

Sennheiser Nordic A/S
Central Business Registration No
28893140
Skovlytoften 33
2840 Holte

Annual report 2015

The Annual General Meeting adopted the annual report on 17.05.2016

Chairman of the General Meeting

Name:

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Entity details

Entity

Sennheiser Nordic A/S
Skovlytoften 33
2840 Holte

Central Business Registration No: 28893140

Founded: 01.07.2005

Registered in: Rudersdal

Financial year: 01.01.2015 - 31.12.2015

Board of Directors

Daniel Sennheiser, Chairman

Björn Olof Grefer

Hans-Joachim Weymer

Executive Board

Jørgen Ulbæk Wengel, Chief Executive Officer

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

P.O. Box 1600

0900 Copenhagen C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Sennheiser Nordic A/S for the financial year 01.01.2015 - 31.12.2015.

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 31.12.2015 and of the results of its operations and cash flows for the financial year 01.01.2015 - 31.12.2015.

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.

Holte, 17.05.2016

Executive Board

Jørgen Ulbæk Wengel
Chief Executive Officer

Board of Directors

Daniel Sennheiser
Chairman

Björn Olof Grefer

Hans-Joachim Weymer

Independent auditor's reports

To the owner of Sennheiser Nordic A/S

Report on the financial statements

We have audited the financial statements of Sennheiser Nordic A/S for the financial year 01.01.2015 - 31.12.2015, which comprise the accounting policies, income statement, balance sheet, statement of changes in equity, cash flow statement and notes. 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 about whether the financial statements are free from material misstatement.

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 of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity'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 Entity'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 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.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31.12.2015 and of the results of its operations and cash flows for the financial year 01.01.2015 - 31.12.2015 in accordance with the Danish Financial Statements Act.

Independent auditor's reports

Statement on the management commentary

Pursuant to the Danish Financial Statements Act, we have read the management commentary. We have not performed any further procedures in addition to the audit of the financial statements.

On this basis, it is our opinion that the information provided in the management commentary is consistent with the financial statements.

Copenhagen, 17.05.2016

Deloitte

Statsautoriseret Revisionspartnerselskab

Jan Larsen
State Authorised Public Accountant

Nikolaj Johnsen
State Authorised Public Accountant

CVR-nr. 33963556

Management commentary

	2015	2014	2013	2012	2011
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Financial high-lights					
Key figures					
Gross profit	31.933	31.738	41.740	35.093	26.137
Operating profit/loss	2.186	4.376	13.550	7.666	(435)
Net financials	2	598	(920)	(276)	(368)
Profit/loss for the year	1.624	3.304	9.857	5.322	(1.085)
Total assets	64.260	68.894	69.474	68.273	64.710
Investments in property, plant and equipment	238	106	508	468	0
Equity	27.729	41.275	38.564	29.212	23.741
Ratios					
Return on equity (%)	4,7	8,3	29,1	20,1	(4,5)
Solvency ratio (%)	43,2	59,9	55,5	42,8	36,7

Management commentary

Primary activities

The object of the Company is to provide the customers in the Nordic countries with the world's leading solutions of electro-acoustic products, systems and services.

Development in activities and finances

Profit for the financial year 01.01.2015 - 31.12.2015 amounts to DKK 1,624 thousand, and the balance sheet shows positive equity of DKK 27,729 thousand 31.12.2015.

Profit for the year has developed in line with expectations.

Outlook

Management expects that the performance for 2016 will be at the same level as attained in the financial year 01.01.2015 - 31.12.2015.

Foreign Braches

Sennheiser Nordic (Norway), Grenseveien 92, 0663 Oslo, Norway

Sennheiser Nordic (Sweden), Vretenvägen 10, 171 54 Solna, Sweden

Sennheiser Nordic (Finland), Lautatarhankatu 6, 00580 Helsinki, Finland

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.

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 (medium).

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 one 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.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, cost of sales and other external expenses.

Accounting policies

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. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Cost of sales

Cost of sales comprises cost of sales for the financial year measured at cost, adjusted for ordinary inventory write-downs.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes write-downs of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

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 gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as 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 losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Income taxes

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.

Accounting policies

Balance sheet

Goodwill

Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. The amortisation period is usually five years, however, in certain cases it may be up to 20 years for strategically acquired enterprises with a strong market position and a long-term earnings profile if the longer amortisation period is considered to give a better reflection of the benefit from the relevant resources.

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

Property, plant and equipment

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

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:

Other fixtures and fittings, tools and equipment	4-13 years
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Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Receivables

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

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Inventories

Inventories are measured at the lower of cost using the average cost formula and net realisable value.

Accounting policies

Cost consists of purchase price plus delivery costs.

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

Income tax payable or receivable

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

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. The proposed dividend for the financial year is disclosed as a separate item in equity.

Other provisions

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

If goods are sold on approval, a provision is made for the mark-up on the goods estimated to be returned as well as any expenses related to the returns.

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

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

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

Accounting policies

Cash flow statement

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

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

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

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

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

Financial highlights

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Ratios reflect
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The Entity's return on capital invested in the Entity by the owners.
Solvency ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the Entity.

Income statement for 2015

	<u>Notes</u>	<u>2015 DKK'000</u>	<u>2014 DKK'000</u>
Gross profit		31.933	31.738
Staff costs	1	(29.440)	(27.042)
Depreciation, amortisation and impairment losses	2	<u>(307)</u>	<u>(320)</u>
Operating profit/loss		2.186	4.376
Other financial income	3	3.042	1.170
Other financial expenses	4	<u>(3.040)</u>	<u>(572)</u>
Profit/loss from ordinary activities before tax		2.188	4.974
Tax on profit/loss from ordinary activities	5	<u>(564)</u>	<u>(1.670)</u>
Profit/loss for the year		<u>1.624</u>	<u>3.304</u>
 Proposed distribution of profit/loss			
Dividend for the financial year		15.000	15.000
Retained earnings		<u>(13.376)</u>	<u>(11.696)</u>
		<u>1.624</u>	<u>3.304</u>

Balance sheet at 31.12.2015

	<u>Notes</u>	<u>2015 DKK'000</u>	<u>2014 DKK'000</u>
Goodwill		0	0
Intangible assets	6	<u>0</u>	<u>0</u>
Other fixtures and fittings, tools and equipment		1.268	1.330
Property, plant and equipment	7	<u>1.268</u>	<u>1.330</u>
Other receivables		325	349
Deferred tax		578	698
Fixed asset investments	8	<u>903</u>	<u>1.047</u>
Fixed assets		<u>2.171</u>	<u>2.377</u>
Manufactured goods and goods for resale		1.366	2.966
Inventories		<u>1.366</u>	<u>2.966</u>
Trade receivables		39.775	33.482
Receivables from group enterprises		0	11.791
Income tax receivable		3.028	2.666
Prepayments	9	260	72
Receivables		<u>43.063</u>	<u>48.011</u>
Cash		<u>17.660</u>	<u>15.540</u>
Current assets		<u>62.089</u>	<u>66.517</u>
Assets		<u><u>64.260</u></u>	<u><u>68.894</u></u>

Balance sheet at 31.12.2015

	<u>Notes</u>	<u>2015 DKK'000</u>	<u>2014 DKK'000</u>
Contributed capital		1.000	1.000
Retained earnings		11.729	25.275
Proposed dividend		15.000	15.000
Equity		<u>27.729</u>	<u>41.275</u>
Other provisions	10	<u>2.643</u>	<u>2.677</u>
Provisions		<u>2.643</u>	<u>2.677</u>
Trade payables		2.645	1.739
Debt to group enterprises		5.982	0
Income tax payable		235	189
Other payables	11	<u>25.026</u>	<u>23.014</u>
Current liabilities other than provisions		<u>33.888</u>	<u>24.942</u>
Liabilities other than provisions		<u>33.888</u>	<u>24.942</u>
Equity and liabilities		<u><u>64.260</u></u>	<u><u>68.894</u></u>
Unrecognised rental and lease commitments	13		
Related parties with control	14		
Ownership	15		
Consolidation	16		

Statement of changes in equity for 2015

	Contri- buted capi- tal DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000	Total DKK'000
Equity beginning of year	1.000	25.275	15.000	41.275
Ordinary dividend paid	0	0	(15.000)	(15.000)
Exchange rate adjustments	0	(170)	0	(170)
Profit/loss for the year	0	(13.376)	15.000	1.624
Equity end of year	1.000	11.729	15.000	27.729

Cash flow statement 2015

	<u>Notes</u>	<u>2015 DKK'000</u>	<u>2014 DKK'000</u>
Operating profit/loss		2.186	4.376
Amortisation, depreciation and impairment losses		307	320
Other provisions		(34)	(161)
Working capital changes	12	<u>15.855</u>	<u>(6.032)</u>
Cash flow from ordinary operating activities		18.314	(1.497)
Financial income received		3.042	1.170
Financial income paid		(3.040)	(1.106)
Income taxes refunded/(paid)		<u>(813)</u>	<u>(2.239)</u>
Cash flows from operating activities		17.503	(3.672)
Acquisition etc of property, plant and equipment		(238)	(106)
Acquisition of fixed asset investments		0	7
Sale of fixed asset investments		<u>24</u>	<u>0</u>
Cash flows from investing activities		(214)	(99)
Dividend paid		<u>(15.000)</u>	<u>0</u>
Cash flows from financing activities		(15.000)	0
Increase/decrease in cash and cash equivalents		2.289	(3.771)
Cash and cash equivalents beginning of year		15.540	19.311
Currency translation adjustments of cash and cash equivalents		<u>(169)</u>	<u>0</u>
Cash and cash equivalents end of year		17.660	15.540
Cash and cash equivalents at year-end are composed of:			
Cash		<u>17.660</u>	<u>15.540</u>
Cash and cash equivalents end of year		17.660	15.540

Notes

	2015 DKK'000	2014 DKK'000
1. Staff costs		
Wages and salaries	25.451	23.057
Pension costs	1.944	1.829
Other social security costs	2.045	2.156
	29.440	27.042
Average number of employees	44	43

Remuneration for the Executive Board has not been disclosed according to section 98b(3) of the Danish Financial Statements Act.

	2015 DKK'000	2014 DKK'000
2. Depreciation, amortisation and impairment losses		
Depreciation of property, plant and equipment	307	320
	307	320

	2015 DKK'000	2014 DKK'000
3. Other financial income		
Financial income arising from group enterprises	3.042	1.170
	3.042	1.170

	2015 DKK'000	2014 DKK'000
4. Other financial expenses		
Interest expenses	3.094	569
Exchange rate adjustments	(54)	3
	3.040	572

	2015 DKK'000	2014 DKK'000
5. Tax on ordinary profit/loss for the year		
Current tax	357	672
Change in deferred tax for the year	120	649
Adjustment relating to previous years	87	349
	564	1.670

Notes

	Goodwill DKK'000		
6. Intangible assets			
Cost beginning of year	4.215		
Cost end of year	4.215		
Amortisation and impairment losses beginning of year	(4.215)		
Amortisation and impairment losses end of year	(4.215)		
Carrying amount end of year	0		
			Other fixtures and fit- tings, tools and equipment DKK'000
7. Property, plant and equipment			
Cost beginning of year	3.225		
Exchange rate adjustments	(3)		
Additions	238		
Cost end of year	3.460		
Depreciation and impairment losses beginning of the year	(1.895)		
Exchange rate adjustments	10		
Depreciation for the year	(307)		
Depreciation and impairment losses end of the year	(2.192)		
Carrying amount end of year	1.268		
		Other re- ceivables DKK'000	Deferred tax DKK'000
8. Fixed asset investments			
Cost beginning of year	349	698	
Disposals	(24)	(120)	
Cost end of year	325	578	
Carrying amount end of year	325	578	

Notes

9. Prepayments

Prepayments comprise incurred costs relating to subsequent financial years.

10. Other provisions

Other provisions consist of anticipated costs to remedy products within the guarantee period.

	2015	2014
	<u>DKK'000</u>	<u>DKK'000</u>
11. Other short-term payables		
VAT and duties	8.095	6.129
Wages and salaries, personal income taxes, social security costs, etc. payable	3.940	3.093
Holiday pay obligation	3.055	3.130
Other costs payable	9.936	10.662
	<u>25.026</u>	<u>23.014</u>
	2015	2014
	<u>DKK'000</u>	<u>DKK'000</u>
12. Change in working capital		
Increase/decrease in inventories	1.600	796
Increase/decrease in receivables	10.575	(4.134)
Increase/decrease in trade payables etc	3.680	(2.694)
	<u>15.855</u>	<u>(6.032)</u>
	2015	2014
	<u>DKK'000</u>	<u>DKK'000</u>
13. Unrecognised rental and lease commitments		
Commitments under rental agreements or leases until expiry	<u>6.539</u>	<u>6.497</u>

Unrecognised rental and lease commitments consist of a rental obligation of DKK 4,899 thousand and lease agreements on cars and office equipment which amount to a total lease commitment of DKK 1,640 thousand.

14. Related parties with control

Sennheiser Global Operations GmbH, Am Labor 1, D-30900 Wedemark, Germany holds the majority of the voting rights (Parent) of the Entity and thus has control over the Entity.

Notes

15. Ownership

The Company has registered the following shareholder to hold more than 5% of the voting share capital or of the nominal value of the share capital:

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

16. Consolidation

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

Sennheiser Electronic GmbH & Co. KG