

Audium (Denmark) A/S
Dyrehavevej 3, 2930 Klampenborg

Annual report
2016/17

Company reg. no. 31 34 75 64

The annual report have been submitted and approved by the general meeting on the 19 September 2017.



Tina Gath
Chairman of the meeting

Contents

Page

Reports

- 1 Management's report
- 2 Independent auditor's report

Management's review

- 5 Company data
- 6 Management's review

Annual accounts 1 April 2016 - 31 March 2017

- 7 Accounting policies used
- 11 Profit and loss account
- 12 Balance sheet
- 14 Notes

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 2016 to 31 March 2017.

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 2017 and of the company's results of its activities in the financial year 1 April 2016 to 31 March 2017.

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.

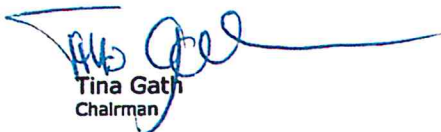
Klampenborg, 19 September 2017

Managing Director



Peter Brøgger Andreasen
Executive Board

Board of directors



Tina Gath
Chairman



Maria Patricia Bremild



Peter Brøgger Andreasen

Independent auditor's report

To the shareholders of Audium (Denmark) A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 March 2017, and of the results of the Company's operations for the financial year 1 April 2016 - 31 March 2017 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Comfort Audio ApS for the financial year 1 April 2016 - 31 March 2017, which comprise accounting policies, income statement, balance sheet and notes ("financial statements").

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

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover 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 Management's Review and, in doing so, consider whether 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 Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Independent auditor's report

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 about 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 these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent auditor's report

- 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 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.

Hellerup, 19 September 2017

PricewaterhouseCoopers

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



Rasmus Friis Jørgensen
State Authorised Public Accountant



Steffen Kaj Pedersen
State Authorised Public Accountant

Company data

The company

Audium (Denmark) A/S
Dyrehavevej 3
2930 Klampenborg

Company reg. no. 31 34 75 64
Established: 31 March 2008
Domicile: København
Financial year: 1 April - 31 March
10th financial year

Board of directors

Tina Gath, Chairman
Maria Patricia Bremild
Peter Brøgger Andreasen

Managing Director

Peter Brøgger Andreasen, 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 1,7m against DKK 4,0m last year. The results from ordinary activities after tax are DKK -15,1m against DKK -11,5m last year. The management consider the results satisfactory.

Capital resources:

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. On this basis, management consider the Company as going concern for the next 12 months.

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.

Effective January 1, 2016, the Company has adopted act no. 7358 of July 1 2015. This implies changes in the recognition and measurement in the following areas:

- Yearly reassessment of residual values of property, plant and equipment

In future, residual values of property, plant and equipment are subject to annual reassessment. The Company has no significant residual values relating to property, plant and equipment. Consequently, the change is made in accordance with section 4 of the executive order on transitional provision with future effect only as a change in accounting estimates with no impact on equity.

None of the above changes affects the income statement or the balance sheet for 2016/17 or the comparative figures.

Apart from the above disclosure requirements, which follow from act no. 738 of June 1 2015, the accounting policies are consistent with those of last year.

Financial Statements for 2016/17 are presented in Danish kroner.

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.

Accounting policies used

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 are translated by using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or the recognition in the latest annual accounts of the amount owed or the liability is recognised in the profit and loss account under financial income and expenses.

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.

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.

Depreciation, amortisation and writedown

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

Net financials

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

Accounting policies used

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.

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.

Accounting policies used

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.

Deferred expenses

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.

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.

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>2016/17</u>	<u>2015/16</u>
Gross profit	1.696.547	3.955.273
2 Staff costs	-15.282.766	-14.273.414
Depreciation, amortisation and writedown relating to tangible and intangible fixed assets	-1.530.080	-1.551.764
Operating profit	-15.116.299	-11.869.905
3 Other financial income from group enterprises	109.000	0
4 Other financial costs	-78.220	-88.265
Results before tax	-15.085.519	-11.958.170
5 Tax on ordinary results	367	490.941
Results for the year	-15.085.152	-11.467.229
Proposed distribution of the results:		
Allocated from results brought forward	-15.085.152	-11.467.229
Distribution in total	-15.085.152	-11.467.229

Balance sheet 31 March

All amounts in DKK.

Assets	2017	2016
<u>Note</u>	<u> </u>	<u> </u>
Fixed assets		
Acquired concessions, patents, licenses, trademarks and similar rights	604.603	942.892
Intangible fixed assets in total	<u>604.603</u>	<u>942.892</u>
Other plants, operating assets, and fixtures and furniture	563.965	852.807
Leasehold improvements	2.491.305	3.139.740
Tangible fixed assets in total	<u>3.055.270</u>	<u>3.992.547</u>
Deposits	758.000	743.414
Financial fixed assets in total	<u>758.000</u>	<u>743.414</u>
Fixed assets in total	<u>4.417.873</u>	<u>5.678.853</u>
Current assets		
Raw materials and consumables	1.816.652	1.744.288
Inventories in total	<u>1.816.652</u>	<u>1.744.288</u>
Trade debtors	1.338.630	1.256.704
Amounts owed by group enterprises	602.695	0
Tax receivables from group enterprises	504.000	490.941
Other debtors	522.811	640.074
Deferred expenses	0	376.613
Debtors in total	<u>2.968.136</u>	<u>2.764.332</u>
Available funds	32.983	105.164
Current assets in total	<u>4.817.771</u>	<u>4.613.784</u>
Assets in total	<u>9.235.644</u>	<u>10.292.637</u>

Balance sheet 31 March

All amounts in DKK.

Equity and liabilities			
<u>Note</u>		<u>2017</u>	<u>2016</u>
Equity			
6	Contributed capital	1.201.000	1.200.000
7	Results brought forward	<u>-14.194.925</u>	<u>-6.108.773</u>
	Equity in total	<u>-12.993.925</u>	<u>-4.908.773</u>
 Liabilities			
	Trade creditors	492.288	655.389
	Debt to group enterprises	16.663.976	10.499.773
	Other debts	<u>5.073.305</u>	<u>4.046.248</u>
	Short-term liabilities in total	<u>22.229.569</u>	<u>15.201.410</u>
	Liabilities in total	<u>22.229.569</u>	<u>15.201.410</u>
	 Equity and liabilities in total	 <u>9.235.644</u>	 <u>10.292.637</u>

8 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. On this basis, management consider the Company as going concern for the next 12 months.

	<u>2016/17</u>	<u>2015/16</u>
2. Staff costs		
Salaries and wages	13.587.090	12.900.976
Pension costs	1.089.691	954.440
Other costs for social security	74.158	70.465
Other staff costs	531.827	347.533
	<u>15.282.766</u>	<u>14.273.414</u>
Average number of employees	<u>26</u>	<u>22</u>
3. Other financial income from group enterprises		
Other financial income from group enterprise	109.000	0
	<u>109.000</u>	<u>0</u>
4. Other financial costs		
Financial costs, group enterprises	77.816	85.840
Other financial costs	404	2.425
	<u>78.220</u>	<u>88.265</u>
5. Tax on ordinary results		
Adjustment for the year of deferred tax	0	-490.941
Adjustment of tax for previous years	-367	0
	<u>-367</u>	<u>-490.941</u>

Notes

All amounts in DKK.

	<u>31/3 2017</u>	<u>31/3 2016</u>
6. Contributed capital		
Contributed capital 1 April 2016	1.200.000	1.200.000
Cash capital increase	<u>1.000</u>	<u>0</u>
	<u>1.201.000</u>	<u>1.200.000</u>

The share capital consists of 1.201 shares, each with a nominal value of DKK 1.000. No shares hold particular rights.

7. Results brought forward		
Results brought forward 1 April 2016	-6.108.773	5.358.456
Capital increase	6.999.000	0
Profit or loss for the year brought forward	<u>-15.085.152</u>	<u>-11.467.229</u>
	<u>-14.194.925</u>	<u>-6.108.773</u>

8. Contingencies

Contingent liabilities

The company has entered into rental obligations. The total rental obligations amount to DKK 1.047k, of which DKK 912k is due within 1 year and DKK 135k 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.

The jointly taxed enterprises' total, known net liability to the Danish tax authorities appears from the annual accounts of the administration company.

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