



## DPA Microphones A/S

Gydevang 42-44  
3450 Allerød  
CVR No. 15912200

## Annual report 2020

The Annual General Meeting adopted the  
annual report on 17.03.2021

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**Sebastian Lysholm Nielsen**  
Chairman of the General Meeting

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# Entity details

## Entity

DPA Microphones A/S

Gydevang 42-44

3450 Allerød

Business Registration No.: 15912200

Registered office: Allerød

Financial year: 01.01.2020 - 31.12.2020

## Board of Directors

Fausto Incerti, Chairman

Fabio Ciccarelli

Nicola Iorio

Mauro Macchiaverna

Arturo Vicari

Karl Kristian Nielsen

Finn Klingberg Mortensen

Anna Grimstrup Præstholt

## Executive Board

Karl Kristian Nielsen, adm. dir.

## Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

2300 Copenhagen S

# 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 01.01.2020 - 31.12.2020

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 the Parent's financial position at 31.12.2020 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2020 - 31.12.2020.

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, 17.03.2021

## Executive Board

**Karl Kristian Nielsen**

adm. dir.

## Board of Directors

**Fausto Incerti**

Chairman

**Fabio Ciccarelli**

**Nicola Iorio**

**Mauro Macchiaverna**

**Arturo Vicari**

**Karl Kristian Nielsen**

**Finn Klingberg Mortensen**

**Anna Grimstrup Præstholt**

# 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 01.01.2020 - 31.12.2020, 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 31.12.2020 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2020 - 31.12.2020 in accordance with the Danish Financial Statements Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the 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 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 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 and 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.

**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, 17.03.2021

**Deloitte**

Statsautoriseret Revisionspartnerselskab  
CVR No. 33963556

**Flemming Larsen**

State Authorised Public Accountant  
Identification No (MNE) mne27790



# Management commentary

## Financial highlights

	2020 DKK'000	2019 DKK'000	2018 DKK'000	2017/18 DKK'000	2016/17 DKK'000
<b>Key figures</b>					
Gross profit/loss	68,505	131,848	88,094	95,357	83,011
Operating profit/loss	2,226	42,977	26,283	31,776	29,364
Net financials	(8,045)	(12,432)	(1,103)	(3,063)	(1,057)
Profit/loss for the year	6,138	19,442	19,549	22,921	24,550
Balance sheet total	306,417	328,414	143,514	133,991	106,553
Investments in property, plant and equipment	836	1,441	1,102	4,211	2,852
Equity	131,733	127,149	57,208	58,862	45,748
Average number of employees	167	196	185	156	174
<b>Ratios</b>					
Return on equity (%)	4.74	21.09	33.68	43.82	45.75
Equity ratio (%)	42.99	38.72	39.86	43.93	42.93

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

### Return on equity (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Average equity}}$

Average equity

### Equity ratio (%):

$\frac{\text{Equity} * 100}{\text{Balance sheet total}}$

Balance sheet total

### 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

The COVID-19 outbreak has had a significant negative impact of our revenues and financial results in 2020. Management has implemented multiple cash savings initiatives in 2020 that has reduced production capacity and the cost base significantly. Meanwhile investment in new products and technologies have been increased to enable continued growth when the effect of COVID-19 have ended.

The group received governmental COVID-19 financial stimulus to compensate fixed costs and to retain employees at a total value of approximately DKK 8 million in 2020.

Management obtained a credit facility from our bank and agreed a revised repayment plan as well as a letter of financially support from our owners, RCF Group S.p.A.

The Group sales development was better than forecasted in the beginning of the COVID-19 outbreak, as well as the cost saving and cash flow initiatives implemented has shown better results than forecasted. This has resulted in that the Groups financial position at the end of 2020 was significantly better than expected.

In 2020 management asked the Danish tax authorities for a binding ruling on topics related to the sale of the company in 2019. Late 2020 the company receive a positive ruling from the Danish Tax authorities and the 2019 income return has been adjusted accordingly and a tax income of DKK 12,5m. has been recognized in 2020. The net profit for the fiscal year was DKK 6,1 million. Total assets as of December 31st 2020 was DKK 306,4 million and the equity was DKK 131,7 million.

Management considered the result satisfactory taking the effects of the COVID-19 pandemic into account

### Outlook

The COVID-19 pandemic is expected to continue to have a negative impact of our short to mid-term revenues and financial results. Consequently, management has continued its tight cost and cash focus in 2021 to safeguard the business.

The credit facility agreed with our bank and the revised repayment plan as well as a letter of financially support from our owners, RCF Group S.p.A. received in 2020 has ensured strong capital resources in the group.

Management will closely evaluate the development and impact from COVID-19. In case the COVID-19 effect is more severe than management have forecasted, management will take additional actions to mitigate further negative impacts to the extent possible.

### 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 2020

	Notes	2020 DKK'000	2019 DKK'000
<b>Gross profit/loss</b>		<b>68,505</b>	<b>131,848</b>
Distribution costs		(35,754)	(47,869)
Administrative expenses		(30,525)	(41,002)
<b>Operating profit/loss</b>		<b>2,226</b>	<b>42,977</b>
Other financial income		2	355
Other financial expenses	3	(8,047)	(12,787)
<b>Profit/loss before tax</b>		<b>(5,819)</b>	<b>30,545</b>
Tax on profit/loss for the year	4	11,957	(11,103)
<b>Profit/loss for the year</b>	5	<b>6,138</b>	<b>19,442</b>

# Consolidated balance sheet at 31.12.2020

## Assets

	Notes	2020 DKK'000	2019 DKK'000
Completed development projects	7	17,039	17,466
Acquired intangible assets		5,645	5,998
Acquired patents		765	800
Goodwill		158,536	170,813
Development projects in progress	7	15,238	5,608
<b>Intangible assets</b>	<b>6</b>	<b>197,223</b>	<b>200,685</b>
Land and buildings		18,616	19,357
Other fixtures and fittings, tools and equipment		3,762	4,338
Leasehold improvements		0	242
Property, plant and equipment in progress		0	902
<b>Property, plant and equipment</b>	<b>8</b>	<b>22,378</b>	<b>24,839</b>
Other investments		31	31
Deposits		281	380
Deferred tax	10	445	0
<b>Financial assets</b>	<b>9</b>	<b>757</b>	<b>411</b>
<b>Fixed assets</b>		<b>220,358</b>	<b>225,935</b>

Raw materials and consumables		12,677	12,283
Work in progress		12,206	18,256
Manufactured goods and goods for resale		8,061	12,088
<b>Inventories</b>		<b>32,944</b>	<b>42,627</b>
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Trade receivables		12,549	26,790
Other receivables		0	38
Tax receivable		9,405	0
Prepayments	11	1,832	1,490
<b>Receivables</b>		<b>23,786</b>	<b>28,318</b>
<hr/>			
<b>Cash</b>		<b>29,329</b>	<b>31,534</b>
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<b>Current assets</b>		<b>86,059</b>	<b>102,479</b>
<hr/>			
<b>Assets</b>		<b>306,417</b>	<b>328,414</b>
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**Equity and liabilities**

	<b>Notes</b>	<b>2020 DKK'000</b>	<b>2019 DKK'000</b>
Contributed capital		1,050	1,050
Reserve for development costs		24,487	17,038
Retained earnings		106,196	109,061
<b>Equity</b>		<b>131,733</b>	<b>127,149</b>
Deferred tax	10	3,070	5,953
Other provisions	12	1,800	2,050
<b>Provisions</b>		<b>4,870</b>	<b>8,003</b>
Payables to owners and management		124,653	139,549
<b>Non-current liabilities other than provisions</b>	<b>14</b>	<b>124,653</b>	<b>139,549</b>
Current portion of non-current liabilities other than provisions	14	14,900	7,470
Bank loans		164	323
Trade payables		6,279	11,960
Payables to owners and management		6,868	1,589
Tax payable		0	12,262
Other payables		16,950	20,109
<b>Current liabilities other than provisions</b>		<b>45,161</b>	<b>53,713</b>
<b>Liabilities other than provisions</b>		<b>169,814</b>	<b>193,262</b>
<b>Equity and liabilities</b>		<b>306,417</b>	<b>328,414</b>
Staff costs	1		
Amortisation, depreciation and impairment losses	2		
Unrecognised rental and lease commitments	16		
Group relations	17		
Subsidiaries	18		

# Consolidated statement of changes in equity for 2020

	Contributed capital DKK'000	Reserve for development costs DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	1,050	17,038	109,061	127,149
Exchange rate adjustments	0	0	(1,554)	(1,554)
Transfer to reserves	0	7,449	(7,449)	0
Profit/loss for the year	0	0	6,138	6,138
<b>Equity end of year</b>	<b>1,050</b>	<b>24,487</b>	<b>106,196</b>	<b>131,733</b>



# Consolidated cash flow statement for 2020

	Notes	2020 DKK'000	2019 DKK'000
Operating profit/loss		2,226	42,977
Amortisation, depreciation and impairment losses		21,805	21,471
Other provisions		(250)	150
Working capital changes	15	14,086	1,358
<b>Cash flow from ordinary operating activities</b>		<b>37,867</b>	<b>65,956</b>
Financial income received		2	352
Financial expenses paid		(2,592)	(9,532)
Taxes refunded/(paid)		(13,038)	(4,991)
<b>Cash flows from operating activities</b>		<b>22,239</b>	<b>51,785</b>
Acquisition etc. of intangible assets		(15,982)	(9,405)
Acquisition etc. of property, plant and equipment		(836)	(1,441)
<b>Cash flows from investing activities</b>		<b>(16,818)</b>	<b>(10,846)</b>
<b>Free cash flows generated from operations and investments before financing</b>		<b>5,421</b>	<b>40,939</b>
Loans raised		0	170,896
Repayments of loans etc.		(7,625)	(189,780)
Cash capital increase		0	1
<b>Cash flows from financing activities</b>		<b>(7,625)</b>	<b>(18,883)</b>
<b>Increase/decrease in cash and cash equivalents</b>		<b>(2,204)</b>	<b>22,056</b>
Cash and cash equivalents beginning of year		31,534	(16,805)
<b>Cash and cash equivalents end of year</b>		<b>29,330</b>	<b>5,251</b>
Cash and cash equivalents at year-end are composed of:			
Cash		29,329	31,534
<b>Cash and cash equivalents end of year</b>		<b>29,329</b>	<b>31,534</b>

# Notes to consolidated financial statements

## 1 Staff costs

	2020 DKK'000	2019 DKK'000
Wages and salaries	82,776	91,884
Pension costs	2,763	7,606
Other social security costs	2,956	5,282
	<b>88,495</b>	<b>104,772</b>
Average number of full-time employees	167	196

	Remuneration of manage- ment 2020 DKK'000	Remuneration of manage- ment 2019 DKK'000
Total amount for management categories	4,064	4,242
	<b>4,064</b>	<b>4,242</b>

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 DKK '000 9,390.

## 2 Depreciation, amortisation and impairment losses

	2020 DKK'000	2019 DKK'000
Amortisation of intangible assets	17,651	16,671
Impairment losses on intangible assets	1,065	848
Depreciation on property, plant and equipment	3,232	3,952
	<b>21,948</b>	<b>21,471</b>

**3 Other financial expenses**

	<b>2020</b>	<b>2019</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Financial expenses from group enterprises	6,811	6,784
Other interest expenses	332	5,043
Exchange rate adjustments	703	487
Other financial expenses	201	473
	<b>8,047</b>	<b>12,787</b>

**4 Tax on profit/loss for the year**

	<b>2020</b>	<b>2019</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Current tax	0	10,318
Change in deferred tax	(3,350)	691
Adjustment concerning previous years	(8,607)	94
	<b>(11,957)</b>	<b>11,103</b>

The impact regarding the ruling regarding 2019 DKK 12,5 million, is included as adjustment prior years current tax DKK 8,3m and adjustment deferred tax DKK 4,2 million.

**5 Proposed distribution of profit/loss**

	<b>2020</b>	<b>2019</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Retained earnings	6,138	19,442
	<b>6,138</b>	<b>19,442</b>

## 6 Intangible assets

	Completed development projects DKK'000	Acquired intangible assets DKK'000	Acquired patents DKK'000	Goodwill DKK'000	Development projects in progress DKK'000
Cost beginning of year	33,234	6,953	1,548	183,742	7,010
Transfers	4,106	0	0	0	(4,106)
Additions	0	374	81	0	14,802
Disposals	0	0	0	0	(2,468)
<b>Cost end of year</b>	<b>37,340</b>	<b>7,327</b>	<b>1,629</b>	<b>183,742</b>	<b>15,238</b>
Amortisation and impairment losses beginning of year	(15,768)	(956)	(748)	(12,929)	(1,402)
Impairment losses for the year	0	0	0	0	(1,066)
Reversal of impairment losses	0	0	0	0	2,468
Amortisation for the year	(4,534)	(726)	(116)	(12,277)	0
<b>Amortisation and impairment losses end of year</b>	<b>(20,302)</b>	<b>(1,682)</b>	<b>(864)</b>	<b>(25,206)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>17,038</b>	<b>5,645</b>	<b>765</b>	<b>158,536</b>	<b>15,238</b>

## 7 Development projects

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.

## 8 Property, plant and equipment

	Land and buildings DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improvements DKK'000	Property, plant and equipment in progress DKK'000
Cost beginning of year	28,148	36,468	1,774	902
Exchange rate adjustments	0	(120)	0	0
Transfers	0	1,535	0	(1,535)
Additions	0	203	0	633
Disposals	0	(707)	0	0
<b>Cost end of year</b>	<b>28,148</b>	<b>37,379</b>	<b>1,774</b>	<b>0</b>
Depreciation and impairment losses beginning of year	(8,791)	(32,130)	(1,532)	0
Exchange rate adjustments	0	(49)	0	0
Depreciation for the year	(741)	(2,110)	(242)	0
Reversal regarding disposals	0	672	0	0
<b>Depreciation and impairment losses end of year</b>	<b>(9,532)</b>	<b>(33,617)</b>	<b>(1,774)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>18,616</b>	<b>3,762</b>	<b>0</b>	<b>0</b>

## 9 Financial assets

	Other investments DKK'000	Deposits DKK'000
Cost beginning of year	31	380
Exchange rate adjustments	0	(6)
Disposals	0	(93)
<b>Cost end of year</b>	<b>31</b>	<b>281</b>
<b>Carrying amount end of year</b>	<b>31</b>	<b>281</b>

## 10 Deferred tax

	2020 DKK'000	2019 DKK'000
Intangible assets	(7,422)	(5,337)
Property, plant and equipment	(1,557)	(1,751)
Inventories	909	617
Receivables	115	67
Provisions	242	451
Tax losses carried forward	5,088	0
<b>Deferred tax</b>	<b>(2,625)</b>	<b>(5,953)</b>

	2020	2019
	DKK'000	DKK'000
<b>Changes during the year</b>		
Beginning of year	(5,953)	(5,574)
Recognised in the income statement	3,350	(691)
Recognised directly in equity	(22)	312
<b>End of year</b>	<b>(2,625)</b>	<b>(5,953)</b>

	2020	2019
	DKK'000	DKK'000
<b>Deferred tax has been recognised in the balance sheet as follows</b>		
Deferred tax assets	445	0
Deferred tax liabilities	(3,070)	(5,953)
	<b>(2,625)</b>	<b>(5,953)</b>

### 11 Prepayments

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

### 12 Other provisions

Other provisions consist of DPA Microphones A/S' liability to re-establish rented premises of DKK 700 thousand and provision to warranties for sold goods amounting to DKK 1.100 thousand. The provision to warranty claims is calculated as a percentage of the revenue. The percentage is based on historical key figures for annual warranty claims and cost associated with the claims.

### 13 Payables to owners and management

Loan is unsecured and provided by the Company's shareholder and installements is paid each year until it is fully repaid in 2025. Interest is paid continuously over the loan period.

### 14 Non-current liabilities other than provisions

	Due within 12 months 2020 DKK'000	Due within 12 months 2019 DKK'000	Due after more than 12 months 2020 DKK'000
Payables to owners and management	14,900	7,470	124,653
	<b>14,900</b>	<b>7,470</b>	<b>124,653</b>

### 15 Changes in working capital

	2020	2019
	DKK'000	DKK'000
Increase/decrease in inventories	9,683	(2,317)
Increase/decrease in receivables	14,035	2,193
Increase/decrease in trade payables etc.	(6,976)	944
Other changes	(2,656)	538
	<b>14,086</b>	<b>1,358</b>

## 16 Unrecognised rental and lease commitments

	2020 DKK'000	2019 DKK'000
Total liabilities under rental or lease agreements until maturity	3,084	4,885

## 17 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:  
RCF Group S.p.A, Reggio Emilia, Italy

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:  
RCF Group S.p.A, Reggio Emilia, Italy

The group financial statement can be collected from RCF Group S.p.A.

## 18 Subsidiaries

	Registered in	Corporate form	Ownership %
DPA Microphones Inc.	Colorado, US	Inc.	100
DPA Microphones Ltd.	Wanchai, Hong Kong	Ltd.	100
DPA Microphones GmbH.	Frankfurt am Main, Germany	GmbH	100
Sound Network Ltd.	London, UK	Ltd.	100

# Parent income statement for 2020

	Notes	2020 DKK'000	2019 DKK'000
<b>Gross profit/loss</b>		<b>47,325</b>	<b>99,094</b>
Distribution costs		(18,204)	(27,738)
Administrative expenses		(22,925)	(30,911)
<b>Operating profit/loss</b>		<b>6,196</b>	<b>40,445</b>
Income from investments in group enterprises		(3,325)	1,145
Other financial income		138	262
Other financial expenses	3	(8,075)	(12,412)
<b>Profit/loss before tax</b>		<b>(5,066)</b>	<b>29,440</b>
Tax on profit/loss for the year	4	11,205	(9,998)
<b>Profit/loss for the year</b>	5	<b>6,139</b>	<b>19,442</b>



# Parent balance sheet at 31.12.2020

## Assets

	Notes	2020 DKK'000	2019 DKK'000
Completed development projects	7	17,037	17,467
Acquired intangible assets		5,645	5,998
Acquired trademarks		765	800
Goodwill		154,366	166,039
Development projects in progress	7	15,238	5,608
<b>Intangible assets</b>	<b>6</b>	<b>193,051</b>	<b>195,912</b>
Land and buildings		18,616	19,357
Other fixtures and fittings, tools and equipment		3,477	3,818
Leasehold improvements		0	242
Property, plant and equipment in progress		0	902
<b>Property, plant and equipment</b>	<b>8</b>	<b>22,093</b>	<b>24,319</b>
Investments in group enterprises		16,335	21,812
Other investments		31	31
Deposits		94	79
<b>Financial assets</b>	<b>9</b>	<b>16,460</b>	<b>21,922</b>
<b>Fixed assets</b>		<b>231,604</b>	<b>242,153</b>

Raw materials and consumables		12,677	12,283
Work in progress		12,206	18,256
Manufactured goods and goods for resale		4,045	6,130
<b>Inventories</b>		<b>28,928</b>	<b>36,669</b>
<hr/>			
Trade receivables		7,767	16,592
Receivables from group enterprises		10,229	11,878
Other receivables		0	1,072
Tax receivable		8,695	0
Prepayments	10	1,522	671
<b>Receivables</b>		<b>28,213</b>	<b>30,213</b>
<hr/>			
<b>Cash</b>		<b>16,659</b>	<b>17,522</b>
<hr/>			
<b>Current assets</b>		<b>73,800</b>	<b>84,404</b>
<hr/>			
<b>Assets</b>		<b>305,404</b>	<b>326,557</b>
<hr/>			

## Equity and liabilities

	Notes	2020 DKK'000	2019 DKK'000
Contributed capital		1,050	1,050
Reserve for net revaluation according to the equity method		7,157	8,711
Reserve for development costs		24,486	17,037
Retained earnings		99,041	100,351
<b>Equity</b>		<b>131,734</b>	<b>127,149</b>
Deferred tax	11	4,878	7,739
Other provisions	12	1,800	2,050
<b>Provisions</b>		<b>6,678</b>	<b>9,789</b>
Payables to owners and management	13	124,653	139,549
<b>Non-current liabilities other than provisions</b>	14	<b>124,653</b>	<b>139,549</b>
Current portion of non-current liabilities other than provisions	14	14,900	7,470
Bank loans		148	290
Trade payables		4,599	12,291
Payables to group enterprises		0	5
Payables to owners and management		6,868	1,589
Tax payable		0	12,246
Other payables		15,824	16,179
<b>Current liabilities other than provisions</b>		<b>42,339</b>	<b>50,070</b>
<b>Liabilities other than provisions</b>		<b>166,992</b>	<b>189,619</b>
<b>Equity and liabilities</b>		<b>305,404</b>	<b>326,557</b>
Staff costs	1		
Amortisation, depreciation and impairment losses	2		
Unrecognised rental and lease commitments	15		
Related parties with controlling interest	16		
Transactions with related parties	17		

# Parent statement of changes in equity for 2020

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Reserve for development costs DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	1,050	8,711	17,037	100,351	127,149
Exchange rate adjustments	0	(1,554)	0	0	(1,554)
Transfer to reserves	0	0	7,449	(7,449)	0
Profit/loss for the year	0	0	0	6,139	6,139
<b>Equity end of year</b>	<b>1,050</b>	<b>7,157</b>	<b>24,486</b>	<b>99,041</b>	<b>131,734</b>

# Notes to parent financial statements

## 1 Staff costs

	2020 DKK'000	2019 DKK'000
Wages and salaries	67,174	81,248
Pension costs	2,332	7,175
Other social security costs	704	1,193
	<b>70,210</b>	<b>89,616</b>

	Remuneration of manage- ment 2020 DKK'000
Total amount for management categories	4,064
	<b>4,064</b>

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 DKK '000 9,390.

## 2 Depreciation, amortisation and impairment losses

	2020 DKK'000	2019 DKK'000
Amortisation of intangible assets	17,651	16,068
Impairment losses on intangible assets	1,065	848
Depreciation on property, plant and equipment	2,997	3,694
	<b>21,713</b>	<b>20,610</b>

## 3 Other financial expenses

	2020 DKK'000	2019 DKK'000
Financial expenses from group enterprises	6,811	6,784
Other interest expenses	331	4,826
Exchange rate adjustments	731	596
Other financial expenses	202	206
	<b>8,075</b>	<b>12,412</b>

#### 4 Tax on profit/loss for the year

	2020 DKK'000	2019 DKK'000
Current tax	0	9,227
Change in deferred tax	(2,883)	771
Adjustment concerning previous years	(8,322)	0
	<b>(11,205)</b>	<b>9,998</b>

The impact regarding the ruling regarding 2019 DKK 12,5 million, is included as adjustment prior years current tax DKK 8,3m and adjustment deferred tax DKK 4,2 million.

#### 5 Proposed distribution of profit and loss

	2020 DKK'000	2019 DKK'000
Retained earnings	6,139	19,442
	<b>6,139</b>	<b>19,442</b>

#### 6 Intangible assets

	Completed development projects DKK'000	Acquired intangible assets DKK'000	Acquired trademarks DKK'000	Goodwill DKK'000	Development projects in progress DKK'000
Cost beginning of year	33,234	6,953	1,548	177,712	7,010
Transfers	4,106	0	0	0	(4,106)
Additions	0	374	81	0	14,802
Disposals	0	0	0	0	(2,468)
<b>Cost end of year</b>	<b>37,340</b>	<b>7,327</b>	<b>1,629</b>	<b>177,712</b>	<b>15,238</b>
Amortisation and impairment losses beginning of year	(15,768)	(956)	(748)	(11,673)	(1,402)
Impairment losses for the year	0	0	0	0	(1,066)
Amortisation for the year	(4,534)	(726)	(116)	(11,673)	0
Reversal regarding disposals	0	0	0	0	2,468
<b>Amortisation and impairment losses end of year</b>	<b>(20,302)</b>	<b>(1,682)</b>	<b>(864)</b>	<b>(23,346)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>17,038</b>	<b>5,645</b>	<b>765</b>	<b>154,366</b>	<b>15,238</b>

#### 7 Development projects

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.

## 8 Property, plant and equipment

	Land and buildings DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improvements DKK'000	Property, plant and equipment in progress DKK'000
Cost beginning of year	28,148	34,244	1,774	902
Transfers	0	1,535	0	(1,535)
Additions	0	176	0	633
Disposals	0	(45)	0	0
<b>Cost end of year</b>	<b>28,148</b>	<b>35,910</b>	<b>1,774</b>	<b>0</b>
Depreciation and impairment losses beginning of year	(8,791)	(30,426)	(1,532)	0
Depreciation for the year	(741)	(2,019)	(242)	0
Reversal regarding disposals	0	12	0	0
<b>Depreciation and impairment losses end of year</b>	<b>(9,532)</b>	<b>(32,433)</b>	<b>(1,774)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>18,616</b>	<b>3,477</b>	<b>0</b>	<b>0</b>

## 9 Financial assets

	Investments in group enterprises DKK'000	Other investments DKK'000	Deposits DKK'000
Cost beginning of year	11,957	31	79
Additions	0	0	15
<b>Cost end of year</b>	<b>11,957</b>	<b>31</b>	<b>94</b>
Revaluations beginning of year	9,857	0	0
Exchange rate adjustments	(1,550)	0	0
Amortisation of goodwill	(603)	0	0
Share of profit/loss for the year	(3,247)	0	0
Adjustment of intra-group profits	(79)	0	0
<b>Revaluations end of year</b>	<b>4,378</b>	<b>0</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>16,335</b>	<b>31</b>	<b>94</b>

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

## 10 Prepayments

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

## 11 Deferred tax

	2020 DKK'000	2019 DKK'000
Intangible assets	(7,422)	(5,337)
Property, plant and equipment	(1,557)	(1,751)
Inventories	(899)	(1,169)
Receivables	115	67
Provisions	242	451
Tax losses carried forward	4,643	0
<b>Deferred tax</b>	<b>(4,878)</b>	<b>(7,739)</b>

	2020 DKK'000
<b>Changes during the year</b>	
Beginning of year	(7,739)
Recognised in the income statement	2,883
Recognised directly in equity	(22)
<b>End of year</b>	<b>(4,878)</b>

## 12 Other provisions

Other provisions consist of DPA Microphones A/S' liability to re-establish rented premises of DKK 700 thousand and provision to warranties for sold goods amounting to DKK 1.100 thousand. The provision to warranty claims is calculated as a percentage of the revenue. The percentage is based on historical key figures for annual warranty claims and cost associated with the claims.

## 13 Payables to owners and management

Loan is unsecured and provided by the Company's shareholder and installements is paid each year until it is fully repaid in 2025. Interest is paid continuously over the loan period.

## 14 Non-current liabilities other than provisions

	Due within 12 months 2020 DKK'000	Due within 12 months 2019 DKK'000	Due after more than 12 months 2020 DKK'000
Payables to owners and management	14,900	7,470	124,653
	<b>14,900</b>	<b>7,470</b>	<b>124,653</b>



**15 Unrecognised rental and lease commitments**

	<b>2020</b>	<b>2019</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Total liabilities under rental or lease agreements until maturity	1,200	1,481

**16 Related parties with controlling interest**

RCF Group S.p.A, Reggio Emilia, Italy, holds all shares and holds a significant influence on the company and the group.

**17 Non-arm's length related party transactions**

All transactions with related parties which have not been in accordance with market conditions will be disclosed. There have been no such transactions in the financial year.

# Accounting policies

## Reporting class

This annual report has been prepared 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 takeover date, with net assets having been calculated at fair value.

## Business combinations

The book-value method is applied on acquisition of enterprises, mergers, demergers, contributions of assets

and exchanges of shares, etc where the enterprises concerned are controlled by the Parent, under which method the combination is considered completed at the date of acquisition without restatement of comparative figures. Under the book-value method, the acquiree's assets and liabilities are recognised at their carrying amounts, adjusted for any differences in accounting policies and accounting estimates. The difference between the consideration agreed and the carrying amount of the acquiree is recognised in equity.

### **Foreign currency translation**

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate of the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant nonmonetary items.

### **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. 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 expenses**

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.

**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**

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.

**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.

**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 10-20 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.

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 less deferred tax 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.

### **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.

**Deferred tax**

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset. However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income.

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.

**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.

**Tax payable or receivable**

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

**Prepayments**

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

**Cash**

Cash comprises cash in hand and bank deposits.

**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.

**Other financial liabilities**

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

**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.

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.