Deloitte
Statsautoriseret
Revisionspartnerselskab
CVR-nr. 33963556
Weidekampsgade 6
Postboks 1600
0900 København C

Telefon 36 10 20 30
Telefax 36 10 20 40
www.deloitte.dk

DPA Microphones A/S

Gydevang 42-44
3450 Allerød
Central Business Registration
No 15912200

Annual report 2018

The Annual General Meeting adopted the annual report on 13.05.2019

Chairman of the General Meeting

Name: Ann Frølund Winther

Contents

Entity details

Entity
DPA Microphones A/S
Gydevang 42-44
3450 Allerød

Central Business Registration No: 15912200
Registered in: Allerød
Financial year: 01.05.2018 - 31.12.2018

Board of Directors
Fausto Incerti, chairman
Fabio Ciccarelli
Nicola Iorio
Mauro Macchiaverna
Arturo Vicari
Karl Kristian Nielsen
Finn Klingberg Mortensen
Anna Grimstrup Præstholm

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 01.05.2018 - 31.12.2018.

The annual report is presented 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 Parent's financial position at 31.12.2018 and of the results of their operations and consolidated cash flows for the financial year 01.05.2018 - 31.12.2018.

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, 13.05.2019

Executive Board

Karl Kristian Nielsen

Board of Directors

Fausto Incerti chairman	Fabio Ciccarelli	Nicola Iorio
Mauro Macchiaverna	Arturo Vicari	Karl Kristian Nielsen
Finn Klingberg Mortensen	Anna Grimstrup Præstholm	

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 01.05.2018 - 31.12.2018, 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 31.12.2018, and of the results of their operations and the consolidated cash flows for the financial year 01.05.2018 - 31.12.2018 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, 13.05.2019

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

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

Management commentary

	2018 DKK'000	2017/18 DKK'000	2016/17 DKK'000	2015/16 DKK'000	2014/15 DKK'000
Financial highlights					
Key figures					
Gross profit	88.094	118.502	106.734	103.604	73.986
Operating profit/loss	26.283	32.304	34.267	33.135	19.503
Net financials	(1.103)	(3.556)	(1.442)	(2.611)	(1.204)
Profit/loss for the year	19.549	22.918	24.548	23.299	14.239
Total assets	143.514	136.318	108.578	112.000	107.980
Investments in property, plant and equipment	1.102	4.324	3.242	4.984	7.516
Equity incl minority interests	57.208	59.446	48.966	49.152	30.546
Employees in average	185	156	174	155	154
Ratios					
Return on equity (%)	33,5	42,3	50,0	58,5	56,2
Equity ratio (%)	39,9	43,6	45,1	43,9	28,3

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

Figures for 2018 consist of 8 months compared to the other periods which holds 12 months.

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

Management commentary

Primary activities

The Group'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 Group distributes microphone products and equipment to the North American market through its subsidiary, DPA Microphones Inc., Colorado, US and to the UK market through its subsidiary, Sound Network Ltd., London, UK. The Group also owns subsidiaries in Germany and Hong Kong.

Development in activities and finances

Throughout 2018 the Group generated a strong development in sales driven by positive market trends. 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.

The growth was further supported by new product introduction. In the financial year 2017/2018 we successfully launched our new miniature amplifier technology – CORE by DPA, which have been a strong growth driver in this fiscal year. In november 2018 we launched our innovative and smallest ever microphone capsule and headset in our most exclusive 6000 range – the subminiature microphone with a diameter of only 3 mm. The d:fineTM subminiature headset has won a red dot award beginning of 2019.

DPA group was acquired by RCF Group S.p.A. late 2018.

Following the change of ownership it was decided to align fiscal year with the new owner RCF Group S.p.A., and hence the annual report covers the period from May 1st to December 31st 2018.

The net profit for the fiscal year 2018, May 1st to December 31st 2018, was DKK 19,5 million. Total assets as of December 31st 2018 was DKK 143,5 million and the equity was DKK 57,2 million.

Management considered the net profit satisfactory and in line with management's expectations.

Outlook

Management expects continued sales growth and increased operating profit in 2019 based on the strengthened presence and distribution in key markets as well as continued investments in technology, products and the organization. Furthermore management expects growth in revenue and operating profit that will have a positive increase of at least 10 % on operating profit. The positive increase will be driven from the introduction of new products, full roll-out of recent product introductions and continuing growth in existing and new markets.

Management commentary

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).

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Consolidated income statement for 2018

	Notes	2018 DKK'000	2017/18 DKK'000
Gross profit	1, 2	**88.094**	**118.502**
Distribution costs	1, 2	(35.120)	(46.169)
Administrative costs	1, 2	(26.691)	(40.029)
Operating profit/loss		**26.283**	**32.304**
Other financial income		562	43
Other financial expenses	3	(1.665)	(3.599)
Profit/loss before tax		**25.180**	**28.748**
Tax on profit/loss for the year	4	(5.631)	(5.830)
Profit/loss for the year	5	**19.549**	**22.918**

Consolidated balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017/18 DKK'000
Completed development projects		4.486	7.478
Acquired intangible assets		4.778	5.125
Acquired trademarks		830	802
Goodwill		5.377	5.779
Development projects in progress		14.891	9.377
Intangible assets	6	**30.362**	**28.561**
Land and buildings		20.068	20.593
Other fixtures and fittings, tools and equipment		6.094	6.838
Leasehold improvements		537	734
Property, plant and equipment in progress		598	1.132
Property, plant and equipment	7	**27.297**	**29.297**
Other investments		31	31
Deposits		354	447
Fixed asset investments	8	**385**	**478**
Fixed assets		**58.044**	**58.336**
Raw materials and consumables		11.989	9.713
Work in progress		18.673	14.463
Manufactured goods and goods for resale		9.648	9.336
Inventories		**40.310**	**33.512**
Trade receivables		25.786	26.877
Receivables from group enterprises		0	3.795
Other receivables		1.517	1.224
Income tax receivable		527	429
Prepayments	9	1.970	2.145
Receivables		**29.800**	**34.470**
Cash		**15.360**	**10.000**
Current assets		**85.470**	**77.982**
Assets		**143.514**	**136.318**

Consolidated balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017/18 DKK'000
Contributed capital		1.040	1.040
Reserve for development expenditure		13.102	10.247
Retained earnings		43.066	26.159
Proposed dividend		0	22.000
Equity		**57.208**	**59.446**
Deferred tax	10	5.574	5.065
Other provisions	11	1.900	700
Provisions		**7.474**	**5.765**
Mortgage debts		0	9.657
Bank loans		0	11.982
Income tax payable		0	4.314
Non-current liabilities other than provisions		**0**	**25.953**
Current portion of long-term liabilities other than provisions	12	20.371	515
Bank loans		5.882	0
Trade payables		12.227	13.029
Payables to group enterprises		11.978	1.310
Income tax payable		8.809	3.590
Joint taxation contribution payable		1.579	3.529
Other payables		17.986	23.181
Current liabilities other than provisions		**78.832**	**45.154**
Liabilities other than provisions		**78.832**	**71.107**
Equity and liabilities		**143.514**	**136.318**
Financial instruments	14		
Unrecognised rental and lease commitments	15		
Mortgages and securities	16		
Subsidiaries	17		

Consolidated statement of changes in equity for 2018

	Contributed capital DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000
Equity beginning of year	1.040	10.247	26.159	22.000
Ordinary dividend paid	0	0	0	(22.000)
Exchange rate adjustments	0	0	277	0
Fair value adjustments of hedging instruments	0	0	10	0
Other equity postings	0	0	(72)	0
Tax of equity postings	0	0	(2)	0
Transfer to reserves	0	2.855	(2.855)	0
Profit/loss for the year	0	0	19.549	0
Equity end of year	**1.040**	**13.102**	**43.066**	**0**

	Total DKK'000
Equity beginning of year	59.446
Ordinary dividend paid	(22.000)
Exchange rate adjustments	277
Fair value adjustments of hedging instruments	10
Other equity postings	(72)
Tax of equity postings	(2)
Transfer to reserves	0
Profit/loss for the year	19.549
Equity end of year	**57.208**

Consolidated cash flow statement for 2018

	Notes	2018 DKK'000	2017/18 DKK'000
Operating profit/loss		26.283	32.304
Amortisation, depreciation and impairment losses		7.997	8.620
Working capital changes	13	(4.900)	(241)
Cash flow from ordinary operating activities		**29.380**	**40.683**
Financial income received		562	43
Financial income paid		(1.655)	(3.599)
Income taxes refunded/(paid)		(6.264)	(1.409)
Cash flows from operating activities		**22.023**	**35.718**
Acquisition etc of intangible assets		(10.020)	(11.143)
Acquisition etc of property, plant and equipment		(1.102)	(4.252)
Sale of property, plant and equipment		0	8
Acquisition of enterprises		0	(10.918)
Cash flows from investing activities		**(11.122)**	**(26.305)**
Loans raised		0	10.333
Instalments on loans etc		(1.783)	(515)
Dividend paid		(9.640)	(11.600)
Cash flows from financing activities		**(11.423)**	**(1.782)**
Increase/decrease in cash and cash equivalents		**(522)**	**7.631**
Cash and cash equivalents beginning of year		10.000	2.369
Cash and cash equivalents end of year		**9.478**	**10.000**
Cash and cash equivalents at year-end are composed of:			
Cash		15.360	10.000
Short-term debt to banks		(5.882)	0
Cash and cash equivalents end of year		**9.478**	**10.000**

Notes to consolidated financial statements

	2018 DKK'000	2017/18 DKK'000
1. Staff costs		
Wages and salaries	65.300	82.089
Pension costs	4.750	6.117
Other social security costs	1.733	1.989
	71.783	**90.195**
Average number of employees	**185**	**156**

	Remuneration of management 2018 DKK'000	Remuneration of management 2017/18 DKK'000
Total amount for management categories	4.890	5.389
	4.890	**5.389**

A part of the occurred staff costs has been capitalized under development projects and as inventories. The capitalized costs on inventories are reduced when products are sold and then accounted for as cost of goods sold. Capitalized costs for development projects amounts to 4.364 TDKK.

	2018 DKK'000	2017/18 DKK'000
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	2.676	2.905
Impairment losses relating to intangible assets	2.194	1.402
Depreciation on property, plant and equipment	3.127	4.313
Profit/loss from sale of intangible assets and property, plant and equipment	0	(10)
	7.997	**8.610**

	2018 DKK'000	2017/18 DKK'000
3. Other financial expenses		
Financial expenses from group enterprises	109	367
Interest expenses	1.222	1.749
Exchange rate adjustments	262	1.380
Other financial expenses	72	103
	1.665	**3.599**

Notes to consolidated financial statements

	2018 DKK'000	2017/18 DKK'000
4. Tax on profit/loss for the year		
Tax on current year taxable income	4.953	6.281
Change in deferred tax for the year	638	(35)
Adjustment concerning previous years	40	(416)
	5.631	**5.830**

	2018 DKK'000	2017/18 DKK'000
5. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	0	22.000
Retained earnings	19.549	918
	19.549	**22.918**

	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	14.700	5.212	1.253	6.030
Transfers	987	0	0	0
Additions	0	0	170	0
Cost end of year	**15.687**	**5.212**	**1.423**	**6.030**
Amortisation and impairment losses beginning of year	(7.222)	(87)	(451)	(251)
Impairment losses for the year	(2.194)	0	0	0
Amortisation for the year	(1.785)	(347)	(142)	(402)
Amortisation and impairment losses end of year	**(11.201)**	**(434)**	**(593)**	**(653)**
Carrying amount end of year	**4.486**	**4.778**	**830**	**5.377**

Notes to consolidated financial statements

	Development projects in progress DKK'000
6. Intangible assets	
Cost beginning of year	10.779
Transfers	(987)
Additions	6.501
Cost end of year	**16.293**
Amortisation and impairment losses beginning of year	(1.402)
Impairment losses for the year	0
Amortisation for the year	0
Amortisation and impairment losses end of year	**(1.402)**
Carrying amount end of year	**14.891**

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.

Impairment

In the financial year, the group has written-off one of its development projects. The write-off amounts to 2.194 TDKK and the write-off has been carried out due to a lack of sales from the product. Therefore the assumption for the capitalization is no longer present. The project is written down to the highest value of the capital value and the expected sales value and in this case, the carrying value is calculated to be 0. The impairment test has been performed as a DCF-model with expected sales and earnings against the investment. The write-off is accounted for under production cost.

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	28.107	33.579	1.774	1.132
Exchange rate adjustments	0	92	0	0
Transfers	0	699	0	(699)
Additions	17	920	0	165
Cost end of year	**28.124**	**35.290**	**1.774**	**598**
Depreciation and impairment losses beginning of the year	(7.514)	(26.741)	(1.040)	0
Exchange rate adjustments	0	(67)	0	0
Depreciation for the year	(542)	(2.388)	(197)	0
Depreciation and impairment losses end of the year	**(8.056)**	**(29.196)**	**(1.237)**	**0**
Carrying amount end of year	**20.068**	**6.094**	**537**	**598**

	Other investments DKK'000	Deposits DKK'000
8. Fixed asset investments		
Cost beginning of year	31	447
Exchange rate adjustments	0	25
Additions	0	238
Disposals	0	(356)
Cost end of year	**31**	**354**
Carrying amount end of year	**31**	**354**

9. Prepayments

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

Notes to consolidated financial statements

	2018 DKK'000	2017/18 DKK'000
10. Deferred tax		
Intangible assets	4.615	3.991
Property, plant and equipment	827	736
Inventories	1.025	952
Receivables	(220)	(205)
Provisions	(418)	(154)
Liabilities other than provisions	(255)	(255)
	5.574	**5.065**

Changes during the year	
Beginning of year	5.065
Recognised in the income statement	509
End of year	**5.574**

11. Other provisions

Other provisions consist of DPA Microphones A/S' liability to re-establish rented premises and the addition for 2018 amounting to TDKK 1.200 consists of a provision to warranties for sold goods. The provision to warranty claims is calculated as a procentage of the revenue. The procentage is based on historical key figures for annual warranty claims and cost associated with the claims.

12. Current portion of long-term liabilities other than provisions

The Entity has repaid all of its long-term liabilities in the beginning of 2019, therefor the liabilities is presented as short-term.

	2018 DKK'000	2017/18 DKK'000
13. Change in working capital		
Increase/decrease in inventories	(6.798)	11.871
Increase/decrease in receivables	4.862	(6.855)
Increase/decrease in trade payables etc	(4.350)	(4.021)
Other changes	1.386	(1.236)
	(4.900)	**(241)**

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	6.641	(2.551)
Total fair value							**(2.551)**

Notes to consolidated financial statements

	2018 DKK'000	2017/18 DKK'000
15. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	**8.240**	**8.207**

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 intangible rights amounting to TDKK 20.000. The book value of the assets are TDKK 70.631.

Mortgage deed in Industrivangen 10, 4550 Asnæs amounting to TDKK 4.500. The book value of the property are TDKK. 20.064

Charge in unlisted shares amounting to TDKK 1.040. The book value of net assets (equity) are TDKK 57.208.

	Registered in	Corpo-rate form	Equity inte-rest %	Equity DKK'000	Profit/loss DKK'000
17. Subsidiaries					
DPA Microphones Inc.	Colorado, USA	Inc	100,0	12.995	716
DPA Microphones Ltd.	Hong Kong	Ltd	100,0	(138)	81
DPA Microphones GmbH.	Germany	GmbH	100,0	223	12
Sound Network Ltd.	London, UK	Ltd.	100,0	6.622	479

Parent income statement for 2018

	Notes	2018 DKK'000	2017/18 DKK'000
Gross profit	1, 2	**63.596**	**95.356**
Distribution costs	1, 2	(17.923)	(30.085)
Administrative costs	1, 2	(21.097)	(33.497)
Operating profit/loss		**24.576**	**31.774**
Income from investments in group enterprises		1.122	584
Other financial income	3	594	172
Other financial expenses	4	(1.440)	(3.236)
Profit/loss before tax		**24.852**	**29.294**
Tax on profit/loss for the year	5	(5.303)	(6.376)
Profit/loss for the year	6	**19.549**	**22.918**

Parent balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017/18 DKK'000
Completed development projects		4.486	7.478
Acquired intangible assets		4.778	5.125
Acquired trademarks		830	802
Development projects in progress		14.891	9.377
Intangible assets	7	**24.985**	**22.782**
Land and buildings		20.068	20.593
Other fixtures and fittings, tools and equipment		5.580	6.237
Leasehold improvements		537	734
Property, plant and equipment in progress		598	1.132
Property, plant and equipment	8	**26.783**	**28.696**
Investments in group enterprises		20.046	18.718
Other investments		31	31
Deposits		65	27
Fixed asset investments	9	**20.142**	**18.776**
Fixed assets		**71.910**	**70.254**
Raw materials and consumables		11.992	9.713
Work in progress		18.673	14.463
Manufactured goods and goods for resale		4.030	4.403
Inventories		**34.695**	**28.579**
Trade receivables		14.758	17.052
Receivables from group enterprises		6.928	11.030
Other receivables		1.311	1.018
Prepayments	10	1.121	1.455
Receivables		**24.118**	**30.555**
Cash		**10.866**	**4.602**
Current assets		**69.679**	**63.736**
Assets		**141.589**	**133.990**

Parent balance sheet at 31.12.2018

	Notes	2018 DKK'000	2017/18 DKK'000
Contributed capital		1.040	1.040
Reserve for net revaluation according to the equity method		8.089	6.762
Reserve for development expenditure		13.101	10.247
Retained earnings		34.978	19.397
Proposed dividend		0	22.000
Equity		**57.208**	**59.446**
Deferred tax	11	6.841	6.236
Other provisions	12	1.900	700
Provisions		**8.741**	**6.936**
Mortgage debts		0	9.657
Bank loans		0	11.982
Income tax payable		0	4.314
Non-current liabilities other than provisions		**0**	**25.953**
Current portion of long-term liabilities other than provisions	13	20.371	515
Bank loans		5.882	0
Trade payables		12.172	11.548
Payables to group enterprises		12.097	1.310
Income tax payable		8.689	3.195
Joint taxation contribution payable		1.570	3.529
Other payables		14.859	21.558
Current liabilities other than provisions		**75.640**	**41.655**
Liabilities other than provisions		**75.640**	**67.608**
Equity and liabilities		**141.589**	**133.990**
Financial instruments	14		
Unrecognised rental and lease commitments	15		
Contingent liabilities	16		
Mortgages and securities	17		
Related parties with controlling interest	18		
Transactions with related parties	19		

Parent statement of changes in equity for 2018

	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	6.762	10.247	19.397
Ordinary dividend paid	0	0	0	0
Exchange rate adjustments	0	277	0	0
Fair value adjustments of hedging instruments	0	0	0	10
Other equity postings	0	(72)	0	0
Tax of equity postings	0	0	0	(2)
Transfer to reserves	0	0	2.854	(2.854)
Profit/loss for the year	0	1.122	0	18.427
Equity end of year	**1.040**	**8.089**	**13.101**	**34.978**

	Proposed dividend DKK'000	Total DKK'000
Equity beginning of year	22.000	59.446
Ordinary dividend paid	(22.000)	(22.000)
Exchange rate adjustments	0	277
Fair value adjustments of hedging instruments	0	10
Other equity postings	0	(72)
Tax of equity postings	0	(2)
Transfer to reserves	0	0
Profit/loss for the year	0	19.549
Equity end of year	**0**	**57.208**

Notes to parent financial statements

	2018 DKK'000	2017/18 DKK'000
1. Staff costs		
Wages and salaries	51.157	72.889
Pension costs	4.477	5.951
Other social security costs	353	567
	55.987	**79.407**
Average number of employees	**152**	**132**

	Remuneration of management 2018 DKK'000	Remuneration of management 2017/18 DKK'000
Total amount for management categories	4.890	5.389
	4.890	**5.389**

A part of the occurred staff costs has been capitalized under development projects and as inventories. The capitalized costs on inventories are reduced when products are sold and then accounted for as cost of goods sold. Capitalized costs for development projects amounts to TDKK 4.364.

	2018 DKK'000	2017/18 DKK'000
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	2.275	2.654
Impairment losses relating to intangible assets	2.193	1.402
Depreciation on property, plant and equipment	2.905	4.141
Profit/loss from sale of intangible assets and property, plant and equipment	0	(8)
	7.373	**8.189**

	2018 DKK'000	2017/18 DKK'000
3. Other financial income		
Financial income arising from group enterprises	79	130
Interest income	29	42
Exchange rate adjustments	486	0
	594	**172**

Notes to parent financial statements

4. Other financial expenses	2018 DKK'000	2017/18 DKK'000
Financial expenses from group enterprises	109	367
Interest expenses	1.027	1.386
Exchange rate adjustments	242	1.380
Other financial expenses	62	103
	1.440	**3.236**

5. Tax on profit/loss for the year	2018 DKK'000	2017/18 DKK'000
Tax on current year taxable income	4.658	5.525
Change in deferred tax for the year	605	842
Adjustment concerning previous years	40	9
	5.303	**6.376**

6. Proposed distribution of profit/loss	2018 DKK'000	2017/18 DKK'000
Ordinary dividend for the financial year	0	22.000
Transferred to reserve for net revaluation according to the equity method	1.122	584
Retained earnings	18.427	334
	19.549	**22.918**

Notes to parent financial statements

	Completed development projects DKK'000	Acquired intangible assets DKK'000	Acquired trademarks DKK'000	Development projects in progress DKK'000
7. Intangible assets				
Cost beginning of year	14.700	5.212	1.253	10.779
Transfers	987	0	0	(987)
Additions	0	0	170	6.501
Cost end of year	**15.687**	**5.212**	**1.423**	**16.293**
Amortisation and impairment losses beginning of year	(7.222)	(87)	(451)	(1.402)
Impairment losses for the year	(2.193)	0	0	0
Amortisation for the year	(1.786)	(347)	(142)	0
Amortisation and impairment losses end of year	**(11.201)**	**(434)**	**(593)**	**(1.402)**
Carrying amount end of year	**4.486**	**4.778**	**830**	**14.891**

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.

Impairment

In the financial year, the group has written-off one of its development projects. The write-off amounts to 2.193 TDKK and the write-off has been carried out due to a lack of sales from the product. Therefore the assumption for the capitalization is no longer present. The project is written down to the highest value of the capital value and the expected sales value and in this case, the carrying value is calculated to be 0. The impairment test has been performed as a DCF-model with expected sales and earnings against the investment. The write-off is accounted for under production cost.

Notes to parent financial statements

8. Property, plant and equipment	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
Cost beginning of year	28.107	31.833	1.774	1.132
Transfers	0	699	0	(699)
Additions	17	810	0	165
Cost end of year	**28.124**	**33.342**	**1.774**	**598**
Depreciation and impairment losses beginning of the year	(7.514)	(25.596)	(1.040)	0
Depreciation for the year	(542)	(2.166)	(197)	0
Depreciation and impairment losses end of the year	**(8.056)**	**(27.762)**	**(1.237)**	**0**
Carrying amount end of year	**20.068**	**5.580**	**537**	**598**

9. Fixed asset investments	Investments in group enterprises DKK'000	Other investments DKK'000	Deposits DKK'000
Cost beginning of year	11.957	31	27
Additions	0	0	38
Cost end of year	**11.957**	**31**	**65**
Revaluations beginning of year	6.761	0	0
Exchange rate adjustments	277	0	0
Amortisation of goodwill	(402)	0	0
Share of profit/loss for the year	1.942	0	0
Adjustment of intra-group profits	(417)	0	0
Other adjustments	(72)	0	0
Revaluations end of year	**8.089**	**0**	**0**
Carrying amount end of year	**20.046**	**31**	**65**

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

Notes to parent financial statements

	2018 DKK'000	2017/18 DKK'000
11. Deferred tax		
Intangible assets	4.615	3.991
Property, plant and equipment	2.094	1.907
Inventories	1.025	952
Receivables	(220)	(205)
Provisions	(418)	(154)
Liabilities other than provisions	(255)	(255)
	6.841	**6.236**

Changes during the year	
Beginning of year	6.236
Recognised in the income statement	605
End of year	**6.841**

12. Other provisions

Other provisions consist of the liability to re-establish rented premises and the addition for 2018 amounting to TDKK 1.200 consists of a provision to warranties for sold goods. The provision to warranty claims is calculated as a procentage of the revenue. The procentage is based on historical key figures for annual warranty claims and cost associated with the claims.

13. Current portion of long-term liabilities other than provisions

The Entity has repaid all of its long-term liabilities in the beginning of 2019, therefor the liabilities is presented as short-term.

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	6.641	(2.551)
Total fair value							**(2.551)**

	2018 DKK'000	2017/18 DKK'000
15. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	**4.206**	**7.683**

Notes to parent financial statements

16. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement in which RE Microphones ApS, Central Business Registration No 25383338, serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable from 1 July 2012 for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company's financial statements.

17. 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 intangible rights amounting to TDKK 20.000. The book value of the assets are TDKK 70.631.

Mortgage deed in Industrivangen 10, 4550 Asnæs amounting to TDKK 4.500. The book value of the property are TDKK. 20.064

Charge in unlisted shares amounting to TDKK 1.040. The book value of net assets (equity) are TDKK 57.208.

18. Related parties with controlling interest

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

19. 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 Entity has changed its financial year from 30.04 to 31.12. Therefore the annual report consist of 8 months and comparison figures includes 12 months.

Beside the change in financial year, 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.

Accounting policies

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.

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.

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.