

Bose ApS

Roskildevej 22, 2620 Albertslund
CVR no. 15 11 64 98

Annual report for the financial year 01.04.16 - 31.03.17

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 31.08.17

Ann-Louise Holmgaard
Dirigent

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The company

Bose ApS
Roskildevej 22
2620 Albertslund
Danmark
Registered office: Albertslund
CVR no.: 15 11 64 98
Financial year: 01.04 - 31.03

Executive Board

Sheila Colette Burke
Veronique Gerda Thoelen
James Eugene Scammon

Board Of Directors

James Eugene Scammon
Veronique Gerda Thoelen
Sheila Colette Burke

Auditors

Beierholm
Statsautoriseret Revisionspartnerselskab

Parent company

Bose Products B.V., Holland

Management's statement on the annual report

We have on this day presented the annual report for the financial year 01.04.16 - 31.03.17 for Bose ApS.

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

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position as at 31.03.17 and of the results of the company's activities and cash flows for the financial year 01.04.16 - 31.03.17.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Copenhagen, August 22, 2017

Executive Board

Sheila Colette Burke

Veronique Gerda Thoelen

James Eugene Scammon

Board Of Directors

James Eugene Scammon
Chairman

Veronique Gerda Thoelen

Sheila Colette Burke

To the capital owner of Bose ApS**Opinion**

We have audited the financial statements of Bose ApS for the financial year 01.04.16 - 31.03.17, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, inclusive of accounting policies. The financial statements are prepared in accordance with Danish Financial Statements Act

In our opinion the financial statements give a true and fair view of the company's assets, liabilities and financial position at 31.03.17 and of the results of the company's operations and cash flows for the financial year 01.04.16 - 31.03.17 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing 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 regarding the Management's review

The 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 Acts. We did not identify any material misstatement of the Management's review.

Management's responsibility for the financial statements

The Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act. Furthermore the Management is responsible for the internal control the 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, the 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 the 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 International Standards on Auditing 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 International Standards on Auditing 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 the 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.

Soeborg, Copenhagen, August 22, 2017

Beierholm

Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Peter Nordahl
State Authorized Public Accountant

FINANCIAL HIGHLIGHTS**Key figures**

Figures in DKK '000

	2016/17	2015/16	2014/15	2013/14	2012/13
<i>Profit/loss</i>					
Gross profit	48.408	50.950	41.381	34.889	37.246
Operating profit/loss	9.712	11.291	9.866	8.458	10.962
Total net financials	1.103	-1.011	-343	30	-77
Profit/loss for the year	8.115	7.731	6.979	5.951	8.774

Balance

Total assets	112.793	90.198	79.950	61.384	56.077
Equity	54.968	47.691	40.631	34.629	30.464

Ratios

	2016/17	2015/16	2014/15	2013/14	2012/13
<i>Profitability</i>					
Return on equity	16%	18%	19%	18%	34%
Gross margin	10%	11%	10%	10%	15%

Return on equity:	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$
Gross margin:	$\frac{\text{Gross result} \times 100}{\text{Revenue}}$

Primary activities

The company's main activities, like in previous years, comprise in sales and distribution of consumer electronic products, as well as products for professional applications.

During the year Bose has developed our distribution for our different product groups. We have also successfully introduced new products especially in the home streaming category.

The main part of our distribution is done via our dedicated dealer network. In addition we are selling our personal audio products, multimedia products and Wave music systems directly to consumers.

For professional products, Bose sales department succesfully works together with specialized resellers focusing on large projects.

Development in activities and financial affairs

The income statement for the period 01.04.16 - 31.03.17 shows a profit/loss of DKK 8,114,958 against DKK 7,731,198 for the period 01.04.15 - 31.03.16. The balance sheet shows equity of DKK 54,968,430.

Outlook

For the coming year it is difficult to give an expectation, since our business is influenced by the development of the general economy. However if the economy stabilizes on the level of last fiscal year we do expect a positive development based on the fact that we will launch new innovative products, continue to have innovating marketing and continue to invest in the high quality authorized dealer network, combined with a highly dedicated and motivated team of employees.

Branches abroad

Bose ApS consists of Bose ApS, Denmark and three affiliates, Bose affiliate of Bose ApS Denmark, Sweden, Bose Affilial of Foreign Company, Norway and Bose Finland, affiliate of Bose ApS, Finland.

Income statement

Note	2016/17 DKK	2015/16 DKK
	48.408.399	50.950.047
Gross profit		
1 Staff costs	-36.603.757	-37.826.063
	11.804.642	13.123.984
Profit before depreciation, amortisation, write-downs and impairment losses		
Depreciation, amortisation, impairment losses and write-downs of property, plant and equipment	-2.092.909	-1.832.931
	9.711.733	11.291.053
Profit before net financials		
Financial income	1.103.056	6.117
Financial expenses	0	-1.016.716
	10.814.789	10.280.454
Profit/loss before tax		
Tax on profit for the year	-2.699.831	-2.549.256
	8.114.958	7.731.198
Profit for the year		
Proposed appropriation account		
Retained earnings	8.114.958	7.731.198
	8.114.958	7.731.198
Total		

	31.03.17	31.03.16
Note	DKK	DKK
ASSETS		
Other fixtures and fittings, tools and equipment	5.557.061	7.669.729
3 Total property, plant and equipment	5.557.061	7.669.729
4 Deposits	375.771	587.907
Total investments	375.771	587.907
Total non-current assets	5.932.832	8.257.636
Manufactured goods and goods for resale	5.361.175	6.775.655
Total inventories	5.361.175	6.775.655
Trade receivables	68.038.904	45.778.461
Receivables from group enterprises	0	287.452
6 Deferred tax asset	569.825	691.735
Income tax receivable	983.649	1.618.461
Other receivables	90.452	91.660
5 Prepayments	1.270.707	2.286.869
Total receivables	70.953.537	50.754.638
Cash	30.545.725	24.410.211
Total current assets	106.860.437	81.940.504
Total assets	112.793.269	90.198.140

EQUITY AND LIABILITIES		31.03.17	31.03.16
		DKK	DKK
Note			
	Contributed capital	3.000.000	3.000.000
	Retained earnings	51.968.430	44.691.470
	Total equity	54.968.430	47.691.470
	Trade payables	643.523	2.434.788
	Payables to group enterprises	11.631.903	0
	Other payables	45.549.413	40.071.882
	Total short-term payables	57.824.839	42.506.670
	Total payables	57.824.839	42.506.670
	Total equity and liabilities	112.793.269	90.198.140

7 Contingent liabilities

8 Related parties

Statement of changes in equity

Figures in DKK	Share capital	Retained earnings
Statement of changes in equity for 01.04.16 - 31.03.17		
Balance pr. 01.04.16	3.000.000	44.691.470
Foreign currency translation adjustment of foreign enterprises	0	-837.998
Net profit/loss for the year	0	8.114.958
Balance as at 31.03.17	3.000.000	51.968.430

Cash flow statement

Note	2016/17 DKK	2015/16 DKK
Net profit/loss for the year	8.114.958	7.731.198
9 Adjustments	3.123.024	4.740.906
Change in working capital:		
Inventories	1.414.480	-3.491.478
Receivables	-20.955.621	-7.734.789
Trade payables	9.839.638	-3.762.566
Other payables relating to operating activities	5.477.531	6.662.744
Cash flows from operating activities before net financials	7.014.010	4.146.015
Interest income and similar income received	1.103.056	6.117
Interest expenses and similar expenses paid	0	-1.016.716
Income tax paid	-2.186.929	-3.301.415
Cash flows from operating activities	5.930.137	-165.999
Purchase of property, plant and equipment	-218.895	-7.623.500
Purchase of investments	0	0
Disposal of investments	212.136	238.945
Disposal of deposits	212.136	0
Cash flows from investing activities	205.377	-7.384.555
Total cash flows for the year	6.135.514	-7.550.554
Cash, beginning of year	24.410.211	31.960.765
Cash, end of year	30.545.725	24.410.211
Cash, end of year, comprises:		
Cash	30.545.725	24.410.211
Total	30.545.725	24.410.211

	2016/17 DKK	2015/16 DKK
1. Staff costs		
Wages and salaries	27.866.155	27.897.982
Pensions	2.943.050	3.295.525
Other social security costs	5.794.552	6.632.556
Total	36.603.757	37.826.063
Average number of employees during the year	69	74

2. Distribution of net profit

Retained earnings	8.114.958	7.731.198
Total	8.114.958	7.731.198

3. Property, plant and equipment

Figures in DKK	Other fixtures and fittings, tools and equipment
Cost pr. 01.04.16	12.014.258
Foreign currency translation adjustment of foreign enterprises	-337.135
Additions during the year	218.895
Disposals during the year	-1.144.253
Cost as at 31.03.17	10.751.765
Depreciation and impairment losses pr. 01.04.16	-4.344.504
Foreign currency translation adjustment of foreign enterprises	87.151
Depreciation during the year	-2.073.226
Reversal of depreciation of and impairment losses on disposed assets	1.135.875
Depreciation and impairment losses as at 31.03.17	-5.194.704
Carrying amount as at 31.03.17	5.557.061

4.

Figures in DKK	Deposits
Cost pr. 01.04.16	587.907
Disposals during the year	-212.136
Cost as at 31.03.17	375.771

	31.03.17 DKK	31.03.16 DKK
5. Prepayments		
Other prepayments	1.270.707	2.286.869
Total	1.270.707	2.286.869

6. Deferred tax

Deferred tax pr. 01.04.16	691.735	810.700
Deferred tax recognised in the income statement	-121.910	-118.965
Deferred tax as at 31.03.17	569.825	691.735

7. Contingent liabilities*Lease commitments*

Guarantees provided for the property landlords in Denmark and Sweden amounted to DKK 1.990.634 as per 31 March 2017.

Renting liabilities as per 31 March 2017 amounted to DKK 40.765.423 and cover 52, 21, 99, and 3 months' rent for Denmark, Norway, Sweden and Finland respectively against DKK 47.320.943 as per 31 March 2016.

As per 31 March 2017 the company has entered into operating leasing agreements for cars ect. for which the minimum payments in the remaining leasing period amount to DKK 2.828.805 against DKK 5.963.587 as per 31 March 2016.

8. Related parties

Controlling influence: Basis of influence

Bose Products B.V., Holland Parent Company

Related party transactions are not disclosed, as all transactions are entered into in the ordinary course of business at arms' length.

	2016/17	2015/16
	DKK	DKK
9. Adjustments for the cash flow statement		
Depreciation, amortisation, impairment losses and write-downs	2.092.909	1.832.931
Financial income	-1.103.056	-6.117
Financial expenses	0	1.016.716
Tax on profit or loss for the year	2.699.831	2.549.256
Exchange rate adjustments	-566.660	-651.880
Total	3.123.024	4.740.906

10. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (*Årsregnskabsloven*) for medium-sized enterprises in reporting class C.

Change in accounting policies

The company has implemented amendments to the Danish Financial Statements Act, see act no. 738 amending the Danish Financial Statements Act of 1 June 2015 (*lov nr. 738 om ændring af årsregnskabsloven m.v. af 1. juni 2015*). This includes new and amended disclosure and presentation requirements and amendments to provisions on recognition, measurement and classification. Amendments to provisions on recognition and measurement as well as classification are as follows:

Reassessment of residual values of property, plant and equipment

Previously, residual values of property, plant and equipment with limited useful lives were determined at the date of acquisition of the asset. In future, an annual revaluation of the residual values of property, plant and equipment must be carried out. In accordance with section 4 of the provisional executive order, the residual values of property, plant and equipment will initially be reassessed in financial year 2016/17 by way of a change in accounting policies. The change in accounting policy does not have an impact on the net profit, equity and balance sheet.

The income statement is classified by nature contrary to the previous years presentation of costs by function. The change in classification of the income statement is due to the company's main activities. The change does not have an impact on the net profit, equity and balance sheet.

Except for the areas mentioned above, the accounting policies have been applied consistently with the previous year.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial

10. Accounting policies - continued -

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

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

CURRENCY

The annual report is presented in Danish kroner (DKK).

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets, inventories and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

LEASES

Lease payments relating to operating leases are recognised in the income statement on a straight-line basis over the lease term.

INCOME STATEMENT**Gross profit**

Gross profit comprises revenue, other operating income and raw materials and consumables and other external expenses.

Revenue

Income from the sale of goods is recognised in the income statement if delivery has taken place and the risk has passed to the buyer before the end of the financial year and where the selling price can be determined reliably and is expected to be paid. Revenue is measured at fair value and is determined exclusive of VAT and other taxes collected on behalf of third

10. Accounting policies - continued -

parties and less discounts.

Other operating income

Other operating income comprises income of a secondary nature in relation to the enterprise's activities, including rental income, negative goodwill and gains on the sale of intangible assets and property, plant and equipment.

Costs of raw materials and consumables

Costs of raw materials and consumables comprise raw materials and consumables used for the year as well as any changes in inventories, including any inventory wastage.

Write-downs of inventories of raw materials and consumables are also recognised under raw materials and consumables to the extent that these do not exceed normal write-downs.

Other external expenses

Other external expenses comprise costs relating to distribution, sales and advertising and administration, premises and bad debts to the extent that these do not exceed normal write-downs.

Staff costs

Staff costs comprise wages and salaries as well as other staff-related costs.

Amortisation and impairment losses

The amortisation of intangible assets aim at systematic amortisation over the expected useful lives of the assets. Assets are amortised according to the straight-line method based on the following expected useful lives and residual values:

	Useful life, year	Residual value, per cent
Other plant, fixtures and fittings, tools and equipment	3-5	0

10. Accounting policies - continued -

The basis of amortisation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of amortisation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Property, plant and equipment are impaired in accordance with the accounting policies referred to in the 'Impairment losses on fixed assets' section.

Other net financials

Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

BALANCE SHEET**Property, plant and equipment**

Property, plant and equipment comprise other fixtures and fittings, tools and equipment

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

10. Accounting policies - continued -

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation/amortisation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist.

Inventories

Inventories are measured at cost calculated according to the FIFO principle. Inventories are written down to the lower of cost and net realisable value.

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

The net realisable value of inventories is determined as the selling price less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and the expected development in the selling price.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

10. Accounting policies - continued -

Deposits recognised under assets comprise deposits paid to the lessor under leases entered into by the company.

Prepayments

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

Cash

Cash includes deposits in bank accounts as well as operating cash.

Current and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables

Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.

10. Accounting policies - continued -**CASH FLOW STATEMENT**

The cash flow statement is prepared using the indirect method, showing cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities comprise the net profit or loss for the year, adjusted for non-cash operating items, income tax paid and changes in working capital.

Cash flows from investing activities comprise payments in connection with the acquisition and divestment of companies and financial assets as well as the purchase, development, improvement and sale of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the the company's share capital and associated costs and financing from and dividends paid to shareholders as well as the arrangement and repayment of long-term payables.

Cash and cash equivalents at the beginning and end of the year comprise cash and short-term payables to credit institutions.