

**Sonion A/S**  
Byleddet 12-14  
4000 Roskilde  
Central Business Registration No  
25141350

## **Annual report 2016**

The Annual General Meeting adopted the annual report on 31.05.2017

### **Chairman of the General Meeting**

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Name: Christian Johannes Gellert Nielsen

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## Entity details

### Entity

Sonion A/S  
Byleddet 12-14  
4000 Roskilde

Central Business Registration No: 25141350  
Registered in: Roskilde  
Financial year: 01.01.2016 - 31.12.2016

Phone: 46306666  
Fax: 46306677  
Website: [www.sonion.com](http://www.sonion.com)  
E-mail: [sonion@sonion.com](mailto:sonion@sonion.com)

### Board of Directors

Walther Thygesen, Chairman  
Christian Johannes Gellert Nielsen  
Kim Vorbeck Jans

### Executive Board

Jesper Ahlmann Funding Andersen  
Christian Johannes Gellert Nielsen

### Auditors

Deloitte Statsautoriseret Revisionspartnerselskab  
Weidekampsgade 6  
2300 Copenhagen S

## Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Sonion A/S for the financial year 01.01.2016 - 31.12.2016.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Roskilde, den 31.05.2017

### Executive Board

Jesper Ahlmann Funding  
Andersen

Christian Johannes Gellert  
Nielsen

### Board of Directors

Walther Thygesen  
Chairman

Christian Johannes Gellert  
Nielsen

Kim Vorbeck Jans

# Independent auditor's report

## To the shareholder of Sonion A/S

### Opinion

We have audited the financial statements of Sonion A/S for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant 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 Entity's financial position at 31.12.2016 and of the results of its operations and cash flows for the financial year 01.01.2016 - 31.12.2016 in accordance with the Danish Financial statements Act.

### Basis for opinion

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

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

### Auditor's responsibilities for the audit of the 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 judgement and maintain professional scepticism throughout the audit. We also:

## Independent auditor's report

- 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 procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the 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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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.

### **Statement on the management commentary**

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

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

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial statements Act.

## Independent auditor's report

Based on the work we have performed, we conclude that the management commentary 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 of the management commentary.

Copenhagen, 31.05.2017

### **Deloitte**

Statsautoriseret Revisionspartnerselskab

Central Business Registration No: 33963556

Kim Takata Mücke

State Authorised Public Accountant

## Management commentary

	2016	2015	2014	2013	2012
	USD'000	USD'000	USD'000	USD'000	USD'000
<b>Financial highlights</b>					
<b>Key figures</b>					
Revenue	184.936	178.226	163.176	154.687	143.388
Gross profit/loss	8.787	8.659	18.908	15.866	9.579
Operating profit/loss	2.657	3.744	8.200	8.478	1.850
Net financials	(1.315)	(972)	6.545	(58.192)	4.196
Profit/loss for the year	(423)	1.408	(60)	63.787	7.348
Total assets	356.835	366.317	292.581	356.219	230.003
Investments in property, plant and equipment	987	1.716	1.832	2.258	1.405
Equity	61.467	62.854	149.027	192.512	23.048
Employees in average	71	76	72	74	109
<b>Ratios</b>					
Return on equity (%)	(0,7)	1,3	0,0	59,2	42,0
Equity ratio (%)	17,2	17,2	50,9	54,0	10,0
Net profit ratio (%)	1,4	2,1	5,0	5,5	1,3
Return on assets (%)	1,7	1,1	2,1	3,0	0,9

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

<b>Ratios</b>	<b>Calculation formula</b>	<b>Ratios</b>
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity.
Net profit ratio (%)	$\frac{\text{Profit from ordinary operations activities}}{\text{Revenue}} \times 100$	Profitability of the entity.
Return on assets (%)	$\frac{\text{Profit from ordinary operations activities}}{\text{Average operating assets}} \times 100$	The entity's ability to generate returns on capital invested.



## Management commentary

### **Primary activities**

The primary activity of the Company is development of micro mechanical components and sale of advanced micro acoustic and micro mechanical component and solutions.

In cooperation with group related companies the Company provides solutions for manufacture of hearing instruments.

At group level we are a global leader within sale and development of advanced micro-acoustic and micro mechanical components as well as cost-efficient production. We combine our audiological expertise with our substantial experience in low-cost production areas.

In 2016, we successfully continued our strategy aimed at servicing the hearing health industry with innovative technologies and solutions and we now have an even stronger platform.

In recent years, we have made an expansion of our R&D capacity and we have made investments in production expansions. These actions have taken place to meet the demand there is in the market for our innovative products.

Also for 2016, we have seen that these investments continue to provide a satisfactory yield. Our customers have shown great interest in the the many products we have introduced in the recent years and we have similar high expectations for our 2017 launches. Our quality, delivery performance and production efficiency have been at a high satisfactory level, which means that we have been able to meet our customers' expectations.

We feel strongly positioned to capitalise on the possibilities we see in our market and we thus expect to realize growth also in 2017.

### **Development in activities and finances**

The Company realised a revenue growth of 4% compared to 2015 measured in the main currency of the Company, US Dollar. The Company's operating results and financial development were realised as expected in our latest annual report and, as a whole, they are considered satisfactory.

#### ***Gross profit***

Gross profit amounts to USD 8.8 million equivalent to a gross margin of 5% which is similar to 2015.

#### ***Profit from operating activities***

Operating profit amounts to USD 2.7 million, which, is a decrease of USD 1 million compared to 2015.

#### ***Financial income and expenses***

For 2016, these items comprise primarily interest expenses regarding interest and foreign exchange adjustments of loans, including bank loans.

#### ***Balance sheet***

The total assets at the end of 2016 showed an amount of USD 357 million equivalent to a decrease of USD 9 million compared to 2015.

## Management commentary

### **Risks**

Sonion A/S has committed to a high standard of business conduct and rational management of our risk in order to protect the Company's assets, secure shareholder investments and comply with applicable laws.

Sonion A/S follows the Group's program concerning risk management.

### **Statutory report on corporate social responsibility**

The Group has chosen to publish the statutory report on corporate social responsibility on the Company's website. Please use the following URL:

<http://www.sonion.com/about/CSR.aspx>

### **Events after the balance sheet date**

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

### **Outlook**

We expect the hearing instrument market to continue its long-term volume growth rates of approximately 5% in 2017

Based on the underlying increase in the market for hearing aid, combined with a very positive customer feedback of new product launches, we expect to continue our growth in 2017.

## Income statement for 2016

	<u>Notes</u>	<u>2016 USD'000</u>	<u>2015 USD'000</u>
Revenue	1	184.936	178.226
Production costs	4	<u>(176.149)</u>	<u>(169.567)</u>
<b>Gross profit/loss</b>		<b>8.787</b>	<b>8.659</b>
Distribution costs	4	(2.522)	(3.096)
Administrative costs	3, 4	<u>(3.608)</u>	<u>(1.819)</u>
<b>Operating profit/loss</b>		<b>2.657</b>	<b>3.744</b>
Other financial income	5	6.328	24.385
Other financial expenses	6	<u>(7.643)</u>	<u>(25.357)</u>
<b>Profit/loss before tax</b>		<b>1.342</b>	<b>2.772</b>
Tax on profit/loss for the year	7	<u>(1.765)</u>	<u>(1.364)</u>
<b>Profit/loss for the year</b>	8	<u><b>(423)</b></u>	<u><b>1.408</b></u>

## Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 USD'000</u>	<u>2015 USD'000</u>
Acquired intangible assets		22	77
Goodwill		113.364	119.662
<b>Intangible assets</b>	9	<b>113.386</b>	<b>119.739</b>
Plant and machinery		2.430	3.147
Other fixtures and fittings, tools and equipment		351	268
Leasehold improvements		5	8
Property, plant and equipment in progress		406	196
<b>Property, plant and equipment</b>	10	<b>3.192</b>	<b>3.619</b>
Receivables from group enterprises		189.712	195.946
Other receivables		4.337	110
<b>Fixed asset investments</b>	11	<b>194.049</b>	<b>196.056</b>
<b>Fixed assets</b>		<b>310.627</b>	<b>319.414</b>
Raw materials and consumables		102	160
Work in progress		0	24
Manufactured goods and goods for resale		3.254	4.408
<b>Inventories</b>		<b>3.356</b>	<b>4.592</b>
Trade receivables		26.915	30.241
Receivables from group enterprises		415	9.782
Deferred tax	12	927	881
Other receivables		124	86
Prepayments	13	642	737
<b>Receivables</b>		<b>29.023</b>	<b>41.727</b>
<b>Cash</b>		<b>13.829</b>	<b>584</b>
<b>Current assets</b>		<b>46.208</b>	<b>46.903</b>
<b>Assets</b>		<b>356.835</b>	<b>366.317</b>

## Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016 USD'000</u>	<u>2015 USD'000</u>
Contributed capital		1.757	1.757
Retained earnings		59.710	61.097
<b>Equity</b>		<b>61.467</b>	<b>62.854</b>
Bank loans		219.663	239.472
<b>Non-current liabilities other than provisions</b>	14	<b>219.663</b>	<b>239.472</b>
Current portion of long-term liabilities other than provisions	14	20.140	20.217
Bank loans		113	1.279
Trade payables		502	487
Payables to group enterprises		47.184	36.080
Income tax payable		1.238	944
Other payables	15	6.528	4.984
<b>Current liabilities other than provisions</b>		<b>75.705</b>	<b>63.991</b>
<b>Liabilities other than provisions</b>		<b>295.368</b>	<b>303.463</b>
<b>Equity and liabilities</b>		<b>356.835</b>	<b>366.317</b>
Contingent liabilities	16		
Related parties with controlling interest	17		
Group relations	18		

## Statement of changes in equity for 2016

	<b>Contributed capital USD'000</b>	<b>Retained earnings USD'000</b>	<b>Total USD'000</b>
Equity beginning of year	1.757	61.097	62.854
Other equity postings	0	(964)	(964)
Profit/loss for the year	0	(423)	(423)
<b>Equity end of year</b>	<b>1.757</b>	<b>59.710</b>	<b>61.467</b>

## Notes

### 1. Revenue

Sonion A/S omits to disclose the distribution of the revenue in business areas and geographical segments in accordance with the Danish Financial Statement Act § 96.

	<b>2016</b>	<b>2015</b>
	<b>USD'000</b>	<b>USD'000</b>
<b>3. Fees to the auditor appointed by the Annual General Meeting</b>		
Statutory audit services	41	34
Tax services	28	112
Other services	20	27
	<b>89</b>	<b>173</b>

	<b>2016</b>	<b>2015</b>
	<b>USD'000</b>	<b>USD'000</b>
<b>4. Staff costs</b>		
Wages and salaries	5.619	5.996
Pension costs	509	511
Other social security costs	34	34
	<b>6.162</b>	<b>6.541</b>

Number of employees at balance sheet date	<b>67</b>	<b>83</b>
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Average number of employees	<b>71</b>	<b>76</b>
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	<b>2016</b>	<b>2015</b>
	<b>USD'000</b>	<b>USD'000</b>
<b>5. Other financial income</b>		
Financial income arising from group enterprises	4.720	6.112
Exchange rate adjustments	1.533	18.264
Other financial income	75	9
	<b>6.328</b>	<b>24.385</b>

## Notes

	<b>2016</b>	<b>2015</b>
	<b>USD'000</b>	<b>USD'000</b>
<b>6. Other financial expenses</b>		
Financial expenses from group enterprises	899	1.244
Interest expenses	6.115	6.216
Exchange rate adjustments	629	15.633
Other financial expenses	0	2.264
	<b>7.643</b>	<b>25.357</b>
	<b>2016</b>	<b>2015</b>
	<b>USD'000</b>	<b>USD'000</b>
<b>7. Tax on profit/loss for the year</b>		
Tax on current year taxable income	1.811	2.269
Change in deferred tax for the year	(46)	321
Adjustment concerning previous years	0	(1.226)
	<b>1.765</b>	<b>1.364</b>
	<b>2016</b>	<b>2015</b>
	<b>USD'000</b>	<b>USD'000</b>
<b>8. Proposed distribution of profit/loss</b>		
Retained earnings	(423)	1.408
	<b>(423)</b>	<b>1.408</b>
	<b>Acquired</b>	<b>Goodwill</b>
	<b>intangible</b>	<b>USD'000</b>
	<b>assets</b>	<b>USD'000</b>
	<b>USD'000</b>	<b>USD'000</b>
<b>9. Intangible assets</b>		
Cost beginning of year	1.025	125.960
<b>Cost end of year</b>	<b>1.025</b>	<b>125.960</b>
Amortisation and impairment losses beginning of year	(948)	(6.298)
Amortisation for the year	(55)	(6.298)
<b>Amortisation and impairment losses end of year</b>	<b>(1.003)</b>	<b>(12.596)</b>
<b>Carrying amount end of year</b>	<b>22</b>	<b>113.364</b>



## Notes

	<b>Plant and machinery USD'000</b>	<b>Other fixtures and fittings, tools and equipment USD'000</b>	<b>Leasehold improve- ments USD'000</b>	<b>Property, plant and equipment in progress USD'000</b>
<b>10. Property, plant and equipment</b>				
Cost beginning of year	24.939	4.819	1.680	196
Transfers	182	0	0	(182)
Additions	187	249	0	551
Disposals	(300)	(1.640)	0	(159)
<b>Cost end of year</b>	<b>25.008</b>	<b>3.428</b>	<b>1.680</b>	<b>406</b>
Depreciation and impairment losses beginning of the year	(21.792)	(4.551)	(1.672)	0
Depreciation for the year	(992)	(166)	(3)	0
Reversal regarding disposals	206	1.640	0	0
<b>Depreciation and impairment losses end of the year</b>	<b>(22.578)</b>	<b>(3.077)</b>	<b>(1.675)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>2.430</b>	<b>351</b>	<b>5</b>	<b>406</b>

### 11. Fixed asset investments

	<b>Receivables from group entreprises USD '000</b>	<b>Other recei- vables USD '000</b>
Cost Beginning of year	195.946	110
Additions	0	4.227
Disposals	(6.234)	0
Cost end of year	<b>189.712</b>	<b>4.337</b>
Carrying amount end of year	<b>189.712</b>	<b>4.337</b>

## Notes

	<b>2016</b>
	<b>USD'000</b>
<b>12. Deferred tax</b>	
<b>Changes during the year</b>	
Beginning of year	881
Recognised in the income statement	46
<b>End of year</b>	<b>927</b>

The deferred tax assets is expected to be set-off against taxable income in the foreseeable future.

### 13. Prepayments

Prepayments comprise incurred cost relating to subsequent financial years

	<b>Instalments within 12 months 2016 USD'000</b>	<b>Instalments within 12 months 2015 USD'000</b>	<b>Instalments beyond 12 months 2016 USD'000</b>
<b>14. Liabilities other than provisions</b>			
Bank loans	20.140	20.217	219.663
	<b>20.140</b>	<b>20.217</b>	<b>219.663</b>

	<b>2016</b>	<b>2015</b>
	<b>USD'000</b>	<b>USD'000</b>
<b>15. Other payables</b>		
VAT and duties	930	979
Wages and salaries, personal income taxes, social security costs, etc payable	374	290
Holiday pay obligation	798	770
Other costs payable	4.426	2.945
	<b>6.528</b>	<b>4.984</b>

### Application of financial instruments

In order to hedge the value of future cash flows, the Company applies forward exchange contracts, options and interest swaps. At 31 December 2016, the Company had an unrealized net loss of USD 3.057 k, which has been recognized under other debt and in equity. At 31 December 2015, the Company had an unrealized net loss of USD 1.857 k which was recognized under other debt and in equity. At 31 December 2016, the nominal value of the contracts entered into amounts to USD 61.100 k (2015: USD 48.500 k). All currency hedging contracts have been entered to hedge costs in EUR, DKK, PHP and CHF.

## Notes

### 16. Contingent liabilities

Sonion A/S has operating lease commitments of USD 12 k regarding cars and copying equipment. The leases will expire in April 2018 at the latest.

Sonion A/S has entered into rental contracts with a notice period of nine months, equivalent to USD 156 k.

Sonion A/S has provided a payment guarantee to third party of USD 334 k.

The Company participates in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable from the financial year 2013 for income taxes etc for the jointly taxed companies and from 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies.

### 17. Related parties with controlling interest

Related parties with a controlling interest:

<b>Name</b>	<b>Registered office</b>	<b>Basis of influence</b>
Novo Nordisk Fonden	Hellerup, Denmark	Ultimate owner

### 18. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

Novo Nordisk Fonden, Hellerup, Denmark

## Accounting policies

### Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

The financial statements is presented in USD, which is the functional currency of the Entity. At 31 December 2016 the financial statement is translated using the exchange rate at the balance sheet data which was 7.05 and ind 2015 was 6.83.

The accounting policies applied to these financial statements are consistent with those applied last year.

### Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

### Foreign currency translation

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

### Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of cost of the relevant financial statement items.

## Accounting policies

For derivative financial instruments that do not comply with the requirements for being treated as hedging instruments, changes in fair value are recognised currently in the income statement as financial income or financial expenses.

### **Income statement**

#### **Revenue**

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer and income can be measured reliable and is expected to be received. Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

#### **Production costs**

Production costs comprise cost of sales and indirect production cost, including wages and salaries and depreciation incurred to achieve the years's revenue.

Production cost also include development cost, that do not meet the criteria for capitalization in the balance sheet.

#### **Distribution costs**

Distribution costs comprise costs incurred for distribution of goods sold, including cost for sales and distribution staff, advertising cost as well as depreciation and amortisation.

#### **Administrative costs**

Administrative costs comprise expenses incurred for the Company's administrative functions, including wages and salaries for administrative staff and Management, stationery and office supplies as well as depreciation and amortisation.

#### **Other financial income**

Other financial income comprises interest income, including interest income on receivables from group enterprises, currency gains and transactions in foreign currencies etc.

#### **Other financial expenses**

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, currency losses as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

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

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Company is part of joint taxation. The current Danish income tax is allocated among the jointly taxed companies proportionally to their taxable income (full allocation with a refund concerning tax losses)

## Accounting policies

### Balance sheet

#### Goodwill

Goodwill is the positive difference between cost and value in use of assets and liabilities taken over as part of the acquisition. Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. The amortisation period is 20 years. The amortisation is included in production costs.

Goodwill is written down to the lower of recoverable amount and carrying amount.

#### Intellectual property rights etc

Intellectual property rights etc comprise patents.

Intellectual property rights acquired are measured at cost less accumulated amortisation and impairment losses. Patents are amortised over their remaining duration.

#### Property, plant and equipment

Leasehold improvements, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For own-manufactured assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Plant and machinery	5-10 years
Other fixtures and fittings, tools and equipment	3-10 years
Leasehold improvements	2-10 years

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Gains and losses from the sale of property, plant and equipment are calculated as the difference between selling price less selling cost and carrying amount at the time of sale. Gains or losses are recognised in the income statement as adjustment to depreciation and impairment losses, or under other operating income if the selling price exceeds original cost.

#### Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

#### Inventories

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

## Accounting policies

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale. Furthermore, net realizable value is determined with regard to marketability, obsolescence and development in expected selling price.

### Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

### Prepayments

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

### Cash

Cash comprises cash in hand and bank deposits.

### Operating leases

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

### Other financial liabilities

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

### Income tax receivable or payable

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

### Cash flow statement

According to section 86(4) of the Danish Financial Statements Act, a cash flow statement has not been prepared.