Comfort Audio ApS

Østre Hougvej 42-44, 5500 Middelfart

Annual report

2018

Company reg. no. 27 95 96 79

The annual report have been submitted and approved by the general meeting on the

Evert Dijkstra
Chairman of the meeting

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Notes:
- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Management's report

The board of directors and the managing director have today presented the annual report of Comfort Audio ApS for the financial year 1 April 2017 to 31 March 2018.

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

We consider the accounting policies used appropriate, and in our opinion the annual accounts provide a true and fair view of the company's assets and liabilities and its financial position as on 31 March 2018 and of the company's results of its activities in the financial year 1 April 2017 to 31 March 2018.

We are of the opinion that the management's review includes a fair description of the issues dealt with.

The annual report is recommended for approval by the general meeting.

Middelfart, 9 May 2018

Managing Director

Søren Andersen
Executive Board

Board of directors

Evert Dijkstra
Chairman

Jasmine Olivela Inhelder

Alessandra Maria Paola Perego Schläpfer

Independent auditor's report

To the shareholders of Comfort Audio ApS

Opinion

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

We have audited the Financial Statements of Comfort Audio ApS for the financial year 1 April 2017 - 31 March 2018, which comprise accounting policies, income statement, balance sheet and notes ("financial statements").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

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

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 annual accounts

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit proce-dures 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, 9 May 2018

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

Rasmus Friis Jørgensen
State Authorised Public Accountant
MNE-nr. 28705

Henrik Forthoft Lind
State Authorised Public Accountant
MNE-nr. 34169

Company data

The company	Comfort Audio ApS Østre Hougvej 42-44 5500 Middelfart	
	Company reg. no.	27 95 96 79
	Established:	1 October 2004
	Domicile:	Middelfart
	Financial year:	1 April - 31 March 13th financial year
Board of directors	Evert Dijkstra, Chairman Jasmine Olivela Inhelder Alessandra Maria Paola Perego Schläpfer	
Managing Director	Søren Andersen, Executive Board	
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 2900 Hellerup	

Management's review

The principal activities of the company

The company's principal acitivity has been selling advanced hearing products. The sale is mainly to schools, business and private on the Danish marked.

Development in activities and financial matters

The gross profit for the year is DKK 2,9m against DKK 2,5m last year. The results from ordinary activities after tax are DKK -0,4m against DKK 0,1m last year. The management consider the results satisfactory.

Accounting policies used

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

The accounting policies used are unchanged compared to last year, and the annual accounts are presented in Danish kroner (DKK).

Recognition and measurement in general

Income is recognised in the profit and loss account concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, provisions, and reversals which are due to changes in estimated amounts previously recognised in the profit and loss account are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the company is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the company is liable to lose future, financial benefits and the value of the liability can be measured reliably.

At the first recognition, assets and liabilities are measured at cost. Later, assets and liabilities are measured as described below for each individual accounting item.

Certain fixed asset investments and liabilities are measured at amortised cost, by which method a fixed, effective interest is recognised during the useful life of the asset or the liability. Amortised cost is recognised as the original cost with deduction of any payments and additions/deductions of the accrued amortisation of the difference between cost and nominal amount. In this way capital losses and capital profits are spread over the useful life.

At recognition and measurement, such predictable losses and risks are taken into consideration, which may appear before the annual report is presented, and which concerns matters existing on the balance sheet date.

The profit and loss account

Gross profit

The gross profit comprises the net turnover, changes in inventories of finished goods and external costs.

The net turnover is recognised in the profit and loss account if delivery and risk transfer to the buyer have taken place before the end of the year, and if the income can be determined reliably and is expected to be received. The net turnover is recognised exclusive of VAT and taxes and with the deduction of any discounts granted in connection with the sale.

Accounting policies used

Costs of sales includes costs for the purchase of raw materials and consumables less discounts and changes in inventories.

Other external costs comprise costs for distribution, sales, advertisement, administration, premises, loss on debtors, and operational leasing costs.

Staff costs

Staff costs include salaries and wages including holiday allowances, pensions and other costs for social security etc. for staff members. Staff costs are less public reimbursements.

Depreciation, amortisation and writedown

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

Net financials

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

Tax of the results for the year

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.

The company is subject to the Danish legislation concerning compulsory joint taxation with the Danish group enterprises.

The current Danish corporate tax is allocated among the jointly taxed companies in proportion to their respective taxable income (full allocation with reimbursement of tax losses).

The balance sheet

Tangible fixed assets

Tangible fixed assets are measured at cost with deduction of accrued depreciation and writedown.

The basis of depreciation is cost with deduction of expected residual value after the end of the useful life of the asset.

The cost comprises the acquisition cost and costs directly attached to the acquisition until the time when the asset is ready for use.

Depreciation takes place on a straight line basis and based on an evaluation of the expected useful life:

Accounting policies used

	Useful life	*Residual value*
Other plants, operating assets, fixtures and furniture	*3-5 years*	*0-20 %*

Minor assets with an expected useful life of less than 1 year are recognised as costs in the profit and loss account in the year of acquisition.

Profit or loss deriving from the sales of tangible fixed assets is measured as the difference between the sales price reduced by the selling costs and the book value at the time of the sale. Profit or losses are recognised in the profit and loss account as other operating income or other operating expenses.

Leasing contracts

All leasing contracts are considered operational leasing. Payments in connection with operational leasing and other rental agreements are recognised in the profit and loss account over the term of the contract. The company's total liabilities concerning operational leasing and rental agreements are recognised under contingencies etc.

Inventories

Inventories are measured at cost on basis of the FIFO method. In case the net realisable value of the inventories is lower than the cost, writedown takes place to this lower value.

The cost for trade goods, raw materials, and consumables comprises the acquisition cost with the addition of the delivery costs.

The net realisable value for inventories is recognised as the market price with deduction of completion costs and selling costs. The net realisable value is determined taking into consideration the negotiability, obsolescence, and development of the expected market price.

Debtors

Debtors are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, writedown takes place at the net realisable value.

Accrued income and deferred expenses

Accrued income and deferred expenses recognised under assets comprise incurred costs concerning the next financial year.

Available funds

Available funds comprise cash at bank and in hand.

Corporate tax and deferred tax

Current tax receivable and tax liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivable and tax liabilities are set off to the extent that legal right of set-off exists and if the items are expected to be settled net or simultaneously.

Accounting policies used

According to the rules of joint taxation, Comfort Audio ApS is unlimited, jointly and severally liable towards the Danish tax authorities for the total corporation tax, including withholding tax on interest, royalties and dividends, arising within the jointly taxed group of companies.

Deferred tax is measured on the basis of all temporary differences in assets and liabilities with a balance sheet focus.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation on the balance sheet date and prevailing when the deferred tax is expected to be released as current tax.

Other provisions

Provisions comprise expected costs for guarantee liabilities. Provisions are recognised when the company has a legal or actual liability which is due to a previous event and when it is likely that the settlement of the liability will result in expenditure of the financial resources of the company.

If the settlement of the liability is expected to take place in some remote future, provisions are measured at the net realisable value or at fair value.

Guarantee liabilities comprise liabilities for repairs within the guarantee period of 1-5 years. The provisions are measured at the net realisable value and recognised on basis of the obtained experience with guarantee work. If provisions have an expected due date later than 1 year from the balance sheet date, they are discounted at the average bond interest.

Liabilities

Other liabilities are measured at amortised cost which usually corresponds to the nominal value.

Profit and loss account 1 April - 31 March

DKK in thousands.

Note		2018	2017
	Gross profit	**2.867**	**2.496**
1	Staff costs	-3.370	-2.338
	Depreciation and writedown relating to tangible fixed assets	-5	-10
	Operating profit	**-508**	**148**
	Other financial income from group enterprises	2	3
2	Other financial costs	-2	-11
	Results before tax	**-508**	**140**
3	Tax on ordinary results	111	-29
	Results for the year	**-397**	**111**
	Proposed distribution of the results:		
	Allocated to results brought forward	0	111
	Allocated from results brought forward	-397	0
	Distribution in total	**-397**	**111**

Balance sheet 31 March

DKK in thousands.

Assets

Note		2018	2017
	Fixed assets		
	Other plants, operating assets, and fixtures and furniture	0	5
	Tangible fixed assets in total	0	5
	Fixed assets in total	**0**	**5**
	Current assets		
	Manufactured goods and trade goods	2,711	2,845
	Inventories in total	2,711	2,845
	Trade debtors	2,727	2,230
	Amounts owed by group enterprises	356	1,298
	Deferred tax assets	47	40
	Receivable corporate tax	104	0
	Accrued income and deferred expenses	7	7
	Debtors in total	3,241	3,575
	Available funds	19	6
	Current assets in total	**5,971**	**6,426**
	Assets in total	**5,971**	**6,431**

Balance sheet 31 March

DKK in thousands.

Note	Equity and liabilities	2018	2017
	Equity		
4	Contributed capital	125	125
5	Results brought forward	3.047	3.444
	Equity in total	**3.172**	**3.569**
	Provisions		
	Other provisions	80	60
	Provisions in total	**80**	**60**
	Liabilities		
	Trade creditors	150	134
	Debt to group enterprises	1.124	1.373
	Corporate tax	0	69
	Other debts	1.445	1.226
	Short-term liabilities in total	2.719	2.802
	Liabilities in total	**2.719**	**2.802**
	Equity and liabilities in total	**5.971**	**6.431**

6 Contingencies

7 Related parties

Notes

DKK in thousands.

		2018	2017
1.	**Staff costs**		
	Salaries and wages	2.924	1.882
	Pension costs	271	279
	Other costs for social security	30	31
	Other staff costs	145	146
		3.370	**2.338**
	Average number of employees	3	3
2.	**Other financial costs**		
	Financial costs, group enterprises	0	5
	Other financial costs	2	6
		2	**11**
3.	**Tax on ordinary results**		
	Tax of the results for the year	-104	69
	Adjustment for the year of deferred tax	-7	-40
		-111	**29**
4.	**Contributed capital**		
	Contributed capital 1 April 2017	125	125
		125	**125**
5.	**Results brought forward**		
	Results brought forward 1 April 2017	3.444	3.333
	Profit or loss for the year brought forward	-397	111
		3.047	**3.444**

DKK in thousands.

6. Contingencies

Contingent liabilities

Leasing liabilities

In addition to financial leasing contracts, the company has entered into operational leasing contracts with an average annual leasing payment of TDKK 80. The leasing contracts have 21 months left to run, and the total outstanding leasing payment is TDKK 133.

Joint taxation

Sonova Denmark A/S, company reg. no 10317487 being the administration company, the company is subject to the Danish scheme of joint taxation and unlimited jointly and severally liable with the other jointly taxed companies for the total corporation tax.

The company is unlimited jointly and severally liable with the other jointly taxed companies for any obligation to withhold tax on interest, royalties and dividends.

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

7. Related parties

Controlling interest

Phonak AG Laubisrütisstrasse 28 CH-8712 Stäfa Schweiz	Majority shareholder