# Libratone A/S

Sundkaj 153, 2150 Nordhavn

CVR no. 32 64 76 42

## Annual report
for the year 1 January - 31 December 2018

Approved at the Company's annual general meeting on 31 May 2019

Chairman:

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Building a better working world

## Contents

## 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 Libratone A/S for the financial year 1 January - 31 December 2018.

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 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

Copenhagen, 31 May 2019
Executive Board:

Song Liu

Board of Directors:

| | | |
|---|---|---|
| Johannes Huus Bøgh<br>Chairman | Song Liu | Xun Jiang |

## Independent auditor's report

### To the shareholder of Libratone A/S

### Opinion

We have audited the financial statements of Libratone A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 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.

### Emphasis of matter in the financial statements

Without modifying our opinion, we draw attention to the fact that the Company has lost more than half of the share capital and that the equity is negative. We draw attention to note 2 in the financial statements in which Management gives an account of the matter.

We have not modified our opinion in respect of this matter.

### 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:

## Independent auditor's report

- 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.
- 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, 31 May 2019
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Peter Gath
State Authorised Public Accountant
mne19718

Martin Stenstrup Toft
State Authorised Public Accountant
mne42786

# Management's review

## Company details

| | |
|---|---|
| Name | Libratone A/S |
| Address, Postal code, City | Sundkaj 153, 2150 Nordhavn |
| CVR no. | 32 64 76 42 |
| Established | 3 December 2009 |
| Registered office | Copenhagen |
| Financial year | 1 January - 31 December |
| Website | www.libratone.com |
| E-mail | info@libratone.com |
| Telephone | +45 70 26 63 33 |
| Board of Directors | Johannes Huus Bogh, Chairman<br>Song Liu<br>Xun Jiang |
| Executive Board | Song Liu |
| Auditors | Ernst & Young Godkendt Revisionspartnerselskab<br>Osvald Helmuths Vej 4, P.O. Box 250, 2000 Frederiksberg, Denmark |

## Management's review

### Business review

The company designs, develops and sells wireless audio products inclusive of Smart speakers and headphones.

2018 was aligned with plans for revenue and the investment levels for new products, marketing and technology. In 2018 the Company undertook an operating review that led to the appointment of new Denmark leadership team, implemented new working practices and the introduction of operational efficiencies.

The Company made solid progress with collaboration with key platform partners inclusive of Apple, Amazon, Google and Tencent. In 2018, the company partnered for the launch of Airplay 2 with Apple ranging speakers across Apple Global retail estates; Amazon for the launch of Alexa-enabled speaker unit; and the continued relationship with Google and the "Made for Google" program. The company partnered with Tencent for the launch of voice-assistant services in China.

The Company continues to retail product ranges across distribution, offline and online partners, with a focus on key markets and partners.

### Unusual matters having affected the financial statements

*Going concern*

At 31 December 2018, the Company had a credit facility with the Parent Company amounting to 578m DKK which falls due when the Company has sufficient liquidity.

Furthermore, the Parent Company has confirmed to support the Company financially to ensure that the Company can discharge its obligations when they fall due.

Reference is made to note 2 for more details.

### Financial review

The revenue was in line with the Plan for 2018.

The Company incurred a Gross Margin of -47,7m DKK for 2018, compared to -74,9m DKK for 2017. The operating result reflects the continued investment in product development and undertaking design, brand and marketing changes whilst introducing operating efficiencies. Under the operating review and reflective in the results the reduction of stock in the channels, and reduction of the OPEX cost increased operating profitability.

The operating loss was 79,1m DKK compared to a loss of 126,9m DKK in 2017.

The net result was a loss of 135,8m DKK in 2018, compared to a loss of 127,1m DKK in 2017, and the total assets amounted to 113,4m DKK (97,1m DKK in 2017)

### Events after the balance sheet date

No events have occurred after the end of the financial year that could materially affect the Company's financial position.

### Outlook

According to the 5 -year plan, 2019 will be another investment year where the company will continue to target operating efficiencies, go-to-market channel optimisation and the introduction and increasing product range in H2 2019.

The Company expects to continue to increase operating profitability in 2019.

Outlook for Libratone remains positive.

# Financial statements 1 January - 31 December

## Income statement

| Note | DKK'000 | 2018 | 2017 |
|---|---|---|---|
| | **Gross margin** | -47,732 | -74,897 |
| 4 | Staff costs | -24,474 | -32,308 |
| | Amortisation/depreciation and impairment of intangible assets and property, plant and equipment | -6,943 | -19,668 |
| | **Profit/loss before net financials** | -79,149 | -126,873 |
| | Income from investments in group entities | -16,159 | -30,432 |
| | Financial income | 41,662 | 69,582 |
| 5 | Financial expenses | -82,320 | -40,313 |
| | **Profit/loss before tax** | -135,966 | -128,036 |
| 6 | Tax for the year | 125 | 850 |
| | **Profit/loss for the year** | -135,841 | -127,186 |

| | | |
|---|---|---|
| **Recommended appropriation of profit/loss** | | |
| Other statutory reserves | -1,536 | -6,424 |
| Retained earnings/accumulated loss | -134,305 | -120,762 |
| | -135,841 | -127,186 |

# Financial statements 1 January - 31 December

## Balance sheet

| Note | DKK'000 | 2018 | 2017 |
|---|---|---|---|
| | **ASSETS** | | |
| | **Fixed assets** | | |
| 7 | **Intangible assets** | | |
| | Completed development projects | 959 | 3,937 |
| | Acquired intangible assets | 276 | 3,320 |
| | Acquired other similar rights | 2,125 | 0 |
| | | 3,360 | 7,257 |
| 8 | **Property, plant and equipment** | | |
| | Other fixtures and fittings, tools and equipment | 0 | 0 |
| | Leasehold improvements | 2,545 | 1,558 |
| | | 2,545 | 1,558 |
| 9 | **Investments** | | |
| | Investments in group entities | 119 | 0 |
| | Deposits, investments | 1,964 | 1,454 |
| | | 2,083 | 1,454 |
| | **Total fixed assets** | 7,988 | 10,269 |
| | **Non-fixed assets** | | |
| | **Inventories** | | |
| | Finished goods and goods for resale | 18,053 | 28,686 |
| | | 18,053 | 28,686 |
| | **Receivables** | | |
| | Trade receivables | 7,537 | 11,191 |
| | Receivables from group entities | 34,482 | 33,345 |
| | Deferred tax assets | 975 | 850 |
| | Prepayments | 268 | 1,022 |
| | | 43,262 | 46,408 |
| | **Cash** | 44,053 | 11,769 |
| | **Total non-fixed assets** | 105,368 | 86,863 |
| | **TOTAL ASSETS** | 113,356 | 97,132 |

# Financial statements 1 January - 31 December

## Balance sheet

| Note | DKK'000 | 2018 | 2017 |
|---|---|---|---|
| | **EQUITY AND LIABILITIES** | | |
| | **Equity** | | |
| 10 | Share capital | 32,526 | 32,526 |
| | Reserve for development costs | 546 | 2,082 |
| | Retained earnings | -609,367 | -470,674 |
| | **Total equity** | -576,295 | -436,066 |
| | **Liabilities other than provisions** | | |
| | **Non-current liabilities other than provisions** | | |
| | Payables to group entities | 0 | 452,235 |
| | | 0 | 452,235 |
| | **Current liabilities other than provisions** | | |
| | Other credit institutions | 266 | 409 |
| | Trade payables | 103,808 | 75,599 |
| | Payables to group entities | 578,264 | 0 |
| | Other payables | 7,313 | 4,955 |
| | | 689,651 | 80,963 |
| | **Total liabilities other than provisions** | 689,651 | 533,198 |
| | **TOTAL EQUITY AND LIABILITIES** | 113,356 | 97,132 |

1 Accounting policies
2 Capital structure and financing
3 Special items
11 Contractual obligations and contingencies, etc.
12 Collateral
13 Related parties

# Financial statements 1 January - 31 December

## Statement of changes in equity

| DKK'000 | Share capital | Reserve for development costs | Retained earnings | Total |
|---|---|---|---|---|
| Equity at 1 January 2017 | 32,526 | 8,506 | -357,689 | -316,657 |
| Transfer through appropriation of loss | 0 | -6,424 | -120,762 | -127,186 |
| Exchange adjustment | 0 | 0 | 7,777 | 7,777 |
| **Equity at 1 January 2018** | 32,526 | 2,082 | -470,674 | -436,066 |
| Transfer through appropriation of loss | 0 | -1,536 | -134,305 | -135,841 |
| Exchange adjustment | 0 | 0 | -4,388 | -4,388 |
| **Equity at 31 December 2018** | 32,526 | 546 | -609,367 | -576,295 |

# Financial statements 1 January - 31 December

## Notes to the financial statements

1 **Accounting policies**

The annual report of Libratone A/S for 2018 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

In accordance with section 110(1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

### 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.

Monetary items denominated in foreign currencies are translated into Danish kroner at the exchange rates at the balance sheet date. Realised and unrealised exchange gains and losses are recognised in the income statement as financial income/expenses.

*Foreign group entities*

Foreign subsidiaries are considered separate entities. Items in such entities' income statements are translated at an average exchange rate for the month, and balance sheet items are translated at closing rates. Foreign exchange differences arising on translation of the opening equity of foreign subsidiaries to closing rates and on translation of the income statements from average exchange rates to closing rates are taken directly to equity.

### Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

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

## Income statement

### Revenue

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

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

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

### Gross margin

With reference to section 32 of the Danish Financial Statements Act, the items 'Revenue', 'Cost of sales', 'Other external expenses' and 'Other operating income' are consolidated into one item designated 'Gross profit/loss'.

## Financial statements 1 January - 31 December

### Notes to the financial statements

1 Accounting policies (continued)

#### Other operating income

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

#### Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

#### External expenses

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

#### Staff costs

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

#### Amortisation/depreciation

The item includes amortisation/depreciation and write-downs of intangible assets and property, plant and equipment. Non-current assets are amortised/depreciated using the straight line method, based on the cost, measured by reference to the assessment of the useful lives and residual values of the assets.

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

| | |
|---|---|
| Completed development projects | 3-5 years |
| Acquired intangible assets | 3-5 years |
| Other fixtures and fittings, tools and equipment | 3-5 years |
| Leasehold improvements | 5 years |

#### Profit from investments in subsidiaries

A proportionate share of the underlying entities' profit/loss after tax is recognised in the income statement according to the equity method. Shares of profit/loss after tax in subsidiaries are presented as separate line items in the income statement. Full elimination of intra-group gains/losses is made for equity investments in subsidiaries.

#### Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the reporting period. Net financials include interest income and expenses, realised and unrealised capital and exchange gains and losses on foreign currency transactions and surcharges and allowances under the advance payment of tax scheme, etc.

## Financial statements 1 January - 31 December

### Notes to the financial statements

1 Accounting policies (continued)

#### Tax

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

The Company and its Danish group entities are jointly taxed. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

### Balance sheet

#### Intangible assets

Development costs comprise expenses, salaries and amortisation directly or indirectly attributable to development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities areidentifiable and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses and development costs. Other development costs are recognised in the income statement as incurred.

Development costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

On completion of a development project, development costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is usually 3-5 years.

#### Property, plant and equipment

Property, plant and equipment comprise leasehold improvements and other fixtures and fittings, tools and equipment. Property, plant and equipment are measured at cost less accumulated depreciation and write downs.

#### Investments in subsidiaries

Investments in subsidiaries are measured using the equity method at the Parent Company's proportionate share of such entities' equity. Entities whose equity is negative are measured at zero with the proportionate share corresponding to the negative value being set off against receivables, if any. Any additional amounts are recognised under 'Provisions' if the Parent Company is liable for the debt.

Identified increases in value and goodwill, if any, compared to the underlying entity's net asset value are amortised in accordance with the accounting policies for the assets and liabilities to which they can be attributed. Negative goodwill is recognised in the income statement.

Dividend received is deduced from the carrying amount.

Equity investments in subsidiaries measured at net asset value are subject to impairment test requirements if there is any indication of impairment.

# Financial statements 1 January - 31 December

## Notes to the financial statements

1 Accounting policies (continued)

### Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the expected net income from the use of the asset or the group of assets and expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

### Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

Goods for resale are measured at cost, which comprises the cost of acquisition plus delivery costs as well as other expenses directly attributable to the acquisition.

### Receivables

Receivables are measured at amortised cost, which usually corresponds to nominal value. The value is reduced by provisions for impairment losses.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

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.

# Financial statements 1 January - 31 December

## Notes to the financial statements

1 Accounting policies (continued)

### Prepayments

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

### Cash

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

### Equity

***Reserve for development costs***

The reserve for development costs comprises recognised development costs. The reserve cannot be used to distribute dividends or cover losses. The reserve will be reduced or dissolved if the recognised development costs are no longer part of the Company's operations by a transfer directly to the distributable reserves under equity.

### Income taxes

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

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

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

### Liabilities

Financial liabilities are recognised on the raising of the loan at the proceeds received net of transaction costs incurred. Interest bearing debt is subsequently measured at amortised cost, using the effective interest rate method. Other debt is subsequently measured at amortised cost corresponding to the nominal unpaid debt.

## Financial statements 1 January - 31 December

### Notes to the financial statements

2 **Capital structure and financing**

At 31 December 2018, the Company had a credit facility with the Parent Company amounting to DKK 578,264 thousand, which falls due when the Company has sufficient liquidity. Furthermore, the Parent Company has confirmed to support the Company financially to ensure that the Company can discharge its obligations as they fall due. The commitment from the Parent Company will be effective at least until December 2019.

Based on these conditions, Management has presented the financial statements for 2018 based on the going concern assumption.

The Company realised a loss of DKK 135,966 thousand in 2018. Equity amounted to a negative DKK 576,420 thousand at 31 December 2018, which is less than half of the share capital. The Company is therefore covered by section 119 of the Danish Company Act. The Company expects to restore equity by a capital increase.

3 **Special items**

Special items comprise significant income and expenses of a special nature relative to the Company's revenue generating operating activities such as costs of comprehensive structuring of processes and basic structural adjustments as well as any disposal gains and losses relating thereto and which over time are of significant importance. Special items also comprise significant one-off items which in the opinion of Management do not form part of the Company's operating activities.

The profit for 2017 was affected by the preparation for the relocation of the productions facilities amounting to DKK 2,356 thousand that in the opinion of the Board of Directors do not form part of the operating activities.

| DKK'000 | 2018 | 2017 |
|---|---|---|
| **Expenses** | | |
| Impairment on inventory | 0 | 2,356 |
| | 0 | 2,356 |
| **Special items are recognised in the below items of the financial statements** | | |
| Cost of sales | 0 | 2,356 |
| **Net profit on special items** | 0 | 2,356 |

| | DKK'000 | 2018 | 2017 |
|---|---|---|---|
| 4 | **Staff costs** | | |
| | Wages/salaries | 22,134 | 29,307 |
| | Pensions | 2,113 | 2,657 |
| | Other social security costs | 226 | 344 |
| | Other staff costs | 1 | 0 |
| | | 24,474 | 32,308 |
| | Average number of full-time employees | 27 | 38 |

# Financial statements 1 January - 31 December

## Notes to the financial statements

| DKK'000 | 2018 | 2017 |
|---|---|---|
| **5 Financial expenses** | | |
| Interest expenses, group entities | 17,810 | 15,345 |
| Exchange losses | 64,388 | 24,415 |
| Other financial expenses | 122 | 553 |
| | 82,320 | 40,313 |
| **6 Tax for the year** | | |
| Deferred tax adjustments in the year | -125 | -850 |
| | -125 | -850 |

7 **Intangible assets**

| DKK'000 | Completed development projects | Acquired intangible assets | Acquired other similar rights | Total |
|---|---|---|---|---|
| Cost at 1 January 2018 | 39,157 | 9,239 | 0 | 48,396 |
| Additions in the year | 0 | 151 | 2,200 | 2,351 |
| Cost at 31 December 2018 | 39,157 | 9,390 | 2,200 | 50,747 |
| Impairment losses and amortisation at 1 January 2018 | 35,220 | 5,919 | 0 | 41,139 |
| Amortisation in the year | 2,978 | 3,195 | 75 | 6,248 |
| Impairment losses and amortisation at 31 December 2018 | 38,198 | 9,114 | 75 | 47,387 |
| **Carrying amount at 31 December 2018** | 959 | 276 | 2,125 | 3,360 |

## Financial statements 1 January - 31 December

### Notes to the financial statements

8 Property, plant and equipment

| DKK'000 | Other fixtures and fittings, tools and equipment | Leasehold improvements | Total |
|---|---|---|---|
| Cost at 1 January 2018 | 743 | 2,885 | 3,628 |
| Additions in the year | 0 | 1,682 | 1,682 |
| Cost at 31 December 2018 | 743 | 4,567 | 5,310 |
| Impairment losses and depreciation at 1 January 2018 | 743 | 1,327 | 2,070 |
| Depreciation in the year | 0 | 695 | 695 |
| Impairment losses and depreciation at 31 December 2018 | 743 | 2,022 | 2,765 |
| **Carrying amount at 31 December 2018** | 0 | 2,545 | 2,545 |

9 Investments

| DKK'000 | Investments in group entities | Deposits, investments | Total |
|---|---|---|---|
| Cost at 1 January 2018 | 6 | 1,454 | 1,460 |
| Additions in the year | 316 | 697 | 1,013 |
| Disposals in the year | 0 | -187 | -187 |
| Cost at 31 December 2018 | 322 | 1,964 | 2,286 |
| Value adjustments at 1 January 2018 | -6 | 0 | -6 |
| Exchange adjustment | -4,388 | 0 | -4,388 |
| Share of the loss for the year | -16,159 | 0 | -16,159 |
| Other adjustments, investments | 20,350 | 0 | 20,350 |
| Value adjustments at 31 December 2018 | -203 | 0 | -203 |
| **Carrying amount at 31 December 2018** | 119 | 1,964 | 2,083 |

The total amount of negative value adjustments on investments in group entities set off against receivables is DKK 92.491 thousand (2017: DKK 72,141 thousand).

| Name | Legal form | Domicile | Interest | Equity DKK'000 | Profit/loss DKK'000 |
|---|---|---|---|---|---|
| **Subsidiaries** | | | | | |
| Libratone | Inc. | USA | 100.00% | 0 | 0 |
| Libratone Japan | Co. Ltd. | Japan | 100.00% | 0 | 0 |

## Financial statements 1 January - 31 December

### Notes to the financial statements

| DKK'000 | 2018 | 2017 |
|---|---|---|
| **10 Share capital** | | |
| Analysis of the share capital: | | |
| 32,525,923 A- shares of DKK 1.00 nominal value each | 32,526 | 32,526 |
| | 32,526 | 32,526 |

Analysis of changes in the share capital over the past 5 years:

| DKK'000 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Opening balance | 32,526 | 32,526 | 32,526 | 32,526 | 2,639 |
| Capital increase | 0 | 0 | 0 | 0 | 29,887 |
| | 32,526 | 32,526 | 32,526 | 32,526 | 32,526 |

### 11 Contractual obligations and contingencies, etc.

#### Other contingent liabilities

Libratone A/S is party to a few pending legal actions. In Management's opinion, the outcome of these legal actions will not affect the Company's financial position apart from the receivables and payables recognised in the balance sheet at 31 December 2018.

The Company is jointly taxed with its group entity DynAudio Holding A/S, which acts as administration company, and is jointly and severally liable with other jointly taxed group entities for payment of income taxes for the income year 2014 onwards as well as withholding taxes on interest, royalties and dividends falling due for payment.

#### Other financial obligations

The Company has liabilities under operating leases for cars totalling DKK 177 thousand, with remaining contract terms of 1 year.

The Company has liabilities under rent commitments totalling DKK 6,624 thousand, with remaining contract terms of 3 years.

### 12 Collateral

The following assets have been put up as security for the Company's debt to other credit institutions:

A business charge of DKK 20,000 thousand, including simple claims, raw material stocks, intermediate products and finished products and immaterial rights, has been provided as security for the Company's debt to other credit institutions amounting to DKK 266 thousand at 31 December 2018.

The total carrying amount of these assets is DKK 26,506 thousand.

### 13 Related parties

#### Information about consolidated financial statements

| Parent | Domicile |
|---|---|
| Dotcom Development Limited | |

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 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 |
|---|---|
| Dotcom Development Limited | Hong Kong |