

# Sennheiser Nordic A/S

Skovlytoften 33, DK-2840 Holte

CVR no. 28 89 31 40

## Annual report 2017

Approved at the Company's annual general meeting on 16 April 2018

Chairman:



Daniel Sennheiser





## Contents

<b>Statement by the Board of Directors and the Executive Board</b>	<b>2</b>
<b>Independent auditor's report</b>	<b>3</b>
<b>Management's review</b>	<b>5</b>
<b>Financial statements 1 January - 31 December</b>	<b>7</b>
Income statement	7
Balance sheet	8
Statement of changes in equity	10
Notes to the financial statements	11



### Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Sennheiser Nordic A/S for the financial year 1 January - 31 December 2017.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Holte, 16 April 2018  
Executive Board:



Jørgen Wengel

Board of Directors:



Daniel Sennheiser  
Chairman



Heineke Hahn



Jørgen Wengel



## Independent auditor's report

To the shareholder of Sennheiser Nordic A/S

### Opinion

We have audited the financial statements of Sennheiser Nordic A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including 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 financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

### Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance as to 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 the 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 Company's internal control.



### Independent auditor's report

- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- ▶ Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, 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's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, 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's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.


Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 16 April 2018  
ERNST & YOUNG  
Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28



Thomas Bruun Kofoed  
State Authorised Public Accountant  
MNE no.: mne28677



Anders Flymer-Dindler  
State Authorised Public Accountant  
MNE no.: mne35423



## Management's review

### Company details

Name  
Address, Postal code, City

Sennheiser Nordic A/S  
Skovlytoften 33, DK-2840 Holte

CVR no.  
Established  
Registered office  
Financial year

28 89 31 40  
1 July 2015  
Rudersdal  
1 January - 31 December

Board of Directors

Daniel Sennheiser, Chairman  
Heinke Hahn  
Jørgen Wengel

Executive Board

Jørgen Wengel

Auditors

Ernst & Young Godkendt Revisionspartnerselskab  
Osvold Helmuths Vej 4, P.O. Box 250, 2000 Frederiksberg,  
Denmark



## Management's review

### Financial highlights

DKK'000	2017	2016	2015	2014	2013
<b>Key figures</b>					
Gross margin	37,605	36,683	31,933	31,738	41,740
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	6,007	5,359	2,493	4,696	14,358
Net financials	2,934	-1,726	2	598	-920
<b>Profit/loss for the year</b>	<b>5,798</b>	<b>1,971</b>	<b>1,624</b>	<b>3,304</b>	<b>9,857</b>
<b>Assets</b>					
Fixed assets	1,630	2,301	2,171	2,378	3,307
Non-fixed assets	60,338	57,730	62,089	66,517	66,167
<b>Total assets</b>	<b>61,968</b>	<b>60,031</b>	<b>64,260</b>	<b>68,895</b>	<b>69,474</b>
Investment in property, plant and equipment	48	143	238	106	508
<b>Equity</b>	<b>17,433</b>	<b>14,329</b>	<b>27,729</b>	<b>41,275</b>	<b>38,564</b>
<b>Financial ratios</b>					
Solvency ratio	28.1%	23.9%	43.2%	59.9%	55.5%
Return on equity	36.5%	9.4%	4.7%	8.3%	29.1%
<b>Average number of employees</b>					
	49	47	43	43	41

Financial ratios are calculated in accordance with the Danish Finance Society's recommendations on the calculation of financial ratios. For terms and definitions, please see the accounting policies.

## Management commentary

### Business review

The primary activities of the Company is sales of Sennheiser electro-acoustic products, services and systems in the Nordic countries.

### Financial review

The income statement for 2017 shows a profit of DKK 5,798 thousand against a profit of DKK 1,971 thousand last year, and the balance sheet at 31 December 2017 shows equity of DKK 17,433 thousand.

In the annual report for 2017, Management expected a profit similar to 2016. Management considers the Company's financial performance in the year satisfactory.

### Foreign branches

Sennheiser Nordic (Norway), Grenseveien 92, 0663 Oslo, Norway  
Sennheiser Nordic (Sweden), Vretenvägen 10, 171 54 Solna, Sweden  
Sennheiser Nordic (Finland), Lautatarhankatu 6, 00800 Helsinki, Finland

### Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

### Outlook

Management expects that financial performance for 2018 will be at the same level as 2017.



## Financial statements 1 January - 31 December

### Income statement

Note	DKK'000	2017	2016
	<b>Gross margin</b>	37,605	36,683
2	Staff costs	-31,598	-31,324
	Depreciation of property, plant and equipment	-211	-211
	<b>Profit before net financials</b>	5,796	5,148
3	Financial income	3,855	830
4	Financial expenses	-921	-2,556
	<b>Profit before tax</b>	8,730	3,422
5	Tax for the year	-2,932	-1,451
	<b>Profit for the year</b>	5,798	1,971





## Financial statements 1 January - 31 December

### Balance sheet

Note	DKK'000	2017	2016
	<b>ASSETS</b>		
	<b>Fixed assets</b>		
6	<b>Property, plant and equipment</b>		
	Fixtures and fittings, other plant and equipment	785	947
		<u>785</u>	<u>947</u>
7	<b>Investments</b>		
	Deferred tax asset	529	661
	Deposits, investments	316	693
		<u>845</u>	<u>1,354</u>
	<b>Total fixed assets</b>	<u>1,630</u>	<u>2,301</u>
	<b>Non-fixed assets</b>		
	<b>Inventories</b>		
	Finished goods and goods for resale	2,984	2,563
		<u>2,984</u>	<u>2,563</u>
	<b>Receivables</b>		
	Trade receivables	38,083	33,004
	Corporation tax receivable	2,436	2,523
8	<b>Prepayments</b>	487	348
		<u>41,006</u>	<u>35,875</u>
	<b>Cash</b>	<u>16,348</u>	<u>19,292</u>
	<b>Total non-fixed assets</b>	<u>60,338</u>	<u>57,730</u>
	<b>TOTAL ASSETS</b>	<u>61,968</u>	<u>60,031</u>



## Financial statements 1 January - 31 December

### Balance sheet

Note	DKK'000	2017	2016
	<b>EQUITY AND LIABILITIES</b>		
	<b>Equity</b>		
9	Share capital	1,000	1,000
	Provision for distributions	7,500	0
	Retained earnings	8,933	13,329
	<b>Total equity</b>	<b>17,433</b>	<b>14,329</b>
	<b>Provisions</b>		
	Other provisions	2,871	3,365
10	<b>Total provisions</b>	<b>2,871</b>	<b>3,365</b>
	<b>Liabilities other than provisions</b>		
	<b>Current liabilities other than provisions</b>		
	Trade payables	2,600	1,983
	Payables to group entities	12,444	15,975
	Corporation tax payable	1,525	104
	Other payables	25,095	24,275
		41,664	42,337
	<b>Total liabilities other than provisions</b>	<b>41,664</b>	<b>42,337</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>61,968</b>	<b>60,031</b>

- 1 Accounting policies
- 11 Contractual obligations and contingencies, etc.
- 12 Collateral
- 13 Related parties



## Financial statements 1 January - 31 December

### Statement of changes in equity

Note	DKK'000	Share capital	Provision for distributions	Retained earnings	Total
	Equity at				
	1 January 2017	1,000	0	13,329	14,329
14	Transfer, see "Appropriation of profit"	0	7,500	-1,702	5,798
	Exchange rate adjustments	0	0	-2,694	-2,694
	<b>Equity at 31 December 2017</b>	<b>1,000</b>	<b>7,500</b>	<b>8,933</b>	<b>17,433</b>



## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies

The annual report of Sennheiser Nordic A/S for 2017 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized reporting class C entities.

The accounting policies are consistent with this of last year.

#### Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement is prepared for the parent company, as its cash flows are reflected in the consolidated cash flow statement.

#### Leases

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

### Income statement

#### Revenue

Income from the sale of goods for resale and finished goods is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received.

#### Gross margin

The items revenue, change in inventories of finished goods and work in progress, work performed for own account and capitalised, other operating income and external expenses have been aggregated into one item in the income statement called gross margin in accordance with section 32 of the Danish Financial Statements Act.

#### Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including gains or losses on the sale of fixed assets.

#### External expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

#### Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.



## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Depreciation

The item comprises depreciation of property, plant and equipment.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Plant and machinery	3-13 years
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The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The residual value is reassessed every year.

##### Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

##### Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

##### Balance sheet

##### Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

##### Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

##### Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.



## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

##### Provisions

Provisions comprise anticipated expenses relating to warranty commitments. Provisions are recognised when the Company has a legal or constructive obligation at the balance sheet date as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions are measured at net realisable value or at fair value if the obligation is expected to be settled far into the future.

##### Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

##### Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value, which typically equals nominal value.



## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Financial ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios.

The financial ratios stated under "Financial highlights" have been calculated as follows:

Equity ratio	$\frac{\text{Equity, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss for the year after tax} \times 100}{\text{Average equity}}$



## Financial statements 1 January - 31 December

### Notes to the financial statements

DKK'000	2017	2016
<b>2 Staff costs</b>		
Wages/salaries	27,485	26,794
Pensions	2,163	2,629
Other social security costs	1,950	1,901
	<u>31,598</u>	<u>31,324</u>
Average number of full-time employees	<u>49</u>	<u>47</u>
By reference to section 98b(3)(ii) of the Danish Financial Statements Act, remuneration to Management is not disclosed.		
DKK'000	2017	2016
<b>3 Financial income</b>		
Interest receivable, group entities	849	683
Exchange gains	3,006	117
Other financial income	0	30
	<u>3,855</u>	<u>830</u>
<b>4 Financial expenses</b>		
Interest expenses, group entities	775	643
Exchange losses	0	1,802
Other financial expenses	146	111
	<u>921</u>	<u>2,556</u>
<b>5 Tax for the year</b>		
Estimated tax charge for the year	1,485	284
Deferred tax adjustments in the year	123	-83
Tax adjustments, prior years	1,324	1,250
	<u>2,932</u>	<u>1,451</u>





## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 6 Property, plant and equipment

DKK'000	Fixtures and fittings, other plant and equipment
Cost at 1 January 2017	3,350
Additions	49
Cost at 31 December 2017	<u>3,399</u>
Impairment losses and depreciation at 1 January 2017	2,403
Depreciation	<u>211</u>
Impairment losses and depreciation at 31 December 2017	<u>2,614</u>
Carrying amount at 31 December 2017	<u>785</u>

#### 7 Investments

DKK'000	Deferred tax asset	Deposits, investments	Total
Cost at 1 January 2017	661	693	1,354
Disposals	-132	-377	-509
Cost at 31 December 2017	<u>529</u>	<u>316</u>	<u>845</u>
Carrying amount at 31 December 2017	<u>529</u>	<u>316</u>	<u>845</u>

#### 8 Prepayments

Prepayments comprise incurred costs relating to subsequent financial years.

#### 9 Share capital

Analysis of the share capital:

1,000,000 shares of DKK 1.00 nominal value each	<u>1,000</u>	<u>1,000</u>
	<u>1,000</u>	<u>1,000</u>

The Company's share capital has remained DKK 1,000 thousand over the past 5 years.

#### 10 Provisions

Other provisions comprise provisions for warranty commitments, totalling DKK 2,871 thousand (2016: DKK 3,365 thousand). Warranty provisions relate to expected warranty expenses in accordance with usual guarantee commitments applicable to the sale of goods. The obligation is expected to be settled over the warranty period, which is two years.



## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 11 Contractual obligations and contingencies, etc.

##### Other financial obligations

Other rent and lease liabilities:

DKK'000	2017	2016
Rent and lease liabilities	7,799	7,402

Rent and lease liabilities include a rent obligation totalling DKK 3,582 thousand in interminable rent agreements. Furthermore, the Company has liabilities under operating leases for cars and IT equipment, totalling DKK 4,217 thousand.

#### 12 Collateral

The Company has not provided any security or other collateral in assets at 31 December 2017.

#### 13 Related parties

Sennheiser Nordic A/S' related parties comprise the following:

##### Parties exercising control

Related party	Domicile	Basis for control
Sennheiser Global Operations GmbH	Am Labor 1, D-30900 Wedemark, Germany	Controls 100% of the share capital and votes

##### Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Sennheiser Electronic GmbH & Co. KG	Am Labor 1, D-30900 Wedemark, Germany	By contact to the company

##### Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the votes or minimum 5% of the share capital:

Name	Domicile
Sennheiser Global Operations GmbH	Am Labor 1, D-30900 Wedemark, Germany

DKK'000	2017	2016
<b>14 Appropriation of profit</b>		
<b>Recommended appropriation of profit</b>		
Proposed dividend recognised under equity	7,500	0
Retained earnings/accumulated loss	-1,702	1,971
	5,798	1,971