Dynaudio Holding A/S

Sverigesvej 15
8660 Skanderborg
CVR No. 27215548

Annual report 2021

The Annual General Meeting adopted the annual report on 30.06.2022

Jian Guo
Chairman of the General Meeting

Contents

Entity details

Entity

Dynaudio Holding A/S

Sverigesvej 15

8660 Skanderborg

Business Registration No.: 27215548

Registered office: Skanderborg

Financial year: 01.01.2021 - 31.12.2021

Board of Directors

Jian Guo

Peng Li

Xiaoguang Gao

Executive Board

Jian Guo

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
City Tower, Værkmestergade 2
8000 Aarhus C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Dynaudio Holding 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 consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2021 and of the results of their operations and the consolidated cash flows 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.

Skanderborg, 30.06.2022

Executive Board

Jian Guo

Board of Directors

Jian Guo **Peng Li**

Xiaoguang Gao

Independent auditor's report

To the shareholders of Dynaudio Holding A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Dynaudio Holding 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, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2021 and of the results of their operations and the consolidated cash flows 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 consolidated financial statements and the parent financial statements" section of this auditor's report. We are independent of the Group 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 consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and 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 consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 consolidated financial statements and parent financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent 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 Group's and 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 consolidated financial statements and the parent 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 Group's and 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 consolidated financial statements and the parent 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 Group and the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent 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 performance 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 on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent 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 consolidated financial statements and the parent 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.

Aarhus, 30.06.2022

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Henrik Vedel
State Authorised Public Accountant
Identification No (MNE) mne10052

Management commentary

Financial highlights

	2021 DKK'000	2020 DKK'000	2019 DKK'000	2018 DKK'000	2017 DKK'000
Key figures					
Revenue	430,009	344,859	365,486	420,665	412,153
Gross profit/loss	198,846	120,400	60,620	81,041	98,849
Operating profit/loss	33,177	3,447	(219,060)	(88,834)	(68,840)
Net financials	2,851	4,201	(24,893)	(37,028)	9,687
Profit/loss for the year	27,505	4,416	(230,708)	(131,736)	(38,183)
Balance sheet total	385,280	318,493	308,747	478,823	423,875
Investments in property, plant and equipment	1,930	475	4,977	(9,062)	(14,543)
Equity	240,418	188,651	(189,610)	(152,034)	(19,243)
Cash flows from operating activities	(4,056)	35,967	17,913	(133,979)	(8,138)
Cash flows from investing activities	(17,087)	(19,137)	(40,600)	(45,575)	(44,347)
Cash flows from financing activities	10,500	4,905	44,937	185,765	104,120
Change in cash and cash equivalents for the year	(10,643)	21,735	22,250	6,211	51,635
Ratios					
Gross margin (%)	46.24	34.70	16.6	19.3	24.0
Profit margin	7.71	1.00	(59.9)	(20.9)	(12.2)
Return on assets	8.61	1.10	(71.0)	(18.4)	(11.9)
Solvency ratio (%)	62.40	60.00	(61.4)	(31.8)	(4.5)

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Gross margin ratio (%):
Gross profit/loss * 100
Revenue

Profit margin (%):
Operating profit/loss* 100
Revenue

Return on asset (%):
Operating profit/loss* 100
Total asset

Solvency ratio (%):
Equity* 100
Total asset

Primary activities

The Group's activities are to develop, produce and sell loudspeaker systems and loudspeaker drivers relying on advanced technology and high quality.
In order to provide premium loudspeaker products to our customers, Dynaudio's business model and business value chain include product definition, research and development of new technologies, new drivers and new loudspeakers, supply chain management, production, quality control, sales & marketing, customer care service, etc.

The core competencies are based on sound systems, and the corporate vision is to enrich life through authentic sound. This has been the ambition ever since the formation of Dynaudio. Regardless of the segment in which Dynaudio operates, the ultimate demand is placed on the quality of the sound systems which promote sound reproduction which is as authentic as possible.

Dynaudio's business foundation comprises the following five business areas:

- Home Audio – Premium Sound Systems and loudspeakers for consumer electronics audio industry including HIFI and Custom Install.
- Automotive Audio – Premium Sound Systems and drivers for the automotive industry and car aftermarket.
- PRO Audio– Systems for studios and other professional applications.
- Lifestyle Audio – Stylish Sound Systems and loudspeakers for consumer electronics audio industry.
- Co-Brand – co-develop or co-create with other brands to research and develop new audio products with premium sound quality.

Dynaudio Holding has sales and distribution companies in China, USA and Germany, which together with Dynaudio A/S in Denmark ensure the worldwide distribution of products. Our subsidiary in the Netherlands acts as local sales office for the Benelux area. Dynaudio also has a branch in Sweden. The majority of the employees in Dynaudio Group is located in Dynaudio A/S, Denmark.

Development in activities and finances

The investments in Dynaudio have been massive since our parent company, Goertek Inc. acquired us and the past years losses are due to the high commitment and support from our owners to secure the further development of Dynaudio. This will put Dynaudio into a strong competitive position in the future.

Dynaudio Shanghai, the head office of APAC, has seen rapid growth throughout the whole of 2021 and ended the year by achieving a very satisfying 22MDKK profit. Revenue from APAC accounts for more than 50% of the group revenue, and continues to display great potential for the immediate future. Through the development of close cooperation and partnerships with well-known companies such Xpeng, OPPO and JMGO, we can expect a further development within the APAC market.

Dynaudio North America has also shown a strong improvement in 2021, ending with a profit scenario, when compared to the large net loss of 2020.

Dynaudio Germany is also displaying better results for 2021, compared to 2020.
To conclude, all of the subsidiaries have had better results in 2021 compared with 2020, and we foresee a continual improvement in performance in the near future.

Profit/loss for the year in relation to expected developments

The income statement of the Group for 2021 shows a profit of DKK 27,505k (2020: DKK 4,416k), and as of 31 December 2021 the balance sheet of the company shows equity of DKK 240,418k (2020: DKK 188,651k).

In 2021, with the continuous development of COVID-19, management updated expectation of revenue of DKK 340 – 360 million, EBITDA of breakeven. However, the company is still facing challenges due to the global supply chain situation during the year. EBITDA is better than expected and improved due to cost savings during 2021. The company has not been significantly affected by the COVID-19. The management is satisfied with the improvement, especially during continuous development of the pandemic in 2021. All targets were met and the company performed much better than expected.

Outlook

The Group's outlook for the future is positive. Dynaudio's ambition is to enrich people's life through authentic sound and our mission is to bring the purest sound possible, to as many listeners as possible, with the world's most innovative premium loudspeakers. Dynaudio will continue to innovate within sound technologies and develop the best in class products to enrich people's life in Home Audio, Automotive Audio, Pro Audio, LifeStyle Audio and Co-Brand segments.

For 2022, management expected revenue of DKK 430 – 450 million, and EBITDA of breakeven.
The effect of the COVID-19 outbreak has not yet been eliminated. Dynaudio is still at risk of being negatively affected by COVID-19. However, many of the Group's customers have indicated that they will continue to honor orders currently in progress. Despite this, there is still a risk that revenue and earnings will decline as a consequence of COVID-19 and the conflict between Russia and Ukraine.

In 2022, investments in market and brand are expected to increase. Considering the increase of product margins and improvement in our operation efficiency, we still have confidence 2022 will be a year with positive results.

Vison, Mission and Core Value

In 2021, the corporate management team has redefined Dynaudio's vision, mission and core values to set our ambition and re-shape our culture. The conclusion is below.

Our vision:
To enrich life through authentic sound.

Our mission:
To bring the purest sound possible, to as many listeners as possible, with the world's most innovative premium loudspeakers.

Our core value:
► Customer Orientation ► Craftmanship ► Accountability
► Proactivity ► Efficiency ► Cooperation

Knowledge resources

The development of new products represents a significant parameter for the company, and particularly within acoustics and electronics. Therefore, access to competent resources needs to be secured. This is done through Dynaudio's talented R&D resources, through partnerships with the universities in Aarhus and Aalborg, and through close cooperation with knowledge-rich partners within the electronics sector.

Research and development activities

Dynaudio puts great focus on research and development. As a rule, each year we invest a part of our net revenue in research and product development. In 2021 we invested about 10% of our revenue. In order to have the best in class sound, Dynaudio has invested in our sound test lab, which is a 13 x 13 x 13m large chamber and guarantees a the purest possible sound performance. Dynaudio puts great focus on the development of talent ensuring the rapid improvement of their capabilities raising through participation in our innovative technology research and product development.

Statutory report on corporate social responsibility

The company provides sound systems, and the corporate vision is to enrich life through authentic sound, and detailed activities are described in the primary activity section.

Corporate Social Responsibility (CSR) is a natural and integrated focus area for Dynaudio. Our CSR policies concern our engagement with customers, suppliers, the local community, the industry as well as our own staff. By its nature, the quality certification under IATF 16949 places heavy demands on the company in terms of CSR, but Dynaudio has taken its social responsibility to an even higher level by introducing additional, relevant initiatives.

Environmental performance

As a tool for ensuring its high level of quality, for maintaining and developing its competitiveness as well as following e.g. environmental regulations, the company has opted to implement a quality and environmental management system which is based on Dynaudio requirements and processes and certified under IATF16949, VDA and DS/EN ISO 14001.

Dynaudio is externally audited annually and has an annual self-assessment cycle implemented as well. This ensures that our quality in all aspects is at the highest level possible to benefit all our business partners. The quality and environmental management system is effective for Dynaudio A/S in Denmark with regards to e.g., but not limited to, product development, construction, production, procurement, delivery, IT etc.
Dynaudio never compromises on the product quality adopted nor the environmental regulations. Combined with a zero-error quality concept, authentic music and sound reproduction is achieved through gradual as well as groundbreaking improvements within technology and quality. The philosophy to ensure continuous quality improvement is the very foundation on which the entire company and each staff member relies.
The company attempts to fulfil its vision through respect and consideration for the local and global effects that the products have on the physical and social environment. Dynaudio aims to attract and retain employees holding qualifications matching the company’s high level of ambition.

Any Dynaudio product must be capable of meeting the high technical standards in accordance with the customer’s wishes whilst retaining a sustainable environmental balance.

The objectives of Dynaudio’s quality and environmental management system are to ensure that:

- Dynaudio complies with all relevant laws, regulatory and customer requirements as well as other regulations to which Dynaudio has committed itself;
- Quality and environmental focus areas are improved regularly;
- Damage to and pollution of the environment are prevented.

The areas are all assessed regularly by internal audits carried out by our quality department. These audits are mandatory under the regulations of the certifications of DS/ISO/TS 16949 (future IATF 16949) and DS/EN ISO14001.

A positive work environment
Each of our employees are prohibited from discrimination of any kind (e.g., by disadvantaging, harassing, or bullying) and shall foster a respectful, partner-like interaction with one another. As part of this we have the value - Listen – meaning listening and respecting each other. We also have an anti-bullying /wellbeing policy. We create an environment which provides personal and professional prospects for our employees, in which employees can improve their skills and achieve the best results. We invest in the skills and competence of our employees. We expect that each of our employees maintains high personal standards for themselves, their performance and their health and that they actively participate in their own ongoing professional development.

Dynaudio is committed to creating a sound and positive working environment for all our employees. We believe it is vital for our company’s success that we are perceived as a great place to work. Dynaudio also performs annual employee satisfaction surveys for all employees worldwide. This is done as an anonymous survey at the end of each year. In 2021 the result of the annual employee satisfaction survey was on par with the previous year’s result.

Dynaudio will continue to perform annual satisfaction surveys at the end of the year. Cooperate Management Team(CMT) will analyze the overall results and look for ways to improve the overall motivation and satisfaction of the employees. HR will support CMT and line management in identifying root causes for lack of engagement and motivation, and making plans for improvement.

The main risk is to lose focus on making the improvements that have been identified after analyzing each survey result. HR is taking charge of ensuring workshops with each line manager to identify the improvement points and to make the necessary adjustment plans.

Risk Related to CSR
Dynaudio operates within a competitive global market. In order to create and sustain a profitable growth. Dynaudio consider risk management as key tool. Dynaudio considers the impact on Environment and Climate, Human Rights, Equal Gender Representation and Anti-Corruption to be limited. The company considers business risks together with these specific risks. In a situation where an increased risk is identified, the risk will be highlighted in each separate section below, including a description of our policy.

Environment and climate
Dynaudio products generally have long lifespans, which minimizes negative effects on the environment. However, we recognize that when manufacturing we use and transform natural resources and that our suppliers also use natural resources when delivering components to us. Therefore, we focus on maintaining a responsible and resource efficient business. Responsibility and efficiency is an integrated part of our certified DS/EN ISO 14001 environmental management system and we continuously seek to improve our environmental performance. Every year, we perform external audits according to our ISO 14001 environmental certification. In the future, Dynaudio will continue following ISO14001 standard and try to only use environment friendly materials in the R&D of new technologies and products.

Human Rights
We respect internationally recognized human rights and support the observance of these rights. We act in accordance with the applicable requirements of the International Labor Organization. We recognize the basic right of all employees to establish trade unions / labor representations and do not interfere or seek information regarding these rights. We reject all deliberate use of forced or compulsory labor. Child labor is prohibited. We heed the minimum age requirements for employment in accordance with governmental obligations. Remuneration and benefits paid or otherwise rendered in compensation for a normal working week are following

as a minimum the national legal standard or standards of the respective national economic region.
All of the above also goes for our suppliers and we work closely with our suppliers to ensure that they act in accordance of what we expect of them. Suppliers are often audited by our internal quality /procurement teams to ensure that the code of conduct is followed. In 2021, all Dynaudio suppliers agreed to follow our Code of Conduct, which is a requirement for being a Dynaudio partner and is included in our supplier terms & conditions.

Our frequent supplier visits ensure nonconformities are assessed and all have planned corrective actions. According to ISO 14001 suppliers must document that a Code of Conduct is followed and future supplier audits will include a more detailed control to ensure that they are indeed following the agreed Code of Conduct. Dynaudio will continue to act in accordance with the applicable requirements of the International Labor Organization and will improve human rights, emphasize Code of Conduct and do more related activities time to time in the future.

Anti-Corruption
It is important to us that the employment activities of our employees do not create a conflict between their private interests and those of Dynaudio. Therefore, it is imperative that all situations from which conflicts of interest could arise be avoided. For the protection of Dynaudio and our employees, we have established internal rules of conduct as well as a system for exposure, and the pursuit of such activities and offences.

Corruption is forbidden worldwide and unacceptable behavior for a Dynaudio employee, business partner and customer. It is a criminal act and will not be tolerated. No employee may use the business connections of the company for their own benefit or for that of another or to the disadvantage of the company. This means, in particular that none of our employees may grant or accept impermissible personal benefits (e.g., money, tangible assets, or services) that are intended to influence a fact-based decision. In 2021, all new employees completed an extensive business ethics training as a part of the on-boarding program.

No case of corruption and bribery was reported during 2021, nor had any of our employees received excessive gifts/presents from our business partners, to the best of our knowledge.

Dynaudio will continue developing the anti-corruption training and present it to all new employees. The company will also hold regular training for all employees every year and keep whistleblower regulation in our employee manual.

Supporting the community – we grow together
Dynaudio has decided to play an active role in helping citizens in the Skanderborg area go back to work, into the job market and also in integrating newcomers to Denmark. We do this based on our value GROW. Helping in this way gives us pride in our organization, it grows our understanding of the diversity in people and backgrounds and while doing so, we support our intern's growth of self-confidence, work identity, language skills, etc. To support this task, we have a full-time mentor employed who coordinates internships/job trainings of different lengths with the local Job Centers.

Leading
We are leaders within our field and have the best-of-the-best experts in our employ. In order to support and ensure the experts for the future, our specialist and managers are active as tutors/mentors at e.g. Aarhus and Aalborg University, sharing their knowledge and helping to educate the experts of the future. We work together with educational institutions at all level from seventh graders to PhD candidates, inviting them to Dynaudio, where possible for e.g. factory tours, assignment collaborations and internships. We feel a responsibility towards the employees of the future – giving them insight into our industry and the wide variety of job possibilities it holds.

Sponsoring
We award sponsorship in the context of the respective legal framework and in accordance with the applicable internal rules. This means it must be relevant for our work field and/or have a social/health benefit for our employees. We have active sponsorships with regards to:

- The continuation of the support of The Music Hall in Aarhus.
- Dynaudio Midsommer Stafet (running event), which is both a social and health-conscious event bringing people together, sharing fun and food, as well as expanding networks across work areas, hierarchy levels etc.

To Lead we need to continuously improve
Dynaudio A/S' CSR policies are reviewed regularly at top management level and by the collaboration committee to ensure that these policies always comply with applicable national and international guidelines, and that they are developed and improved upon on an ongoing basis. The areas are all assessed regularly by internal audits carried out by our quality department. These audits are mandatory under the regulations of the certifications of DS/ISO/TS 16949 (future IATF 16949) and DS/EN ISO 14001. Our investments are in line with the Dynaudio strategy and ensure both positive impact on our environment as well as on our expenditure forward. Further energy savings programs have been initiated in 2021 and onwards.

Statutory report on the underrepresented gender

We want to be a Company which is known as giving equal opportunity and equal treatment, irrespective of ethnicity, skin color, gender, disability, ideology, faith, nationality, sexual orientation, social background, or political conviction. This view is reflected in our hiring process. Our employees are chosen, hired, and supported based on their qualifications and skills. However, we do seek toward equal representation in the hiring process. For the board of directors, company will consider introduce a female board member in the following several years to obtain a more equal gender representation.

At cooperate management team(CMT) level, policies have been introduced to ensure larger gender equality within the company. By the end of 2020, we have a more equal gender representation. 28% of CMT are female. We will have more efforts to obtain more equal gender representation of 40/60 percentage within 5 years.

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.

Consolidated income statement for 2021

	Notes	2021 DKK'000	2020 DKK'000
Revenue	1	430,009	344,859
Cost of sales		(181,461)	(176,665)
Production costs		(49,702)	(47,794)
Gross profit/loss		**198,846**	**120,400**
Research and development costs		(14,925)	(15,464)
Distribution costs		(31,286)	(53,213)
Administrative expenses	2	(119,504)	(52,317)
Other operating income		46	4,041
Operating profit/loss		**33,177**	**3,447**
Other financial income	4	4,033	13,284
Other financial expenses	5	(1,182)	(9,083)
Profit/loss before tax		**36,028**	**7,648**
Tax on profit/loss for the year	6	(8,523)	(3,232)
Profit/loss for the year	7	**27,505**	**4,416**

Consolidated balance sheet at 31.12.2021

Assets

	Notes	2021 DKK'000	2020 DKK'000
Completed development projects	9	0	0
Acquired intangible assets		8,667	6,230
Goodwill		0	0
Development projects in progress	9	25,599	13,315
Intangible assets	8	**34,266**	**19,545**
Land and buildings		45,889	47,221
Plant and machinery		6,182	9,882
Other fixtures and fittings, tools and equipment		1,155	799
Property, plant and equipment in progress		826	0
Property, plant and equipment	10	**54,052**	**57,902**
Deposits		218	371
Financial assets	11	**218**	**371**
Fixed assets		**88,536**	**77,818**
Raw materials and consumables		153,147	52,849
Work in progress		516	2,250
Manufactured goods and goods for resale		17,705	60,325
Inventories		**171,368**	**115,424**
Trade receivables		54,963	50,026
Other receivables		11,098	5,373
Tax receivable		823	371
Prepayments	12	6,553	6,899
Receivables		**73,437**	**62,669**
Cash		**51,939**	**62,582**
Current assets		**296,744**	**240,675**

Assets	**385,280**	**318,493**

Equity and liabilities

	Notes	2021 DKK'000	2020 DKK'000
Contributed capital		8,014	7,014
Translation reserve		2,529	3,340
Reserve for fair value adjustments of hedging instruments		863	260
Reserve for development costs		0	10,386
Retained earnings		229,012	167,651
Equity		**240,418**	**188,651**
Other provisions	13	4,170	3,783
Provisions		**4,170**	**3,783**
Subordinate loan capital		112	9,214
Mortgage debt		9,516	10,851
Lease liabilities		100	334
Other payables	14	9,016	0
Non-current liabilities other than provisions	15	**18,744**	**20,399**
Current portion of non-current liabilities other than provisions	15	1,331	1,339
Bank loans		266	0
Lease liabilities		214	301
Prepayments received from customers		23,274	16,542
Trade payables		41,429	40,581
Tax payable		306	0
Other payables		55,128	46,897
Current liabilities other than provisions		**121,948**	**105,660**
Liabilities other than provisions		**140,692**	**126,059**
Equity and liabilities		**385,280**	**318,493**
Staff costs	3		
Financial instruments	17		
Contingent liabilities	18		
Assets charged and collateral	19		
Transactions with related parties	20		
Group relations	21		
Subsidiaries	22		

Consolidated statement of changes in equity for 2021

	Contributed capital DKK'000	Share premium DKK'000	Translation reserve DKK'000	Reserve for fair value adjustments of hedging instruments DKK'000	Retained earnings DKK'000
Equity beginning of year	7,014	0	3,340	260	178,037
Capital increase by debt conversion	1,000	19,874	0	0	0
Transferred from share premium	0	(19,874)	0	0	19,874
Exchange rate adjustments	0	0	(811)	0	0
Other entries on equity	0	0	0	0	3,596
Transfer to reserves	0	0	0	603	0
Profit/loss for the year	0	0	0	0	27,505
Equity end of year	**8,014**	**0**	**2,529**	**863**	**229,012**

	Total DKK'000
Equity beginning of year	188,651
Capital increase by debt conversion	20,874
Transferred from share premium	0
Exchange rate adjustments	(811)
Other entries on equity	3,596
Transfer to reserves	603
Profit/loss for the year	27,505
Equity end of year	**240,418**

Consolidated cash flow statement for 2021

	Notes	2021 DKK'000	2020 DKK'000
Operating profit/loss		33,177	3,447
Amortisation, depreciation and impairment losses		5,884	5,656
Working capital changes	16	(42,037)	23,380
Other adjustments		0	(6,039)
Cash flow from ordinary operating activities		**(2,976)**	**26,444**
Financial expenses paid		(1,080)	(843)
Taxes refunded/(paid)		0	10,366
Cash flows from operating activities		**(4,056)**	**35,967**
Acquisition etc. of intangible assets		(15,326)	(19,541)
Acquisition etc. of property, plant and equipment		(1,930)	(475)
Sale of property, plant and equipment		169	879
Cash flows from investing activities		**(17,087)**	**(19,137)**
Free cash flows generated from operations and investments before financing		**(21,143)**	**16,830**
Repayments of loans etc.		1,069	(1,346)
Repayment of lease liabilities		321	(2,963)
Increase of subordinate loan		9,110	9,214
Cash flows from financing activities		**10,500**	**4,905**
Increase/decrease in cash and cash equivalents		**(10,643)**	**21,735**
Cash and cash equivalents beginning of year		62,582	40,847
Cash and cash equivalents end of year		**51,939**	**62,582**

Cash and cash equivalents at year-end are composed of:			
Cash		51,939	62,582
Cash and cash equivalents end of year		**51,939**	**62,582**

Notes to consolidated financial statements

1 Revenue

	2021 DKK'000	2020 DKK'000
Europe	141,981	148,645
North America	39,760	34,659
Asia	248,268	161,555
Total revenue by geographical market	**430,009**	**344,859**
Automotive	154,546	113,863
Consumer & Home	261,293	214,334
Other	14,170	16,662
Total revenue by activity	**430,009**	**344,859**

2 Fees to the auditor appointed by the Annual General Meeting

	2021 DKK'000	2020 DKK'000
Statutory audit services	581	462
Tax services	50	106
Other services	35	86
	666	**654**

3 Staff costs

	2021 DKK'000	2020 DKK'000
Wages and salaries	94,761	99,274
Pension costs	8,440	7,844
Other social security costs	932	1,805
Other staff costs	1,901	5,228
	106,034	**114,151**
Average number of full-time employees	270	258

	Remuneration of Management 2021 DKK'000	Remuneration of Management 2020 DKK'000
Executive Board	1,660	1,701
	1,660	**1,701**

4 Other financial income

	2021 DKK'000	2020 DKK'000
Other interest income	0	175
Exchange rate adjustments	3,977	13,109
Other financial income	56	0
	4,033	**13,284**

Exchange gain during 2020 is primarily from the debt conversion of USDt 58,412 end of July 2020. Exchange rate on USD to DKK has been depreciated by 6% compared to end of 2019.

5 Other financial expenses

	2021 DKK'000	2020 DKK'000
Financial expenses from group enterprises	0	7,993
Other interest expenses	1,080	1,090
Exchange rate adjustments	102	0
	1,182	**9,083**

6 Tax on profit/loss for the year

	2021 DKK'000	2020 DKK'000
Current tax	8,523	5,459
Adjustment concerning previous years	0	(2,227)
	8,523	**3,232**

7 Proposed distribution of profit/loss

	2021 DKK'000	2020 DKK'000
Retained earnings	27,505	4,416
	27,505	**4,416**

8 Intangible assets

	Completed development projects DKK'000	Acquired intangible assets DKK'000	Goodwill DKK'000	Development projects in progress DKK'000
Cost beginning of year	157,781	41,987	829	64,046
Additions	0	3,042	0	12,284
Cost end of year	**157,781**	**45,029**	**829**	**76,330**
Amortisation and impairment losses beginning of year	(157,781)	(35,744)	(829)	(50,731)
Amortisation for the year	0	(618)	0	0
Amortisation and impairment losses end of year	**(157,781)**	**(36,362)**	**(829)**	**(50,731)**
Carrying amount end of year	**0**	**8,667**	**0**	**25,599**

9 Development projects

Development costs relate to the development of technologies and products which are to the Company's main activities within loudspeakers. All development costs relate to projects which are expected to be commercialised within short period of time, which is ordinary to the business.

10 Property, plant and equipment

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Property, plant and equipment in progress DKK'000
Cost beginning of year	105,698	114,520	21,114	0
Additions	0	155	949	826
Disposals	(13)	0	(156)	0
Cost end of year	**105,685**	**114,675**	**21,907**	**826**
Depreciation and impairment losses beginning of year	(58,477)	(104,638)	(20,315)	0
Depreciation for the year	(1,319)	(3,855)	(437)	0
Depreciation and impairment losses end of year	**(59,796)**	**(108,493)**	**(20,752)**	**0**
Carrying amount end of year	**45,889**	**6,182**	**1,155**	**826**

11 Financial assets

	Deposits DKK'000
Cost beginning of year	371
Disposals	(153)
Cost end of year	**218**
Carrying amount end of year	**218**

12 Prepayments

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

13 Other provisions

Other provisions include warranty obligations in respect of repair work within the warranty period of 1-5 years. Based on previous experience in respect of the level of repairs and returns, other provisions of kDKK 2,772 (2020: kDKK 2,115) have been recognised for expected warranty claims.

14 Other payables

	2021 DKK'000	2020 DKK'000
Holiday pay obligation	9,016	0
	9,016	**0**

15 Non-current liabilities other than provisions

	Due within 12 months 2021 DKK'000	Due within 12 months 2020 DKK'000	Due after more than 12 months 2021 DKK'000
Subordinate loan capital	0	0	112
Mortgage debt	1,331	1,339	9,516
Lease liabilities	0	0	100
Other payables	0	0	9,016
	1,331	**1,339**	**18,744**

16 Changes in working capital

	2021 DKK'000	2020 DKK'000
Increase/decrease in inventories	(55,944)	22,408
Increase/decrease in receivables	(11,278)	(7,631)
Increase/decrease in trade payables etc.	25,185	7,817
Other changes	0	786
	(42,037)	**23,380**

17 Derivative financial instruments

An agreement on interest swap has been entered into to secure future interest payments on a floating-rate loan. The agreement expires in 2030 and is recognised at a fair value of DKK 1,386k (2020: -1,989k) at the balance sheet date.

In the agreement a floating interest, at the balance sheet date -0.17 % p.a. (2020: -0.11 % p.a.), is swapped with a fixed interest of 3.12 % p.a. on a loan with a principal of DKK 11,148k (2020: 12,474k.).

18 Contingent liabilities

The Parent Company has entered into a joint several guarantee of payment towards the subsidiaries Dynaudio A/S and Dynaudio Germany GmbH.

The company has entered into lease contracts as well as operating leases. The total commitment relating to these contracts and leases amounts to DKK 7,534k (2020: DKK 12,111k).

The Parent and the Danish subsidiaries participate in a Danish joint taxation arrangement in which Dynaudio Holding A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Parent and the Danish subsidiaries are therefore liable for income taxes etc. for the jointly taxed entities, and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

19 Assets charged and collateral

Floating company charge of DKK 70,000k has been placed as security with mortgage credit institutes.

Bank loans are secured by way of a deposited mortgage deed registered to the mortgagor on plant of DKK 42,300k nominal. The carrying amount of mortgaged properties is DKK 45,681k.

Bank loans are secured by way of a deposited mortgage deed registered to the mortgagor on machinery of DKK 11,205 nominal. The carrying amount of mortgaged properties is DKK 2,138.

20 Non-arm’s length related party transactions

Only non-arm's length related party transactions are disclosed in the annual report. No such transactions were conducted during the financial year.

21 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
Goertek Group Ltd. Co., China

The consolidated financial statements of Goertek Inc. may be ordered at this address:
www.goertek.com

22 Subsidiaries

	Registered in	Ownership %
Dynaudio A/S	Denmark	100%
Dynaudio Germany GmbH	Germany	100%
Dynaudio (Shanghai) Co. Ltd.	China	100%
Dynaudio North America Inc.	USA	100%
Dynaudio Benelux B.V.	Netherlands	100%

Parent income statement for 2021

	Notes	2021 DKK'000	2020 DKK'000
Revenue		9,121	5,622
Gross profit/loss		**9,121**	**5,622**
Administrative expenses		(1,766)	(1,215)
Other operating income		0	4,068
Operating profit/loss		**7,355**	**8,475**
Income from investments in group enterprises		21,799	1,213
Other financial expenses	1	(1,649)	(5,272)
Profit/loss before tax		**27,505**	**4,416**
Tax on profit/loss for the year		0	0
Profit/loss for the year	2	**27,505**	**4,416**

Parent balance sheet at 31.12.2021

Assets

	Notes	2021 DKK'000	2020 DKK'000
Acquired licences		162	162
Intangible assets	3	**162**	**162**
Investments in group enterprises		345,613	297,061
Financial assets	4	**345,613**	**297,061**
Fixed assets		**345,775**	**297,223**
Trade receivables		0	3,150
Other receivables		625	232
Receivables		**625**	**3,382**
Cash		**6,008**	**3,184**
Current assets		**6,633**	**6,566**
Assets		**352,408**	**303,789**

Equity and liabilities

	Notes	2021 DKK'000	2020 DKK'000
Contributed capital		8,014	7,014
Translation reserve		2,529	3,340
Reserve for fair value adjustments and hedging instruments		863	260
Retained earnings		229,012	178,037
Equity		**240,418**	**188,651**
Provisions for investments in group enterprises	5	57,102	54,612
Provisions		**57,102**	**54,612**
Prepayments received from customers		0	1,716
Trade payables		44	37
Payables to group enterprises		54,443	58,099
Tax payable		346	0
Other payables		55	674
Current liabilities other than provisions		**54,888**	**60,526**
Liabilities other than provisions		**54,888**	**60,526**
Equity and liabilities		**352,408**	**303,789**
Contingent liabilities	6		

Parent statement of changes in equity for 2021

	Contributed capital DKK'000	Share premium DKK'000	Translation reserve DKK'000	Reserve for fair value adjustments of hedging instruments DKK'000	Retained earnings DKK'000
Equity beginning of year	7,014	0	3,340	260	178,037
Capital increase by debt conversion	1,000	19,874	0	0	0
Transferred from share premium	0	(19,874)	0	0	19,874
Exchange rate adjustments	0	0	(811)	0	0
Other entries on equity	0	0	0	0	3,596
Transfer to reserves	0	0	0	603	0
Profit/loss for the year	0	0	0	0	27,505
Equity end of year	**8,014**	**(19,874)**	**2,529**	**863**	**229,012**

	Total DKK'000
Equity beginning of year	188,651
Capital increase by debt conversion	20,874
Transferred from share premium	0
Exchange rate adjustments	(811)
Other entries on equity	3,596
Transfer to reserves	603
Profit/loss for the year	27,505
Equity end of year	**240,418**

Notes to parent financial statements

1 Other financial expenses

	2021 DKK'000	2020 DKK'000
Financial expenses from group enterprises	1,540	1,646
Other interest expenses	7	70
Exchange rate adjustments	102	3,556
	1,649	**5,272**

2 Proposed distribution of profit and loss

	2021 DKK'000	2020 DKK'000
Retained earnings	27,505	4,416
	27,505	**4,416**

3 Intangible assets

	Acquired licences DKK'000
Cost beginning of year	162
Cost end of year	**162**
Carrying amount end of year	**162**

4 Financial assets

	Investments in group enterprises DKK'000
Cost beginning of year	379,650
Additions	20,874
Cost end of year	**400,524**
Impairment losses beginning of year	(82,587)
Exchange rate adjustments	(810)
Share of profit/loss for the year	37,990
Adjustment of intra-group profits	(16,191)
Investments with negative equity value transferred to provisions	2,490
Fair value adjustments	602
Other adjustments	3,596
Impairment losses end of year	**(54,910)**
Carrying amount end of year	**345,614**

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

5 Provisions for investments in group enterprises

The provision is made in relation to the impairment test at Group level.

6 Contingent liabilities

The Entity serves as the administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc. for the jointly taxed entities, and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these entities.

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 accounting policies applied to these consolidated financial statements and parent 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.

Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence, are regarded as associates.

Basis of consolidation
The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the takeover date, with net assets having been calculated at fair value.

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.

Production costs
Production costs comprise cost of sales for the financial year, including ordinary writedown of inventories and other costs incurred to earn revenue for the financial year, including wages and salaries and amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment.

Cost of sales
Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Research and development costs
Research and development costs comprise research costs, costs of development projects not qualifying for recognition in the balance sheet, and amortisation and impairment losses relating to development projects.

Distribution costs
Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc., and amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment involved in the distribution process.

Administrative expenses
Administrative expenses comprise expenses incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationery and office supplies, and amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Entity.

Other operating income
Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Income from investments in group enterprises
Income from investments in group enterprises comprises the pro rata share of the individual enterprises'

profit/loss after full elimination of intra-group profits or losses.

Other financial income
Other financial income comprises dividends etc. received on other investments, interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities, and 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.

Balance sheet

Goodwill
Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful lives are reassessed annually. The amortisation periods used are 5 years.

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

Intellectual property rights etc.
Intellectual property rights etc. comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity under reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation on property, plant and equipment used in the development process are recognised in cost based on time spent on each project.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised on a straight-line basis over their remaining duration, and licences are amortised on a straight-line basis over the term of the agreement.

Intellectual property rights etc. are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment
Land and buildings, plant and machinery, and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

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 assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation on property, plant and equipment used in the manufacturing process are recognised in cost based on time spent on each asset.

Interest expenses on loans for the financing of the manufacture of property, plant and equipment are included in cost if they relate to the manufacturing period. All other finance costs are recognised in the income statement.

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:

Buildings	50 years
Plant and machinery	5-10 years
Other fixtures and fittings, tools and equipment	3-5 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

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

Investments in group enterprises
Investments in group enterprises are recognised and measured in the parent financial statements according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits or losses. Reference is made to the above section on business combinations for more details about the accounting policies applied to acquisitions of investments in group enterprises.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to reserve for net revaluation according to the equity method in equity.
Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

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.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

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

Tax payable or receivable
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.

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

Cash
Cash comprises cash in hand and bank deposits.

Other provisions
Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, loss on contract work in progress, decided and published restructuring, etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Non-recourse guarantee commitments comprise commitments to remedy defects and deficiencies within the guarantee period.

On acquisition of enterprises and investments in group enterprises, provisions are made for costs relating to restructuring in the acquired enterprise that were decided and published at the acquisition date at the latest.

Once it is probable that total costs will exceed total income from a contract in progress, provision is made for the total loss estimated to result from the relevant contract.

Mortgage debt
At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

Lease liabilities
Lease liabilities relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease liabilities are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

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

Prepayments received from customers
Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Cash flow statement
The cash flow statement shows cash flows from operating, investing and financing activities, and cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments, and purchase, development, improvement and sale, etc. of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs, and the raising of loans, inception of finance leases, repayments of interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.