

DPA Microphones A/S

Gydevang 42-44

3450 Allerød

Central Business Registration

No 15912200

Annual report 2017/18

The Annual General Meeting adopted the annual report on 24.09.2018

Chairman of the General Meeting

Name: Karsten Langer

Contents

	<u>Page</u>
Entity details	1
Statement by Management on the annual report	2
Independent auditor's report	3
Management commentary	6
Consolidated income statement for 2017/18	9
Consolidated balance sheet at 30.04.2018	10
Consolidated statement of changes in equity for 2017/18	12
Consolidated cash flow statement for 2017/18	13
Notes to consolidated financial statements	14
Parent income statement for 2017/18	20
Parent balance sheet at 30.04.2018	21
Parent statement of changes in equity for 2017/18	23
Notes to parent financial statements	24
Accounting policies	30

Entity details

Entity

DPA Microphones A/S
Gydevang 42-44
3450 Allerød

Central Business Registration No: 15912200

Registered in: Allerød

Financial year: 01.05.2017 - 30.04.2018

Board of Directors

Karsten Langer, chairman
Jes Olsen
Rex Stull
Thorsten Reuber
Anna Grimstrup Præstholt
Finn Klingberg Mortensen

Executive Board

Karl Kristian Nielsen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
Postboks 1600
0900 København C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of DPA Microphones A/S for the financial year 01.05.2017 - 30.04.2018.

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

In our opinion, the consolidated financial statements give a true and fair view of the Group's and Parent's financial position at 30.04.2018 and of the results of their operations and consolidated cash flows for the financial year 01.05.2017 - 30.04.2018.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Allerød, 24.08.2018

Executive Board

Karl Kristian Nielsen

Board of Directors

Karsten Langer
chairman

Jes Olsen

Rex Stull

Thorsten Reuber

Anna Grimstrup Præstholt

Finn Klingberg Mortensen

Independent auditor's report

To the shareholder of DPA Microphones A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of DPA Microphones A/S for the financial year 01.05.2017 - 30.04.2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 30.04.2018, and of the results of their operations and the consolidated cash flows for the financial year 01.05.2017 - 30.04.2018 in accordance with the Danish Financial Statements Act.

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 consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of 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.

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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

Independent auditor's report

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 consolidated financial statements and parent financial statements.

As part of an audit conducted in accordance with ISAs and the 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 consolidated financial statements and the parent 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 Group's and the Entity'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 consolidated financial statements and the parent 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 Group's and the Entity'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 consolidated financial statements and the parent 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 Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Independent auditor's report

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent 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 commentary.

Copenhagen, 24.08.2018

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Nikolaj Thomsen
State Authorised Public Accountant
Identification number (MNE) mne33276

Management commentary

	2017/18 DKK'000	2016/17 DKK'000	2015/16 DKK'000	2014/15 DKK'000	2013/14 DKK'000
Financial highlights					
Key figures					
Gross profit	118.502	106.734	103.604	73.986	61.989
Operating profit/loss	32.304	34.267	33.135	19.503	18.490
Net financials	(3.556)	(1.442)	(2.611)	(1.204)	(2.208)
Profit/loss for the year	22.918	24.548	23.299	14.239	9.291
Total assets	136.318	108.578	112.000	107.980	91.450
Investments in property, plant and equipment	4.324	3.242	4.984	7.516	7.492
Equity incl minority interests	59.446	48.966	49.152	30.546	20.156
Employees in average	156	174	155	154	123
Ratios					
Return on equity (%)	42,3	50,0	58,5	56,2	43,3
Equity ratio (%)	43,6	45,1	43,9	28,3	22,0

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Ratios
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity incl minority interests}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity incl minority interests} \times 100}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

The company's main activity is development, production and marketing of microphones and associated equipment to the global professional market for Pro Audio and sound recording.

The company distributes microphone products and equipment to the North American market through its subsidiary, DPA Microphones Inc., Colorado, US. Following the acquisition of a distributor in the UK and addition of a dedicated sales organization in Germany, DPA Microphones has added two international subsidiaries towards the end of the financial year. The Group also owns a subsidiary in Hong Kong.

Development in activities and finances

DPA Microphones strengthened the business in 2017/18 to create a solid platform for future growth. The Group improved sales and distribution through organic and acquisitive expansion and by implementing a global CRM system, while simultaneously boosting product development and innovation to strengthen its product pipeline. In addition, the IT platform was improved with the introduction of a new business intelligence system to support the business. Finally, the management team was strengthened to ensure the right match of competencies and experience with the Group's increasing international complexity and size.

The Group generated a strong development in organic sales driven by positive market trends in 2017/18. Progress was supported by the acquisition of distributor Sound Network in the UK and establishing of a dedicated sales organization in Germany effective from 1 December 2017 and 1 March 2018, respectively. These strategic investments in DPA Microphones' key markets ensure closer proximity to dealers and customers, contributing to sales growth in DPA's core segments, which have embraced the Group's brand and quality products for 25 years.

Based on the positive sales development in 2017/18, the Group grew gross profit 11% to DKK 119 million (DKK 107 million) driven by revenue growth, improved manufacturing efficiency and higher margins on the Group's direct sales in the UK and Germany towards the end of the financial year. Adjusted for negative currency effects of DKK 5 million, mainly relating to the USD, the Group's gross profit grew 16% in 2017/18.

Distribution costs increased to DKK 46 million (DKK 37 million) in 2017/18 driven by severance costs related to the change of DPA Microphones' EVP of Sales, addition of acquired activities and strengthening of the sales organization. The Group improved its sales and marketing capabilities with the hire of Nikolaj Forsberg as new EVP of sales and the expansion of the sales organization in the UK and Germany, subsequently integrating the new subsidiaries. In addition, the Group increased its sales force in the North American market.

Administrative costs increased to DKK 40 million (DKK 36 million) in 2017/18, reflecting targeted optimization of processes and systems during the year as well as a strengthening of the management team with the hire of Jesper Bodeholt as new CFO, which also entailed severance costs. DPA Microphones furthermore

Management commentary

strengthened its administration to support the newly established European sales subsidiaries and future growth.

DPA Microphones boosted investments in development of new technology and products to DKK 9 million (DKK 5 million) in 2017/18 to ensure continued innovation and a strong pipeline of new products. The Group introduced its first digital product – Digital Audio Interface – which converts iOS devices into high-quality Pro Audio recorders. In addition, a new miniature amplifier technology – CORE by DPA – was introduced to supplement and enhance the Group's d:screet™, d:fine™ and d:vote™ product lines typically used in live sound productions, theater, film recordings etc.

DPA Microphones' underlying profitability improved significantly in the financial year as the Group's operating profit grew 24% excluding extraordinary items of DKK -11 million (DKK -3 million), mainly related to the strengthening of the Group's distribution network, organization and management, as well as negative currency effects of DKK 3 million in 2017/18. The Group reported operating profit of DKK 32 million (DKK 34 million) in 2017/18 and was positively impacted by sales growth and manufacturing efficiency. DPA Microphones expects positive effects from the strengthening of the Group's distribution, organization and management to materialize in the coming years.

Taking into account the investments made in strengthening the business platform, the profit for the year of DKK 23 million (DKK 25 million) in 2017/18 is considered satisfactory and in line with management's expectations.

Outlook

Management expects continued sales growth and increased operating profit in 2018/19 based on the full-year effect of the strengthened presence and distribution in key markets as well as continued investments in technology, products and the organization.

Environmental performance

The company adheres to the guidelines listed in the RoHS Directive 2002/95 / EC (Restriction and Hazardous Materials) and the WEEE Directive 2002/95 / EC (Waste from Electrical and Electronic Equipment).

Consolidated income statement for 2017/18

	<u>Notes</u>	<u>2017/18 DKK'000</u>	<u>2016/17 DKK'000</u>
Gross profit	1, 2	118.502	106.734
Distribution costs	1, 2	(46.169)	(36.882)
Administrative costs	1, 2	(40.029)	(35.585)
Operating profit/loss		32.304	34.267
Other financial income		43	263
Other financial expenses	3	(3.599)	(1.705)
Profit/loss before tax		28.748	32.825
Tax on profit/loss for the year	4	(5.830)	(8.277)
Profit/loss for the year	5	22.918	24.548

Consolidated balance sheet at 30.04.2018

	<u>Notes</u>	<u>2017/18 DKK'000</u>	<u>2016/17 DKK'000</u>
Completed development projects		7.478	3.964
Acquired intangible assets		5.125	0
Acquired trademarks		802	727
Goodwill		5.779	0
Development projects in progress		9.377	7.653
Intangible assets	6	<u>28.561</u>	<u>12.344</u>
Land and buildings		20.593	21.256
Other fixtures and fittings, tools and equipment		6.838	7.083
Leasehold improvements		734	850
Property, plant and equipment in progress		1.132	0
Property, plant and equipment	7	<u>29.297</u>	<u>29.189</u>
Other investments		31	31
Deposits		447	542
Fixed asset investments	8	<u>478</u>	<u>573</u>
Fixed assets		<u>58.336</u>	<u>42.106</u>
Raw materials and consumables		9.713	12.664
Work in progress		14.463	19.418
Manufactured goods and goods for resale		9.336	9.564
Inventories		<u>33.512</u>	<u>41.646</u>
Trade receivables		26.877	19.841
Receivables from group enterprises		3.795	727
Other receivables		1.224	34
Income tax receivable		429	0
Prepayments	9	2.145	1.855
Receivables		<u>34.470</u>	<u>22.457</u>
Cash		<u>10.000</u>	<u>2.369</u>
Current assets		<u>77.982</u>	<u>66.472</u>
Assets		<u>136.318</u>	<u>108.578</u>

Consolidated balance sheet at 30.04.2018

	<u>Notes</u>	<u>2017/18 DKK'000</u>	<u>2016/17 DKK'000</u>
Contributed capital		1.040	1.040
Reserve for development expenditure		10.247	5.116
Retained earnings		26.159	42.810
Proposed dividend		22.000	0
Equity		59.446	48.966
Deferred tax	10	5.065	5.516
Other provisions		700	700
Provisions		5.765	6.216
Mortgage debts		9.657	10.172
Bank loans		11.982	0
Income tax payable		4.314	0
Non-current liabilities other than provisions	11	25.953	10.172
Current portion of long-term liabilities other than provisions	11	515	515
Bank loans		0	1.649
Trade payables		13.029	8.931
Payables to group enterprises		1.310	6.609
Income tax payable		3.590	6.132
Joint taxation contribution payable		3.529	0
Other payables		23.181	19.388
Current liabilities other than provisions		45.154	43.224
Liabilities other than provisions		71.107	53.396
Equity and liabilities		136.318	108.578
Financial instruments	13		
Unrecognised rental and lease commitments	14		
Mortgages and securities	15		

Consolidated statement of changes in equity for 2017/18

	Contributed capital DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000
Equity beginning of year	1.040	5.116	42.810	0
Ordinary dividend paid	0	0	(11.600)	0
Exchange rate adjustments	0	0	(1.236)	0
Fair value adjustments of hedging instruments	0	0	510	0
Tax of equity postings	0	0	(112)	0
Transfer to reserves	0	5.131	(5.131)	0
Profit/loss for the year	0	0	918	22.000
Equity end of year	1.040	10.247	26.159	22.000
				Total DKK'000
Equity beginning of year				48.966
Ordinary dividend paid				(11.600)
Exchange rate adjustments				(1.236)
Fair value adjustments of hedging instruments				510
Tax of equity postings				(112)
Transfer to reserves				0
Profit/loss for the year				22.918
Equity end of year				59.446

Consolidated cash flow statement for 2017/18

	<u>Notes</u>	<u>2017/18 DKK'000</u>	<u>2016/17 DKK'000</u>
Operating profit/loss		32.304	34.267
Amortisation, depreciation and impairment losses		8.620	6.660
Working capital changes	12	(241)	(4.538)
Cash flow from ordinary operating activities		40.683	36.389
Financial income received		43	263
Financial income paid		(3.599)	(1.705)
Income taxes refunded/(paid)		(1.409)	(11.245)
Cash flows from operating activities		35.718	23.702
Acquisition etc of intangible assets		(11.143)	(5.364)
Acquisition etc of property, plant and equipment		(4.252)	(3.242)
Sale of property, plant and equipment		8	12
Acquisition of fixed asset investments		0	(13)
Acquisition of enterprises		(10.918)	0
Cash flows from investing activities		(26.305)	(8.607)
Loans raised		10.333	0
Instalments on loans etc		(515)	(688)
Dividend paid		(11.600)	(25.000)
Cash flows from financing activities		(1.782)	(25.688)
Increase/decrease in cash and cash equivalents		7.631	(10.593)
Cash and cash equivalents beginning of year		2.369	12.962
Cash and cash equivalents end of year		10.000	2.369

Notes to consolidated financial statements

	2017/18 DKK'000	2016/17 DKK'000
1. Staff costs		
Wages and salaries	82.089	76.940
Pension costs	6.117	6.315
Other social security costs	1.989	2.145
	90.195	85.400
Average number of employees	156	174
	Remunera- tion of manage- ment 2017/18 DKK'000	Remunera- tion of manage- ment 2016/17 DKK'000
Total amount for management categories	5.389	5.843
	5.389	5.843
	2017/18 DKK'000	2016/17 DKK'000
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	2.905	1.692
Impairment losses relating to intangible assets	1.402	0
Depreciation on property, plant and equipment	4.313	4.080
Profit/loss from sale of intangible assets and property, plant and equipment	(10)	0
	8.610	5.772
	2017/18 DKK'000	2016/17 DKK'000
3. Other financial expenses		
Financial expenses from group enterprises	367	209
Interest expenses	1.749	1.103
Exchange rate adjustments	1.380	0
Other financial expenses	103	393
	3.599	1.705

Notes to consolidated financial statements

	2017/18 DKK'000	2016/17 DKK'000
4. Tax on profit/loss for the year		
Tax on current year taxable income	6.281	6.903
Change in deferred tax for the year	(35)	775
Adjustment concerning previous years	(416)	599
	5.830	8.277

	2017/18 DKK'000	2016/17 DKK'000
5. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	22.000	0
Retained earnings	918	24.548
	22.918	24.548

	Completed develop- ment projects DKK'000	Acquired intangible assets DKK'000	Acquired trademarks DKK'000	Goodwill DKK'000
6. Intangible assets				
Cost beginning of year	8.745	0	1.052	0
Addition through business combinations etc	0	0	0	6.030
Transfers	5.955	0	0	0
Additions	0	5.212	201	0
Cost end of year	14.700	5.212	1.253	6.030
Amortisation and impairment losses beginning of year	(4.781)	0	(325)	0
Impairment losses for the year	0	0	0	0
Amortisation for the year	(2.441)	(87)	(126)	(251)
Amortisation and impairment losses end of year	(7.222)	(87)	(451)	(251)
Carrying amount end of year	7.478	5.125	802	5.779

Notes to consolidated financial statements

	Develop- ment projects in progress DKK'000
6. Intangible assets	
Cost beginning of year	7.653
Addition through business combinations etc	0
Transfers	(5.955)
Additions	9.081
Cost end of year	10.779
Amortisation and impairment losses beginning of year	0
Impairment losses for the year	(1.402)
Amortisation for the year	0
Amortisation and impairment losses end of year	(1.402)
Carrying amount end of year	9.377

Development projects in progress

As previous years the company has capitalized development cost. The development cost is related to the development of new unique product technology and new products. The development cost is expected to add significant value to the product portfolio.

The calculation of development costs are based on actual progress in terms of time registrations and costs incurred in the development project. Costs are capitalized as incurred if this relates to the development project. The calculation of progress is based on achieved milestones. The company possess the resources and skills to complete the development.

Notes to consolidated financial statements

	Land and buildings DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve- ments DKK'000	Property, plant and equipment in progress DKK'000
7. Property, plant and equipment				
Cost beginning of year	28.036	30.621	1.643	0
Addition through business combinations etc	0	113	0	0
Exchange rate adjustments	0	(16)	0	0
Transfers	0	1.457	0	(1.457)
Additions	71	1.420	131	2.589
Disposals	0	(16)	0	0
Cost end of year	28.107	33.579	1.774	1.132
Depreciation and impairment losses beginning of the year	(6.780)	(23.538)	(793)	0
Exchange rate adjustments	0	121	0	0
Depreciation for the year	(734)	(3.332)	(247)	0
Reversal regarding disposals	0	8	0	0
Depreciation and impairment losses end of the year	(7.514)	(26.741)	(1.040)	0
Carrying amount end of year	20.593	6.838	734	1.132
			Other investments DKK'000	Deposits DKK'000
8. Fixed asset investments				
Cost beginning of year			31	542
Exchange rate adjustments			0	(109)
Additions			0	14
Cost end of year			31	447
Carrying amount end of year			31	447
9. Prepayments				

Prepayments under assets consists of costs incurred which relates to future accounting periods.

Notes to consolidated financial statements

	2017/18 DKK'000
10. Deferred tax	
Changes during the year	
Beginning of year	5.516
Recognised in the income statement	(451)
End of year	5.065

	Instalments within 12 months 2017/18 DKK'000	Instalments within 12 months 2016/17 DKK'000	Instalments beyond 12 months 2017/18 DKK'000
11. Liabilities other than provisions			
Mortgage debts	515	515	9.657
Bank loans	0	0	11.982
Income tax payable	0	0	4.314
	515	515	25.953

	2017/18 DKK'000	2016/17 DKK'000
12. Change in working capital		
Increase/decrease in inventories	11.871	(7.672)
Increase/decrease in receivables	(6.855)	2.469
Increase/decrease in trade payables etc	(4.021)	380
Other changes	(1.236)	285
	(241)	(4.538)

13. Financial instruments

Derivates	Start date	End date	Ref. interest	Fixed interest rate	Currency	Notional amount DKK'000	Fair value DKK'000
Interest rate swap agreement	11.12.2007	31.12.2037	Cibor 6	4,79%	DKK	6.814	(2.562)
Total fair value							(2.562)

	2017/18 DKK'000	2016/17 DKK'000
14. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	8.207	10.000

Notes to consolidated financial statements

15. Mortgages and securities

Security

The following assets have been placed as security with Danske Bank:

Floating charge in simple claims, inventory, other fixtures and fittings, tools and equipment and acquired trademarks amounting to TDKK 20.000.

Mortgage deed in Industrivangen 10, 4550 Asnæs amounting to TDKK 4.500.

Charge in unlisted shares amounting to TDKK 1.040.

The Entity is jointly and severally liable with the jointly registered group enterprises for the total VAT payable.

Contingent liabilities

DPA Microphones A/S has entered a guarantee for RE Microphones ApS liabilities. The guarantee amounts to TDKK 173.750.

Parent income statement for 2017/18

	<u>Notes</u>	<u>2017/18 DKK'000</u>	<u>2016/17 DKK'000</u>
Gross profit	1, 2	95.356	83.013
Distribution costs	1, 2	(30.085)	(24.179)
Administrative costs	1, 2	(33.497)	(29.469)
Operating profit/loss		31.774	29.365
Income from investments in group enterprises		584	3.218
Other financial income	3	172	380
Other financial expenses	4	(3.236)	(1.440)
Profit/loss before tax		29.294	31.523
Tax on profit/loss for the year	5	(6.376)	(6.975)
Profit/loss for the year	6	22.918	24.548

Parent balance sheet at 30.04.2018

	<u>Notes</u>	<u>2017/18 DKK'000</u>	<u>2016/17 DKK'000</u>
Completed development projects		7.478	3.964
Acquired intangible assets		5.125	0
Acquired trademarks		802	727
Development projects in progress		9.377	7.653
Intangible assets	7	<u>22.782</u>	<u>12.344</u>
Land and buildings		20.593	21.256
Other fixtures and fittings, tools and equipment		6.237	6.528
Leasehold improvements		734	850
Property, plant and equipment in progress		1.132	0
Property, plant and equipment	8	<u>28.696</u>	<u>28.634</u>
Investments in group enterprises		18.718	7.422
Other investments		31	31
Deposits		27	13
Fixed asset investments	9	<u>18.776</u>	<u>7.466</u>
Fixed assets		<u>70.254</u>	<u>48.444</u>
Raw materials and consumables		9.713	12.664
Work in progress		14.463	19.418
Manufactured goods and goods for resale		4.403	6.726
Inventories		<u>28.579</u>	<u>38.808</u>
Trade receivables		17.052	13.025
Receivables from group enterprises		11.030	3.835
Other receivables		1.018	41
Prepayments	10	1.455	1.508
Receivables		<u>30.555</u>	<u>18.409</u>
Cash		<u>4.602</u>	<u>891</u>
Current assets		<u>63.736</u>	<u>58.108</u>
Assets		<u>133.990</u>	<u>106.552</u>

Parent balance sheet at 30.04.2018

	<u>Notes</u>	<u>2017/18 DKK'000</u>	<u>2016/17 DKK'000</u>
Contributed capital		1.040	1.040
Reserve for net revaluation according to the equity method		6.762	7.414
Reserve for development expenditure		10.247	5.116
Retained earnings		19.397	23.796
Proposed dividend		22.000	11.600
Equity		59.446	48.966
Deferred tax	11	6.236	5.385
Other provisions	12	700	700
Provisions		6.936	6.085
Mortgage debts		9.657	10.172
Bank loans		11.982	0
Income tax payable		4.314	0
Non-current liabilities other than provisions	13	25.953	10.172
Current portion of long-term liabilities other than provisions	13	515	515
Bank loans		0	1.649
Trade payables		11.548	8.416
Payables to group enterprises		1.310	6.609
Income tax payable		3.195	5.661
Joint taxation contribution payable		3.529	0
Other payables		21.558	18.479
Current liabilities other than provisions		41.655	41.329
Liabilities other than provisions		67.608	51.501
Equity and liabilities		133.990	106.552
Financial instruments	14		
Unrecognised rental and lease commitments	15		
Mortgages and securities	16		
Related parties with controlling interest	17		
Transactions with related parties	18		

Parent statement of changes in equity for 2017/18

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000
Equity beginning of year	1.040	7.414	5.116	23.796
Ordinary dividend paid	0	0	0	0
Exchange rate adjustments	0	(1.236)	0	0
Fair value adjustments of hedging instruments	0	0	0	510
Tax of equity postings	0	0	0	(112)
Transfer to reserves	0	0	5.131	(5.131)
Profit/loss for the year	0	584	0	334
Equity end of year	1.040	6.762	10.247	19.397

	Proposed dividend DKK'000	Total DKK'000
Equity beginning of year	11.600	48.966
Ordinary dividend paid	(11.600)	(11.600)
Exchange rate adjustments	0	(1.236)
Fair value adjustments of hedging instruments	0	510
Tax of equity postings	0	(112)
Transfer to reserves	0	0
Profit/loss for the year	22.000	22.918
Equity end of year	22.000	59.446

Notes to parent financial statements

	2017/18 DKK'000	2016/17 DKK'000
1. Staff costs		
Wages and salaries	72.889	70.358
Pension costs	5.951	6.128
Other social security costs	567	776
	79.407	77.262
Average number of employees	132	155

	Remunera- tion of manage- ment 2017/18 DKK'000	Remunera- tion of manage- ment 2016/17 DKK'000
Total amount for management categories	5.389	5.843
	5.389	5.843

	2017/18 DKK'000	2016/17 DKK'000
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	2.654	1.692
Impairment losses relating to intangible assets	1.402	0
Depreciation on property, plant and equipment	4.141	3.903
Profit/loss from sale of intangible assets and property, plant and equipment	(8)	(9)
	8.189	5.586

	2017/18 DKK'000	2016/17 DKK'000
3. Other financial income		
Financial income arising from group enterprises	130	131
Interest income	42	5
Exchange rate adjustments	0	244
	172	380

Notes to parent financial statements

	2017/18 DKK'000	2016/17 DKK'000
4. Other financial expenses		
Financial expenses from group enterprises	367	209
Interest expenses	1.386	1.089
Exchange rate adjustments	1.380	0
Other financial expenses	103	142
	3.236	1.440
	2017/18 DKK'000	2016/17 DKK'000
5. Tax on profit/loss for the year		
Tax on current year taxable income	5.525	5.670
Change in deferred tax for the year	842	706
Adjustment concerning previous years	9	599
	6.376	6.975
	2017/18 DKK'000	2016/17 DKK'000
6. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	22.000	11.600
Transferred to reserve for net revaluation according to the equity method	584	3.218
Retained earnings	334	9.730
	22.918	24.548

Notes to parent financial statements

	Completed develop- ment projects DKK'000	Acquired intangible assets DKK'000	Acquired trademarks DKK'000	Develop- ment projects in progress DKK'000
7. Intangible assets				
Cost beginning of year	8.745	0	1.052	7.653
Transfers	5.955	0	0	(5.955)
Additions	0	5.212	201	9.081
Cost end of year	14.700	5.212	1.253	10.779
Amortisation and impairment losses beginning of year	(4.781)	0	(325)	0
Impairment losses for the year	0	0	0	(1.402)
Amortisation for the year	(2.441)	(87)	(126)	0
Amortisation and impairment losses end of year	(7.222)	(87)	(451)	(1.402)
Carrying amount end of year	7.478	5.125	802	9.377

Udviklingsprojekter under udførelse

As previous years the company has capitalized development cost. The development cost is related to the development of new unique product technology and new products. The development cost is expected to add significant value to the product portfolio.

The calculation of development costs are based on actual progress in terms of time registrations and costs incurred in the development project. Costs are capitalized as incurred if this relates to the development project. The calculation of progress is based on achieved milestones. The company possess the resources and skills to complete the development.

Notes to parent financial statements

	Land and buildings DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve- ments DKK'000	Property, plant and equipment in progress DKK'000
8. Property, plant and equipment				
Cost beginning of year	28.036	28.972	1.643	0
Transfers	0	1.457	0	(1.457)
Additions	71	1.420	131	2.589
Disposals	0	(16)	0	0
Cost end of year	28.107	31.833	1.774	1.132
Depreciation and impairment losses beginning of the year	(6.780)	(22.444)	(793)	0
Depreciation for the year	(734)	(3.160)	(247)	0
Reversal regarding disposals	0	8	0	0
Depreciation and impairment losses end of the year	(7.514)	(25.596)	(1.040)	0
Carrying amount end of year	20.593	6.237	734	1.132
		Investments in group enterprises DKK'000	Other investments DKK'000	Deposits DKK'000
9. Fixed asset investments				
Cost beginning of year		8	31	13
Additions		11.949	0	14
Cost end of year		11.957	31	27
Revaluations beginning of year		7.414	0	0
Exchange rate adjustments		(1.236)	0	0
Amortisation of goodwill		(251)	0	0
Share of profit/loss for the year		1.460	0	0
Adjustment of intra-group profits		(626)	0	0
Revaluations end of year		6.761	0	0
Carrying amount end of year		18.718	31	27

Notes to parent financial statements

	Registered in	Corpo- rate form	Equity inte- rest %	Equity DKK'000	Profit/loss DKK'000
Investments in subsidiaries:					
DPA Microphones Inc.	Colorado, USA	Inc	100,0	11.581	1.363
DPA Microphones Ltd.	Hong Kong	Ltd	100,0	(137)	(172)
DPA Microphones GmbH	Germany	GmbH	100,0	213	8
Sound Network Ltd.	London, UK	Ltd	100,0	6.650	261

10. Prepayments

Prepayments under assets consists of costs incurred which relates to future accounting periods.

	2017/18 DKK'000
11. Deferred tax	
Changes during the year	
Beginning of year	5.385
Recognised in the income statement	851
End of year	6.236

12. Other provisions

Other provisions consist of the liability to re-establish rented premises.

	Instalments within 12 months 2017/18 DKK'000	Instalments within 12 months 2016/17 DKK'000	Instalments beyond 12 months 2017/18 DKK'000
13. Liabilities other than provisions			
Mortgage debts	515	515	9.657
Bank loans	0	0	11.982
Income tax payable	0	0	4.314
	515	515	25.953

Notes to parent financial statements

14. Financial instruments

Derivates	Start date	End date	Ref. interest	Fixed interest rate	Currency	Notional amount DKK'000	Fair value DKK'000
Interest rate swap agreement	11.12.2007	31.12.2037	Cibor 6	4,79%	DKK	6.814	(2.562)
Total fair value							(2.562)

	2017/18 DKK'000	2016/17 DKK'000
15. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	4.206	7.683

16. Mortgages and securities

Security

The following assets have been placed as security with Danske Bank:

Floating charge in simple claims, inventory, other fixtures and fittings, tools and equipment and acquired trademarks amounting to TDKK 20.000.

Mortgage deed in Industrivangen 10, 4550 Asnæs amounting to TDKK 4.500.

Charge in unlisted shares amounting to TDKK 1.040.

Contingent liabilities

DPA Microphones A/S has entered a guarantee for RE Microphones ApS liabilities. The guarantee amounts to TDKK 173.750.

17. Related parties with controlling interest

RE Microphones ApS, Allerød, holds all shares in DPA Microphones A/S.

18. Transactions with related parties

There has been no transactions with related parties which has not been on market conditions.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

Accounting policies

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of cost of the relevant financial statement items.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, production costs and other operating income. With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Production costs

Production costs comprise expenses incurred to earn revenue for the financial year. Production costs comprise direct and indirect costs for raw materials and consumables, wages and salaries, rent and lease as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment included in the production process. In addition, the item includes ordinary write-down of inventories.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Distribution costs

Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment attached to the distribution process.

Administrative costs

Administrative expenses comprise costs incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationery and office supplies as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Entity.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Accounting policies

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of internal profits or losses.

Other financial income from group enterprises

Other financial income from group enterprises comprises interest income etc on receivables from group enterprises.

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, payables and transactions in foreign currencies.

Financial expenses from group enterprises

Financial expenses from group enterprises comprise interest expenses etc from payables to group enterprises.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, payables and transactions in foreign currencies.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The company is jointly taxed with wholly owned Danish subsidiaries. The tax effect of the joint taxation with the subsidiaries is allocated to Danish enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

Balance sheet

Goodwill

Goodwill is the positive difference between cost and value in use of assets and liabilities taken over as part of the acquisition. Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If it is not possible to estimate the useful life reliably, it is set at 10 years. Useful lives are reassessed on an annual basis. The amortisation periods used are 10 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights.

Accounting policies

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries that are directly and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 5 years. For development projects, protected by intellectual property rights, the maximum amortisation period is the remaining duration of the relevant rights.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement, but over no more than 10 years.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	10-50 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	5 years

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Accounting policies

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus or minus unrealised intra-group profits or losses.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Other investments

Other investments comprise unlisted equity instruments measured at cost. Unlisted equity instruments are written down to any lower net realisable value.

Inventories

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

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation on of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management. Financing costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Accounting policies

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Other provisions

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

Mortgage debt

At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

Operating leases

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

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Income tax receivable or payable

Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Accounting policies

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt and payment of dividend.

Cash and cash equivalents comprise cash.