

Audium (Denmark) A/S
Bomhusvej 13, 2100 København Ø

Annual report

2015/16

Company reg. no. 31 34 75 64

The annual report have been submitted and approved by the general meeting on the 12 September 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 Audium (Denmark) A/S 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.

Copenhagen, 12 September 2016

Managing Director



Henrik Johannes Haack
Executive Board


Board of directors



Franz Petermann
Chairman



Sascha/Oliver Stocker



Henrik Johannes Haack

The independent auditor's reports

To the Shareholders of Audium (Denmark) A/S

Report on the Financial Statements

We have audited the Financial Statements of Audium (Denmark) A/S for the financial year 1 April 2015 to 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 audit procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgement, 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 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 the 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.

The audit has not resulted in any qualification.

The independent auditor's reports

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 to 31 March 2016 in accordance with the Danish Financial Statements Act.

Statement on the Management's Review

We have read the 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, 12 September 2016

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
Company reg. no. 33 77 12 31



Rasmus Friis Jørgensen
State Authorised Public Accountant



Henrik Ødegaard
State Authorised Public Accountant

Company data

The company

Audium (Denmark) A/S
Bomhusvej 13
2100 København Ø

Company reg. no. 31 34 75 64
Established: 31 March 2008
Domicile: København
Financial year: 1 April - 31 March
9th financial year

Board of directors

Franz Petermann, Chairman, *Chairman*
Sascha Oliver Stocker
Henrik Johannes Haack

Managing Director

Henrik Johannes Haack, Executive Board, *Executive Board*

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
2900 Hellerup

Management's review

The principal activities of the company

The aim of the company is the development and operation of hearing centres and any activities the board assesses to be relevant to such activities.

Development in activities and financial matters

The gross profit for the year is DKK 3,955k against DKK 3,380k last year. The results from ordinary activities after tax are DKK -11,467k against DKK -12,568k last year. The management consider the results satisfactory given the circumstances.

The Company has lost its equity. The Company's shareholder has confirmed to provide sufficient funds during the next 12 months to meet the working capital requirements. Further more, a capital increase of DKK 7m was decided per 30 May 2016. On this basis, management consider the Company as going concern for the next 12 months.

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 Audium (Denmark) A/S 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).

Recognition and measurement in general

Income is recognised in the profit and loss account concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, provisions, and reversals which are due to changes in estimated amounts previously recognised in the profit and loss account are recognised in the profit and loss account.

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.

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.

Translation of foreign currency

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials.

Debtors, creditors, and other monetary items in foreign currency, which are not settled at the date of the balance sheet, are translated by using the closing rate. The difference between the closing rate and the rate at the time of establishment of the receivable or the payable is recognised in the profit and loss account under financial income and financial costs.

The profit and loss account

Gross profit

The gross profit comprises the net turnover, changes in inventories of finished goods and work in progress, work performed for own purposes and capitalised, other operating income, 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.

Accounting policies used

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

Other external costs include costs of salaries, distribution, sales, advertising, administration, rent, bad debts, etc.

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.

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

Intangible fixed assets

Acquired concessions, patents, and licences, trademarks and similiar rights

Patents and licenses are measured at cost with deduction of accrued amortisation. Patents are amortised on a straight-line basis over the remaining patent period, and licenses are amortised over the contract period, however, for a maximum of 10 years.

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.

Accounting policies used

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

Technical plants and machinery	5-10 years
Other fixed assets, operating material and inventory	3-10 years

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, Audium (Denmark) A/S 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.

Accounting policies used

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

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 %.

Liabilities

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

Profit and loss account 1 April - 31 March

All amounts in DKK.

<u>Note</u>	<u>2015/16</u>	<u>2014/15</u>
Gross profit	3.955.273	3.380.350
2 Staff costs	-14.273.414	-14.241.015
Depreciation, amortisation and writedown relating to tangible and intangible fixed assets	<u>-1.551.764</u>	<u>-1.573.522</u>
Operating profit	-11.869.905	-12.434.187
3 Other financial costs	<u>-88.265</u>	<u>-133.629</u>
Results before tax	-11.958.170	-12.567.816
4 Tax on ordinary results	<u>490.941</u>	<u>0</u>
Results for the year	<u>-11.467.229</u>	<u>-12.567.816</u>
Proposed distribution of the results:		
Allocated from results brought forward	<u>-11.467.229</u>	<u>-12.567.816</u>
Distribution in total	<u>-11.467.229</u>	<u>-12.567.816</u>

Balance sheet 31 March

All amounts in DKK.

<u>Note</u>	<u>2016</u>	<u>2015</u>
Assets		
Fixed assets		
Acquired concessions, patents, licenses, trademarks and similar rights	942.892	1.093.107
Intangible fixed assets in total	942.892	1.093.107
Other plants, operating assets, and fixtures and furniture	852.807	1.174.729
Leasehold improvements	3.139.740	3.332.179
Tangible fixed assets in total	3.992.547	4.506.908
Deposits	743.414	837.435
Financial fixed assets in total	743.414	837.435
Fixed assets in total	5.678.853	6.437.450
Current assets		
Finished goods	1.744.288	1.632.499
Inventories in total	1.744.288	1.632.499
Trade debtors	1.256.704	2.765.175
Amounts owed by group enterprises	0	2.451.288
Tax receivables from group enterprises	490.941	0
Other debtors	640.074	317.998
Accrued income and deferred expenses	376.613	0
Debtors in total	2.764.332	5.534.461
Cash funds	105.164	149.757
Current assets in total	4.613.784	7.316.717
Assets in total	10.292.637	13.754.167

Balance sheet 31 March

All amounts in DKK.

Equity and liabilities			
<u>Note</u>		<u>2016</u>	<u>2015</u>
Equity			
5	Contributed capital	1.200.000	1.200.000
6	Results brought forward	-6.108.773	5.358.456
	Equity in total	-4.908.773	6.558.456
Liabilities			
	Trade creditors	655.389	735.652
	Debt to group enterprises	10.499.773	2.905.244
	Other debts	4.046.248	3.554.815
	Short-term liabilities in total	15.201.410	7.195.711
	Liabilities in total	15.201.410	7.195.711
	Equity and liabilities in total	10.292.637	13.754.167

7 Contingencies

Notes

All amounts in DKK.

1. Uncertainties concerning the enterprise's ability to continue as a going concern

The Company has lost its equity. The Company's shareholder has confirmed to provide sufficient funds during the next 12 months to meet the working capital requirements. Further more, a capital increase of DKK 7m was decided per 30 May 2016. On this basis, management consider the Company as going concern for the next 12 months.

	<u>2015/16</u>	<u>2014/15</u>
2. Staff costs		
Salaries and wages	12.900.976	13.153.347
Pension costs	954.440	699.307
Other costs for social security	70.465	68.640
Other staff costs	347.533	319.721
	<u>14.273.414</u>	<u>14.241.015</u>
Average number of employees	<u>22</u>	<u>21</u>
3. Other financial costs		
Financial costs, group enterprises	85.840	126.745
Other financial costs	2.425	6.884
	<u>88.265</u>	<u>133.629</u>
4. Tax on ordinary results		
Adjustment for the year of deferred tax	-490.941	0
	<u>-490.941</u>	<u>0</u>
	<u>31/3 2016</u>	<u>31/3 2015</u>
5. Contributed capital		
Contributed capital 1 April 2015	1.200.000	1.100.000
Cash capital increase	0	100.000
	<u>1.200.000</u>	<u>1.200.000</u>

The share capital consists of 1.200 shares, each with a nominal value of DKK 1.000. No shares hold particular rights.

Notes

All amounts in DKK.

	<u>31/3 2016</u>	<u>31/3 2015</u>
6. Results brought forward		
Results brought forward 1 April 2015	5.358.456	17.926.272
Profit or loss for the year brought forward	<u>-11.467.229</u>	<u>-12.567.816</u>
	<u>-6.108.773</u>	<u>5.358.456</u>

7. Contingencies

Contingent liabilities

The company has entered into rental obligations. The total rental obligations amount to DKK 2,367k, of which DKK 1,464k is due within 1 year and DKK 903k is due between 1 and 5 years.

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.