AudioNova ApS

Dyrehavevej 3, 2930 Klampenborg

Annual report

1. January 2016 - 31. March 2017

Company reg. no. 16 75 31 81

The annual report have been submitted and approved by the general meeting on the 28 August 2017.

Chairman of the meeting

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Contents

Notes:

- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Management's report

The executive board has today presented the annual report of AudioNova ApS for the financial year 1 January 2016 to 31 March 2017.

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

We consider the accounting policies used appropriate, and in our opinion the annual accounts provide a true and fair view of the company's assets and liabilities and its financial position as on 31 March 2017 and of the company's results of its activities in the financial year 1 January 2016 to 31 March 2017.

We are of the opinion that the management's review includes a fair description of the issues dealt with.

The annual report is recommended for approval by the general meeting

Klampenborg, 28 August 2017

Executive board

Marcel Hendrik Johannes Hijacinthus Wanna

Peter Brøgger Andreasen

Independent auditor's report

To the shareholders of AudioNova ApS

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 March 2017, and of the results of the Company's operations for the financial year 1 January 2016 - 31 March 2017 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Sonova Denmark A/S for the financial year 1 January 2016 - 31 March 2017, which comprise accounting policies, income statement, balance sheet and notes ("financial statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Independent auditor's report

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit proce-dures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hellerup, 28 August 2017

PricewaterhouseCoopers
State Authorised Public Accountants
Company reg. no. 33 71 23 12

Rasmus Friis Jørgensen
State Authorised Public Accountant

Steffen Kaj Pedersen
State Authorised Public Accountant

Company data

The company	AudioNova ApS Dyrehavevej 3 2930 Klampenborg	
	Web site	www.audionova.dk
	Company reg. no.	16 75 31 81
	Established:	1 January 1993
	Domicile:	Klampenborg
	Financial year:	1 January 2016 - 31 March 2017
Executive board	Marcel Hendrik Johannes Hijacinthus Wanna Peter Brøgger Andreasen	
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 2900 Hellerup	
Parent company	Sonova A.G.	

Financial highlights

DKK in thousands.	2016/17 (15 months)	2015	2014	2013	2012
Profit and loss account:					
Net turnover	191.256	131.879	113.371	101.762	94.469
Gross profit	61.932	56.801	38.283	37.055	68.193
Results from operating activities	-32.776	-9.040	-20.730	-22.831	3.533
Net financials	-3.567	-3.982	-2.895	-2.156	-2.005
Results for the year	-36.463	-12.971	-21.010	-21.702	-1.544
Balance sheet:					
Balance sheet sum	58.557	84.176	82.760	98.123	116.109
Investments in tangible fixed assets represent	6.159	5.019	4.638	1.310	605
Equity	-17.498	-11.003	11.174	32.184	53.885
Employees:					
Average number of full time employees	125	110	107	110	121
Key figures in %:					
Gross margin	32,4	43,1	33,8	36,4	72,2
Profit margin	-17,1	-6,9	-18,3	-22,4	3,7
Acid test ratio	73,4	168,1	148,5	111,3	93,2
Solvency ratio	-29,9	-13,1	13,5	32,8	46,4
Return on equity	-	-15.170,8	-96,9	-50,4	-2,2

The calculation of key figures and ratios does in all material respects follow the Danish Association of Finance Analysts' recommendations and does only in a few respects deviate from the recommendations.

Key figures and rations for 2012 is exclusive figures from Auri HøreCenter. The companies were merged in 2013.

The key figures appearing from the survey have been calculated as follows:

Gross margin
$$\frac{\text{Gross results x 100}}{\text{Net turnover}}$$

Profit margin (EBIT margin)
$$\frac{\text{Results from primary activities (EBIT) x 100}}{\text{Net turnover}}$$

Acid test ratio
$$\frac{\text{Current assets x 100}}{\text{Short-term liabilities}}$$

Financial highlights

Equity share	$\frac{\text{Equity, closing balance x 100}}{\text{Assets in total, closing balance}}$
Return on equity	$\frac{\text{Results for the year x 100}}{\text{Average equity}}$

Management's review

The principal activities of the company

The Company's main activity is sales of hearing aid and related services.

Development in activities and financial matters

The net turnover for the year is DKK 191.256k against DKK 131.879k last year. The results from ordinary activities after tax are DKK -36.463k against DKK -12.971k last year. Based on the strategy for the Company all figures and KPI's for the year is satisfying and the Company expect a continuing positive development in the coming years.

In September 2016, Sonova AG acquired the entire AudioNova Group and AudioNova is now the retail business of Sonova AG. In Denmark this means that the AudioNova and Audium companies are acting under the same brand "AudioNova" in Denmark and all Audium's stores have been re-branded to AudioNova although it is two legal companies with different employee conditions. All conditions and benefits for Audium and AudioNova's employees are upheld and unchanged as before the re-branding.

In March 21, 2017 a conversion of debt was made. The Parent Company converted debt of DKK 30,000 thousands into equity with 1 share of DKK 20,000 with a premium of DKK 29,980 thousands.

The Company faces contingent liabilities regarding VAT. This is caused by a VAT audit that is currently being carried out by SKAT (Danish Tax Authorities) regarding 2013, 2014 and 2015. For VAT purposes the selling of hearing aids in Denmark is split in a VAT-liable part (the hardware) and a VAT-exempt part (the medical services).
At the end of 2012, new legislation on the subsidy of hearing aids was adopted by Parliament which became effective as of January 1, 2013. Do to the changes in legislation and reimbursement, the Company was forced to change its method for calculating outgoing VAT from a "simulated sales price" method to a "disclosed selling price" method. The new method was described by the Company in a paper which was sent to and discussed with SKAT. SKAT confirmed receiving the minutes of the meeting but gave no formal (dis)approval.
In February 2015, SKAT initiated a formal audit for the year 2013, 2014 and 2015. In June 2016 and May 2017, SKAT raised a VAT claim based on SKAT's stating the method to be applied was the "cost price method". The Company has not yet decided if to take this decision to court. Consequently, provision has been made in the accounts for this claim.

Capital resources:
The Company has lost its equity. The Company's shareholder has confirmed to provide sufficient funds during the next 12 months to meet the working capital requirements. On this basis, management consider the Company as going concern for the next 12 months.

Strategy

AudioNova offers a complete range of digital hearing instruments, wireless FM systems and personal hearing protection.

Management's review

The development and manufacture of hearing instruments take place primarily in Stäfä, (Switzerland) where the Sonova Group has its headquarters and in Kitchener (Ontario, Canada), whereas wireless communication systems are manufactured in Murten (Switzerland).

Product innovation, customer focus and cost management are the three pillars in the strategy.

Special risks

Operating risks:

The effects of fluctuations in the economy (expansion or recession) are expected to be limited for the Company, due to the fact that the dependency on the economic cycle is not very high. The Company acts in a healthcare market, where the dependency on the reimbursement system is large. Changes in legislation can lead to significant impact on the result of the Company.

Financial risks:

The Company holds sufficient liquidity to ensure the fulfillment of all planned payment obligations. The amount of the liquidity reserve is regularly reviewed and adjusted as necessary according to circumstances.

The parent company will provide sufficient financial support for the Company to pay debt as they fall due.

Exchange rate risks:

The Company is not significantly exposes to currency rate risks, since the purchase take place in EUR and DKK while the sales only takes places in DKK. The Company does not hold any reserves in other currencies.

Credit risks:

The Company is not exposed to significant credit risks. The larger portion of the outstandings are Regions and/or municipalities.

External environment

AudioNova ApS complies with existing rules on sorting and disposal of waste.

Research and development activities

All research and development activities are performed by the Parent Company in Switzerland.

The expected development

In 2017/18 the Company will continue to expand its shop network and will further develop its new, flexible operating model. As a result of this, Management expects to service more customers and increase efficiency in the shops further.

Management's review

For 2017/18 and subsequent years, Management expects that hearing aid prices in Denmark will remain under pressure. This will require a continued focus on costs and efficiencies and competitive products and services. Having implemented a new and more flexible operating model, Management feels confident that the Company, is well positioned to maintain the market leader position in the Danish market.

Events subsequent to the financial year

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Accounting policies used

Financial Statements of AudioNova ApS for 2016/17 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The Company has changed financial year to April 1 - March 31. The annual report for 2016/17 consists of 15 months for the period January 1, 2016 to March 31, 2017.

Effective January 1, 2016, the Company has adopted act no. 7358 of July 1 2015. This implies changes in the recognition and measurement in the following areas:

- Yearly reassessment of residual values of property, plant and equipment

In future, residual values of property, plant and equipment are subject to annual reassessment. The Company has no significant residual values relating to property, plant and equipment. Consequently, the change is made in accordance with section 4 of the executive order on transitional provision with future effect only as a change in accounting estimates with no impact on equity.

None of the above changes affects the income statement or the balance sheet for 2016/17 or the comparative figures.

The Company has changed the comparative figures for other external costs and staff costs as a result of the reassessment of the classification of financial statements items. The change has no impact on the results for the previous year.

The Company has assessed the revenue recognition of Service contracts.

The Service contracts ("Tryghedsaftale") is running for a four year period, and the revenue relating to the sale was previously recognized up front. It is Sonovas accounting practice to recognize the service contracts on a straight-line basis over the term of the contract, whereby the recognition should be changed.

The change in revenue recognition of the Service contracts have affected the revenue (and profit) in 2016/17 with negative DKK 1.1 million, deferred revenue with DKK 11.6 million and equity at with negative DKK 10.5 million.

Apart from the above disclosure requirements, which follow from act no. 738 of June 1 2015, the accounting policies are consistent with those of last year.

Financial Statements for 2016/17 are presented in Danish kroner.

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Sonova A.G., the Company has not prepared a cash flow statement.

Accounting policies used

Recognition and measurement in general

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

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

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

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

Recognition and measurement take into account predictable losses and risks occuring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Danish kroner is used as the measurement currency. All other currencies are regarded as foreign currencies.

Translation of foreign currency

Transactions in foreign currencies are translated at the exchange rates at the date of the transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables, and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rate at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement.

The profit and loss account

Net turnover

Revenue from the sale of goods for resale and finished goods is recognised in the income statement when the delivery and transfer of risk has been made before year end. Sales of Service contracts, such as long-term contracts and extended warranties are separated from the sale of goods and recognized on a straight-line basis over the term of the contract.

Revenue is recognised exclusive of VAT and net of discount relating to sales.

Cost of goods sold and consumables

Cost of goods sold and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external costs

Other externalcosts include costs of salaries, distribution, sales, advertising, administration, rent, bad debts, etc.

Staff costs

Staff costs include salaries and wages including holiday allowances, pensions and other costs for social security etc. for staff members. Staff costs are less public reimbursements.

Depreciation, amortisation and writedown

Depreciation, amortisation and writedown comprise depreciation on, amortisation of and writedown relating to intangible and tangible fixed assets respectively.

Net financials

Financial income and expenses comprise interest, realised and unrealised exchange adjustments, amortisation of mortgage loans as well as extra payments and repayment under the on account taxation scheme.

Tax on profit/loss for the year

Tax for the year consist of current tax for the year and deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly to equity.

The tax recognised in the income statement is classified as tax on ordinary activities and tax on extraordinary items respectively.

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

The company is subject to the Danish legislation concerning compulsory joint taxation with the Danish group enterprises.

The current Danish corporate tax is allocated among the jointly taxed companies in proportion to their respective taxable income (full allocation with reimbursement of tax losses).

The balance sheet

Intangible fixed assets

Goodwill

Acquired goodwill is measured at cost with deduction of accumulated amortisation. As it is not possible to determine a reliable estimate of the useful life, the amortisation period is set at 10 years.

Tangible fixed assets

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are

Buildings	50 years
Other fixtures and fittings, tools and equipment	5-8 years
Leasehold improvements	5 years

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount, and the asset is written down to its lower recoverable amount.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Inventories

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale in the process of normal operations with deduction of selling expenses and cost of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected sales sum.

The cost of inventories equals landed cost.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net relisable value, which correspond to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Available funds

Available funds comprise cash at bank and in hand.

Equity

Dividend

Dividend expected to be distributed for the year is recognised as a separate item under the equity. Proposed dividend is recognised as a liability at the time of approval by the general meeting (the time of declaration).

Deferred tax assets and liabilities

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities.

According to the rules of joint taxation, AudioNova ApS is unlimited, jointly and severally liable towards the Danish tax authorities for the total corporation tax, including withholding tax on interest, royalties and dividends, arising within the jointly taxed group of companies.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystalllise as current tax. In casses where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the vallue at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities.

Current tax receivables and liabilities

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are off-set if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

Other provisions

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

Other provisions include warranty obligations in respect of repair work within the warranty period of 4 years. Provisions are measured and recognised based on experience with guarantee work. Provisions with an expected maturity exeeding 1 year from the balance sheet date are discounted at the average bond yield.

Financial debts

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Deferred income

Received payments concerning income during the following years are recognised under accrued expenses and deferred income.

Profit and loss account

All amounts in DKK.

Note		1/1 2016 - 31/3 2017	1/1 2015 - 31/12 2015
	Net turnover	191.256.127	131.878.531
	Raw materials and consumables used	-47.902.770	-27.207.520
	Other external costs	-81.421.642	-47.870.192
	Gross results	**61.931.715**	**56.800.819**
2	Staff costs	-77.025.518	-51.422.664
	Depreciation, amortisation and writedown relating to tangible and intangible fixed assets	-17.681.815	-14.417.720
	Operating profit	**-32.775.618**	**-9.039.565**
	Financial income	160.887	0
3	Financial costs	-3.727.483	-3.981.849
	Results before tax	**-36.342.214**	**-13.021.414**
4	Tax on ordinary results	-120.599	50.728
5	**Results for the year**	**-36.462.813**	**-12.970.686**

Balance sheet

All amounts in DKK.

Assets

Note		31/3 2017	31/12 2015
	Fixed assets		
6	Completed development projects, including patents and similar rights arising from development projects	0	6.649
7	Goodwill	14.415.429	28.551.268
	Intangible fixed assets in total	14.415.429	28.557.917
8	Land and property	2.843.068	2.939.367
9	Other plants, operating assets, and fixtures and furniture	7.420.636	5.890.536
10	Decoration rented premises	4.703.251	3.517.766
	Tangible fixed assets in total	14.966.955	12.347.669
11	Other debtors	3.126.862	3.079.442
	Financial fixed assets in total	3.126.862	3.079.442
	Fixed assets in total	**32.509.246**	**43.985.028**
	Current assets		
	Manufactured goods and trade goods	8.892.768	16.506.390
	Inventories in total	8.892.768	16.506.390
	Trade debtors	8.602.959	13.229.721
	Amounts owed by group enterprises	148.088	0
12	Deferred tax assets	0	700.344
	Other debtors	641.780	65.974
	Prepaid expenses	776.699	401.536
	Debtors in total	10.169.526	14.397.575
	Available funds	6.985.562	9.287.375
	Current assets in total	**26.047.856**	**40.191.340**
	Assets in total	**58.557.102**	**84.176.368**

Balance sheet

All amounts in DKK.

Note	Equity and liabilities	31/3 2017	31/12 2015
	Equity		
13	Contributed capital	340.000	320.000
14	Results brought forward	-17.837.656	-11.323.066
	Equity in total	**-17.497.656**	**-11.003.066**
	Provisions		
15	Other provisions	10.038.559	907.370
	Provisions in total	**10.038.559**	**907.370**
	Liabilities		
16	Debt to group enterprises	30.544.711	70.365.925
	Long-term liabilities in total	30.544.711	70.365.925
	Trade creditors	9.292.243	2.972.558
	Debt to group enterprises	482.449	0
	Other debts	12.667.710	9.960.757
	Deferred income	13.029.086	10.972.824
	Short-term liabilities in total	35.471.488	23.906.139
	Liabilities in total	**66.016.199**	**94.272.064**
	Equity and liabilities in total	**58.557.102**	**84.176.368**

17 Contingencies

18 Related parties

Statement of changes in equity

All amounts in DKK.

	Contributed capital	Results brought forward	In total
Equity 1 January 2016	320.000	-11.323.066	-11.003.066
Cash capital increase	20.000	0	20.000
Profit or loss for the year brought forward	0	-36.462.813	-36.462.813
Debt conversion	0	29.980.000	29.980.000
Exchange rate difference debt conversion	0	-31.777	-31.777
	340.000	**-17.837.656**	**-17.497.656**

Notes

All amounts in DKK.

	1/1 2016 - 31/3 2017	1/1 2015 - 31/12 2015

1. Uncertainties concerning the enterprise's ability to continue as a going concern

The Company has lost its equity. The Company's shareholder has confirmed to provide sufficient funds during the next 12 months to meet the working capital requirements. On this basis, management consider the Company as going concern for the next 12 months.

2. Staff costs

	1/1 2016 - 31/3 2017	1/1 2015 - 31/12 2015
Salaries and wages	68.439.277	45.262.144
Pension costs	2.838.285	1.586.706
Other costs for social security	358.295	396.009
Other staff costs	5.389.661	4.177.805
	77.025.518	**51.422.664**
Average number of employees	125	110

3. Financial costs

	1/1 2016 - 31/3 2017	1/1 2015 - 31/12 2015
Financial costs, group enterprises	3.491.002	3.441.048
Other financial costs	236.481	540.801
	3.727.483	**3.981.849**

4. Tax on ordinary results

	1/1 2016 - 31/3 2017	1/1 2015 - 31/12 2015
Adjustment for the year of deferred tax	700.344	99.976
Adjustment of tax for previous years	-579.745	-150.704
	120.599	**-50.728**

5. Proposed distribution of the results

	1/1 2016 - 31/3 2017	1/1 2015 - 31/12 2015
Allocated from results brought forward	-36.462.813	-12.970.686
Distribution in total	**-36.462.813**	**-12.970.686**

Notes

All amounts in DKK.

		31/3 2017	31/12 2015
6.	**Completed development projects, including patents and similar rights arising from development projects**		
	Cost 1 January 2016	530.182	530.182
	Cost 31 March 2017	**530.182**	**530.182**
	Amortisation and writedown 1 January 2016	-523.533	-523.533
	Amortisation for the year	-6.649	0
	Amortisation and writedown 31 March 2017	**-530.182**	**-523.533**
	Book value 31 March 2017	**0**	**6.649**
7.	**Goodwill**		
	Cost 1 January 2016	113.086.710	113.086.710
	Cost 31 March 2017	**113.086.710**	**113.086.710**
	Amortisation and writedown 1 January 2016	-84.535.442	-73.226.771
	Amortisation for the year	-14.135.839	-11.308.671
	Amortisation and writedown 31 March 2017	**-98.671.281**	**-84.535.442**
	Book value 31 March 2017	**14.415.429**	**28.551.268**
8.	**Land and property**		
	Cost 1 January 2016	3.854.374	3.854.374
	Cost 31 March 2017	**3.854.374**	**3.854.374**
	Depreciation and writedown 1 January 2016	-915.007	-837.920
	Depreciation for the year	-96.299	-77.087
	Depreciation and writedown 31 March 2017	**-1.011.306**	**-915.007**
	Book value 31 March 2017	**2.843.068**	**2.939.367**
	Public land assessment value as at 1 October 2016	3.400.000	3.400.000

Notes

All amounts in DKK.

		31/3 2017	31/12 2015
9.	**Other plants, operating assets, and fixtures and furniture**		
	Cost 1 January 2016	13.995.273	10.669.287
	Additions during the year	3.622.312	3.419.986
	Disposals during the year	0	-94.000
	Cost 31 March 2017	**17.617.585**	**13.995.273**
	Depreciation and writedown 1 January 2016	-8.104.737	-6.926.869
	Depreciation for the year	-2.092.212	-1.271.868
	Depreciation, amortisation and writedown for the year, assets disposed of	0	94.000
	Depreciation and writedown 31 March 2017	**-10.196.949**	**-8.104.737**
	Book value 31 March 2017	**7.420.636**	**5.890.536**
10.	**Decoration rented premises**		
	Cost 1 January 2016	31.865.343	30.266.570
	Additions during the year	2.536.304	1.598.773
	Cost 31 March 2017	**34.401.647**	**31.865.343**
	Depreciation and writedown 1 January 2016	-28.347.577	-26.578.381
	Depreciation for the year	-1.350.819	-1.769.196
	Depreciation and writedown 31 March 2017	**-29.698.396**	**-28.347.577**
	Book value 31 March 2017	**4.703.251**	**3.517.766**
11.	**Other debtors**		
	Cost 1 January 2016	3.079.442	3.079.442
	Additions during the year	47.420	0
	Cost 31 March 2017	**3.126.862**	**3.079.442**
	Book value 31 March 2017	**3.126.862**	**3.079.442**

Notes

All amounts in DKK.

		31/3 2017	31/12 2015
12.	**Deferred tax assets**		
	Deferred tax assets 1 January 2016	700.344	700.344
	Deferred tax of the results for the year	-700.344	0
		0	**700.344**
	The following items are subject to deferred tax:		
	Intangible fixed assets	34.127	27.653
	Tangible fixed assets	-281.513	-194.040
	Trade debtors	256.651	1.341
	Accruals	2.208.483	194.706
	Warranty	155.540	161.754
	Losses brought forward from previous years	2.629.060	508.930
	Write-down to assessed value	-5.002.348	0
		0	**700.344**
13.	**Contributed capital**		
	Contributed capital 1 January 2016	320.000	320.000
	Cash capital increase	20.000	0
		340.000	**320.000**

The share capital consists of 17 shares, each with a nominal value of DKK 20,000.

The past five years of changes in share capital specification:

	2016/17	**2015**	**2014**	**2013**	**2012**
Capital 1 January	320.000	320.000	320.000	320.000	320.000
Cash capital increase	20.000	0	0	0	0
	340.000	320.000	320.000	320.000	320.000

Notes

All amounts in DKK.

	31/3 2017	31/12 2015
14. Results brought forward		
Results brought forward 1 January 2016	-11.323.066	10.853.779
Adjustment due to changed procedures	0	-9.206.159
Profit or loss for the year brought forward	-36.462.813	-12.970.686
Debt conversion	29.980.000	0
Exchange rate difference debt conversion	-31.777	0
	-17.837.656	**-11.323.066**
15. Other provisions		
Other provisions 1 January 2016	907.370	907.370
Change of the year in other provisions	9.131.189	0
	10.038.559	**907.370**
1-5 year	10.038.559	907.370
	10.038.559	**907.370**
16. Debt to group enterprises		
Debt to group enterprises in total	30.544.711	70.365.925
Share of amount due within 1 year	0	0
Debt to group enterprises in total	**30.544.711**	**70.365.925**
Share of liabilities due after 5 years	0	0

Notes

All amounts in DKK.

17. Contingencies

Contingent liabilities

Leasing liabilities

In addition to financial leasing contracts, the company has entered into operational leasing contracts with an average annual leasing payment of DKK 12.474k. The leasing contracts have 1-54 months left to run, and the total outstanding leasing payment is DKK 6.925k, of which DKK 5.967k is due within 1 year and DKK 1.266k is due between 1-5 years.

Restorations obligation

The company has a restoration obligation, when a lease for a location is terminated. The Company does not expect to terminate any location within foreseeable future. The obligation is not possible to measure reliable.

Joint taxation

Sonova Denmark A/S, company reg. no 10317487 being the administration company, the company is subject to the Danish scheme of joint taxation and unlimited jointly and severally liable with the other jointly taxed companies for the total corporation tax.

The company is unlimited jointly and severally liable with the other jointly taxed companies for any obligation to withhold tax on interest, royalties and dividends.

The jointly taxed enterprises' total, known net liability to the Danish tax authorities appears from the annual accounts of the administration company.

Any subsequent adjustments of corporate taxes or withheld taxes etc. may cause changes in the company's liabilities.

Notes

All amounts in DKK.

18. Related parties

Ownership

According to the Company's list of shareholders, the following shareholders own 100% of the share capital of AudioNova ApS:

Indomed AG, Poststrasse 30, Ch-6301 Zug, Schweiz

Consolidated annual accounts

The Company is included in the Group Annual Report of the Parent Company Sonova Holding AG.

The Group Annual Report of Sonova Holding AG may be obtained at the following address:

Sonova Holding AG
Laubisrütisstrasse 28
8712 Stäfa
Schweiz