
SENNHEISER NORDIC A/S

Dybendalsvænget 2, DK-2630 Taastrup

Annual Report for 2024

CVR No. 28 89 31 40

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
company
on 19/5 2025

Daniel Sennheiser
Chairman of the
general meeting



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Management's statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of SENNHEISER NORDIC A/S for the financial year 1 January - 31 December 2024.

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 2024 of the Company and of the results of the Company operations and cash flows for 2024.

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.

Taastrup, 19 May 2025

Executive Board

Kelly Louise Watts

Board of Directors

Daniel Sennheiser
Chairman

Jørgen Ulbæk Wengel

Christoph Häussermann

Independent Auditor's report

To the shareholder of SENNHEISER NORDIC 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 2024 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2024 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of SENNHEISER NORDIC A/S for the financial year 1 January - 31 December 2024, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies ("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 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.

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 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.
- Plan and perform the audit to obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business units as a basis for forming an opinion on the Financial Statements. We are responsible for the direction, supervision and review of the audit work performed. 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, 19 May 2025

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Mads Lundemann

State Authorised Public Accountant

mne44181

Company information

| | |
|---------------------------|--|
| The Company | SENNHEISER NORDIC A/S Dybendalsvænget 2 DK-2630 Taastrup CVR No: 28 89 31 40 Financial period: 1 January - 31 December Municipality of reg. office: Høje Taastrup |
| Board of Directors | Daniel Sennheiser, chairman Jørgen Ulbæk Wengel Christoph Häussermann |
| Executive Board | Kelly Louise Watts |
| Auditors | PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup |

Financial Highlights

Seen over a 5-year period, the development of the Company is described by the following financial highlights:

| | 2024 | 2023 | 2022 | 2021 | 2020 |
|--|---------|---------|---------|---------|---------|
| | TDKK | TDKK | TDKK | TDKK | TDKK |
| Key figures | | | | | |
| Profit/loss | | | | | |
| Gross profit | 23,508 | 20,860 | 19,325 | 86,465 | 107,457 |
| Profit/loss of financial income and expenses | 453 | 3,777 | 8,910 | -548 | 1,449 |
| Net profit/loss for the year | 6,150 | 7,141 | 37,835 | -6,280 | 5,746 |
| Balance sheet | | | | | |
| Balance sheet total | 129,694 | 140,249 | 261,390 | 474,531 | 495,367 |
| Investment in property, plant and equipment | 58 | 263 | 0 | 0 | 0 |
| Equity | 97,761 | 92,554 | 131,905 | 398,386 | 404,565 |
| Cash flows | | | | | |
| Cash flows from: | | | | | |
| - operating activities | 17,101 | 47,683 | 4,832 | -878 | -8,626 |
| - investing activities | -167 | -279 | -104 | -612 | -2,796 |
| Number of employees | 15 | 25 | 21 | 38 | 47 |
| Ratios | | | | | |
| Solvency ratio | 75.4% | 66.0% | 50.5% | 84.0% | 81.7% |
| Return on equity | 6.5% | 6.4% | 14.3% | -1.6% | 2.8% |

Management's review

Key activities

The primary activities of the Company is selling Sennheiser electro-acoustic products, services and systems in the Nordic countries.

Foreign branches

Sennheiser Nordic (Norway), Akershusstranda 37, 0150 Oslo, Norway
Sennheiser Nordic (Sweden), Vasagatan 28, 11 20 Stockholm, Sweden
Sennheiser Nordic (Finland), Lautatarhankatu 6, FI-00580 Helsinki, Finland

The past year and follow-up on development expectations from last year

The income statement for 2024 shows a profit of DKK 6.16 million against a profit of DKK 7.14 million last year, and the balance sheet at 31 December 2024 shows an equity of DKK 97.8 million. In the annual report for 2023, Management expected a profit of DKK 5 – 10 million and thus the result for 2024 is in line with Management's announced expectations in the 2023 annual report.

Targets and expectations for the year ahead

Sennheiser Nordic now remains as a sales subsidiary of Sennheiser focusing solely on the Professional part of the business. Management expects to see an increase in revenue in 2025 a slight increase on 2024 due to new products coming to market. Sales of Professional products remains high and the outlook is positive. As a result of the strategy for Sennheiser Nordic management would expect results between DKK 5-10 million.

External environment

Climate Protection refers to the various greenhouse gas emissions that are emitted along the Sennheiser value chain and the environmental harm that is caused by that. Identified as Sennheiser's biggest risks to the environment are direct emissions; company owned vehicles and gas for manufacturing. And indirect emissions; purchased electricity, business travel, waste management, material production and contractor owned vehicles. The following initiatives have already been put in place: Temperature limiters apply in all Sennheiser buildings to manage energy consumption. Charging stations have been provided at all Sennheiser offices and the company car policy has changed to fully electric cars only, as of 2023. As part of the HR travel guidelines preference is towards trains for all journey's under 4 hours to help limit the amount of short distance flights. These are the main risks that have been identified relating to the environment and we will start reporting on this on a quarterly basis with the goal to achieve being Carbon Neutral by 2030.

Management's review

Intellectual capital resources

Sennheiser is committed to creating and maintaining workplace environments that support out employees. We are about people and their individual needs and strive to provide employees with opportunities to achieve and aspire. No matter of position everyone at Sennheiser should know that we foster an environment of openness and trust.

Sennheiser has identified the following issues relating to employees these include Diversity, Equity and Inclusion. This refers to the way that people differ, fair treatment, access and opportunity that is provided to individuals. Sennheiser's ambition for 2025 is to review and adapt HR processes, provide training and develop KPI's to ensure that one's identity cannot predict the outcome of opportunity and that a variety of people have power, a voice and decision-making authority. Sennheiser's ambition by 2030 is to lead in DEI through aspiring goals that match international standards. Joining leading diversity indices and external reporting.

Diversity and inclusiveness is important to Sennheiser and something that we have looked at introducing initiatives for. The audio industry is notoriously dominated by male leaders. Sennheiser have tried to change this and although there is still a long way to go it is something that we are committed to improving as soon as possible and in 2021 signed the 'Charter of Diversity'. This starts at the grass roots and we are investing in higher education to try and make the changes here first to feed through to employment.

Sennheiser also continues to assess the health and wellbeing of employees with new initiatives and health care available. Flexibility for employees has also become a hot topic for Sennheiser as a result of COVID. Guidelines relating to flexible working and working from home have been issued in 2022 giving people the option to work from home on a full time basis if this is the preference. We also offer offices in all locations for those that prefer this option.

Uncertainty relating to recognition and measurement

There has been no uncertainty regarding recognition and measurement in the Annual Report.

Subsequent events

There are no significant events to report following the balance sheet date 31 December 2024.

Income statement 1 January - 31 December

| | Note | 2024 TDKK | 2023 TDKK |
|---|------|---------------|---------------|
| Gross profit | | 23,508 | 20,860 |
| Staff expenses | 1 | -16,061 | -15,878 |
| Depreciation and impairment losses of property, plant and equipment | | -187 | -160 |
| Profit/loss before financial income and expenses | | 7,260 | 4,822 |
| Financial income | 2 | 5,671 | 8,362 |
| Financial expenses | | -5,218 | -4,585 |
| Profit/loss before tax | | 7,713 | 8,599 |
| Tax on profit/loss for the year | 3 | -1,563 | -1,458 |
| Net profit/loss for the year | 4 | 6,150 | 7,141 |

Balance sheet 31 December

Assets

| | Note | 2024 | 2023 |
|--|----------|----------------|----------------|
| | | TDKK | TDKK |
| Other fixtures and fittings, tools and equipment | | 114 | 220 |
| Leasehold improvements | | 131 | 154 |
| Property, plant and equipment | 5 | 245 | 374 |
| Deposits | 6 | 855 | 746 |
| Fixed asset investments | | 855 | 746 |
| Fixed assets | | 1,100 | 1,120 |
| Trade receivables | | 14,017 | 17,590 |
| Receivables from group enterprises | | 104,836 | 113,667 |
| Deferred tax asset | 7 | 427 | 550 |
| Corporation tax | | 674 | 3,804 |
| Prepayments | 8 | 631 | 661 |
| Receivables | | 120,585 | 136,272 |
| Cash at bank and in hand | | 8,009 | 2,857 |
| Current assets | | 128,594 | 139,129 |
| Assets | | 129,694 | 140,249 |

Balance sheet 31 December

Liabilities and equity

| | Note | 2024 | 2023 |
|--|------|----------------|----------------|
| | | TDKK | TDKK |
| Share capital | 9 | 1,000 | 1,000 |
| Reserve for exchange rate conversion | | -977 | -34 |
| Retained earnings | | 47,738 | 91,588 |
| Proposed dividend for the year | | 50,000 | 0 |
| Equity | | 97,761 | 92,554 |
| Other provisions | 10 | 299 | 1,446 |
| Provisions | | 299 | 1,446 |
| Trade payables | | 1,520 | 1,728 |
| Payables to group enterprises | | 19,038 | 30,820 |
| Corporation tax | | 278 | 419 |
| Other payables | | 10,798 | 13,282 |
| Short-term debt | | 31,634 | 46,249 |
| Debt | | 31,634 | 46,249 |
| Liabilities and equity | | 129,694 | 140,249 |
| Contingent assets, liabilities and other financial obligations | 13 | | |
| Related parties | 14 | | |
| Accounting Policies | 15 | | |

Statement of changes in equity

| | Share capital | Reserve for exchange rate conversion | Retained earnings | Proposed dividend for the year | Total |
|--|---------------|---|----------------------|--------------------------------------|---------------|
| | TDKK | TDKK | TDKK | TDKK | TDKK |
| Equity at 1 January | 1,000 | -34 | 91,588 | 0 | 92,554 |
| Exchange adjustments relating to foreign entities | 0 | -943 | 0 | 0 | -943 |
| Net profit/loss for the year | 0 | 0 | -43,850 | 50,000 | 6,150 |
| Equity at 31 December | 1,000 | -977 | 47,738 | 50,000 | 97,761 |

Cash flow statement 1 January - 31 December

| | Note | 2024 TDKK | 2023 TDKK |
|---|------|----------------|----------------|
| Result of the year | | 6,150 | 7,141 |
| Adjustments | 11 | 354 | -3,026 |
| Change in working capital | 12 | 8,595 | 135,945 |
| Cash flow from operations before financial items | | 15,099 | 140,060 |
| Financial income | | 5,671 | 8,362 |
| Financial expenses | | -5,218 | -4,585 |
| Cash flows from ordinary activities | | 15,552 | 143,837 |
| Corporation tax paid | | 1,549 | -96,154 |
| Cash flows from operating activities | | 17,101 | 47,683 |
| Purchase of property, plant and equipment | | -58 | -255 |
| Fixed asset investments made etc | | -109 | -24 |
| Cash flows from investing activities | | -167 | -279 |
| Repayment of payables to group enterprises | | -11,782 | -1,466 |
| Dividend paid | | 0 | -45,625 |
| Cash flows from financing activities | | -11,782 | -47,091 |
| Change in cash and cash equivalents | | 5,152 | 313 |
| Cash and cash equivalents at 1 January | | 2,857 | 2,544 |
| Cash and cash equivalents at 31 December | | 8,009 | 2,857 |
| Cash and cash equivalents are specified as follows: | | | |
| Cash at bank and in hand | | 8,009 | 2,857 |
| Cash and cash equivalents at 31 December | | 8,009 | 2,857 |

Notes to the Financial Statements

| | 2024 | 2023 |
|--------------------------------|---------------|---------------|
| | TDKK | TDKK |
| 1. Staff expenses | | |
| Wages and salaries | 13,156 | 13,430 |
| Pensions | 1,218 | 1,187 |
| Other social security expenses | 1,142 | 1,261 |
| Other staff expenses | 545 | 0 |
| | 16,061 | 15,878 |

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 | 15 | 25 |
|------------------------------------|-----------|-----------|

| | 2024 | 2023 |
|--|--------------|--------------|
| | TDKK | TDKK |
| 2. Financial income | | |
| Interest received from group enterprises | 3,332 | 7,089 |
| Other financial income | 390 | 82 |
| Exchange gains | 1,949 | 1,191 |
| | 5,671 | 8,362 |

| | 2024 | 2023 |
|--|--------------|--------------|
| | TDKK | TDKK |
| 3. Income tax expense | | |
| Current tax for the year | 1,545 | 1,876 |
| Deferred tax for the year | 96 | -538 |
| Adjustment of tax concerning previous years | -124 | 120 |
| Adjustment of deferred tax concerning previous years | 46 | 0 |
| | 1,563 | 1,458 |

Notes to the Financial Statements

4. Profit allocation

| | 2024 | 2023 |
|--------------------------------|--------------|--------------|
| | TDKK | TDKK |
| Proposed dividend for the year | 50,000 | 0 |
| Retained earnings | -43,850 | 7,141 |
| | 6,150 | 7,141 |

5. Property, plant and equipment

| | Other fixtures and fittings, tools and equipment | Leasehold improve- ments |
|---|---|--------------------------------|
| | TDKK | TDKK |
| Cost at 1 January | 1,275 | 288 |
| Additions for the year | 19 | 39 |
| Cost at 31 December | 1,294 | 327 |
| Impairment losses and depreciation at 1 January | 1,055 | 134 |
| Depreciation for the year | 125 | 62 |
| Impairment losses and depreciation at 31 December | 1,180 | 196 |
| Carrying amount at 31 December | 114 | 131 |

6. Other fixed asset investments

| | Deposits |
|--------------------------------|------------|
| | TDKK |
| Cost at 1 January | 746 |
| Additions for the year | 109 |
| Cost at 31 December | 855 |
| Carrying amount at 31 December | 855 |

Notes to the Financial Statements

| | 2024 | 2023 |
|---|------------|------------|
| | TDKK | TDKK |
| 7. Deferred tax asset | | |
| Deferred tax asset at 1 January | 550 | 12 |
| Other amounts recognised for the year | -27 | 0 |
| Amounts recognised in the income statement for the year | -96 | 538 |
| Deferred tax asset at 31 December | 427 | 550 |

The company's deferred tax asset is primarily attributable to temporary differences in the company's tangible fixed assets.

8. Prepayments

Prepayments consist of incurred costs relating to subsequent financial years.

9. Share capital

The share capital consists of 1,000,001 shares of a nominal value of TDKK 1. No shares carry any special rights.

In 2020, the share capital increased by DKK 1 as a result of the Sennheiser Communications A/S demerger.

| | 2024 | 2023 |
|---|------------|--------------|
| | TDKK | TDKK |
| 10. Other provisions | | |
| The Company provides warranties of on some of its products and is therefore obliged to repair or replace goods which are not satisfactory. Based on previous experience in respect of the level of repairs and returns, other provisions of TDKK 299 have been recognised for expected warranty claims. | | |
| Other provisions | 299 | 1,446 |
| | 299 | 1,446 |

The provisions are expected to mature as follows:

| | | |
|---------------|------------|--------------|
| Within 1 year | 299 | 1,446 |
| After 5 years | 0 | 0 |
| | 299 | 1,446 |

Notes to the Financial Statements

| | 2024 | 2023 |
|---|------------|---------------|
| | TDKK | TDKK |
| 11. Cash flow statement - Adjustments | | |
| Financial income | -5,671 | -8,362 |
| Financial expenses | 5,218 | 4,585 |
| Depreciation, amortisation and impairment losses, including losses and gains on sales | 187 | 160 |
| Tax on profit/loss for the year | 1,563 | 1,458 |
| Exchange adjustments | -943 | -867 |
| | 354 | -3,026 |

| | 2024 | 2023 |
|--|--------------|----------------|
| | TDKK | TDKK |
| 12. Cash flow statement - Change in working capital | | |
| Change in receivables | 12,434 | 125,915 |
| Change in other provisions | -1,147 | 1,446 |
| Change in trade payables, etc | -2,692 | 8,584 |
| | 8,595 | 135,945 |

| | 2024 | 2023 |
|---|-------|-------|
| | TDKK | TDKK |
| 13. Contingent assets, liabilities and other financial obligations | | |
| Rental and lease obligations | | |
| Rent obligation | 1,909 | 1,478 |
| Operating leases for cars and IT equipment | 736 | 67 |

Notes to the Financial Statements

14. Related parties and disclosure of consolidated financial statements

| | <u>Basis</u> |
|----------------------------------|--|
| Controlling interest | |
| Sennheiser Global Operation GmbH | Controls 100% of the share capital and votes |

Transactions

During the year, the Company has carried out the following transactions with group entities:

| | <u>2024</u> | <u>2023</u> |
|------------------------------------|-------------|-------------|
| | TDKK | TDKK |
| Goods purchased | 103,112 | 114,492 |
| Other external expenses | 9,225 | 7,047 |
| Interest | 3,332 | 7,089 |
| Receivables from group enterprises | 104,836 | 113,667 |
| Payables to group enterprises | 19,038 | 30,820 |

Consolidated Financial Statements

Information about consolidated financial statements

| <u>Name</u> | <u>Place of registered office</u> |
|-----------------------------------|---------------------------------------|
| Sennheiser Global Operations GmbH | Am Labor 1, D-30900 Wedemark, Germany |

Notes to the Financial Statements

15. Accounting policies

The Annual Report of SENNHEISER NORDIC A/S for 2024 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2024 are presented in TDKK.

Due to a true and fair view certain amounts have been reclassified in the comparative figures for 2023 to ensure the same presentation. The changes have negative effect on gross profit (808 TDKK in 2023 and 205 TDKK in 2022) and therefore the financial highlights is changed for those periods. The change have no effect on the Profit/Loss Statement or the equity.

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.

Leases

Leases in terms of which the Company 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 Company.

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.

Notes to the Financial Statements

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Currency translation adjustments for foreign branches are recognised directly on equity.

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 Company.

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

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Gross profit

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, expenses for raw materials and consumables and other external expenses.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of property, plant and equipment.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

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.

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance sheet

Notes to the Financial Statements

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.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction.

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:

| | |
|--|------------|
| Other fixtures and fittings, tools and equipment | 2-13 years |
| Leasehold improvements | 5-13 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 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 depreciation.

If so, the asset is written down to its lower recoverable amount.

Other fixed asset investments

Leases

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

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.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company 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.

Notes to the Financial Statements

Deferred tax assets and liabilities

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

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

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

Current tax receivables and liabilities

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

Financial liabilities

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

Cash Flow Statement

The cash flow statement shows the Company'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 Company'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" and "Overdraft facilities".

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

Notes to the Financial Statements

Financial Highlights

Explanation of financial ratios

Solvency ratio

$\text{Equity at year end} \times 100 / \text{Total assets at year end}$

Return on equity

$\text{Net profit for the year} \times 100 / \text{Average equity}$