

Sennheiser Nordic A/S

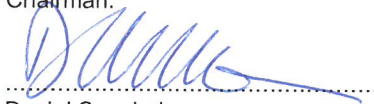
Delta Park 45, DK-2665 Vallensbæk Strand

CVR no. 28 89 31 40

Annual report 2019

Approved at the Company's annual general meeting on 26 June 2020

Chairman:



Daniel Sennheiser





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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 2019.

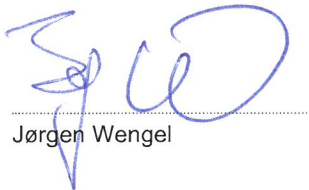
The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2019.

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.

Vallensbæk, 26 June 2020
Executive Board:



Jørgen Wengel

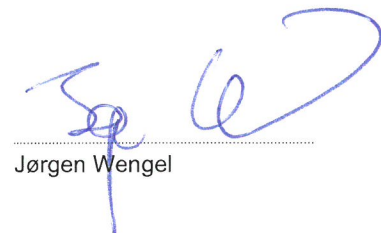
Board of Directors:



Daniel Sennheiser
Chairman



Heinke 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 2019, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement 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 2019 and of the results of the Company's operations as well as the cash flows for the financial year 1 January - 31 December 2019 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.

Independent auditor's report

- ▶ 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.
- ▶ 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.

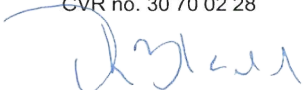
Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

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, 26 June 2020
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Thomas Bruun Kofoed
State Authorised Public Accountant
mne28677



Anders Flymer-Dindler
State Authorised Public Accountant
mne35423



Management's review

Company details

Name	Sennheiser Nordic A/S
Address, Postal code, City	Delta Park 45, DK-2665 Vallensbæk Strand
CVR no.	28 89 31 40
Established	1 July 2005
Registered office	Vallensbæk
Financial year	1 January - 31 December
Board of Directors	Daniel Sennheiser, Chairman Heinke Hahn Jørgen Wengel
Executive Board	Jørgen Wengel
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Dirch Passers Allé 36, P.O. Box 250, 2000 Frederiksberg, Denmark

Management's review

Financial highlights

DKK'000	2019	2018	2017	2016	2015
Key figures					
Gross margin	26,797	28,670	37,605	36,683	31,933
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	-404	3,735	6,007	5,359	2,493
Net financials	-5,544	1,322	2,934	-1,726	2
Profit/loss for the year	-6,114	3,473	5,798	1,971	1,624
Fixed assets	3,941	1,790	1,630	2,301	2,171
Non-fixed assets	41,411	44,644	60,341	57,730	62,089
Total assets	45,352	46,434	61,971	60,031	64,260
Equity	10,065	11,258	17,435	14,329	27,729
Cash flows from operating activities	-2,776	4,515	5,798	1,971	1,624
Investment in property, plant and equipment	-2,209	-18	48	143	238
Total cash flows	-5,083	-3,411	5,798	1,971	1,624
Financial ratios					
Equity ratio	22.2%	24.2%	28.1%	23.9%	43.2%
Return on equity	-57.3%	24.2%	36.5%	9.4%	4.7%
Average number of employees	39	40	49	47	43

For terms and definitions for financial ratios, please see the accounting policies.



Management's review

Business review

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

Financial review

The income statement for 2019 shows a loss of DKK 6,114 thousand against a profit of DKK 3,473 thousand last year, and the balance sheet at 31 December 2019 shows equity of DKK 10,065 thousand.

In the annual report for 2019, Management expected a profit similar to 2018. Management considers the Company's financial performance in the year satisfactory.

Foreign branches

Sennheiser Nordic (Norway), Fredrik Selmers vei 6, 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

With effect from 1 January 2020 the Company has received some activities from a demerger of Sennheiser Communications A/S. Consequently a significant increase in activities is expected in 2020. No other events materially affecting the Company's financial position have occurred subsequent to the financial year end.

Outlook

Due to the demerger of Sennheiser Communications A/S as mentioned above, Management expects that financial performance for 2019 will be significantly increased in 2020, and expects a result in the level DKK 30-50 million. The expected result includes the expected negative impact of COVID-19.



Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2019	2018
	Gross profit	26,797	28,670
2	Staff costs	-27,180	-24,935
	Depreciation on property, plant and equipment	-254	-206
	Other operating expenses	-21	0
	Profit/loss before net financials	-658	3,529
3	Financial income	2,599	2,742
4	Financial expenses	-8,143	-1,420
	Profit/loss before tax	-6,202	4,851
5	Tax for the year	88	-1,378
	Profit/loss for the year	-6,114	3,473



Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2019	2018
	ASSETS		
	Fixed assets		
6	Property, plant and equipment		
	Fixtures and fittings, tools and equipment	679	585
	Leasehold improvements	1,835	0
		<u>2,514</u>	<u>585</u>
7	Investments		
	Deferred tax asset	579	481
	Deposits	848	724
		<u>1,427</u>	<u>1,205</u>
	Total fixed assets	<u>3,941</u>	<u>1,790</u>
	Non-fixed assets		
	Inventories		
	Finished goods and goods for resale	2,005	1,798
		<u>2,005</u>	<u>1,798</u>
	Receivables		
	Trade receivables	27,726	26,293
	Receivables from group entities	463	813
	Corporation tax receivable	2,953	2,297
8	Prepayments	410	506
		<u>31,552</u>	<u>29,909</u>
	Cash	<u>7,854</u>	<u>12,937</u>
	Total non-fixed assets	<u>41,411</u>	<u>44,644</u>
	TOTAL ASSETS	<u>45,352</u>	<u>46,434</u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2019	2018
	EQUITY AND LIABILITIES		
	Equity		
9	Share capital	1,000	1,000
	Retained earnings	9,065	10,258
	Total equity	<u>10,065</u>	<u>11,258</u>
	Provisions		
	Other provisions	2,538	2,753
11	Total provisions	<u>2,538</u>	<u>2,753</u>
	Liabilities other than provisions		
10	Non-current liabilities other than provisions		
	Other payables	487	0
		<u>487</u>	<u>0</u>
	Current liabilities other than provisions		
	Trade payables	2,676	3,433
	Payables to group entities	9,174	8,652
	Corporation tax payable	334	1,702
	Other payables	20,078	18,636
		<u>32,262</u>	<u>32,423</u>
	Total liabilities other than provisions	<u>32,749</u>	<u>32,423</u>
	TOTAL EQUITY AND LIABILITIES	<u><u>45,352</u></u>	<u><u>46,434</u></u>

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



Financial statements 1 January - 31 December

Statement of changes in equity

Note	DKK'000	Share capital	Retained earnings	Total
		1,000	10,258	11,258
15	Transfer, see "Appropriation of profit/loss"	0	-6,114	-6,114
	Exchange rate adjustments	0	4,921	4,921
	Equity at 31 December 2019	1,000	9,065	10,065



Financial statements 1 January - 31 December

Cash flow statement

Note	DKK'000	2019	2018
	Profit/loss for the year	-6,114	3,473
16	Adjustments	5,495	144
	Cash generated from operations (operating activities)	-619	3,617
17	Changes in working capital	13	2,728
	Cash generated from operations (operating activities)	-606	6,345
	Interest received, etc.	201	762
	Interest paid, etc.	-175	-876
	Income taxes paid	-2,196	-1,716
	Cash flows from operating activities	-2,776	4,515
	Additions of property, plant and equipment	-2,209	-18
	Disposals of property, plant and equipment	26	0
	Purchase of financial assets	-124	-408
	Cash flows to investing activities	-2,307	-426
	Dividends paid	0	-7,500
	Cash flows from financing activities	0	-7,500
	Net cash flow	-5,083	-3,411
	Cash and cash equivalents at 1 January	12,937	16,348
	Cash and cash equivalents at 31 December	7,854	12,937

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Sennheiser Nordic A/S for 2019 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 used in the preparation of the financial statements are consistent with those of last year.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Leases

Leases that do not transfer substantially all the risks and rewards incident to 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 total liabilities relating to operating leases and other leases 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, the income can be measured reliably and payment is expected to be received.

Gross profit

The items revenue, cost of sales, other operating income and external expenses have been aggregated into one item in the income statement called gross profit in accordance with section 32 of the Danish Financial Statements Act.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Other operating income and operating expenses

Other operating income and operating expenses 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 holiday allowance and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Depreciation

The item comprises depreciation on 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:

Fixtures and fittings, tools and equipment	2-13 years
Leasehold improvements	5-13 years

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that concern the financial year. Financial income and expenses include interest income and expenses as well as allowances and surcharges under the on-account 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 tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to transactions taken to equity is recognised in equity.

Balance sheet

Property, plant and equipment

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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 comprise prepaid expenses regarding subsequent financial reporting years.

Cash

Cash comprise cash and short-term securities which are readily convertible into cash and subject to only 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.

Corporation tax

Current tax payables and receivables are recognised in the balance sheet as tax computed on the taxable income 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 non-deductible goodwill 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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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 ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines.

	2019	2018
DKK'000		
2 Staff costs		
Wages/salaries	23,524	21,128
Pensions	2,115	2,069
Other social security costs	1,541	1,738
	<u>27,180</u>	<u>24,935</u>
Average number of full-time employees	<u>39</u>	<u>40</u>
By reference to section 98b(3)(ii) of the Danish Financial Statements Act, remuneration of Management is not disclosed.		
DKK'000		
3 Financial income		
Interest income, group entities	167	708
Exchange gains	2,398	1,436
Other financial income	34	598
	<u>2,599</u>	<u>2,742</u>
4 Financial expenses		
Interest expenses, group entities	175	661
Exchange losses	7,295	677
Other financial expenses	673	82
	<u>8,143</u>	<u>1,420</u>
5 Tax for the year		
Estimated tax charge for the year	82	1,069
Deferred tax adjustments in the year	-94	43
Tax adjustments, prior years	-76	266
	<u>-88</u>	<u>1,378</u>

Financial statements 1 January - 31 December

Notes to the financial statements

6 Property, plant and equipment

DKK'000	Fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 January 2019	3,417	0	3,417
Additions	311	1,898	2,209
Disposals	-1,162	0	-1,162
Cost at 31 December 2019	<u>2,566</u>	<u>1,898</u>	<u>4,464</u>
Impairment losses and depreciation at 1 January 2019	2,832	0	2,832
Foreign exchange adjustments	5	0	5
Depreciation	191	63	254
Reversal of accumulated depreciation and impairment of assets disposed	-1,141	0	-1,141
Impairment losses and depreciation at 31 December 2019	<u>1,887</u>	<u>63</u>	<u>1,950</u>
Carrying amount at 31 December 2019	<u><u>679</u></u>	<u><u>1,835</u></u>	<u><u>2,514</u></u>

7 Investments

DKK'000	Deferred tax asset	Deposits	Total
Cost at 1 January 2019	481	724	1,205
Additions	98	124	222
Cost at 31 December 2019	<u>579</u>	<u>848</u>	<u>1,427</u>
Carrying amount at 31 December 2019	<u><u>579</u></u>	<u><u>848</u></u>	<u><u>1,427</u></u>

8 Prepayments

Prepayments comprise incurred costs relating to subsequent financial years.

DKK'000	2019	2018
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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><u>1,000</u></u>	<u><u>1,000</u></u>

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

Financial statements 1 January - 31 December

Notes to the financial statements

10 Non-current liabilities other than provisions

DKK'000	Total debt at 31/12 2019	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Other payables	487	0	487	0
	487	0	487	0

11 Provisions

Other provisions comprise provisions for warranty commitments, totalling DKK 2,538 thousand (2018: DKK 2,673 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.

The Company has guarantees towards third party regarding rent deposits, totalling DKK 2,538 thousand in 2019.

12 Contractual obligations and contingencies, etc.

Other financial obligations

Other rent and lease liabilities:

DKK'000	2019	2018
Rent and lease liabilities	10,110	9,584

Rent and lease liabilities include a rent obligation totalling DKK 7,728 thousand regarding non-cancellable rent agreements. Furthermore, the Company has commitments under operating leases for cars and IT equipment totalling DKK 2,382 thousand.

13 Collateral

The Company has not provided any security or other collateral in assets at 31 December 2019.

14 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

Financial statements 1 January - 31 December

Notes to the financial statements

Related party transactions

The Company solely discloses related party transactions that have not been carried out on an arm's length basis, cf. section 98c(7) of the Danish Financial Statements Act.

All transactions have been carried out on an arm's length basis.

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	2019	2018
15 Appropriation of profit/loss		
Recommended appropriation of profit/loss		
Retained earnings/accumulated loss	-6,114	3,473
	-6,114	3,473
16 Adjustments		
Amortisation/depreciation and impairment losses	254	206
Provisions	-215	-118
Financial income	-2,599	-2,198
Financial expenses	8,143	876
Tax for the year	-88	1,378
	5,495	144
17 Changes in working capital		
Change in inventories	-207	1,189
Change in receivables	-987	10,958
Change in trade and other payables	1,207	-9,419
	13	2,728