ANNUAL REPORT 2023

THE POWER OF AUDIO

EPOS Group A/S
CVR-no. 39 82 02 42
Industriparken 27
DK-2750 Ballerup

Annual report 2023

Adopted at the general meeting on 17 May 2024

Chairman:
Anitta Hayden ____________________

Contents

Corporate information

Business	EPOS Group A/S
Address	Industriparken 27
	DK2750 Ballerup
Telephone	+ 45 56 18 00 00
Website	www.eposaudio.com
Business Registration (CVR) no.	39 82 02 42
Date of formation	28 August 2018
Registered office	Ballerup
Accounting period	1 January 2023 – 31 December 2023
Executive board	Jeppe Johan Dalberg-Larsen
Board of directors	Søren Nielsen, Chairman
	René Schneider
	Stine Brandenhof Rifsdal
Auditors	PwC Statsautoriseret Revisionspartnerselskab
	Strandvejen 44
	DK-2900 Hellerup
	CVR no.: 33 77 12 31

Management's Statement

The Executive and Supervisory Boards have today considered and adopted the Annual Report of EPOS Group A/S for the financial year 1 January – 31 December 2023.

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 at 31 December 2023 of the Company and of the results of the Company operations for 2023.

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

Ballerup, 17 May 2024

Executive board

Jeppe Johan Dalberg-Larsen

Board of directors

Søren Nielsen	René Schneider	Stine Brandenhof Rifsdal
Chairman		

Independent Auditor's Report

To the Shareholder of EPOS Group A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2023, and of the results of the Company's operations for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of EPOS Group A/S for the financial year 1 January - 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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.

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 judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- 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 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, 17 May 2024

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Jacob Brinch
State Authorised Public Accountant
mne35447

Nanna Korslund Henriksen
State Authorised Public Accountant
mne49117

Management's review

Main activity
The main activity of EPOS Group A/S is development, production, and sale of virtual collaboration technologies (headsets, speakerphones, and video) for business enterprises and headsets for digital gaming. The development of products is driven by EPOS Group A/S and is done in cooperation with other intra-group parties and external parties. EPOS Group A/S carries out production planning and introduction of new products in production whereas the physical production of units itself is outsourced to a third party. Our staff supports the selection of raw materials and supplies from a third party, thus affecting the choice of suppliers to such third party. All sales are made to subsidiaries and affiliates for resale to external customers.

Development in activities and finances
The company was established in 2019 and from the very start we planned to invest significantly in research & development and marketing activities in order to build a relevant product portfolio and establish a brand.

Revenue in 2023 amounted to DKK 592,719 thousand, which is a decline of DKK 193,682 thousand compared with 2022 and DKK 273,651 thousand below the estimated figure. The decline is primarily due to weaker demand for Gaming products and subsequent winding down of the Gaming business and more uncertainty about global growth in general.

The result for the reporting period is a loss of DKK -368,374 thousand, which is a decrease of DKK 130,243 thousand compared with 2022 and a larger than estimated deficit of DKK 254,650 thousand. The growing deficit is primarily due to lower gross profit resulting from a reduction in sales and a decline in gross margin per unit sold. The adverse trend in gross margin relates to the selling of co-branded inventory which is not allowed to be sold after November 2023 and selling of Gaming inventory after the announcement of winding down this business area. Total capacity costs decreased by 18%. Overall, the result for 2023 is unsatisfactory mainly due to the above factors.

Inventories decreased by DKK 116,410 thousand (23%) in 2023. This reduction relates to the aggressive selling of co-branded inventory and the winding down of the Gaming business. In addition, a new setup with one main distribution center in China and two minor sub-distribution centers in Germany and the US as opposed to three equal-sized distribution centers in Hong Kong, Germany, and the US, has also helped us with the reduction of inventory levels.

Receivables from related parties decreased by DKK 42,286 thousand (31%) due to the decline in sales.

Trade payables decreased DKK 25,224 thousand (34%) due to a reduction in purchases compared with 2022 and payables to related parties increased from DKK 1,306,847 thousand in 2022 to DKK 1,527,764 million in 2023. This item mainly consists of debt payable to the parent company. The increase is caused by the negative result generated in the financial year.

Equity
Equity is less than 50% of the share capital and the company is therefore subject to section 119 of the Danish Companies Act governing the loss of capital. The company expects to reestablish equity through own earnings within 5-6 years. For further details, reference is made to note 1.

Uncertainty in relation to recognition and measurement

EPOS Group A/S has an investment in an associate, Solaborate Inc. This company develops video solutions for EPOS Group A/S' product portfolio and manufactures and sells communications equipment for hospitals. In 2021, we granted Solaborate Inc. a loan of app. DKK 65,000 thousand (USD 10,000 thousand).

Solaborate Inc. is a growth company in its start-up phase and consequently does not generate any profit, and there is uncertainty connected with measuring the investment and the loan. The investment was recognized at cost in 2020, and this has not been adjusted despite the negative financial results, as its management assesses the preconditions for the original valuation to be intact or even improved.

Financial risks

As a result of its operations, its investments and its financing, the Group is part of a series of financial instruments, which have exposed the Group to fluctuations in exchange rates in particular, and interest levels. The parent company manages the corporate financial risks centrally and coordinates the Group's liquidity management, including the procurement of capital and the placement of excess liquidity.

Foreign exchange risks

Activities carried out by the company are affected by exchange rate fluctuations, because revenues are primarily invoiced in foreign currencies and costs are mainly paid in foreign currencies, albeit not wages and salaries which are paid in Danish kroner.

81% of the company's revenues are generated in countries other than Denmark (2022: 78%) with the main emphasis on the USA, England, and the EU countries.

EPOS Group A/S does not carry out ongoing hedging of the estimated cash flows, but has an unsecured loan of USD 10 million, which partly counterbalance the company's debt in USD. The company's major trading currencies are USD, GBP, and EUR.

Based on the overall exchange positions on 31 December 2023, a rise of 10% in the rates of the USD and the GBP, respectively, would entail an exchange loss/gain before tax of DKK 19,000 thousand (loss) and DKK 10,000 thousand (gain), respectively, for recognition in the income statement. Due to the fixed exchange rate policy, there is no major uncertainty involved in the EUR.

Interest rate risks

In 2023, the Group's interest-bearing net debt, computed as debt owed to related parties, increased from DKK 1,306,847 thousand to DKK 1,527,764 thousand. The interest-bearing debt is mainly in Danish kroner.

The company pays floating rates of interest on debts to related parties. Based on the net debt at year-end 2022, a rise of one percentage point in the general interest level will result in an increase in annual corporate interest expenses before tax of app. DKK 15 million. The Group does not hedge this interest risk as it is not thought to be financially significant.

Liquidity risks and going concern

The parent company, Demant A/S (CVR no. 71 18 69 11), has provided a guarantee that it will vouch for EPOS Group A/S' existing liabilities and any liabilities arising in the period until 30 June 2025. Consequently, the company has submitted its annual report based on its continued operation as a going concern. Further reference is made to note 1 in the financial statements.

The estimated negative result for 2024 is expected to be financed through an increase in receivables and/or a loan from the parent company.

Knowledge resources

Corporate knowledge resources are divided into four categories: Customers, processes and staff as well as research and development activities.

Customers

The aim of the Group is to create value for our customers by fulfilling their expectations through delivering products of high quality and observing delivery terms etc.

The indicators in respect of these goals are customer satisfaction and customer loyalty. These indicators are assessed currently and thought to be satisfactory for 2023.

Processes

The critical business processes are quality and service. To ensure that customers do get the agreed service and delivery, requirements are made as regards the documentation of individual methods and procedures.

To check that business processes work, the keeping of delivery times and the number of customer complaints are important indicators.

Staff

The Group aims to retain competent and qualified staff, as this is an important element in ensuring good customer experience. Initiatives are currently taken to ensure that the employee retention rate is high. The assessment is that we have satisfactorily succeeded in retaining staff in central positions.

Research and development activities

The Demant Group took over and redefined the headset business in 2020. This business is based on research and development of headsets with synergies from the development of hearing instruments. Investments are still required for the build-up of this business, and this has resulted in negative results for the financial year, but on the longer term it is expected to be profitable through organic growth.

Future outlook

The general uncertainty on the Group's major markets seem to continue in 2024. However, the effect from current product introductions (video and high-end Bluetooth products), a collaboration agreement with Lenovo and a more focused setup (winding down gaming) sales are expected to be grow moderately (5%-10%).

The company have already executed on cost reduction initiatives resulting in a decline in capacity costs of more than DKK 100 million. Full year effect from these initiatives together with a continuous costs constraint expects to reduce capacity costs with additional DKK 50 million in 2024. We still estimate a continued negative result of primary operations in 2024 and an overall negative result before tax at a level of between DKK -100 million and DKK -150 million.

Corporate social responsibility, targets in respect of gender equality and data ethics

Sustainability
Reference is made to Demant A/S' (CVR no. 71 18 69 11) report on corporate social responsibility in compliance with the Danish Financial Statements Act, section 99a(6).

https://www.demant.com/reports-2023/sustainability-report-2023

Gender diversity
From 2023, EPOS Group A/S is covered by the Danish rules on the gender diversity in the management and must set a target figure and prepare a policy to increase the share of the underrepresented gender and report on this, ref. the Companies Act § 139 c and the Danish Financial Statements Act. § 99 b.

EPOS Group A/S has achieved an equal distribution on the board and is therefore only obliged to set targets and prepare a policy to increase the share of the underrepresented gender for the other management levels, ref. the Companies Act § 139 c and the Danish Financial Statements Act. § 99 b.

As part of the Demant Group, EPOS Group A/S policy for gender diversity in the other management levels has been drawn up on the principles of the Demant Group's 'Policy on Diversity, Equity and Inclusion' from 2021.

The purpose of the policy is to increase the share of the underrepresented gender thus EPOS Group A/S achieves an equal gender distribution for the other management levels, ref. the Companies Act § 139 c and the Danish Financial Statements Act. § 99 b.

In EPOS Group A/S, in 2023, through our policy to increase the share of the underrepresented gender in the other management levels, we have worked with our recruitment processes and to strengthen the retention of women and at the same time build a stronger gender-balanced candidate pool for management positions. We insist that candidate lists for top management positions include female candidates. We also continuously review and update our fundamental processes such as onboarding, performance management and employee development to ensure they support a stronger inclusive culture for all employees.

We believe that a focus on achieving a better gender balance in management teams, combined with a strong focus on building skills in inclusive leadership, will initiate a development and help create a culture that is even more inclusive and promotes all forms of diversity.

We are still working and have not yet reached our target number in 2023. We will continue the concrete work in 2024.

The table shows the gender composition of and target figures for EPOS Group A/S management.

Status	2023
Total number of members in the board:	3
Women	33%[1]
Men	66%
Total number of members in other management levels:	8
Women	25%
Men	75%
Target for the share of underrepresented gender:	
Target for the shared of underrepresented gender in other management levels:	30%
Year for achieving the goal:	2025

Data ethics
Reference is made to Demant A/S' (CVR no. 71 18 69 11) statement of data ethics in compliance with the Danish Financial Statements Act, section 99d(3).

https://www.demant.com/reports-2023/data-ethics-policy

Events after the balance sheet date
From the balance sheet date and until today, no new major events have occurred that may materially impact the financial statement.

[1] Fulfills an equal distribution, according to Erhvervsstyrelsens *Indicative overview of an equal gender distribution*.
https://erhvervsstyrelsen.dk/vejledning-maltal-og-politikker-den-konsmaessige-sammensaetning-af-ledelsen-og-afrapportering-herom

Key figures & financial ratios

The company's development is seen in the key figures and financial ratios, as follows:
(Amounts in tDKK (thousand))

	2023	2022	2021	2020	2019
Key figures					
Net revenue	592.719	786.401	937.383	1.043.661	339
Operating profit (EBIT)	-411.402	-294.745	-168.610	-235.935	-24.575
Net financial items	-48.753	-12.194	-15.506	13.727	2.094
Result for the year	-368.374	-238.131	-137.180	-168.638	-17.666
Non-current assets	562.420	601.805	611.354	607.154	103.521
Current assets	607.299	764.278	845.702	592.087	364.725
Total assets	1.169.719	1.366.082	1.457.057	1.199.240	468.246
Investments in property, plant, equipment	7.292	13.983	22.978	22.431	0
Equity	-450.593	-82.871	140.721	276.401	-17.166
Non-current liabilities	1.481.073	1.297.540	1.137.375	609.337	310.733
Current liabilities	124.005	132.575	160.086	313.502	167.069
Financial ratios					
EBIT margin (%)	-69,41	-37,48	-17,99	-22,61	-7.249,40
Current ratio (%)	489,74	576,49	528,28	188,86	218,31
Debt-to-equity ratio (%)	-38,52	-6,07	9,66	23,05	-3,67
Return to equity (%)	18,28	-42,16	-7,43	10,59	-12,20
Average number of full-time employees	307	366	343	303	2

Financial ratios are calculated in accordance with “Recommendations and Ratios” from CFA Society Denmark.

EBIT margin:
Operating profit (EBIT) x 100 / Net revenue

Current ratio:
Current assets x 100 / Current liabilities

Debt-to-equity ratio:
Equity, year-end x 100 / Total liabilities, year end

Return on equity (ROE):
Result before tax x 100 / Average equity

Income statement
(Amounts in 1.000 DKK)

Note		2023	2022
2	Net Revenue	592.719	786.401
	Production costs	-575.621	-560.775
	Gross Profit	17.098	225.626
3	Research and development costs	-184.579	-231.856
3	Distribution costs	-209.547	-253.933
3	Administrative expenses	-34.374	-34.582
	Operating result	-411.402	-294.745
4	Financial income	15.069	11.943
5	Financial expenses	-63.822	-24.137
	Result before tax	-460.155	-306.939
6	Tax on result for the year	91.781	68.808
7	Result for the year	-368.374	-238.131

Balance sheet at 31 December 2023
(Amounts in 1.000 DKK)

Note	Assets	2023	2022
	Goodwill	333.641	354.493
	Software	31.669	45.258
	Other intangible assets	63	3.078
8	**Intangible assets**	365.373	402.829
	Other fixtures and equipment	17.844	21.628
	Leasehold improvements	536	597
	Property, plant and equipment in progress	3.630	5.140
9	**Tangible assets**	22.010	27.365
10	Investments in subsidiaries	27.975	27.975
11	Investments in associates	67.081	67.081
	Receivables from associates	79.981	76.555
	Investments and other assets	175.037	171.611
	Non-current assets	562.420	601.805
	Raw materials	87.340	73.772
	Finished goods	310.023	440.001
	Inventories	397.363	513.773
	Receivables from group companies	92.033	134.319
	Other receivables	5.146	15.755
12	Joint tax contribution, receivable	89.563	70.857
13	Prepaid expenses	11.597	12.295
	Receivables	198.339	233.226
	Cash	11.597	17.279
	Cash	11.597	17.279
	Current assets	607.299	764.278
	Total assets	1.169.719	1.366.082

Balance sheet at 31 December 2023
(Amounts in 1.000 DKK)

Note	Liabilities	2023	2022
	Share capital	500	500
	Retained earnings	-451.093	-83.371
14	Equity	-450.593	-82.871
15	Deferred tax	12.081	14.974
16	Other provisions	3.153	3.864
	Provisions	15.234	18.838
	Payables to group companies	1.463.809	1.280.660
	Other payables	17.264	16.880
	Non-current liabilities	1.481.073	1.297.540
	Trade payables	49.176	74.401
	Payables to group companies	63.955	26.187
	Other payables	10.874	31.191
17	Deferred income	0	796
	Current liabilities	124.005	132.575
	Total non-current and current liabilities	1.605.078	1.430.115
	Total Liabilities	1.169.719	1.366.082

18 Contigent liabilities
19 Related parties

Equity statement
(Amounts in 1.000 DKK)

	Share capital	Brought forward	Total DKK
Equity, 1 January 2023	500	-83.371	-82.871
Result for the year		-368.374	-368.374
Other equity adjustments		652	652
Equity, 31 December 2023	500	-451.093	-450.593

Notes to the Annual report
(Amounts in 1.000 DKK)

Note 1 Capital

The company has lost more than half of its capital and are subject to section 119 of the Danish Companies Act governing rules relating to the loss of capital. The expectation is that the capital is re-established within 5-6 years by delivering positive results from the financial year 2025 and onwards.

The company has received a letter of support from its parent company, Demant A/S, CVR-no. 71 18 69 11, according to which Demant A/S guarantees to provide the capital required by the company to fund its operations, the execution of planned investments and the settlement of the company's financial liabilities as they fall due.

The letter of support is valid until 30 June 2025

Note 2 Net Revenue	2023	2022
Denmark	110.030	172.425
Germany	69.788	98.332
England	97.590	110.603
USA	110.729	156.804
Other EU countries	107.824	109.932
Other European countries	123	1.338
North America	10.061	10.133
Other countries	86.574	126.834
	592.719	786.401
Enterprise	444.069	619.861
Gaming	148.650	166.540
	592.719	786.401

Note 3 Employee costs	2023	2022
Wages and salaries	207.047	238.538
Pensions	17	5
Other social security costs	4.687	5.036
	211.751	243.579
Average number of employees	307	366

The company only has one member on the executive board receiving remuneration and in compliance with the Financial Statements Act, section 98b (subsection 3, 2nd sentence), no information has therefore been provided in respect of remuneration.

Notes to the Annual report
(Amounts in 1.000 DKK)

Note 4	Other financial income	2023	2022
Interest income from group companies		6.670	422
Interest income from associates		5.925	5.671
Other interest income		2	193
Exchange gains/losses relating to group companies		2.472	0
Exchange gains/losses relating to associates		0	5.657
		15.069	11.943

Note 5	Financial expenses	2023	2022
Interest expenses to group companies		58.207	15.632
Other financial expenses		1.220	674
Exchange gains/losses relating to group companies		0	5.181
Exchange gains/losses relating to associates		3.797	0
Other exchange gains/losses		598	2.650
Financial expenses, total		63.822	24.137

Note 6	Tax on result for the year	2023	2022
Current tax on result for the year		89.563	70.857
Adjustment of deferred tax		3.144	1.504
Adjustment of current tax regarding previous years		-926	-3.553
		91.781	68.808

Note 7	Distribution of the result	2023	2023
Retained earnings		-368.374	-238.131
		-368.374	-238.131

Note 8 Intangible assets

	Goodwill	Software	Other intangible assets
Cost, 1 January 2023	417.051	79.472	9.362
Additions	0	0	0
Cost, 31 December 2023	417.051	79.472	9.362
Amortisation and write-down, 1 Jan 2023	-62.558	-34.214	-6.284
Amortisation for the year	-20.852	-13.589	-3.015
Amortisation and write-down, 31 Dec 2023	-83.410	-47.803	-9.299
Carrying amount, 31 December 2023	333.641	31.669	63

Notes to the Annual report
(Amounts in 1.000 DKK)

Note 9 Property, Plant & Equipment	Other fixtures and equipment	Leasehold improvements	Fixtures and equipment under construction
Cost, 1 January 2023	52.575	1.639	5.140
Additions	2.088	87	5.117
Disposals	0	-55	0
Transfers	6.627	0	-6.627
Cost, 31 December 2023	**61.290**	**1.671**	**3.630**
Depreciation and write-down, 1 Jan 2023	-30.947	-1.042	0
Depreciation for the year	-12.499	-148	0
Reversed depreciation regarding disposals	0	56	0
Depreciation and write-down, 31 Dec 2023	**-43.446**	**-1.134**	**0**
Carrying amount, 31 December 2023	**17.844**	**537**	**3.630**

Note 10 Investments in subsidiaries	2023	2022
Cost, 1 January 2023	27.975	13.849
Adjustment of primo	0	14.051
Additions	0	75
Cost, 31 December 2023	**27.975**	**27.975**

	Registered Office	Equity	Result
EPOS Sales A/S	Danmark, Ballerup	25.723	2.385
DSEA A/S	Danmark, Smørum	630	-279
EPOS Audio Ireland Limited	Ireland, Dublin		
EPOS Audio Singapore Pte. Ltd.	Singapore		
EPOS Audio UK Ltd.	UK, Maidstone	14.166	3.869
EPOS Austria GmbH	Austria, Wien		
EPOS Canada Ltd.	Canada, Ontario		
EPOS Belgium BV	Belgium, Leuven	380	306
EPOS France S.A.S	France, Gennevilliers	10.345	3.923
EPOS Germany GmbH	Germany, Berlin		
EPOS Hong Kong Ltd.	Hong Kong		
EPOS India Pvt Ltd.	India, Bengaluru	12.633	2.171
EPOS Japan K.K.	Japan, Kawasaki City		
EPOS Netherlands B.V.	Netherlands, Utrecht		
EPOS Switzerland AG	Switzerland, Bern		
Shanghai YinPo Technology	China, Shanghai		
EPOS Sweden AB	Sweden, Sundbyberg	851	834

Ownership is 100% of all the above companies.

Notes to the Annual report
(Amounts in 1.000 DKK)

Note 11 Investments in associates	2023	2022
Cost, 1 January 2023	67.081	67.081
Cost, 31 December 2023	67.081	67.081
Depreciation, 1 January 2023	0	0
Value adjustments, 31 December 2023	0	0
Carrying amount, 31 December 2023	67.081	67.081

EPOS Group A/S owns 20% of the shares in Solaborate Inc.

Note 12 Joint tax contribution, receivables	2023	2022
Joint tax contribution, receivable, 1 January 2023	70.856	97.962
Adjustment of corporation tax, prior years	-675	-2.430
Current tax on result for the year	89.563	70.856
Received/paid amount in the financial year	-70.181	-95.532
31 December 2023	89.563	70.856

Note 13 Prepaid expenses

Prepaid expenses recognised under assets consist of prepaid rent and other prepaid expenses.

Note 14 Equity

On 31 December 2023, the share capital of DKK 500 thousands, divided into 500 shared, was owned 100% by Demant A/S, Kongebakken 9, 2765 Smørum, CVR no. 71 81 69 11.

The company is included in the consolidated financial statement for Demant A/S (CVR-nr: 71 18 69 11) and the consolidated financial statement for William Demant Invest A/S (CVR-nr: 27 76 12 91),

There have been no movements in the share capital in the past five years.

Notes to the Annual report
(Amounts in 1.000 DKK)

Note 15 Deferred tax	2023	2022
Intangible assets	862	507
Property, Plant & Equipment	-2.465	-5.149
Inventories	-10.268	-10.268
Prepaid expenses	-493	-493
Provisions	283	429
Deferred tax, total	-12.081	-14.974

Movements		
1 January 2023	-14.974	-15.354
Adjustment of deferred tax regarding previous years	-251	-1.124
Recognition in the income statement	3.144	1.556
Recognition directly in equity	0	-52
31 December 2023	-12.081	-14.974

Deferred tax is recognised in the balance sheet as follows:		
Deferred tax liabilitites	-12.081	-14.974
	-12.081	-14.974

Note 16 Other provisions	2023	2022
Provision, 1 January 2023	3.864	3.521
Adjustment	-711	343
Cost, 31 December 2023	3.153	3.864

Other provisions are provisions related to guarantees in respect of goods sold. There is uncertainty related to the time of settlement of such liabilities, but the typical period of the guarantee is 24 months.

Note 17 Deferred income

Deferred income recognised under liabilities consists of prepayments received regarding income in subsequent years, where the company has not yet accounted for the corresponding expense.

Notes to the Annual report
(Amounts in 1.000 DKK)

Note 18 Contingent liabilities

The company is jointly taxed with William Demant A/S under Danish law, William Demant A/S being the administration company. Consequently, in accordance with the provisions of the Danish Corporation Tax Act, the company is liable for income taxes etc. for the jointly taxed companies and for any liabilities in respect of withholding tax on interest payments, royalties and dividends as regards the jointly taxed companies.

The company has a rent liability of DKK 29,172 thousands and car leasing commitments of DKK 1,121 thousands. Both amounts reflect the minimum leasing commitments until expiry of the contracts. The company has issued a payment guarantee of DKK 6,078 thousands to cover any liabilities in respect of the business lease agreements in Ballerup.

Note 19 Related parties

The name and address of the parent company preparing the consolidated financial statement for the largest group:
- William Demant Invest A/S (CVR-nr.: 27 76 12 91)
- Kongebakken 9, 2765 Smørum

The name and address of the parent company preparing the consolidated financial statement for the smallest group:
- Demant A/S (CVR-nr.: 71 18 69 11)
- Kongebakken 9, 2765 Smørum

EPOS Group A/S' related parties include William Demants og hustru Ida Emilies Fond (the William Demant Foundation), William Demant Invest A/S (CVR-no.: 27 76 12 91), Demant A/S (CVR-no.: 71 18 69 11) and their subsidiaries.

The company's related parties also include the board of directors, the executive board and leading staff members and the related family members of such parties. Related parties furthermore include entities in which the above persons have significant interests.

All transactions are made on an arm's length basis, and consequently no further information is provided in terms of amounts in compliance with the Financial Statements Act, section 98c (subsection 7).

Accounting policies

General

The Annual report for EPOS Group A/S are presented in accordance with the provisions of the Danish Financial Statements Act for class C (large) entities.

In accordance with section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared; the company's cash flow being included in the cash flow statement of the Demant A/S consolidated financial statements.

In accordance with section 112(1) of the Danish Financial Statements Act, the company has not prepared any consolidated financial statements as these are included in the consolidated financial statements prepared by Demant A/S (CVR no. 71 18 69 11), Kongebakken 9, 2765 Smørum.

In accordance with section 96(3) of the Danish Financial Statements Act, there is no note as regards fee paid to the auditor elected by the general meeting as this fee is included in the consolidated financial statements prepared by Demant A/S.

The accounting policies are the same as in previous years. The financial statements are presented in Danish kroner.

General information on recognition and measurement

Assets are recognised in the balance sheet, if, in all probability, future economic benefits will flow to the company, and the value of such assets can be measured reliably.

Liabilities are recognised in the balance sheet, if, as a result of a previous event, the company has a legal or actual obligation, and if, in all probability, future economic benefits will flow out of the company, and the value of such liabilities can be measured reliably.

On initial recognition, assets and liabilities are recognised at cost. Measurement after initial recognition is as described for each item below.

On recognition and measurement, account is taken of any predictable risks or losses occurring before the presentation of the annual report and which confirm or disprove matters existing on the balance sheet day.

In the income statement, income is recognised as it is earned, whereas costs are recognised with the amounts relating to the period under review.

Business combinations and mergers
Newly acquired entities are recognised in the financial statements from the date of acquisition.

On acquisition of subsidiaries and associates, the acquisition method is applied, upon which the assets and liabilities of the newly acquired entities are measured at fair value on the day of acquisition. Such valuations will take any tax effect into account.

Positive differences (goodwill) between the purchasing cost of the investment and the fair value of the acquired assets and liabilities will be recognised under intangible assets and written off systematically via the income statement based on an individual estimation of their useful lives. If no useful life can be reliably estimated, it will be fixed at 10 years. Useful life is estimated annually.

Foreign currency translation

Receivables, payables and other monetary items in foreign currencies, which have not been settled on the balance sheet day, will be translated at the rates of exchange prevailing on the balance sheet day. Exchange rate differences arising between the rates on the transaction day and the rates on the day of payment or the balance sheet day, respectively, are recognised in the income statement as financial items.

Income statement

Net revenue

Net revenue is recognised in the income statement once the essential benefits and risks have been transferred to the buyer, the income can be measured reliably, and payment can be expected to be received. Net revenue represents sales for the year less commissions, discounts and returns.

Production costs

Production costs are costs paid to generate net revenue. Costs are such items as raw materials, consumables, production staff and the amortisation, depreciation and impairment of the property, plant and equipment, intangible assets and inventories used in the production process. The production process is carried out by external suppliers.

Research and development costs

Research and development costs include all costs not fulfilling the criteria of capitalisation relating to research, development and prototype construction, development of new business concepts as well as depreciation and impairment on capitalised development costs.

Distribution costs

Distribution costs are costs used for staff training, customer support, sales, marketing, distribution and bad debts as well as depreciation and impairment losses on assets used for sale and distribution purposes.

Administrative expenses

Administrative expenses are expenses paid for the management and administration of the company, including costs of administrative staff and management as well as office expenses and depreciation and impairment losses.

Net financials

Net financials include interest income and expenses, realised and non-realised exchange gains or losses on transactions in foreign currencies and additional tax charges or tax refunds under the prepayment tax scheme.

Tax

Tax on the year's result, which includes current tax and any changes in deferred tax, is recognised in the income statement with the portion attributable to the result for the year and directly in equity with the portion attributable to entries directly in equity.

The company is jointly taxed with William Demant Invest A/S and the other subsidiaries of this company. The current corporation tax is divided between the jointly taxed entities in proportion to their taxable incomes.

Balance sheet

Intangible assets
On initial recognition, intangible assets are measured at cost.

Goodwill
Goodwill is the positive difference between cost and fair value of acquired assets and liabilities in connection with acquisitions. Goodwill is amortised on a straight-line basis over the estimated useful life, which is determined on the basis of management experience. Useful life is estimated annually. The amortisation period applied is 20 years.

The amortisation profile of goodwill is estimated by assessing the time horizon of the benefits and synergies flowing to the company in connection with an acquisition.

The carrying amount is estimated annually for any indication of impairment.

In case of indication of impairment, an impairment test will be made of each asset or cash flow driver, respectively, and its recoverable amount calculated. Such goodwill will be written down to its recoverable amount, if this is lower than it's carrying amount.

Software
Software is measured at cost with the addition of any time and costs of putting the asset into service and with the deduction of accumulated amortisation and depreciation. Software is amortised over its estimated useful life, which is seven years.

Software is assessed annually to determine any indications of impairment. In case of indication of impairment, the recoverable amount of such asset is calculated. Software is written down to its recoverable amount, if this is lower than it's carrying amount. Interest expenses are not included in cost.

Other intangible assets
Other intangible assets include the company's client base and IP (Intellectual Property Rights) rights, both of which are recognised at cost with the deduction of accumulated amortisation expenses.

The amortisation basis is cost with the deduction of estimated scrap value at the end of its useful life. Amortisation is made on a straight-line basis based on an assessment of the estimated useful life of such asset.

Client bases	3 years
Intellectual property rights (IP)	7 years

Other intangible assets are assessed annually to determine any indications of impairment. In case of indications of impairment, the recoverable amount of such asset is calculated. Other intangible assets are written down to their recoverable amounts if these are lower than their carrying amounts.

Property, plant and equipment
Property, plant and equipment as well as leasehold improvements are measured at cost with the deduction of accumulated depreciation and impairment costs. Cost is defined as the purchase amount, costs directly related to acquisition and any costs of any preparation required until such time as the particular asset is ready to be put into service. As regards property, plant and equipment in progress, cost consists of direct and indirect expenses in respect of raw materials and components.

The depreciation basis is cost with the deduction of estimated scrap value at the end of its useful life. Depreciation is made on a straight-line basis based on an assessment of the estimated useful life of such asset:

Other plant and equipment	3-5 years
Leasehold improvements	3-5 years

Plant, property and equipment are written down to their recoverable amounts, if these are lower than their carrying amounts.

Investments in subsidiaries and associates
Investments in subsidiaries and associates are measured at cost. If the cost of such investment is higher than its recoverable amount, such asset is written down to such lower value.

Inventories
Inventories are measured at cost according to the FIFO principle or their net realisable values if these are lower.

The cost of raw materials and finished goods is the purchase price with the addition of delivery costs and any other costs directly related to the purchase. Cost also includes expenses directly related to any production handled by third parties, including any third-party handling fees related to ingoing storage handling.

Net realisable values in respect of inventories are computed as estimated selling prices with the deduction of completion costs and costs relating to the execution of sale and are determined duly considering slowly marketable products, obsolete inventories, and trends in estimated selling price.

Receivables
Receivables, including receivables from related parties and associates and any other receivables, are measured at amortized cost. Impairment is made to counter expected losses on the basis of an individual assessment of loss risks. Impairment for losses is calculated on the basis of an individual assessment of the individual receivables as well as for receivables from sales together with a general impairment. The general impairment is calculated based on an impairment matrix, where receivables are grouped based on credit risk and number of days overdue.

Prepaid expenses
Prepaid expenses recognised under assets include costs relating to the following financial year.

Cash
Cash includes deposits in the company's bank account.

Provisions
Provisions include estimated costs in respect of guarantees. Provisions are recognised when, on the balance sheet day, the company has a legal or actual obligation due to a previous event, and it is likely that the payment of such obligation will involve the use of its financial resources.

Provisions are measured at their estimated net realisable values. If, in terms of time, such obligation is expected to mature at some distant point in the future, such obligation will be measured at its fair value.

Corporation tax and deferred tax
Current tax payable or current tax receivable is recognised in the balance sheet as computed tax on the year's taxable income adjusted for tax of prior years' taxable incomes and any prepaid tax.

Using the balance-sheet liability method, deferred tax is measured of all temporary differences between the carrying amount and the tax value of assets and liabilities. Where the computation of the tax value may be made according to different rules of taxation, deferred tax is measured based on the use of such asset, as planned by management, or the settlement of such liability, respectively.

Deferred tax assets, including the tax value of any loss carry-forwards, are recognised at the value at which they will be used either as a set-off against tax on future earnings or as a set-off against deferred tax liabilities within the same legal tax unit and jurisdiction.

Liabilities
Other liabilities, including trade payables, payables to related parties and any other liabilities, are measured at their net realisable values.

Deferred income
Deferred income consists of prepayments received related to income in subsequent years.

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Søren Nielsen
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Anitta Hayden
Dirigent
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