Sound Network ApS

Kokkedal Industripark 101, DK-2980

Annual Report for 12 April - 31 December 2023

CVR No. 43 98 94 72

The Annual Report was presented and adopted at the Annual General Meeting of the company on 3/5 2024

Claus Abildstrøm
Chairman of the general meeting

Contents

Management's statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Sound Network ApS for the financial year 12 April - 31 December 2023.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Parent Company Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2023 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2023.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

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

Kokkedal, 3 May 2024

Executive Board

Karl Kristian Nielsen
CEO

Board of Directors

Nicola Iorio Chairman	Karl Kristian Nielsen	Nadia Buttignol
Jesper Bodeholt		

Independent Auditor's report

To the shareholders of Sound Network ApS

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2023 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 12 April - 31 December 2023 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Sound Network ApS for the financial year 12 April - 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("the 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 Group 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 Consolidated Financial Statements and the Parent Company 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 consolidated financial statements and parent company 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 Group´s and the Parent 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 Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Independent Auditor's report

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 Group´s and the Parent 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 Group´s and the Parent 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 Group and the Parent 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Independent Auditor's report

Hellerup, 3 May 2024

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Bo Schou-Jacobsen
State Authorised Public Accountant
mne28703

Sune Christensen Bjerre
State Authorised Public Accountant
mne47832

Company information

The Company	Sound Network ApS Kokkedal Industripark 101 DK-2980 CVR No: 43 98 94 72 Financial period: 12 April - 31 December Financial year: 1st financial year Municipality of reg. office: Fredensborg
Board of Directors	Nicola Iorio, chairman Karl Kristian Nielsen Nadia Buttignol Jesper Bodeholt
Executive Board	Karl Kristian Nielsen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Financial Highlights

Seen over a 1-year period, the development of the Group is described by the following financial highlights:

	Group
	2023
	TDKK 9 months
Key figures	
Profit/loss	
Revenue	235,210
Gross profit/loss	93,793
Profit/loss of primary operations	10,318
Profit/loss of financial income and expenses	-23,226
Net profit/loss for the year	-17,006
Balance sheet	
Balance sheet total	1,432,563
Investment in property, plant and equipment	33,694
Equity	875,310
Number of employees	211
Ratios	
Gross margin	39.9%
Profit margin	4.4%
Solvency ratio	61.1%
Return on equity	-3.9%

Management's review

Key activities

The Sound Network Aps Group's ("SN Group", "SN", "Group") main activity is development, production and marketing of microphones and associated equipment to the global market for professional audio and sound recording.

The Group distributes microphones and associated equipment globally through its subsidiary, DPA Microphones A/S, Kokkedal, Denmark, to the North American market through its subsidiary DPA Microphones Inc., Colorado, US and to the UK market through its subsidiary, DPA Microphones UK Ltd., London, UK. The Group also owns subsidiaries in Germany and Hong Kong as well as a branch in France.

Development in the year

Sound Network ApS was founded April 12th 2023. Sound Network is ultimately owned by PFH Palladio Holding, Italy. PFH Palladio Holding is an independent investment holding with permanent capital investing in growth projects for over 40 years. These Financial Statements comprise the first financial year covering the period 12 April – 31 December 2023.

End April 2023, the share majority of DPA Microphones A/S was acquired by Sound Network ApS.

In 2023, the Group generated a strong growth in sales benefitting from a positive market development across the geographical segments and strong product introductions.

Progress was supported by the strategic initiative implemented where the Group has established dedicated sales organizations in the key European markets. By establishing own sales teams, we ensure closer proximity to the dealers and customers and thereby a stronger contribution to sales growth in the Group's core segments. In January 2023, the Group established its own sales organization in The Netherlands. This concludes our strategic initiative to establish our own sales forces in key European markets.

In 2022 and 2023, new products also supported the growth, including our new pencils microphone range in our 2000 series (2012, 2015 and 2017).

To support the future growth, we have increased investment in sales and marketing as well as new products and technologies.

Late 2023, we changed our setup in the UK to focus more on sales, including rebranding the operation to DPA Microphones UK, discontinuing with smaller 3rd party brands, moving logistics and shipping to DK as well as relocating to a new office premises.

In September 2023, we relocated to our new headquarters in Kokkedal, Denmark

The Group increased the inventory levels in 2023 to further enable revenue growth and to safeguard product availability and quick delivery time for the customers.

The income statement of the Group for 2023 shows a negative result of TDKK 17.006, and at 31 December 2023 the balance sheet of the Group shows a positive equity of TDKK 875.310.

Operating risks, foreign exchange risks, interest rate risks and credit risks

Operation risks

The Group has maintained long-term relationships with its suppliers and has entered into the necessary agreements for the supply of raw materials that are included in production, aiming to secure a stable supply. The risk in this regard remains unchanged.

Currency risks

Currency risks mainly relate to the Group's operating activity, where income or costs are in a currency other than DKK. In addition, the Group is exposed to currency risks on intra-group balances. The Group is primarily exposed to USD, which means that profit, cash flows and equity are affected by changes in exchange rates.

It is the Group's policy that commercial currency risks related to turnover and purchases are hedged naturally, to the extent possible. The Group does not hedge via forward exchange transactions. Speculative currency dispositions are not entered into.

At year-end, the Group's and the Parent Company's loans comprise loans equivalent to EUR 52.5 million. Thus, the Group and the Parent Company are exposed to changes in the EUR.

Management's review

Interest rate risks

As a result of the Group's financing, the Group is exposed to changes in the level of interest rates. The interest rate risk consists primarily of long-term loans with variable interest rates. To mitigate the interest rate risk, the Group has chosen to secure 50% of the loans via interest rate swaps.

Uncertainty in relation to recognition and measurement

Reference is made to note 1 in the Financial Statements.

Unusual events

The financial position at year-end 2023 of the Group and the result of the activities of the Group for the financial year have not been affected by any unusual events, except for the Special items mentioned in note 4 in the Financial Statements.

Profit/loss for the year in relation to expected developments

Net profit for the year for the acquired DPA Group was expected to be approx. DKK 70-75 million. The net profit for 2023 was slightly below expected development due to one-off costs in 2023.

Outlook

Management expects to continue its sales growth and an increase in operating profit in 2024 based on the strengthened presence and distribution in key markets as well as continued investments in technology, products and in the organization. The Group has a strong pipeline of new and interesting products that are being finalized and prepared for market launch during 2023.

Net profit for 2024 is expected to be approx. DKK 10-20 million.

Knowledge resources

Knowledge and the ability to utilize knowledge is essential for Group.

The Group has competent and highly dedicated employees and has great focus on the attractive workplace and that employees are motivated.

We work with knowledge sharing and competence development. Through policies and procedures, it is ensured that knowledge is shared and stored securely. All employees are introduced to our policies and code of conduct, all of which are available on our intranet. The employees constitute the group's knowledge resource, and their commitment is crucial for the development of the business.

Environmental performance

The Group adheres to the guidelines listed in the RoHS Directive 2002/95 I EC (Restriction and Hazardous Materials) and the WEEE Directive 2002/95 I EC (Waste from Electrical and Electronic Equipment).

Research and development activities

The Group has a continuous focus on the development of new products for the industry we are operating within. We work on several development projects, which aim to develop, optimize and extend our product range.

Our R&D team consists of a strong team of highly skilled experts.

Foreign branches

The Group has established a branch in France.

Management's review

Statutory report on Corporate social responsibility

Business model

The Group main activity is development, production and marketing of microphones and associated equipment to the global market for professional audio and sound recording. The Group has its own sales force in the US and has during the last couple of years established its own sales force in key European markets. In the markets where The Group do not have its own sales force sales is done through local distributors.

Significant risks within corporate social responsibility

The Group has assessed the most significant risks within corporate social responsibility.

In 2023 the following matters have been identified and prioritized as being significant:

- Environment and climate: Legal requirements related to ESG for large enterprises of reporting class C.
- Working environment and employee relations: employee satisfaction and attraction of qualified labour.

The primary risks within human rights and corruption are related to suppliers in markets where the inherent risk related to these areas are bigger than in the more regulated western markets. Most of our suppliers are based in western markets and we only have a few suppliers in the Asian region. Our standard supplier contract includes provisions on compliance with our corporate social responsibility rules.

We have not identified significant risks within human rights or corruption in 2023, and hence have not defined specific initiatives within these areas in 2023.

Corporate social responsibility policy

The Group policy in relation to business ethics strives for a healthy balance between our stakeholders' interests and the desire to work in harmony with the environment and the society we are part of. This policy applies to all The Group's activities worldwide. The Group must comply with the policy and will encourage, and if possible, require suppliers and other partners to comply with it.

To ensure this, we will disseminate the following ethical standards from our code of conduct policy to our employees, suppliers and other relevant stakeholders:

- The Group's ambition is to have a pleasant and safe working environment to ensure the health and quality of life for our valued employees.
- The Group safeguards the environment and works to ensure that its activities do not negatively affect the environment.
- The Group supports and respects international human rights and will actively work to eliminate child labor.
- The Group supports employees' "freedom to organize" and recognizes their right to collective bargaining.
- The Group supports diversity and will combat any form of discrimination in employment and hiring practices.
- The Group opposes and resists all forms of corruption, including economic exploitation and extortion.
- The Group values a peaceful world and will actively oppose the use of our high-tech products for military aggression.

The Group's corporate code of conduct has been published on our intranet and new employees are informed about the policy when they start working for The Group.

Before becoming a partner to The Group, we evaluate new customers and suppliers according to our code of conduct.

The Group has launched an ESG project. The focus of the project is to create the framework and structure for our work on environmental initiatives as well as work environment and corporate culture.

Results within corporate social responsibility

No changes or updates have been done to The Groups code of conduct in 2023. Management assess that The Groups code of conduct still is adequate and relevant. New employees in 2023 has been informed of our code of conduct.

The Group constantly works on improving the work environment. Some of the major initiatives in 2023 included moving to a completely renovated headquarters in Denmark, moving our UK operation to newer facilities, and introducing a whistleblower system.

We have completely refurbished the new headquarters in 2023 to include environmental solutions that minimize our impact on the environment. This includes LED lighting that switches on and off automatically, windows that are regulated by temperature and COII levels to ensure a healthy work environment.

We have in 2023 set up a whistleblower system to provide a safe and confidential way for the employees to report violations of our code of conduct. There were no reports of any incidents in 2023.

Expectations to key activities within corporate social responsibility in 2024

The Group has launched an ESG project. The project will create the framework and ensure a system for The Group's ongoing work within corporate social responsibility. The ESG project is expected to establish the vision for our work within Corporate Social Responsibility and identify the actions for the next years.

The Group values HR as a vital field. We have planned to renew our HR strategy in 2024, to make sure that we can keep on retaining our appreciated employees and recruiting key employees to sustain our future expansion.

Statutory report on the underrepresented gender

The Group aims to appoint candidates with the best profiles and qualifications. In so doing, the Company takes gender into consideration only after ensuring that its other recruitment criteria, including requirements relating to professional qualifications, industry experience and educational background, have been met, as its primary consideration is ensuring that its board members and managers have the right profiles.

The Group has a policy of offering all employees equal opportunities and aims for a more equal gender distribution among employees in leadership positions. When recruiting managers, The Group will in the future focus on gender equality if there are qualified applicants. However, The Group does not compromise on qualifications and will continue to employ the best-qualified candidate regardless of gender, or political, religious or personal orientation. The process has been followed in 2023.

As required by the Financial Statements Act, section 99b, the number of members of the Board and other management levels (as defined by the Danish Companies Act), the share of and targets for the underrepresented gender (currently women) are shown in the table below.

	2023	
	Board of directors (1)	**Other management levels (2)**
Total members	4	0
Share of women	25%	
Target	25%	
Year of fulfilling target	2023	

[1] Elected by the Annual General Meeting [2] Other management levels employed by Sound Network ApS in Denmark, as defined by the Danish Companies Act.

The Group pursues the aim of having at least one female member of the Board of Directors. An equal distribution was obtained in 2023 following the change of ownership in 2023 where the Board of Directors was elected by the General Assembly.

As the Company does not have any members in other management positions we are not obliged to set targets for gender equality.

Statutory report on data ethics

The Group has written IT security and data ethics policies. The policies comply with both Danish and EU law on data and privacy protection (GDPR). The policies describe the rules and principles for handling personal and other data.

The Group is committed to using data in a responsible and ethical manner. We will ensure that data is used in compliance with all applicable laws and regulations. We will also ensure that data is used in a manner that is transparent, explainable, and secure.

The Group acknowledge and respect that our use of data may create risks for the users, and therefore we manage these risks by adhering to our policies. We comply with all legal requirements in our use of data.

We strive for high data ethics standards for the use of both personal and non-personal data. We use a variety of technologies when processing data. Data collection is important to fulfil our business purpose. We have high standards in relation to where we collect data and how we use the data.

The Group values IT security and data etics as a vital field. We have planned to renew our IT strategy in 2024. One of the vital elements in the strategy is IT security and data management.

The Group views data and technology as a key area and has assigned the accountability for IT and data to The Groups global IT function. The function is under The Groups CFO. Projects involving new technologies and data in 2023 have gone through The Groups IT department before decision and implementation.

Events after the balance sheet date

Reference is made to note 24 in the Financial Statements.

Income statement 12 April - 31 December

	Note	Group 2023 TDKK 9 months	Parent company 2023 TDKK 9 months
Revenue	2	235,210	0
Production expenses	3	-141,417	0
Gross profit/loss		**93,793**	**0**
Distribution expenses	3	-33,390	0
Administrative expenses	3,4	-50,085	-5,511
Profit/loss before financial income and expenses		**10,318**	**-5,511**
Income from investments in subsidiaries	5	0	5,676
Financial income	6	862	1,448
Financial expenses	7	-24,088	-23,538
Profit/loss before tax		**-12,908**	**-21,925**
Tax on profit/loss for the year	8	-4,098	4,838
Net profit/loss for the year	9	**-17,006**	**-17,087**

Balance sheet 31 December

Assets

	Note	Group 2023	Parent company 2023
		TDKK	TDKK
Completed development projects		130,092	0
Acquired trademarks		200,208	0
Acquired customer relationships		273,412	0
Goodwill		641,154	0
Development projects in progress		36,764	0
Intangible assets	10	**1,281,630**	**0**
Land and buildings		16,488	0
Other fixtures and fittings, tools and equipment		5,066	0
Leasehold improvements		6,618	0
Property, plant and equipment in progress		3,514	0
Property, plant and equipment	11	**31,686**	**0**
Investments in subsidiaries	12	0	1,216,118
Deposits	13	1,185	0
Fixed asset investments		**1,185**	**1,216,118**
Fixed assets		**1,314,501**	**1,216,118**
Inventories	14	**59,952**	**0**
Trade receivables		25,317	0
Receivables from group enterprises		0	21,376
Other receivables		100	100
Corporation tax		182	5,475
Prepayments	15	2,402	0
Receivables		**28,001**	**26,951**
Cash at bank and in hand		**30,109**	**380**
Current assets		**118,062**	**27,331**
Assets		**1,432,563**	**1,243,449**

Balance sheet 31 December

Liabilities and equity

	Note	Group 2023 TDKK	Parent company 2023 TDKK
Share capital		100	100
Reserve for hedging transactions		-2,256	-2,256
Retained earnings		860,105	860,105
Equity attributable to shareholders of the Parent Company		**857,949**	**857,949**
Minority interests		17,361	0
Equity		**875,310**	**857,949**
Provision for deferred tax	16	138,295	0
Other provisions	17	3,850	0
Provisions		**142,145**	**0**
Credit institutions		353,040	353,040
Long-term debt	18	**353,040**	**353,040**
Credit institutions	18	29,215	28,551
Trade payables		13,236	1,016
Other payables	19	19,617	2,893
Short-term debt		**62,068**	**32,460**
Debt		**415,108**	**385,500**
Liabilities and equity		**1,432,563**	**1,243,449**

Uncertainty relating to recognition and measurement	1
Contingent assets, liabilities and other financial obligations	22
Related parties	23
Fee to auditors appointed at the general meeting	24
Subsequent events	25
Accounting Policies	26

Statement of changes in equity

Group

	Share capital	Reserve for hedging transactions	Retained earnings	Equity excl. minority interests	Minority interests	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 12 April	100	0	0	100	0	100
Capital increase	0	0	0	0	17,280	17,280
Contribution from group	0	0	877,192	877,192	0	877,192
Fair value adjustment of hedging instruments, end of year	0	-2,892	0	-2,892	0	-2,892
Tax on adjustment of hedging instruments for the year	0	636	0	636	0	636
Net profit/loss for the year	0	0	-17,087	-17,087	81	-17,006
Equity at 31 December	**100**	**-2,256**	**860,105**	**857,949**	**17,361**	**875,310**

Parent company

	Share capital	Reserve for hedging transactions	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 12 April	100	0	0	100
Contribution from group	0	0	877,192	877,192
Fair value adjustment of hedging instruments, end of year	0	-2,892	0	-2,892
Tax on adjustment of hedging instruments for the year	0	636	0	636
Net profit/loss for the year	0	0	-17,087	-17,087
Equity at 31 December	**100**	**-2,256**	**860,105**	**857,949**

Cash flow statement 12 April - 31 December

	Note	Group 2023 TDKK 9 months
Result of the year		-17,006
Adjustments	20	71,886
Change in working capital	21	10,506
Cash flow from operations before financial items		**65,386**
Financial income		863
Financial expenses		-24,088
Cash flows from ordinary activities		**42,161**
Corporation tax paid		-21,119
Cash flows from operating activities		**21,042**
Purchase of intangible assets		-10,644
Purchase of property, plant and equipment		-5,764
Fixed asset investments made etc		-1,249,406
Cash flows from investing activities		**-1,265,814**
Raising of other long-term debt		380,409
Capital increase, minority interests		17,280
Contribution from Group		877,192
Cash flows from financing activities		**1,274,881**
Change in cash and cash equivalents		**30,109**
Cash and cash equivalents at 31 December		**30,109**
Cash and cash equivalents are specified as follows:		
Cash at bank and in hand		30,109
Cash and cash equivalents at 31 December		**30,109**

Notes to the Financial Statements

1. Uncertainty relating to recognition and measurement

In the preparation of the Financial Statements, Management undertakes several accounting estimates and judgments and makes assumptions which provide the basis for recognition and measurement of the assets, liabilities, revenues and expenses of the Group and the Parent Company, Sound Network ApS.

These assumptions are based on historical experience and other factors which the Management considers reasonable under the circumstances, but which by their nature are uncertain and unpredictable.

The assumptions may be incomplete or inaccurate and unanticipated events or circumstances may occur, for which reason the actual results may deviate from the applied estimates, assessments, and assumptions.

In the opinion of Management, significant accounting estimates and judgments in the preparation of the Financial Statements relate to the following:

· Impairment testing of other non-current intangible assets, other non-current tangible assets, if indications exist (estimate)
· Assessment of useful life and scrap values (estimate)
· Purchase Price Allocation in connection with acquisitions (judgment and estimate)
· Measurement and valuation of development projects

2. Revenue

	Group	**Parent company**
	2023	2023
	TDKK 9 months	TDKK 9 months
Geographical segments		
Americas	82,945	0
Europe, middle east and Africa	130,305	0
Asia and Pacific	21,960	0
	235,210	**0**
Business segments		
Microphones	212,367	0
Other	22,843	0
	235,210	**0**

Notes to the Financial Statements

	Group 2023 TDKK 9 months	Parent company 2023 TDKK 9 months

3. Staff

	Group 2023 TDKK 9 months	Parent company 2023 TDKK 9 months
Wages and salaries	90,832	0
Pensions	5,571	0
Other social security expenses	3,282	0
	99,685	**0**

Wages and salaries, pensions and other social security expenses are recognised in the following items:

Production expenses	51,160	0
Distribution expenses	25,300	0
Administrative expenses	23,225	0
	99,685	**0**

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

Average number of employees	**211**	**0**

4. Special items

	Group 2023 TDKK	Parent company 2023 TDKK
Bonuses (included in production expenses, distribution expenses and administrative expenses)	18,646	0
Transaction cost (included in administrative expenses)	8,276	5,421
	26,922	**5,421**

Special items comprise costs, which is special due to their size or nature e.g. additional cost due to acquisition. Special items for the year relates to a number of different non-recurring events as shown and are recognised in the income statement as described.

Notes to the Financial Statements

5. Income from investments in subsidiaries

	Parent company 2023 TDKK 9 months
Share of profits	33,989
Amortisation of intangible assets etc. (excess values)	-28,313
	5,676

6. Financial income

	Group 2023 TDKK 9 months	Parent company 2023 TDKK 9 months
Interest received from group enterprises	0	1,319
Other financial income	862	86
Exchange gains	0	43
	862	**1,448**

7. Financial expenses

	Group 2023 TDKK 9 months	Parent company 2023 TDKK 9 months
Other financial expenses	23,926	23,538
Exchange loss	162	0
	24,088	**23,538**

Notes to the Financial Statements

8. Income tax expense

	Group 2023 TDKK 9 months	Parent company 2023 TDKK 9 months
Current tax for the year	8,731	-4,838
Deferred tax for the year	-4,413	0
Adjustment of tax concerning previous years	-220	0
	4,098	**-4,838**

9. Profit allocation

	Group 2023 TDKK	Parent company 2023 TDKK
Minority interests' share of net profit/loss of subsidiaries	81	0
Retained earnings	-17,087	-17,087
	-17,006	**-17,087**

10. Intangible fixed assets

Group

	Completed develop-ment projects TDKK	Acquired trademarks TDKK	Acquired customer relationships TDKK	Goodwill TDKK	Develop-ment projects in progress TDKK
Cost at 12 April	0	0	0	0	0
Additions for the year	131,635	207,111	282,836	663,262	39,606
Transfers for the year	2,842	0	0	0	-2,842
Cost at 31 December	134,477	207,111	282,836	663,262	36,764
Impairment losses and depreciation at 12 April	0	0	0	0	0
Depreciation for the year	4,385	6,903	9,424	22,108	0
Impairment losses and depreciation at 31 December	4,385	6,903	9,424	22,108	0
Carrying amount at 31 December	**130,092**	**200,208**	**273,412**	**641,154**	**36,764**

11. Property, plant and equipment

Group

	Land and buildings	Other fixtures and fittings, tools and equipment	Leasehold improve-ments	Property, plant and equipment in progress
	TDKK	TDKK	TDKK	TDKK
Cost at 12 April	0	0	0	0
Additions for the year	16,936	6,273	6,821	3,664
Disposals for the year	0	-2,354	0	-150
Cost at 31 December	16,936	3,919	6,821	3,514
Impairment losses and depreciation at 12 April	0	0	0	0
Exchange adjustment	0	-18	0	0
Depreciation for the year	448	1,153	203	0
Reversal of impairment and depreciation of sold assets	0	-2,282	0	0
Impairment losses and depreciation at 31 December	448	-1,147	203	0
Carrying amount at 31 December	**16,488**	**5,066**	**6,618**	**3,514**

Notes to the Financial Statements

12. Investments in subsidiaries

	Parent company 2023 TDKK
Cost at 12 April	0
Additions for the year	1,249,406
Cost at 31 December	1,249,406
Net profit/loss for the year	33,989
Dividend received	-39,440
Other equity movements, net	476
Amortisation of intangible assets etc. (excess values)	-28,313
Value adjustments at 31 December	-33,288
Carrying amount at 31 December	**1,216,118**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Ownership
DPA Microphones A/S	Kokkedal	98,6%

13. Other fixed asset investments
Group

	Deposits TDKK
Cost at 12 April	0
Additions for the year	1,225
Disposals for the year	-40
Cost at 31 December	1,185
Carrying amount at 31 December	**1,185**

Notes to the Financial Statements

	Group	Parent company
	2023	2023
	TDKK	TDKK

14. Inventories

	Group 2023 TDKK	Parent company 2023 TDKK
Raw materials and consumables	17,609	0
Work in progress	32,502	0
Finished goods and goods for resale	9,841	0
	59,952	**0**

15. Prepayments

Prepayments under assets consists of costs incurred which relates to future accounting periods.

	Group	Parent company
	2023	2023
	TDKK	TDKK

16. Provision for deferred tax

	Group 2023 TDKK	Parent company 2023 TDKK
Deferred tax liabilities due to acquisition	143,344	0
Amounts recognised in the income statement for the year	-4,413	0
Amounts recognised in equity for the year	-636	0
Deferred tax liabilities at 31 December	**138,295**	**0**

17. Other provisions

Other provisions consist of the Groups liability to re-establish rented premises of DKK 2.000k and provision to warranties for sold goods amounting to TDKK 1,850 . The provision to warranty claims is calculated as a procentage of the revenue. The procentage is based on historical key figures for annual warranty claims and costs associated with the claims.

	Group	Parent company
	2023	2023
	TDKK	TDKK

18. Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	Group 2023 TDKK	Parent company 2023 TDKK
Credit institutions		
After 5 years	0	0
Between 1 and 5 years	353,040	353,040
Long-term part	353,040	353,040
Other short-term debt to credit institutions	29,215	28,551
	382,255	**381,591**

At year-end, the Group's and the Parent Company's loans comprise loans equivalent to EUR 52.5 million. Thus, the Group and the Parent Company are exposed to changes in the EUR.

	Group	Parent company
	2023	2023
	TDKK	TDKK

19. Derivative financial instruments

Derivative financial instruments contracts in the form of interest rate swaps have been concluded. At the balance sheet date, the fair value of derivative financial instruments amounts to:

	Group 2023 TDKK	Parent company 2023 TDKK
Liabilities	2,892	2,892
Changes in fair value recognised in equity	2,892	2,892

Interest rate swaps

Interest rate swap contracts have been concluded to hedge future interest payments on floating rate loans. The loan contracts have a termination date at latest in October 2028. Under the hedging contracts, an floating interest of EURIBOR 3 months is exchanged for a fixed rate of interest of 3.73% on loan with a principal amount of EUR 10.5 million and an floating interest of EURIBOR 3 months is exchanged for a fixed rate of interest of 3.695% on loan with a principal amount of EUR 15.75 million. The interest rate swap contracts terminates on 30 September 2025. At the balance sheet date, the fair value of the interest rate swap amounts to TDKK 2,892.

Notes to the Financial Statements

20. Cash flow statement - Adjustments

	Group 2023 TDKK 9 months
Financial income	-862
Financial expenses	24,088
Depreciation, amortisation and impairment losses, including losses and gains on sales	44,562
Tax on profit/loss for the year	4,098
	71,886

21. Cash flow statement - Change in working capital

	Group 2023 TDKK 9 months
Change in inventories	-489
Change in receivables	3,496
Change in other provisions	450
Change in trade payables, etc	10,313
Other changes in working capital	-3,264
	10,506

22. Contingent assets, liabilities and other financial obligations

	Group 2023 TDKK	Parent company 2023 TDKK
Rental and lease obligations		
Rental and lease obligations	9,846	0

	Group	Parent company
	2023	2023
	TDKK	TDKK

22. Contingent assets, liabilities and other financial obligations

Other contingent liabilities

The Company has pledged the shares in DPA Microphones A/S as security for debt to credit institutions.

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable by the Group is disclosed in the balance sheet. Moreover, the Danish group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Group's liability.

Except for the above there are no other contingent assets, liabilities and other financial obligations, hereunder pledges.

23. Related parties and disclosure of consolidated financial statements

	Basis
Controlling interest	
SoundTech Group S.r.l., Vicenza, Italy	Holds the share capital in the company
Sonica S.p.A., Vicenza, Italy	Holds the share capital in SoundTech Group S.r.l.
Palladio Holding S.p.A.	Holds share capital in Sonica S.p.A.
Sparta Holding S.p.A.	Holds share capital in Palladio Holding S.p.A.

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company of the largest and smallest group:

Name	Place of registered office
Sparta Holding S.p.A	Vicenza, Italy

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

S.S. Padana verso Verona 6
36100 Vicenza

	Group	Parent company
	2023	2023
	TDKK 9 months	TDKK 9 months

24. Fee to auditors appointed at the general meeting

	Group 2023 TDKK 9 months	Parent company 2023 TDKK 9 months
Audit fee	855	285
Tax advisory services	45	25
Non-audit services	619	584
	1,519	**894**

25. Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Notes to the Financial Statements

26. Accounting policies

The Annual Report of Sound Network ApS for 2023 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The Consolidated Financial Statements and the Parent Company Financial Statements for 2023 are presented in TDKK.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Sound Network ApS, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Minority interests

Minority interests form part of the Group's total equity. Upon distribution of net profit, net profit is broken down on the share attributable to minority interests and the share attributable to the shareholders of the Parent Company. Minority interests are recognised on the basis of a remeasurement of acquired assets and liabilities to fair value at the time of acquistition of subsidiaries.

Business acquisitions

Minority interests are initially measured at their proportionate share of the fair value of the acquired entity’s identifiable net assets. In this way, only goodwill related to the Parent Company’s share of the entity acquired is recognised.

On subsequent changes to minority interests where the Group retains control of the subsidiary, the consideration is recognised directly in equity.

Notes to the Financial Statements

Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Group.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement; however, see the section on hedge accounting.

Income statements of foreign subsidiaries and associates that are separate legal entities are translated at transaction date rates or approximated average exchange rates. Balance sheet items are translated at the exchange rates at the balance sheet date. Exchange adjustments arising on the translation of the opening equity and exchange adjustments arising from the translation of the income statements at the exchange rates at the balance sheet date are recognised directly in equity.

Income statements of enterprises that are integrated entities are translated at transaction date rates or approximated average exchange rates; however, items derived from non-monetary balance sheet items are translated at the transaction date rates of the underlying assets or liabilities. Monetary balance sheet items are translated at the exchange rates at the balance sheet date, whereas non-monetary items are translated at transaction date rates. Exchange adjustments arising on the translation are recognised in financial income and expenses in the income statement.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as ”Other receivables” and ”Other payables”, respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting.

Segment information on revenue

Information on business segments and geographical segments is based on the Group´s risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Notes to the Financial Statements

Income statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Group.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Production expenses

Production expenses comprise costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labour costs and indirect production costs such as maintenance and depreciation, etc, as well as operation, administration and management of factories.

Production expenses also include amortisation of goodwill to the extent that goodwill relates to production activities.

Distribution expenses

Distribution expenses comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses as well as operation of motor vehicles, depreciation, etc.

Administrative expenses

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc.

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as extra payments and repayment under the on-account taxation scheme.

Tax on profit/loss for the year

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

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

The Company is jointly taxed with other Danish companies. The tax effect of the joint taxation with the subsidiaries is allocated to Danish enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

Notes to the Financial Statements

Balance sheet

Intangible fixed assets

Goodwill

Goodwill is amortised on a straight-line basis over the estimated useful life of 20 years, determined on the basis of Management's experience with the individual business areas.

Useful life is determined based on an assessment of whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If it is not possible to estimate the useful life reliably, it is set at 20 years. Useful lives are reassessed on an annual basis. Goodwill is written down to the lower of recoverable amount and carrying amount.

Development projects

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects in progress are transferred to completed development projects when finished and amortisation starts.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item 'Reserve for development costs'. The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 20 year.

Other intangible fixed assets

Acquired intangible assets contains customer relationships that are measured at cost less accumulated amortisation and less any accumulated impairment losses or at a lower value in use.

The amortisation period is 20 years.

Trademarks are amortised over the remaining period or a shorter useful life. The amortisation period is 20 years. Rights are amortised over the period of the agreements, which is 20 years.

Property, plant and equipment

Property, plant and 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:

Buildings	10-50 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	5 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

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

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.

Goodwill, head office buildings and other assets for which a separate value in use cannot be determined as the asset does not on an individual basis generate future cash flows are reviewed for impairment together with the group of assets to which they are attributable.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Other fixed asset investments

Other fixed asset investments consist of deposits.

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 of the inventories in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour.

Notes to the Financial Statements

Receivables

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

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Group has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include warranty obligations in respect of repair work within the warranty period of 1-5 years. Provisions are measured and recognised based on experience with guarantee work.

Deferred tax assets and liabilities

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised in respect of temporary differences concerning goodwill not deductible for tax purposes and other items - apart from business acquisitions - where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income.

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. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, 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.

Deferred tax assets and liabilities are offset within the same legal tax entity.

Current tax receivables and liabilities

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

Financial liabilities

Loans, such as loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

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

Notes to the Financial Statements

Cash Flow Statement

The cash flow statement shows the Group's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand".

The cash flow statement cannot be immediately derived from the published financial records.

Financial Highlights

Explanation of financial ratios

Gross margin	Gross profit x 100 / Revenue
Profit margin	Profit/loss of ordinary primary operations x 100 / Revenue
Solvency ratio	Equity at year end x 100 / Total assets at year end
Return on equity	Net profit for the year x 100 / Average equity