

Sivantos A/S

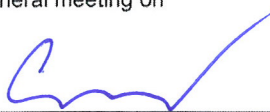
Ove Gjeddes Vej 9
5220 Odense SØ

CVR no. 20 04 15 87

Annual report 2016/17

The annual report was presented and approved at
the Company's annual general meeting on

20 December 2017



chairman

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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Sivantos A/S for the financial year 1 October 2016 – 30 September 2017.

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

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 30 September 2017 and of the results of the Company's operations for the financial year 1 October 2016 – 30 September 2017.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters, of the results for the year and of the Company's financial position.

We recommend that the annual report be approved at the annual general meeting.

Odense, 20 December 2017
Executive Board:




Ivar Thomsen

Board of Directors:



Albert Op den Camp
Chairman



Vivian Herforth
Sommer



Ivar Thomsen



Independent auditor's report

To the shareholder of Sivantos A/S

Opinion

We have audited the financial statements of Sivantos A/S for the financial year 1 October 2016 – 30 September 2017 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 30 September 2017 and of the results of the Company's operations for the financial year 1 October 2016 – 30 September 2017 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 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 rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility 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 that 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.



Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 made 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 judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of 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.



Independent auditor's report

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's review

Management is responsible for the Management's review.

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

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

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

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Kolding, 20 December 2017

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

A handwritten signature in black ink, appearing to read 'Nikolaj Møller Hansen', written over a horizontal line.

Nikolaj Møller Hansen
State Authorised
Public Accountant
MNE no. 33220

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Management's review

Company details

Sivantos A/S
Ove Gjeddes Vej 9
5220 Odense SØ

Telephone: +45 63 15 40 00
Website: www.sivantos.dk

CVR no.: 20 04 15 87
Financial year: 1 October – 30 September

Board of Directors

Albert Op den Camp, Chairman
Vivian Herforth Sommer
Ivar Thomsen

Executive Board

Ivar Thomsen

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Jupitervej 4
6000 Kolding

Annual general meeting

The annual general meeting will be held on 20 December 2017/29 November 2017

Management's review

Financial highlights

DKK'000	2016/17	2015/16	2014/15	2013/14	2012/13
Key figures					
Gross profit/loss	35,898	35,640	40,235	33,203	25,942
Operating profit	3,198	6,920	8,113	4,117	1,014
Profit/loss from financial income and expenses	-817	-586	-77	-214	-829
Profit/loss for the year	1,775	4,874	6,082	2,928	-18
Total assets	28,975	33,126	36,738	29,950	29,951
Equity	3,894	6,992	8,199	5,044	2,116
Return on invested capital	10.30%	19.81%	24.33%	13.75%	3.69%
Return on equity	32.61%	64.17%	91.85%	81.79%	-0.75%
Solvency ratio	13.44%	21.11%	22.32%	16.84%	7.06%

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

Return on invested capital

$$\frac{\text{Operating profit/loss} \times 100}{\text{Average invested capital}}$$

Return on equity

$$\frac{\text{Profit/loss from ordinary activities after tax} \times 100}{\text{Average equity}}$$

Solvency ratio

$$\frac{\text{Equity ex. non-controlling interests at year end} \times 100}{\text{Total equity and liabilities at year end}}$$

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Management's review

Operating review

Principal activities

The Company's main activities are sale and service of hearing aids, which primarily are sold to the healthcare sector in Denmark and Sweden.

Furthermore, Sivantos A/S markets individually manufactured hearing protection for the prevention of hearing impediments as a result of noise.

Development in activities and financial position

In March 2017, the contract for batteries expired, and new contracts came into effect by the end of the financial year.

Due to organisational changes, we incurred some extraordinary costs during the year under review.

Gross profit for the year came in at DKK 35,898 thousand (2015/16: DKK 35,640 thousand), which represents an increase of 0.7% on the 2015/16 financial year.

Management considers a profit of DKK 1,775 thousand acceptable, considering the extraordinary costs. Dividends of DKK 1,775 thousand are expected to be distributed.

Events after the balance sheet date

No significant materially effecting the assessment of the annual Report have occurred after the balance sheet date.

Outlook

Management expects to report a profit for 2017/18, which is up on 2016/17.

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Income statement

DKK'000	Note	2016/17	2015/16
Gross profit		35,898	35,640
Distribution costs		-25,425	-25,145
Administrative expenses		-7,275	-3,575
Operating profit		3,198	6,920
Financial income	2	300	303
Financial expenses	3	-1,117	-889
Profit before tax		2,381	6,334
Tax on profit for the year	4	-606	-1,460
Profit for the year	5	1,775	4,874

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Financial statements 1 October – 30 September

Balance sheet

DKK'000	Note	2016/17	2015/16
ASSETS			
Fixed assets			
Property, plant and equipment			
Fixtures and fittings, tools and equipment	6	509	640
Leasehold improvements		120	112
		<u>629</u>	<u>752</u>
Investments			
Other securities and equity investments	7	1,441	1,273
Deposits	8	282	278
Other receivables	9	587	0
		<u>2,310</u>	<u>1,551</u>
Total fixed assets		<u>2,939</u>	<u>2,303</u>
Current assets			
Inventories			
Finished goods and goods for resale		5,686	6,024
		<u>5,686</u>	<u>6,024</u>
Receivables			
Trade receivables		14,826	20,748
Other receivables		1,042	0
Deferred tax asset	10	94	253
Prepayments		485	183
		<u>16,447</u>	<u>21,184</u>
Cash at bank and in hand		<u>3,903</u>	<u>3,615</u>
Total current assets		<u>26,036</u>	<u>30,823</u>
TOTAL ASSETS		<u><u>28,975</u></u>	<u><u>33,126</u></u>

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Balance sheet

DKK'000	Note	2016/17	2015/16
EQUITY AND LIABILITIES			
Equity			
Contributed capital	11	500	500
Proposed dividends for the financial year		1,775	4,873
Retained earnings		1,619	1,619
Total equity		3,894	6,992
Provisions			
Other provisions	12	6,761	7,977
Total provisions		6,761	7,977
Liabilities other than provisions			
Current liabilities other than provisions			
Trade payables		1,059	1,220
Payables to group entities		3,749	2,085
Corporation tax		0	557
Other payables		7,586	8,753
Deferred income		5,926	5,542
		18,320	18,157
Total liabilities other than provisions		18,320	18,157
TOTAL EQUITY AND LIABILITIES		28,975	33,126
Contractual obligations, contingencies, etc.	13		
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Statement of changes in equity

DKK'000	Contributed capital	Retained earnings	Proposed dividends	Total
Equity at 1 October 2016	500	1,619	4,873	6,992
Distributed dividends	0	0	-4,873	-4,873
Profit for the year	0	0	1,775	1,775
Equity at 30 September 2017	500	1,619	1,775	3,894

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1 Accounting policies

The annual report of Sivantos A/S for 2016/17 has been prepared in accordance with the provisions applying to reporting class C entities under the Danish Financial Statements Act.

As from 1 October 2016, the Company has implemented Act no. 738 of 1 June 2015. This has entailed the following changes to recognition and measurement:

- Going forward, dividends from equity investments in subsidiaries recognised at cost are always recognised in the income statement. In case of indication of impairment, an impairment test is conducted. Indication of impairment exists if distributed dividend exceeds profit for the year or if the carrying amount of equity investments exceeds the consolidated carrying amounts of the net assets in the subsidiary. Previously, cost was reduced to the extent that distributed dividend exceeded accumulated earnings after the acquisition date.
- Going forward, unlisted equity investments are measured at cost. Previously, these were measured at fair value. Pursuant to the transition provisions, the recognised fair value in the annual report for 2015/16 is considered deemed cost of the equity investments. Comparative figures for the income statement and balance sheet have not been restated.

The changes have no monetary effect on the income statement or the balance sheet for 2016/17 or for the comparative figures.

Apart from the above, the accounting policies used in the preparation of the financial statements are consistent with those of last year.

Omission of cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the cash flow statement in the consolidated financial statements of Sivantos Pte. Ltd.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

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1 Accounting policies (continued)

Income statement

Gross Profit

Pursuant to Section 32 of the Danish Financial Statements Act, the Company has decided only to disclose gross profit.

Revenue

Income from the sale of goods, comprising the sale of hearing aids and batteries, is recognised in revenue when delivery and transfer of risk to the buyer have taken place, and the income may be measured reliably and is expected to be received. The date of transfer of the most significant benefits and risks is determined using standard Incoterms ® 2010.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

Production costs

Production costs comprise costs, including depreciation, amortisation, wages and salaries, incurred to generate revenue for the year. Commercial entities recognise their cost of sales, whereas production entities recognise production costs incurred to generate revenue for the year. Such costs include direct and indirect costs for raw materials and consumables, wages and salaries, rent and leases and depreciation of production plant.

Distribution costs

Distribution costs comprise costs incurred to distribute goods sold during the year and to conduct sales campaigns, etc., including costs relating to sales staff, advertising and exhibitions as well as depreciation.

Administrative expenses

Administrative expenses comprise expenses incurred during the year for management and administration of the Group, including expenses for administrative staff, Management, office premises, office expenses and depreciation.

Financial income and expenses

Financial income and expenses comprise interest income and expense, financial costs regarding finance leases, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as

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1 Accounting policies (continued)

well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit/loss for the year

Tax for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Property, plant and equipment

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

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1 Accounting policies (continued)

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Indirect production overheads and borrowing costs are not recognised in cost.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Depreciation is recognised in the income statement as production costs, distribution costs and administrative expenses, respectively.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a portfolio of receivables has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

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1 Accounting policies (continued)

Prepayments and deferred income

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

Securities and equity investments

Other securities and equity investments included in investment comprise unlisted shares that Management considers investment securities. The equity investments are measured at cost.

Equity

Provisions

Provisions comprise anticipated costs of ordinary warranty obligations and right of return on products sold. Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation, and it is probable that there may be outflow of resources embodying economic benefits to settle the obligation. Provisions are measured at value in use.

Corporation tax and deferred tax

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

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

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1 Accounting policies (continued)

Dividends

The expected dividends payment for the year is disclosed as a separate item under equity.

DKK'000	2016/17	2015/16
2 Financial income		
Interest income from group entities	9	11
Capital gains on securities measured at fair value	291	292
	300	303
3 Financial expenses		
Interest expense to group entities	1,036	795
Other financial expenses	81	94
	1,117	889
4 Tax on profit for the year		
Current tax for the year	447	1,306
Deferred tax adjustments	159	154
	606	1,460
5 Proposed profit appropriation		
Proposed dividend for the financial year	1,775	4,873
Retained earnings	0	1
	1,775	4,874

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6 Property, plant and equipment

DKK'000	Leasehold improvements	Fixtures and fittings, tools and equipment	Total
Cost at 1 October 2016	1,611	2,971	4,582
Additions	24	222	246
Cost at 30 September 2017	1,635	3,193	4,828
Depreciation and impairment losses at 1 October 2016	-1,449	-2,381	-3,830
Depreciation	-66	-303	-369
Depreciation and impairment losses at 30 September 2017	-1,515	-2,684	-4,199
Carrying amount at 30 September 2017	120	509	629

DKK'000	2016/17	2015/16
7 Other securities and equity investments		
Cost at 1 October	1,966	1,966
Cost at 31 December	1,966	1,966
Value adjustments at 1 October	-693	-889
Value for the year	168	196
Value adjustments at 30 September	-525	-693
Carrying amount at 31 December	1,441	1,273

8 Deposits		
Cost at 1 October	278	274
Additions	4	4
	282	278

9 Other receivables		
Additions	587	0
	587	0
Due > 1 year	126	0
Due > 1 year	461	0
	587	0

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10 Deferred tax

DKK'000	2016/17	2015/16
Deferred tax at 1 October	253	407
Deferred tax adjustment for the year in the income statement	-159	-154
Provisions for deferred tax relate to:		
Property, plant and equipment	115	123
Current assets	-30	-25
Provisions	9	155
	<u>94</u>	<u>253</u>

11 Share capital

The share capital of DKK 500 thousand have been issued in shares of DKK 1 thousand or multiples thereof. The share capital has not been changed during the past five years. No shares carry any special rights.

12 Other provisions

DKK'000	2016/17	2015/16
Warranty commitments at 1 October	7,977	7,828
Change in warranty obligations	-1,216	149
Other provisions at 30 September	<u>6,761</u>	<u>7,977</u>

13 Contractual obligations, contingencies, etc.

Operating lease obligations

Remaining operating lease obligations at the balance sheet date fall due at DKK 1,894 thousand within 4 years (2015/16: DKK 2,060 thousand).

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14 Related party disclosures

The Company's related parties comprise Board of Directors, Executive Board and executives and their family members. Related parties comprise companies in the Sivantos Pte. Ltd Group.

The consolidated financial statements of Sivantos Pte. Ltd. can be obtained at the following address:

Sivantos Pte. Ltd., 28 Ayer Rajah Crescent 06-08, Singapore 139959

Related party transactions

In accordance with section 98 c(7) of the Danish Financial Statements Act, the Company has not disclosed any related party transactions as they were conducted on an arm's length basis.

15 Staff costs and incentive schemes

DKK'000	2016/17	2015/16
Wages and salaries	20,960	22,385
Pensions	2,866	2,368
Other social security costs	346	436
Other staff costs	1,173	664
	<u>25,345</u>	<u>25,853</u>
Average number of full-time employees	48	52

Remuneration of the Company's Management and Board of Directors is not disclosed pursuant to section 98b(3)(ii) of the Danish Financial Statements Act.

16 Events after the balance sheet date

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