

## **Dynaudio A/S**

Sverigesvej 15  
8660 Skanderborg  
CVR No. 27215556

### **Annual report 2022**

The Annual General Meeting adopted the  
annual report on 30.06.2023



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**Chunqiang Qu**

Chairman of the General Meeting

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# Entity details

## Entity

Dynaudio A/S  
Sverigesvej 15  
8660 Skanderborg

Business Registration No.: 27215556  
Registered office: Skanderborg  
Financial year: 01.01.2022 - 31.12.2022

## Board of Directors

Xun Jiang  
Zhenglei Hou  
Shengbo Zhu

## Executive Board

Chunqiang Qu

## Auditors

Deloitte Statsautoriseret Revisionspartnerselskab  
City Tower, Værkmestergade 2  
8000 Aarhus C

# Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Dynaudio A/S for the financial year 01.01.2022 - 31.12.2022.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2022 and of the results of its operations for the financial year 01.01.2022 - 31.12.2022.

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, 30.06.2023

## Executive Board

**Chunqiang Qu**

## Board of Directors

**Xun Jiang**

**Zhenglei Hou**

**Shengbo Zhu**

# Independent auditor's report

To the shareholders of Dynaudio A/S

## Report on the audit of the financial statements

### Opinion

We have audited the financial statements of Dynaudio A/S for the financial year 01.01.2022 - 31.12.2022, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2022 and of the results of its operations for the financial year 01.01.2022 - 31.12.2022 in accordance with the Danish Financial Statements Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board 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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark,

we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Management is responsible for the management commentary.

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

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

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

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.

## **Report on other legal and regulatory requirements and other reporting responsibilities**

### **Violation of company law**

In violation with the Companies Act, the company has not drawn up rules of procedure and register of shareholders, whereby the management can incur liability.

Aarhus, 30.06.2023

### **Deloitte**

Statsautoriseret Revisionspartnerselskab  
CVR No. 33963556

### **Henrik Vedel**

State Authorised Public Accountant  
Identification No (MNE) mne10052

### **Mikael Møller**

State Authorised Public Accountant  
Identification No (MNE) mne47835

# Management commentary

## Financial highlights

	2022	2021	2020	2019	2018
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
<b>Key figures</b>					
Revenue	352,785	335,659	268,809	333,117	351,034
Gross profit/loss	89,839	125,287	75,246	46,068	58,764
Operating profit/loss	(48,106)	8,295	(19,144)	(78,671)	(58,094)
Net financials	4,429	5,957	13,460	(21,011)	14,644
Profit/loss for the year	(43,677)	14,233	(3,693)	(105,461)	(22,427)
Total assets	413,902	414,205	380,882	518,816	472,545
Investments in property, plant and equipment	1,887	1,058	207	(9,708)	(6,643)
Equity	274,049	316,279	280,703	(69,315)	35,927
<b>Ratios</b>					
Gross margin (%)	25.46	37.33	24.90	5.80	13.80
Profit margin	(13.64)	2.47	(7.40)	(74.60)	(11.30)
Return on assets (%)	(11.62)	2.00	(5.10)	(52.50)	(15.20)
Solvency ratio (%)	66.21	76.43	74.10	(21.40)	(13.40)

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

### Gross margin ratio (%):

$\frac{\text{Gross profit/loss} * 100}{\text{Revenue}}$

Revenue

### Profit margin (%):

$\frac{\text{Operating profit/loss} * 100}{\text{Revenue}}$

Revenue

### Return on asset (%):

$\frac{\text{Operating profit/loss} * 100}{\text{Total asset}}$

Total asset

### Solvency ratio (%):

$\frac{\text{Equity} * 100}{\text{Total asset}}$

Total asset



### Primary activities

Dynaudio A/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.

The majority of Dynaudio A/S employees are located in Skanderborg. Dynaudio A/S also has a branch in Sweden.

### Development in activities and finances

The investments in Dynaudio have been massive since the parent company acquired the company and the owners continue to show a strong commitment and support to secure the further development of Dynaudio. This will put Dynaudio into a strong competitive position in the future.

### Profit/loss for the year in relation to expected developments

The income statement of the Company in 2022 shows a loss of DKK 43,677k (2021: profit of DKK 14,233k), and at 31 December 2022 the balance sheet of the Company shows equity of DKK 274,049k (2021: DKK 316,279).

In 2022, management updated expectations of the revenue to DKK 350m, with an EBITDA loss of DKK 3,300k. Targets were not met, due to the development in the general financial situation, where uncertainty and increasing inflation led to a lower demand for high-end products as produced by Dynaudio. In addition the continued COVID situation in China also impacted the business performance in automotive. Finally, Management made the necessary steps to impair the inventory, due to the decrease in the demand for automotive products.

The Management is not satisfied with the financial performance of the Company.

### Outlook

Dynaudio's ambition is to enrich peoples's life through sound and our mission is to bring the purest sound possible, to as many listeners, with the world's most innovative premium loudspeakers. Dynaudio will continue to innovate within sound technologies and develop the best in class products in Home Audio, Automotive Audio, Pro Audio and Lifestyle Audio. For 2023, Management expects a revenue of DKK 210m, and an EBITDA loss of DKK 60m. The net income is expected to be a loss of DKK 75m. This is mainly driven by a strategic shift in the

Automotive business, the general restraint by customers buying high-end consumer products in a period with uncertainty in the world economy and finally investments in hiring new employees to support the ambition for long-term growth.

The corporate management team has redefined Dynaudio's vision, mission and core values to set the ambitions and reshape the culture.

**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 order to have the best in class sound, Dynaudio has invested in a sound test lab, which is a 13 x 13 x 13m large chamber and guarantees 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 is 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 competences 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 2022 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 and procurement teams to ensure that the code of conduct is followed. In 2022, 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 2022, 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 2022, 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. 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.

### **Leading**

We are leaders within our field and have the best-of-the-best experts as our employees. In order to support and ensure the experts for the future, our specialist and managers are active 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.

**Statutory report on the underrepresented gender**

We want to be a company which is known to give 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, the company will consider introducing a female board member in the following years to have a more equal gender representation.

**Statutory report on data ethics policy**

Our commitment to ethical behavior and solid ethical foundations are essential components of Dynaudio's operations. We are committed to doing business in the right way, based on a culture of ethics and compliance. In the long term, we can successfully face the challenges of a competitive market environment by accepting the imperatives of moral responsibility, both as individuals and as a company. In performing job duties, employees should always act lawfully, ethically and in the best interests of Dynaudio.

**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.

# Income statement for 2022

	Notes	2022 DKK'000	2021 DKK '000
Revenue	2	352,785	335,659
Cost of sales		(207,380)	(160,669)
Production costs		(55,566)	(49,703)
<b>Gross profit/loss</b>		<b>89,839</b>	<b>125,287</b>
Research and development costs		(30,801)	(14,925)
Distribution costs		(20,475)	(28,494)
Administrative expenses	3	(87,746)	(74,716)
Other operating income		1,077	1,143
<b>Operating profit/loss</b>		<b>(48,106)</b>	<b>8,295</b>
Other financial income	5	6,308	6,915
Other financial expenses	6	(1,879)	(958)
<b>Profit/loss before tax</b>		<b>(43,677)</b>	<b>14,252</b>
Tax on profit/loss for the year	7	0	(19)
<b>Profit/loss for the year</b>	8	<b>(43,677)</b>	<b>14,233</b>

# Balance sheet at 31.12.2022

## Assets

	Notes	2022 DKK'000	2021 DKK'000
Completed development projects	10	6,539	0
Acquired intangible assets		18,194	8,651
Development projects in progress	10	7,137	25,599
<b>Intangible assets</b>	9	<b>31,870</b>	<b>34,250</b>
Land and buildings		44,928	45,681
Plant and machinery		2,632	6,181
Other fixtures and fittings, tools and equipment		305	115
Property, plant and equipment in progress		1,485	826
<b>Property, plant and equipment</b>	11	<b>49,350</b>	<b>52,803</b>
Deposits		388	0
<b>Financial assets</b>	12	<b>388</b>	<b>0</b>
<b>Fixed assets</b>		<b>81,608</b>	<b>87,053</b>
Raw materials and consumables		69,874	82,326
Work in progress		3,223	515
Manufactured goods and goods for resale		55,345	42,697
<b>Inventories</b>		<b>128,442</b>	<b>125,538</b>
Trade receivables		19,846	12,948
Receivables from group enterprises		168,031	155,835
Other receivables		4,578	3,036
Prepayments	13	434	5,077
<b>Receivables</b>		<b>192,889</b>	<b>176,896</b>
<b>Cash</b>		<b>10,963</b>	<b>24,718</b>
<b>Current assets</b>		<b>332,294</b>	<b>327,152</b>
<b>Assets</b>		<b>413,902</b>	<b>414,205</b>



## Equity and liabilities

	Notes	2022 DKK'000	2021 DKK'000
Contributed capital		6,003	6,003
Reserve for fair value adjustments of hedging instruments		2,176	729
Reserve for development expenditure		5,571	19,968
Retained earnings		260,299	289,579
<b>Equity</b>		<b>274,049</b>	<b>316,279</b>
Other provisions	14	4,689	4,170
<b>Provisions</b>		<b>4,689</b>	<b>4,170</b>
Subordinate loan capital		0	112
Mortgage debt		8,308	9,517
Lease liabilities		0	101
Other payables		9,172	9,017
<b>Non-current liabilities other than provisions</b>	15	<b>17,480</b>	<b>18,747</b>
Current portion of non-current liabilities other than provisions	15	1,215	1,331
Bank loans		90	266
Lease liabilities		100	214
Prepayments received from customers		206	3,561
Trade payables		26,064	41,385
Payables to group enterprises		72,720	6,432
Tax payable		34	0
Other payables		17,255	21,820
<b>Current liabilities other than provisions</b>		<b>117,684</b>	<b>75,009</b>
<b>Liabilities other than provisions</b>		<b>135,164</b>	<b>93,756</b>
<b>Equity and liabilities</b>		<b>413,902</b>	<b>414,205</b>
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# Statement of changes in equity for 2022

	Contributed capital DKK'000	Reserve for fair value adjustments of hedging instruments DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	6,003	729	19,968	289,579	316,279
Transfer to reserves	0	1,447	(14,397)	14,397	1,447
Profit/loss for the year	0	0	0	(43,677)	(43,677)
<b>Equity end of year</b>	<b>6,003</b>	<b>2,176</b>	<b>5,571</b>	<b>260,299</b>	<b>274,049</b>

# Notes

## 1 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.

## 2 Revenue

	2022 DKK'000	2021 DKK'000
Europe	88,980	100,925
North America	225,426	38,144
Asia	38,379	196,590
<b>Total revenue by geographical market</b>	<b>352,785</b>	<b>335,659</b>
Automotive	171,639	156,637
Consumer & Home	176,682	173,981
Other	4,464	5,041
<b>Total revenue by activity</b>	<b>352,785</b>	<b>335,659</b>

## 3 Fees to the auditor appointed by the Annual General Meeting

	2022 DKK'000	2021 DKK'000
Statutory audit services	574	447
Tax services	293	50
Other services	16	35
	<b>883</b>	<b>532</b>

## 4 Staff costs

	2022 DKK'000	2021 DKK'000
Wages and salaries	109,112	94,762
Pension costs	10,257	8,440
Other social security costs	1,635	932
Other staff costs	2,307	1,901
	<b>123,311</b>	<b>106,035</b>

Average number of full-time employees	<b>196</b>	<b>174</b>
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	<b>Remuneration of Management 2022 DKK'000</b>	<b>Remuneration of Management 2021 DKK'000</b>
Executive Board	4,995	1,660
	<b>4,995</b>	<b>1,660</b>

### 5 Other financial income

	<b>2022 DKK'000</b>	<b>2021 DKK'000</b>
Financial income from group enterprises	4,017	4,994
Exchange rate adjustments	2,291	1,918
Other financial income	0	3
	<b>6,308</b>	<b>6,915</b>

### 6 Other financial expenses

	<b>2022 DKK'000</b>	<b>2021 DKK'000</b>
Financial expenses from group enterprises	1,152	107
Other interest expenses	726	851
Exchange rate adjustments	1	0
	<b>1,879</b>	<b>958</b>

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

	<b>2022 DKK'000</b>	<b>2021 DKK'000</b>
Current tax	0	19
	<b>0</b>	<b>19</b>

### 8 Proposed distribution of profit and loss

	<b>2022 DKK'000</b>	<b>2021 DKK'000</b>
Retained earnings	(43,677)	14,233
	<b>(43,677)</b>	<b>14,233</b>

## 9 Intangible assets

	Completed development projects DKK'000	Acquired intangible assets DKK'000	Development projects in progress DKK'000
Cost beginning of year	157,781	37,364	76,330
Transfers	6,899	8,898	(18,826)
Additions	862	505	14,761
<b>Cost end of year</b>	<b>165,542</b>	<b>46,767</b>	<b>72,265</b>
Amortisation and impairment losses beginning of year	(157,781)	(28,713)	(50,731)
Transfers	(382)	382	0
Impairment losses for the year	0	0	(14,397)
Amortisation for the year	(840)	(242)	0
<b>Amortisation and impairment losses end of year</b>	<b>(159,003)</b>	<b>(28,573)</b>	<b>(65,128)</b>
<b>Carrying amount end of year</b>	<b>6,539</b>	<b>18,194</b>	<b>7,137</b>

## 10 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.

## 11 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	105,228	114,675	16,016	826
Additions	670	348	210	659
Disposals	(196)	0	0	0
<b>Cost end of year</b>	<b>105,702</b>	<b>115,023</b>	<b>16,226</b>	<b>1,485</b>
Depreciation and impairment losses beginning of year	(59,547)	(108,494)	(15,901)	0
Depreciation for the year	(1,227)	(3,897)	(20)	0
<b>Depreciation and impairment losses end of year</b>	<b>(60,774)</b>	<b>(112,391)</b>	<b>(15,921)</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>44,928</b>	<b>2,632</b>	<b>305</b>	<b>1,485</b>

## 12 Financial assets

	<b>Deposits DKK'000</b>
Additions	388
<b>Cost end of year</b>	<b>388</b>
<b>Carrying amount end of year</b>	<b>388</b>

## 13 Prepayments

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

## 14 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 (2021: kDKK 2,115) have been recognised for expected warranty claims.

## 15 Non-current liabilities other than provisions

	<b>Due within 12 months 2022 DKK'000</b>	<b>Due within 12 months 2021 DKK'000</b>	<b>Due after more than 12 months 2022 DKK'000</b>
Mortgage debt	1,215	1,331	8,308
Other payables	0	0	9,172
	<b>1,215</b>	<b>1,331</b>	<b>17,480</b>

## 16 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 59,97k (2021: -1,387k) at the balance sheet date.

In the agreement a floating interest, at the balance sheet date 0,59 % p.a. (2021: -0.17 % p.a.), is swapped with a fixed interest of 3.12 % p.a. on a loan with a principal of DKK 9,523k (2021: 11,448k.)

## 17 Contingent liabilities

The company has entered into a joint and several guarantee of payment towards the group entities Dynaudio Holding 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 695k (2021: 941k.)

The Entity participates in a Danish joint taxation arrangement where Dynaudio Holding A/S serves as the administration company. 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 for obligations, if any, relating to the withholding of tax on interest, royalties and dividend 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.

### **18 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 44,928k.

Bank loans are secured by way of a deposited mortgage deed registered to the mortgagor on machinery of DKK 11,205k nominal. The carrying amount of mortgaged properties is DKK 2,638k.

### **19 Related parties with controlling interest**

Dynaudio Holding A/S, Sverigesvej 15, 8660 Skanderborg owns all shares in the Entity, thus exercising control.

Goertek Group Co., Ltd. is the Ultimate Parent Company

### **20 Non-arm's length related party transactions**

Only related party transactions not conducted on an arm's length basis are disclosed in the annual report. No such transactions have been conducted in the financial year.

### **21 Group relations**

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

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:  
Dynaudio Holding A/S, Skanderborg, Denmark

# Accounting policies

## Reporting class

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

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

## Recognition and measurement

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

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

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

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

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

## Foreign currency translation

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

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates and out of the translation of income statements from average rates to the exchange rates at the balance sheet date are classified directly as equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question, are classified directly as equity.



When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate at the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

### **Derivative financial instruments**

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value, which has been calculated as the discounted value of expected future net cash flows by using an approximate risk-free interest rate adjusted for any factors that a potential market participant would attribute value to when acquiring the instrument. Derivative financial instruments are recognised in 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 the reserve for fair value adjustments of hedging instruments 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 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 expenses incurred to earn revenue for the financial year. Production costs comprise direct and indirect costs for raw materials and consumables, wages and salaries, rent and lease, and amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment included in the production process. In addition, the item includes ordinary write-down of inventories.

#### **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.

**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****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.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 3-5 years.

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 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.

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:

	<b>Useful life</b>
Buildings	50 years
Plant and machinery	5-10 years
Other fixtures and fittings, tools and equipment	3-5 years

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.

### **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.

### **Receivables**

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

### **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.

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.

**Tax receivable or payable**

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

**Cash flow statement**

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Goertek Group Co., Ltd., the Company has not prepared a cash flow statement.