


Sonova Denmark A/S
Østre Hougvej 42-44, 5500 Middelfart

Annual report
2016/17

Company reg. no. 10 31 74 87

The annual report have been submitted and approved by the general meeting on the 15 August 2017.



Johnny Andreassen
Chairman of the meeting

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Notes:

- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Management's report

The board of directors and the managing director have today presented the annual report of Sonova Denmark A/S for the financial year 1 April 2016 to 31 March 2017.

The annual report has been presented in accordance with the Danish Financial Statements Act.

We consider the accounting policies used appropriate, and in our opinion the annual accounts provide a true and fair view of the company's assets and liabilities and its financial position as on 31 March 2017 and of the company's results of its activities in the financial year 1 April 2016 to 31 March 2017.

We are of the opinion that the management's review includes a fair description of the issues dealt with.

The annual report is recommended for approval by the general meeting.

Middelfart, 15 August 2017

Managing Director



Björn Rudolf Wallentin
Executive Board

Board of directors



Evert Dijkstra
Chairman



Björn Rudolf Wallentin



Claudio Diversi

Independent auditor's report

To the shareholders of Sonova Denmark A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 March 2017, and of the results of the Company's operations for the financial year 1 April 2016 - 31 March 2017 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Sonova Denmark A/S for the financial year 1 April 2016 - 31 March 2017, which comprise accounting policies, income statement, balance sheet and notes ("financial statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Independent auditor's report

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent auditor's report

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hellerup, 15 August 2017

PricewaterhouseCoopers
State Authorized Public Accountants
Company reg. no. 33 77 12 31


Rasmus Fris Jørgensen
State Authorized Public Accountant


Henrik Forthoft Lind
State Authorized Public Accountant

Company data

The company	Sonova Denmark A/S Østre Hougvej 42-44 5500 Middelfart
	Phone +45 64 41 78 87
	Fax +45 38 10 46 86
	Web site www.sonova.com
	Company reg. no. 10 31 74 87
	Established: 1 July 1986
	Domicile: Middelfart
	Financial year: 1 April - 31 March
	30th financial year
Board of directors	Evert Dijkstra, Chairman Björn Rudolf Wallentin Claudio Diversi
Managing Director	Björn Rudolf Wallentin, Executive Board
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 2900 Hellerup

Management's review

The principal activities of the company

Sonova Denmark A/S is a 100% owned subsidiary of Sonova Holding AG.

The Company's object is sale and service of hearing instruments, cochlear implants, personal hearing protection and other electronic equipment.

The market is primarily Denmark but the products are also sold to a small limited geographical part of the healthcare sector in Sweden.

Market overview

The Sonova Group is specialized in design, development, manufacture and distribution of technologically advanced hearing instruments and personal hearing protection and FM systems. The combination of expertise within hearing technology and a strong distribution network makes it possible for Sonova Denmark A/S - together with our customers and business partners - to improve the quality of life for people with hearing impairment.

Development in activities and financial matters

The income statement of the Company for 2016/17 shows a profit of DKK 34k, and at 31 March 2017 the balance sheet of the Company shows equity of DKK 7.855k.

A part of the business activities has been separated from Sonova Denmark A/S resulting in a lower turnover for the year compared to last year. Also the stock has been removed and placed at 3rd party resulting in changes to the balance sheet compared to last year. The new business setup also results in changes to both CoGS and OPEX compared to last year.

Strategy

Sonova Denmark offers a complete range of digital hearing instruments, wireless FM systems and personal hearing protection.

The development and manufacture of hearing instruments take place primarily in Stäfa, (Switzerland) where the Sonova Group has its headquarters and in Kitchener (Ontario, Canada), whereas wireless communication systems are manufactured in Murten (Switzerland).

Product innovation, customer focus and cost management are the three pillars in the strategy.

External environment

Sonova Denmark A/S complies with existing rules on sorting and disposal of waste.

Research and development activities

All research and development activities are performed by the Parent Company in Switzerland.

Management's review

Events subsequent to the financial year

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Targets and expectations for the year ahead

For the coming year Sonova Denmark A/S expects the sale to increase slightly. The Company's operation is expected to generate positive liquidity in 2017/18.

Accounting policies used

Financial Statements of Sonova Denmark A/S for 2016/17 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class B.

The accounting policies used are unchanged compared to last year.

Financial Statements for 2016/17 are presented in DKK thousands.

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Sonova Holding AG, the Company has not prepared a cash flow statement.

Recognition and measurement in general

The Financial Statements have been prepared under the historical cost method.

Revenues are recognised in the Income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the Income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the Income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Danish kroner is used as the measurement currency. All other currencies are regarded as foreign currencies.

Translation of foreign currency

Transactions in foreign currencies are translated at the exchange rates at the date of the transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Accounting policies used

Receivables, payables, and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rate at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement.

The profit and loss account

Gross profit

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

Revenue

Revenue from the sale of goods for resale and finished goods is recognised in the income statement when the sale is considered effected based on the following criteria:

- delivery has been made before year end;
- a binding sales agreement has been made;
- the sales price has been determined; and
- payment has been received or may with reasonable certainty be expected to be received.

Revenue is recognised exclusive of VAT and net of discount relating to sales.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the core activities of the enterprise, including gains and losses on the sale of intangible assets and property, plant and equipment.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses etc.

Staff costs

Staff costs include salaries and wages including holiday allowances, pensions and other costs for social security etc. for staff members. Staff costs are less public reimbursements.

Depreciation, amortisation and writedown

Depreciation, amortisation and writedown comprise depreciation on, amortisation of and writedown relating to intangible and tangible fixed assets respectively.

Accounting policies used

Net financials

Financial income and expenses comprise interest, realised and unrealised exchange adjustments, amortisation of mortgage loans as well as extra payments and repayment under the on account taxation scheme.

Tax on profit/loss for the year

Tax for the year consist of current tax for the year and deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly to equity.

The tax recognised in the income statement is classified as tax on ordinary activities and tax on extraordinary items respectively.

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

The company is subject to the Danish legislation concerning compulsory joint taxation with the Danish group enterprises. The company acts as an administration company in relation to the joint taxation. This means that the total Danish tax payable of the income of the Danish consolidated companies is paid to the tax authorities by the company.

The current Danish corporate tax is allocated among the jointly taxed companies in proportion to their respective taxable income (full allocation with reimbursement of tax losses).

The balance sheet

Tangible fixed assets

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are

Buildings	30-40 years
Other fixtures and fittings, tools and equipment	3-7 years

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

Accounting policies used

If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount, and the asset is written down to its lower recoverable amount.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Leasing contracts

All leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Financial fixed assets

Other debtors

Financial assets has been considered for realized loans and deposits at cost.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale in the process of normal operations with deduction of selling expenses and cost of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected sales sum.

The cost of inventories equals landed cost.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which correspond to nominal value less provisions for bad debts.

Available funds

Available funds comprise cash at bank and in hand.

Deferred tax assets and liabilities

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities.

Sonova Denmark A/S is jointly taxed with the Danish group companies and acts in this respect as the administration company. According to the rules of joint taxation, Sonova Denmark A/S is unlimited, jointly and severally liable towards the Danish tax authorities for the total corporation tax, including withholding tax on interest, royalties and dividends, arising within the jointly taxed group of companies.

Accounting policies used

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities.

Current tax receivables and liabilities

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are off-set if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

Other provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include warranty obligations in respect of repair work within the warranty period of 1-5 years. Provisions are measured and recognised based on experience with guarantee work.

Financial debts

Fixed-interest loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Profit and loss account 1 April - 31 March

DKK in thousands.

<u>Note</u>	<u>2016/17</u>	<u>2015/16</u>
Gross profit	12.924	20.169
1 Staff costs	-12.620	-18.659
Depreciation and writedown relating to tangible fixed assets	-276	-1.019
Operating profit	28	491
2 Financial income from group enterprises	21	0
Financial income	33	75
3 Financial costs	-48	-58
Results before tax	34	508
Tax on ordinary results	0	0
Results for the year	34	508
Proposed distribution of the results:		
Allocated to results brought forward	34	508
Distribution in total	34	508

Balance sheet 31 March

DKK in thousands.

Assets		
<u>Note</u>	<u>2017</u>	<u>2016</u>
Fixed assets		
Land and property	5.609	5.840
Other plants, operating assets, and fixtures and furniture	57	232
Tangible fixed assets in total	5.666	6.072
Other debtors	84	157
Financial fixed assets in total	84	157
Fixed assets in total	5.750	6.229
Current assets		
Manufactured goods and trade goods	1.310	10.671
Inventories in total	1.310	10.671
Trade debtors	7.727	10.800
Amounts owed by group enterprises	9.403	6.586
Other debtors	10	10
Debtors in total	17.140	17.396
Available funds	0	9
Current assets in total	18.450	28.076
Assets in total	24.200	34.305

Balance sheet 31 March

DKK in thousands.

Equity and liabilities			
<u>Note</u>	<u>2017</u>	<u>2016</u>	
Equity			
4	Contributed capital	11.075	11.075
5	Results brought forward	-3.220	-3.254
	Equity in total	7.855	7.821
Provisions			
6	Other provisions	7.061	7.366
	Provisions in total	7.061	7.366
Liabilities			
7	Mortgage debt	397	544
	Long-term liabilities in total	397	544
	Short-term part of long-term liabilities	147	144
	Trade creditors	310	556
	Debt to group enterprises	2.716	10.099
	Other debts	5.714	7.775
	Short-term liabilities in total	8.887	18.574
	Liabilities in total	9.284	19.118
	Equity and liabilities in total	24.200	34.305
8 Mortgage and securities			
9 Contingencies			
10 Related parties			

Notes

DKK in thousands.

	<u>2016/17</u>	<u>2015/16</u>
1. Staff costs		
Salaries and wages	10.952	15.880
Pension costs	888	1.241
Other costs for social security	74	465
Other staff costs	706	1.073
	<u>12.620</u>	<u>18.659</u>
Average number of employees	<u>23</u>	<u>33</u>
2. Financial Income from group enterprises		
Other financial income from group enterprise	<u>21</u>	<u>0</u>
	<u>21</u>	<u>0</u>
3. Financial costs		
Financial costs, group enterprises	13	5
Other financial costs	35	53
	<u>48</u>	<u>58</u>
4. Contributed capital		
Contributed capital 1 April 2016	<u>11.075</u>	<u>11.075</u>
	<u>11.075</u>	<u>11.075</u>
The share capital consists of 11.075 shares, each with a nominal value of DKK 1,000. No shares hold particular rights.		
There have been no changes in the share capital during the last 5 years.		
5. Results brought forward		
Results brought forward 1 April 2016	-3.254	-3.762
Profit or loss for the year brought forward	34	508
	<u>-3.220</u>	<u>-3.254</u>

Notes

DKK in thousands.

	<u>31/3 2017</u>	<u>31/3 2016</u>
6. Other provisions		
Other provisions 1 April 2016	7.366	7.604
Change of the year in other provisions	<u>-305</u>	<u>-238</u>
	<u>7.061</u>	<u>7.366</u>
0-1 year	3.192	3.396
1-5 year	<u>3.869</u>	<u>3.970</u>
	<u>7.061</u>	<u>7.366</u>

Provisions include expected expenses relating to warranty obligations. Warranty obligations include the obligation to provide repair work within the 3-4 year warranty period. The provisions for this are calculated on the basis of our experience with warranty work.

7. Mortgage debt

Mortgage debt in total	544	688
Share of amount due within 1 year	<u>-147</u>	<u>-144</u>
	<u>397</u>	<u>544</u>
Share of liabilities due after 5 years	<u>0</u>	<u>0</u>

8. Mortgage and securities

Mortgage deeds registered to the mortgagor totalling DKK 1.938k providing security on land and buildings at a total carrying amount of DKK 5.609k.

Mortgage deeds registered to the mortgagor totalling DKK 1.200k providing security on land and buildings at a total carrying amount of DKK 5.609k.

Notes

DKK in thousands.

9. Contingencies

Contingent liabilities

Leasing liabilities

In addition to financial leasing contracts, the company has entered into operational leasing contracts with an average annual leasing payment of DKK 617k. The leasing contracts have 1-33 months left to run, and the total outstanding leasing payment is DKK 1.217k, of which DKK 541k is due within 1 year and DKK 676k is due between 1-5 years.

Joint taxation

The company is the administration company of the group of companies subject to the Danish scheme of joint taxation and unlimited jointly and severally liable with the other jointly taxed companies for the total corporation tax.

The company is unlimited jointly and severally liable with the other jointly taxed companies for any obligation to withhold tax on interest, royalties and dividends.

The liability relating to obligations in connection with withholding tax on dividends, interest and royalties represents an estimated maximum of DKK 0 thousand.

Any subsequent adjustments of corporate taxes or withheld taxes etc. may cause changes in the company's liabilities.

Deferred tax of DKK 826k has been provided at 22% corresponding to the future tax rate. Due to uncertainty as to when the Company will be able to utilise the deferred tax asset, the Company has recognised a value of DKK 0 at 31 March 2017.

Notes

DKK in thousands.

10. Related parties

Ownership

According to the Company's list of shareholders, the following shareholders own 100% of the share capital of Sonova Denmark A/S:

Sonova Holding AG, Laubisrütisstrasse 28, CH-8712 Stäfa, Schweiz

Consolidated annual accounts

The Company is included in the Group Annual Report of the Parent Company Sonova Holding AG.

The Group Annual Report of Sonova Holding AG may be obtained at the following address:

Sonova Holding AG
Laubisrütisstrasse 28
8712 Stäfa
Schweiz