

Harman Professional Denmark ApS

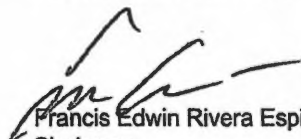
Olof Palmes Alle 44, 8200 Aarhus N

CVR no. 11 80 57 44

Annual report

for the period 1 January 2021 - 31 December 2021

Approved at the Company's annual general meeting on 31 May 2022



Francis Edwin Rivera Espiritu
Chairman

Financial statements 1 January - 31 December 2021

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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Harman Professional Denmark ApS for the financial year 1 January 2021 - 31 December 2021.

The annual report is prepared in accordance with the Danish Financial Statements Act.

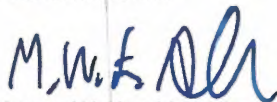
In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2021 and of the results of the Company's operations for the financial year 1 January 2021 - 31 December 2021.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

We recommend the annual report to be approved at the annual general meeting.

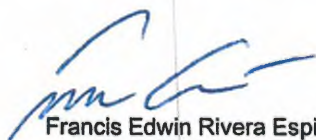
31 May 2022

Executive Board:



Marcus W. Kendrick Allen
Managing Director

Board of Directors:



Francis Edwin Rivera Espiritu
Chairman

Mark Hartje

John Stacey

Statement by the Board of Directors and the Executive Board

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The annual report is 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 December 2021 and of the results of the Company's operations for the financial year 1 January 2021 - 31 December 2021.

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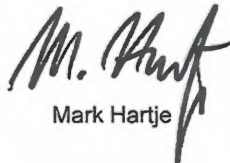
31 May 2022

Executive Board:

Marcus W. Kendrick Allen
Managing Director

Board of Directors:


Francis Edwin Rivera Espiritu
Chairman


Mark Hartje


John Stacey

Independent Auditor's Report

To the Shareholders of Harman Professional Denmark ApS

Opinion

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

We have audited the Financial Statements of Harman Professional Denmark ApS for the financial year 1 January - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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.

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.

Independent Auditor's Report

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.
- 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.

Aalborg, 31 May 2022

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31



Line Borregaard

State Authorised Public Accountant

Mne34353

Management's review

Company details

Name Harman Professional Denmark ApS
Address, Postal code, City Olof Palmes Alle 44, 8200 Aarhus N
CVR no. 11 80 57 44
Established 1 July 1987
Registered office Aarhus
Financial Year 1 January 2021 - 31 December 2021

Website: www.harman.com
Email aarhus.reception@harman.com

Telephone: +45 25 35 57 36

Board of Directors Francis Edwin Rivera Espiritu
Mark Hartje
John Stacey

Executive Board Marcus W. Kendrick Allen
Managing Director

Auditors PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Skelagervej 1A
DK-9000 Aalborg
CVR No 33 77 12 31

Management's review

Financial highlights

DKK'000	2021 12 months	2020 12 months	2019 12 months	2018 12 months	2016/17 18 months
Key figures					
Revenue	219,765	218,049	245,228	1,037,350	1,716,416
Operating profit/loss	50,550	43,167	30,309	12,658	-59,579
Value adjustments of investments in group entities	—	-2,241	2,133	2,266	-31,444
Net financials	1,693	8,697	-5,970	-72,040	16,319
Profit/loss before tax	52,243	51,864	24,339	-57,116	-61,702
Profit/loss for the year	42,937	38,502	26,393	-48,928	-58,741
Fixed assets	58,802	75,490	89,717	99,516	182,053
Non-fixed assets	361,265	291,827	245,375	384,063	362,820
Balance sheet total	420,067	367,317	335,092	483,219	541,551
Equity	333,077	290,140	251,638	225,390	262,939
Current liabilities other than provisions	75,600	61,380	55,531	243,748	263,881
Cash flows from operating activities	—	—	92,944	-6,546	402,094
Net cash flows from investing activities	—	—	-40,106	10,267	58,316
Investment in property, plant and equipment	-4,611	-13,746	-30,826	-14,559	-32,535
Cash flows from financing activities	—	—	23,640	11,380	-503,888
Financial ratios					
Operating margin	23.0%	19.8%	12.4%	1.2%	-3.5%
Solvency ratio	79.3%	79.0%	75.1%	46.6%	48.6%
Return on equity	13.8%	14.2%	11.1%	-20.0%	-11.4%
Average number of employees					
	126	126	125	155	228

Financial ratios are calculated in accordance with the Danish Finance Society's recommendations on the calculation of financial ratios. For terms and definitions, please see the accounting policies.

Management's review

Business review

Harman Professional Denmark's main activity consists of development, design, marketing and sales of intelligent lighting for the entertainment and experience industry.

Facts about Harman Professional Denmark

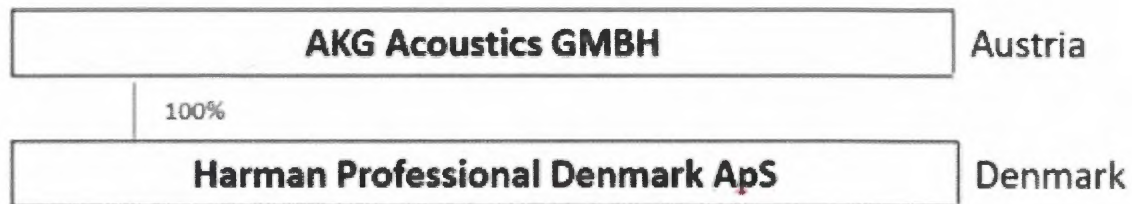
Harman Professional Denmark is based in Aarhus and is the world's largest and leading developer of computer-controlled power light. The Company also has significant business activity in video surveillance screens, controllers and smokers.

The company is part of the American Harman Group, and the ultimate group parent company Samsung Electronics Co. Ltd.

Harman Professional Denmark is the Harman Center of Competence in Dynamic Lighting Solutions, dedicated to the entertainment and entertainment industry across most of the globe.

Primary markets in North America, Europe and Asia.

Group overview



Harman Professional Denmark ApS has branches in Sweden and Norway.

Management's review

Financial review

The financial reporting period comprises 1 January 2021 to 31 December 2021, corresponding to 12 months.

In 2021 the Company reported revenue of 220 DKK million and 218 DKK million last year.

The income statement for 2021 shows a profit of 42.9 DKK million against a profit of 38.5 DKK million last year and on the balance sheet at 31 December 2021 shows an equity of 333 DKK million and 290 DKK million last year.

Management considers the Company's financial performance in the year to be satisfactory compared to the expectation in the Annual report for 2020. During the 2021 the COVID restrictions were lifted and we go back to a different normality. With the increase of the sales, the royalties and commission has slightly increased accordingly comparing to the year before. This increase is shown on an increase of the EBIT in CY 2021.

The COVID-19 outbreak is continuing to affect future development and/or risks that can affect future financial reporting. At this stage we are currently reviewing the impact from COVID-19 and still focusing on reducing costs until the business returns to normal. The business remains in financial good standing with the support of Samsung behind it and we expect things to return to normal through the 2022.

During the financial year 2021, with many COVID restrictions being lifted, the pandemic is still having its negative impact on the business with increase of costs for the materials and shipping due to shortage of raw materials. Harman Globally has aligned with the increase of the price and still enforcing with the cost saving actions such as T&E freeze, hiring freeze etc. as per prior years.

Unusual conditions that effect recognition and measurement

There are no unusual factors that have affected recognition and measurement of the company's results and status.

External environment

As we are a development and trading company, we believe that we do not directly affect the external environment.

Special risks

Due to its operation and investment, the company is exposed to changes in exchange rates and general operating risks in the industry. The company does not use any derivatives.

Research and development activities

Harman Professional Denmark wants to be the leader in the market with new innovative products and therefore invests significant amounts in research and development with the aim of maintaining its strong range of products and keeping a competitive advantage compared to other lighting manufacturers. In order to achieve this goal, the company requires a highly skilled workforce with a good experience in the development of lighting products and knowledge of consumer/lighting and automotive markets. Therefore, an agreement has been entered into at group level regarding development of products.

During the financial year 2021, the company has conducted research and development activities that focus on research on new product technologies as well as the development of new products and maintenance of existing products. Research and development activities mainly concern LED products as well as multimedia solutions.

A high level of activity in research and development is also expected in the future in order to maintain the brands position.

Management's review

Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Outlook

For 2022 the Company expects to report revenue of approx. 252 DKK million and an earnings in the EBIT level of 25 DKK million. The Samsung Group, if required, will provide the credit facilities required for the realization of the budgeted activities.

Significant assumptions and uncertainties

There are no material conditions and uncertainties to affect the company's results and balance sheet.

Financial statements 1 January 2021 - 31 December 2021

Income statement

		2021	2020
Note	DKK'000		
	Revenue	219,765	218,049
13	Production costs	-16,114	-27,777
	Gross margin	203,651	190,272
13	Distribution costs	-108,538	-107,916
13	Administrative expenses	-44,563	-39,189
	Operating profit	50,550	43,167
	Income from investments in group enterprises	—	-2,241
2	Financial income	4,230	14,471
3	Financial expenses	-2,537	-3,533
	Result before taxes	52,243	51,864
4	Tax on result for the year	-9,306	-13,362
	Profit for the year	42,937	38,502

Financial statements 1 January 2021 - 31 December 2021

Balance sheet

Note	DKK'000	2021	2020
ASSETS			
Fixed Assets			
5	Intangible assets		
	Completed development projects	7,410	11,695
	Acquired licences	—	11
	Development projects in progress and prepayment for intangible assets	14,249	10,200
		21,659	21,906
6	Property, plant and equipment		
	Property	15,645	18,010
	Plant and machinery	1,843	5,913
	Other fixtures and fittings, tools and equipment	18,931	28,033
	Leasehold improvements	—	24
		36,419	51,980
7	Investments		
	Investments in associates	503	503
	Deposits	221	1,101
		724	1,604
	Total fixed assets	58,802	75,490
Non-fixed assets			
9	Receivables		
	Trade receivables	—	882
	Receivables from group enterprises	302,653	267,165
10	Deferred tax assets	190	2,411
	Other receivables	1,309	1,338
8	Prepayments	3,159	1,668
		307,311	273,464
	Cash	53,954	18,363
	Total non-fixed assets	361,265	291,827
	TOTAL ASSETS	420,067	367,317

Financial statements 1 January 2021 - 31 December 2021

Balance sheet

Note	DKK'000	<u>2021</u>	<u>2020</u>
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	260,000	260,000
	Reserve for development cost	16,893	17,078
	Retained earnings	56,184	13,062
	Total equity	<u>333,077</u>	<u>290,140</u>
	Liabilities other than provisions		
	Non-current liabilities other than provisions		
11	Lease liabilities	11,351	15,764
	Trade payables	39	33
		<u>11,390</u>	<u>15,797</u>
	Current liabilities other than provisions		
11	Lease liabilities	5,237	4,447
	Trade payables	6,765	10,195
	Payables to group enterprises	133	664
12	Corporation tax payable	9,031	7,981
11	Other payables	54,434	36,983
	Deferred income	—	1,110
		<u>75,600</u>	<u>61,380</u>
	Total liabilities other than provisions	<u>86,990</u>	<u>77,177</u>
	TOTAL EQUITY AND LIABILITIES	<u><u>420,067</u></u>	<u><u>367,317</u></u>

- 1 Accounting policies
- 14 Contractual obligations and contingencies, etc.
- 15 Related parties
- 16 Appropriation of profit/Loss
- 17 Subsequent events

Financial statements 1 January 2021 - 31 December 2021

Statement of changes in equity

	Share capital	Reserve for Development Costs	Retained Earnings	Total
DKK'000				
Equity at 1 January 2021	260,000	17,078	13,062	290,140
Development cost for the year	—	11,114	-11,114	—
Amortization for the year	—	-11,299	11,299	—
Net profit/loss for the year	—	—	42,937	42,937
Equity at 31 December 2021	260,000	16,893	56,184	333,077

Notes to the annual report

1. Accounting policies

The annual report of Harman Professional Denmark ApS for 2021 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium enterprises of reporting class C. In addition, the accounting policies applied are unchanged compared to last year.

In accordance with the exemption clause in section 86 of the Danish Financial Statement Act, Harman Professional Denmark ApS does not prepare any cash flow statements. The consolidated financial statements of Samsung Electronics Co. Ltd. can be obtained at:

<https://www.samsung.com/global/ir/financial-information/audited-financial-statements/>

Recognition and measurement

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

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

Assets are recognized in the balance sheet when it is probable that Mure 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.

Reporting currency

The financial statements are presented in thousand Danish kroner (DKK'000).

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at closing rates. The difference between the exchange rates at the date of the statement of financial position and at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as net financials.

Revenue

Revenue from the commission income which include royalties is recognised in the income statement. Royalties is generated from sales made by affiliates and is recognised in the income statement providing that transfer of control, which according to IFRS 15 takes place at the time when control of the product is transferred to the affiliates costumer. Revenue is recognised exclusive of VAT and duties. The Company has recharge process to allocate cost in different regions aligned with the global strategy.

All discounts granted are recognised in revenue.

Production costs

Production costs comprise costs used to generate the revenue for the year. Such production costs include direct and indirect costs for consumables, wages and salaries, rent and leases, and depreciation and impairment losses.

Financial statements 1 January - 31 December 2021

1. Accounting policies (continued)

Production costs also comprise development costs that do not qualify for capitalization and impairment losses and amortization in respect of capitalized development costs.

Distribution costs

Costs incurred in distributing goods sold during the year and in conducting sales campaigns, etc., during the year are recognized as distribution costs. Also, costs relating to sales staff, advertising, exhibitions as well as depreciation and impairment losses are recognized as distribution costs.

Administrative costs

Administrative costs comprise costs incurred during the year for management and administration, including costs for administrative staff office premises and office costs, and depreciation and impairment losses.

Administrative costs also include write-downs for bad debts.

Staff costs

Staff costs comprise wages and salaries as well as payroll expenses. Staff costs are recognised in the income statement under "Production costs", "Distribution costs" and "Administrative costs" respectively.

Amortisation/depreciation and impairment

The item comprises amortization/depreciation and impairment of intangible assets and property, plant and equipment.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows :

Property	8-10	years
Plant and machinery	3-10	years
Fixtures and fittings, other plant and equipment	3-5	years
Leasehold improvements	10	years
Software	5	years
Customer data base, etc	5	years
Development projects	2	years

Depreciation is calculated on the basis of the residual value and impairment losses, if any. The depreciation period are determined at the acquisition date and the depreciation period is reassessed annually.

In case of changes in the depreciation period, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Depreciation is recognised in the income statement under 'Production costs', 'Distribution costs' and 'Administrative costs'. respectively.

Financial income and expenses

Financial income and expenses comprise interest income and expense, financial income and charges in respect of finance leases, realised and unrealised gains, losses and impairments on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Dividend from investments in subsidiaries and associates is recognised in the income statement in the year of adoption.

Financial statements 1 January - 31 December 2021

1. Accounting policies (continued)

Tax

Samsung Electronics acts as administration company for the Harman Group's Danish activities and consequently settles all corporate income tax payments with the tax authorities.

The current Danish corporate income tax charge is allocated between the jointly taxed entities in proportion to their taxable income. Companies that use tax losses in other companies pay the joint tax contribution to the administrative company at an amount corresponding to the tax value of the tax losses used. Companies whose tax losses are used by other companies receive joint tax contributions from the administrative company corresponding to the tax value of the losses used (full absorption). The jointly taxed companies are taxed under the on-account tax scheme.

The tax expense for the year, which comprises the year's current tax charge, joint taxation contributions and changes in the deferred tax charge - including changes arising from changes in tax rate - is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

Intangible assets

Development projects

Recognised development costs are measured at cost less accumulated amortisation and impairment losses. Development costs comprise salaries, amortisation and other costs directly or indirectly attributable to the Company's development activities.

Development projects are clearly defined and identifiable. Each project is reviewed for the technical degree of utilisation, sufficient resources and a potential future market or development opportunities are demonstrated, only then are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings or the net selling price can cover production costs, distribution costs, administrative expenses and development costs. Other development costs are recognised in the income statement as incurred.

On completion of development work, development projects are amortised on a straight-line basis over the estimated useful life.

The amortization period is 2 years. The basis of amortisation is calculated less any impairment.

Property, plant and equipment

Property, leasehold improvements, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers and wages. Where individual components of an item of property, plant and equipment have substantially different useful lives, they are accounted for as separate items, which are depreciated separately.

Interest incurred for the construction of a new asset is recognised as costs.

Subsequent costs, e.g. in connection with the exchange of components of an item of property, plant and equipment are recognised in the carrying amount of the asset in question. Components exchanged are derecognised in the balance sheet, and the carrying amount is transferred to the income statement. All other costs incurred for ordinary repairs and maintenance are recognised in profit or loss as incurred.

Leases as Lessee

The lessee is required to recognize all leases as a lease liability and a lease asset in the balance sheet with two exceptions: short-term leases (less than 12 months) and leases relating to low-value assets. It must furthermore be considered whether the agreement is a lease or a service arrangement.

Financial statements 1 January - 31 December 2021

1. Accounting policies (continued)

The company leases various vehicles, offices and other equipment. Leases are recognized as a right-of-use asset and a corresponding liability at the date the leased asset is available for use by the company. In general, all lease contracts are recognized as a lease liability and a lease asset in the balance sheet with two exceptions: short-term leases (less than 12 months) and leases relating to low value assets (< USD 5.000).

Leases are recognised in the balance sheet at the calculated amount of the lease liability. The lease liability is calculated at the present value of the lease payments calculated by applying the interest rate implicit in the lease or the Company's incremental borrowing rate as discount rate if the interest rate implicit in the lease is not available. Lease assets are depreciated and written down for impairment under the same policy as for the Company's other fixed assets.

The lease liability is recognised in the balance sheet under debt and is adjusted for prepaid lease payments on current basis. At the same time, interest is added on the liability. Interest expenses are charged to the income statement on a current basis.

Offices

Assets and liabilities arising from a lease are initially measured on a present value basis. To find the present value of a lease contract several factors has to be determined. Fixed payments appear in the lease contract. The leasing period for offices without any terms of conditions is based on a managerial assessment of the expected term of the individual leasing contract. Offices with terms of conditions is set accordingly. To find the groups incremental borrowing rate to obtain an asset of similar value, the interest rate is set depending on the leasing period.

Other equipment

Assets and liabilities arising from a lease are initially measured on a present value basis. To find the present value of a lease contract several factors has to be determined. Leasing period and fixed payments appears in the lease contract which means only interest rate has to be determined. Here the groups incremental borrowing rate to obtain an asset of similar value is used. In accordance with the Harman group facility the interest rate is set depending on the leasing period.

Investments associates

Investments in associates are measured at cost. In case of evidence of impairment an impairment test is conducted. Investments are written down to the lower of the carrying amount and the recoverable amount.

Upon distribution of reserves other than retained earnings in associates, the distribution reduces the cost of the investments, when the distribution resembles repayment of the company's investment.

Deposits receivable

The account used to record deposits made for the purposes for being provided with goods or services during the contract period.

Impairment of fixed assets

Ongoing and completed development projects are tested for indications of impairment annually.

The carrying amount of other fixed current assets is tested annually for indication of impairment. When there is an indication that assets may be impaired, the recoverable amount of the asset is determined. The recoverable amount is the higher of an asset's fair value less expected costs to sell and its value in use.

An impairment loss is recognised if the carrying amount of an asset or a cash-generating unit, respectively, exceeds the recoverable amount of the asset or the cash-generating unit. Impairment losses are recognised in the income statement under production costs, distribution costs and administrative expenses, respectively. Impairment of investments in subsidiaries and associates is, however, recognised in a separate line item in the income statement.

Financial statements 1 January - 31 December 2021

1. Accounting policies (continued)

Impairment losses recognised in respect of assets are reversed in so far as the assumptions and estimates underlying the impairment losses have changed. Impairment is only reversed to the extent that the asset's increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

Receivables

Receivables are measured at amortised cost. Write-down is made for expected bad debt losses according to an individual assessment.

Prepayments

Prepayments comprise prepaid costs concerning subsequent financial years and are measured at cost.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Income taxes

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account. Joint taxation contributions payable and receivable are recognised in the balance sheet.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised under "Receivables" at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date, when the deferred tax is expected to crystallise as current tax. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Liabilities

Other liabilities are measured at net realisable value.

Deferred income

Deferred income comprises payments received concerning income in subsequent years.

Cash

Cash comprise cash at bank.

Financial ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios.

The financial ratios stated under "Financial highlights" have been calculated as follows:

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1. Accounting policies (continued)

Operating margin	$\frac{\text{Operating profit} \times 100}{\text{Revenue}}$
Equity ratio	$\frac{\text{Equity, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss for the year after tax} \times 100}{\text{Average equity}}$

2. Financial income

DKK'000	<u>2021</u>	<u>2020</u>
Interest receivable, group entities	64	74
Exchange rate adjustments	2,341	14,397
Other financial income	1,825	—
	<u>4,230</u>	<u>14,471</u>

3. Financial expenses

DKK'000	<u>2021</u>	<u>2020</u>
Impairment of financial assets	201	201
Bank interest	256	829
Interest expenses, group entities	2,080	1,138
Other financial expenses	—	1,366
	<u>2,537</u>	<u>3,534</u>

During the year, borrowing costs have not been recognised in cost of assets.

4. Tax for the year

DKK'000	<u>2021</u>	<u>2020</u>
Estimated tax charge for the year	-9,031	-4,809
Deferred tax adjustments for the year	-346	-8,628
Tax adjustments for prior years	1,946	—
Deferred tax adjustments for prior years	-1,875	75
	<u>-9,306</u>	<u>-13,362</u>

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5. Intangible assets

	Completed Development Projects TDKK	Acquired Licenses	Development Projects in progress and prepayment for intangible assets	Total
Cost at 1 January 2021	290,148	13,634	10,200	313,982
Additions for the year	—	—	14,249	14,249
Transfers	10,200	—	-10,200	—
Disposals	—	—	—	—
Cost at 31 December 2021	300,348	13,634	14,249	328,231
Impairment losses and depreciation at 1 January 2021	278,453	13,623	—	292,076
Amortisation for the year	14,485	11	—	14,496
Impairment loss for the year	—	—	—	—
Impairment losses and depreciation at 31 December 2021	292,938	13,634	—	306,572
Carrying amount at 31 December 2021	7,410	—	14,249	21,659
Amortised over	2 years	5 years		

Development projects

Development projects comprise development of lightning products within the Harman brand. Investments are made in the development of physical products or product platforms based on a set of technologies. A development project is initiated based on an assessment of the business potential described in a business case consisting of a description of the concept and an analysis describing market conditions (demand, price etc.). Having decided to go through with the project the Company uses a progress based model ensuring ongoing follow-up of the development projects.

Recognition and measurement in the financial statements

It is a prerequisite for capitalization that:

- an explicit sales evaluation exists describing whether the asset in itself are in a modified form may form the basis of repeated sales to one or more customers
- the technological challenges are described and that resource requirements of the development projects are described

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5. Intangible assets (continued)

Development projects are valued at cost less accumulated amortization and write-downs, or recoverable amount if this is lower.

Capitalized development costs are amortised concurrently with the sale of the developed products and platforms or on a straight-line basis over the estimated useful life.

The amortization profile is 2 years.

6. Property, plant and equipment

DKK'000	Land and buildings	Plant and machinery	Other fixtures	Leasehold improvements	Total
Cost at 1 January 2021	24,963	41,520	68,191	607	135,281
Additions for the year	1,246	2,630	735	—	4,611
Transfers	—	-560	—	560	—
Disposals	—	-2,749	-120	-1,060	-3,929
Exchange	-6	—	-34	—	-40
Cost at 31 December 2021	26,203	40,841	68,772	107	135,923
Impairment losses and depreciation at 1 January 2021	6,953	35,607	40,158	583	83,301
Depreciation for the year	3,606	5,577	9,831	—	19,014
Depreciation disposal/retirement	—	-2,186	-120	-476	-2,782
Exchange	-2	—	-27	—	-29
Impairment losses and depreciation at 31 December 2021	10,557	38,998	49,842	107	99,504
Carrying amount at 31 December 2021	15,646	1,843	18,930	—	36,419
Depreciated over	8-10 years	3-10 years	3-5 years	10 years	
Including assets under finance leases amounting to	11,251	163	3,932	—	15,346

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7. Investments

DKK'000	Investment in associates	Deposits	Total
Cost at 1 January 2021	503	1,101	1,604
Disposals	—	-880	-880
Cost at 31 December 2021	503	221	724
Cost at Value adjustments at 1 January 2021	—	—	—
Disposals	—	—	—
Cost at Value adjustments at 31/12/2021	—	—	—
Carrying amount at 31 December 2021	503	221	724

Name	Domicile	Interest	Equity DKK'000	Profit/loss DKK'000
Associates				
Martin Professional Japan Ltd.	Japan	40 %	27,032	-2,589

8. Prepayments

Prepayments include accrual of expenses relating to subsequent financial years, including prepaid insurance DKK 2.706 thousand (2020 DKK 1.286 thousand) and other prepaid expenses DKK 453 thousand (2020 DKK 382 thousand).

9. Receivables

Out of the Company's trade receivables totalling DKK 0 thousand (2020 DKK 882 thousand) and other receivables totalling DKK 1,309 thousand (2020 DKK 1,338 thousand), no receivables fall due for payment after more than one year after the balance sheet date.

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10. Deferred tax

DKK'000	2021	2020
Deferred tax at 1 January	-2,411	-10,964
Adjustment regarding previous years	1,875	-75
Deferred tax for the year recognized in profit for the year	346	8,628
Deferred tax as at 31 December	-190	-2,411
Deferred tax relates to:		
Intangible assets	3,997	3,490
Property, plant and equipment	-5,163	-5,002
Other	976	976
Tax loss	—	-1,875
	-190	-2,411
Analysis of the deferred tax		
Deferred tax assets	-190	-2,411
Deferred tax liabilities	—	—
	-190	-2,411

The company has at 31 December 2021 a deferred tax asset of DKK 190 which is mainly associated to property, plant and equipment.

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11. Liabilities

DKK'000	2021	2020
Leasing		
After 5 years	644	1,172
Between 1 and 5 years	10,707	14,592
Long term part	11,351	15,764
Within 1 year	5,237	4,447
	16,588	20,211

Other payables

Other short term payables	54,434	36,983
	54,434	36,983

12. Corporation tax payable

DKK'000	2021	2020
Corporation tax payable		
Corporation tax payable at 1 January	7,981	4,090
Tax for the year	9,031	4,809
Tax adjustments regarding previous years	-4,962	—
Income taxes paid	-3,019	-918
Corporation taxes payable at 31 December	9,031	7,981

13. Staff costs and incentive programs

	2021	2020
Wages/Salaries	82,622	67,992
Pensions	12,425	11,910
Other social security costs	6,514	4,701
	101,561	84,603
Average number of full-time employees	126	126

In 2021, there is only one member of the Executive Board which receive remuneration. Therefore, the remuneration to the Executive Board is not disclosed cf. section 98b (3,2) of the Danish Financial Statements Act.

The Board of Directors did not receive remuneration during the financial year.

Incentive programs

The Executive Board and the functional manager are eligible for Samsung cash settled LTIP. Incentives are provided on the basis that certain performance goals are fulfilled.

Pursuant to section 98b (3,2) of the Danish Financial Statements Act, no detailed information is provided on incentive plans.

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14. Contractual obligations and contingencies, etc.

Other contingent liabilities

The Company is jointly taxed with Samsung Electronics, filial at Samsung Electronics Nordic AB, Sverige, which acts as administrative company, and is jointly and severally liable with other jointly taxed group entities for payment of income taxes for the income year 2017 onwards as well as withholding taxes on interest, royalties and dividends falling due for payment on or after 11 March 2017. Before the Company was administrative company for the joint taxation including Harman Consumer Division Nordic A/S. The Company is jointly and severally liable for taxes and withholding taxes falling due for payment before 11 March 2017.

15. Related parties

Related parties

Harman Professional Denmark ApS related parties comprise the following:

Parties exercising control

<u>Related party</u>	<u>Domicile</u>	<u>Basis for control</u>
AKG Acoustics GmbH, Salzgasse 2, 5400 Hallein, Salzburg	Austria	Participating interest
Harman International Industries Inc., 400 Atlantic Street, Stamford, CT 06901, USA	USA	Participating interest
Samsung Electronics Co. Ltd., 129 Samseong-ro Yeongtong-gu Gyeonggi-do 16677 Suwon-Shi Korea, Republic of (South)	Korea	Participating interest

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Samsung Electronics Co. Ltd.	Korea	https://www.samsung.com/global/ir/financial-information/audited-financial-statements/
Harman International Industries Inc.	USA	

Related party transactions

The Company has no transactions that are not carried out at arm's length basis according with section 98 C (7) of the Danish Financial Statements.

16. Appropriation of profit/loss

	<u>2021</u>	<u>2020</u>
Retained earnings/accumulated loss	42,937	38,502
	<u>42,937</u>	<u>38,502</u>

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17. Subsequent event

There are no subsequent event to report for Denmark for the financial year FY2021.