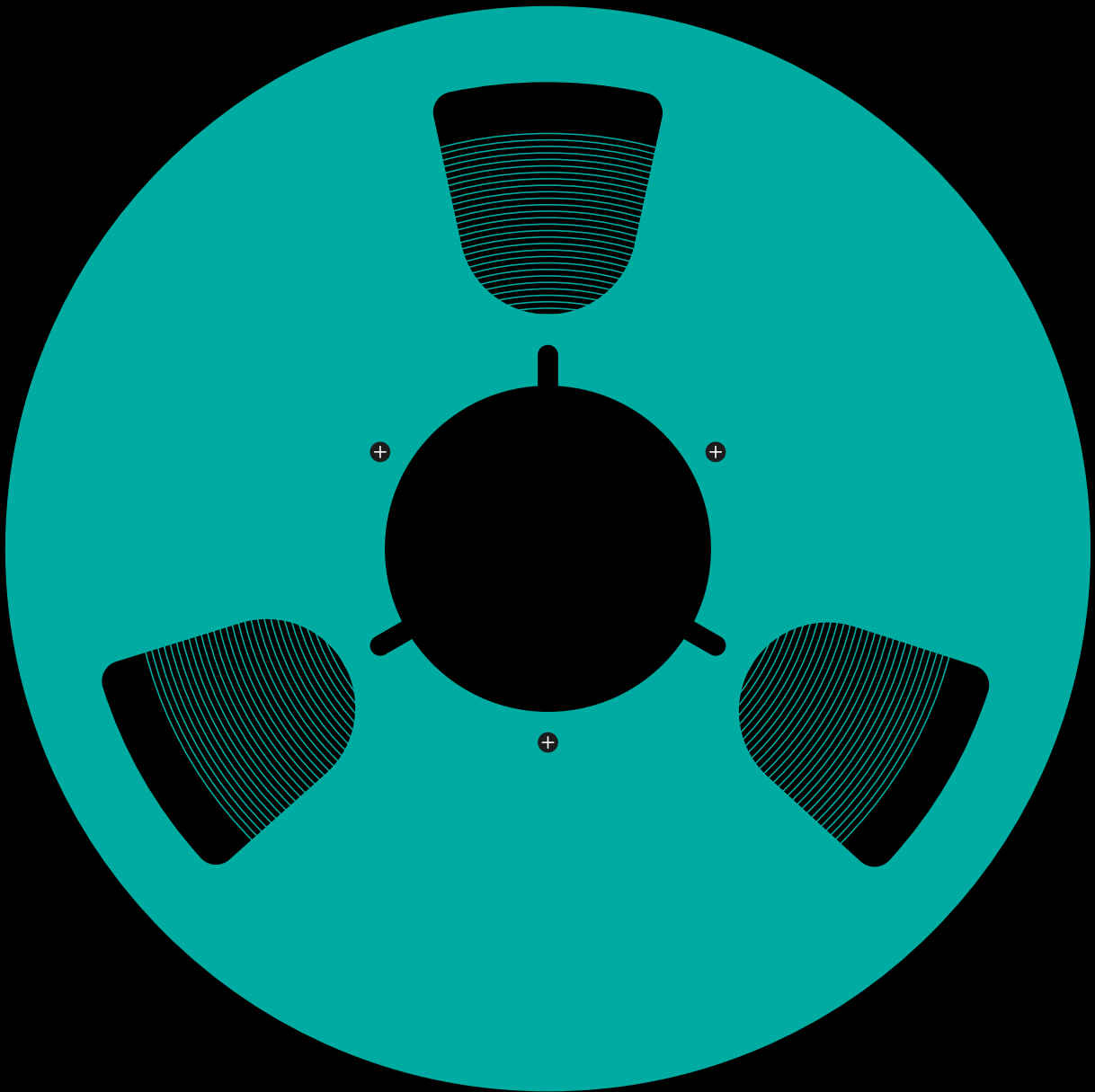
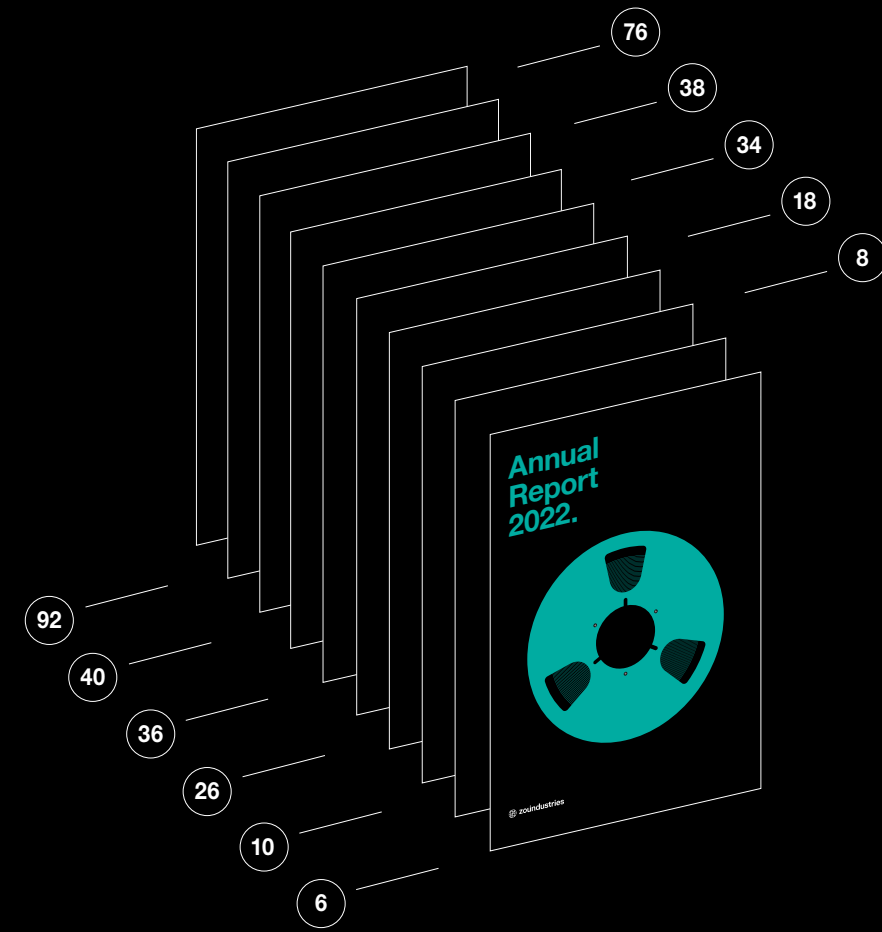
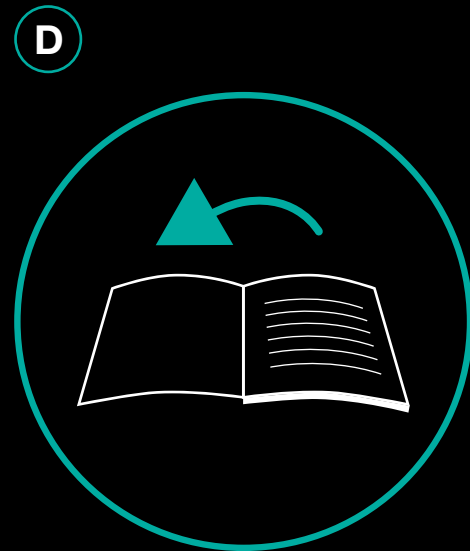
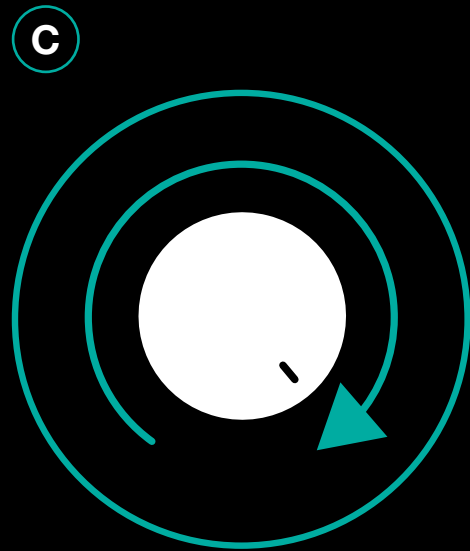
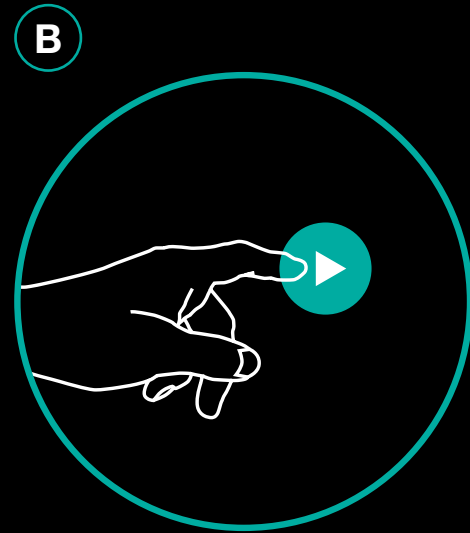
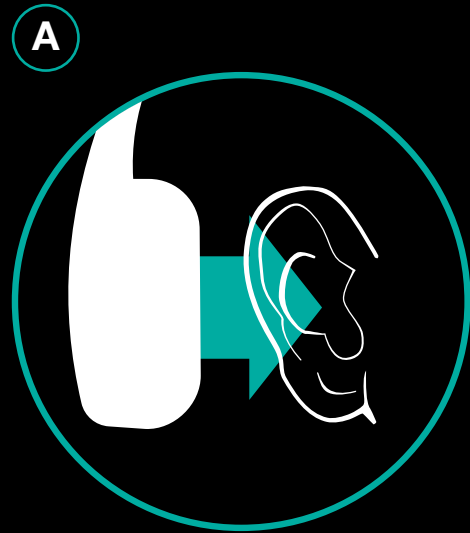


Annual Report 2022.



**Our purpose is
to amplify life
by humanising
tech.**

Table of contents



6. 2022 Summary	26. adidas	40. Sustainability 2022
8. Comments from the CEO	34. The World of Zound	76. Report to the Board of Directors
10. Marshall	36. Strategy	92. Notes with Accounting Policies and Risks
18. Urbanears	38. Values	

In 2022, Zound broke the SEK 3 billion sales barrier and continued to provide fantastic audio tech products to music lovers globally. The strong momentum for Zound's brands and products is unlocking new potential for 2023 and beyond.

Net sales

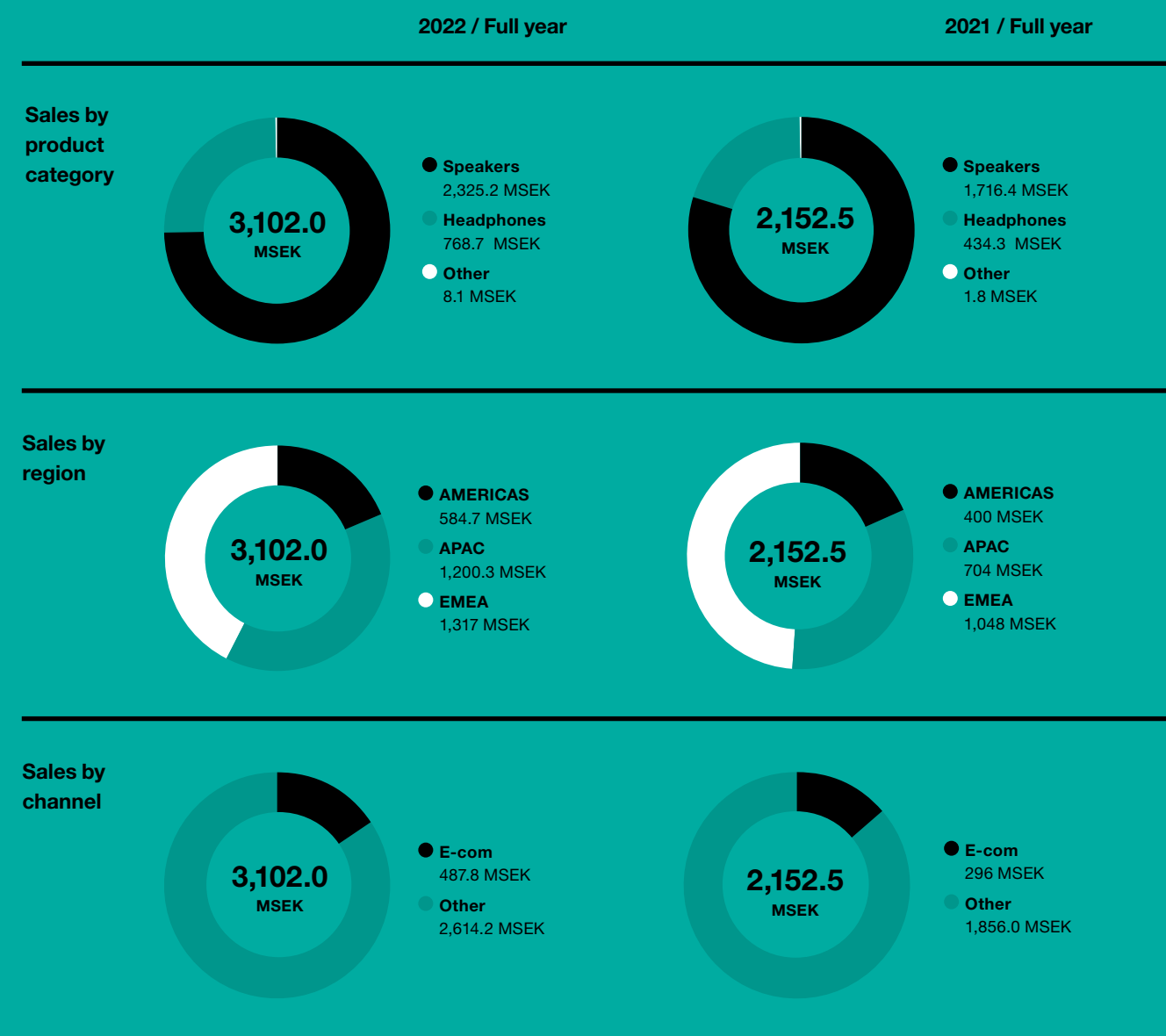
3,102.0

MSEK

44% growth

319 MSEK

Operating profit



2022 Highlights

February Following the outbreak of the war in Ukraine, Zound stopped all its business activities in Russia and has not resumed since.

March Zound won two Red Dot awards for high quality design for the Marshall Motif ANC and the Urbanears Boo.

April Urbanears launches the Boo and Boo tip true wireless headphones, products that take Zound one step closer towards becoming fully circular and carbon neutral by 2030.

May adidas Headphones unveil a collaboration with music artist and sports profile Quavo. The collaboration generates significant global interest, and the limited-edition products sell out in a matter of hours.

June Zound introduced the latest generation of Marshall Homeline products, re-engineered with a wider soundstage for an even more immersive experience. In June, Zound also presented its smallest portable speaker, the Willen, and can now offer a greater breadth in the portable speaker category.

August Zound launches the adidas RPT-02 SOL - the first light-powered premium, sport headphones ever created. The product attracts considerable positive attention due to its innovative technology and strong storytelling.

October Marking the brand's 60th anniversary, Marshall launches its exclusive Diamond Jubilee range consisting of a limited edition of three of Marshall's most beloved products: Emberton, Monitor II, and Motif ANC.

	MSEK / Full year	2022	2021	Δ %
Net sales		3,102.0	2,152.5	44
Gross profit		1,246.3	878.0	42
Gross margin, %		40.2	40.8	-
Operating profit, EBIT*		318.5	132.4	141
Operating margin, %		10.3	6.2	-
Net profit/loss for the period		260.5	101.8	156
Equity/assets ratio, %		41.3	36.5	-
Interest-bearing net debt		-554.6	-300.9	84

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

Breaking new ground

We delivered another year of strategic, sustainable, and profitable growth with more than SEK 3 billion in revenues, double-digit profitability, and a strong financial position to invest for growth.

We brought unique and innovative products to life, connecting with consumers both functionally and emotionally all around the world.

I continue to be inspired by our talented team every day and I am looking forward to unlock our full potential as the Marshall Group in 2023 and beyond.

Jeremy de Maillard, CEO

2022 was another record-breaking year for Zound. Despite the challenging macro situation and an uncertain economic outlook, net sales jumped 44 percent to MSEK 3,102 with operating profit at 10.3% of revenue, equivalent to MSEK 319. With strong growth across the business, and showing profitability in all four quarters, 2022 was Zound's best year to date.

Breaking the SEK 3 billion barrier is the result of the outstanding work and passion from the entire Zound team. Throughout the year, we continued to execute on our strategy, and we worked tirelessly across the organization to deliver on our three high-level goals for 2022: satisfying our audiences with amazing products and meaningful experiences; futureproofing our business; and being the most exciting alternative to traditional players. We sold nearly three million products and achieved double-digit growth in all regions. We rebuilt our inventory for key product categories, turned sales into healthy profitability, increased product reviews scores, strengthened our team focus, and built our strongest, most competitive, product portfolio to date.

While speakers remained our biggest growth driver, the headphone category grew 77 percent, proving that our product offer is resonating well with consumers on a global level.

Our eCom sales surged 52 percent, outpacing total revenue growth in line with our digital first mindset. From a geographic standpoint, we reported growth in all regions with APAC up 73 percent, the Americas up 46 percent and EMEA up 25 percent.

During the year, we launched several new products and initiated key collaborations with global lifestyle partners and brands, all of which epitomized our unique positioning by representing who people are as individuals and what they care about



Jeremy de Maillard, Chief Executive Officer

as a community. We further strengthened our product offering with key updates and new colors to some of our most beloved models, as well as continuous innovation across all brands.

Marshall's highlights included the third generation of its Homeline speakers with a wider soundstage and built-to-last design, the Willen, a portable speaker which makes it possible to take Marshall's iconic looks and signature sound everywhere you go; and the Emberton II, upgraded with 30+ hours listening time, IP67 dust and water-resistance rating, and Stack Mode to connect multiple Emberton IIs. Marshall also partnered with renowned creative director Angelo Baque from Awake NY to support the Queens Teens Institute for Arts & Social Justice by hosting a Leadership Art Workshop.

Urbanears launched "Boo", the brand's first true wireless headphones made from up to 97% recycled plastic, signifying the brand's first steps toward being fully circular and climate neutral by 2030.

adidas released the RPT-02 SOL headphones powered by all forms of natural and artificial light. The brand also hosted a shakeout run ahead of the New York Marathon and won an Epica Award – a global competition that celebrates creativity and communication – for its "Running Billboard" campaign promoting the FWD-02 true wireless headphones.

On the sales side, the team spent several months finalizing the Marshall Best Buy Plus program. This makes it possible for customers to make a purchase on marshallheadphones.com, and then pick it up from their nearest Best Buy store the same day. This makes life easier for our consumers and increases the availability of our products on the US market.

While continuing to develop our D&I strategy, we also set up a new concept, "Eyes on D&I," to elevate competence and knowledge within the organisation. We now have a solid founda-

tion on which to stand as we continue to push our D&I agenda forward. We also set a bold ambition for our sustainability efforts in 2023: to become a sustainability leader within our industry and lead the transformation toward circularity in consumer electronics. Earlier this year, our targets were approved by the Science Based Targets board.

Finally, in May 2023, we announced the birth of the Marshall Group, bringing together rock 'n' roll legend Marshall Amplification and audio phenomenon Zound Industries to pioneer the future of sound and technology. Combining our strengths will fuel our ambition to create premium, innovative, products and experiences for musicians and music lovers around the world. With the Marshall Group, we are set to accelerate our profitable growth in a 100 billion USD market. We are committed to building on the iconic Marshall brand and to take our successful, decade-long partnership to the next level.

2023 is my third year as the CEO of Zound. I am proud of everything we have achieved so far, yet humble in the face of the challenges and opportunities ahead of us. I continue to be inspired by our amazing and talented team, the fantastic products we build and the innovative and progressive approach we take in everything we do. By living our values every day, we will continue to provide our audiences with outstanding products, experiences and stories that represent who they are as individuals and what they care about as a community. Together as one team under the Marshall Group, we are excited to continue our journey and write the next successful chapter of our company history.

Marshall


Marshall is an iconic British brand that has been at the forefront of guitar amplification innovation for more than half a century. Marshall designs and makes cutting edge products and hand-wired reissues of its historic amplifiers – amps that defined the sound of rock and British blues music in the 60s, 70s and 80s. 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 then 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 experience and wisdom have been distilled and fused into every part of our Marshall headphones and speakers. No compromise has been made in translating the heritage of big stage performance to the individual enjoyment of great 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 decades of credibility. We aim to create new, authentic stories to connect with our consumers, and to become an integral part of their everyday lives.

When we talk 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 an attitude that inspires people all around the world. This attitude is strongly connected to our brand values - values which we live.



Marshall has taken its signature rock 'n' roll home speaker line-up and given it a stripped-back look that makes a loud statement. This iconic design knocks all other speakers off the shelf with a re-engineered, wider, soundstage for a more immersive experience. Six decades of sound knowledge is combined with future-proof technology to completely immerse you in your music.

Take your show on the road with the Marshall portable speaker line-up - a rugged portable speaker with relentless playtime. Enjoy Marshall signature sound for hours on end, everywhere you roam.





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

Celebrating the Black Diamond Jubilee, where some of Marshall's category-defining products are reborn in a limited-edition pitch-black finish, adorned with the 60th anniversary badge to mark the occasion.



Monitor II Black Diamond Jubilee



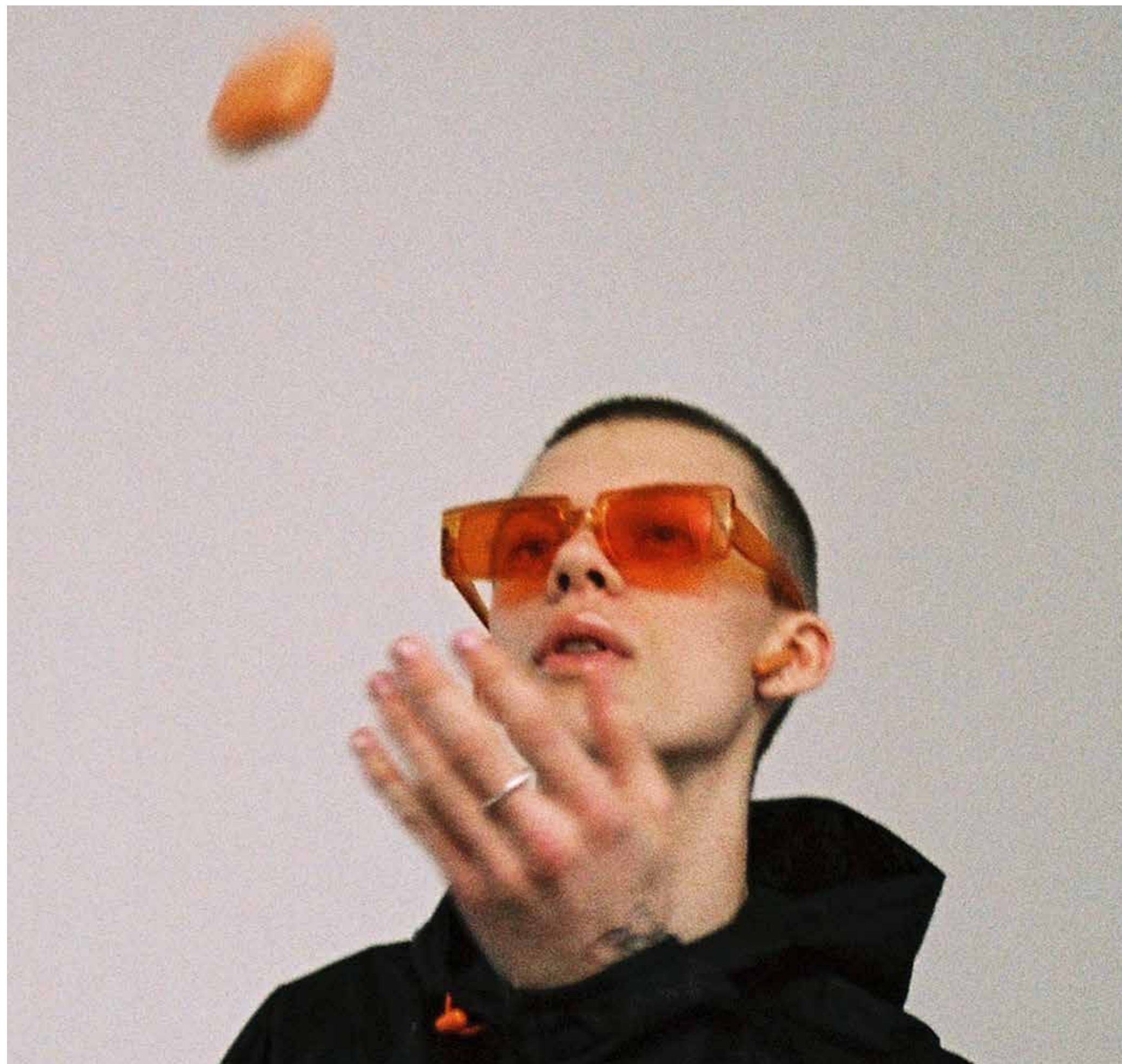
URBANEARS

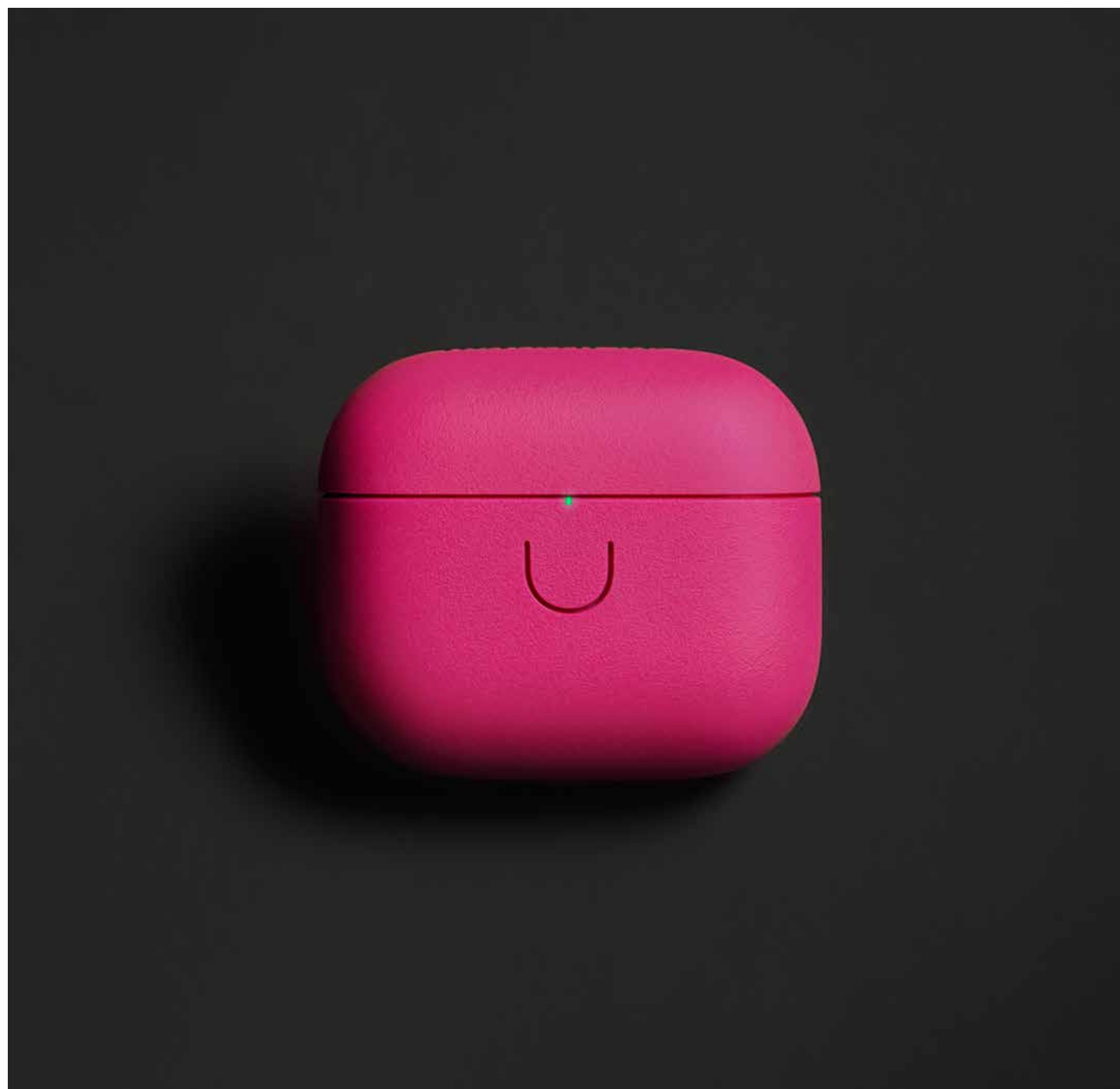
Born to fill a void in the market with colourful headphones that people want to wear, every day and everywhere, Urbanears is our own brand founded in 2009 that marked the start of Zound industries. Today, we continue to do things out of the ordinary and design simple, yet extraordinary products. And colour is still part of our signature - in our sound and our design.

Rooted in Stockholm, we make things we like for the people we love. We are inspired by our community, the people around us in culture and music, and we're also led by our intuition. We do not make tech for tech's sake. We do not compromise on functionality and ease of use to make products with an iconic expression.

Because we believe in a better sounding future, we work hard to reduce the environmental impact of our products. We don't have all the answers. But we keep asking questions and testing our way forward. We do what we can to extend the use and lifetime of each product, and from now on we make all our headphones from recycled plastic. Our main goal is to become circular and climate neutral.

We want to create a better sounding future. Our goal is to become circular and climate neutral.

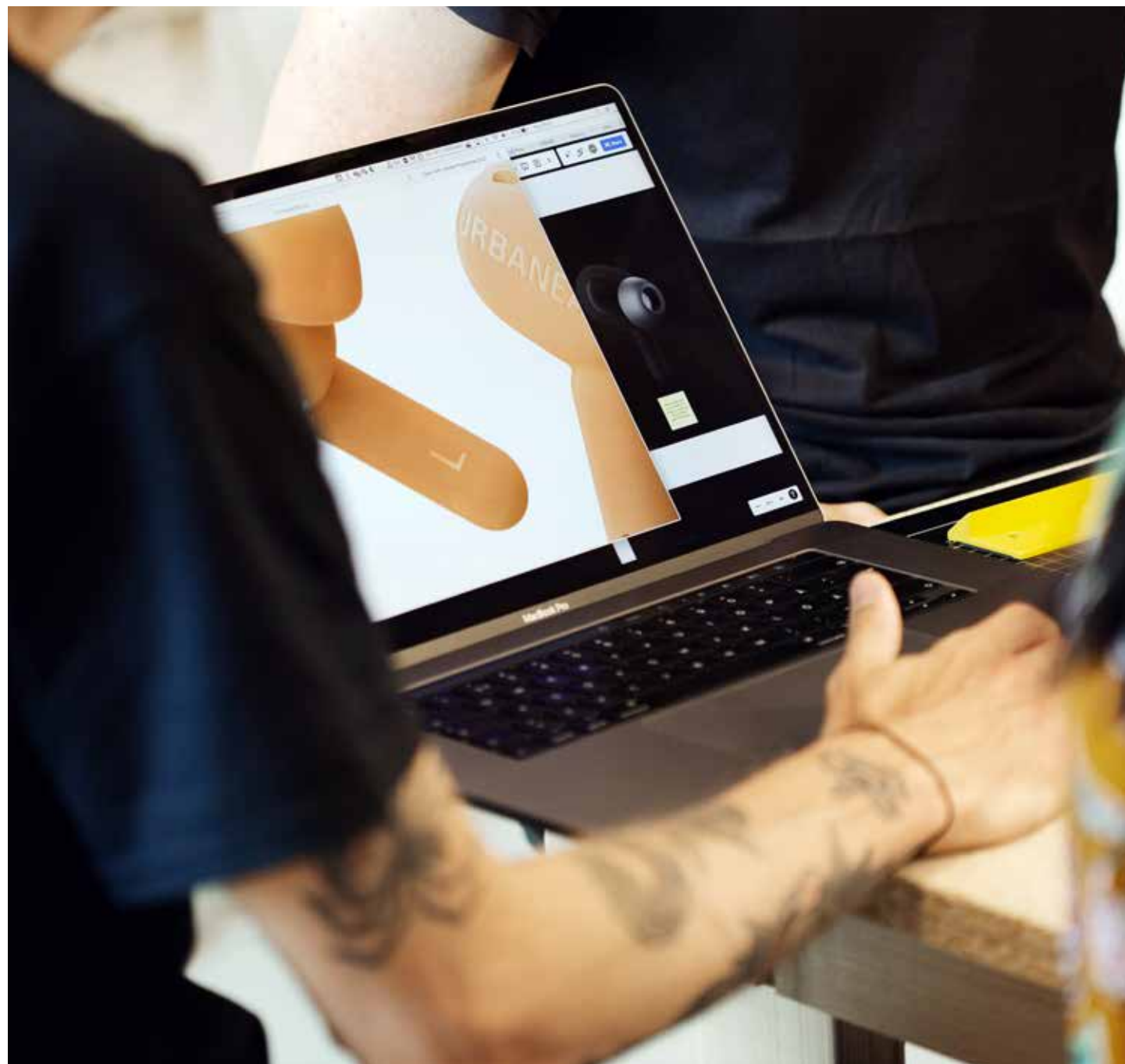




We design simple, yet extraordinary products. Colour is part of our heritage in our sound and our design.



Urbanears Boo Cosmic Pink



This is Juno. Introducing our first ANC headphones, with app support. Made from 91% recycled plastics.



Juno



URBANEARS

BOO

BOO

ps. For a happier planet we've excluded the USB-C charging cable.

URBANEARS

URBANEARS

ps. For a happier planet we've excluded the USB-C charging cable.

URBANEARS

BOO

BOO

BOO

BOO

ps. For a happier planet we've excluded the USB-C charging cable.

URBANEARS

BOO

BOO

BOO

ps. For a happier planet we've excluded the USB-C charging cable.

URBANEARS

BOO

BOO

BOO

BOO

ps. For a happier planet we've excluded the USB-C charging cable.

WIRELESS CHARGING CASE FROM 87% RECYCLED PLASTIC

WIRELESS CHARGING CASE FROM 87% RECYCLED PLASTIC

WIRELESS CHARGING CASE FROM 87% RECYCLED PLASTIC

WIRELESS CHARGING CASE FROM 87% RECYCLED PLASTIC



Everything adidas does is rooted in sport. Sport plays an increasingly important role in more and more people's lives, on and off the field of play. It is central to every culture and society and is core to our health and happiness. 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, our 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, and right through recovery.

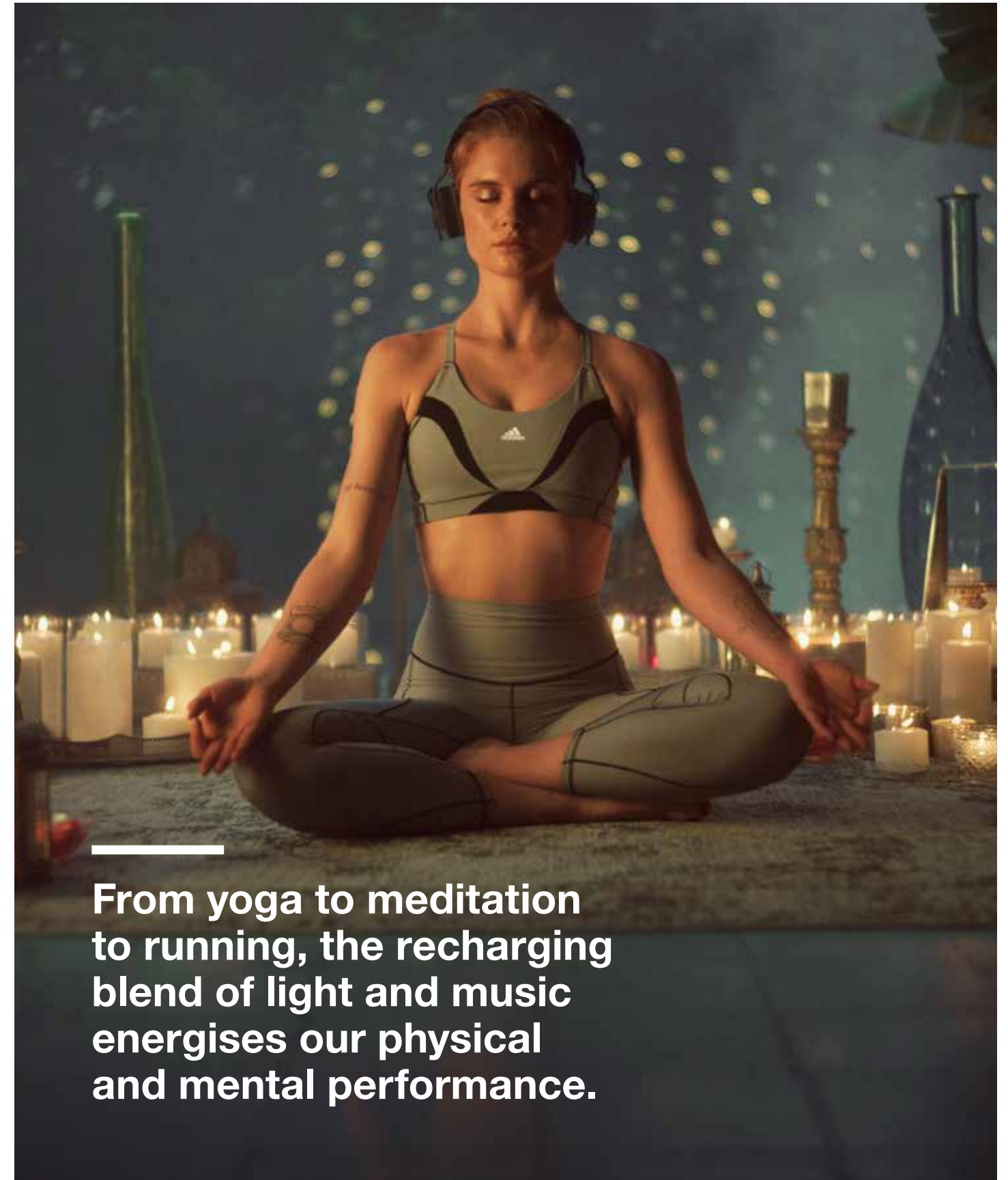
Co-created by athletes, our headphones are crafted to meet the specific needs of different sporting disciplines.



The RPT-02 SOL headphones feature Exeger's Powerfoyle™, a groundbreaking light cell material that converts all forms of natural and artificial light into energy.



adidas RPT-02 SOL

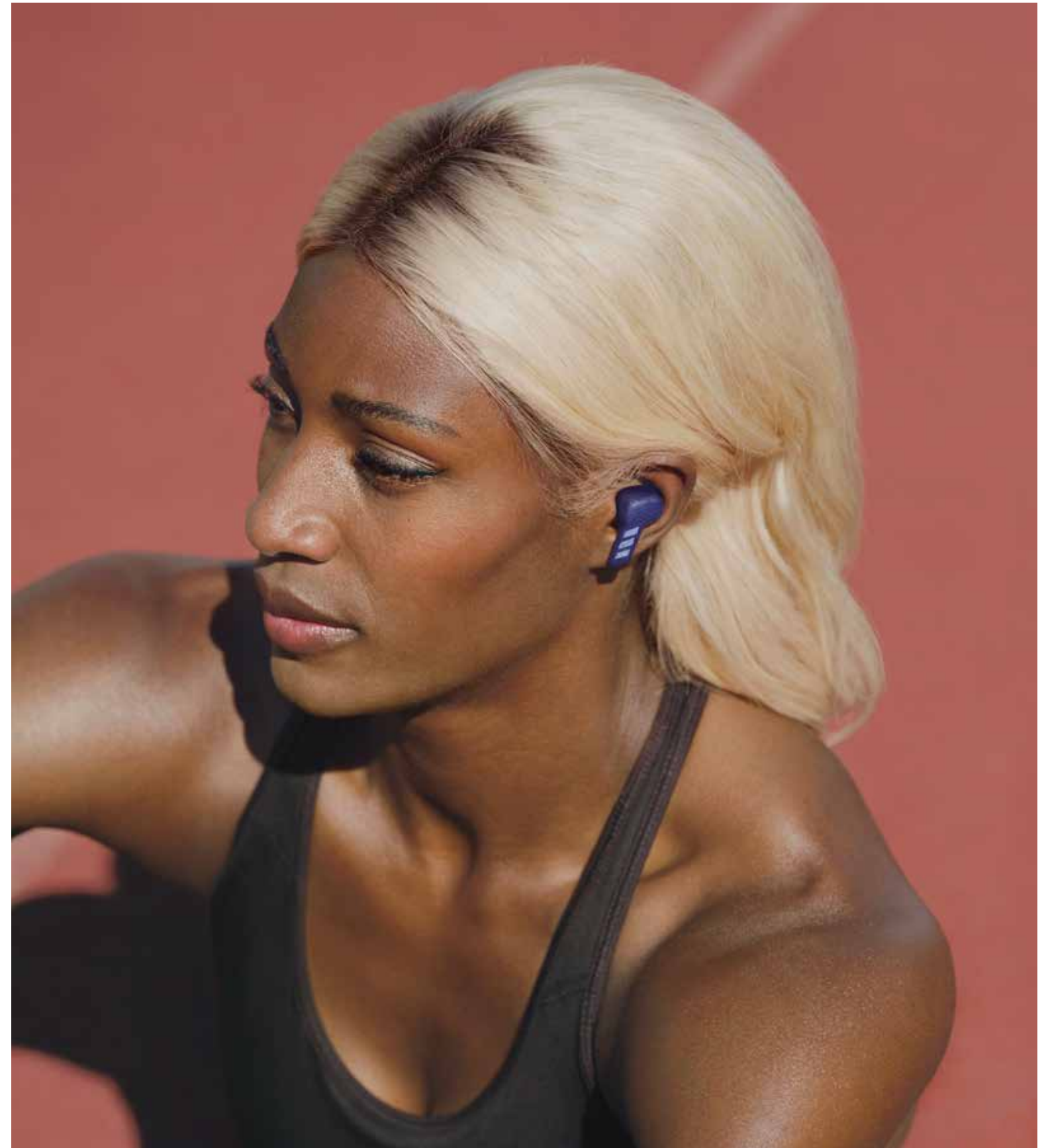


From yoga to meditation to running, the recharging blend of light and music energises our physical and mental performance.



True wireless range

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



adidas Z.N.E. 01 ANC INDIGO



The world of Zound.

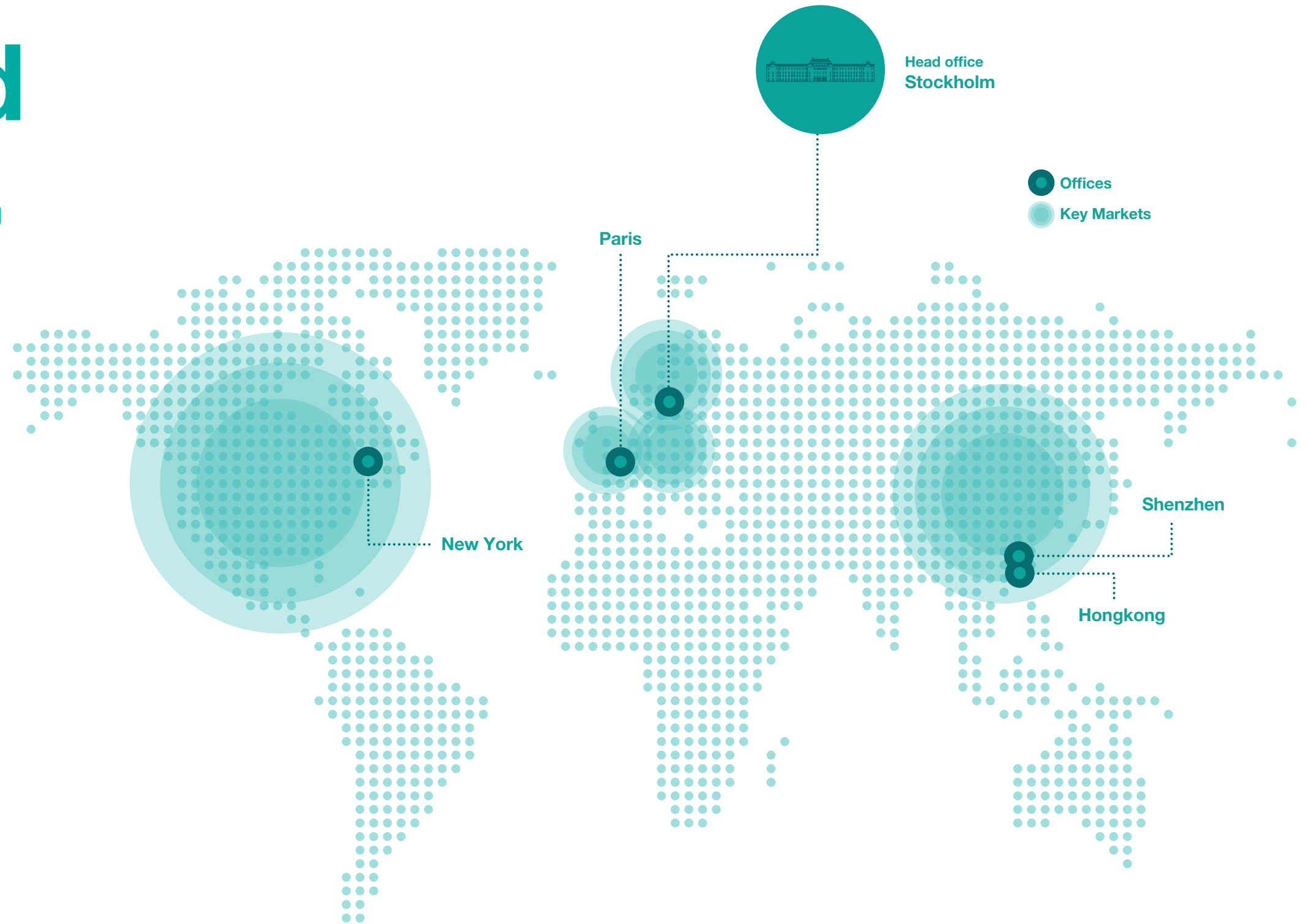
Zound is the global, fast-growing, innovative and progressive powerhouse behind the Marshall, adidas and Urbanears brands. For more than a decade, we have been shaking things up on the audio electronics market. We bring life to sound with exceptional audio electronics for human beings who care about music, each other, and the planet. We've got no time for convention. In our view, traditional consumer segmentations are flawed. We prefer to believe in mindsets and communities that share values. Can we back this up? Well, we redefined headphones from an electronics product to a fashion accessory, sprinkled colour across the audio world, set new standards for portable and home speakers, and 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 comes together to create unique products and experiences that represent who people are as individuals and what they care about as a community.

Our ambition is to become the most loved, human and connected audio electronics company and the most exciting alternative to the traditional players in the industry.

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

Distribution to around 90 markets worldwide

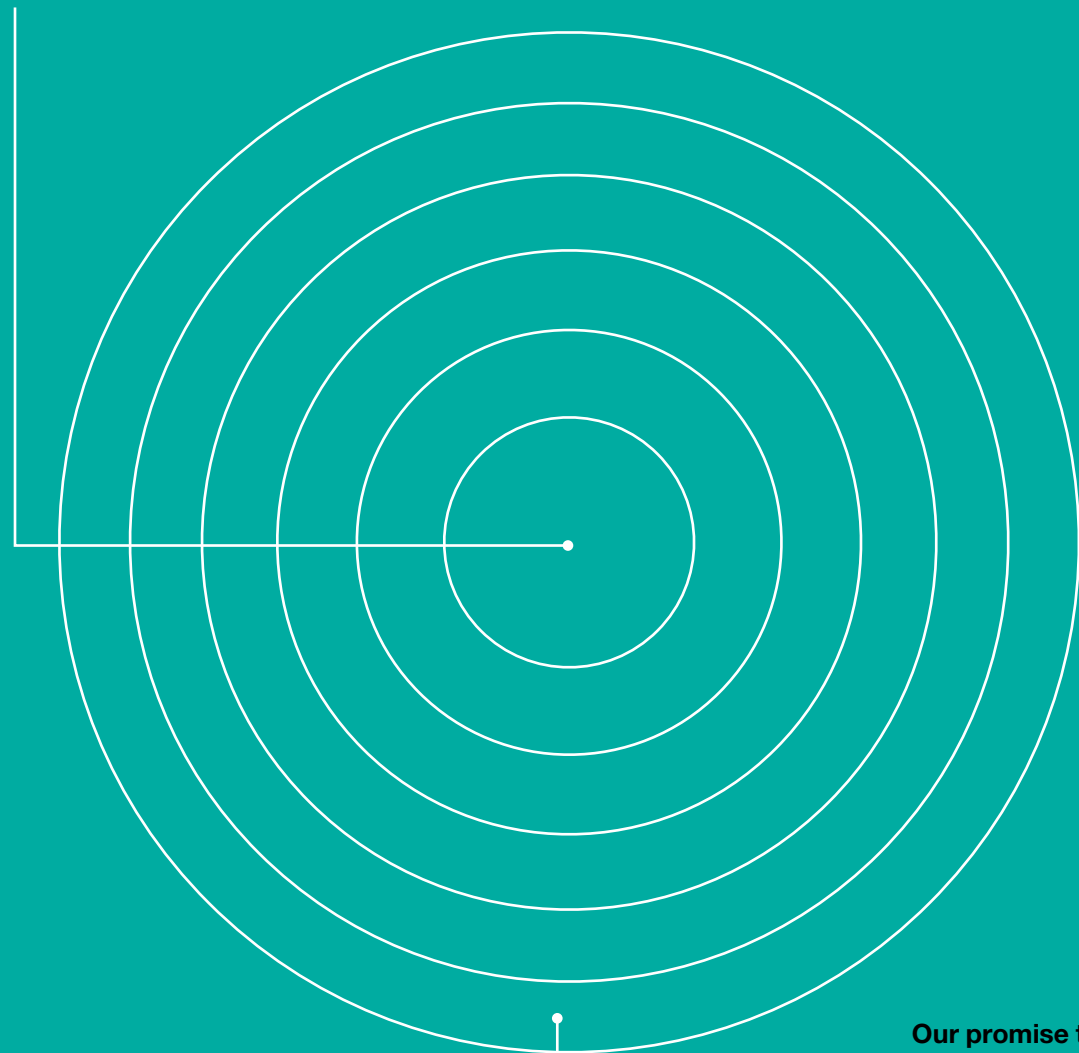


About 270 employees across five offices

Zound is currently represented in more than 90 markets and has about 270 full-time employees around the world. Our head office is in Stockholm, Sweden, and we have local offices in Hong Kong, Shenzhen, New York, and Paris.

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.



Our values

While our purpose and promise define our direction, our values guide our actions.

Our values encapsulate who and what we are when we are at our best, a way of framing the type of company we are building. They are a living, breathing reflection of Zound and its people, and they constantly evolve as we evolve and grow. They serve as a constant reminder to ensure we put our values where our mouth is.



Magic is together

Invite diversity and empower one another to collaborate without boundaries. Join in on making the whole greater than the sum of its parts. No illusions, just teamwork.



Do the right thing

Treat people and our planet as you wish to be treated. Own your actions. Have pride in what you do and humility to grow from your mistakes. Speak your mind and listen to your heart.



Courage for curiosity

Explore the unknown and let curiosity fuel your mind. Embrace trial and error to experiment more and overthink less. See you at the discomfort zone.



Create the wow

From the element of surprise to ideas that grow epic – strive to make a positive impact in everything you do. And crank up the volume. Let's give them something to talk about.

Sustainability report 2022

Bringing life to sound

Our commitment to the world is to bring life to sound. For us, this means putting people and planet first.

This mission comes with a great responsibility: to take on industry challenges and contribute to making the industry more sustainable. 2022 was dominated by change, with the world, society and business facing unprecedented challenges. It also brought a wave of new stakeholder expectations, among them upcoming sustainability reporting regulations.

At Zound, we welcome the new reporting requirements and are in the midst of preparing to report in compliance with upcoming EU regulations. The way we see it, this will facilitate our ambition to put sustainability at the centre of our overall strategy and address key questions such as:

How do we act responsibly to source materials and produce products in regions with limited awareness of health risks and workers' rights? How do we respond to the fact that the electron-

ics industry leaves a heavy environmental footprint, and that e-waste is one of the fastest growing waste streams on the planet?

Progressive, long-term action is necessary. Our work is guided by principles such as innovation – turning challenges to opportunities; accountability – to perform towards our goals; transparency – sharing learnings and data; inclusivity – representing everyone's voice; and collaboration – to engage with our stakeholders and peers across the industry.

We are committed to doing the right thing and pushing ourselves towards sustainable growth. We don't have all the answers. What we do have is a team that works tirelessly to figure them out. This report looks at what we achieved on this exciting and ongoing journey in 2022.



Our ambition

We want to play a key role in pushing our industry towards circular, emission-free and responsible practices across the value chain. Our ambition is to make that role ours by making audio electronics from harmless materials that are built to last and made for repair and recycling.

In many ways, moving towards more circular operations requires rewiring the system of how audio electronics are made. The way we see it, this cannot be done without prioritising sustainable resources in the research, design and sourcing stages. It also depends on a sustainability strategy and governance structure that is regularly revisited and updated to support efficient operations in line with updated policies and goals. Lastly, we also need to comply with international reporting frameworks.

Progress highlights of 2022

Committed to halve our emissions by 2030 and drop to net zero by 2040 in line with the Science Based Targets Initiative

100% of Tier 1 manufacturers part of our Supplier Development Programme

Halogen-free PCBA as standard in new designs

Recycled plastic as new standard in our products: 100% all products launched in 2022 used recycled plastic

Our road to zero

Carbon footprint

The climate crisis is threatening ecosystems and livelihoods around the world. At Zound, we listen to scientific evidence and recognise that human activity has resulted in the overshoot of several planetary boundaries. We acknowledge the urgency to act. In 2022, we joined the UN Race To Zero Campaign and committed to Science-Based Targets to halve our emissions by 2030 and become a net zero company by 2040.

Mapping our impact

The largest proportion of Zound's CO2eq impact comes from the materials used in our products and production (64.6%). Since 2019, our Product Sustainability team has implemented recycled material alternatives in our products to lower our impact. We are currently developing data systems that will allow us to measure the impact of these changes and increase the accuracy of this data. Improving how we estimate our materials emissions will also help us compare impacts of different materials, thereby allowing us to make better decisions that will help us achieve our ambitions.

The second largest source of emissions is associated with the energy needed to use our products (26.8%). Due to the high impact that this category represents, we are working to improve the certainty of our estimates. This involves better measurement of the power consumed by our equipment in its different states,

which would also help us to keep track of changes in the performance of our products. It also requires us to and better understand the usage habits of our consumers.

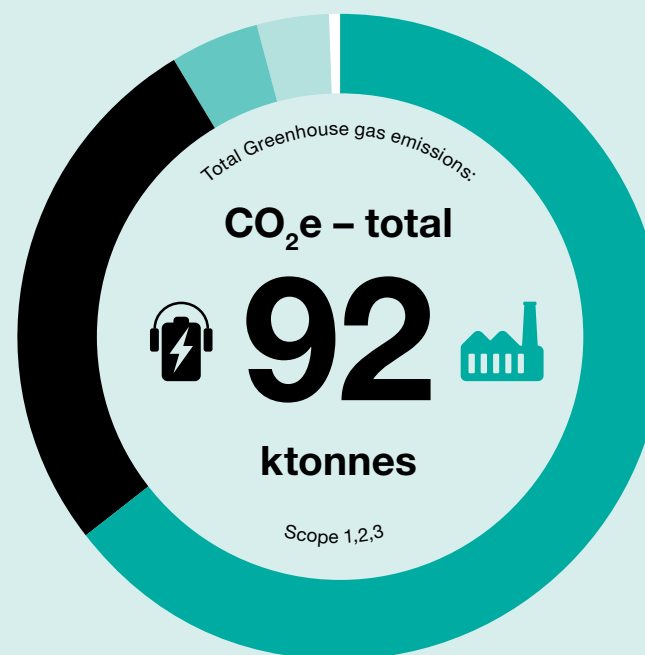
In the past, we have not included the CO2eq emissions associated with the final disposal of our products due to a lack of quality data. In 2022, we estimate this figure to be around 4.6% of the total, making this category the third largest source of emissions. We still need to improve how these measurements are calculated. Knowing more about what happens to our products once their service life has come to an end will help us better estimate emissions associated with waste management and presents us with an opportunity to evaluate and develop circularity programmes that will support equipment recovery and recycling.

Our fourth largest source of CO2eq is associated with transports of our products (3.7%) from which Zound controls 91%. The utilisation rate of transports that we control is high due to consolidated orders and transfers between our local warehouses. In 2021 and 2022, we optimised our supply chain by relocating our local warehouses in US and EU.

While the largest share by weight of Zound controlled transports was by sea or road in 2022 (90,6%), transport by air (2.4%) represented almost half of emissions (46.2%). Going forward, we will focus on analysing and improving our internal planning to minimise the need for air transports in the short term and stay on top of new technologies to replace the need for fossil-based fuel in all transports in the long term.

Sustainability has been part of our journey since we started, but right now we're in the process of adding structure to our start-up mentality of getting things done. In 2022, our sustainability team staffed up with more specialised knowledge and worked on updated strategies and a new governance structure that will help us reach net zero by 2040.

Emelie James, Sustainability Manager



2022	Unit: tCO ₂ eq
Raw materials and manufacturing	64,6%
Product energy usage of products	26,8%
End-of-Life Treatment	4,6%
Logistics and distribution	3,7%
Other	0,3%*

* Other: Business Travel 0,15%, Greenhouse gas emissions Scope 2 (indirect emissions) 0,08%, Employee Commuting 0,04%, Fuel- and Energy-Related Activities Not Included in Scope 1 or Scope 2 0,02%, Greenhouse gas emissions Scope 1 (direct emissions) 0,01%

As we design and develop our products and packaging in-house, but outsource all manufacturing, our Scope 1 and 2 emissions represent less than 1% of our emissions. Our head office and 70% of our employees are based in central Stockholm, Sweden. The office uses 100% renewable electricity, and its heating and cooling is powered by waste incineration. Other emissions associated with our employees, such as business travel, commuting and office appliances purchases, are also comparatively low.

Mode of transport	weight % of total	CO2 % of total
Air	2,4%	54,3%
Sea	50,1%	29,0%
Road	47,5%	16,7%

Calculating our impact

Since 2019, we have calculated our carbon emissions impact based on the Greenhouse Gas Protocol (GHG) on an annual basis by using a combination of primary and secondary data. We adopt a comprehensive approach and report all our direct emissions (Scope 1) as well as our indirect emissions (Scope 2 and 3).

We work continuously to improve data quality and methodologies to help us make better choices in our operations and in our product design, and to share more precise and comparable data with our stakeholders.

Our GHG calculations are complemented by ongoing Life Cycle Assessment (LCA). This type of analysis will help us make better internal decisions to reduce our impacts and is a tool to increase transparency and improve communication with our consumers.

Chemicals

The impact of chemicals on people and the environment is an urgent issue and managing the control of chemicals through our complex supply chain requires constant attention.

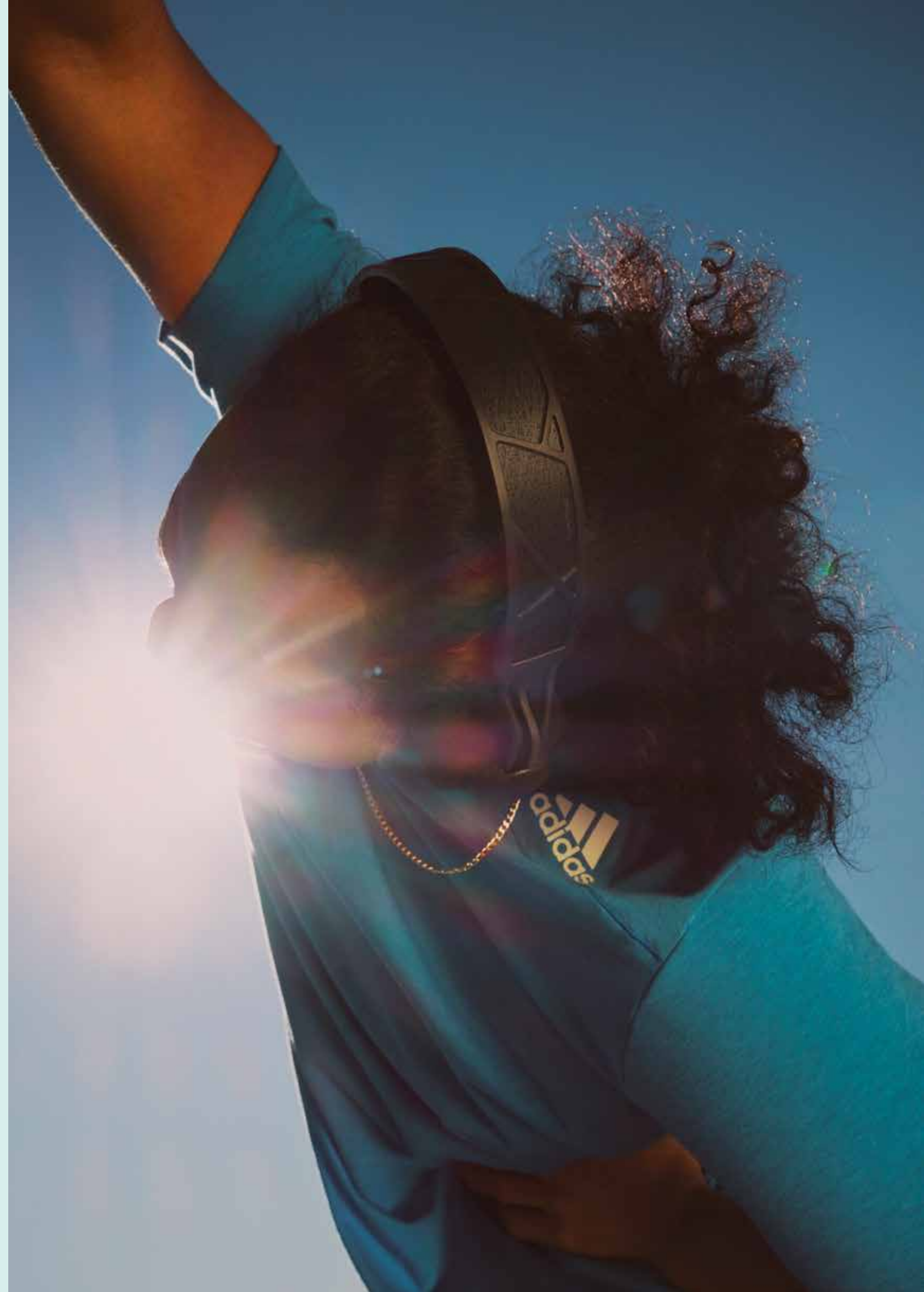
Our ambition is to go beyond compliance with chemical laws and regulations to minimise the negative impacts throughout our value chain, and to promote more progressive legislation on chemical management.

This involves continuously evaluating materials and chemicals used in our products and sourcing better alternatives. Collaboration with our Tier 1 manufacturers is an important part of these efforts. We want to design products that avoid the need for hazardous chemicals such as “forever chemicals” and processed chemicals that could be harmful to the environment. We also want to ensure material integrity, so that the materials we use are suitable for recycling and reuse. We work towards enabling the transition to material circularity.

100% of our Tier 1 manufacturers are contractually bound to follow our Restricted Substances List. To ensure compliance and safety, we conduct chemical testing of all our products in third-party laboratories. We also share information about chemicals with our customers. So far, we have eliminated harmful substances such as mercury, brominated flame retardants and phthalates from all our products and banned perfluorinated substances PFOA and PFOS.

Progress in 2022

- Joined Chemsec’s PFAS Movement and started the process of phasing out PFAS chemicals.
- Industry partner in RISE “POPFREE Industry” planning project, which aims to build a competence centre for a circular and PFAS-free industry.
- Halogen-free PCBAs (the multiple electronic components assembled on the circuit board) as standard in new designs.



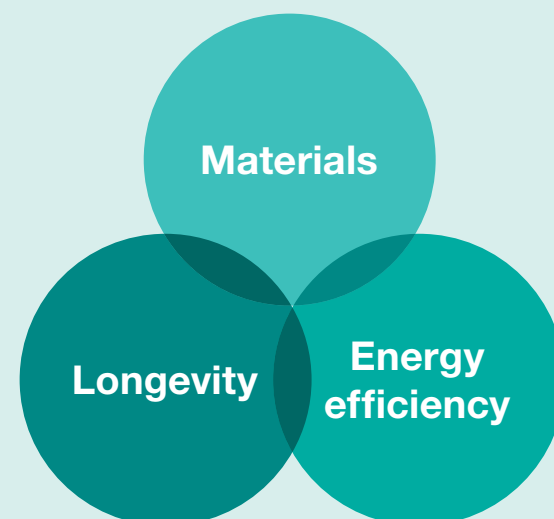
Designing for circularity

Design is our passion, and we believe designing circular products is our most important way to contribute to a more sustainable audio electronics industry.

Our ambition is to innovate so that our operations can be characterised by circularity and longevity at every level – from substances and materials to components and systems. We are committed to reducing the environmental footprint of our production processes and the use of our products and ensure that our products last longer.

From early in each concept phase, we work with circularity competence across departments to identify opportunities to design with increased lifetime and circular capabilities in mind. These efforts incorporate durability, reusability, upgradeability, reparability and recyclability at the design stage. It's about making responsible material choices, maximising energy and resource efficiency, and ensuring product performance and safety. It also entails a close relationship with our manufacturing partners. Together, we set clear targets, innovate, and implement solutions.

We have identified three key areas to designing circular products: Materials, Longevity, and Energy Efficiency.



Our design expression is driven by purpose. We always consider how our products are used and loved. We make Zound products unique by adding simplicity and timelessness. Today, circularity is also a key aspect of what we do. We want to ensure that our products can be used for longer and that the materials contained in them become part of a circular system.

Julia Lundmark, Sustainable Design Manager

Materials

Our ambition is to use 100% recycled or renewable materials. Choosing such materials, and ensuring they are recyclable at the end of each product's life cycle, will help us lower our impact and ultimately close the circle.

Work in this area begins with understanding our impacts with the help of life cycle assessments (LCAs). Using insights from LCAs, we replace materials where we can and push for new solutions where our impacts are at their greatest and where we can make the most impactful transitions. We also take steps to confirm the validity of our materials through certifications and traceability in the supply chain.

Electrical components

In terms of electrical components, a lot still needs to be done to reach material circularity. The main part of our footprint today is associated with electrical components. They are packed with finite minerals and metals that can cause environmental disruption and involve energy intensive processing that poses health risks. Electrical components are to a large extent pre-defined in each industry, making them more complex to address. This issue will top our agenda in the coming years.

Progress in 2022

- All products launched in 2022 were manufactured using recycled plastics. Recycled plastic content varied from 56% to 97%. We use a post-consumer recycled construction plastic (PC or ABS), certified by the Global Recycle Standard (GRS). To make this plastic, our suppliers use controlled streams of used electronics, car light shields and water bottles. This also makes it possible to produce products in a rainbow of colours. *Excluding plastic in electronic components.
- New recycled materials were introduced: Recycled PVB vegan leather made from car windscreens for the best-selling Marshall speakers Homeline III and knitted nylon textiles used in the adidas RPT-02 SOL headphones.
- All products launched in 2022 were PVC-free.
- Our Responsible Material Guide was implemented to support the Product Development Team in making the best material choices.

Product Case:

Urbanears Boo RAW

Boo by Urbanears

Urbanears offers a wide range of colours of products made from recycled plastic. In June 2022, Red Dot Design Award-winning Boo and Boo Tip were launched in the Raw colour scheme – without any colour pigments or coatings – to minimise chemical use and preserve their integrity for future recycling. The result is also slightly transparent, which means that you can see the electronics through the plastic.



Urbanears Boo and Boo Tip, made with 97% recycled plastic and 91% recycled plastic respectively, are available in the Raw colour scheme. They also feature plastic-free packaging and Eco-Charging. 56% of Boo consists of plastic, of which 97% is recycled (excluding plastic in electronic components).

Longevity

We design for durability. For us, this means making human-centred products – timeless but still unique – that last longer and match our users' needs.

To make sure our products retain value for as long as possible we need to design with longevity and adaptability in mind. If anything was to happen to a product, it needs to be easily repaired. And when a product has reached the end of its life, components and materials need to be recyclable.

In all new product projects, we work in cross-functional teams to set clear ambitions on durability, upgradability, repair, modularisation and recycling depending on the purpose of the product and user scenarios. We deepen our knowledge in the area by performing internal research sprints and participate in various external research projects on longevity.

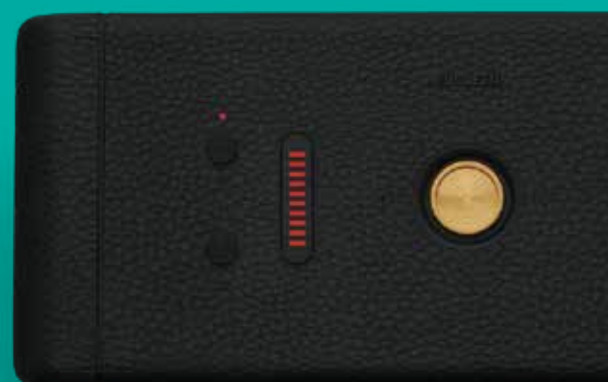
In recent years, we have focused on improving battery life. Battery capacity is among the most common factors that limit product lifetime. We collaborate with our battery suppliers to find the most suitable battery setup and features for longevity. Since 2021, all our true wireless headphones have Battery Life Extension features.

Battery focus

Battery lifetime depends on many factors, charging behaviour being one of the most important. Batteries don't like extremes: not too warm, not too cold, not too low, not too high. To help our consumers extend the lifetime of your batteries, we have set an upper limit of 80-90% of full capacity in our true wireless headphones. We call it Battery Life Extension, and according to our battery suppliers' tests, this feature can prolong battery life by a factor of two or three.

Progress in 2022

- Introduced guidelines to support our organisation to design for repair and recycling.
- Eco-Charging as standard in all true wireless products.
- Replaceable battery in Marshall portable speaker Middleton, a result of efforts leading up to our goal of making replaceable batteries standard.



Energy efficiency

The energy needed to charge and play our products is the second most significant contributor to our carbon footprint. Bringing quality sound to our customers, while at the same time increasing overall energy efficiency poses a challenge. We believe in a system approach, simultaneously working on increasing the energy efficiency of our products, understanding and analysing consumer behaviour and staying on top of innovative ways of influencing customers' energy sources.

Our ambition is to minimise power consumption in our speakers in all modes, make our software more energy efficient and choose hardware components with power-saving features. We also want to innovate how we encourage our consumers to charge their devices with renewable energy.

Progress in 2022

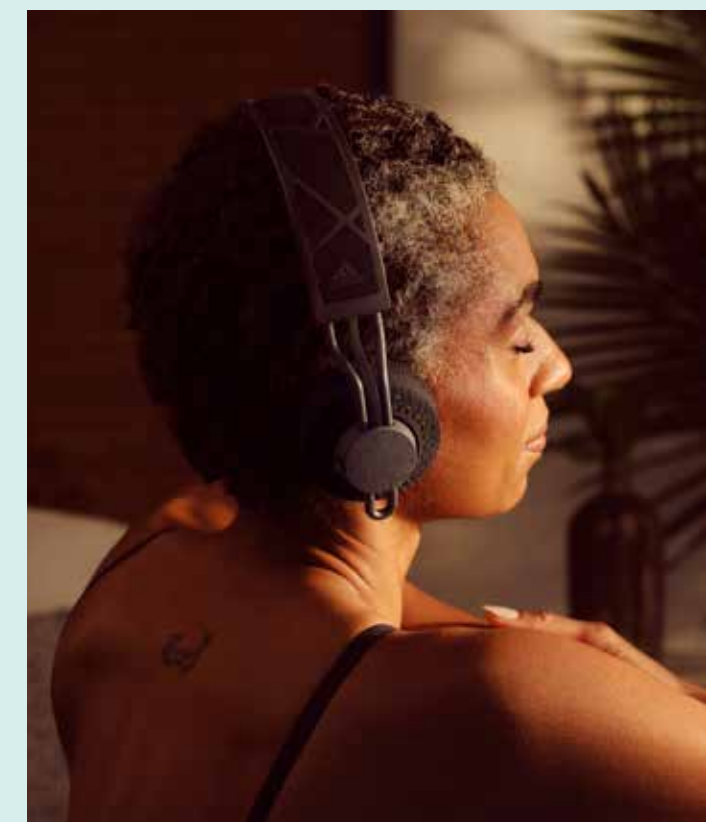
- Self-charging adidas RPT-02 SOL with a Powerfoyle™, see product case.

Product case:

Powered by light

adidas RPT-02 SOL

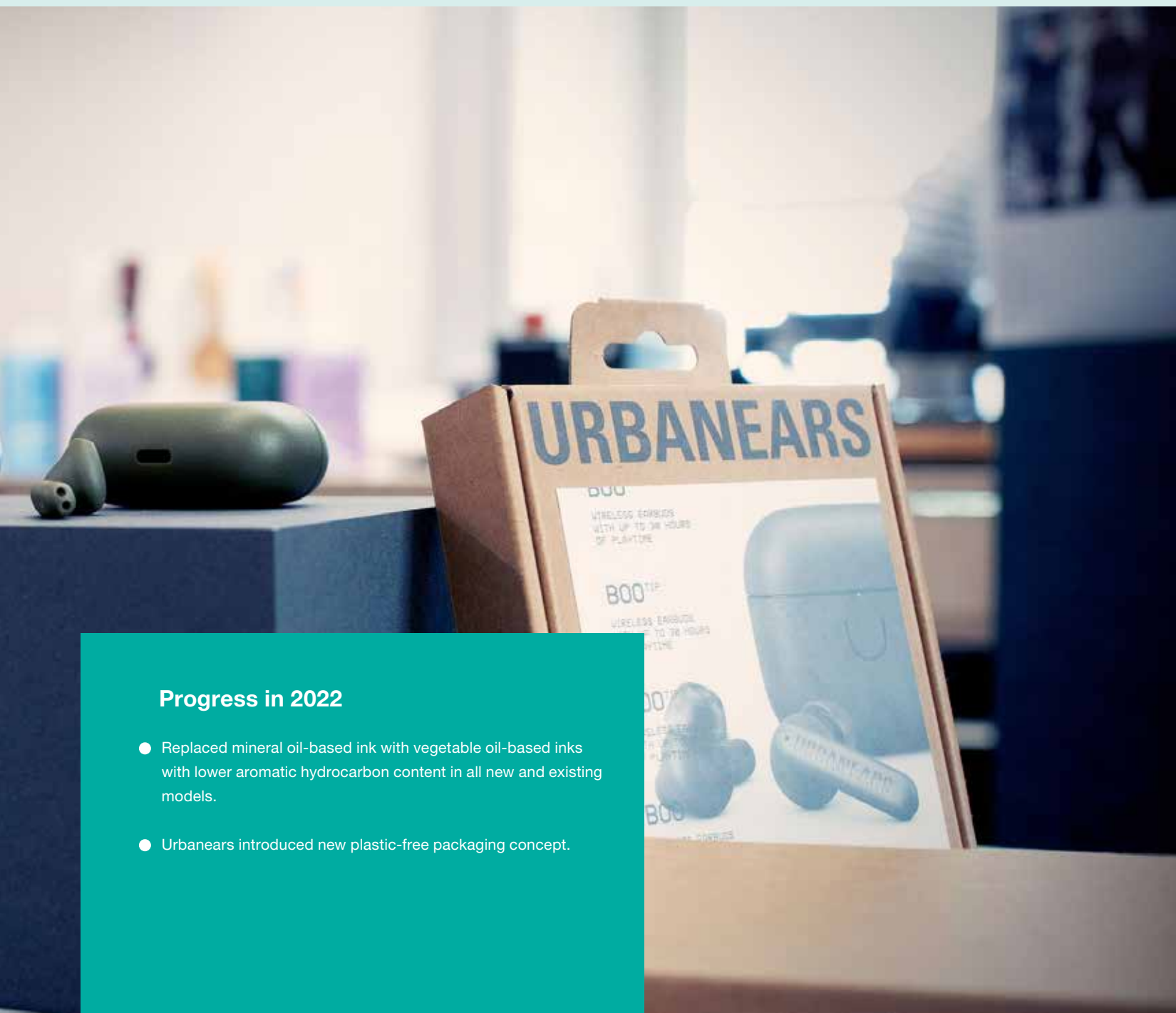
In 2020, we released adidas durable workout headphones RPT-01. For the next update, we wanted to keep their "best in class" durability and add more sustainability aspects into the design. adidas RPT-02 features Exeger's Powerfoyle™, a ground-breaking light cell material that converts all forms of natural and artificial light into battery life. By innovating and working closely with the Exeger team, for the first time we can use a product to encourage our consumers to use green energy.



adidas RPT-02 features a light cell material that converts light into energy. It also features washable and removable parts and is made of 51% recycled plastic. *51% of the product consists of plastic of which 87% is post-consumer recycled plastic (excluding plastics in electronic components).

Packaging

Packaging is an important part of all our products. At Zound, our Packaging Design team makes sure that our headphones and speakers are protected and presented in the best way. We aim to minimise the environmental impact of packaging by optimising size and weight, using materials from renewable or recycled sources, and slowly, but surely, designing out plastic.



Progress in 2022

- Replaced mineral oil-based ink with vegetable oil-based inks with lower aromatic hydrocarbon content in all new and existing models.
- Urbanears introduced new plastic-free packaging concept.

Responsible sourcing

Audio electronics often include a large number of components and thus are the products of complex supply chains. This implies challenges in terms of human and environmental health. Responsible material sourcing means asking for environmentally preferred materials – renewable or recyclable – while at the same time protecting workers' rights and health.

We know that making our entire supply chain transparent relies on close collaboration with our Tier 1 manufacturers. By working closely and on a long-term basis with a selected number of manufacturers who share our values, while at the same time maintaining a high presence at our factories, we can raise standards together.

As we progress in this field, we are guided by universally recognised declarations, conventions and guidelines such as the Ten Principles of the UN Global Compact and the International Labour Organisation's eight fundamental conventions, as well as our own internal standards. Our ambitions for and requirements of suppliers are summarised in our Supplier Code of Conduct,

which is available on our website here. We regularly update this document on issues such as management, labour and human rights, health and safety, environment and ethics.

In 2022, legal and customer requirements concerning human rights and forced labour increased, and we addressed this by risk assessments and by increasing our knowledge of human rights due diligence. This important work will continue in the next year.

2022 was the year we successfully improved conditions at our Tier 1 suppliers and deepened our collaboration with several material suppliers. We are proud to have started to improve our understanding at Tier 2 suppliers, despite setbacks like having to postpone audits due to Covid-19 related travel restrictions. This paves the way for us to increase our knowledge of and throughout our supply chain.

Anna Forsgren, Product Compliance and Sustainability Manager



Supplier development program

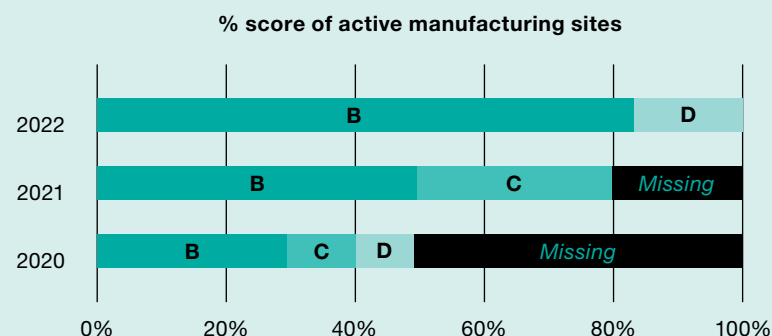
Since 2019, we have run our Supplier Development Program. Through the program, we engage closely with our active Tier 1 manufacturers with the help of local trained and certified personnel, to ensure a minimum standard of responsible practice and understanding. In the program, we assess and audit active and potential manufacturing partners, maintain quarterly dialogues with sustainability or sourcing managers, and provide training on our Supplier Code of Conduct. Three years after the program's introduction, we see a positive response in labour conditions at our Tier 1 manufacturers and a general willingness to work actively with sustainability related issues and advances in responsible sourcing programs.

Audits

Auditing across the supply chain is a way of ensuring that our suppliers act in accordance with the requirements set out in our Supplier Code of Conduct. The audits also allow us to gain insight into our suppliers' practices and track our progress. They increase transparency and help to hold us accountable for the conditions in our supply chain. Audits focus on identified risk areas typical for our industry and our locations. They result in a score from A (highest rating) to D (lowest rating), based on any non-compliance and the severity of these issues. When non-compliance is identified, we follow up and work in collaboration with our suppliers to solve any issues and implement improvements. If this is unsuccessful, we reserve the right to terminate our contract with the supplier.

Since the start of the Supplier Development Programme, the audit scores have been taken into account in our sourcing processes and we have prioritised manufacturers with high scores and shared values. This resulted in the progress we saw in 2022, when 100% of our active Tier 1 manufacturers were audited and more than 83% of our active suppliers were awarded a score of B.

We also conduct third-party audits as a requirement from our stakeholders, namely shareholders and license partners. In the past five years, 100% of our long-term product Tier 1 manufacturers have been audited and approved by a third party. In 2022, we performed six third-party audits at Tier 1 manufacturers.



Material and component suppliers

Zound is committed to improving its understanding of our partners throughout our entire supply chain, but visibility decreases as we dive deeper into the tiers. The immaturity of our industry in this area is evident, and we often meet suppliers who have never been asked about sustainability performance. Transparency and traceability are key focus areas for us, and we are taking steps to share our supply chain. We work closely with our Tier 1 manufacturers and selected material and component suppliers to promote our initiatives and principles further up our supply chain.

Our products are the result of complex supply chains involving multiple components and processes. We are working to extend our audits deeper into our tiers to make our supply chain visible and transparent beyond Tier 1 manufacturers. In 2022, we performed three audits of active or potential Tier 2 Material and Component suppliers. Several planned Tier 2 audits were postponed due to Covid-19 outbreaks.

Progress in 2022

- As a result of our audits, health and safety processes and conditions at our manufacturing partners' sites improved.
- Despite fresh Covid 19-related challenges, we successfully performed the majority of our planned audits for 2022.
- 2022 was the first year all of our active Tier 1 manufacturers participated. 83% of our Tier 1 manufacturers scored above B, compared to 30% only two years earlier.
- Zound joined the Sweden-China Trade Council (SCTC) to deepen our knowledge of business conditions and human rights in China.



Insight: Derek Xu

Derek Xu manages the audits conducted at Zound's current and potential suppliers. This is a key role because it transfers Zound's sustainability values to our suppliers and ensures our suppliers' employees work under safe and fair conditions and that environmental requirements are followed. Zound started its current Supplier Development Programme in 2019, and according to Derek, a lot has happened since.

– The program includes environment, health, safety and social responsibility requirements. Initially, suppliers typically met one or two program criteria rather than all of them. And there's still plenty of room for improvement, says Derek.

2022 was an extraordinary year, with Covid-19 continuing to be an issue for a third year along with a complex global geo-political situation. Derek explains that a mere business trip from Zound's Shenzhen office to a factory in another city was a challenge to arrange. He worked closely with suppliers but had to rely more on video conferences and video documentation instead of face-to-face meetings. Audits had to be suddenly postponed and replanned due to changes in Covid-19 regulations. However, eventually, all audits at existing suppliers were carried out according to plan.

– We were able to maintain work efficiency, which has been highly appreciated. And now, most suppliers show their

willingness to make the effort to meet Zound's Supplier Code of Conduct requirements," explains Derek. There are four scores for the audit result, A, B, C, and D, with A being the highest. Most of Zound's Tier 1 suppliers achieved B in 2022. And a B rating is good," explains Derek.

– A B rating means that a supplier meets most requirements and that there are no issues regarding local policy. The supplier provides a good and safe working environment without using child-, forced- or compulsory labour, there is no discrimination, workers receive their salary on time and so on," Derek says. Zound hopes to introduce the same kind of audits for its Tier 2 suppliers in the coming years.

Zound conducts its own audits to facilitate deeper understanding of every unique situation, figuring out the root of each respective challenge, coming up with the best solutions and monitoring areas of concern on a regular basis.

– We also conduct third party audits through adidas, (Zound has the license to produce adidas headphones). Currently, four Zound suppliers have been audited and approved by adidas and these audits have been conducted by a third-party certification authority. Based on this, Zound is able to ensure that these factories meet internal and universal requirements," Derek adds.

A Zound workplace

Life at zound

Our purpose is to amplify life by humanising tech. Our employees are the most important part of our company. We are focused on building a culture of belonging and an inclusive team that reflects the diversity of the communities we engage with. We bring together people with a variety of perspectives and value the innovation that comes about as these viewpoints intersect. We strive to offer a workplace where our colleagues thrive and develop.

A strong culture needs to be nurtured. Alongside our work to ensure the health and safety of our colleagues, we believe in the benefit of activities that bring our values to life and help strengthen our collective culture. This means creating opportunities that bring colleagues together across geographies and departments, from larger kick-offs to lunchtime seminars.

A welcoming, collaborative and open atmosphere where you can be yourself and where you are free to do things differently – that's the workplace we are creating at Zound. We are a team of talents with various backgrounds from all over the world, committed to challenging the status quo every day and learning from each other. We scale fast and we embrace growth, change and progress. No two days are the same at our offices and it's an amazing and fun adventure to be part of.

Per Thunberg, Head of Talent Development





200 colleagues gathered for an offsite activity in 2022.



30+ external speakers were invited to inspire and share knowledge.



10 ZoundCheck events were arranged, for colleagues to meet and have fun and to promote cross-functional collaboration.



11 WOW of the month were awarded, recognising staff for living our values and a job well done.

Wellbeing

The wellbeing of our employees is fundamental. We believe systematic efforts to promote physical and mental health at work are more important than ever as mental illness continues to increase in society. We aim to foster a culture of wellbeing and equal development opportunities. Everyone should feel safe and free of harassment working at Zound. This commitment goes beyond compliance with local laws and regulations.

In 2021 and 2022, we took our learnings from the rapid transition to a virtual workplace brought on by the pandemic and combined these with our ambition to keep cultural activities going. The result was a flexible model that gives the individual employee more power over their working situation and an opportunity to attend to the question of work-life balance. Our colleagues now decide where to work for the majority of their workdays, and come together at our offices at least four days a month.

Employee engagement

We can't create a great workplace without the involvement of our colleagues. Through annual one-on-one performance reviews with managers and annual Employee Engagement surveys, our colleagues share their thoughts about their roles, teams and Zound as a whole. This provides valuable insights into how our colleagues are feeling in terms of commitment, motivation, sense of purpose, alignment with our goals and their thoughts about our leadership.

The Employee Engagement survey conducted in June 2022 resulted in an Employee Engagement Index of 3.2 out of 4. The areas with the highest results were Work Environment, Product Offering and Quality of Products, Long-Term and Strategic Planning based on Zound strategy, Social Events and Diversity & Inclusion.

Workplace representatives

Zound's Work Environment group has representatives from our headquarters in Sweden and our office in the US. The group supports in creating a good work environment and colleagues can reach out to the group with work related questions, anything from heating system in the offices to social interaction or stress. All interactions are anonymous.

Harassment and discrimination

Zound does not tolerate any form of discrimination or harassment whatsoever. We consider all discrimination and harassment to be an issue that concerns all employees. All Zound colleagues are expected to contribute to a positive working environment,

one where we respect one another's differences. No one may be discriminated against due to gender, transgender identity or expression, ethnicity, disability, sexual orientation, age, religion or other beliefs.

The act of discriminating against or harassing a colleague is considered an infringement of the employment contract. Likewise, no colleague should conceal or overlook any discrimination or harassment they witness. Any discrimination, bullying or harassment should be reported to HR or management.

Physical health

We offer all employees a wellness allowance to contribute to employee wellness. This can be used to subsidise a gym card or other wellness activities. In addition to the wellness allowance, we encourage employees to organise sports and other wellness activities through the Zound Moves programme.

In 2022, we collaborated with OneLab to offer health checks to all employees at our Stockholm HQ. The purpose was to offer individual health counselling and to identify and detect early signs of health risks in the organisation.



Diversity and inclusion

Unequal access to opportunities around the world is a fact, as is growing inequality.

Diversity and Inclusion (D&I) is one of our five key strategic areas, one of our five “How to wins”. Fostering a diverse and inclusive environment is the right thing to do as a business because it drives innovation, increases employee engagement, improves decision making with more perspectives and better prepares us for change. It also adds social value. We want all our employees to feel included and part of the Zound family.

In 2022, our D&I Strategy and Action Plan was launched with a vision to represent everyone’s voice in everything we do by building an organisation and network that matches our audiences and to drive the change from within. The strategy started with a series of workshops designed to engage our colleagues and gain their insights about the organisation. The workshops encouraged colleagues to share perspectives and experiences and define what is important to focus on. The outcome of the workshops forms the foundation of the D&I Strategy. Three pillars underpin and support the strategy, each with their own KPIs and actions:

Pillar 1: Accelerate our awareness and champion D&I
Pillar 2: Create products and experiences for everyone
Pillar 3: Equality, belonging, collaboration

In 2022, we put resources into increasing awareness about the D&I strategy, internally through mandatory training, and externally by sharing it with stakeholders.

Key employee figures in 2022

- 63% of employees recruited to work at our head office in Stockholm were born outside Sweden or had both parents that were born outside Sweden, compared with 46% in 2021.
- 47% of Zound colleagues at our head office were female*.

* (Please note that gender reporting does not include data on how employees identify. Rather, it reports gender-based data from Statistics Sweden (SCB).

Progress in 2022

- The D&I Council was introduced, an internal group contributing with knowledge and ideas to help set our D&I agenda.
- Eyes On D&I was launched, a series of lectures meant to enhance our D&I knowledge.
- Celebrations Of All Nations was launched, a concept focusing on different cultural aspects, to celebrate the different cultures represented at Zound.
- Gender decoding of job ads, updated sourcing strategies and broadened talent recruitment networks.
- Enhanced focus on ergonomics to create products that reach a wider audience.

Talent attraction and retention

We have a broad variety of competencies in-house and hire new talents to a variety of disciplines, from design to acoustics, sales to software, marketing to e-commerce and a lot more in between. Finding the right talents is key to ensuring we can continue to grow and strengthen our culture. We connect with a global talent pool and source talents from all over the world. We believe that it is essential that we have an inclusive, objective and forward-thinking recruitment process where each candidate gets the same opportunities and is evaluated on the same criteria. We apply objective and validated selection methods based on proven research and train hiring managers in how to apply these in each process. A workforce that truly reflects our world is the foundation of an inclusive culture and helps us to produce great products. This starts at the recruitment stage.

Equally important to finding the right talent is retaining and developing the talents we have. Providing clear career paths, room for growth and talent development are key. With this in

mind, in 2022 we introduced a new role, Head of Talent Development, to further strengthen our talent development focus and continuous learning. We also implemented a talent mobility process to structure how we promote talents and enable career paths within the company.

Remuneration

Zound attracts, retains and motivates employees by offering compensation in line with national market levels and in accordance with our commitments to equality, diversity and inclusion and compliance with labour laws.

We also offer all permanent employees a bonus system and/or commission plan based on company performance during the year. We offer vacation, pension, health insurance and healthcare allowance. Other benefits include discounts on all Zound products.

Community engagement

We want our community engagement efforts to reflect our values and what our employees care about. Inclusion, equality, and passion for music guide us in the initiatives we choose to engage in, and we also want to make sure we can contribute timely as events unfold where we could be a positive force, financially or through collective action.

In 2022, we were involved in several important community engagement projects. Our head office in Stockholm participated in an internship programme with Järvaskolan, held inspirational training days with Womengineer and its project Introduce a Girl to Engineering Day (#IGEday), and co-created Fryshuset’s YOU LIVE initiative that enables young talent from marginalised areas to access the music industry.

Marshall engaged in partnerships with a number of selected organisations during the year. Among them was a collaboration with Angelo Baque and Queens Museum in their effort to create the Queens Teens Institute for Art & Social Justice programme with a mission to nurture thoughtful, independent young artists and the next generation of leaders in the arts and social change.

Marshall also supported Patta to facilitate a creative and musical exchange between Echobox Radio in Amsterdam and

Oroko Radio in Accra, where some of the funding was destined to complete Oroko Radio’s studio in Accra.

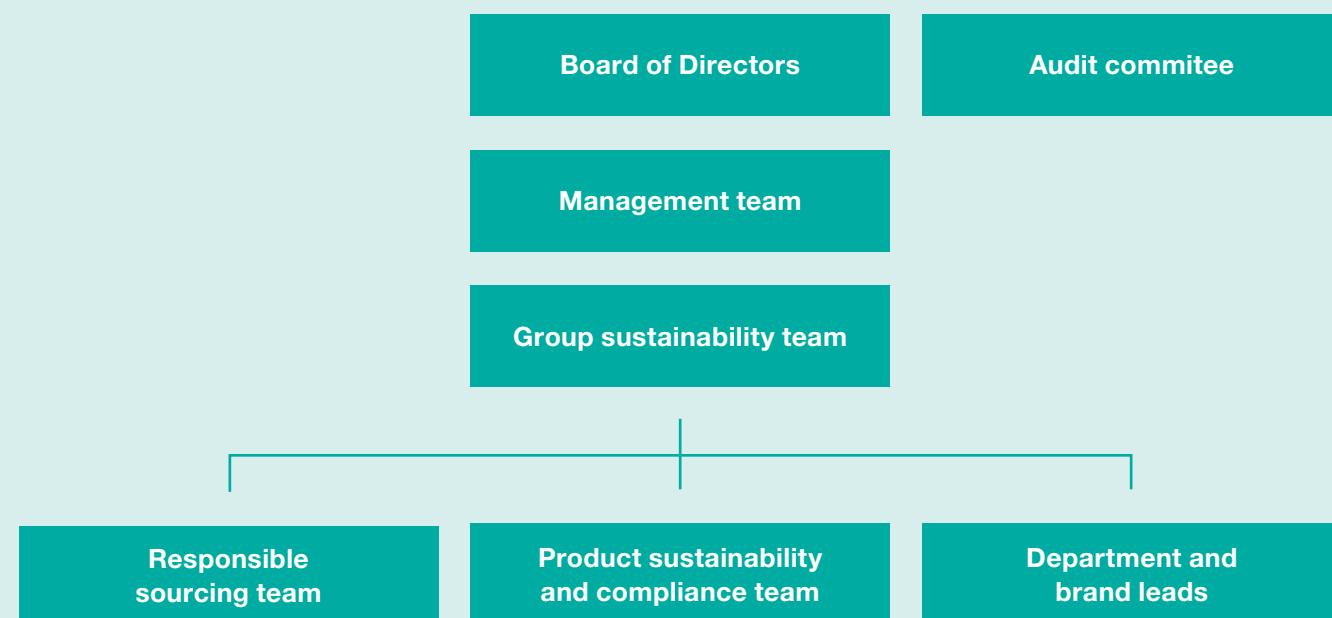
In partnership with Highsnobiety, Marshall created a series of events linked to community work with Roots Berlin, a non-profit organisation focused on bringing attention to social and racial justice and equity through the creation of spaces that positively and sustainably improve the reality of marginalised groups.

Our main focus is to help build a better future where we can, but the urgency of the present is sadly often a factor. Our largest charitable donations in 2022 were made to UNICEF and UNHCR following Russia’s invasion of Ukraine.

Sustainability governance

Committing to sustainable operations requires a governance structure that allows us to manage our impacts and growth in a responsible manner. In 2022, further resources were made available to enable a holistic approach to our sustainability management and a Group Sustainability team was introduced.

The main purpose of having sustainability governance at Zound is to ensure that we walk the talk and maintain trust from our stakeholders, including colleagues, customers, suppliers, investors, and representatives from communities we engage with. Our governance structure provides a framework to support us in delivering on our key policies and guidelines. It helps ensure we operate responsibly and in line with our values.



Board of Directors: The Board has overall responsibility for overseeing sustainability and compliance, including approval of policies and strategies related to sustainable development. The Board receives quarterly progress reports regarding sustainability issues.

Audit committee: The Audit Committee is a subcommittee of the Board, overseeing the identification, evaluation, and management of risks, including sustainability and compliance risks.

Management team: The Head of Communication and Sustainability in the Management team is responsible for managing and overseeing the implementation of the company’s sustainability ambition and strategy.

Sustainability team: The Group Sustainability Manager has the overall responsibility for implementation and performance against our strategies, policies and goals covering all key business functions and brands. The Group Sustainability Manager reports to the Head of Communication and Sustainability.

Product sustainability Team: Responsible for product compliance and driving sustainability progress. Managing product sustainability initiatives cross-functionally with product development, sourcing and quality departments.

Compliance management

Corporate compliance is managed by our legal team. Product compliance is managed by the Product Compliance and Sustainability team. This includes assessing, testing and certifying products according to global requirements. The team assesses product safety, materials and solutions during product development and manages compliance during the product life cycle, such as certification maintenance and extended producer responsibility obligations.

Ethical business conduct

Zound is committed to the highest standards of ethical conduct and integrity in its business activities everywhere we operate. Our company Code of Conduct outlines the expected behaviour of Zound employees and helps us navigate everyday situations.

As a part of our introduction programme, new colleagues read through and show understanding of the content of our Code of Conduct by answering dilemma questions. Employees’ immediate managers are responsible for ensuring that employees have understood the content of the Code and to guide them when uncertainties arise. The Management Team is responsible for implementing and ensuring compliance with the Code.

Our key policies

Employees:

- Employee Code of Conduct
- Sustainability Policy
- Anti-Corruption Policy
- HR Policy
- Information Security Policy
- IT Policy

Suppliers:

- Supplier Code of Conduct

Customers:

- Customer Privacy Policy

Anti-bribery and corruption

Zound does not tolerate any form of bribery or corrupt activity engaged in by its employees, partners or consultants. Being an international company with suppliers and partners in parts of the world where there is a high risk of corruption, it is our responsibility to make our position clear in writing as well as in daily representation.

Our Non-Tolerance Statement is included in our Code of Conduct and Supplier Code of Conduct. Our Anti-Corruption Policy is based on risk analysis and covers operational areas in our value chain with higher exposure to corruption risks. It is outlined in accordance with relevant international and local legislations.

Prior to the Covid-19 pandemic, all employees completed face-to-face Anti-Corruption training. In 2022, we implemented a new digital training platform that includes anti-corruption training. A mandatory anti-corruption training for all employees was launched in February 2023.

All product manufacturers are obligated to sign our Supplier Code of Conduct before entering into business relationships with Zound. We also conduct on-site sustainability audits and provide supplier training in our Supplier Code of Conduct.

Whistleblowing system

Zound uses an internal whistleblowing function called Speak Up for employees to report any malpractice or misconduct. All reported incidents are managed with absolute confidentiality, and we guarantee that employees raising concerns will not face any risk of reprisals.

Zound's Chief Legal Officer has the overall responsibility for the whistleblowing instructions and procedures. Incidents reported into our Whistleblowing System are handled by our Chief Legal Officer, Chief HR Officer and Chief Financial Officer. Routines are described in our Whistleblowing Management Instruction.

Our material topics

In 2022, we performed a major revision of our material topics to identify the most significant impacts across our value chain. We also took steps to ensure that we prioritise and focus on the most important topics from industry and stakeholder perspectives. To ensure compliance with upcoming reporting requirements and that our information is reliable and unbiased, we used external experts to guide us through the process and perform the analysis.

Our impact materiality analysis started with analysing regulatory requirements, external trends, and internal perspectives. We used desktop analysis, value chain mapping, surveys, and deep-dive interviews with internal and external stakeholders. Based on these insights, we produced a list of 23 material topics that are relevant to our company and the industry in which we operate. Through a workshop with the management team and internal experts, using the insights, we decided on the 10 most material topics for our company to focus on going forward to lower negative and enhance positive impact.

As we are writing this, we are revisiting and updating our sustainability strategy to support efficient business operations performed in line with our ambition, covering our most material topics. This will allow us to systematically report on all aspects of our operations and address progress and targets for each of our material topics. Our material topics are subject to annual review and validation by our internal experts and Management team and by including external stakeholders directly every third year.

Sustainability topics that are most material for Zound

- GHG Emissions
- Waste
- Human rights
- Product longevity and circularity
- Diversity and Inclusion
- Responsible sourcing practices
- Chemicals
- Consumer health and safety
- Ethical business conduct
- Employee wellbeing

Stakeholder engagement and dialogue

Throughout the year we have had an ongoing dialogue with different stakeholders, such as colleagues, customers, suppliers, industry peers, policy makers, investors and civic society. The multitude of perspectives among our stakeholders help us innovate and prioritise as we develop our sustainability engage-

ment. By openly sharing experiences and giving feedback, our stakeholders help us deliver on our promises and keep ahead of global developments.

	How we engage	Key topics and concerns
End-consumers and retailers	Consumer surveys in key markets including sustainability area. Social media, customer support, emails. Ongoing dialogue on sustainability of products with key retailers. Zound World Tour, an annual meeting for key retailers and partners to share progress and discuss our business.	Climate impact Repair, reuse and recycling services Third party certificates and eco labels Consumer Health and Safety Product durability and quality Supply chain social responsibility Compliance on legal and regulatory requirements
Employees and potential candidates	Ongoing dialogue eg through weekly 1-1 with manager, Annual Performance Review with manager and Employee Engagement Survey Intranet, emails, company meetings and events. Community engagement activities.	Wellbeing Climate impact Diversity and Inclusion Consumer health and safety
Licensee partners	Meetings, emails, workshops. Licensee sustainability guidelines and requirements.	Waste and resource use Sustainable and recycled materials Compliance on legal and regulatory requirements
Suppliers	Request for information. Contracts and Policies. Site Visits, Audits and Training. Meetings and emails.	Growth Long-term partnership Contribution to economic development Employee attraction and retention Standardisation
Investors	Annual General Meeting. Annual Report. Investor newsletter.	Product durability and quality Compliance on legal and regulatory requirements Financial sustainability and growth
Society	Annual Report. Participation in various research projects. Active member of various networks, participating in meetings and workshops.	Climate impact Circularity Repair and product standardisation Chemicals

Risk management

Our risk management processes include identifying, evaluating, and securing commercial, operational, financial, legal and regulatory risks, which also comprise sustainability related risks. The Management Team is responsible for risk management. It is primarily managed by our CFO and CEO, in close collaboration with our operating units who are responsible to handle risks in their area of responsibilities. See page 78 (Directors' Report).

Zound's approach to sustainability is defined from both a risk and an opportunity perspective. Since 2017, we have had the ambition of performing an annual top-down risk analysis focusing on Sustainability and Compliance related risks, including interviews with all members of the management team to identify risks in their operational area of responsibility. Due to changes in area of responsibilities and Covid-19 disturbances, we have not managed to perform updated risk analysis according to plan in 2021 and 2022. The latest structured Sustainability risk analysis was made in 2020, showing that we need to keep improving our supply chain (especially in terms of mineral and metal sourcing), make our products more sustainable and communicate better with our customers about our sustainability work. Our stakeholders also highlighted the potential to integrate this work into the company strategy.

See summary on page 73 (Sustainability risk management table)



Sustainability data/performance

Energy

KPI	2019	2020	2021	2022
Electricity consumption (kWh) 3	338,474	242,632	235,896	268,148
District heating consumption (kWh)4	509,604	509,604	501,424	509,604
District cooling consumption (kWh)5	196,004	196,002	192,856	212,556
Energy use from renewable energy sources (kWh)6	-	-	-	483,502
Renewable energy use (%)	-	-	-	48.8%

Carbon emissions

Item	Unit	2019	2020	2021	2022
Total Greenhouse gas emissions Scope 1,2,3:	tCO2eq	56 338	42 910	56 291	91 830
Greenhouse gas emissions Scope 1 (direct emissions)	tCO2eq	16 (0,03%)	13,4 (0,03%)	15,5 (0,03%)	8,66 (0,01%)
Greenhouse gas emissions Scope 2 (indirect emissions)	tCO2eq	103,1 (0,18%)	76,7 (0,18%)	77,6 (0,14%)	72 (0,08%)
Greenhouse gas emissions Scope 3 (indirect emissions). <i>Breakdown:</i>	tCO2eq	NA	NA	NA	NA
<i>Purchased Goods and Services</i>	tCO2eq	36 709 (65,15%)	20 726 (48,23%)	37 521* (66,66%)	59 290 (64,56%)
<i>Capital Goods</i>	NA	NA	NA	NA	NA
<i>Fuel- and Energy-Related Activities Not Included in Scope 1 or Scope 2</i>	tCO2eq	11,5 (0,02%)	8 (0,02%)	7,9 (0,01%)	16 (0,02%)
<i>Upstream Transports</i>	tCO2eq	2 877 (5,11%)	2 602 (6,06%)	2 326 (4,13%)	3 170 (3,45%)
<i>Waste Generated in Operations</i>	NA	NA	NA	NA	NA
<i>Business Travel</i>	tCO2eq	1 309 (2,32%)	125 (0,29%)	91 (0,16%)	142 (0,15%)
<i>Employee Commuting</i>	tCO2eq	39 (0,07%)	55 (0,13%)	57 (0,10%)	34,85 (0,04%)
<i>Upstream Leased Assets</i>	NA	NA	NA	NA	NA
<i>Downstream Transportation and Distribution</i>	tCO2eq	351,2 (0,62%)	396,5 (0,92%)	185 (0,33%)	252 (0,27%)
<i>Processes of Sold Products</i>	NA	NA	NA	NA	NA
<i>Use of Sold Products</i>	tCO2eq	14 922 (26,49%)	18 907 (44,06%)	16 010 (28,44%)	24 582 (26,77%)
<i>End-of-Life Treatment of Sold Products</i>	tCO2eq	Not calculated	Not calculated	Not calculated	4 262 (4,64%)
<i>Downstream Leased Assets</i>	NA	NA	NA	NA	NA
<i>Franchises</i>	NA	NA	NA	NA	NA
<i>Investments</i>	NA	NA	NA	NA	NA

* A calculation error was detected in the Purchased Goods and Services category for 2021, which was corrected in this table.

Supplier social and environmental assessment

Audits in numbers

	2016	2017	2018	2019	2020	2021	2022
Zound Audits	0	0	0	3	7	12	10
3rd Party Audits	1	4	8	6	3	3	6

* including audits of both active and potential sub-suppliers and manufacturers.

Zound supplier development program

		2020	2021	2022
Manufacturers (Tier 1)	Number of Active manufacturers	10	10	6
3rd Party Audits	% of active manufacturers with annual audit score	50%	80%	100%
	% of active manufacturers with annual audit score	23%	69%	100%
Material and component suppliers (Tier 2)	Number of active Tier 2 included in our Supplier Development program	1	4	4

Employees

	2018	2019	2020	2021	2022
Employee Engagement Index 1-100 (response rate)	75	75 (76%)	75 (76%)	75 (76%)	80 (72%)
Sick Leave	1,1%	1,9%	2,1%*	1,7%	2,0%

* A calculation error was detected in the Sick Leave data for 2020, which was corrected in this table.

Reporting principles

We aim to provide an example of how to balance economic growth, environmental protection and positive social impact. Our own guiding principles in this process include work sensibly; systematically supporting our co-workers, our community and our environment; recognising risks and opportunities; setting milestones across varying time horizons; and pushing for collaborative efforts and standards for the audio electronics industry.

Sustainability stationary report

Area	Requirement	Page
Overall	Business model	34-37
Environment	Policy and procedures	60-61
	Risks and risk management	40-53, 64, 73
	Performance	42-51,66-67
Employees and social conditions	Policy and procedures	60-61
	Risks and risk management	40-41, 55-59, 73
	Performance	59, 68, 101
Human rights	Policy and procedures	60-61
	Risks and risk management	40-41, 52-53, 73
	Performance	52-53, 68
Anti-Corruption	Policy and procedures	60-62
	Risks and risk management	40-41, 61-62, 73
	Performance	61-62

Networks and memberships

UN Sustainable Development Goals (SDGs)

Zound uses the United Nations Sustainable Development Goals (SDGs) to guide and inspire us in developing our sustainability agenda. The SDGs are a universal call to action on society's biggest global challenges. The 17 goals were adopted by all UN Member States in 2015 and provide a roadmap to countries, businesses and civic society on how to mobilise for a more sustainable and equal world.

United Nations Race To Zero

Zound is a member of the UN Race To Zero campaign and has committed to science-based targets to halve our emissions by 2030 and become a net zero company by 2040 in line with the Paris Climate Agreement, to keep global temperature rise to 1.5 per cent.

Science Based Targets initiative (SBTi)

The Science Based Targets initiative (SBTi) drives ambitious climate action in the private sector by enabling organisations to set science-based emissions reduction targets, providing a clearly defined pathway for companies to reduce greenhouse gas (GHG) emissions, helping prevent the worst impacts of climate change and future-proof business growth.

Cradlenet Network

Zound are members of Cradlenet Network, which is a platform for knowledge and networking with the ambition to accelerate Sweden's transition to a circular economy.

Chemsec PFAS Movement

Zound are members of ChemSecs movement to support a ban of PFAS. ChemSec recognises that citizens and public interest groups are not the only voices needed in the debate about toxic PFAS chemicals.

Sweden-China Trade Council (SCTC)

Zound are members of the Sweden-China Trade Council and its Sweden-China Forum for Sustainable and Responsible Business. SCTC is an independent, non-political and member-funded association. SCTC focuses on increasing members' knowledge on operating in China in general, and on current trends and policies as well as relevant challenges and opportunities for the Swedish business community in Chinese business life in particular.

Research Institutes of Sweden (RISE)

Active industry representative partner in two research projects:

- 1) RISE "POPFREE Industry" planning project, which aims to build a competence center for a Circular and PFAS-free industry.
- 2) Certified to LAST project, which aims to develop a certification concept, a way of rewarding products with long service life.

Reporting methodology

Influenced by GRI Standards

Where applicable, data and information in this Annual Report has been compiled and reported in accordance with GRI Standards:

Energy: Data for energy has been compiled in accordance with GRI Standard (302-1 Energy consumption within the organization)

Carbon Footprint: Data for product transport has been compiled in accordance with GRI Standard (GRI 305-1,2,3 – GHG Emissions Scope 1,2,3).

Responsible Sourcing: Data for responsible sourcing is partly compiled in accordance with GRI standard (GRI 308-1 New suppliers that were screened using environmental criteria and GRI 414-1 New suppliers that were screened using social criteria).

Ethical Business Conduct: Data for anti-corruption is partly compiled in accordance with GRI standard (GRI 205-1 Operations assessed for risks related to corruption).

Greenhouse Gas Protocol

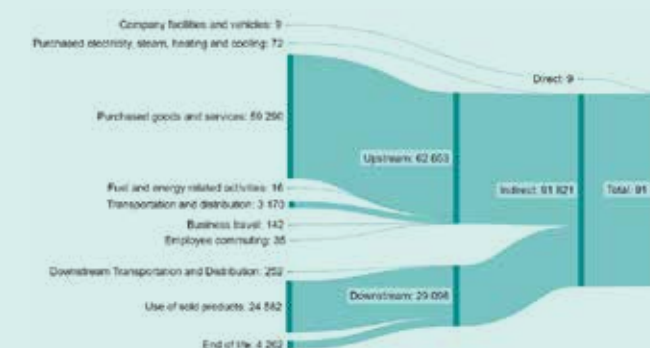
To get a holistic view of our climate impact, we calculate our emissions based on the Greenhouse Gas Protocol. This protocol is the most widely used international accounting tool to understand, quantify and manage greenhouse gas emissions through the entire value chain of companies. The different gasses are calculated into CO₂eq depending on their global warming potential. When breaking down Zound's emissions according to the structure of the GHG Protocol, the emissions are divided into three scopes:

Scope 1: Direct emissions from operations. This includes both emissions generated at company facilities and by company vehicles. Since we have chosen to use a financial approach when declaring our emissions, only the corresponding emissions, in our case, to the fuel used by the rented cars were recorded in this section.

Scope 2: Indirect emissions from purchases in electricity, heating and cooling associated with the operations of Zound Industries offices located in Stockholm (Head Quarters), Shenzhen, New York, London, Paris and Hong Kong.

Scope 3: Indirect emissions associated with the value chain generated by our products, including upstream and downstream emissions.

Following the methodology described in the GHG Protocol, the emissions associated with the operations of Zound Industries between 1 January 1 and 31 December 2022 were 91,830 tCO₂eq. By breaking down the emissions according to the GHG Protocol structure, four categories were identified as the main sources of emissions. Together they represent more than 99% of emissions. These categories are: Purchased Goods and Services (64.6%), Use of Sold Products (26.8%), End of Life (4.6%) and Transport and Distribution (3.4%).



The 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 than 1% of total CO₂eq emissions. Scope 3 categories that are not applicable are franchises and investments.

Company facilities and vehicles

Based on the distance travelled by each of the company's vehicles, and the emission factor associated with each vehicle, differentiating by vehicle size and fuel used for its operation.

$$\sum (\text{Distance traveled (km)} \times \text{Emission factor} \left(\frac{\text{tCO}_2\text{eq}}{\text{km}} \right))$$

Purchased electricity, steam, heating and cooling

Using the energy consumed by each of Zound's offices and the emission factor of the national energy network, the CO₂eq emissions corresponding to each office were estimated. In the case of the office in Sweden, the emission factor provided by the service provider itself was used, both in the case of electricity and heating. To improve the estimate it is intended, like the office located in Sweden, to take an emission factor from the energy provider and not the national average.

$$\sum (\text{Energy consumption (kWh)} \times \text{Emission factor} \left(\frac{\text{tCO}_2\text{eq}}{\text{kWh}} \right))$$

Purchased goods and services

Currently, a spend-based model is used to estimate this category, which is based on the Life Cycle Assessment (LCA) carried out previously on one of our products (Major II). From the LCA, an emission factor was estimated for each Swedish krona spent on the production of headphones and speakers.

We are in the process of improving this methodology, developing the information systems necessary to migrate towards a materials approach, in such a way that from the weight of the materials used for production, and the emission factor associated with each material, it is possible to more accurately estimate emissions.

$$\sum (\text{Expenses (SEK)} \times \text{Emission factor} \left(\frac{\text{tCO}_2\text{eq}}{\text{SEK}} \right))$$

Fuel and energy related activities

The category complements the emissions from purchased electricity, steam, heating and cooling, in such a way that it includes the well-to-tank emission factor. This emission factor considers the production, processing and delivery of a fuel or energy vector. It also includes losses generated during the transmission of electricity.

$$\sum (\text{Energy consumption (kWh)} \times \text{Emission factor} \left(\frac{\text{tCO}_2\text{eq}}{\text{kWh}} \right))$$

Transportation and distribution (upstream and downstream)

Using the registered information on product transportation, both relative to weight and the origin-destination, the distance travelled throughout the supply chain of the products was estimated considering different transportation alternatives (road, sea, flight or rail).

$$\sum (\text{Products (tons)} \times \text{Distance Traveled (km)} \times \text{Emission factor} \left(\frac{\text{tCO}_2\text{eq}}{\text{tons} \times \text{km}} \right))$$

Business travel

Zound has a register of each of the trips made by employees. From this database, the total distance travelled throughout the year was estimated, considering selected transportation, including flights, train, taxis and rental cars.

$$\sum (\text{Distance traveled (km)} \times \text{Emission factor} \left(\frac{\text{tCO}_2\text{eq}}{\text{km}} \right))$$

Employee commuting

Starting from a survey carried out among the employees of the various Zound offices, both the transport habits and the days that the employees work home office on average were identified. Using the mode of transportation and the distance travelled in an average week, as well as the corresponding emission factors, the total emissions were estimated. Although the survey was not answered by all the employees, in the cases where there was no response, it was assumed that the results were representative for each office. In total, 102 employees answered the survey, meaning a response rate of 40%.

$$\sum (\text{Employees (units)} \times \text{Distance Traveled (km)} \times \text{Emission factor} \left(\frac{\text{tCO}_2\text{eq}}{\text{km}} \right))$$

Use of sold products

Unlike the purchased goods and services category, where the estimate is based on what is produced in the year, in this category it is based on the sales made, also taking into account the country where they were sold since this determines the electricity emission factor. For the estimation, the entire useful life of the product is taken into account, in addition to an estimate of the use of the product.

It is necessary to improve the quality of the information used for the calculation, collecting primary data from the users will help to know more about the usage habits of the users, as well as the electrical consumption of the products.

$$\sum (\text{Products (units)} \times \text{Power consumption (kWh)} \times \text{Emission factor} \left(\frac{\text{tCO}_2\text{eq}}{\text{km}} \right))$$

End of life

As in the case of the purchased goods and services category, the estimate is based on the LCA performed on Zound products, but in this case four different analyses were used. Using the estimation of emissions linked to waste management in the four LCAs, one per type of product (true wireless, speakers, on-ear and in-ear) the emissions derived from handling one kilogram of each product were estimated.

Even though the category is new, there is still ample room for improvement over the quality of the information. More certainty about the type of treatment and final disposal of the materials is necessary, in addition to better measuring the waste composition.

$$\sum (\text{Products (kg)} \times \text{Emission factor} \left(\frac{\text{tCO}_2\text{eq}}{\text{kg}} \right))$$

Employee engagement index

When calculating the Employee Index (0-100) we use the overall satisfaction rate from our annual Employee Engagement survey. The survey covers 22 questions from following categories: Manager, Diversity & Inclusion, Company, Collaboration and Individual. During 2022, we updated the survey questions, tool and scoring model.

Sustainability risk management table

Area	Material impact	Value chain Scope	Management
Environment	Environmental impact Zound Industries want to play an important part in pushing our industry towards circular, emission free and responsible practices across the value chain. From a lifecycle perspective, most of our products' environmental impact comes from extraction of materials, manufacturing, energy use while using the product, end-of-life treatment and transport and Distribution. 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	<ul style="list-style-type: none"> - Product Design - Raw Material Extraction - Component Assembly - Final Product Assembly - Zound operations and Sales - Product Distribution and Repair - Consumer Use - End of Life Treatment 	<ul style="list-style-type: none"> - Continuous environmental impact mapping - Life cycle analysis - Sustainability policy - Sustainable design guidelines and building awareness of sustainable design - Continued improvements on recycled content of products and packaging - Chemical analyses of materials and products - Efficient production planning and optimise logistics including evaluating alternative modes of transport - Sustainability audits of manufacturers - Taking extended producer responsibility for end-of-life - Piloting Circular business models - Improving accessibility of consumer information
Human rights	Responsible supply chain Zound Industries commitment to always respect Human Rights as set People first in everything we do. As a global electronics company we seek to continuously assess and take action to uphold Human Rights, as set forth by the International Bill of Human Rights and International Labour Organisation's (ILO) Core Conventions, for everyone impacted by our operations across our value chain. The electronics industry has a complex supply chain that includes a risk of negatively impacting human rights. There is a clear need for a continued focus on risk control throughout the value chain	<ul style="list-style-type: none"> - Raw Material Extraction - Component Assembly - Final Product Assembly - Zound operations and Sales - Product Distribution and Repair - Consumer Use - End of Life Treatment 	<ul style="list-style-type: none"> - Zound Industries Supplier Code of Conduct, (revised 2021) communicated and signed by 100% of active product manufacturers - Sustainability training for product manufacturers and sourcing managers - Audit of product manufacturers, both Zound audits and third-party audits - Risk analysis
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.	<ul style="list-style-type: none"> - Raw Material Extraction - Component Assembly - Final Product Assembly - Zound operations and Sales 	<ul style="list-style-type: none"> - 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
Employees & social conditions	Talent attraction and retention 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.	<ul style="list-style-type: none"> - Product Design - Zound operations and Sales 	<ul style="list-style-type: none"> - Quality-assured and transparent recruitment process - Skills development according to individual needs
	Wellbeing The wellbeing of our employees is extremely important. We believe systematic efforts to promote both physical and mental health at work is more important than ever as mental illness continues to increase in society. We aim to foster a culture of wellbeing and equal development opportunities. Everyone should feel safe and free of harassment working at Zound. This commitment goes beyond compliance with local laws and regulations.	<ul style="list-style-type: none"> - Product Design - Product Distribution and Repair 	<ul style="list-style-type: none"> - Employee Code of Conduct - Working with our culture and values - Diversity & Inclusion strategy - Employee engagement survey - Systematic working environment work, including a work environment committee that meets quarterly - Sports and wellness activities - OneLab, a health platform that identifies ill health and offers the right care at the right time.



Directors' Report

The Board of Directors and the CEO for Zound Industries International AB (publ.) hereby submit the annual financial statements and consolidated financial statement for the financial year 2022 01 01 – 2022 12 31.

All amounts in this annual report are presented in Swedish kronor, SEK. Unless otherwise stated, all amounts are presented in thousands (KSEK). Data in parentheses refer to the previous year.

Information about the business

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, of which are wholly 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 both operated under license. These brands are currently represented in around 90 markets. Distribution takes place directly to the consumer via owned e-com channels, via third-party distributors, as well as through business-to-business.

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

Significant events during the financial year

Consolidated net turnover for the year amounted to 3,102.0 MSEK (2,152.5) an increase of 44% compared to the previous year. The Group reported an operating profit of 318.5 MSEK compared to 132.4 MSEK in 2021.

Important product launches in 2022:

- In February, Urbanears' second generation true wireless headphones were launched: Boo and Boo Tip.
- On the speaker side, two major generational changes took place: in May the Marshall Emberton II was launched and in June the Marshall Homeline III, consisting of Acton III, Stanmore III and Woburn III.
- In June, Zound also presented its smallest portable speaker, the Willen, and can now offer a greater breadth in the portable speaker category.
- In August, the first ever solar-powered self-charging sports headphones was launched: Adidas RPT-SOL. The product received a lot of attention thanks to its innovative technology and strong messaging.

- In October, Zound launched an exclusive range in honor of Marshall's 60th anniversary: Marshall Diamond Jubilee. The range consists of limited editions of three of the most appreciated products: Emberton, Monitor II and Motif ANC.
- Sales in the Speakers segment was the main driver for growth increasing 36 percent compared to last year and amounted to 2,325.2 MSEK (1,716.4). The Homeline and Portable Speakers for Marshall, specifically the Stanmore II, Acton II and Emberton, were the biggest sellers.

Sales in the Headphones segment increased by 77 percent to 768.7 MSEK (434.3), mainly due to the new launches at the end of 2022 and an increased demand in general in the headband category. 2022 saw new launches from adidas, RPT-02 SOL, and Urbanears, Boo and Boo tip, but it was the Marshall Major IV from 2020 that was the best selling headphone in the year.

Sales of Marshall products increased by 47 percent to 3,015.0 MSEK (2,052.8). Urbanears' sales were down 67 percent from last year at 25.2 (75.8) MSEK due to a small product portfolio. Sales of adidas products was up 146 percent compared to last year and amounted to 59.2 MSEK (24.1). Zound went into 2022 with a much stronger product range for adidas on the back of the TWS-launches in the second half of 2021 and strengthened the portfolio during the year with the release of the RTP-02 SOL.

E-commerce sales increased 52 percent compared to last year and amounted to 487.8 MSEK (375.0) and were equivalent to 16 percent of total sales during the period. Zound was able to maintain a strong momentum in E-com in line with the company's ambition to grow the share of online sales and foster a digital-first mindset.

Sales for Zound Industries in Americas grew by 46 percent to MSEK 584.7 (400.4). APAC increased 73 percent to MSEK 1,200.3 (694.0) and EMEA increased 25 percent to MSEK 1,317.0 (1,058.1).

During 2022 Zound reported an improved operating profit in comparison to the previous year. Operating profit for 2022 amounted to 318.5 MSEK (132.4), equivalent to an operating margin of 10.3 percent (6.2). Adjusted for fluctuations in exchange rates, the operating margin amounted to 12.6 percent (6.4) during the year. Zound managed to show profits every quarter in 2022 due to high sales volumes already from the first quarter. This is in line with the company's ambition to lower the seasonality of sales and become less dependent on the big sales events during the latter part of the year.

The Impact of the corona pandemic on Zound eased in 2022. It is difficult to assess what further effects the pandemic will have on the company's operations and financial development. A reasonable assessment is that the spread of Covid-19, which continued in 2022 and has led to both disruptions in the supply of goods and changes in consumption behavior, will affect the company in the coming year as well, although the effects are expected to be moderate. The company works actively to minimise the impact of such disruptions.

Important Occurrences after the Fiscal Year

In March 2023 Zound Industries signed an agreement to acquire Marshall Amplification and its subsidiaries in a deal that marks the next chapter of the successful, decade long, partnership between the two companies. Under the terms of the deal the Marshall Family will become the biggest shareholder in Zound Industries and the company also announced its intention to change the company name to Marshall Group after the completion of the acquisition. Marshall Group will leverage Zound Industries' first-class design, branding and go-to-market capabilities while building on Marshall Amplification's experience and reputation as a true icon in rock 'n' roll history, having served as the music industry's amplifiers of choice for over 60 years.

Expected future prospects and significant 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.

Sustainability information

Zound Industries' sustainability report can be found on page 40-73 and is published at www.zoundindustries.com

Ownership

As of 31st December 2022, the Parent Company's biggest owner is Varenne AB, along with Zenith Capital, representing a 23.6% interest. Telia Company AB owns 12% and Time for Growth Secondary Fund owns 9.1%. Zound Industries' shares were distributed among a total of 374 shareholders.

Multi-year overview

Amounts in MSEK	2022	2021	2020	2019	2018
Consolidated					
Net turnover	3 102	2 153	1 756	1 997	1 856
EBITDA	356	168	48	-24	102
EBIT	319	132	9	-17	76
Profit before tax	338	136	14	-41	65
Profit for the year	261	106	6	-34	45
Margin (%) EBITDA	11,5	7,8	2,7	1,2	5,5
Operating margin (%) EBIT	10,3	6,2	0,5	-0,8	4,1
Profit margin (%)	8,4	4,9	0,0	-2,0	3,5
Balance sheet total	1 939	1 414	879	1 113	1 127
Equity	805	525	403	406	430
Equity/assets ratio (%)	41	37	46	36	38
Average number of employees	262	239	231	228	192

For definitions of key ratios, see Accounting and Valuation Principles.

Proposals for profit allocation

The Board of Directors recommends that the profit/loss and brought forward profits available for disposition (SEK):

other contributed capital	234 094 606
profit carried forward	182 427 886
profit for the year	212 147 565
	628 670 057
be distributed so that they are:	
carried over	628 670 057
	628 670 057

The consolidated and parent company's earnings and financial position in general are indicated in the following income statement and balance sheet as well as the cash flow analysis with notes.

Consolidated income statement

Amounts in KSEK	Note	2022-01-01	2021-01-01
		2022-12-31	2021-12-31
Net turnover	2	3 101 967	2 152,5
Other	3	7 541	3,0
Total revenue		3 109 508	2 155,5
Operating expenses			
Goods for resale		-1 855 739	-1 274 533
Other external costs	4	-600 526	-454 054
Personnel costs	5	-297 100	-259 001
Depreciation/amortisation and impairment of property, plant and equipment and intangible assets		-37 598	-35 459
Other operating expenses		-21	-20
Total operating profit/loss	6	-2 790 984	-2 023 067
Operating profit/loss		318 524	132 411
Profit/loss from financial items			
Other interest income and similar profit/loss items	7	23 920	8 601
Interest expense and similar profit/loss items	8	-4 735	-5 212
		19 185	3 389
Profit/loss after financial items		337 709	135 800
Pre-tax profit/loss		337 709	135 800
Tax on profit for the financial year	9	-69 374	-24 247
Deferred tax	9	-7 632	-5 300
Net profit/loss for the year		260 702	106 253
Earnings per share before dilution (SEK)		30,27	12,35
Earnings per share after dilution (SEK)		30,27	12,35
Average numbers of shares before dilutive effects		8 612 658	8 612 658
Average numbers of shares after dilutive effects		8 612 658	8 612 658

Consolidated report of comprehensive income

Amounts in KSEK	2022-01-01	2021-01-01
	2022-12-31	2021-12-31
Net profit/loss for the year	260 702	106 253
Sum net profit/loss for the year	260 702	106 253
Items that may be subsequently reclassified to profit or loss		
Translation differences when translating foreign operations	18 794	12 809
Sum other comprehensive income for the year	18 794	12 809
Total comprehensive income for the year	279 497	119 062
Total comprehensive income attributable to parent company share holders	279 497	119 062

Consolidated balance sheet

Amounts in KSEK	Note	2022-12-31	2021-12-31
ASSETS			
Fixed assets			
Intangible assets			
Other intangible non-current assets	10	51 672	58 074
Patent and trademarks	11	5 504	5 123
Advance payments for intangible fixed assets	12	3 808	0
		60 984	63 197
Tangible fixed assets			
Equipment, tools and installations	13	5 829	4 881
Right-of-use assets	14	34 433	46 991
		40 262	51 872
Financial assets			
Deferred tax assets	15	16 061	10 402
Other long-term receivables	16	14 666	19 983
		30 727	30 385
Total fixed assets		131 973	145 454
Current assets			
Inventories, etc			
Finished goods and goods for resale	17	599 779	316 997
		599 779	316 997
Current receivables			
Current receivables	18	510 372	489 012
Trade receivables	19	23 413	6 693
Receivables from group companies	20	56 532	48 652
		590 317	544 356
Cash on hand and in bank		617 140	406 768
Total current assets		1 807 236	1 268 121
TOTAL ASSETS		1 939 209	1 413 575

Consolidated balance sheets, cont.

Amounts in KSEK	Note	2022-12-31	2021-12-31
EQUITY AND LIABILITIES			
Equity attributable to owners of the Parent company			
Share capital		861	861
Other contributed capital		225 706	225 706
Other equity including profit/loss for the year		578 079	298 582
Equity attributable to owners of the Parent company		804 646	525 149
Total equity		804 646	525 149
Provisions			
Provisions for pension and similar obligations	21	2 421	2 421
Deferred tax liability	15	15 774	2 579
		18 195	5 000
Long-term liabilities			
Liabilities relating to Right-of-use assets	22,23	7 858	21 521
Liabilities to credit institutions		19 168	62 501
		27 026	84 022
Current liabilities			
Liabilities relating to Right-of-use assets	22, 23	23 955	23 182
Liabilities to credit institutions		43 333	43 333
Accounts payable		431 294	391 875
Current tax liabilities	9	58 537	17 989
Other liabilities	24	26 558	15 925
Accrued expenses and deferred income	25	505 665	307 100
		1 089 342	799 403
TOTAL EQUITY AND LIABILITIES		1 939 209	1 413 575

Consolidated report of changes in equity

Amounts in KSEK	Share capital	Other contributed capital	Retained earnings including profit/loss for the year	Total equity
Opening balance 2021-01-01	861	225 706	176 296	402 864
Profit/loss for the year			106 253	106 253
Translation difference			12 809	12 809
Total Comprehensive income			119 062	119 062
Transactions with shareholders				
Subscription warrants			3 224	3 224
			3 224	3 224
Closing balance 2021-12-31	861	228 930	295 358	525 149
Opening balance 2022-01-01	861	228 930	295 358	525 149
Profit/loss for the year			260 702	260 702
Translation difference			13 630	13 630
Total Comprehensive income			274 332	274 332
Transactions with shareholders				
Subscription warrants			5 165	5 165
			5 165	5 165
Closing balance 2022-12-31	861	234 095	569 690	804 646

Number of shares 8.612.658 with quota value of 0,10 SEK. Each share corresponds to one vote. All shares registered as the of the balance sheet date are fully paid.

Consolidated cash flow analysis

Amounts in MSEK	Note	2022-01-01 2022-12-31	2021-01-01 2021-12-31
Current activities			
Profit/loss after financial items		337 709	135 800
Adjustments for items not included in the cash flow		56 256	25 451
Tax paid		-29 611	-11 707
Cash flow from operating activities before change in working capital		364 354	149 544
Cash flow from change in the working capital			
Change in inventories and ongoing works		-304 640	-83 975
Change in customers' accounts receivable		-547	-210 289
Change in current receivables		-23 632	-935
Change in accounts payable		38 516	228 878
Change in current liabilities		178 061	146 711
Cash flow from operating activities		252 112	229 935
Investment activities			
Investments in intangible fixed assets		-6 290	-2 723
Investments in tangible fixed assets		-3 542	-2 632
Investments in financial assets		-33	-5 388
Disposal in financial assets		5 906	-5 388
Cash flow from investment activities		-3 926	-10 744
Financing activities			
Borrowings	28	0	25 834
Amortisation bank loan		-43 333	0
Subscription warrants		5 165	4 383
Amortisation liability right-of-use assets		-27 073	-24 675
Bank overdraft facilities		29 105	9 936
Cash flow from financing activities		-65 240	4 383
Annual cash flow		182 946	223 574
Liquid assets, opening balance			
Liquid assets, opening balance		406 768	169 653
Exchange rate differences for liquid assets			
Exchange rate differences for liquid assets		27 426	13 542
Liquid assets, closing balance		617 140	406 768

Parent company income statement

Amounts in KSEK	Note	2022-01-01 2022-12-31	2021-01-01 2021-12-31
Operating revenues			
Net turnover		2 625 946	1 883 275
Other operating income	3	3 725	3
		2 629 671	1 883 278
Operating expenses			
Goods for resale		-1 738 672	-1 243 243
Other external costs	4	-427 160	-342 951
Personnel costs	5	-218 106	-203 418
Depreciation/amortisation and impairment of property, plant and equipment and intangible assets		-10 922	-10 199
Other operating expenses		2	0
		-2 394 858	-1 799 811
Operating profit/loss	29	234 813	83 467
Profit/loss from financial items			
Profit/loss from participations in group companies	30	64 978	0
Other interest income and similar profit/loss items	7	23 252	8 191
Interest expense and similar profit/loss items	8	-3 617	-3 993
		84 613	4 198
Profit/loss after financial items		319 426	87 665
Appropriations	31	-64 519	-12 052
Pre-tax profit/loss		254 907	75 613
Tax on profit for the financial year	9	-42 759	-16 577
Net profit/loss for the year		212 148	59 036

Parent company balance sheet

Amounts in KSEK	Note	2022-12-31	2021-12-31
ASSETS			
Fixed assets			
Intangible fixed assets			
Other intangible non-current assets	10	51 672	58 074
Patent and trademarks	11	5 504	5 123
Advance payments for intangible fixed assets	12	3 808	0
		60 984	63 197
Tangible fixed assets			
Equipment, tools and installations	13	3 588	3 125
		3 588	3 125
Financial assets			
Participations in group companies	32, 33	12 424	12 424
Other long-term receivables	16	11 955	11 936
		24 379	24 360
Total fixed assets		88 951	90 682
Current assets			
Inventories, etc			
Finished goods and goods for resale	17	430 748	216 477
		430 748	216 477
Current receivables			
Accounts receivable	18	334 644	308 929
Receivables from group companies		319 501	207 637
Other receivables	19	23 413	6 404
Deferred expenses and accrued income	20	48 000	41 648
		725 558	564 618
Cash on hand and in bank		391 914	309 386
Total current assets		1 548 220	1 090 481
TOTAL ASSETS		1 637 171	1 181 163

Parent company balance sheets, cont.

Amounts in KSEK	Note	2022-12-31	2021-12-31
EQUITY AND LIABILITIES			
Equity	34		
Restricted reserves			
Share capital		861	861
		861	861
Non-restricted equity			
Other contributed capital		225 706	225 706
Retained earnings or losses		190 816	125 117
Profit/loss for the year		212 148	59 036
		628 670	409 859
Total equity		629 531	410 720
Untaxed reserves	35	76 571	12 052
Provisions			
Provisions for pension and similar obligations	21	2 421	2 421
Deferred tax liability		2 421	2 421
Long-term liabilities			
Liabilities to credit institutions	22	19 168	62 501
Total long-term liabilities		19 168	62 501
Current liabilities			
Liabilities to credit institutions	22	43 333	43 333
Accounts payable		423 491	386 328
Liabilities to group companies		25 764	14 802
Current tax liabilities	9	47 122	8 405
Other liabilities	24	14 109	11 638
Accrued expenses and deferred income	25	355 661	228 963
Total current liabilities		909 480	693 469
TOTAL EQUITY AND LIABILITIES		1 637 171	1 181 163

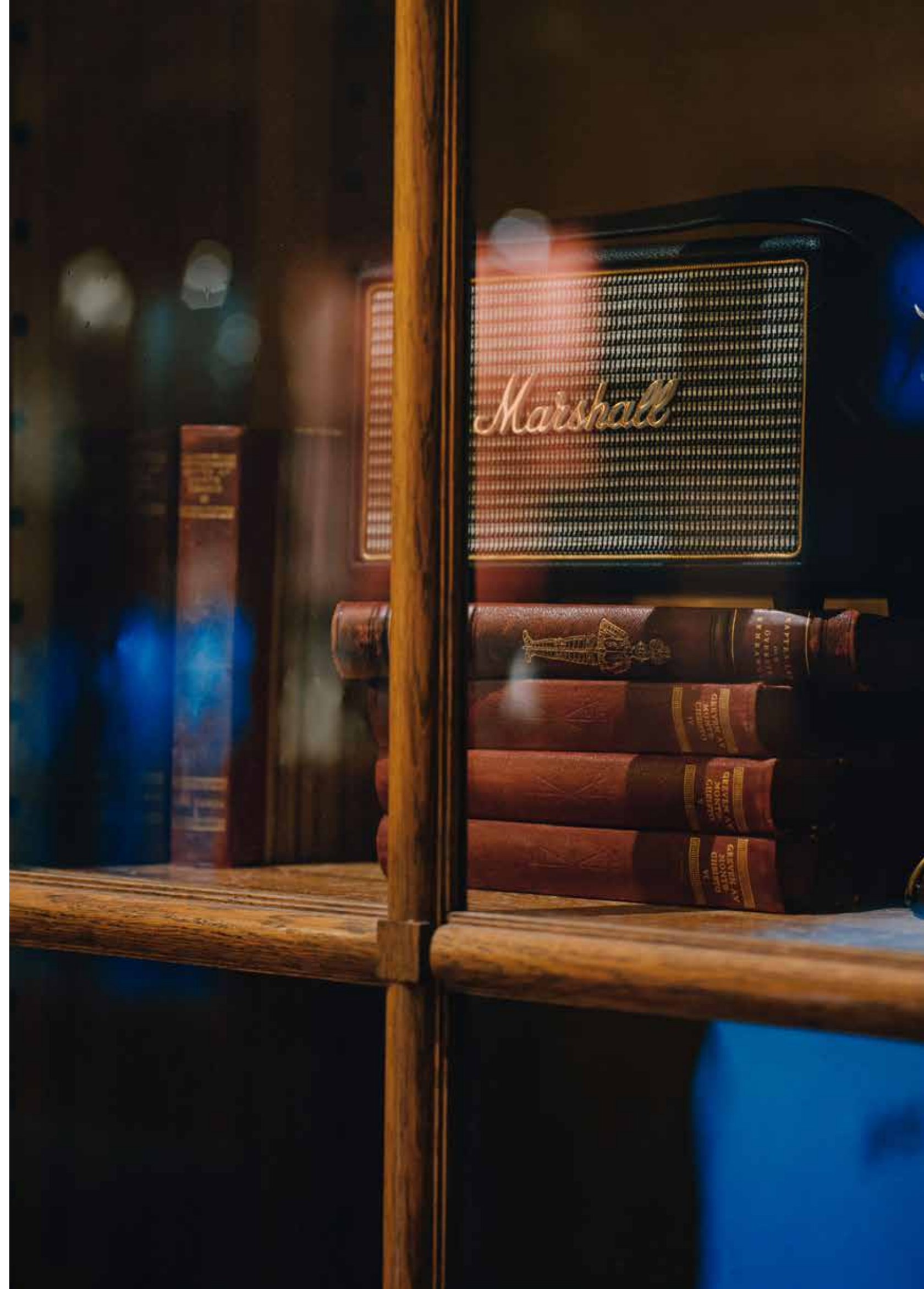
Parent company report of changes in equity

Amounts in KSEK	Share capital	Other contributed capital	Retained earnings	Net profit/loss for the year	Total equity
Opening balance 2021-01-01	861	225 706	148 607	-26 928	348 246
Net profit/loss for the year				59 036	59 036
Appropriation of earnings last year			-26 928	26 928	0
Subscription warrants			3 224		3 224
Translation differences			214		214
Closing balance 2021-12-31	861	228 930	121 893	59 036	410 720
Opening balance 2022-01-01	861	228 930	121 893	59 036	410 720
Net profit/loss for the year				212 148	212 148
Appropriation of earnings last year			59 036	-59 036	0
Subscription warrants			5 165		5 165
Translations differences			1 499		1 499
Closing balance 2022-12-31	861	234 095	182 428	212 148	629 531

Number of shares 8.612.658 with quota value of 0,10 SEK. Each share corresponds to one vote. All shares registered as the of the balance sheet date are fully paid.

Parent company cash flow analysis

Amounts in MSEK	Note	2022-01-01 2022-12-31	2021-01-01 2021-12-31
Current activities			
Profit/loss after financial items	26	319 426	87 665
Adjustments for items not included in the cash flow	27	25 822	5 578
Tax paid		-4 145	-2 682
Cash flow from operating activities before change in working capital		341 103	90 561
Cash flow from change in the working capital			
Change in inventories and ongoing works		-252 301	-46 652
Change in customers' accounts receivable		172 761	-183 901
Change in current receivables		- 1 499	- 72 079
Change in accounts payable		38 125	227 356
Change in current liabilities		154 016	110 225
Cash flow from operating activities		106 683	125 510
Investment activities			
Investments in intangible fixed assets		-6 290	-2 723
Investments in tangible fixed assets		-2 317	-1 341
Investments in financial assets		-12	-2
Cash flow from investment activities		-8 619	-4 066
Financing activities			
Borrowings	28	0	25 834
Amortisation bank loan		-43 333	0
Bank overdraft facilities		33 337	9 789
Subscription warrants		5 165	3 224
Cash flow from financing activities		-38 168	29 058
Annual cash flow		59 896	150 502
Liquid assets, opening balance			
Liquid assets, opening balance		309 386	150 690
Exchange rate differences for liquid assets			
Exchange rate differences for liquid assets		22 632	8 194
Liquid assets, closing balance		391 914	309 386



Notes with Accounting Policies and Risks

Note	Page	
1	Accounting and Valuation principles	94
2	Net Turnover Distribution	99
3	Other operating income	100
4	Remuneration to Auditors	100
5	Employees and Personnel Costs	101
6	Purchases and Sales between Group Companies	103
7	Other Interest Income and Similar Profit/Loss Items	103
8	Other Interest Expense and Similar Profit/Loss items	103
9	Current and deferred tax	103
10	Other intangible non-current assets	104
11	Patent and trademarks	105
12	Advance payments for intangible fixed assets	105
13	Equipment, Tools and Installations	105
14	Right-of-use assets	106
15	Deferred tax temporary differences	107
16	Other long-term receivables	107
17	Inventories	107
18	Accounts receivable	108
19	Other receivables	109
20	Deferred expenses and Accrued Income	109
21	Provisions	109
22	Liabilities related to several items	110
23	Financial risk management	111
24	Other liabilities	112
25	Accrued expenses and deferred income	113
26	Interest and dividends	113
27	Adjustments for Items not Included in the Cash Flow	113
28	Reconciliation of financial liabilities in financing activities	114
29	Purchases and Sales between Group Companies	114
30	Profit/loss from Participation in Group Companies	114
31	Appropriations	114
32	Participations in Group companies	115
33	Specification of Participation in Group Companies	115
34	Appropriation of profit or loss	115
35	Untaxed Reserves	115
36	Subsequent events	116
37	Pledged Assets	116
38	Contingent liability	116

Note 1 Accounting and valuation principles

General Information

The annual report is prepared in accordance with the Swedish Annual Accounts Act and BFNAR 2012:1 Annual Reporting and consolidated reports (RFR2).

Receivables and liabilities in foreign currencies have been valued at the exchange rate on the balance sheet date. Exchange profit and exchange loss on operating receivables and liabilities are reported in the operating result. Exchange profit and exchange loss on financial operating receivables and liabilities are reported in the financial items.

The accounting principles remain unchanged as compared to the previous year.

Revenue Recognition

Revenue has been raised to the fair value of consideration received or receivable and is recognised to the extent that it is probable that the economic benefits will be available to be used by the company and the revenue can be measured reliably.

Sales of goods account 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 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 recognised 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 recognised 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.

Consolidated accounts

Transactions between group companies

Intra-group receivables and liabilities as well as transactions between group companies as well as unrealised profits are eliminated in their entirety. Unrealised losses are also eliminated unless the transaction corresponds to an impairment requirement.

Change in internal profit during the financial year has been eliminated in the consolidated income statement.

Recalculation of foreign subsidiaries

The financial statements of foreign subsidiaries have been recalculated according to the current rate method. All items in the balance sheet have been recalculated at the balance sheet rate. All items in the income statement have been converted to average exchange rates during the financial year. Differences that arise are reported as a separate part of other comprehensive income and directly in equity within the Reserves category.

Fixed assets

Intangible and tangible fixed assets are posted at the acquisition value less accumulated depreciation and any write-downs.

Intangible fixed assets

Capitalised expenditure for development and similar work
Expenditures directly attributable to the development and testing of identifiable and unique products controlled by the Group are recognised 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 capitalised as part of the asset includes consultancy costs, materials and a reasonable proportion of indirect costs. Capitalised development costs are recognised as intangible assets and are amortised 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 recognised 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

Capitalised 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 are recognised at cost.

Amortisation periods

All intangible assets in the Group have a determinable useful life and are recognised at cost less accumulated amortisation and any impairment losses. Amortisation occurs on a straight-line basis over the useful life.

Other intangible assets	5-10 years
Patent and trademarks	5 years
Development cost	2-5 years

Tangible fixed 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, will the asset be capitalised in the balance sheet. All tangible assets are recognised 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 recognised as a separate asset, depending on what is appropriate. The carrying amount for the replaced portion is derecognised. 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.

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

Computers	3 years
Equipment, tools and installations	5 years

Financial instruments

A financial asset or financial liability is recognised 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 realised, 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 another way is executed. The same applies to part of 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 realise the asset and settle the liability. Acquisitions and divestments of financial assets are recognised 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 amortised cost, as well as
- b. financial liabilities at amortised 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 amortised cost. Assets in this category are reported in subsequent periods at amortised cost using the effective interest method. For further information on accounting principles see section Loan-liabilities and accounts payables.

Shares in subsidiaries

Investments in subsidiaries are carried at a cost less any impairment losses. The cost includes the purchase price paid for the shares and acquisition costs. Any capital contributions are added to the cost when they arise.

Accounts receivables/current receivables

Accounts receivables and current receivables are reported as current assets at the amount expected to be paid after deduction of individually assessed impaired loans.

Loan-liabilities and account payables

Loan liabilities and accounts payables are recognised initially at cost after deduction of transaction costs. If the carrying amount differs from the amount that will be repaid at maturity date interest expense is accrued, the difference that over the term of the loan using the effective interest rate of the instrument. This is consis-

Note 1 Accounting and valuation principles

Note 1 Accounting and valuation principles

tent with the due date the carrying amount and the amount to be reimbursed.

Impairment of financial fixed assets

At each balance sheet date are considered if there are indications of impairment of financial fixed assets. Impairment loss takes place if the declines in value is considered to be persistent and are examined individually.

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 1–8 years but may vary according to jurisdiction and the counterparty in the leasing contract.

Lease agreements for premises are recognised 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 amortisation 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 recognised 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 recognised 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.

Inventories

Inventories are recognised at the lower of cost and net realisable 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 realisable 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.

Income Taxes

Total tax consists of current tax and deferred tax. Taxes are reported in the income statement, except when the underlying transaction is reported directly in equity, whereby the associated tax effects are reported in equity.

Current tax

Total tax consists of current tax and deferred tax. Taxes are reported in the income statement, except when the underlying transaction is reported directly in equity, whereby the associated tax effects are reported in equity.

Deferred tax

Total tax consists of current tax and deferred tax. Taxes are reported in the income statement, except when the underlying transaction is reported directly in equity, whereby the associated tax effects are reported in equity.

Deferred tax assets are offset against deferred tax liabilities if, and only if, they can be paid with a net amount. Deferred tax is calculated based on the applicable rate at the balance sheet date. Effects of changes in applicable tax rates are reported in the period in which the change is legally required. Deferred tax assets are reported as financial fixed assets and deferred tax liabilities as a provision.

Deferred tax asset referring tax losses or unused tax credits are reported to the extent that it is probable that deductions can be offset against future taxable profits.

Because of the connection between accounting and taxation the deferred tax liability that is attributable to untaxed reserves are not identified separately.

Provisions

Liabilities to third parties which are related to the current or the previous financial year, and which are certain or probable on the balance sheet date, but their amount or payment deadline is uncertain, are recognised as provisions.

Employee Remuneration

Employee benefits relate to all kinds of benefits the company provides to employees. Short-term employee benefits include wages, paid holidays, paid leave, bonuses and reimbursement upon completion of employment (pension) etc. Short-term employee benefits are reported as an expense and a liability when there is a legal or constructive obligation to pay compensation as a result of a past event, and a reliable estimate of the amount can be made.

Remuneration

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

Termination benefits

Severance pays 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 recognises 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

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 recognised as personnel expenses in line with being earned when the employees perform services to the company. Prepaid contributions are recognised 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 recognised directly in the income statement.

Profit-sharing and bonus schemes

The Group recognises 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 actual 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 and should not exceed more than 10,3% in value at 1'000 SEK per share.

Cash flow analysis

Cash flow statement is prepared using the indirect method. The reported cash flow includes only transactions that involve receipts or disbursements.

The company classifies cash, in addition to cash on hand, as demand deposits at banks and other credit and short-term liquid investments that are listed on a marketplace and have a maturity of less than three months from the acquisition date. Changes in restricted cash are reported in investing activities.

Definition of Key Business Ratios

EBITDA	Earnings before interest, tax, depreciation and amortisation
EBIT	Earnings before interest and taxes
Margin % EBITDA	Earnings before interest, tax, depreciation and amortisation divided by net turnover
Operating margin % EBIT	Earnings before interest and taxes divided by net turnover
Profit margin %	Earnings before taxes divided by net turnover
Solvency %	Equity plus untaxed reserves less tax component of untaxed reserves in relation to total assets

Estimates and judgments

Preparation of financial statements and application of accounting policies, are often based on assessments, estimates and assumptions that is considered to be reasonable at the time when the assessment is made. Estimates are based on historical experience and various other factors that are considered to be reasonable under the circumstances. The results of these are used to assess the carrying values of assets and liabilities, which are not otherwise apparent from other sources. The actual outcome may differ from these estimates. Estimates and assumptions are reviewed regularly.

Note 1 Accounting and valuation principles

Note 1 Accounting and valuation principles

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. obsolescence for 2020 amounted to MSEK 29,6 (18,9). 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 recognised 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 recognised gross as a cost and commissions are recognised as an offset against revenues.

Zound Industries follow up the net turnover 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 turnover is 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 turnover.

Note 2 Net Turnover Distribution Group

Net turnover per product category	2022-01-01	2021-01-01
	2022-12-31	2021-12-31
Speakers	2 325 111	1 716 350
Headphones	768 746	434 335
Other	8 110	1 825
Total net sales	3 101 967	2 152 510

Gross profit per product category	2022-01-01	2021-01-01
	2022-12-31	2021-12-31
Speakers	951 081	704 036
Headphones	297 490	174 908
Other	-2 257	-982
Total gross profit	1 246 314	877 962
Other operating income	7 541	2 968
Other operating expenses	935 245	748 534
Operating profit	318 524	132 411
Financial net	19 185	3 389
Pre-tax profit	337 709	135 800

Gross margin per product category %	2022-01-01	2021-01-01
	2022-12-31	2021-12-31
Speakers	40,9	41,0
Headphones	38,6	40,3
Other	-27,8	-53,8
Total gross margin %	40,2	40,8

Net turnover per brand	2022-01-01	2021-01-01
	2022-12-31	2021-12-31
Marshall	3 014 992	2 052 770
Urbanears	25 154	75 757
Adidas	59 166	24 088
Other	2 655	-105
Total Net turnover	3 101 967	2 152 510

Note 3
Other
operating
income

Group	2022-01-01 2022-12-31	2021-01-01 2021-12-31
Insurance compensation	3 636	3
Rental income	55	0
Recoverd customer loss	34	0
Unrealised translation differences	4	0
Other	3 812	2 965
	7 541	2 968

Parent company	2022-01-01 2022-12-31	2021-01-01 2021-12-31
Insurance compensation	3 636	3
Rental income	55	0
Recoverd customer loss	34	0
	3 725	3

Note 4
Remuneration
to Auditors

Audit assignment refers to inspection of the annual report and the accounting as well as the reports of the Board of Directors, other tasks fulfilled by the company auditor as well as counselling or

other assistance deriving from observations made in the course of the inspection or fulfilment of such other tasks.

	Group		Parent Company	
	2022-01-01 2022-12-31	2021-01-01 2021-12-31	2022-01-01 2022-12-31	2021-01-01 2021-12-31
PwC				
Audit engagement	1 700	1 141	1 700	1 141
Tax advice	206	37	206	37
Other services	0	191	0	191
	1 906	1 369	1 906	1 369
Other audit firms				
Audit engagement	90	100	1 700	1 141
Tax consultancy	12	75	206	37
Other services	–	–	–	191
	102	175	1 906	1 369

Note 5
Employees
and
personnel
expenses

Average number of employees Group	2022-01-01 2022-12-31		2021-01-01 2021-12-31	
Sweden*	173	(88)	173	(80)
China	39	(23)	39	(22)
USA	13	(8)	13	(7)
Hong Kong	4	(1)	4	(0)
France	6	(2)	6	(2)
UK	8	(2)	4	(0)
Total	262	(124)	239	(111)

The average number of women in parentheses.

Salaries and other remunerations	2022-01-01 2022-12-31	2021-01-01 2021-12-31
Salaries and remuneration to:		
Board, CEO and other senior executives	31 337	25 388
Other employees	183 685	163 206
	215 022	188 594
Of which are royalties to the board, CEO and other senior executives	12 195	9 202

Social security expenses	2022-01-01 2022-12-31	2021-01-01 2021-12-31
Pension costs Board, CEO and other senior executives	2 589	2 528
Pension costs for other employees	18 808	15 820
Other social security expenses pursuant to law and contracts	49 836	47 280
	71 233	65 628

Sex distribution among senior executives	2022-01-01 2022-12-31	2021-01-01 2021-12-31
Proportion of women in the board of directors	14 %	14 %
Proportion of men in the board of directors	86 %	86 %
Proportion of women among senior executives	20 %	20 %
Proportion of men among senior executives	80 %	80 %

Agreement on severance pay

For the CEO and other senior executives, a mutual notice period applies in accordance with current regulations, which is a maximum of 9 months. In addition, severance pay can apply for up to 12 months.

Group 2022

Salaries and other remunerations to the Board, CEO and other senior executives

	Base salary/ Board fee	Variable salary	Other benefits	Pension	Total
Henri de Bodinat, chairman	0.2				0.2
Tommy Jacobson, board member**					
Jonathan Forster, board member	0.1				0.1
Patrik Nilsson, board member	0.2				0.2
Heikki Mäkijärvi, board member**					
Monika Elling, board member	0.2				0.2
Jonathan Ellery, board member**					
Jérémy de Maillard, CEO	3.6	4.1	0.8	0.3	8.8
Other senior executives (9*)	14.8	8.1	0.03	2.3	25.2
Total	19.1	12.2	0.8	2.6	34.7

* The numbers in parentheses 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.

** Has chosen to waive the remuneration of SEK 100.000 for the work as a board member

Note 5
Employees
and
personnel
expenses

Group 2021

Salaries and other remunerations to the Board, CEO and other senior executives

	Base salary/ Board fee	Variable salary	Other benefits	Pension	Total
Henri de Bodinat, chairman	0.2				0.2
Tommy Jacobson, board member**					
Jonathan Forster, board member	0.1				0.1
Patrik Nilsson, board member	0.2				0.2
Heikki Mäkijärvi, board member**					
Monika Elling, board member	0.2				0.2
Jonathan Elery, board member**	0.1				0.1
Jérémy de Maillard, CEO	3.4	3.8	0.6	0.2	8.0
Other senior executives (9*)	12.0	5.4	0.02	2.3	19.7
Total	16.2	9.2	0.6	2.5	28.5

* The numbers in parentheses 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.

** Has chosen to waive the remuneration of SEK 100.000 for the work as a board member

*** At an extra general meeting of Dec 15th 2021 it was decided that Heikki Mäkijävi would replace Johan af Sandeberg as a board member.

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).

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 actual 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 and should not exceed more than 10,3% in value at 1'000 SEK per share.

At an Extra General Meeting on the 15 of December 2021 it was also resolved to issue a maximum of 637,738

Parent company

Average number of employees	2022-01-01 2022-12-31		2021-01-01 2021-12-31	
Sweden	184	(88)	173	(80)
France	6	(2)	6	(2)
Total	190	(90)	179	(82)

The average number of women in parentheses.

Salaries and other remunerations

	2022-01-01 2022-12-31		2021-01-01 2021-12-31	
Salaries and remuneration to:				
Board, CEO and other senior executives	26 365		25 022	
Other employees	124 651		118 082	
	151 016		143 104	
Of which are royalties to the board, CEO and other senior executives	12 195		9 202	

Social security expenses

	2022-01-01 2022-12-31		2021-01-01 2021-12-31	
Pension costs Board, CEO and other senior executives	2 426		2 454	
Pension costs for other employees	15 991		14 075	
Other social security expenses pursuant to law and contracts	43 807		43 056	
	62 224		59 584	

Gender distribution among senior executives

	2022-01-01 2022-12-31		2021-01-01 2021-12-31	
Proportion of women on the board of directors	14 %		14 %	
Proportion of men on the board of directors	86 %		86 %	
Proportion of women among senior executives	25 %		25 %	
Proportion of men among senior executives	75 %		75 %	

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.

Group	2022-01-01 2022-12-31	2021-01-01 2021-12-31
Other interest income	1 548	178
Exchange differences	22 371	8 423
	23 919	8 601

Parent company	2022-01-01 2022-12-31	2021-01-01 2021-12-31
Other interest income	122	0
Exchange differences	23 130	8 191
	23 252	8 191

Group	2022-01-01 2022-12-31	2021-01-01 2021-12-31
Other interest expenses	-1	-2
Interest expense liabilities to credit institutions	-3 617	-3 993
Interest expense liabilities relating to Right-of-use assets	-1 116	-1 217
	-4 734	-5 212

Parent company	2022-01-01 2022-12-31	2021-01-01 2021-12-31
Interest expense liabilities to credit institutions	-3 617	-3 993
	-3 617	-3 993

Group	2022-01-01 2022-12-31	2021-01-01 2021-12-31
Tax on profit for the financial year		
Current tax	-68 852	-24 247
Adjustment for the previous year	-522	0
Change in deferred taxes on temporary differences	-7 632	-5 300
Total tax expense	-77 006	-29 547

Reconciliation of effective tax	2022-01-01 2022-12-31		2021-01-01 2021-12-31	
	Percent	Amounts	Percent	Amounts
Reported profit before tax		337 709		135 800
Tax at applicable tax rate	20,60	-69 568	20,60	-27 975
Non-deductible expenses		-909		-900
Non-taxable income		33		0
Adjustment for taxes for the previous year		-522		0
Effect of changed tax rates		0		300
Effect of foreign tax rates		-6 030		1 400
Other		-10		-2 373
Reported effective tax	22,80	-77 006	21,76	-29 548

Note 6
Purchases
and Sales be-
tween Group
Companies

Note 7
Other Interest
Income and
Similar Profit/
Loss Items

Note 8
Other Interest
Expense and
Similar Profit/
Loss items

Note 9
Current and
deferred tax

Note 9
Current and deferred tax

Parent company	2022-01-01	2021-01-01
Tax on profit for the financial year	2022-12-31	2021-12-31
Current tax	-42 237	-8 792
Adjustment for the previous year	-522	0
Change in deferred taxes on temporary differences	0	-7 786
Total tax expense	-42 759	-16 578

Reconciliation of effective tax	2022-01-01		2021-01-01	
	Percent	Amounts	Percent	Amounts
Reported profit before tax		254 906		75 613
Tax at applicable tax rate	20,60	-52 511	20,60	-15 576
Non-deductible expenses		-742		-900
Non-taxable income		13 393		0
Adjustment for taxes for the previous year		-522		0
Effect of foreign tax rates		-2 364		0
Other		-12		-101
Reported effective tax	16,77	-42 759	21,92	-16 577

Note 10
Other intangible non-current assets

Group	2022-12-31	2021-12-31
Acquisition value, opening balance	137 846	137 779
Purchasing	0	68
Accumulated acquisition value, closing balance	137 846	137 847
Depreciation, opening balance	-79 772	-73 333
Depreciation for the year	-6 402	-6 439
Accumulated depreciation, closing balance	-86 174	-79 772
Book value, closing balance	51 672	58 075

Parent company	2022-12-31	2021-12-31
Acquisition value, opening balance	137 846	137 779
Purchasing	0	68
Accumulated acquisition value, closing balance	137 846	137 847
Depreciation, opening balance	-79 772	-73 333
Depreciation for the year	-6 402	-6 439
Accumulated depreciation, closing balance	-86 174	-79 772
Book value, closing balance	51 672	58 075

Group	2022-12-31	2021-12-31
Acquisition value, opening balance	16 359	13 887
Purchasing	2 482	2 655
Sales/disposals	0	-215
Translation differences	3	32
Accumulated acquisition value, closing balance	18 844	16 359
Depreciation, opening balance	-11 236	-9 226
Sales/disposals	0	77
Depreciation for the year	-2 101	-2 076
Translation differences	-3	-12
Accumulated depreciation, closing balance	-13 340	-11 237
Book value, closing balance	5 504	5 122

Parent company	2022-12-31	2021-12-31
Acquisition value, opening balance	16 301	13 646
Purchasing	2 482	2 655
Accumulated acquisition value, closing balance	18 783	16 301
Depreciation, opening balance	-11 236	-9 226
Translation differences	-3	-12
Accumulated depreciation, closing balance	-13 340	-11 237
Book value, closing balance	5 504	5 122

Group	2022-12-31	2021-12-31
Acquisition value, opening balance	0	0
Purchasing	3 808	0
Accumulated acquisition value, closing balance	3 808	0
Book value, closing balance	3 808	0

Parent company	2022-12-31	2021-12-31
Acquisition value, opening balance	0	0
Purchasing	3 808	0
Accumulated acquisition value, closing balance	3 808	0
Book value, closing balance	3 808	0

Group	2022-12-31	2021-12-31
Acquisition value, opening balance	26 050	23 579
Purchasing	3 568	2 716
Sales/disposals	-170	-245
Translation differences	346	0
Accumulated acquisition value, closing balance	29 794	26 050
Depreciation, opening balance	-21 169	-19 379
Sales/disposals	170	382
Depreciation for the year	-2 761	-2 172
Translation differences	-205	0
Accumulated depreciation, closing balance	-23 965	-21 169
Book value, closing balance	5 829	4 881

Note 11
Patent and trademarks

Note 12
Advance payments for intangible fixed assets

Note 13
Equipment, Tools and Installations

Note 13		2022-12-31	2021-12-31
Parent company			
Equipment, Tools and Installations	Acquisition value, opening balance	22 108	20 777
	Purchasing	2 317	1 330
	Translation differences	3	0
	Accumulated acquisition value, closing balance	24 428	22 107
	Depreciation, opening balance	-18 983	-17 270
	Depreciation for the year	-1 855	-1 713
	Translation differences	-3	0
	Accumulated depreciation, closing balance	-20 841	-18 983
	Book value, closing balance	3 587	3 124

Note 14		2022-12-31	2021-12-31
Group			
Right-of-use assets	Acquisition value, opening balance	77 563	98 405
	Purchasing	11 958	382
	Sales/disposals	-11 581	-23 331
	Translation differences	2 855	2 106
	Accumulated acquisition value, closing balance	80 795	77 562
	Depreciation, opening balance	-30 060	-28 103
	Sales/disposals	11 581	23 331
	Depreciation for the year	-25 823	-24 801
	Translation differences	-2 060	-1 000
	Accumulated depreciation, closing balance	-46 362	-30 573
	Book value, closing balance	34 433	46 989

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

Temporary differences 2022-12-31	Deferred tax	Deferred tax liability	Net
Right-of-use assets (net)	261		261
Inventories	13 966		13 966
Deferred tax asset group	1 835		1 835
Untaxed reserves		-15 774	-15 774
	16 061	-15 774	287

Temporary differences 2021-12-31	Deferred tax	Deferred tax liability	Net
Right-of-use assets (net)	363		363
Inventories	8 205		8 205
Deferred tax asset group	1 835		1 835
Untaxed reserves		-2 579	-2 579
	10 402	-2 579	7 823

Change in deferred tax	Amount opening balance	Booked in income stat.	Amount closing balance
Right-of-use assets (net)	363	102	261
Inventories	8 205	5 761	13 966
Deferred tax asset group	1 835		1 835
Untaxed reserves	-2 579	-13 195	-15 774
	7 823	-7 332	288

Group	2022-12-31	2021-12-31
Endowment insurance	1 893	1 893
Deposit	2 922	2 198
Blocked bank accounts	9 817	9 805
Other	34	6 087
	14 666	19 983

Parent company	2022-12-31	2021-12-31
Endowment insurance	1 893	1 893
Deposit	245	238
Blocked bank accounts	9 817	9 805
	11 955	11 936

Group	2022-12-31	2021-12-31
Raw materials and consumables	8 242	9 775
Finished goods and goods for sale	657 986	332 314
Write down inventory	-66 449	-25 092
	599 779	316 997

Parent company	2022-12-31	2021-12-31
Raw materials and consumables	7 378	7 614
Finished goods and goods for sale	484 970	232 433
Write down inventory	-61 600	-23 570
	430 748	216 477

Note 15
Deferred tax temporary differences

Note 16
Deferred tax temporary differences

Note 17
Inventories

Note 17 Inventories		Group	2022-12-31	2021-12-31
		Raw materials and consumables	8 242	9 775
		Finished goods and goods for sale	657 986	332 314
		Write down inventory	-66 449	-25 092
			599 779	316 997
Parent company				
		Raw materials and consumables	7 378	7 614
		Finished goods and goods for sale	484 970	232 433
		Write down inventory	-61 600	-23 570
			430 748	216 477

Note 18 Accounts receivable		Group	2022-12-31	2021-12-31
		Accounts receivable	511 131	492 244
		Provision losses	-759	-3 233
			510 372	489 011
Acquisition value, opening balance				
		SEK	100 169	42 401
		USD	235 171	226 252
		EUR	117 623	159 669
		GBP	52 191	27 887
		CNY	5 218	32 802
			510 372	489 011

Analysis credit risk exposure accounts receivable

Accounts receivable which are not due or written down	435 833	444 800
Less than 30 days	63 252	32 300
Less than 60 days	3 126	11 600
Less than 90 days	2 157	84
More than 90 days	6 762	3 460
Provision losses	-759	-3 233
	510 371	489 011

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

On the balance sheet date, account receivables amounting to MSEK 74,5 (MSEK 44,3) 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 recognised 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.

Parent company		2022-12-31	2021-12-31
	Accounts receivable	335 134	312 161
	Provision losses	-490	-3 233
		334 644	308 928

Note 19 Other receivables		Group	2022-12-31	2021-12-31
		Tax account	6 782	359
		VAT claim	13 377	5 098
		Other	3 254	1 236
			23 413	6 693
Parent company				
		Tax account	6 782	359
		VAT claim	13 377	5 098
		Other	3 254	947
			23 413	6 404

Note 20 Deferred expenses and Accrued Income		Group	2022-12-31	2021-12-31
		Rent	2 165	1 419
		Selling expenses ^r	16 208	10 265
		Licence fees	4 505	3 745
		Product development costs *	22 563	21 181
		Other	11 090	12 042
			56 531	48 652

Parent company		2022-12-31	2021-12-31
	Rent	5 848	5 295
	Selling expenses ^r	6 069	0
	Licence fees	4 505	3 745
	Product development costs *	22 563	21 181
	Other	9 014	11 427
		47 999	41 648

* During the year 29,6 MSEK (32,8) of expenses related to research and development have been expensed.

Note 21 Provisions		Group	2022-12-31	2021-12-31
	Pensions and similar obligations	Balance at the beginning of the year	2 421	2 421
			2 421	2 421
Deferred tax liability				
	Balance at the beginning of the year		2 579	0
	Provision for the year		13 195	2 579
			15 774	2 579
Parent company				
	Pensions and similar obligations	Balance at the beginning of the year	2 421	2 421
			2 421	2 421

Note 22
Liabilities
related to
several
items

Group
The company's bank loan of 62,5 MSEK and leasing liabilities of 31,8 MSEK are reported under the following items in the balance sheet.

There are two granted overdrafts of 30 MSEK and 19,7 MUSD. None of these are utilised.

	2022-12-31	2021-12-31
Long-term liabilities		
Liabilities to credit institutions	19 168	62 501
Liabilities related to Right-of-use assets	7 858	21 521
	27 026	84 022
Current liabilities		
Liabilities to credit institutions	43 333	43 333
Liabilities related to Right-of-use assets	23 955	23 182
	67 288	66 515

Parent company

The company's bank loan of 62,5 MSEK is reported under the following items in the balance sheet.

There are two granted overdrafts of 30 MSEK and 19,7 MUSD. None of these are utilised.

	2022-12-31	2021-12-31
Long-term liabilities		
Liabilities to credit institutions	19 168	62 501
	19 168	62 501
Current liabilities		
Liabilities to credit institutions	43 333	43 333
	43 333	43 333

Group

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 minimise 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 recognised 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 -22,1 mUSD (-25,1 mUSD). In addition to purchases and sales in USD, there was also a bank overdraft facility of USD 0,0 m (USD 0,0 m). The granted overdraft facility in USD is 19,7 mUSD. Total net exposure including overdraft facilities was -22,1 mUSD (-25,1 mUSD) at the end of the period. The Group does not work actively to manage the transaction exposure that arises. Liabilities to the credit institution, except overdraft facility, is only in SEK and is not part of the currency exposure. The exposure to EUR is increases as sales in Europe increase, but so far is not significant.

(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 2022-12-31 amounted to a total of 62,5 MSEK. 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 18 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.

Liquidity risk/Financing risk

On 31 December 2022, the Group had available liquid assets of 617,1 MSEK (406,8 MSEK). These liquid assets consist of bank balances. In addition to the recognised cash, the Group has an unutilised bank overdraft of 237,4 MSEK (208,0 MSEK).

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.

Note 23
Financial risk
management

Note 23
Financial risk
management

Group	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Per 31 december 2022				
Bank overdraft facilities	0	0	0	0
Liabilities to credit institutions	46 202	19 639	0	0
Liabilities related to Right-of-use assets	24 598	7 740	0	0
Accounts payable and other liabilities	457 852	0	0	0
Total	528 652	27 379	0	0
Per 31 December 2021				
Liabilities to credit institutions	0	0	0	0
Liabilities related to Right-of-use assets	45 824	64 302	0	0
Accounts payable and other liabilities	23 481	39 462	0	0
Account payables and other liabilities*	428 100	0	0	0
Total	497 405	103 764	0	0

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.

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.

Debt ratio Group	2022-12-31	2021-12-31
Total borrowing		
Bank loan	62 501	105 834
Leasing debt	31 813	44 703
Departs cash	-617 140	-406 768
Net debt	-522 827	-256 231
Equity	804 646	525 149
Sum total capital	281 819	268 918
Debt ratio	-186%	-95%

Note 24
Other
liabilites

Group	2022-12-31	2021-12-31
VAT liability	18 877	8 067
Personnel related liabilities	7 680	6 351
Other	0	1 507
	26 557	15 925
Parent company		
VAT liability	7 316	4 201
Personnel related liabilities	6 792	5 930
Other	0	1 507
	14 108	11 638

Group	2022-12-31	2021-12-31
Personnel expenses	63 278	55 831
Royalties	68 545	59 086
Sales commissions	251 213	146 181
Logistic costs	12 932	15 172
Product costs	0	1 260
Other	109 696	29 570
	505 664	307 100

Parent company	2022-12-31	2021-12-31
Personnel expenses	49 293	48 041
Royalties	54 606	47 814
Sales commissions	189 249	111 369
Logistic costs	12 932	15 172
Product costs	0	1 260
Other	49 582	8 308
	355 662	231 964

Group	2022-12-31	2021-12-31
Received interest	1 548	178
Paid interest	-4 735	-5 212
	-3 187	-5 034

Parent company	2022-12-31	2021-12-31
Received interest	122	0
Received dividend	64 978	0
Paid interest	-3 617	-3 993
	61 483	-3 993

Group	2022-12-31	2021-12-31
Depreciations	37 598	35 459
Unrealised exchange losses	-22 371	-8 423
Write-down inventories	41 029	-1 585
	56 256	25 451

Parent company	2022-12-31	2021-12-31
Depreciations	10 922	10 199
Unrealised exchange losses	-23 130	-8 191
Write-down inventories	38 030	3 570
	25 822	5 578

Note 25
Accrued
expenses
and deferred
income

Note 26
Interest and
dividends

Note 27
Adjustments
for Items not
Included in
the Cash Flow

Group	2022-12-31		2021-12-31	
Note 28				
Reconciliation of financial liabilities in financing activities				
Financial liabilities				
Balance at the beginning of the year		105 834		80 000
Cash flow, change in bank overdraft facilities		29 105		9 936
Cash flow, change in long-term debt		-43 333		9 167
Cash flow, change in current debt		0		16 667
Other, non-cash flow related changes		-29 105		-9 936
		62 501		105 834
Right-of-use liabilities				
Balance at the beginning of the year		44 703		67 725
Cash flow, amortisation		-27 073		-24 675
Cash flow, interest		-1 116		-1 217
Additional lease agreements		11 958		382
Other, non-cash flow related changes		3 341		2 488
		31 813		44 703
Parent company				
		2022-12-31		2021-12-31
Financial liabilities				
Balance at the beginning of the year		105 834		80 000
Cash flow, change in bank overdraft facilities		33 337		9 789
Cash flow, change in long-term debt		-43 333		9 167
Cash flow, change in current debt		0		16 667
Other, non-cash flow related changes		-33 337		-9 789
		62 501		105 834

Parent company	2022-01-01 - 2022-12-31		2021-01-01 - 2021-12-31	
Note 29				
Purchases and Sales between Group Companies				
Share of the total acquisitions for the year made by other companies within the group		1,34 %		1,49 %
Share of the total sales for the year made by other companies within the group		23,19 %		25,17 %

Parent company	2022-01-01 - 2022-12-31		2021-01-01 - 2021-12-31	
Note 30				
Profit/loss from Participation in Group Companies				
Dividends received		64 978		0
		64 978		0

Parent company	2022-01-01 - 2022-12-31		2021-01-01 - 2021-12-31	
Note 31				
Appropriations				
Provision untaxed reserve		-64 519		-12 052
		-64 519		-12 052

Parent company	2022-01-01 - 2022-12-31		2021-01-01 - 2021-12-31	
Note 32				
Participations in Group companies				
Acquisition value, opening balance		12 424		12 424
Accumulated acquisition value, closing balance		12 424		12 424
Book value, closing balance		12 424		12 424

Parent company Name	Salaries and other remuneration	Audit committee	Pension expenses
Zound Industries Ltd, Hong Kong	100%	100	10
Zound Industries USA Inc, US	100%	1 000	2 465
Zound Industries Shenzhen Ltd, China	100%	0	8 941
Zound Industries Services Shenzhen Ltd, China	100%	0	809
Zound Industries UK Ltd, UK	100%	1	0
Zound Industries Smartphones AB, Sweden	100%	2 000	200
Total			12 425

	Corp.ID	Head office	Equity
Zound Industries Ltd, Hong Kong		Hong Kong	12 943
Zound Industries USA Inc, US		New York	86 784
Zound Industries Shenzhen Ltd, China		Shenzhen	67 549
Zound Industries Services Shenzhen Ltd, China		Shenzhen	3 263
Zound Industries UK Ltd, UK		London	6 798
Zound Industries Smartphones AB, Sweden	556998-5723	Stockholm	2 402

Parent company	2022-12-31		2021-12-31	
Note 34				
Appropriation of profit or loss				
Proposals for profit allocation				
The Board of Directors recommends that the profit/loss and brought forward profits available for disposition:				
other contributed capital		234 095		
profit carried forward		182 428		
profit for the year		212 148		
		628 670		
be distributed so that they are: carried over		628 670		
		628 670		

Parent company	2022-12-31		2021-12-31	
Note 35				
Untaxed Reserves				
Tax allocation reserve 2022		64 519		0
Tax allocation reserve 2021		12 052		12 052
		76 571		12 052
Deferred tax liability regarding untaxed reserves		15 774		2 483

Note 36 Parent company
Subsequent events

In March 2023 Zound Industries acquired Marshall Amplification and its subsidiaries in deal that marks the next chapter of the successful, decade long, partnership between the two companies. Under the terms of the deal the Marshall Family will become the biggest shareholder in Zound Industries and the company also announced its intention to change the company name to Marshall Group after the completion of the acquisition. Marshall Group will leverage Zound Industries' first-class design, branding and go-to-market capabilities while building on Marshall Amplification's experience and reputation as a true icon in rock 'n' roll history, having served as the music industry's amplifiers of choice for over 60 years.

Note 37 Group		2022-12-31	2021-12-31
Pledged Assets	On behalf of the company:		
	Company morgage	200 000	200 000
		200 000	200 000
<hr/>			
Parent company			
	On behalf of the company:		
	Company morgage	200 000	200 000
		200 000	200 000

For the obligations in the current loan agreement with SEB, the corporate mortgages in Zound Industries International AB of 200 MSEK (200 MSEK) have been pledged as security.

Note 38 Group		2022-12-31	2021-12-31
Contingent liability	Rental guarantee	9 805	9 805
	Performance guarantee against Adidas	1 400	1 400
		11 205	11 205
<hr/>			
Parent company			
	Rental guarantee	9 805	9 805
	Performance guarantee against Adidas	1 400	1 400
	Contingent liabilities to subsidiaries	5 106	4 823
		16 311	16 028

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 the day that appears
from the respective executive's
electronic signature

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 the day indicated by the electronic signature

Öhrlings PricewaterhouseCoopers AB

Magnus Svensson Henrysson
Authorised Public Accountant
Chief auditor

**We bring life
to sound.**



Marshall

URBANEARS

adidasheadphones.com
marshallheadphones.com
urbanears.com
zoundindustries.com



© Zound Industries. All rights reserved. The wordmark, logotype, annual report and packaging are intellectual properties of Zound Industries International AB.
Zound Industries International AB, Centralplan 15, 111 20 Stockholm, Sweden.
Designed in Stockholm. Produced in Stockholm. www.zoundindustries.com

