


Comfort Audio ApS
Østre Hougvej 42-44, 5500 Middelfart

Annual report

2016

Company reg. no. 27 95 96 79

The annual report have been submitted and approved by the general meeting on the 26 August 2016.



Chairman of the meeting

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Notes:

- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Management's report

The board of directors and the managing director have today presented the annual report of Comfort Audio ApS for the financial year 1 April 2015 to 31 March 2016.

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

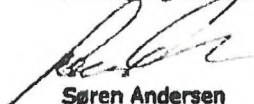
We consider the accounting policies used appropriate, and in our opinion the annual accounts provide a true and fair view of the company's assets and liabilities and its financial position as on 31 March 2016 and of the company's results of its activities in the financial year 1 April 2015 to 31 March 2016.

We are of the opinion that the management's review includes a fair description of the issues dealt with.

The annual report is recommended for approval by the general meeting.

Middelfart, 26 August 2016

Managing Director



Søren Andersen
Executive Board

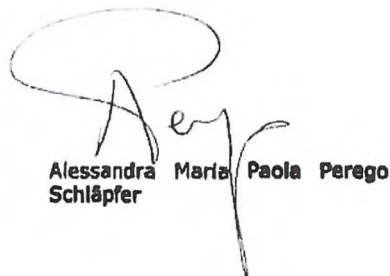
Board of directors



Evert Dijkstra
Chairman



Jasmine Oliveira Inhelder



Alessandra Schläpfer **Maria Paola Perego**

Independent Auditor's Report on the Financial Statements

To the shareholders of Comfort Audio ApS

Report on the Financial Statements

We have audited the Financial Statements of Comfort Audio ApS for the financial year 1 April 2015 - 31 March 2016, which comprise income statement, balance sheet, notes and summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The audit has not resulted in any qualification.

Independent Auditor's Report on the Financial Statements

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 March 2016 and of the results of the Company operations for the financial year 1 April 2015 - 31 March 2016 in accordance with the Danish Financial Statements Act.

Statement on Management's Review

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Financial Statements. On this basis, in our opinion, the information provided in Management's Review is consistent with the Financial Statements.

Hellerup, 26 August 2016

PricewaterhouseCoopers

State Authorised Public Accountants
Company reg. no. 33 77 12 31



Rasmus Friis Jørgensen
State Authorised Public Accountant



Henrik Forthoft Lind
State Authorised Public Accountant

Company data

The company

Comfort Audio ApS
Østre Hougvej 42-44
5500 Middelfart

Company reg. no. 27 95 96 79
Established: 1 October 2004
Domicile: Middelfart
Financial year: 1 April - 31 March
11th financial year

Board of directors

Evert Dijkstra, Chairman
Jasmine Oliveia Inhelder
Alessandra Maria Paola Perego Schläpfer

Managing Director

Søren Andersen, Executive Board

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
2900 Hellerup

Management's review

The principal activities of the company

The company's principal activity has been selling advanced hearing products. The sale is mainly to schools, business and private on the Danish market.

Development in activities and financial matters

The gross profit for the year is DKK 4,3m against DKK 5,7m last year. The results from ordinary activities after tax are DKK 1,6m against DKK 0,6m last year. The management consider the results satisfactory.

Events subsequent to the financial year

No events have occurred subsequent to the balance sheet date, which would have material impact on the financial position of the company.

Accounting policies used

The annual report for Comfort Audio ApS is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class B enterprises.

The accounting policies used are unchanged compared to last year, and the annual accounts are presented in Danish kroner (DKK).

The annual year is covering 12 months, and the last year is covering 15 months.

Recognition and measurement in general

Assets are recognised in the balance sheet when the company is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the company is liable to lose future, financial benefits and the value of the liability can be measured reliably.

At the first recognition, assets and liabilities are measured at cost. Later, assets and liabilities are measured as described below for each individual accounting item.

Certain fixed asset investments and liabilities are measured at amortised cost, by which method a fixed, effective interest is recognised during the useful life of the asset or the liability. Amortised cost is recognised as the original cost with deduction of any payments and additions/deductions of the accrued amortisation of the difference between cost and nominal amount. In this way capital losses and capital profits are spread over the useful life.

At recognition and measurement, such predictable losses and risks are taken into consideration, which may appear before the annual report is presented, and which concerns matters existing on the balance sheet date.

The profit and loss account

Gross profit

The gross profit comprises the net turnover, changes in inventories of finished goods and external costs.

The net turnover is recognised in the profit and loss account if delivery and risk transfer to the buyer have taken place before the end of the year, and if the income can be determined reliably and is expected to be received. The net turnover is recognised exclusive of VAT and taxes and with the deduction of any discounts granted in connection with the sale.

Costs of sales includes costs for the purchase of raw materials and consumables less discounts and changes in inventories.

Accounting policies used

Other external costs comprise costs for distribution, sales, advertisement, administration, premises, loss on debtors, and operational leasing costs.

Staff costs

Staff costs include salaries and wages including holiday allowances, pensions and other costs for social security etc. for staff members. Staff costs are less public reimbursements.

Depreciation, amortisation and writedown

Depreciation, amortisation and writedown comprise depreciation on, amortisation of and writedown relating to tangible fixed assets respectively.

Net financials

Net financials include interest income, interest expenses, and realised and unrealised capital gains and losses on financial assets and liabilities. Net financials are recognised in the profit and loss account with the amounts concerning the financial year.

Tax of the results for the year

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.

The company is subject to the Danish legislation concerning compulsory joint taxation with the Danish group enterprises.

The current Danish corporate tax is allocated among the jointly taxed companies in proportion to their respective taxable income (full allocation with reimbursement of tax losses).

The balance sheet

Tangible fixed assets

Tangible fixed assets are measured at cost with deduction of accrued depreciation and writedown.

The basis of depreciation is cost with deduction of expected residual value after the end of the useful life of the asset.

The cost comprises the acquisition cost and costs directly attached to the acquisition until the time when the asset is ready for use.

Depreciation takes place on a straight line basis and based on an evaluation of the expected useful life:

Other plants, operating assets, fixtures and furniture	3-5 years
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Accounting policies used

Minor assets with an expected useful life of less than 1 year are recognised as costs in the profit and loss account in the year of acquisition.

Profit or loss deriving from the sales of tangible fixed assets is measured as the difference between the sales price reduced by the selling costs and the book value at the time of the sale. Profit or losses are recognised in the profit and loss account as other operating income or other operating expenses.

Inventories

Inventories are measured at cost on basis of the FIFO method. In case the net realisable value of the inventories is lower than the cost, writedown takes place to this lower value.

The cost for trade goods, raw materials, and consumables comprises the acquisition cost with the addition of the delivery costs.

The net realisable value for inventories is recognised as the market price with deduction of completion costs and selling costs. The net realisable value is determined taking into consideration the negotiability, obsolescence, and development of the expected market price.

Debtors

Debtors are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, writedown takes place at the net realisable value.

Accrued income and deferred expenses

Accrued income and deferred expenses recognised under assets comprise incurred costs concerning the next financial year.

Available funds

Available funds comprise cash at bank and in hand.

Corporate tax and deferred tax

Current tax receivable and tax liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivable and tax liabilities are set off to the extent that legal right of set-off exists and if the items are expected to be settled net or simultaneously.

According to the rules of joint taxation, Comfort Audio ApS is unlimited, jointly and severally liable towards the Danish tax authorities for the total corporation tax, including withholding tax on interest, royalties and dividends, arising within the jointly taxed group of companies.

Deferred tax is measured on the basis of all temporary differences in assets and liabilities with a balance sheet focus.

Accounting policies used

Deferred tax is measured based on the tax rules and tax rates applying under the legislation on the balance sheet date and prevailing when the deferred tax is expected to be released as current tax. In the period 2014 to 2016, the corporate tax rate will be reduced gradually from 25 % to 22 %, which will affect the deferred tax liabilities and deferred tax assets. Unless a recognition with a different tax rate than 22 % will result in a significant material deviation in the estimated deferred tax liability or tax asset, deferred tax liabilities and assets are recognised by 22 %.

Other provisions

Provisions comprise expected costs for guarantee liabilities. Provisions are recognised when the company has a legal or actual liability which is due to a previous event and when it is likely that the settlement of the liability will result in expenditure of the financial resources of the company.

If the settlement of the liability is expected to take place in some remote future, provisions are measured at the net realisable value or at fair value.

Guarantee liabilities comprise liabilities for repairs within the guarantee period of 1-5 years. The provisions are measured at the net realisable value and recognised on basis of the obtained experience with guarantee work. If provisions have an expected due date later than 1 year from the balance sheet date, they are discounted at the average bond interest.

Liabilities

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

Profit and loss account 1 April - 31 March

DKK in thousands.

<u>Note</u>	<u>2016</u>	<u>2015</u>
Gross profit	4.302	5.661
1 Staff costs	-2.206	-4.846
Depreciation and writedown relating to tangible fixed assets	-15	-6
Operating profit	2.081	809
Other financial income	4	0
2 Other financial costs	-10	-6
Results before tax	2.075	803
3 Tax on ordinary results	-491	-195
Results for the year	1.584	608
Proposed distribution of the results:		
Allocated to results brought forward	1.584	608
Distribution in total	1.584	608

Balance sheet 31 March

DKK in thousands.

Assets		
<u>Note</u>	<u>2016</u>	<u>2015</u>
Fixed assets		
Other plants, operating assets, and fixtures and furniture	15	29
Tangible fixed assets in total	15	29
Fixed assets in total	15	29
Current assets		
Manufactured goods and trade goods	3.506	1.726
Inventories in total	3.506	1.726
Trade debtors	2.269	1.510
Amounts owed by group enterprises	1.446	25
Receivable corporate tax	0	147
Accrued income and deferred expenses	31	0
Debtors in total	3.746	1.682
Cash funds	8	1.100
Current assets in total	7.260	4.508
Assets in total	7.275	4.537

Balance sheet 31 March

DKK in thousands.

Equity and liabilities		
<u>Note</u>	<u>2016</u>	<u>2015</u>
Equity		
5 Contributed capital	125	125
6 Results brought forward	3.333	1.748
Equity in total	3.458	1.873
Provisions		
Other provisions	66	0
Provisions in total	66	0
Liabilities		
Trade creditors	281	86
Debt to group enterprises	1.934	1.430
Corporate tax	393	0
Other debts	1.143	1.148
Short-term liabilities in total	3.751	2.664
Liabilities in total	3.751	2.664
Equity and liabilities in total	7.275	4.537

7 Contingencies

Notes

DKK in thousands.

	<u>2016</u>	<u>2015</u>
1. Staff costs		
Salaries and wages	1.699	3.932
Pension costs	275	459
Other costs for social security	34	72
Other staff costs	198	383
	<u>2.206</u>	<u>4.846</u>
2. Other financial costs		
Other financial costs	10	6
	<u>10</u>	<u>6</u>
3. Tax on ordinary results		
Tax of the results for the year, parent company	491	196
Adjustment of tax for previous years	0	-1
	<u>491</u>	<u>195</u>
4. Other plants, operating assets, and fixtures and furniture		
Cost 1 April 2015	72	43
Additions during the year	0	29
Cost 31 March 2016	<u>72</u>	<u>72</u>
Depreciation and writedown 1 April 2015	-42	-36
Depreciation for the year	-15	-6
Depreciation and writedown 31 March 2016	<u>-57</u>	<u>-42</u>
Book value 31 March 2016	<u>15</u>	<u>30</u>

Notes

DKK in thousands.

	<u>31/3 2016</u>	<u>31/3 2015</u>
5. Contributed capital		
Contributed capital 1 April 2015	<u>125</u>	<u>125</u>
	<u>125</u>	<u>125</u>
6. Results brought forward		
Results brought forward 1 April 2015	1.749	1.140
Profit or loss for the year brought forward	<u>1.584</u>	<u>608</u>
	<u>3.333</u>	<u>1.748</u>

7. Contingencies

Operational leasing

In addition to financial leasing contracts, the company has entered into operational leasing contracts with an average annual leasing payment of DKK 76k. The leasing contracts have 45 months left to run, and the total outstanding leasing payment is DKK 286k.

Joint taxation

Sonova Denmark A/S, company reg. no 10317487 being the administration company, the company is subject to the Danish scheme of joint taxation and unlimited jointly and severally liable with the other jointly taxed companies for the total corporation tax.

The company is unlimited jointly and severally liable with the other jointly taxed companies for any obligation to withhold tax on interest, royalties and dividends.

Any subsequent adjustments of corporate taxes or withheld taxes etc. may cause changes in the company's liabilities.