BEIERHOLM
VI SKABER BALANCE

The TC Group A/S

Sindalsvej 34, 8240 Risskov

CVR no. 21 37 86 07

Annual report for 2017

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 06.07.18

Cheryl Saldana-De Leon
Dirigent

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Group information etc.

The company

The TC Group A/S
Sindalsvej 34
Postboks 2206
8240 Risskov
Registered office: Risskov
CVR no.: 21 37 86 07
Financial year: 01.01 - 31.12

Executive Board

Cheryl Saldaña De Leon

Board Of Directors

Raul Guevara Gerodias
Cheryl Saldaña De Leon
Vanessa Cancio Raymundo

Auditors

Beierholm
Statsautoriseret Revisionspartnerselskab

Statement of the Board of Directors and Executive Board on the annual report

We have on this day presented the annual report for the financial year 01.01.17 - 31.12.17 for The TC Group A/S.

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

In our opinion, the consolidated financial statements and financial statements give a true and fair view of the group's and the parent's assets, liabilities and financial position as at 31.12.17 and of the results of the group's and parent's activities and of the group's cash flows for the financial year 01.01.17 - 31.12.17.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Risskov, July 6, 2018

Executive Board

Cheryl Saldaña De Leon

Board Of Directors

Raul Guevara Gerodias Chairman	Cheryl Saldaña De Leon	Vanessa Cancio Raymundo

Independent auditor's report

To the Shareholder of The TC Group A/S

Qualified opinion

We have audited the consolidated financial statements and parent company financial statements of The TC Group A/S for the financial year 01.01.17 - 31.12.17, which comprise the income statement, balance sheet, statement of changes in equity and notes, inclusive of accounting policies for the group as well as for the parent company as well as the consolidated cash flow statement. The consolidated financial statements and parent company financial statements are prepared in accordance with Danish Financial Statements Act

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion paragraph, the consolidated financial statements and parent company financial statements give a true and fair view of the group's and the parent company's assets, liabilities and financial position at 31.12.17 and of the results of the group's and the parent company's operations and the consolidated cash flows for the financial year 01.01.17 - 31.12.17 in accordance with the Danish Financial Statements Act.

Basis for qualified opinion

The company's former auditors have provided the financial statements for the financial year 01.01.16 - 31.12.16 with a modified opinion in the form of a disclaimer of opinion because of lack of audit evidence concerning a foreign subsidiary. Our audit opinion on the financial statements for the financial year 01.01.17 - 31.12.17 is also modified because of the possible effect of this matter on the comparability of the figures for the financial statements for the financial year 01.01.17 - 31.12.17 and the corresponding figures for the financial statements for the financial year 01.01.16 - 31.12.16.

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

Management's responsibility for the consolidated financial statements and parent company financial statements

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

In preparing the consolidated financial statements and parent company 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 consolidated financial statements and parent company 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 consolidated financial statements and parent company financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and parent company 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 International Standards on Auditing 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 company financial statements.

As part of an audit conducted in accordance with International Standards on Auditing 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 consolidated financial statements and parent 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 consolidated financial statements and parent company 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 consolidated financial statements and parent company 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 consolidated financial statements and parent company financial statements, including the disclosures, and whether the consolidated financial statements and parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and per-formance 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 regarding the management's review

Management is responsible for management's review.

Our opinion on the consolidated financial statements and parent company 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 consolidated financial statements and parent company financial statements, our responsibility is to read management's review and, in doing so, consider whether management's review is materially inconsistent with the consolidated financial statements or parent company 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, we conclude that management's review is in accordance with the consolidated financial statements and parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Acts. We did not identify any material misstatement of management's review.

Aarhus, July 6, 2018

Beierholm

Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Helle Damsgaard Jensen

State Authorized Public Accountant
MNE-no. mne33690

GROUPS FINANCIAL HIGHLIGHTS

Key figures

Figures in DKK '000	2017	2016	01.07.14 31.12.15	2013/14	2012/13
Profit/loss					
Revenue	622,638	708,924	1,171,297	723,994	712,955
Index	87	99	164	102	100
Operating profit/loss	158,886	104,773	99,801	58,579	59,337
Index	268	177	168	99	100
Profit/loss before net financials	158,862	101,912	114,222	58,579	59,337
Index	268	172	192	99	100
Total net financials	-15,179	-2,722	-9,428	-7,125	-14,000
Index	108	19	67	51	100
Profit/loss for the year	108,238	79,460	76,876	36,770	31,927
Index	339	249	241	115	100
Balance					
Total assets	729,761	1,369,383	572,688	443,572	414,061
Index	176	331	138	107	100
Investments in property, plant and equipment	17,655	3,132	20,008	11,210	5,152
Index	343	61	388	218	100
Equity	445,647	345,091	269,424	121,030	104,003
Index	428	332	259	116	100
Cashflow					
Net cash flow:					
Operating activities	393,318	103,027	134,619	70,711	113,356
Investing activities	-79,437	-70,171	-73,918	-68,826	-63,832
Financing activities	-1,130,475	815,269	127,033	-15,881	-15,289
Cash flows for the year	-816,594	848,125	187,734	-13,996	34,235

Ratios

	2017	2016	01.07.14 31.12.15	2013/14	2012/13
Profitability					
Return on equity	27%	26%	39%	33%	32%
Gross margin	36%	28%	38%	37%	38%
Profit margin	26%	15%	9%	8%	8%
Others					
Number of employees (average)	279	414	440	415	402

The financial year 2014/15 was extended to 18 months due to change of Balance Sheet date to 31 December. The reason was alignment of the Balance Sheet date to the new Parent Company, MUSIC Group Limited.

Other years presented contains a 12 month's period.

Return on equity: $\dfrac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$

Gross margin: $\dfrac{\text{Gross result x 100}}{\text{Revenue}}$

Profit margin: $\dfrac{\text{Operating profit/loss x 100}}{\text{Revenue}}$

Primary activities

The company's main activity is retail, production, distribution, development and marketing of audio and related acitivities in both the Company as through subsidiaries.

Uncertainty concerning recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Development in activities and financial affairs

The income statement for the period 01.01.17 - 31.12.17 shows a profit/loss of DKK'000 108,238 against DKK'000 79,460 for the period 01.01.16 - 31.12.16. The balance sheet shows equity of DKK'000 445,647.

The earnings expectations from last year have been met.

The Board of Directors has no recommendation for any dividend distribution, and hence the result for the year to be allocated to the retained earnings.

Outlook

Earnings are expected to be stabilized at the current level both next year and in the following years..

Special risks

Currency risks

It is part of the Company's strategy to protect the Group against exchange rate fluctuations by, to the extent possible, matching the Group's sales currencies against its purchase and cost currencies.

The Group has net inflows in EUR and to a minor extent USD.

Interest rate risks

The Group's interest rate risk is related to the interest-bearing debt as interest-bearing assets are immaterial.

The main part of the Group's interest-bearing debt carries floating interest rates. Interest rate level developments are continuously monitored in cooperation with the Company's financial partners.

Credit risks

The most material credit risk relates to the Group's trade receivables.

The Group performs individual customer credit ratings on a current basis. No individual customer constitutes a major part of the Group's total sales.

Liquidity risks

The financial resources are assessed and controlled centrally by the Company's treasury function. This ensures that the committed credit facilities required to meet the budgeted financing requirements ongoing are made available by the Company's financial partners.

Research and development activities

The Group is intellectual capital intensive with material product development acitivities in the individuel companies.

Therefore, the Group works continuously with programs to ensure that this intellectual capital is maintained and embedded in the organization. The Group focuses on both physical and mental working conditions and carries out staff satisfaction measurements on a current basis.

Subsequent events

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

Corporate social responsibility

The Group is a global enterprise and is represented with locations worldwide. The Group's activities are concentrated around sales, development and service and, to a minor extent, production; own production primarily consists of the assembly of semi-manufactures. The primary workplaces are ”office workplaces”. Therefore, the Group's activities are not assessed to have adverse environmental and climate impact as regards noise, smoke, discharge of waste products and massive use of energy and consequently, the Group has no actual environmental and climate policy.

The Group is however seeking on a current basis to optimize energy consumption, primarily for heating, and has in several locations carried out energy measurements. Subsequently, the Group has implemented several of the recommendations listed by the energy reports.

As stated above, the Group's own production primarily consists of assembly activities, and the Group has thus to a great extent outsourced the production of its semi-manufactures and finished products. The Group cooperates mainly with Asian sub-suppliers. The Group focuses on establishing partnership agreements in order to ensure long-term relations with the sub-suppliers.

The Group has prepared a code of conduct for the sub-suppliers which is to support the same responsibility as that prescribed by the Group's internal policies. Among other things, the code of conduct prescribes the following:

-No child labor
-Remuneration and working hours to follow local agreements and standards
-Responsibility towards the environment with focus on limitation of climate and environmental impact

The code of conduct thus intends to ensure that the sub-suppliers comply with the Group's policies concerning child labor, forced labor, human rights, corruption and environmental and climate impact. The code of conduct is part of the Group's basis for the contracts entered into with new sub-suppliers, and the code of conduct is discussed before a contract is entered into. In case of large contracts, a visit is paid to the sub-supplier in order to check whether the Group's code of conduct is complied with. Previous years, the result of such visits has been that the Group has refused cooperating with two sub-suppliers.

Furthermore, the Group pays control visits to existing sub-suppliers on a continuous basis in order to make sure that the code of conduct is complied with. During the financial year, four control visits were made, which did not disclose any issues that are not in accordance with the Group's code of conduct.

In the Group's opinion, the strategy, to ensure partnership agreements and long-term relations, is of great value in relation to securing the Group's policies. The Group's sales are effected in accordance with the Group policy of complying with international guidelines for trade and sanctions as enforced by the UN and the EU.

The Group has no other significant formalized policies.

Target figure for the underrepresented gender

Target figures for the Board of Directors

The Group believes that diversity among the employees, including representative distribution of genders, ethnicity and nationality, contributes positively to the working environment and strengthens the Company's performance and competitive power.

The objective at all management levels is to fill management positions based on the qualifications and competences required for the Company's business and at the same time ensure that diversity is reflected both in management bodies and among other employees.

The Group is represented internationally, and this organization ensures extensive diversity in the Group's management bodies. In order to ensure a representative gender distribution, the Group is seeking to increase the number of female leaders in the Company. At present, 2 out of 3 members of the Board of Directors are women. The company has therefore obtained equal distribution on gender and hence no new target figure has been set. At other management levels (Executive Board, other directors and managers), it is also the Group's objective to ensure a gender distribution that is representative for the sector. At present, the underrepresented gender's share is 20% (increased from 17% last year). The Group's target is to ensure 20% before 31 December 2020.

The Group has established action plans in order to ensure that the targets are met. For example, both male and female employees are offered support both in respect of training and career plans and as regards flexible working hours. Moreover, in connection with employment and recruitment on management positions, it is the objective to have both male and female candidates represented.

Income statement

Note		Group 2017 DKK '000	Group 2016 DKK '000	Parent 2017 DKK '000	Parent 2016 DKK '000
1	**Revenue**	**622,638**	**708,924**	**0**	**0**
	Production costs	-401,424	-512,257	0	-411
	Distribution costs	-27,218	-60,300	0	0
	Administrative expenses	-35,110	-41,938	-4,059	-12,437
	Other operating income	0	10,344	0	10,344
	Operating profit/loss	**158,886**	**104,773**	**-4,059**	**-2,504**
	Other operating expenses	-24	-2,861	0	-2,861
	Profit/loss before net financials	**158,862**	**101,912**	**-4,059**	**-5,365**
	Income from equity investments in group enterprises	0	0	116,349	92,308
4	Financial income	14,129	16,757	4,019	6,250
5	Financial expenses	-29,308	-19,479	-12,274	-17,223
	Profit/loss before tax	**143,683**	**99,190**	**104,035**	**75,970**
	Tax on profit or loss for the year	-35,445	-19,730	4,203	3,490
	Profit/loss for the year	**108,238**	**79,460**	**108,238**	**79,460**

6 Distribution of net profit

Balance sheet

ASSETS

Note		Group 31.12.17 DKK '000	Group 31.12.16 DKK '000	Parent 31.12.17 DKK '000	Parent 31.12.16 DKK '000
	Completed development projects	66,002	57,251	0	0
	Acquired rights	885	1,246	370	728
	Development projects in progress	71,975	77,602	0	0
7	**Total intangible assets**	**138,862**	**136,099**	**370**	**728**
	Leasehold improvements	3,219	3,992	556	778
	Other fixtures and fittings, tools and equipment	8,234	13,055	41	77
	Property, plant and equipment under construction	16,636	0	0	0
8	**Total property, plant and equipment**	**28,089**	**17,047**	**597**	**855**
9	Equity investments in group enterprises	0	0	548,216	439,549
10	Receivables from group enterprises	91,792	0	55,340	32,787
10	Deposits	2,020	1,970	2,020	1,970
	Total investments	**93,812**	**1,970**	**605,576**	**474,306**
	Total non-current assets	**260,763**	**155,116**	**606,543**	**475,889**
	Raw materials and consumables	14,065	32,758	0	0
	Work in progress	515	4,545	0	0
	Manufactured goods and goods for resale	16,530	162,759	0	0
	Total inventories	**31,110**	**200,062**	**0**	**0**
	Trade receivables	15,519	78,241	0	0
	Receivables from group enterprises	288,515	3,005	20,747	60,539
13	Deferred tax asset	4,612	16,013	4,461	1,013
	Income tax receivable	0	0	0	8,110
	Other receivables	33,411	1,994	0	343
11	Prepayments	356	302	172	302
	Total receivables	**342,413**	**99,555**	**25,380**	**70,307**
	Other investments	71	352,714	35	31
	Total securities and equity investments	**71**	**352,714**	**35**	**31**
	Cash	**95,404**	**561,936**	**14,595**	**63,230**
	Total current assets	**468,998**	**1,214,267**	**40,010**	**133,568**
	Total assets	**729,761**	**1,369,383**	**646,553**	**609,457**

Balance sheet

EQUITY AND LIABILITIES

Note		Group		Parent	
		31.12.17 DKK '000	31.12.16 DKK '000	31.12.17 DKK '000	31.12.16 DKK '000
12	Share capital	157,136	157,136	157,136	157,136
	Reserve for net revaluation according to the equity method	0	0	130,784	22,117
	Retained earnings	288,511	187,955	157,727	165,838
	Total equity	**445,647**	**345,091**	**445,647**	**345,091**
13	Provisions for deferred tax	31,996	22,919	0	0
14	Other provisions	15,592	12,340	0	0
	Total provisions	**47,588**	**35,259**	**0**	**0**
15	Lease commitments	0	343	0	0
15	Payables to group enterprises	136,961	136,865	151,489	151,812
	Total long-term payables	**136,961**	**137,208**	**151,489**	**151,812**
15	Short-term portion of long-term payables	149	6	0	6
	Payables to other credit institutions	0	2,581	0	0
	Trade payables	9,418	38,367	273	927
	Payables to group enterprises	26,833	780,102	47,204	108,772
	Income taxes	14,451	3,076	1,714	0
	Other payables	48,714	27,693	226	2,849
	Total short-term payables	**99,565**	**851,825**	**49,417**	**112,554**
	Total payables	**236,526**	**989,033**	**200,906**	**264,366**
	Total equity and liabilities	**729,761**	**1,369,383**	**646,553**	**609,457**

16 Contingent liabilities
17 Charges and security
18 Related parties

Statement of changes in equity

Figures in DKK '000	Share capital	Reserve for net revaluation according to the equity method	Retained earnings
Group:			
Statement of changes in equity for 01.01.17 - 31.12.17			
Balance pr. 01.01.17	157,136	0	187,955
Foreign currency translation adjustment of foreign enterprises	0	0	-7,682
Net profit/loss for the year	0	0	108,238
Balance as at 31.12.17	157,136	0	288,511
Parent:			
Statement of changes in equity for 01.01.17 - 31.12.17			
Balance pr. 01.01.17	157,136	22,117	165,838
Foreign currency translation adjustment of foreign enterprises	0	0	-7,682
Net profit/loss for the year	0	108,667	-429
Balance as at 31.12.17	157,136	130,784	157,727

Consolidated cash flow statement

Note		Group 2017 DKK '000	Group 2016 DKK '000
	Net profit/loss for the year	**108,238**	**79,460**
19	Adjustments	87,749	77,800
	Change in working capital:		
	Inventories	168,952	23,138
	Receivables	31,248	23,503
	Trade payables	-7,828	-83,079
	Other payables relating to operating activities	3,252	-996
	Cash flows from operating activities before net financials	**391,611**	**119,826**
	Interest income and similar income received	7,559	2,170
	Interest expenses and similar expenses paid	-2,260	-10,839
	Income tax paid	-3,592	-8,130
	Cash flows from operating activities	**393,318**	**103,027**
	Purchase of intangible assets	-61,782	-67,039
	Purchase of property, plant and equipment	-17,655	-3,132
	Cash flows from investing activities	**-79,437**	**-70,171**
	Reduction of lease obligations	0	-336
	Loan from group enterprises	-1,130,475	815,605
	Cash flows from financing activities	**-1,130,475**	**815,269**
	Total cash flows for the year	**-816,594**	**848,125**
	Cash, beginning of year	561,936	63,944
	Securities with no significant price risk, beginning of year	352,714	0
	Short-term payables to credit institutions, beginning of year	-2,581	0
	Cash, end of year	**95,475**	**912,069**
	Cash, end of year, comprises:		
	Cash	95,404	561,936
	Securities with no significant price risk	71	352,714
	Short-term payables to credit institutions	0	-2,581
	Total	**95,475**	**912,069**

	Group		Parent	
	2017 DKK '000	2016 DKK '000	2017 DKK '000	2016 DKK '000

1. Revenue

Information about the distribution of revenue by activities and geographical markets is provided below. The segment information is prepared in accordance with the company's accounting policies and follows the company's internal financial management.

Revenue comprises the following activities:

Electronics	378,974	477,475	0	0
Speakers	243,664	231,449	0	0
Total	622,638	708,924	0	0

Revenue comprises the following geographical markets:

Europe	350,094	234,076	0	0
North America	37,586	350,518	0	0
Rest of the world	234,958	124,330	0	0
Total	622,638	708,924	0	0

	Group		Parent	
	2017 DKK '000	2016 DKK '000	2017 DKK '000	2016 DKK '000

2. Employee aspects

Wages and salaries	107,569	106,541	-14	5,180
Pensions	9,206	9,650	0	367
Other social security costs	6,208	8,177	0	23
Other staff costs	2,425	1,725	0	378
Total	125,408	126,093	-14	5,948

Total staff costs comprise:

Production costs	101,299	72,051	0	0
Distribution costs	15,101	36,513	0	0
Administrative expenses	9,008	17,529	-14	5,948
Total	125,408	126,093	-14	5,948
Average number of employees during the year	279	414	0	20

3. Fees to auditors appointed by the general meeting

Statutory audit of the financial statements	1,605	954	552	223
Tax advice	374	1,087	112	441
Other services	669	678	669	642
Total	2,648	2,719	1,333	1,306

	Group		Parent	
	2017 DKK '000	2016 DKK '000	2017 DKK '000	2016 DKK '000

4. Financial income

Interest, group enterprises	1,567	0	3,524	2,709
Other interest income	392	20	392	20
Foreign exchange gains	6,570	14,587	0	3,521
Other financial income	5,600	2,150	103	0
Other financial income	12,562	16,757	495	3,541
Total	14,129	16,757	4,019	6,250

5. Financial expenses

Interest, group enterprises	0	6,569	2,893	8,496
Other interest expenses	103	515	103	515
Foreign exchange losses	27,048	8,640	8,738	8,212
Other financial expenses	2,157	3,755	540	0
Other financial expenses total	29,308	12,910	9,381	8,727
Total	29,308	19,479	12,274	17,223

6. Distribution of net profit

Reserve for net revaluation according to the equity method	0	0	108,667	19,217
Retained earnings	108,238	79,460	-429	60,243
Total	108,238	79,460	108,238	79,460

7. Intangible assets

Figures in DKK '000	Completed development projects	Acquired rights	Development projects in progress	Total
Group:				
Cost pr. 01.01.17	484,035	33,190	77,602	594,827
Foreign currency translation adjustment of foreign enterprises	-9,160	-139	-1,083	-10,382
Additions during the year	0	362	79,616	79,978
Disposals during the year	-18,107	-89	0	-18,196
Transfers during the year to/from other items	84,160	0	-84,160	0
Cost as at 31.12.17	540,928	33,324	71,975	646,227
Amortisation and impairment losses pr. 01.01.17	-426,784	-31,943	0	-458,727
Foreign currency translation adjustment of foreign enterprises	6,160	28	0	6,188
Amortisation during the year	-54,302	-613	0	-54,915
Reversal of amortisation of and impairment losses on disposed assets	0	89	0	89
Amortisation and impairment losses as at 31.12.17	-474,926	-32,439	0	-507,365
Carrying amount as at 31.12.17	66,002	885	71,975	138,862
Parent				
Cost pr. 01.01.17	0	13,445	0	13,445
Cost as at 31.12.17	0	13,445	0	13,445
Amortisation and impairment losses pr. 01.01.17	0	-12,716	0	-12,716
Amortisation during the year	0	-359	0	-359
Amortisation and impairment losses as at 31.12.17	0	-13,075	0	-13,075
Carrying amount as at 31.12.17	0	370	0	370

Development projects relate to the development of products within the group's core business. The projects are progressing according to plan through the use of the resources allocated by Management to the development. The products are expected to be sold in the present market to the group's exixting customers.

8. Property, plant and equipment

Figures in DKK '000	Leasehold improvements	Other fixtures and fittings, tools and equipment	Property, plant and equipment under construction
Group:			
Cost pr. 01.01.17	15,913	103,895	0
Foreign currency translation adjustment of foreign enterprises	-526	-2,288	0
Additions during the year	48	971	16,636
Disposals during the year	-2,460	-4,452	0
Cost as at 31.12.17	12,975	98,126	16,636
Depreciation and impairment losses pr. 01.01.17	-11,919	-90,842	0
Foreign currency translation adjustment of foreign enterprises	334	1,595	0
Depreciation during the year	-632	-4,497	0
Reversal of depreciation of and impairment losses on disposed assets	2,461	3,852	0
Depreciation and impairment losses as at 31.12.17	-9,756	-89,892	0
Carrying amount as at 31.12.17	3,219	8,234	16,636
Parent:			
Cost pr. 01.01.17	1,787	2,554	0
Additions during the year	22	20	0
Cost as at 31.12.17	1,809	2,574	0
Depreciation and impairment losses pr. 01.01.17	-1,009	-2,477	0
Depreciation during the year	-244	-56	0
Depreciation and impairment losses as at 31.12.17	-1,253	-2,533	0
Carrying amount as at 31.12.17	556	41	0

9. Equity investments in group enterprises

Figures in DKK '000	Equity investments in group enterprises
Parent:	
Cost pr. 01.01.17	417,432
Cost as at 31.12.17	417,432
Revaluations pr. 01.01.17	22,117
Foreign currency translation adjustment of foreign enterprises	-7,682
Net profit/loss from equity investments	116,349
Revaluations as at 31.12.17	130,784
Carrying amount as at 31.12.17	548,216

9. Equity investments in group enterprises - continued -

Name and Registered office:	Ownership interest	Equity	Net profit/loss for the year
Group enterprises:			
Music Tribe Brands A/S, Risskov, Denmark	100%	160,952	21,631
TC Electronic Deutschland GmbH, Germany	100%	0	0
Music Group Commercial A/S, Risskov, Denmark	100%	83,796	19,505
TC Works Soft- & Hardware GmbH, Germany	100%	0	0
Music Tribe Brands SE AB, Kungsbacka, Sweden	100%	64,550	17,909
Music Group Innovation SC Ltd., Havant, United Kingdom	100%	78,114	25,106
Music Group Innovation CA Inc., Canada	100%	0	0
Music Group Commercial CA Inc., Canada	100%	0	0
Virtual Designs Ltd., Canada	100%	0	0
TC (Beijing) Trad-ing Company Ltd., Beijing, China	100%	0	0

For the following group enterprises there is no signed annual report, why equity and net profit/loss for the year has not been specified:

- TC Electronic Deutschland GmbH, Germany
- TC Works Soft- & Hardware GmbH, Germany
- Music Group Innovation CA Inc., Canada
- Music Group Commercial CA Inc., Canada
- Virtual Designs Ltd., Canada
- TC (Beijing) Trad-ing Company Ltd., Beijing, China

10. Other fixed asset investments

Figures in DKK '000	Receivables from group enterprises	Deposits
Group:		
Cost pr. 01.01.17	0	1,970
Additions during the year	91,792	50
Cost as at 31.12.17	91,792	2,020
Parent		
Cost pr. 01.01.17	32,787	1,970
Additions during the year	22,553	50
Cost as at 31.12.17	55,340	2,020

	Group		Parent	
	31.12.17 DKK '000	31.12.16 DKK '000	31.12.17 DKK '000	31.12.16 DKK '000
11. Prepayments				
Other prepayments	356	302	172	302
Total	356	302	172	302

12. Share capital

The share capital consists of:

	Shares	Nominel value, DKK
Share capital	7,856,811	20

	Group		Parent	
	31.12.17 DKK '000	31.12.16 DKK '000	31.12.17 DKK '000	31.12.16 DKK '000

13. Deferred tax

Provisions for deferred tax pr. 01.01.17	6,906	-511	-1,013	-10,939
Deferred tax recognised in the income statement	20,478	7,417	-3,448	9,926
Provisions for deferred tax as at 31.12.17	27,384	6,906	-4,461	-1,013
Deffered tax comprises:				
Deferred tax asset	-4,612	-16,013	-4,461	-1,013
Deferred tax liability	31,996	22,919	0	0
Total	27,384	6,906	-4,461	-1,013

14. Other provisions

Figures in DKK '000	Warranty commitments
Group	
Provisions pr. 01.01.17	12,340
Provisions during the year	3,252
Provisions as at 31.12.17	15,592

	31.12.17 DKK '000	31.12.16 DKK '000	31.12.17 DKK '000	31.12.16 DKK '000
Other provisions are expected to be distributed as follows:				
Non-current liabilities	15,592	12,340	0	0

15. Longterm payables

Figures in DKK '000	Repayment first year	Outstanding debt after 5 years	Total payables at 31.12.17	Total payables at 31.12.16
Group:				
Lease commitments	149	0	149	349
Payables to group enterprises	0	0	136,961	136,865
Total	149	0	137,110	137,214
Parent:				
Lease commitments	0	0	0	6
Payables to group enterprises	0	0	151,489	151,812
Total	0	0	151,489	151,818

16. Contingent liabilities

Group:

Lease commitments

The enterprise has concluded lease agreements with total future lease payments within 1 year DKK 5,233k, a total of DKK 15,600k.

Parent:

Lease commitments

The company has concluded lease agreements with terms to maturity of 36 months and average lease payments of DKK 203k , a total of DKK 7,298k.

Other contingent liabilities

The company is taxed jointly with the other Danish companies in the group and has joint, several and unlimited liability for income taxes and any obligations to withhold tax at source on interest, royalties and dividends for the jointly taxed companies. The total known tax liability for the jointly taxed companies is DKK 9,526k at the balance sheet date, of which DKK 0k is recognised in the balance sheet. The liability also includes any subsequent corrections to the calculated tax liability as a consequence of changes made to the jointly taxable income etc.

17. Charges and security

Group:

The enterprise has provided a company charge of DKK 307k as security for debt to Jyske Bank. The ceompany charge includes security secured on unsecured claims, inventories, operating equipment and rights with a carrying amount of 29,341k at 31 December 2017. Debt to Jyske Bank is DKK 0 at 31 December 2017.

Parent:

The enterprise has provided a company charge of DKK 100k as security for debt to credit institutions.

18. Related parties

Controlling influence:	Basis of influence
MUSIC Group Limited, Bermuda	Controlling shareholder of The TC Group A/S
DTOS Trustees, Ltd., Mauritius	Controlling shareholder os MUSIC Group Limited

Transaction	Relation	2017 DKK'000
Sales of goods and services	Music Group	146,317
Purchase of goods and services	Music Group	108,316
Interest income	Music Group	1,567
Interest expenses	Music Group	0

Balances	31.12.17 DKK'000
Receivables from group enterprises	380,307
Payables to group enterprises	-163,794

Receivables from group companies recognised under current assets and short-term payables to group enterprises consist of balances which are settled on an ongoing basis and in accordance with the conpany's standard terms of agreement and payment. No write-downs have been made on the receivables.

The interest rate on loans between related parties in the TC Group was 4 % during the year while loans to the group's parent company in Bermuda did not carry any interests.

	Group	
	2017 DKK '000	2016 DKK '000
19. Adjustments for the cash flow statement		
Depreciation, amortisation, impairment losses and write-downs	60,044	49,975
Financial income	-14,130	-16,757
Financial expenses	29,308	19,480
Tax on profit or loss for the year	35,445	19,730
Other adjustments	-22,918	5,372
Total	87,749	77,800

20. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act for large groups and enterprises in reporting class C.

The accounting policies have been applied consistently with previous years.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements comprise the parent and its subsidiaries in which the parent directly or indirectly holds more than 50% of the voting rights or by way of agreements exercises control. Enterprises in which the group holds equity investments, between 20% and 50% of the voting rights and in which it has significant interest but not control, are considered associates.

All financial statements used for consolidation are prepared in accordance with the accounting policies of the group.

The consolidated financial statements consolidate the financial statements of the parent and its subsidiaries by adding together items of a uniform nature, eliminating intercompany income and expenditure, equity investments, intercompany balances and dividends as well as gains and losses resulting from transactions between the consolidated enterprises to the extent that the underlying assets and liabilities are not realised.

20. Accounting policies - continued -

CURRENCY

The annual report is presented in Danish kroner (DKK).

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets, inventories and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

LEASES

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

INCOME STATEMENT

Revenue

Income from the sale of goods is recognised in the income statement if delivery has taken place and the risk has passed to the buyer before the end of the financial year and where the selling price can be determined reliably and is expected to be paid. Revenue is measured at fair value and is determined exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

Production costs

Costs incurred, directly or indirectly, to generate the revenue for the year, including raw materials and consumables, wages and salaries and lease of and depreciation, amortisation and impairment losses on the fixed assets used in the production process, are recognised under production costs.

Distribution costs

Costs for the distribution of goods sold during the year and sales campaigns etc., including wages and salaries for sales staff, advertising and exhibition costs etc. and lease of and depreciation, amortisation and impairment losses on the fixed assets used in the distribution and sales activity, are recognised under distribution costs.

20. Accounting policies - continued -

Administrative expenses

Expenses incurred during the year for management and administration, including wages and salaries for administrative staff and management as well as office premise expenses, office expenses, bad debts etc. and lease of and depreciation, amortisation and impairment losses on the fixed assets used for administration, are recognised under administrative expenses.

Other operating income

Other operating income comprises income of a secondary nature in relation to the enterprise's activities, including rental income, negative goodwill and gains on the sale of intangible assets and property, plant and equipment.

Depreciation, amortisation and impairment losses

The depreciation and amortisation of intangible assets and property, plant and equipment aim at systematic depreciation and amortisation over the expected useful lives of the assets. Assets are depreciated and amortised according to the straight-line method based on the following expected useful lives and residual values:

	Useful lives, years	Residual value, per cent
Completed development projects	3-8	0
Acquired rights	1-8	0
Leasehold improvements	3-10	0
Other plant, fixtures and fittings, tools and equipment	3-5	0

The basis of depreciation and amortisation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation and amortisation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Intangible assets and property, plant and equipment are impaired in accordance with the accounting policies referred to in the 'Impairment losses on fixed assets' section.

Other operating expenses

Other operating expenses comprise costs of a secondary nature in relation to the enterprise's activities, including costs relating to rental activities and losses on the sale of intangible assets and property, plant and equipment.

20. Accounting policies - continued -

Income from equity investments in group entreprises

For equity investments in subsidiaries that in the parent are measured using the equity method, the share of the enterprises' profit or loss is recognised in the income statement after elimination of unrealised intercompany profits and losses and less any goodwill amortisation and impairment losses.

Income from equity investments in subsidiaries also comprises gains and losses on the sale of equity investments.

Other net financials

Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies, gains and losses on other securities and equity investments etc. are recognised in other net financials.

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

The company is jointly taxed with Danish consolidated enterprises. The parent is the administration company for the joint taxation and thus settles all income tax payments with the tax authorities.

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

BALANCE SHEET

Intangible assets

Completed development projects and development projects in progress

Development projects are recognised in the balance sheet where the project aims at developing a specific product or a specific process, intended to be produced or used, respectively, by the company in its production process. On initial recognition, development projects are measured at cost. Cost comprises the purchase price plus expenses resulting directly from the purchase, including wages and salaries directly attributable to the development projects until the asset is ready for use. Interest on

20. Accounting policies - continued -

loans arranged to finance development projects in the development period is not included in the cost. Other development projects and development costs are recognised in the income statement in the year in which they are incurred.

Development projects in progress are transferred to completed development projects when the asset is ready for use.

Development projects are subsequently measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Completed development projects are amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Acquired rights

Aquired rights are measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Acquired rights are amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains and losses on the disposal of intangible assets

Gains and losses on the disposal of intangible assets are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal.

Property, plant and equipment

Property, plant and equipment comprise leasehold improvements as well as other fixtures and fittings, tools and equipment.

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Property, plant and equipment under construction

Property, plant and equipment under construction are measured at cost. Costs incurred on property,

20. Accounting policies - continued -

plant and equipment under construction are transferred to the relevant asset category when the asset is ready for use.

Gains and losses on the disposal of property, plant and equipment

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

Equity investments in group entreprises

Equity investments in subsidiaries are measured in the balance sheet of the parent according to the equity method, meaning that these equity investments are measured at the proportionate share of the enterprises' equity value, determined according to the accounting policies of the parent, adjusted for the remaining value of positive or negative goodwill and gains and losses on transactions with the enterprises in question.

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation and amortisation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist.

Inventories

Inventories are measured at cost calculated according to the FIFO principle. Inventories are written down to the lower of cost and net realisable value.

The cost of raw materials and consumables as well as goods for resale is determined as purchase

20. Accounting policies - continued -

prices plus expenses resulting directly from the purchase.

The cost of manufactured finished goods and work in progress is determined as the value of direct material and labour costs. Interest on loans arranged to finance production is not included in the cost.

The net realisable value of inventories is determined as the selling price less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and the expected development in the selling price.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Deposits recognised under assets comprise deposits paid to the lessor under leases entered into by the company.

Prepayments

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

Other investments

Other equity investments are measured at fair value in the balance sheet. For equity investments that are traded in an active market, fair value is equivalent to the market value at the balance sheet date. Other equity investments for which fair value cannot be determined reliably are measured at cost.

Cash

Cash includes deposits in bank accounts as well as operating cash.

Equity

The net revaluation of equity investments in subsidiaries is recognised in the financial statements of the parent in the net revaluation reserve in equity according to the equity method to the extent that the carrying amount exceeds the cost.

20. Accounting policies - continued -

Provisions

Other provisions comprise expected expenses incidental to warranty commitments, restructuring etc. and are recognised when the company has a legal or constructive obligation at the balance sheet date and it is probable that such obligation will draw on the financial resources of the the company. Provisions are measured at net realisable value or fair value if the provision is expected to be settled over the longer term.

Warranty commitments comprise the obligation to repair defective work within the warranty period of 1-5 years. Warranty commitments are measured at net realisable value and recognised based on previous years' experience with warranty work.

Current and deferred tax

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

Joint taxation contributions payable and receivable are recognised as income tax under receivables or payables in the balance sheet.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables

Long-term payables are measured at cost at the time of contracting such liabilities (raising of the loan). The payables are subsequently measured at amortised cost where capital losses and loan expenses are recognised in the income statement as a financial expense over the term of the payable

20. Accounting policies - continued -

on the basis of the calculated effective interest rate in force at the time of contracting the liability.

Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.

CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method, showing cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities comprise the net profit or loss for the year, adjusted for non-cash operating items, income tax paid and changes in working capital.

Cash flows from investing activities comprise payments in connection with the acquisition and divestment of companies and financial assets as well as the purchase, development, improvement and sale of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the parent's share capital and associated costs and financing from and dividends paid to shareholders as well as the arrangement and repayment of long-term payables.

Cash and cash equivalents at the beginning and end of the year comprise cash and short-term payables to credit institutions.