

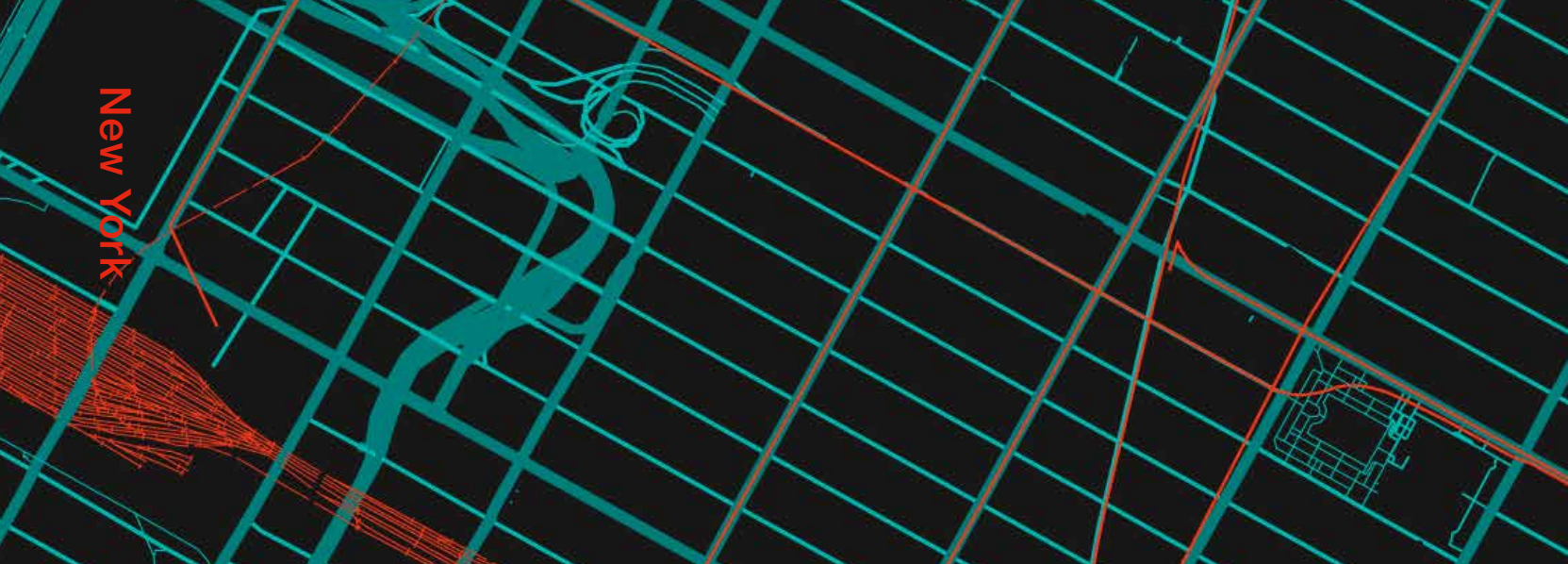


Zound Industries
Annual Report
2016

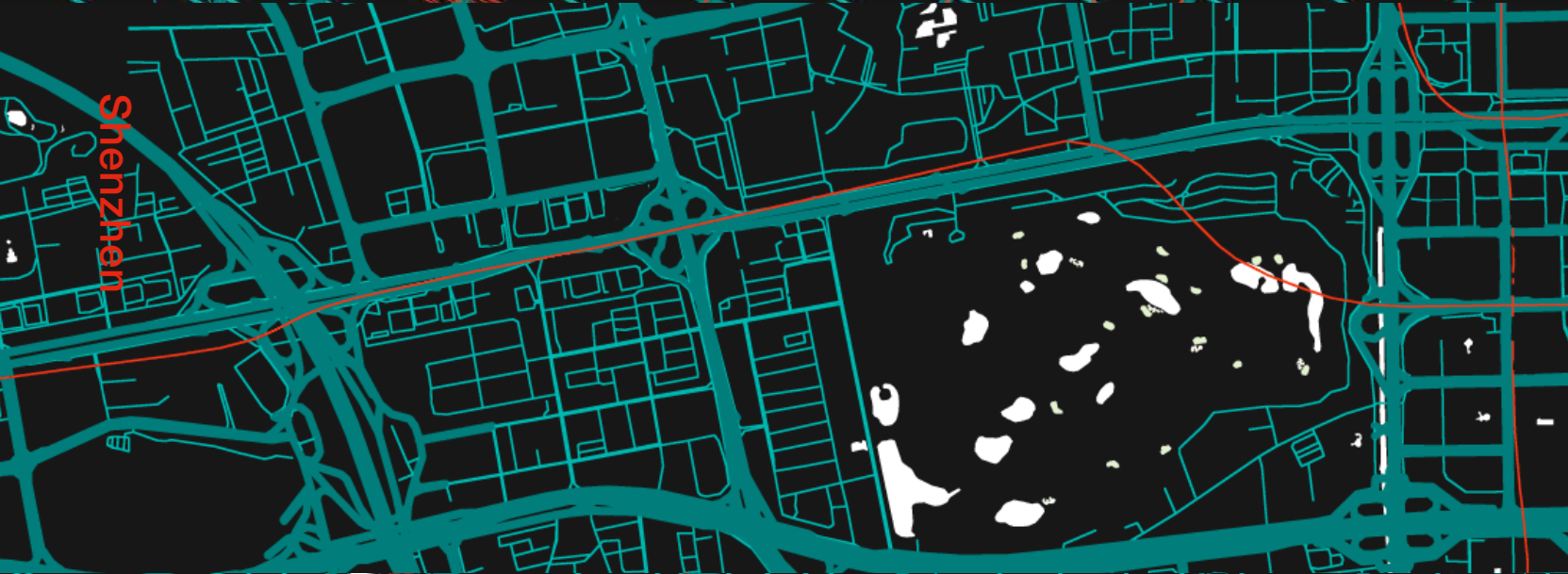
»The Board of Directors and
Managing Director present
the following annual report and
consolidated accounts



Stockholm



New York



Shenzhen



Paris

Content	6	Administration Report	13	Parent Company Income Statement
	10	Group Income Statement	14	Parent Company Balance Sheet
	11	Consolidated Balance Sheet	15	Parent Company Change in Equity
	12	Group Change in Equity	15	Cash Flow Statement for the Parent Company
	12	Cash Flow Statement for the Group	18	Notes for the Parent Company and the Group

Administration Report

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

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

Operations › Zound Industries engages in the development, design, production, sales and distribution of fashion-oriented audio products.

The Company's brands include own trademarks Urbanears, Coloud and Molami, as well as Marshall, which is operated under license. Over the course of 2016 a strategic decision was made to focus company resources on the two most profitable brands: Urbanears and Marshall.

Zound Industries' head office is based in Stockholm, Sweden, with a production office in Shenzhen, China, and a sales and marketing office in New York, USA. In 2016 the Group had a total of 129 employees – 66 men and 63 women – with 100 employees based at the Stockholm office and 29 at the Company's other offices.

Comparative figures covering several years › Summary of the Group's and the Parent Company's financial development.

The Group	2016	2015	2014	2013	2012
Net sales, TSEK	1 041 263	757 408	532 513	312 213	322 918
Profit/loss after financial items, TSEK	17 321	29 322	41 400	-9 644	23 079
Total assets, TSEK	569 056	458 258	302 048	190 061	162 770
Number of employees	129	98	71	62	54
Solidity, %	45,0	52,5	43,9	36,6	47,8

Parent Company

Net sales, TSEK	946 229	725 406	536 210	312 213	322 912
Profit/loss after financial items, TSEK	32 882	43 694	41 055	-10 470	20 946

Definitions of key ratios are provided in Note 1

Events during the fiscal year › 2016 was a successful year for Zound Industries. Total sales for the year amounted to 1,042.9 MSEK, representing an increase of 284.6 MSEK or 37.5% as compared to the previous year. The Group reports an operating profit of 19.4 MSEK as compared to 34.0 MSEK the previous year. The decrease in profitability is due to the termination of the smartphone product segment, Marshall London, which led to assets attributable to this business area being written off in full. Profitability within the Company's other product segments remains strong.

The Company's brands are represented in over 100 markets. Main markets include the Nordic countries, the USA and France. Products are distributed in various ways: through distributors, directly to retailers and B2B customers, or directly to end consumers via e-commerce platforms.

Throughout 2016 the speaker segment continued to deliver highly successful results, contributing to the year's total positive sales development. The speaker product segment represents 61% of total sales as compared to 52% the previous year.

From summer 2016 e-commerce sales in the North American and Chinese markets were operated locally, contributing to the sales increase over the course of the year.

Throughout the year, both internal and external changes were implemented to encourage additional growth and profitability over the coming years. The organisation has further been strengthened by recruiting a number of key employees, introducing business processes and focusing on product development.

Use of financial instruments › The Company is exposed to fluctuations in exchange rates, primarily in USD. The Company uses no hedging in currency-sensitive transactions.

Non-financial disclosures › The Company continuously places focused attention on gender equality, health and safety, quality of the working environment, skills development, product quality and environmental issues. The Company's products are certified to meet the legal requirements in the markets where they are sold. Within the EU, products are made in accordance with environmental directives REACH, ROHS and ERP. Testing is performed to meet market-specific requirements outside the EU.

Expected future developments and significant risk factors › The Company is expected to continue developing as it has been, in accordance with the main focus areas stipulated by the owners and Board of Directors. Potential risks that may affect the Company include general business cycle risks and the negative impact of currency effects.

Proposed Appropriations of Profits › The following profits are at the disposal of the Annual General Meeting

Share premium reserve	148 075 127
Retained earnings	71 524 613
Net profit for the year	10 462 145
SEK	230 061 885

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

to be carried forward	230 061 885
SEK	230 061 885

Group Income Statement

	Note	2016	2015
Net sales		1 041 262 663	757 408 176
Other operating income		1 677 728	868 546
Total income		1 042 940 391	758 276 722
Operating expenses			
Goods for resale		-612 269 798	-427 592 202
Other external expenses	2	-246 896 803	-210 194 301
Personnel costs	3	-102 357 981	-72 664 396
Depreciations and write-downs of tangible and intangible fixed assets		-62 048 296	-13 560 810
Other operating expenses		0	-267 498
Total operating expenses		-1 023 572 878	-724 279 207
Operating profit		19 367 513	33 997 515
Profit/loss from financial items			
Other interest income and similar profit/loss items		790 323	5 700
Interest expenses and similar profit/loss items		-2 837 296	-4 681 434
Total profit/loss from financial items		-2 046 973	-4 675 734
Profit/loss after financial items		17 320 540	29 321 781
Tax on profit/loss for the year	4	-4 306 467	-5 319 008
NET PROFIT/LOSS FOR THE YEAR		13 014 073	24 002 773

Consolidated Balance Sheet

	Note	2016-12-31	2015-12-31
Assets			
Fixed assets			
Intangible fixed assets			
Capitalised expenditure for development work	5	0	44 834 365
Patents, licenses, trademarks and similar rights	6	9 931 579	10 045 696
Total intangible fixed assets		9 931 579	54 880 061
Tangible fixed assets			
Equipment, tools, fixtures and fittings	7	11 865 766	7 612 514
Financial assets			
Other non-current receivables		564 784	555 315
Deferred tax assets		1 964 112	2 283 165
Total financial assets		2 528 896	2 838 480
Total fixed assets		24 326 241	65 331 055
Current assets			
Inventories			
Goods for resale		246 249 836	142 345 845
Goods in transit		0	14 976 585
Total inventories		246 249 836	157 322 430
Current receivables			
Accounts receivables - trade		180 230 994	120 057 159
Other current receivables		25 639 799	18 587 220
Prepaid expenses and accrued income	8	28 635 160	20 367 728
Total current receivables		234 505 953	159 012 107
Cash and bank balances		63 973 568	76 592 444
Total current assets		544 729 357	392 926 981
TOTAL ASSETS		569 055 598	458 258 036
Equity and liabilities			
Equity			
Share capital		818 196	762 876
Other contributed capital		148 075 127	148 075 127
Other equity inc. net profit/loss for the year		107 268 780	93 439 187
Total equity		256 162 103	242 277 190
Deferred taxes	9	5 733 492	6 543 530
Current liabilities			
Other current liabilities		27 185 354	26 617 128
Accounts payable - trade		194 963 383	109 687 674
Current income tax liabilities		252 057	8 250 444
Accrued expenses and deferred income	10	84 759 209	64 882 070
Total current liabilities		307 160 003	209 437 316
TOTAL EQUITY AND LIABILITIES		569 055 598	458 258 036

Group change in Equity

	Note	Share capital	Share premium reserve	Free reserves, net profit for the year	Total equity
>					
Equity 2015-12-31		762 876	148 075 127	93 439 187	242 277 190
Exchange rate difference		-	815 521	-	815 521
Net profit/loss for the year		-	-	13 014 072	13 014 072
Rights issues		55 320	-	-	55 320
Equity 2016-12-31		818 196	148 890 648	106 453 259	256 162 103

Cash Flow Statement for the Group

	Note	2016	2015
>			
Operating activities			
Operating profit/loss before financial items		19 367 513	33 997 515
Depreciations/amortisation		62 048 296	13 560 810
Interest received		790 323	5 700
Interest paid		-2 837 296	-4 681 434
Adjustments for non-cash items, etc.	11	-9 667 904	-1 379 459
Income tax paid		-12 988 572	-2 643 945
		56 712 360	38 859 187
Increase/decrease in inventories		-81 223 613	-60 581 632
Increase/decrease in accounts receivable – trade		-60 173 835	27 351 470
Increase/decrease in current receivables		-15 320 014	-25 211 153
Increase/decrease in accounts payable – trade		85 275 709	7 040 303
Increase/decrease in other current operating liabilities		40 319 046	45 129 634
Cash flows from operating activities		25 589 653	32 587 809
Investment activities			
Investments in intangible fixed assets		-11 195 611	-30 491 925
Investments in tangible fixed assets		-7 883 759	-5 690 187
Cash flows from investment activities		-19 079 370	-36 182 112
Financing activities			
Repayment of loans		-20 000 000	-46 062 500
New share issues		55 320	84 751 748
Borrowings		0	-27 038 673
New loans		0	65 000 000
Repayment of group contribution/shareholder contribution/warranties		0	-30 750
Cash flows from financing activities		-19 944 680	76 619 825
Cash flow for the year		-13 434 397	73 025 522
Exchange rate differences in equity		815 521	735 190
Cash and cash equivalents at beginning of year		76 592 444	2 831 732
CASH AND CASH EQUIVALENTS AT YEAR-END		63 973 568	76 592 444

Parent Company Income Statement

	Note	2016	2015
Net sales	12,13,14	946 229 378	725 405 963
Other operating income	12	2 513 884	718 458
Total income		948 743 262	726 124 421
Operating expenses			
Goods for resale		-569 584 374	-448 170 290
Other external expenses	2	-194 634 728	-155 139 878
Personnel costs	3	-86 783 684	-62 468 551
Depreciations/amortisations and write-downs of tangible and intangible fixed assets		-62 077 712	-13 428 095
Other operating expenses		0	-267 498
Total operating expenses		-913 080 498	-679 474 312
Operating profit/loss		35 662 764	46 650 109
Profit/loss from financial items			
Other interest income and similar profit/loss items		7 234	1 135
Interest expenses and similar profit/loss items		-2 788 030	-2 956 902
Total profit/loss from financial items		-2 780 796	-2 955 767
Profit/loss after financial items		32 881 968	43 694 342
Appropriations	15	-19 224 385	-18 494 202
Tax on profit for the year	4	-3 195 438	-4 216 909
NET PROFIT/LOSS FOR THE YEAR		10 462 145	20 983 231

Parent Company Balance Sheet

	Note	2016-12-31	2015-12-31
Assets			
Fixed assets			
Intangible fixed assets			
Capitalised expenditure for development work	5	0	44 834 365
Patents, licenses, trademarks and similar rights	6	9 876 744	10 004 470
Total intangible fixed assets		9 876 744	54 838 835
Tangible fixed assets			
Equipment, tools, fixtures and fittings	7	11 525 279	7 287 833
Financial fixed assets			
Participations in Group companies	16	2 674 839	2 674 839
Other non-current receivables		187 809	187 809
Total financial fixed assets		2 862 648	2 862 648
Total fixed assets		24 264 671	64 989 316
Current assets			
Inventories			
Goods for resale		201 605 647	93 358 049
Goods in transit		0	8 116 690
Total inventories		201 605 647	101 474 739
Current receivables			
Receivables from Group companies	14	106 012 403	70 857 002
Accounts receivable – trade		138 469 885	92 092 568
Other current receivables		2 141 241	2 744 525
Prepaid expenses and accrued income	8	25 201 506	17 044 272
Total current receivables		271 825 035	182 738 367
Cash and bank balances		44 616 584	54 421 526
Total current assets		518 047 266	338 634 632
TOTAL ASSETS		542 311 937	403 623 948
Equity and liabilities			
Equity			
Restricted equity			
Share capital (8.181.960 shares with a quotient value of SEK 0.10 per share)		818 196	762 876
Non-restricted equity			
Share premium reserve		148 075 127	148 075 127
Retained earnings		71 524 613	50 541 382
Net profit/loss for the year		10 462 145	20 983 231
Total non-restricted equity		230 061 885	219 599 740
Total equity		230 880 081	220 362 616
Untaxed reserves	17	26 061 325	29 743 317
Current liabilities			
Liabilities to Group companies	14	25 504 797	9 585 845
Accounts payable – trade		188 472 156	97 338 592
Current income tax liabilities		67 489	7 165 416
Other current liabilities		4 239 214	5 274 945
Accrued expenses and deferred income	10	67 086 875	34 153 217
Total current liabilities		285 370 531	153 518 015
TOTAL EQUITY AND LIABILITIES		542 311 937	403 623 948

Parent Company Change in Equity

	Note	Share capital	Share premium reserve	Unconditional shareholders' contribution	Other non-restricted equity	Net profit/loss for the year	Total equity
Equity 2015-12-31		762 876	148 075 127	8 019 521	42 521 861	20 983 231	220 362 616
Retained earnings		-	-	-	20 983 231	-20 983 231	-
Net profit/loss for the year		-	-	-	-	10 462 145	10 462 145
Rights issues		55 320	-	-	-	-	55 320
Equity 2016-12-31		818 196	148 075 127	8 019 521	63 505 092	10 462 145	230 880 081

Cash Flow Statement for the Parent Company

	Note	2016	2015
Operating activities			
Operating profit/loss before financial items		35 710 777	46 650 109
Depreciations		62 077 712	13 428 095
Adjustments for non-cash items, etc.	11	-462 084	685 233
Interest received		7 234	1 135
Interest paid		-2 788 030	-2 956 902
Income tax paid		-11 881 714	-2 874 420
		82 663 895	54 933 250
Increase/decrease in inventories		-99 666 835	-10 518 069
Increase/decrease in accounts receivable – trade		-51 762 329	52 424 232
Increase/decrease in current receivables		-37 324 340	-70 644 456
Increase/decrease in accounts payable – trade		91 071 064	-3 650 593
Increase/decrease in other current operating liabilities		49 417 727	10 640 628
Cash flows from operating activities		34 399 182	33 184 992
Investing activities			
Investments in intangible fixed assets		-13 677 699	-30 491 925
Investments in tangible fixed assets		-7 675 368	-5 581 949
Cash flows from investing activities		-21 353 067	-36 073 874
Financing activities			
New share issue		55 320	84 751 748
Change in overdraft facilities		0	-27 038 673
New loans		0	30 000 000
Repayment of loans		0	-31 062 500
Repayment of group contribution/shareholder contribution/warranties		-22 906 377	-30 750
Cash flows from financing activities		-22 851 057	56 619 825
Cash flow for the year		-9 804 942	53 730 943
Cash and cash equivalents at beginning of year		54 421 526	690 583
CASH AND CASH EQUIVALENTS AT YEAR-END		44 616 584	54 421 526

Notes for the Parent Company and the Group

Note 1 Accounting and valuation principles

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

Consolidated accounts

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

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

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

Intra-Group gains are eliminated in their entirety.

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

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

Income

Goods

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

Appropriations

› Changes in untaxed reserves are reported as appropriations in the income statement.

Income taxes

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

Intangible assets

Development work

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

Patents, licenses, trademarks and similar rights

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

Tangible fixed assets

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

Tangible assets are systematically depreciated over the asset's estimated useful life. When the depreciation amount is determined, the asset's residual value is

considered where appropriate. Straightline depreciation is used for other types of tangible assets. The following depreciation periods apply:

Equipment, tools, fixtures and fittings	5 years
---	---------

Impairment of non-financial assets

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

Financial instruments

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

Trade and other receivables

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

Borrowings and payables

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

Inventories

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

Provisions

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

Untaxed reserves

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

Foreign currencies

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

Leases

› The Company has no significant lease. Leases are treated as operating leases, where contributions are recognized as an expense on a linear basis. Leasing costs, in terms of office and warehouse rentals, amounted to 14.0 million (11.1 million).

Employee compensation

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

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

Cash flow analysis

› The cash flow analysis is prepared using the indirect method. In other words, reported cash flow includes only those transactions involving payments.

Estimates and assumptions

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

Definitions of key ratios

Solidity

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

	Group		Parent Company	
	2016	2015	2016	2015
Note 2 Remuneration to auditors				
PwC				
Audit	558 000	450 000	558 000	450 000
Tax services	0	29 000	0	29 000
Assignments other than auditing assignments	50 000	3 000	50 000	3 000
Other audit firms				
Audit	44 327	38 239	0	0
Total	652 327	520 239	608 000	482 000

	Group		Parent Company	
	2016	2015	2016	2015
Note 3 Salaries, other remuneration and social security contributions				
Average number of employees				
Women	63	49	47	36
Men	66	49	53	42
Total	129	98	100	78
Total salaries, remuneration, social security contributions and pension costs				
Salaries and remuneration to the Board of Directors and Managing Director	4 616 800	4 474 285	4 616 800	4 474 285
Salaries and other remuneration to other employees	64 195 579	42 607 251	55 474 278	35 272 956
Total	68 812 379	47 081 536	60 091 078	39 747 241
Statutory and contractual social security contributions	18 232 913	15 637 320	17 448 391	13 313 407
Pension cost for the Board of Directors and Managing Director	895 162	1 255 908	895 162	1 255 908
Pension costs for other employees	8 362 200	5 135 578	8 040 063	5 044 667
Total	96 302 654	69 110 342	86 474 694	59 361 223
Number of members of the Board on balance sheet date				
Women	2	3	2	3
Men	6	5	6	5
Total	8	8	8	8
Number of Managing Directors and other senior management				
Women	1	1	1	1
Men	1	1	1	1
Total	2	2	2	2

	Group		Parent Company	
	2016	2015	2016	2015
Note 4 Tax on profit for the year				
Current tax for the year	-4 797 452	-5 225 865	-3 195 438	-4 216 909
Deferred tax	490 985	-93 143	0	0
Tax on profit for the year	-4 306 467	-5 319 008	-3 195 438	-4 216 909
Reported profit before tax	17 320 539	29 321 781	13 657 583	25 200 140
Tax calculated at applicable tax rate (22%)	-3 810 518	-6 450 792	-3 004 668	-5 544 030
Tax effect of non-deductible expenses	-171 667	-284 977	-171 667	-284 977
Tax attributable to prior years' reported earnings	0	1 629 382	0	1 629 382
Tax effect of imputed interest on tax allocation	-19 103	-17 284	-19 103	-17 284
Effect of foreign tax rates	-305 178	-102 194	0	0
Reported tax	-4 306 467	-5 225 865	-3 195 438	-4 216 909

	Group		Parent Company		Note 5 Capitalised expenditure for development work
	2016	2015	2016	2015	
Opening acquisition cost	68 693 731	41 811 008	68 693 731	41 811 008	
Capitalised expenditures for the year, purchases	9 814 656	26 882 723	9 814 656	26 882 723	
Closing accumulated acquisition	78 508 387	68 693 731	78 508 387	68 693 731	
Opening amortisation	-23 859 366	-15 780 859	-23 859 366	-15 780 859	
Write-down for the year	-35 171 229	0	-35 171 229	0	
Depreciations for the year	-19 477 792	-8 078 507	-19 477 792	-8 078 507	
Closing accumulated depreciation	-78 508 387	-23 859 366	-78 508 387	-23 859 366	
Book value at year-end	0	44 834 365	0	44 834 365	

	Group		Parent Company		Note 6 Patents, licenses, trademarks and similar rights
	2016	2015	2016	2015	
Opening acquisition cost	19 934 374	16 323 679	19 863 981	16 254 779	
Exchange rate fluctuation, opening balance	0	1 493	0	0	
Capitalised expenditure for the year, purchases	3 863 042	3 609 202	3 863 042	3 609 202	
Closing accumulated acquisition	23 797 416	19 934 374	23 727 023	19 863 981	
Opening amortisation	-9 888 678	-6 464 507	-9 859 511	-6 446 262	
Exchange rate fluctuation, opening balance	13 609	-501	0	0	
Depreciations for the year	-3 990 768	-3 423 670	-3 990 768	-3 413 249	
Closing accumulated depreciation	-13 865 837	-9 888 678	-13 850 279	-9 859 511	
Book value at year-end	9 931 579	10 045 696	9 876 744	10 004 470	

	Group		Parent Company		Note 7 Equipment, tools, fixtures and fittings
	2016	2015	2016	2015	
Opening acquisition cost	21 195 961	16 751 782	20 562 829	16 240 329	
Exchange rate fluctuation, opening balance	0	13 441	0	0	
Changes for the year					
Purchases	7 675 368	5 690 187	7 675 368	5 581 949	
Sales	0	-1 259 449	0	-1 259 449	
Closing accumulated acquisition	28 871 329	21 195 961	28 238 197	20 562 829	
Opening depreciation	-13 583 447	-12 509 426	-13 274 996	-12 330 609	
Exchange rate fluctuation, opening balance	37 722	-7 340	0	0	
Sales	0	991 952	0	991 952	
Depreciations for the year	-3 459 838	-2 058 633	-3 437 922	-1 936 339	
Closing accumulated depreciation	-17 005 563	-13 583 447	-16 712 918	-13 274 996	
Book value at year-end	11 865 766	7 612 514	11 525 279	7 287 833	

	Group		Parent Company		Note 8 Prepaid expenses and accrued income
	2016-12-31	2015-12-31	2016-12-31	2015-12-31	
Prepaid rent	2 364 570	2 746 384	2 364 570	2 746 384	
Other items	26 270 590	17 621 344	22 836 935	14 297 888	
Book value at year-end	28 635 160	20 367 728	25 201 505	17 044 272	

Note 9

Deferred
taxes

	Group	
	2016-12-31	2015-12-31
The difference between the income tax reported in the income statement and the income tax on operations consists of:		
Deferred taxes on untaxed reserves	5 733 492	6 543 530
Book value at year-end	5 733 492	6 543 530

Note 10

Accrued
expenses
and deferred
income

	Group		Parent Company	
	2016-12-31	2015-12-31	2016-12-31	2015-12-31
Accrued interest expense	0	264 583	0	0
Accrued payroll	0	131 710	0	0
Accrued holiday pay	3 157 408	2 887 693	4 149 408	2 887 693
Accrued social security contributions	992 000	903 600	0	903 600
Accrued sales commissions	29 171 306	18 573 874	29 098 603	11 902 849
Other items	51 438 495	42 120 610	33 838 864	18 459 075
Book value at year-end	84 759 209	64 882 070	67 086 875	34 153 217

Note 11

Adjustments
for non-cash
items, etc

	Group		Parent Company	
	2016	2015	2016	2015
Accrual of amortised cost	0	888 528	0	888 528
Inventory impairment	-7 703 792	-470 792	-462 084	-470 792
Deferred tax assets	-1 964 112	-2 040 901	0	0
Disposed equipment	0	267 497	0	267 497
Exchange rate fluctuation	0	-23 791	0	0
Total adjustments for non-cash items	-9 667 904	-1 379 459	-462 084	685 233

Note 12

Distribution
of income

	Parent Company	
	2016	2015
Net sales include income from:		
Goods	937 233 197	712 734 837
Onward invoicing of cost to subsidiary	8 996 182	12 671 126
Total net sales	946 229 379	725 405 963
Other income includes income from:		
Contribution	154 450	256 431
Other	2 359 434	462 027
Total other income	2 513 884	718 458

Note 13

Distribution
of net sales in
the business
segments and
geographical
markets

	Parent Company	
	2016	2015
Net sales by geographical market		
Nordics	146 924 964	156 192 390
EMEA	456 530 867	278 192 090
North America	131 182 502	128 901 077
E-commerce	67 811 091	62 390 465
Other markets	143 779 955	99 729 941
Total net sales	946 229 379	725 405 963

	Parent Company		Note 14 Transactions with related parties
	2016	2015	
Purchases and sales between Group companies			
Percentage of purchases and sales between Group companies:			
Purchases (%)	17	3	
Sales (%)	12	1	

	Parent Company		Note 15 Appropriations
	2016	2015	
Difference between recorded depreciation and depreciation according to plan	7 607 787	-4 412 139	
Change in tax allocation reserves	-3 925 795	-6 389 258	
Granted group contribution	-22 906 377	-7 692 805	
Total appropriations	-19 224 385	-18 494 202	

	Hong Kong	Delaware, USA	Stockholm, Sweden	Note 16 Participations in Group companies
Zound Industries Ltd				
Zound Industries USA Inc.				
Zound Industries Smartphones AB				

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

	Parent Company		Note 17 Untaxed reserves
	2016-12-31	2015-12-31	
Accumulated difference between reported depreciation and depreciation according to plan	3 659 651	11 267 438	
Tax allocation reserves	22 401 674	18 475 879	
Book value at year-end	26 061 325	29 743 317	

	Group		Parent Company		Note 18 Pledged assets
	2016-12-31	2015-12-31	2016-12-31	2015-12-31	
For the Company's own liabilities					
Relating liabilities to credit institutions					
Floating charges	109 000 000	109 000 000	109 000 000	109 000 000	
Total pledged assets	109 000 000	109 000 000	109 000 000	109 000 000	

	Group		Parent Company		Note 19 Contingent liabilities
	2016-12-31	2015-12-31	2016-12-31	2015-12-31	
Rental guarantee	5 636 325	6 033 325	5 636 325	6 033 325	
Environmental Protection Agency	3 665	3 645	3 665	3 645	
Total contingent liabilities	5 639 990	6 036 970	5 639 990	6 036 970	

	Parent Company
	2016
Note 20 Proposed appropriations of profits	
The following profits are at the disposal of the Annual General Meeting:	
Share premium reserve	148 075 127
Retained earnings	71 524 613
Net profit for the year	10 462 145
	230 061 885
The Board of Directors proposes that the profits brought forward be appropriated as follows:	
To be carried forward	230 061 885
	230 061 885
Note 21 Significant events after the fiscal year end	The Company has no significant events to report after the date of the balance sheet.

Stockholm 2017-03-03

Pernilla Ekman
Managing Director

Christel Kinning

Konrad Bergström

Kenneth Schönborg

Nils Granath

Tommy Jacobson
Chairman

Margareta van den Bosch

Henri de Bodinat

Waheed Alli

The auditor's report was submitted on 2017-03-27
Öhrlings PricewaterhouseCoopers AB

Pierre Fogelberg
Authorised Public Accountant

Marshall
HEADPHONES

URBANEARS™

 COLOUD™

MOLAMI

urbanears.com
marshallheadphones.com
coloud.com
molami.com

zoundindustries.com