right-of-use asset and a corresponding liability on the day when the asset is available for use for the first time by the Group. Every lease payment is allocated between amortization of liability and financial expense (interest expense). The financial cost shall be allocated over the lease period so that each accounting period is charged with an amount corresponding to a fixed interest rate for the liability recognized during the respective period. The right of use is written off linearly over the shorter of the asset's useful life and the length of the lease.

Assets and liabilities arising from leases are initially recognized at present value. The lease liabilities include the present value of the following lease payments:

- Fixed fees
- Variable leasing fees that depend on an index

The lease payments are discounted by the leasing agreement's implicit interest rate if this interest rate can be easily established, otherwise the lessee's marginal loan interest rate is used. The right-of-use is valued at acquisition value and includes the following:

- the amount at which the lease liability was initially valued
- leasing fees paid at or before the start date of the lease
- initial direct expenses
- expenses for restoring the asset to the condition prescribed in the terms of the lease

Zound Industries has chosen to apply the exception in IFRS 16, which means that payments for short contracts and leasing agreements of lesser value are expensed linearly in the income statement. Short contracts are contracts with a lease term of 12 months or less. Contracts of minor value include IT equipment and office furnishings. Due to the immateriality of the amounts the expensed amount is not disclosed.

2.20 Dividends
Dividends to the parent company's shareholders are recognized as a liability in the consolidated financial statements in the period when the dividend is approved by the parent company's shareholders.

2.21 Accounting principles in the parent company
The accounting principles in the parent company essentially correspond with the principles for the consolidated accounts. The parent company's statements are prepared in accordance with RFR 2, Accounting for Legal Entities and the Annual Accounts Act. RFR 2 specifies exceptions and additions to the standards issued by the IASB and the statements issued by IFRIC. Exceptions and additions shall apply from the date on which the legal entity applies the specified standard or statement in its consolidated accounts. Deviations between the consolidated financial statements and the parent company are presented below.

The parent company uses the layout specified in the Annual Accounts Act.

Shares in subsidiaries are recognized at cost of acquisition less possible impairment losses. When there are indications that shares and participations in subsidiaries have decreased in value, an assessment is made of the recoverable amount. If it is lower than the carrying amount, an impairment loss is recognized.

Impairment losses are recognized in the item Profit from participations in group companies. The cost of participations in subsidiaries includes transaction costs. In the consolidated financial statements, transaction expenditure is expensed in the period in which it arises.

Expenditures for leases and rented premises are expensed in the period in which they arise. The cost is charged to other external expenses. In the consolidated financial statements, leases are treated as right-of-use assets.

The Parent Company applies the exemption in RFR 2 not to apply IFRS 9. Financial assets and liabilities are instead reported with a basis in acquisition value according to the Annual Accounts Act.

In the parent company's financial statements, appropriations and untaxed reserves are recognized, due to the connection between accounting and taxation. Group contributions are recognized in the parent company using the alternative rule, which means that both group contributions received and paid are recognized as appropriations in the income statement.

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2.22 Definitions key ratios multi-year summary in the Report of Board of Directors

EBITDA	Earnings before interest, tax, depreciation and amortization
EBIT	Earnings before interest and taxes
Margin, % EBITDA	Earnings before interest, tax, depreciation and amortization divided by net sales
Operating margin % EBIT	Earnings before interest and taxes divided by net sales
Profit margin	Earnings before taxes divided by net sales
Equity/assets ratio	Equity plus untaxed reserves less tax component of untaxed reserves in relation to total assets.

Note 3
Critical estimates and assumptions in applying the Group's accounting principles

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that appear reasonable under the existing circumstances.

Critical estimates and assessments for accounting purposes
The Group makes estimates and assumptions about the future. The estimates for accounting purposes that are a consequence of these, by definition, rarely correspond to the actual result. The estimates and assumptions that involve a significant risk for material adjustments in the carrying amounts of assets and liabilities during the next financial year are described in main outline below.

Estimate of impairment requirement of inventories
In connection with the financial statements, a complete review of inventories was carried out as well as impairment testing item by item. The obsolescence for 2021 amounted 25,7 Mkr (29,6 Mkr) Please also see Note 12 for inventory disclosures.

Otherwise, any estimates are shown in each specific note.

Cost of royalties and sales commissions
Royalties and sales commissions are recognized in accordance with the contractual terms and conditions stipulated in agreements with license owners and customers. These costs arise in connection with sales transactions to external customers. In cases where billing of royalties and sales commissions is not received in the current reporting period, the size of these items is estimated based on reported sales and is carried as an accrued expense. Royalty expenses is recognized gross as a cost and commissions are recognized as an offset against revenues.

Note 4
Segment information

Zound Industries follow up the net sales and gross profit per product category (operating segment). In addition, sales are followed up by geographical area, sales channel and brand, for which separate disclosures are provided below. Net sales are only followed up for the Group as a whole and not per legal entity.

The Group has no customers that represent more than 10 percent of total net sales.

Segment information

Net sales in the operating segment Product category (operating segment) is distributed as follows:

	Group	
	2021-01-01 2021-12-31	2020-01-01 2020-12-31
Speakers	1 716,4	1 289,0
Headphones	434,3	465,3
Other	1,8	2,1
Total net sales	**2 152,5**	**1 756,4**

Gross profit in the operating segment Product category (operating segment) is distributed as follows:

	Group	
	2021-01-01 2021-12-31	2020-01-01 2020-12-31
Speakers	704,0	473,5
Headphones	174,9	171,2
Other	-1,0	-0,3
Total gross profit	**878,0**	**644,4**
Other operating income	3,0	14,8
Other operating expenses	-748,5	-649,8
Operating profit	**132,5**	**9,4**
Financial net	3,4	4,1
Profit before tax	**135,9**	**13,5**

Gross margin in the operating segment Product category is distributed as follows:

	Group	
	2021-01-01 2021-12-31	2020-01-01 2020-12-31
Speakers	41,0%	36,7%
Headphones	40,3%	36,8%
Other	-53,8%	-14,8%
Total gross margin	**40,8%**	**36,7%**

Note 4
Segment information

Supplementary information

Net sales in geographical markets are distributed as follows*:

	Group	
	2021-01-01 2021-12-31	2020-01-01 2020-12-31
Nordic countries**	150,0	145,1
USA	349,6	327,9
France	235,3	211,3
Germany	193,7	134,7
China	269,8	216,1
UK	121,1	24,1
Rest of the world	833,0	697,2
Total net sales	**2 152,5**	**1 756,4**

* Allocation is made based on the country where the customers are located.

** Of the Nordic region, 145,0 (136,8) represent sales in Sweden

Net sales in sales channels are distributed as follows:

	Group	
	2021-01-01 2021-12-31	2020-01-01 2020-12-31
Distributors	1 025,2	797,2
Direct	715,7	623,9
E-com	375,0	298,3
Other	36,6	37,0
Total net sales	**2 152,5**	**1 756,4**

Net sales per brand are distributed as follows:

	Group	
	2021-01-01 2021-12-31	2020-01-01 2020-12-31
Marshall	2 052,8	1 591,5
Urbanears	75,8	143,8
Adidas	24,1	21,1
Other	0,0	-0,1
Total net sales	**2 152,5**	**1 756,4**

2021 Fixed assets by country	Sweden	China	France	UK	Hong Kong	USA	Group
Fixed assets	104,2	2,9	0,3	0,0	0,3	7,3	115,1
Carrying value	**104,2**	**2,9**	**0,3**	**0,0**	**0,3**	**7,3**	**115,1**

2020 Fixed assets by country	Sweden	China	France	UK	Hong Kong	USA	Group
Fixed assets	129,7	3,4	0,6	0,0	0,1	9,6	143,5
Carrying value	**129,7**	**3,4**	**0,6**	**0,0**	**0,1**	**9,6**	**143,5**

Note 5 Audit fees

Audit assignment refers to the review of the annual accounts and bookkeeping as well as the administration by the Board of Directors and the CEO, other tasks the company's auditors are obliged to perform, as well as advice or other assistance prompted by observations in the course of such review or the implementation of such other duties. Everything else, is divided into tax advice and other services, respectively.

	Group		Parent Company	
	2021-01-01 2021-12-31	2020-01-01 2020-12-31	2021-01-01 2021-12-31	2020-01-01 2020-12-31
PwC				
Audit assignment	1,1	1,2	1,1	1,1
Tax advice	0,1	0,0	0,1	0,0
Other services	0,2	0,2	0,2	0,2
	1,4	**1,4**	**1,4**	**1,4**
Other audit firms				
Audit assignment	0,1	0,1	–	–
Tax advice	0,1	0,1	–	–
Total	**1,6**	**1,5**	**1,4**	**1,4**

Note 6 Employees and personnel expenses

Salaries, other allowances, social security contributions and pensions

	Group		Parent Company	
	2021-01-01 2021-12-31	2020-01-01 2020-12-31	2021-01-01 2021-12-31	2020-01-01 2020-12-31
Salaries and remuneration to:				
CEO, Board & other senior executives	16,4	19,7	16,4	19,7
Other employees	172,2	129	126,7	96,8
Total salaries and remuneration	**188,6**	**148,7**	**143,1**	**116,5**
Soc. security contributions CEO, Board & other senior executives	4,5	5,1	4,5	5,1
Soc. security contributions other	42,8	33,4	38,6	31,5
Pension Board & other senior executives (including special employer´s contribution)	3,0	3,4	3,0	3,4
Pension other (including special employer´s contribution)	15,3	15,6	13,8	14,0
Total salaries, remuneration, social security contributions and pensions	**254,2**	**206,1**	**203,0**	**170,4**

Group and Parent Company 2021

Salaries and remuneration to CEO, Board and senior executives

	Salaries and other remuneration	Audit committee	Pension expenses
Henri de Bodinat, Chairman	0,2	–	–
Tommy Jacobsson	–		
Jonathan Forster	0,1	–	–
Patrik Nilsson	0,2		
Heikki Mäkijärvi	–	–	–
Monika Elling	0,1	0,1	–
Jonathan Ellery	0,1	-	-
Jérémy de Maillard, CEO	4,0	–	0,2
Other senior executives, (8*)	11,7	-	2,2
Total	**16,4**	**0,1**	**3,0**

* The numbers in parentheses refer to the number of people that received salaries and remuneration during the year and not necessarily to the number of members on a given date.

Note 6 Employees and personnel expenses

The numbers in parenthesis refer to the number of persons that received salaries and remuneration during the year and not necessarily to the number of members on a given date.

At the Annual General Meeting 2021, it was resolved to issue 2,407,238 subscription warrants in four series to the CEO and CFO/Deputy CEO at Zound Industries. Subscription for all warrants occurred in July 2021. The warrants may be exercised to subscribe for new shares during the period commencing the date on which the issue resolution is registered at the Swedish Companies Registration Office, up to and including 31 May 2026 (series 2021/2026:2 and 2021/2026:1) and 31 May 2028 (series 2021/2028:2 and 2021/2028:1.

At an Extra General Meeting on the 15 of December 2021 it was also resolved to issue a maximum of 637,738 subscription warrants in two series (2021/2026:3 and 2021/2026:4) to senior executives and key employees at Zound as well as the Board of Directors. Subscription for the vast majority of the warrants occurred in January 2022. The warrants may be exercised to subscribe for new shares during the period from subscription until the 31 December 2026.

All warrants have a conversion price of 200 SEK, or more, and the transfer and repurchase of all warrants have been made on market terms calculated using the Black & Scholes valuation model. The program structure of all programs includes limitations on how many warrants that can be converted into shares, depending on the fair value at conversion, which makes it difficult at this time to exactly determine the maximum possible dilution. It will however be considerably less than the resulting dilution of an issue of new shares directly corresponding to the number of issued warrants.

Group and Parent Company 2020

Salaries and renumeration to CEO, Board and senior executives.

	Salaries and other remuneration	Audit committee	Pension expenses
Henri de Bodinat, Chairman	0,2	–	–
Tommy Jacobson	–	–	–
Jonathan Forster	0,1	–	–
Christel Kinning	0,1		
Margareta van den Bosch	0,1		
Johan af Sandeberg	0,1		–
Monika Elling	0,1	0,1	–
Jeremy de Maillard, CEO	1,8	–	–
Martin Axhamre, CEO (acting)	4,5	–	0,6
Other senior executives, (7*)	11,4	–	2,8
Total	**18,4**	**0,1**	**3,4**

* Includes final salary to former CEO Pernilla Ekman.

The numbers in parenthesis refer to the number of persons that received salaries and remuneration during the year and not necessarily to the number of members on a given date.

Average number of employees

Group	2021-01-01 2021-12-31	2020-01-01 2020-12-31
Women	111	109
Men	128	122
Total	**239**	**231**

Parent company	2021-01-01 2021-12-31	2020-01-01 2020-12-31
Women	82	81
Men	96	91
Total	**178**	**172**

Average number of employees Group	2021-01-01 2021-12-31	2020-01-01 2020-12-31
Sweden*	173	168
China	39	37
USA	13	13
Hong Kong	4	3
France	6	5
UK	5	5
Total	**239**	**231**

* All staff in Sweden are employed by the Parent company

Note 6 Employees and personnel expenses

Gender distribution of Board members and other senior executives

	2021-01-01 2021-12-31 Number on balance sheet date	2021-01-01 2021-12-31 Of whom, males	2020-01-01 2020-12-31 Number on balance sheet date	2020-01-01 2020-12-31 Of whom, males
Group				
Board members	7	86,0%	7	86,0%
CEO and other senior executives	8	75,0%	8	75,0%
Group total	**15**		**15**	
Parent Company				
Board members	7	86,0%	7	86,0%
CEO and other senior executives	8	75,0%	8	75,0%
Parent Company total	**15**		**15**	

For the CEO and other senior executives, a mutual period of notice applies according to current applicable rules, of up to 12 months.

Note 7 Financial income and financial expenses

Group	2021-01-01 2021-12-31	2020-01-01 2020-12-31
Financial income		
Exchange rate difference, gain	8,4	13,8
Interest income	0,2	0,1
Total financial income	**8,6**	**13,9**
Financial expenses		
Exchange rate difference, loss	0,0	0,0
- borrowing	-4,0	-8,7
- leases, dissolution of the discounting effect	-1,2	-0,9
Other financial expenses	0	- 0,2
Total financial expenses	**-5,2**	**-9,8**
Loss from financial items, net	**3,4**	**4,1**

Note 8 Income taxes, Deferred tax assets and Deferred tax liabilities

Tax on profit for the year	Group 2021-01-01 2021-12-31	Group 2020-01-01 2020-12-31	Parent Company 2021-01-01 2021-12-31	Parent Company 2020-01-01 2020-12-31
Current tax				
Tax expense for the year	-24,2	-13,2	-8,8	-1,9
Adjustment of tax pertaining prior years	0,0	-0,2	0	0,3
Total current tax	**-24,2**	**-13,4**	**-8,8**	**-1,9**
Deferred tax				
Deferred tax expense pertaining temporary differences	-0,2	-1,2	–	–
Deferred tax revenue pertaining temporary differences	-5,0	7,6	-7,8	5,1
Total deferred tax	**-5,2**	**6,4**	**-7,8**	**5,1**
Recognized tax expense	**-29,5**	**-7,1**	**-16,6**	**3,2**

Note 8 Income taxes, Deferred tax assets and Deferred tax liabilities

The differences between recognized tax expense and an estimated tax expense based on the current tax rate are the following:

	Group 2021-01-01 2021-12-31	Group 2020-01-01 2020-12-31	Parent Company 2021-01-01 2021-12-31	Parent Company 2020-01-01 2020-12-31
Profit before tax	135,9	13,5	75,6	-30,1
Income tax calculated at companies current tax*	-28,0	-2,9	-15,6	5,9
Non-deductible expenses	-0,9	-1,0	-0,9	-1,0
Effect of foreign tax rates	1,4	-0,1	0	0,0
Effect of changes in tax rates	0,3	0,2	0,3	0,2
Other	-2,3	-0,1	0	-1,9
Income tax	**-29,5**	**7,1**	**16,6**	**3,2**
Effective tax rate	**21,7%**	**52,6%**	**21,9%**	**10,6%**

* The enacted Swedish corporate income tax rate decreased from 21,4% 2020 to 20,6% 2021.

Deferred tax liabilities and deferred tax assets are related to the following balance sheet items

	Group 2021-12-31	Group 2020-12-31	Parent Company 2021-12-31	Parent Company 2020-12-31
Deferred tax liabilities				
Untaxed reserves	–	–	2,5	–
Total deferred tax liabilities	**–**	**–**	**2,5**	**–**
Deferred tax assets				
Limitation of interest deduction	0	4,5	0	4,5
Inventories	8,4	3,7	–	–
Deficit	0,0	3,3	0	3,3
Net of right-of-use assets and liabilities	0,4	0,3	–	–
Deferred tax assets subsidiaries	0,0	–	–	–
Deferred tax asset group	1,6	1,4		–
Total deferred tax assets	**10,4**	**13,1**	**0,0**	**7,8**
Deferred tax, net	**10,4**	**13,1**	**-2,5**	**7,8**

Deferred tax assets/liabilities net

	Group 2021-01-01 2021-12-31	Group 2020-01-01 2020-12-31	Parent Company 2021-01-01 2021-12-31	Parent Company 2020-01-01 2020-12-31
Opening balance	**13,1**	**6,7**	**7,8**	**2,7**
Recognised in the income statement	-2,8	6,8	-7,8	5,1
Currency translation difference	0,1	-0,4	–	–
Closing balance	**10,4**	**13,1**	**0,0**	**7,8**

Note 9
Intangible assets

Patents and trademarks	Group 2021-12-31	Group 2020-12-31	Parent Company 2021-12-31	Parent Company 2020-12-31
Opening balance cost	13,9	12,5	13,7	12,3
Additions	2,6	1,3	2,6	1,3
Sales and disposals	-0,2	–	-0,2	–
Closing balance cost	**16,3**	**13,9**	**16,1**	**13,6**
Amortization for the year	-9,2	-6,9	-9,1	-6,8
Sales and disposals	-2,0	-2,3	-2,0	-2,3
Closing balance accumulated amortization	**-11,2**	**-9,2**	**-11,1**	**9,1**
Carrying value	**5,1**	**4,7**	**5,0**	**4,5**

Other intangible non-current assets	Group 2021-12-31	Group 2020-12-31	Parent Company 2021-12-31	Parent Company 2020-12-31
Opening balance cost	137,8	137,7	137,8	137,7
Additions	0,0	0,1	0,0	0,1
Closing balance accumulated acquisition value	**137,8**	**137,8**	**137,8**	**137,8**
Opening balance amortization	-73,3	-67,0	-73,3	-67,0
Sales and disposals	0,0	4,6	0,0	4,6
Amortization for the year	-6,4	-11,1	-6,4	-11,1
Closing balance accumulated amortization	**-79,7**	**-73,3**	**-79,7**	**-73,3**
Carrying value	**58,1**	**64,4**	**58,1**	**64,4**

Note 10
Right-of-use assets

Depreciation of rights-of-use assets

Group	2021-01-01 2021-12-31	2020-01-01 2020-12-31
Premises	-24,8	-24,0
Total	**-24,8**	**-24,0**

Interest expenses for leasing liabilities amounted to MSEK 1,2 (MSEK 0,9) during the financial year.
The total cash flow impact of the above items amounted to MSEK 26 (MSEK 25,1) during the financial year.

The consolidated balance sheet contains the following items related to leases:

Right-of-use assets

Group	2021-12-31	2020-12-31
Premises	47,0	70,2
Total	**47,0**	**70,2**

Liabilities relating to right-of-use assets

Group	2021-12-31	2020-12-31
Current	-23,2	20,9
Non-current	-21,5	46,8
Total	**-44,7**	**67,7**

Group	2021-12-31	2020-12-31
Opening balance cost	98,4	99,4
Additions	0,4	58,3
Sales and disposals	-23,3	-55,1
Exchange differences	2,1	-4,2
Closing balance accumulated cost	**77,6**	**98,4**
Opening balance accumulated depreciation	-28,1	-61,8
Depreciation for the year	-24,8	-24,0
Sales and disposals	23,3	55,1
Exchange differences	-1,0	2,6
Closing balance accumulated depreciation	**-30,6**	**-28,1**
Carrying value	**47,0**	**70,2**

The leasing agreements capitalized in the consolidated balance sheet are related to operational facilities.

Note 11 Property, plant and equipment

Equipment, tools, fixtures and fittings	Group 2021-12-31	Group 2020-12-31	Parent Company 2021-12-31	Parent Company 2020-12-31
Opening balance cost	23,5	22,9	20,8	20,3
Additions	2,7	0,6	1,3	0,4
Sales and disposals	-0,2	–	–	–
Exchange differences	0,1	0,2	–	–
Closing balance cost	**26,1**	**23,5**	**22,1**	**20,8**
Opening balance depreciation	-19,3	-14,2	-17,3	-12,8
Sales and disposals	0,4	–	–	–
Depreciation for the year	-2,2	-5,0	-1,7	-4,4
Closing balance accumulated depreciation	**-21,2**	**-19,3**	**-19,0**	**-17,3**
Carrying value	**4,9**	**4,1**	**3,1**	**3,5**

Note 12 Other non-current receivables

Group	Group 2021-12-31	Group 2020-12-31	Parent Company 2021-12-31	Parent Company 2020-12-31
Endowment insurance	1,9	1,9	1,9	1,9
Deposit	2,2	2,2	0,2	0,2
Blocked bank accounts	9,8	9,8	9,8	9,8
Other	6,1	0,1	0,1	0,1
Total non-current receivables	**20,0**	**14,0**	**11,9**	**11,9**

Note 13 Inventories

Inventories at cost	Group 2021-12-31	Group 2020-12-31	Parent Company 2021-12-31	Parent Company 2020-12-31
Raw materials and consumables	9,8	11,4	7,6	10,8
Finished goods	332,9	238,4	232,8	185,7
Total inventories before impairments	**342,7**	**249,8**	**240,5**	**196,4**

Impairment	Group 2021-12-31	Group 2020-12-31	Parent Company 2021-12-31	Parent Company 2020-12-31
Opening balance	-29,6	-18,9	-23,0	-18,0
Utilized impairment	26,6	7,6	20,0	6,6
Impairment for the year	-22,7	-18,3	-21,0	-11,7
Total impairment	**-25,7**	**-29,6**	**-24,0**	**-23,0**
Carrying value	**317,0**	**220,1**	**216,5**	**173,4**

Note 14 Trade receivables

Group	Group 2021-12-31	Group 2020-12-31	Parent Company 2021-12-31	Parent Company 2020-12-31
Account receivables	492,3	269,9	312,2	171,2
Loss provision	-3,2	-5	-3,2	-3,2
Carrying value	**489,1**	**264,9**	**309**	**167,9**

Account receivables distributed per currency

Group	Group 2021-12-31	Group 2020-12-31
SEK	42,5	32,8
USD	226,3	135,7
EUR	159,7	65,2
GBP	27,9	19
CNY	32,8	12,3
Total	**489,1**	**264,9**

Analysis of credit risk exposure in account receivables	Group 2021-12-31	Group 2020-12-31
Account receivables which are not due or written down	444,8	228,5
Due:		
- Less than 30 days	32,3	34,1
- Less than 2 months	11,6	6,8
- Less than 3 months	0,1	0,0
- Exceeding 3 months	3,5	0,5
Total due:	47,5	41,4
Loss provision	-3,2	-5
Carrying amount	**489,1**	**264,9**

The fair value of the Group's account receivables corresponds with the carrying amount.

On the balance sheet date, account receivables amounting to MSEK 44,3 (MSEK 36,4) were due without any impairment requirement deemed to exist. This applies to a number of independent customers that have not had any financial difficulties in the past. The age analysis of these account receivables is provided above. Amounts recognized in the valuation allowance account are normally written off when the Group is not expected to recover any further liquid assets. The maximum exposure to credit risk in account receivables on the balance sheet date consists of the carrying amount. The Group has no collateral as security.

Note 15 Prepaid expenses and accrued income

	Group		Parent Company	
	2021-12-31	2020-12-31	2021-12-31	2020-12-31
Prepaid rent	1,5	1,4	5,3	5,2
Prepaid selling expenses	10,3	17,1	–	–
Prepaid license fees	3,7	1,0	3,7	1,0
Prepaid event cost	–	–	–	–
Prepaid product development costs*	21,2	24,0	21,2	24,0
Accrued income	–	–	–	–
Other items	12,0	5,4	11,4	4,6
Total prepaid expenses and accrued income	**48,7**	**48,8**	**41,6**	**34,8**

* During the year, 32,8 MSEK (37,4) of expenditures related to research and development has been expensed.

Note 16 Share capital and other contributed capital

A specification of changes in equity is provided in the Statementof Changes in Equity, which is provided immediately after the balance sheet.

	Number of shares (units)	Share capital	Other contributed capital	Total
Opening balance on 1 januari 2020	**8 612 658**	**0,9**	**225,7**	**226,5**
Closing balance on 31 december 2020	**8 612 658**	**0,9**	**225,7**	**226,5**
Opening balance on 1 januari 2021	**8 612 658**	**0,9**	**225,7**	**226,5**
Share warrants	–	–	3,2	3,2
Closing balance on 31 december 2021	**8 612 658**	**0,9**	**228,9**	**229,7**

The shares have a quota value of SEK 0.1 per share. Each share carries one vote. All registered shares on the balance sheet day are fully paid-up.

Reserves
The Reserves in equity on the balance sheet date consists in its entirety of translation differences related to net equity in foreign subsidiaries.

Note 17 Financial debt

	Group		Parent Company	
	2021-12-31	2020-12-31	2021-12-31	2020-12-31
Approved bank overdraft	208,2	310,0	208,2	310
- of which utilized	0	0	0	0
Bank loans (SEB) **	105,8	80,00	105,8	80,00
- of which non-current	62,5	53,3	62,5	53,3
- of which current	43,3	26,7	43,3	26,7

Note 18 Other liabilities

	Group		Parent Company	
Group	2021-12-31	2020-12-31	2021-12-31	2020-12-31
VAT liability	5,5	3,0	4,2	2,6
Personnel related liabilities	6,3	8,1	5,9	7,9
Other	4,0	1,6	1,5	1,5
Total other liabilities	**15,9**	**12,7**	**11,6**	**12,0**

Note 19 Accrued expenses and deferred income

	Group		Parent Company	
	2021-12-31	2020-12-31	2021-12-31	2020-12-31
Accrued personnel expenses	55,8	19,8	48,0	17,1
Accrued royalties and sales commissions	59,1	30,7	47,8	30,4
Accrued Sales commissions	146,2	57,1	111,4	57,0
Accrued logistics costs	15,2	8,0	15,2	6,4
Accrued product costs	1,3	0,8	1,3	0,0
Other accrued expenses	29,6	29,1	5,3	15,9
Total accrued expenses and deferred income	**307,1**	**145,6**	**229,0**	**127,0**

Note 20 Pledged assets

	Group		Parent Company	
	2021-12-31	2020-12-31	2021-12-31	2020-12-31
Floating charges	200,0	200,0	200,0	200,0
Total pledged assets	**200,0**	**200,0**	**200,0**	**200,0**

Note 21 Contingent liabilities

	Group		Parent Company	
	2021-12-31	2020-12-31	2021-12-31	2020-12-31
Rental guarantee	9,8	9,8	9,8	9,8
Performance guarantee against Adidas	1,4	1,4	1,4	1,4
Contingent liabilities to subsidiaries	–	–	4,8	4,3
Total contingent liabilities	**11,2**	**11,2**	**16,0**	**15,5**

Note 22 Transactions with related parties

As related parties, we have identified the Company Management, the Board of the Parent Company, Zound Industries International AB, the owners of Zound Industries International AB and subsidiaries that are part of the Group. For a description of salaries and other remuneration to senior executives – see Note 5 Employees and personnel expenses.

Shares in subsidiaries and transactions between companies within the Group are eliminated in the consolidated financial statements. In the table below, purchase and sales among group companies are shown. Otherwise, no transactions have arisen with related parties from a consolidation perspective.

Purchase and sales between group companies	2021-01-01 2021-12-31	2020-01-01 2020-12-31
The proportion of the year's purchase and sales relating to group companies is shown below.		
Purchase (percent)	1,3	2,2
Sales (percent)	25	20

Note 23
Other items not affecting cash flow

	Group		Parent Company	
	2021-01-01 2021-12-31	2020-01-01 2020-12-31	2021-01-01 2021-12-31	2020-01-01 2020-12-31
Write-down of inventories	-1,6	26,6	23,6	20,0
Other	0	0,5	1,2	0,5
Total adjustment	**-1,6**	**27,1**	**25,5**	**20,5**

Note 24
Appropriation

Parent Company	2021-01-01 2021-12-31	2020-01-01 2020-12-31
Difference between tax depreciation and depreciation according to plan	0	9,8
Change in tax allocation reserve	-12,1	13,1
Total appropriation	**-12,1**	**22,9**

Note 25
Reconciliation of financial liabilities in financing activities

Group	Liability relating to right-of use assets	Liability relating to overdraft facilities
2020-01-01	**35,7**	**307,0**
Cashflow, amortization of liabilities relating to rights-of-use assets	-24,9	
Cashflow, interest on payment for liabilities relating to rights-of-use assets	-0,9	
Cashflow, change in overdraft facilities*		-289,9
Cashflow, change in non-current debt*		53,3
Cashflow, change in current debt*		26,7
Additional leasing agreements	58,2	
Other non-cash-flow related changes (currency and discounting)	-0,4	-17,0
2020-12-31	**67,7**	**80,0**
2021-01-01	**67,7**	**80,0**
Cashflow, amortization of liabilities relating to rights-of-use assets	-24,6	
Cashflow, interest on payment for liabilities relating to rights-of-use assets	-1,2	
Cashflow. change in overdraft facilities		10,0
Cashflow, change in non-current debt*		9,2
Cashflow, change in current debt*		16,6
Additional leasing agreements	0,2	
Other non-cash-flow related changes (currency and discounting)	2,6	-10,0
2021-12-31	**44,7**	**105,8**

Parent Company	Financial liabilities
2020-01-01	**307**
Cash flow, change in overdraft facilities	-290,4
Cashflow, change in non-current debt*	53,3
Cashflow, change in current debt*	26,7
Other, non-cash flow changes (currency and discounting)	-16,6
2020-12-31	**80**
2021-01-01	**80**
Cash flow, change in overdraft facilities	9,8
Cashflow, change in non-current debt*	9,2
Cashflow, change in current debt*	16,6
Other, non-cash flow changes (currency and discounting)	-9,8
2021-12-31	**105,8**

* Credit institution debt (SEB)

Note 26
Financial risk management

Through its operations, the Group is exposed to different financial risks: market risk (currency and interest rate risk), credit risk and liquidity/financing risk. The Group's overall risk management policy focuses on the unpredictability of the financial markets and aims to minimize potential adverse effects on the Group's results and liquidity due to financial risks. The risk management is handled by the CFO in consultation with the CEO and the Board, according to the guidelines established by the Board. The risk function identifies, evaluates and hedges financial risks. This occurs in close cooperation with the Group's operating units.

Market risk

(i) Currency risk

Zound Industries is an international Group with subsidiaries and customers in several countries. The presentation currency is the Swedish krona. This means that the Group is exposed to currency risks as fluctuations in exchange rates can impact earnings and equity. A majority of the operations are conducted from the Swedish parent company. Exposure to currency fluctuations in the Group are divided into two main groups, translation exposure and transaction exposure.

Translation exposure

The foreign subsidiaries' assets less liabilities constitute a net investment in foreign currency, which gives rise to a translation difference during consolidation. Such translation differences are transferred directly to consolidated equity and are recognized under a separate category in equity called Reserves.

Transaction exposure

Transaction exposure is mainly meant by exposure resulting from commercial flows, i.e. sales and purchases across national borders. A relatively large part of the Group's sales and purchases take place in a currency other than Swedish kronor, which cause an exposure for the Group. The exposure mainly relates to purchases in the parent company in USD. Exposure is partly offset by sale in USD from the parent company to US and China. The net exposure from outstanding liabilities and receivables at the end of the reporting period was USD -25,1 m (USD-9,0 m). In addition to purchases and sales in USD, there was also a bank overdraft facility of USD 0,0 m (USD 0,0 m). Total net exposure including overdraft facilities was USD -25,1 m (USD-9,0 m) at the end of the reporting period. The Group does not work actively to manage the transaction exposure that arises.

(ii) Interest rate risk relating to cash flows and Fair values

The Group (the parent company) has two bank loans, where the remaining debt per 2021-12-31 amounted to a total of SEK 105,8 m. Apart from that, the Group's income and cash flows from operating activities are essentially independent of changes in market interest rates.

Limited Credit risk

Credit risk or counterparty risk is the risk that the counterparty in a financial transaction does not meet its obligations on the due date. Credit risk is managed at a Group level and mainly arises through account receivables and cash and cash equivalents.

See Note 13 Account receivables, and the subsequent paragraph, for a more detailed description of the Group's exposure in account receivables.

Customer credit risk

In addition to overall monitoring at Group level, more detailed follow-up of customer credit risks is performed at local level, close to the customer. Customer credit risk is the risk that customers do not meet their obligations. If customers have been credit assessed by independent raters, these assessments are used. In cases where no credit assessment exists, a risk assessment is performed of the customer's creditworthiness where their financial position is considered as well as previous experience and other factors. Risk limits are adopted on the basis of internal or external credit assessments. The use of credit limits is regularly monitored. No larger concentrations of credit risks are estimated to exist. The maximum exposure to credit risks in account receivables consists of the carrying amount, on each given date.

Note 26
Financial risk management

Liquidity risk/Financing risk
On 31 December 2021, the Group had available liquid assets of SEK 406,8 M (169,7M). These liquid assets consist of bank balances. In addition to the recognized cash, the Group has an unutilized bank overdraft of SEK 208,0 M (310,0 M).

The table below shows the undiscounted cash flows that arise from the Group's liabilities in the form of financial instruments, based on the earliest remaining maturities contracted on the balance sheet date. Amounts in foreign currency and amounts to be paid based on a variable interest rate have been estimated using the exchange rates and interest rates applicable on the balance sheet date.

Group	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Per 31 december 2021				
Bank overdraft	–	–	–	–
Loans	45,8	44,5	19,8	
Liabilities relating to leases	23,5	22,7	16,8	–
Account payables and other liabilities*	428,1		–	–
Total	**497,4**	**67,2**	**36,6**	**–**
As of 31 December 2020				
Bank overdraft	–	–	–	–
Loans	45,1	44,5	19,8	
Liabilities relating to leases	25,3	22,8	18,2	–
Account payables and other liabilities*	179,8		–	–
Total	**231,8**	**49,5**	**44,9**	**–**

*The majority of accounts payable is due for payment within 3 months

Fair value hierarchy
The Group classifies fair value measurement using a fair value hierarchy that reflects the reliability of the inputs used in the measurements. The fair value hierarchy has the following levels:

Level 1 – Quoted prices on active markets for identical assets or liabilities as the company have access to at the time of valuation.
Level 2 – Other input data than the quoted prices in level 1, which is observable for assets or liabilities, either direct, or indirect.
Level 3 – Unobservable inputs for the asset or liability.

Lease obligations and changes in market interest rates are measured at fair value. Leasing contracts are based on Level 2 inputs, i.e. market interest rates.

Capital risk management
The goal for the capital structure is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure in order to reduce the cost of capital. In the same way as other companies in the sector, Zound Industries calculates the capital on the basis of the liability /equity ratio. This key ratio is calculated as net liability divided by capital employed. Net liability is calculated as total borrowing (including the items Short-term borrowing and Long-term borrowing in the consolidated balance sheet, including borrowing from owners and right-of-use agreements) less cash and cash equivalents.

Capital is calculated as Equity in the consolidated balance sheet plus net liability.

The liability /equity ratio as of 31 December was as follows:

Group	2021-12-31	2020-12-31	2019-12-31	2018-12-31	2017-12-31
Total borrowing	150,5	147,7	342,7	266,2	51,6
Less: cash and cash equivalents	-406,8	-169,7	-25,1	-33,5	-40,1
Net liability	**-256,2**	**-22**	**317,6**	**232,7**	**11,5**
Total equity	525,3	402,9	405,9	430,0	314,9
Total capital	**269,1**	**380,9**	**723,4**	**662,7**	**326,4**
Liability /equity ratio	**-95%**	**-6%**	**44%**	**35%**	**4%**

Note 27
Participations in group companies

The parent company participations in subsidiaries:

Parent Company			2021-12-31		2020-12-31	
Subsidiary	Number of shares	Participation	Carrying amount	Equity	Carrying amount	Equity
Zound Industries Ltd, Hong Kong	100	100%	0,0	10,8	0,0	9,5
Zound Industries USA Inc, USA	1000	100%	2,5	55,8	2,5	38,4
Zound Industries Shenzhen Ltd, China	–	100%	8,9	73,0	8,9	33,0
Zound Industries Services Shenzhen Ltd, China	–	100%	0,8	2,3	0,8	2,0
Zound Industries UK Ltd	1	100%	0,0	4,1	0,0	1,6
Zound Industries Smartphones AB, Sweden, 556998-5723	2000	100%	0,2	2,4	0,2	2,4
Carrying amount			**12,4**	**148,4**	**12,4**	**86,8**

Note 28
Untaxed reserves

Parent Company	2021-12-31	2020-12-31
Accumulated difference between book depreciation and depreciation according to plan	0,0	0,0
Tax allocation reserve	12,1	0,0
Carrying amount	**12,1**	**0,0**

Note 29
Events after the reporting period

Events after the reporting period
On the 24 February 2022 Russia invaded Ukraine, causing immense suffering, and leading to a completely new security situation in the world. As a direct consequence of this Zound has chosen to permanently cease all its operations in Russia, and the company has also been forced to temporarily suspend its operations in Ukraine. In 2021 Zound sales to Russia amounted to 67 MSEK, and 10 MSEK to Ukraine. The negative revenue impact of these actions is still considered to be limited in the short to medium term, as sales will be diverted to other geographical areas.

Note 30
Appropriation of earnings

Proposed appropriation of earnings
The Board proposes that the profits including share premium reserve, total SEK 409 858 942, are to be carried forward.

Board assurance

The Board of Directors and the CEO declare that the consolidated financial statements have been prepared in accordance with IFRS, as issued by the IASB and adopted by the EU, and give a fair view of the Group's financial position and results of operations.

The financial statements of the Parent Company have been prepared in accordance with generally accepted accounting principles in Sweden and give a fair view of the Parent Company's financial position and results of operations. The Board of Directors report for the Group and the Parent Company provides a fair view of the development of the Group's and the Parent Company's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm, May 10th 2022

Henri de Bodinat
Chairman of the Board

Jeremy de Maillard
Chief Executive Officer

Tommy Jacobson
Board member

Monika Elling
Board member

Jonathan Forster
Board member

Heikki Mäkijärvi
Board member

Patrik Nilsson
Board member

Our audit report was submitted on May 10th 2022.

Öhrlings PricewaterhouseCoopers AB

Magnus Svensson Henrysson
Authorized Public Accountant
Chief auditor

We bring life to sound.

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