


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

Annual report
2020/21

Company reg. no. 10 31 74 87

The annual report was submitted and approved by the general meeting on the 20 September 2021.



Caroline Edström
Chairman of the meeting

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Notes:

- To ensure the greatest possible applicability of this document, IAS/IFRS 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

Today, the board of directors and the managing director have presented the annual report of Sonova Denmark A/S for the financial year 2020/21.

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

We consider the accounting policies appropriate and, in our opinion, the financial statements provide a fair presentation of the company's assets, equity and liabilities, and financial position at 31 March 2021 and of the company's results of activities in the financial year 1 April 2020 - 31 March 2021.

We are of the opinion that the management commentary presents a fair account of the issues dealt with.

We recommend that the annual report be approved by the general meeting.

Middelfart, 20 September 2021

Managing Director

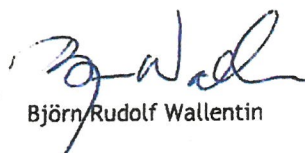


Björn Rudolf Wallentin
Executive Board

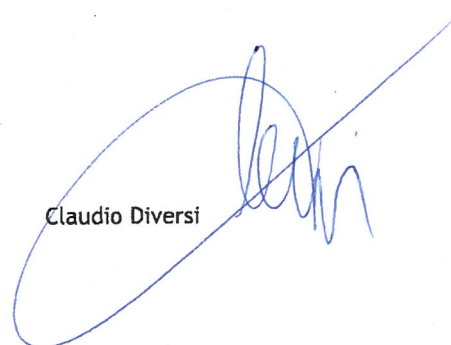
Board of directors



Evert Dijkstra
Chairman



Björn Rudolf Wallentin



Claudio Diversi

Independent auditor's report

To the shareholders of Sonova Denmark A/S

Opinion

We have audited the financial statements of Sonova Denmark A/S for the financial year 1 April 2020 - 31 March 2021, which comprise accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 March 2021 and of the results of the Company's operations for the financial year 1 April 2020 - 31 March 2021 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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 additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

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.

Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 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 the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism 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.
- 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 note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

Independent auditor's report

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.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the 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 of the Management's review.

Report on other legal and regulatory requirements

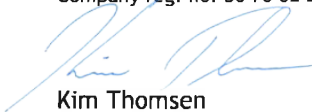
Non-compliance with the Danish Bookkeeping Act

In our opinion, the Company has not complied with the Danish Bookkeeping Act requirement regarding retention of accounting records, as the Company for a period of approximately 7 weeks has only retained part of the accounting records.

Frederiksberg, 20 September 2021

EY Godkendt Revisionspartnerselskab

State Authorised Public Accountants
Company reg. no. 30 70 02 28



Kim Thomsen
State Authorised Public Accountant
mne26736

Company information

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
34th financial year

Board of directors

Evert Dijkstra, Chairman
Björn Rudolf Wallentin
Claudio Diversi

Managing Director

Björn Rudolf Wallentin, Executive Board

Auditors

EY Godkendt Revisionspartnerselskab
Dirch Passers Allé 36
2000 Frederiksberg

Financial highlights

DKK in thousands.	2020/21	2019/20	2018/19	2017/18	2016/17
Income statement:					
Revenue	117.680	118.604	134.056	96.744	84.337
Gross profit	23.146	21.772	22.708	15.793	12.924
Profit from operating activities	6.011	1.861	3.321	3.532	28
Net financials	-36	-9	-40	184	6
Net profit or loss for the year	4.692	1.449	1.866	3.716	34
Statement of financial position:					
Balance sheet total	51.285	55.250	39.772	30.763	24.200
Investments in property, plant and equipment	0	135	124	389	0
Equity	22.750	18.058	16.609	11.571	7.855
Employees:					
Average number of full-time employees	28	30	28	25	23
Key figures in %:					
Gross margin ratio	19,7	18,4	16,9	16,3	15,3
Profit margin (EBIT-margin)	5,1	1,6	2,5	3,7	0,0
Current ratio	245,7	173,8	235,6	203,9	207,6
Solvency ratio	44,4	32,7	41,8	37,6	32,5
Return on equity	23,0	8,4	13,2	38,3	0,4

Calculations of key figures and ratios do, in all material respects, follow the recommendations of the Danish Association of Finance Analysts, only in a few respects deviating from the recommendations. The key figures and ratios shown in the statement of financial highlights have been calculated as follows:

Gross margin ratio	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Profit margin (EBIT margin)	$\frac{\text{Operating profit or loss (EBIT)} \times 100}{\text{Revenue}}$
Current ratio	$\frac{\text{Current assets} \times 100}{\text{Short term liabilities other than provisions}}$
Solvency ratio	$\frac{\text{Equity, closing balance} \times 100}{\text{Total assets, closing balance}}$
Return on equity	$\frac{\text{Net profit or loss for the year} \times 100}{\text{Average equity}}$

Management commentary

The principal activities of the company

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

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

The market is primarily Denmark.

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 revenue for the year totals DKK 117,7m against DKK 118,6m last year. Income or loss from ordinary activities after tax totals DKK 4,7m against DKK 1,4m last year. Management considers the net profit for the year satisfactory.

In 2020/21 the Company has received DKK 1,452 m in Government grants related to compensation for the impact of Covid-19. This has been part of the relief for the Company. Although not fully in line with initial expectations due to impact of Covid-19 from mid March 2020, the overall performance and results of our activities are considered to be satisfying.

Special risks

Operating risks

The effects of fluctuations in the economy (expansion or recession) are expected to be limited for the Company, due to the fact that the dependency on the economic cycle is not very high. The Company acts in a healthcare market, where the dependency on the reimbursement system is large. Changes in legislation can lead to significant impact on the result of the Company.

Financial risks

The Company holds sufficient liquidity to ensure the fulfillment of all planned payment obligations. The amount of the liquidity reserve is regularly reviewed and adjusted as necessary according to circumstances.

Exchange rate risks

The Company is not significantly exposed to currency rate risks, since purchase take place in EUR and DKK while sale only take place in DKK. The Company does not hold any reserves in other currencies.

Management commentary

Credit risks

The Company is not exposed to significant credit risks. The larger portion of the outstanding are Regions and/or Municipalities.

Environmental issues

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.

Expected developments

In 2021/22 the Company will continue to adapt and develop our business model to the customers' needs and to utilize on the key learnings from Covid-19. We expect our sales to increase by 15-20%, to approximately MDKK 155, due to the expected full recovery in the market, and the expected success from new key sales initiatives. On this basis, expected earnings before taxes will be approximately MDKK 4,7 for 2021/22.

Events occurring after the end of the financial year

We expect the market to fully recover from the Covid-19 impact, and in addition to this also grow at a normal speed. Sonova will enter into the new National Tender starting from September 2021, with an expected strong presence on the tender.

Targets and expectations for the year ahead

We expect an increase in sales vs. 2020/21 based on a stronger and increased presence on the new National Tender from September, and a strong recovery of the overall HI market after the Covid-19 impact in 2020/21.

Accounting policies

Financial Statements of Sonova Denmark A/S for 2020/21 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

Effective from the financial year 2020/21, the Company has implemented amending act no. 1716 of 27 December 2018 to the Danish Financial Statements Act. The implementation of the amending act has not affected the Company's accounting policies on recognition and measurement of assets and liabilities but has solely entailed a requirement for further disclosures. The accounting policies used in the preparation of the financial statements are consistent with those of last year.

The accounting policies are unchanged from last year, and the annual report is presented in DKK.

With reference to section 86(4) of the Danish Financial Statements Act and as the cash flow statement included in the Consolidated financial statements of Sonova A.G., 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.

Accounting policies

Foreign currency translation

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.

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.

Income statement

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;
- a binding sales agreement has been made;
- 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.

Cost of 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

Other operating income comprises items of a secondary nature as regards the principal activities of the enterprise, including Covid-19 compensation.

Other external costs

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 for impairment

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

Accounting policies

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 net profit or 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).

Statement of financial position

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:

	Useful life	Residual value
Buildings	30-40 years	20 %
Other fixtures and fittings, tools and equipment	3-7 years	0-20 %

Accounting policies

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.

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.

Leases

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.

Impairment loss relating to non-current assets

The book values of both intangible and tangible fixed assets as well as equity investments in subsidiaries and associated enterprises are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets respectively. Writedown takes place to the recoverable amount, if this value is lower than the book value.

The recoverable value is equal to the value of the net selling price or the value in use, whichever is higher. The value in use is determined as the present value of the expected net cash flow deriving from the use of the asset or the group of assets.

Previously recognised writedown is reversed when the condition for the writedown no longer exist. Writedown relating to goodwill is not reversed.

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.

Accounting policies

Receivables

Receivables are measured at amortised cost, which usually corresponds to nominal value.

In order to meet expected losses, impairment takes place at the net realisable value. The company has chosen to use IAS 39 as a basis for interpretation when recognising impairment of financial assets, which means that impairments must be made to offset losses where an objective indication is deemed to have occurred that an account receivable or a portfolio of accounts receivable is impaired. If an objective indication shows that an individual account receivable has been impaired, an impairment takes place at individual level.

Accounts receivable for which there is no objective indication of impairment at the individual level are evaluated at portfolio level for objective indication of impairment. The portfolios are primarily based on the debtors' domicile and credit rating in accordance with the company's and the group's credit risk management policy. Determination of the objective indicators applied for portfolios are based on experience with historical losses.

Impairment losses are calculated as the difference between the carrying amount of accounts receivable and the present value of the expected cash flows, including the realisable value of any securities received. The effective interest rate for the individual account receivable or portfolio is used as the discount rate.

Equity

Dividend

Dividend expected to be distributed for the year is recognised as a separate item under equity.

Income tax and deferred tax

As administration company, Sonova Denmark A/S is liable to the tax authorities for the subsidiaries' corporate income taxes.

Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.

The company is jointly taxed with consolidated Danish companies. The current corporate income tax is distributed between the jointly taxed companies in proportion to their taxable income and with full distribution with reimbursement as to tax losses. The jointly taxed companies are comprised by the Danish tax prepayment scheme.

Joint taxation contributions payable and receivable are recognised in the statement of financial position as "Income tax receivable" or "Income tax payable".

Deferred tax is measured on the basis of temporary differences in assets and liabilities with a focus on the statement of financial position. Deferred tax is measured at net realisable value.

Accounting policies

Adjustments take place in relation to deferred tax concerning elimination of unrealised intercompany gains and losses.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation prevailing in the respective countries on the reporting date when the deferred tax is expected to be released as current tax. Changes in deferred tax due to changed tax rates are recognised in the income statement, except for items included directly in the equity.

Deferred tax assets, including the tax value of tax losses allowed for carryforward, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisable value.

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 2-4 years. Provisions are measured and recognised based on experience with guarantee work.

Liabilities other than provisions

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 liabilities concerning payables to suppliers, group enterprises, and other payables are measured at amortised cost which usually corresponds to the nominal value.

Income statement 1 April - 31 March

DKK thousand.

<u>Note</u>	<u>2020/21</u>	<u>2019/20</u>
Revenue	117.680	118.604
Other operating income	1.452	0
Costs of raw materials and consumables	-89.880	-90.674
Other external costs	-6.106	-6.158
Gross profit	23.146	21.772
2 Staff costs	-16.839	-19.611
Depreciation, amortisation and impairment losses	-296	-300
Profit/loss before net financials	6.011	1.861
Financial income	4	8
Financial costs	-40	-17
Profit/loss before tax	5.975	1.852
Tax on net profit or loss for the year	-1.283	-403
3 Net profit or loss for the year	4.692	1.449

Statement of financial position at 31 March

DKK thousand.

Assets			
<u>Note</u>		<u>2021</u>	<u>2020</u>
Non-current assets			
4	Land and buildings	5.021	5.261
5	Fixtures and fittings, tools and equipment	128	183
	Total property, plant, and equipment	<u>5.149</u>	<u>5.444</u>
	Total non-current assets	<u>5.149</u>	<u>5.444</u>
Current assets			
	Finished goods and goods for resale	<u>2.005</u>	<u>2.892</u>
	Total inventories	<u>2.005</u>	<u>2.892</u>
	Trade receivables	16.418	11.068
	Receivables from group entities	27.633	33.805
	Income tax receivables	0	922
	Tax receivables from group entities	0	1.119
6	Prepayments	<u>80</u>	<u>0</u>
	Total receivables	<u>44.131</u>	<u>46.914</u>
	Total current assets	<u>46.136</u>	<u>49.806</u>
	Total assets	<u>51.285</u>	<u>55.250</u>

Statement of financial position at 31 March

DKK thousand.

Equity and liabilities		2021	2020
<u>Note</u>		<u></u>	<u></u>
Equity			
7	Share capital	14.182	14.182
	Retained earnings	4.568	3.876
	Proposed dividend for the financial year	4.000	0
	Total equity	<u>22.750</u>	<u>18.058</u>
Provisions			
8	Provisions for deferred tax	263	526
9	Other provisions	8.112	8.013
	Total provisions	<u>8.375</u>	<u>8.539</u>
Liabilities other than provisions			
	Other payables	1.381	0
10	Total long term liabilities other than provisions	<u>1.381</u>	<u>0</u>
10	Current portion of long term payables	0	81
	Trade payables	1.057	235
	Payables to group entities	9.410	19.864
	Income tax payable	1.303	0
	Income tax payable to group entities	0	2.088
	Other payables	7.009	6.385
	Total short term liabilities other than provisions	<u>18.779</u>	<u>28.653</u>
	Total liabilities other than provisions	<u>20.160</u>	<u>28.653</u>
	Total equity and liabilities	<u>51.285</u>	<u>55.250</u>
Special items			
11	Mortgage and collateral		
12	Contingencies		
13	Related parties		

Statement of changes in equity

DKK thousand.

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Proposed dividend for the financial year</u>	<u>Total</u>
Equity 1 April 2019	14.182	2.427	0	16.609
Profit or loss for the year brought forward	0	1.449	0	1.449
Equity 1 April 2020	14.182	3.876	0	18.058
Profit or loss for the year brought forward	0	692	4.000	4.692
	14.182	4.568	4.000	22.750

Notes

DKK thousand.

1. Special items

Unusual items comprise significant income and expenses of a special nature relative to the Company's revenue-generating operating activities, e.g. expenses incurred for extensive structuring of processes and basic structural adjustments as well as any related disposal gains and losses, that have a material impact over time. Unusual items also comprise significant one-off items that, in Management's opinion, do not form part of the Company's operating activities.

As disclosed in the Management's review, the profit/loss for the year is affected by a number of matters that Management does not consider part of the operating activities.

Special items for the year are specified below, including the line items in which they are recognised in the income statement.

In 2020/21 the Company has received DKK 1,452 thousand in Government grants related to compensation for the impact of Covid-19. This has been part of the relief for the Company.

Special items for the year are specified below, indicating where they are recognised in the income statement.

Income:

Salary compensation COVID-19	1.452
	<u>1.452</u>

Special items are recognised in the following items in the financial statements:

Other operating income	1.452
Profit of special items, net	<u>1.452</u>

2. Staff costs

Salaries and wages	15.545	17.982
Pension costs	1.217	1.440
Other costs for social security	77	189
	<u>16.839</u>	<u>19.611</u>

Average number of employees	28	30
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By reference to section 98b(3), (ii), of the Danish Financial Statement Act, remuneration to Management is not disclosed.

Notes

DKK thousand.

	<u>2020/21</u>	<u>2019/20</u>
3. Proposed appropriation of net profit		
Dividend for the financial year	4.000	0
Transferred to retained earnings	692	1.449
Total allocations and transfers	<u>4.692</u>	<u>1.449</u>
4. Land and buildings		
Cost 1 April	10.557	10.557
Cost 31 March	<u>10.557</u>	<u>10.557</u>
Depreciation and writedown 1 April	-5.296	-5.055
Depreciation for the year	-240	-241
Depreciation and writedown 31 March	<u>-5.536</u>	<u>-5.296</u>
Carrying amount, 31 March	<u>5.021</u>	<u>5.261</u>
5. Fixtures and fittings, tools and equipment		
Cost 1 April	6.342	6.207
Additions during the year	0	135
Cost 31 March	<u>6.342</u>	<u>6.342</u>
Depreciation and writedown 1 April	-6.159	-6.100
Depreciation for the year	-55	-59
Depreciation and writedown 31 March	<u>-6.214</u>	<u>-6.159</u>
Carrying amount, 31 March	<u>128</u>	<u>183</u>
6. Prepayments		
Prepayments	80	0
	<u>80</u>	<u>0</u>

Notes

DKK thousand.

	<u>31/3 2021</u>	<u>31/3 2020</u>
7. Share capital		
Share capital 1 April	14.182	14.182
	<u>14.182</u>	<u>14.182</u>

The share capital consists of 14.182 shares, each with a nominal value of DKK 1,000. All shares rank equally.

Share capital has not changed in the last 5 years.

8. Provisions for deferred tax		
Provisions for deferred tax 1 April	526	601
Deferred tax of the results for the year	-263	-75
	<u>263</u>	<u>526</u>

9. Other provisions		
Other provisions 1 April	8.013	7.974
Change of the year in other provisions	99	39
	<u>8.112</u>	<u>8.013</u>

Maturity is expected to be:

0-1 years	4.153	4.262
1-5 years	3.959	3.751
	<u>8.112</u>	<u>8.013</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.

10. Current part of long term payables

	<u>Total payables 31 Mar 2021</u>	<u>Current portion of long term payables</u>	<u>Long term payables 31 Mar 2021</u>	<u>Outstanding payables after 5 years</u>
Other payables	1.381	0	1.381	0
	<u>1.381</u>	<u>0</u>	<u>1.381</u>	<u>0</u>

Notes

DKK thousand.

11. Mortgage and collateral

Mortgage deeds registered to the mortgagor totalling, DKK 3.138k, providing security on land and buildings at a total carrying amount of DKK 5.021k.

12. Contingencies

Contingent liabilities

Lease liabilities

In addition to financial leasing contracts, the company has entered into operational leasing contracts with an average annual leasing payment of DKK 628k. The leasing contracts have 0-30 months left to run, and the total outstanding leasing payment is DKK 751k, of which DKK 444k is due within 1 year and DKK 307k is due between 1-3 years.

Joint taxation

The company acts as administration company for the group of companies subject to the Danish scheme of joint taxation and is unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, to pay the total corporation tax.

The company is unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, for any obligations 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.

Any subsequent adjustments of corporate taxes or withholding taxes, etc., may result in changes in the company's liabilities.

Notes

DKK thousand.

13. Related parties

Controlling interest

Sonova Holding AG, Laubisrütisstrasse 28, 8712 Stäfa, Switzerland Majority shareholder

Transactions

The company has the following related party transactions:

	<u>2020/21</u>	<u>2019/20</u>
Purchase of goods from group entities	80.602	79.371
Purchase of services from group entities	7.141	7.411
Sale of service to group entities	1.748	1.191
Receivables from group entities	27.633	33.805
Payables to group entities	9.410	19.864
Tax receivables from group entities	0	1.119
Income tax payable to group entities	0	2.088

Consolidated financial statements

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
Switzerland