

Advanced Bionics Denmark ApS

Korskildelund 6, 2670 Greve

Annual report

2017/18

Company reg. no. 37 57 64 92

The annual report have been submltted and approved by the general meeting on the _____ 2018.

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 executive board has today presented the annual report of Advanced Bionics Denmark ApS for the financial year 01 April 2017 to 31 March 2018.

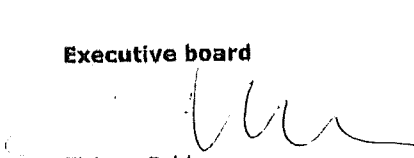
The annual report has been presented in accordance with the Danish Financial Statements Act.

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 2018 and of the company's results of its operations in the financial year 1 April 2017 to 31 March 2018.

We recommend that The Annual Report to be adopted at the Annual General Meeting.

Greve, 21. June 2018

Executive board


Tiziano Caldera


Gerhard Röhrlein


Steen Bahne Madsen

Independent auditor's report

To the shareholders of Advanced Bionics Denmark ApS

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 March 2018, and of the results of the Company's operations for the financial year 1 April 2017 - 31 March 2018 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Sonova Denmark A/S for the financial year 1 April 2017 - 31 March 2018, 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.

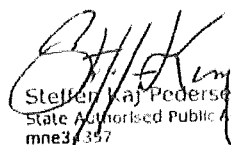
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hellerup, 21. June 2018

PricewaterhouseCoopers

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


Rasmus Frits Jørgensen
State Authorised Public Accountant
mne28705


Steffen Kaj Pedersen
State Authorised Public Accountant
mne31357

Company data

The company	Advanced Bionics Denmark ApS	
	Korskildelund 6	
	2670 Greve	
	Company reg. no.	37 57 64 92
	Established:	22 March 2016
Executive board	Domicile:	Greve
	Financial year:	01 April - 31 March
		2nd financial year
	Tiziano Caldera	
	Gerhard Röhrlein	
Auditors	Steen Bahne Madsen	
	PricewaterhouseCoopers	
	Statsautoriseret Revisionspartnerselskab	
	Strandvejen 44	
	2900 Hellerup	
Parent company	Advanced Bionics AG	

Management's review

The principal activities of the company

The Company's main activity is sales of electronic equipment and related services.

Development in activities and financial matters

The gross profit for the year is DKK 2.543k. The results from ordinary activities after tax are DKK -159k. The management considers the results unsatisfactory.

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 considers the Company as going concern for the next 12 months.

Accounting policies used

The annual report for Advanced Bionics Denmark ApS is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class B enterprises.

Recognition and measurement

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 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.

Accounting policies used

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 expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses 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 comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities, amortisation of financial assets and liabilities, additions and reimbursements under the Danish tax prepayment scheme, etc. Financial income and expenses are recognised in the profit and loss account with the amounts that concerns the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The balance sheet

Tangible fixed assets

Equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are

Computer hardware	3 years
Leasehold improvements	5 years

Accounting policies used

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount, and the asset is written down to its lower recoverable amount.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale in the process of normal operations with deduction of selling expenses and cost of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected sales sum.

The cost of inventories equals landed cost.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which correspond to nominal value less provisions for bad debts.

Financial debts

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Deferred tax assets and liabilities

Deferred Income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Accounting policies used

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on account taxation scheme are recognised in the income statement in financial income and expenses.

Profit and loss account 01 April - 31 March

<u>Note</u>	2017/18	2016/17
Gross profit	2.542.775	1.245.677
2 Staff costs	-3.495.789	-4.114.058
Depreciation relating to tangible and intangible fixed assets	-19.059	5.553
Operating profit	-972.073	-2.873.935
3 Financial cost	-22.709	515
Results before tax	-994.782	-2.874.450
Tax on ordinary results	836.419	0
Results for the year	-158.363	-2.874.450
Proposed distribution of the results:		
Allocated from results brought forward	-158.363	-2.874.450
Distribution in	-158.363	-2.874.450

Balance sheet

Assets			
Note	31/3 2018	31/3 2017	
Fixed assets			
Decoration rented premises	33.706	47.757	
Computer hardware	38.176	0	
Tangible fixed assets in total	71.882	47.757	
Deposits	69.670	20.577	
Financial fixed assets in total	69.670	20.577	
Fixed assets in total	141.552	68.334	
Current assets			
Manufactured goods and trade goods	2.250.717	3.668.136	
Inventories in total	2.250.717	3.668.136	
Trade debtors	1.127.633	2.689.507	
Amounts owed by group enterprises	1.719.930	96.693	
Amounts due from joint taxated companies	348.419	0	
Capitalized Tax Asset	488.000	0	
Prepaid Expenses	75.000	0	
Other debtors	0	28.191	
Debtors in total	3.758.982	2.814.391	
Current assets in total	6.009.699	6.482.527	
Assets in total	6.151.251	6.550.861	

Balance sheet

Equity and liabilities			
Note		31/3 2018	31/3 2017
Equity			
4	Contributed capital	500.000	500.000
5	Share premium account	1.600.000	1.600.000
6	Results brought forward	-3.032.813	-2.874.450
	Equity in total	-932.813	- 774.450
Liabilities			
	Trade creditors	257.242	149.668
	Debt to group enterprises	5.527.277	4.951.564
	Other debts	1.299.746	2.224.079
	Short-term liabilities in total	7.084.065	7.325.311
	Liabilities in total	7.084.065	7.325.311
	Equity and liabilities in total	6.151.251	6.550.861

7 Contingencies

8 Related parties

Notes

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.

	2017/18	2016/17
2. Staff Costs		
Salaries and wages	3.125.191	3.227.316
Pension costs	184.666	192.870
Other staff costs	185.932	693.872
	3.495.789	4.114.058
Average number of employees	5	4
3. Financial costs		
Other financial costs, IC	22.618	0
Other financial costs	91	515
	22.709	515
4. Contributed capital		
Contributed capital 22 March 2018	500.000	500.000
	500.000	500.000
5. Share premium account		
Share premium account 22 March 2018	1.600.000	1.600.000
	1.600.000	1.600.000
6. Results brought forward		
Profit or loss for the year brought forward	-3.232.813	-2.874.450
	-3.232.813	-2.874.450

7. Contingencies

Contingent liabilities

Rental Commitments:

The company has signed a contract on which the company is responsible to pay a contingent of DKK 64k within 1 year.

Leasing commitments:

The company has signed a contract on which the company is responsible to pay a contingent of DKK 89k within 1 year and DKK 179k between 2 and 5 years.

Notes

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.

8. Related parties

Ownership

According to the Company's list of shareholders, the following shareholders own 100% of the share capital of Advanced Bionics Denmark ApS:

Advanced Bionics AG, Laubisrütistrasse 28, CH-8712 Stäfa, Schweiz

Consolidated annual accounts

The Company is included in the Group Annual Report of the Parent Company Sonova Holding AG.

The Group Annual Report of Sonova Holding AG may be obtained at the following address:

Sonova Holding AG
Laubisrütisstrasse 28
8712 Stäfa
Schweiz99