



Sonion A/S

Betonvej 10, 4000 Roskilde

Central Business Registration Number 25 14 13 50

Annual report 2021

The Annual General Meeting adopted the annual report on 27.04.2022

Chairman of the General Meeting

A handwritten signature in blue ink, consisting of a large, stylized initial 'M' followed by a long, horizontal stroke.

Mette Munk Boje-Larsen

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Company details

Company

Sonion A/S
Betonvej 10
4000 Roskilde

Central Business Registration No: 25141350

Registered in: Roskilde

Financial year: 01.01.2021 - 31.12.2021

Phone: 46306666

Fax: 46306677

Website: www.sonion.com

E-mail: sonion@sonion.com

Board of Directors

Mette Munk Boje-Larsen, chairman

Kenneth Hune Petersen

Kim Vorbeck Jans

Executive Board

Kenneth Hune Petersen

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 01.01.2021 - 31.12.2021.

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 Company's financial position at 31.12.2021 and of the results of its operations for the financial year 01.01.2021 - 31.12.2021.

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, 20.04.2022

Executive Board

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Kenneth Hune Petersen

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Kenneth Hune Petersen

Board of Directors

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Mette Munk Boje-Larsen

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Mette Munk Boje-Larsen

Chairman

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Kenneth Hune Petersen

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Kenneth Hune Petersen

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Kim Vorbeck Jans

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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 01.01.2021 - 31.12.2021, 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 Company's financial position at 31.12.2021 and of the results of its operations for the financial year 01.01.2021 - 31.12.2021 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 Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Independent auditor's report

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 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 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.

Independent auditor's report

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.

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, 20.04.2022

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33 96 35 56

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Kim Takata Mücke

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Kim Takata Mücke

State Authorised Public Accountant
mne10944

DocuSigned by:

Henrik Wolff Mikkelsen

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Henrik Wolff Mikkelsen

State Authorised Public Accountant
mne33747

Management commentary

	2021	2020	2019	2018	2017
	USD'000	USD'000	USD'000	USD'000	USD'000
Financial highlights					
Key figures					
Revenue	224,872	205,630	228,337	223,980	198,073
Gross profit	7,346	10,200	15,106	14,257	11,235
Operating profit	-3,631	-742	1,973	4,426	3,428
Net financials	1,088	-2,915	-1,309	1,054	-10,641
Profit/loss for the year	-3,370	-4,242	-888	2,870	-6,999
Total assets	430,486	457,276	470,431	503,911	538,308
Investments in property, plant and equipment	656	686	184	665	705
Equity	51,264	54,416	58,667	60,184	59,799
Employees in average	23	25	30	29	47
Ratios					
Return on equity (%)	-6.4	-7.5	-1.5	4.8	-11.5
Equity ratio (%)	11.9	11.9	12.5	11.9	11.1
Net profit ratio (%)	-1.6	-0.4	0.9	2.0	1.7
Return on assets (%)	-2.2	-0.5	1.3	2.6	0.8

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Explanation
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The Company's return on capital invested in the Company by the owner.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the Company.
Net profit ratio (%)	$\frac{\text{Operating profit} \times 100}{\text{Revenue}}$	Profitability of the Company.
Return on assets (%)	$\frac{\text{Operating profit} \times 100}{\text{Average operating assets}}$	The Company'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 sales of advanced micro acoustic and micro mechanical component and solutions.

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

At group level we are a global leader within sales and development of advanced microacoustic 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 2021, 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.

For 2021 we have seen that these investments continue to provide a satisfactory yield taking Covid-19 into consideration. Our customers have shown great interest in the many products we have introduced in the recent years and we have similar high expectations for our 2022 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 in 2022.

Target for the underrepresented gender

The target of the Company was to include at least 20% female board members in the board of directors by the end of 2023. The target has been reached as 33% are currently female.

Development in activities and finances

The Company realised a revenue growth of 9% compared to 2020, although during third quarter of 2021 the sales dropped significantly with 20% compared to third quarter of 2020 due to our production activities in Vietnam was imposed strict restrictions as the regulations of local Government to prevent to spread of Covid-19, that caused the quantity of output dropped during third quarter.

The Hearing Health industry partly recovered during fourth quarter.

The Company's operating results and financial development were not realised as expected in our latest annual report due to Covid-19, but as a whole, they are considered satisfactory.

Management commentary

Gross profit

Gross profit amounts to USD 7.3 million equivalent to a gross margin of 3% which is a decrease of 2%-points compared to 2020.

Profit from operating activities

Operating profit amounts to USD -3.6 million, which is a decrease of USD 2.9 million compared to 2020.

Financial income and expenses

For 2021, 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 2021 showed an amount of USD 430 million equivalent to a decrease of USD 27 million compared to 2020.

Risks

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

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/wp/about/csr/>

Data ethics

Group policies for data ethics are available via the annual report for Novo Nordisk Fonden, CVR-no 10582989.

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 5-7% in 2022.

Based on the underlying increase in the market for hearing aids, combined with a very positive customer feedback of new product launches, we expect to continue our growth in 2022. Compared to 2021, a revenue growth of around 5% is expected, which to a high degree reflects a weak 2021 due to Covid-19. This leads to an expected operating profit of USD 2-3 million for 2022.

Income statement for 2021

		2021	2020
	Notes	USD'000	USD'000
Revenue	1	224,872	205,630
Production costs		-217,526	-195,430
Gross profit		7,346	10,200
Distribution costs		-7,555	-8,114
Administrative costs	2	-3,422	-2,828
Operating profit		-3,631	-742
Other financial income	3	7,033	7,587
Other financial expenses	4	-5,945	-10,502
Profit/loss before tax		-2,543	-3,657
Tax on profit/loss for the year	5	-827	-585
Profit/loss for the year	6	-3,370	-4,242

Balance sheet at 31.12.2021

	Notes	2021 USD'000	2020 USD'000
Acquired intangible assets		1,737	2,609
Goodwill		81,874	88,172
Intangible assets	7	83,611	90,781
Plant and machinery		303	206
Other fixtures and fittings, tools and equipment		582	355
Property, plant and equipment in progress		20	0
Right-of-use assets		153	298
Property, plant and equipment	8	1,058	859
Receivables from group enterprises		271,193	281,170
Other receivables		4,277	4,277
Fixed asset investments	9	275,470	285,447
Fixed assets		360,139	377,087
Manufactured goods and goods for resale		6,808	3,270
Inventories		6,808	3,270
Trade receivables		36,409	33,864
Receivables from group enterprises		0	3,272
Deferred tax	10	554	582
Other receivables		1,328	1,594
Corporate income tax receivables		0	558
Prepayments		208	20
Receivables		38,499	39,890
Cash		25,040	37,029
Current assets		70,347	80,189
Assets		430,486	457,276

Balance sheet at 31.12.2021

	Notes	2021 USD'000	2020 USD'000
Contributed capital	11	1,757	1,757
Retained earnings		49,507	52,659
Equity		51,264	54,416
Bank loans	12	267,351	324,940
Lease liability	13	0	134
Non-current liabilities other than provisions		267,351	325,074
Current portion of long-term liabilities other than provisions	12	33,137	361
Lease liability	13	134	159
Bank loans		30	810
Trade payables		2,920	3,929
Payables to group enterprises		70,205	67,741
Income tax payable		329	0
Other payables	14	5,115	4,786
Current liabilities other than provisions		111,871	77,786
Liabilities other than provisions		379,222	402,860
Equity and liabilities		430,486	457,276
Contingent liabilities	17		
Related parties with controlling interest	18		
Group relations	19		
Subsequent events	20		

Statement of changes in equity for 2021

	Contributed capital USD'000	Retained earnings USD'000	Total USD'000
Equity beginning of year	1,757	52,659	54,416
Other equity postings	0	218	218
Profit/loss for the year	0	-3,370	-3,370
Equity end of year	1,757	49,507	51,264

Other equity postings composes of fair value changes of hedging instruments less related tax.

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 as this otherwise could cause significant damage to the Company.

	2021	2020
	USD'000	USD'000
2. Staff costs		
Wages and salaries	3,159	2,369
Pension costs	154	158
Other social security costs	9	16
	3,322	2,543
Average number of employees	23	25

In accordance with the Danish Financial Statement Act § 98b Executive Board costs are not specified as it consists of one person.

3. Other financial income

Financial income arising from group enterprises	4,764	7,455
Other financial income	126	132
Exchange rate adjustments	2,143	0
	7,033	7,587

4. Other financial expenses

Financial expenses from group enterprises	435	480
Interest expenses	5,510	8,234
Exchange rate adjustments	0	1,788
	5,945	10,502

5. Tax on profit/loss for the year

Tax on current year taxable income	802	498
Change in deferred tax for the year	28	87
Adjustment concerning previous years	-3	0
	827	585

6. Proposed distribution of profit/loss

Retained earnings	-3,370	-4,242
	-3,370	-4,242

Notes

	Acquired intangible assets USD'000	Goodwill USD'000
7. Intangible assets		
Cost beginning of year	2,609	125,960
Additions	0	0
Cost end of year	2,609	125,960
Amortisation and impairment losses beginning of year	0	-37,788
Amortisation for the year	-872	-6,298
Amortisation and impairment losses end of year	-872	-44,086
Carrying amount end of year	1,737	81,874

An impairment test based on normalized earnings has been conducted and the recoverable amount exceeds the carrying amount.

	Plant and machinery USD'000	Other fix- tures and fittings, tools and equipment USD'000	Property, plant and equipment in progress USD'000	Right-of-use assets USD'000
8. Property, plant and equipment				
Cost beginning of year	20,472	4,033	0	435
Additions	188	448	20	0
Cost end of year	20,660	4,481	20	435
Depreciation and impairment losses beginning of the year	-20,266	-3,678	0	-137
Depreciation for the year	-91	-221	0	-145
Depreciation and impairment losses end of the year	-20,357	-3,899	0	-282
Carrying amount end of year	303	582	20	153

Notes

	Receivables from group enterprises USD '000	Other receivables USD '000
9. Fixed asset investments		
Cost beginning of year	281,170	4,373
Instalments	-9,977	-96
Cost end of year	<u>271,193</u>	<u>4,277</u>
Carrying amount end of year	<u>271,193</u>	<u>4,277</u>
		2021
		<u>USD'000</u>
10. Deferred tax		
Changes during the year		
Beginning of year		582
Recognised in the income statement		-28
End of year		<u>554</u>

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

11. Contributed capital

The contributed capital consists of 12.023.465 shares of nominally DKK 1 each.

	Instalments within 12 months 2021 USD'000	Instalments within 12 months 2020 USD'000	Instalments beyond 12 months 2021 USD'000
12. Liabilities other than provisions			
Bank loans	33,137	361	267,351
	<u>33,137</u>	<u>361</u>	<u>267,351</u>

Notes

13. Lease liabilities

	Instalments within 12 months 2021 USD'000	Instalments within 12 months 2020 USD'000	Instalments beyond 12 months 2021 USD'000
Lease liabilities	134	159	0
	134	159	0

	2021 USD'000	2020 USD'000
14. Other payables		
VAT and duties	1,056	890
Wages and salaries, personal income taxes, social security costs, etc. payable	406	281
Holiday pay obligation	0	148
Other costs payable	3,653	3,467
	5,115	4,786

15. Fees to the auditor appointed by the Annual General Meeting

Statutory audit services	22	29
Tax services	61	7
Other service	61	22
	144	58

Notes

16. 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 2021, the Company had an unrealized net gain of USD 43 k, which has been recognized under other receivables with USD1,197 k, other payables with USD 1,154 k and in equity. At 31 December 2020, the Company had an unrealized net loss of USD 236 k which has been recognized under other receivables with 1,235 k, other payables with 1,471 k. and in equity. At 31 December 2021, the nominal value of the contracts entered into amounts to USD 19,900 k (2020: USD18,890 k). All currency hedging contracts have been entered to hedge costs in EUR, DKK, PLN and CHF. The nominal amount of the interest swap is USD 223.000 k.

17. Contingent liabilities

Sonion A/S has entered into rental contracts which will terminate without further notice at June 30 2022, equivalent to USD 73 k.

Sonion A/S has provided a payment guarantee to third party of USD 387 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 for income taxes etc for the jointly taxed companies and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies.

18. Related parties with controlling interest

Related parties with a controlling interest:

Name	Registered office	Basis of influence
Novo Nordisk Fonden	Hellerup, Denmark	Ultimate owner

19. Group relations

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

Novo Nordisk Fonden, Hellerup, Denmark

20. Subsequent events

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

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 Company since a significant part of the sales and purchases of the Company and thereby also trade receivables and trade payables are denominated in USD. The DKK exchange rate against USD applied is 6.5612 for 2021 and 6.0576 for 2020.

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 Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Company 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 Company, 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.

Accounting policies

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.

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 goods for resale is recognised at the point in time when control has been transferred to customers and if income can be measured reliably and is expected to be received. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Revenue is recognized in accordance with IFRS 15 'Revenue from Contracts with Customers'.

Production costs

Production costs comprise cost of sales and indirect production cost, including wages and salaries and depreciation and amortisation 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.

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.

Accounting policies

Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises and currency gains.

Other financial expenses

Other financial expenses comprises 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)

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 strategic assessment 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

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.

Accounting policies

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

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.

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.

Accounting policies

Cash

Cash comprises cash in hand and bank deposits.

Leases

The Company applies IFRS16 'Leases'.

The right-of-use assets have been recognised based on the amount equal to the leasing debt, adjusted for any lease prepayments. Subsequently, the right-of-use assets are depreciated on a straight line basis over the lease term. A right-of-use asset is remeasured when the leasing debt is remeasured.

Leasing debt is recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate as of the beginning of the year.

Short-term leases and low value leases are not recognized as right-of-use assets and leasing debt.

For building leases, lease terms are estimated taking the size of the building, its strategic importance and the estimated time frame necessary to vacate the premises into consideration. The estimated lease term is reassessed at each reporting date.

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.

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Sonion A/S, Betonvej 10, DK-4000 Roskilde, Denmark