



# Wonderful Sound For All

## ANNUAL REPORT 2019

1 May 2018 to 30 September 2019

This Annual Report has been submitted and  
approved by the Annual General Meeting on 12 February 2020

Chairman of the meeting:



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## Management commentary

### Key figures and financial ratios

Key figures	2018/19 (17 months) (IFRS)	2017/18 (12 months) (IFRS)	2016/17 (DK GAAP)	2015/16 (DK GAAP)	2014/15 (DK GAAP)
<b>Income statement, EURm</b>					
Revenue	1,670	599	584	518	439
Gross profit	998	441	394	352	277
R&D costs	84	30	29	26	21
EBITDA	104	120	113	101	56
Adjusted EBITDA	316	132	116	101	65
Amortisation and depreciation etc.	183	20	42	42	28
Operating profit (EBIT)	(79)	100	71	59	27
Net financial items	(220)	(10)	(6)	(3)	(1)
(Loss)/Profit before tax	(299)	90	65	56	26
(Loss)/Profit for the year	(285)	70	50	38	19
<b>Balance sheet, EURm</b>					
Assets	6,691	615	581	475	418
Equity	1,982	318	260	212	184
<b>Other key figures, EURm</b>					
Investment in property, plant and equipment, net	39	18	20	16	7
Cash flow from operating activities	168	94	70	92	75
Free cash flow to firm (FCFF)	85	33	(29)	(21)	49
Average number of employees	10,899	4,175	4,035	3,956	3,700
<b>Financial ratios</b>					
Gross profit margin	60	74	67	68	63
EBITDA margin	6	20	19	20	13
Adjusted EBITDA margin	19	22	20	20	15
Profit margin (EBIT margin)	(5)	17	12	11	6
Return on equity	(25)	24	21	19	12
Equity ratio	30	52	45	45	44

Key figures and financial ratios for 2018/19 and 2017/18 are prepared in accordance with IFRS. All other figures have been prepared in accordance with the Danish Financial Statements Act. For a description of the effect of the transition to IFRS, please refer to note 1.1. Key figures and financial ratios for 2016/17, 2015/16 and 2014/15 have been translated from DKK to EUR at the exchange rate at the end of each period, and not in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates*. Please refer to note 1.1 in the consolidated financial statements for an analysis on how the DK GAAP figures for 2016/17, 2015/16 and 2014/15 would be adjusted to IFRS as the basis of preparation.

### Merger description

On 1<sup>st</sup> March 2019 the EQT funds, that are owners of Sivantos Pte. Ltd. ("Sivantos"), and the Tøpholm and Westermann families, that are owners of Widex A/S ("Widex"), announced the successful completion of the merger of the two companies.

The merger created a leading hearing aid company with yearly revenue of more than EUR 1.7 billion, more than 10,000 employees and one of the strongest R&D teams in the industry. The merged company operates under the name WS Audiology ("WSA") housing a unique multi-branded portfolio of product and business brands, including Signia, Widex, Rexton, AudioService, Coselgi, audibene, HearUSA, Bloom, TruHearing etc.

WSA combines more than 140 years of company industry experience and offers a broad and competitive range of innovative, high-quality hearing aid products across several brands, price segments and instrument types well positioned to serve multiple customers with the right products at relevant price points. The product portfolio comprises BTE, ITE and Receiver-in-the-Canal ("RIC") devices and related accessories, diagnostic tools, managed care and other services for the hearing care professionals and hearing impaired.

From an accounting point of view the Widex Group has been regarded as the accounting acquirer, and the Sivantos Group is regarded as the accounting acquiree. Accordingly, the consolidated financial statements therefore represent a continuation of the financial position, performance and cash flows of the Widex Group and a purchase price allocation has been prepared for the Sivantos Group with an acquisition date of 28 February 2019 as outlined in note 5.1. on business combinations.

To align the accounting periods in the combined group, Widex Group has changed its accounting period end from 30 April to 30 September, such that the accounting period will be from 1 October to 30 September. Therefore, the consolidated financial statements for 2018/19, which is the year in which the accounting period is changed, cover 17 months from 1 May 2018 to 30 September 2019, whereas the comparative figures cover 12 months from 1 May 2017 to 30 April 2018. These comparative figures are prepared in accordance to IFRS. The financials for the Sivantos Group are included in the consolidated financials from closing of the merger, i.e. 1 March 2019 to 30 September 2019.

## Financial review

For the extended fiscal year 2018/19, WSA delivered a total revenue of 1,670 mEUR driven in particular by the merger. The underlying business delivered solid revenue growth driven by product launches like Signia Nx platform and Widex Evoke as well as other organic growth initiatives across the business particularly in the eCommerce business (Audibene) and Managed care in US (TruHearing). The growth was however negatively impacted by challenges in US Wholesales mainly driven by the lack of a lithium-ion rechargeable solution in the Widex product portfolio, implementation of an ERP system and the loss of the Kirkland private label contract in CostCo in June 2019 combined with a decline in performance in the US retail business.

Gross profit ended at 998 mEUR corresponding to 59,8% gross margin. The gross margin declined compared to previous years due to a combination of change in business mix driven by the merger and as the Group was impacted by lower wholesale gross margins especially in the US.

Earnings before Interest, Tax, Depreciations and Amortizations (EBITDA) ended at EUR 104 million corresponding to an EBITDA margin of 6,2% driven by the lower gross margin and significant one-time cost related to merger, transformation projects, harmonization of accounting policies etc.

Adjusting for normalization items Adjusted EBITDA ended at EUR 316 million corresponding to an adjusted EBITDA margin of 18.9%. Adjusted EBITDA margin for the period is lower than previous years for the Widex Group mainly due to the challenges in US Wholesales with the lack of a Lithium Ion rechargeable solution in the Widex product portfolio, implementation of an ERP system and the loss of the Kirkland private label contract in CostCo combined with a decline in performance in the US retail business.

The Group considers one-time costs and one-time gains as normalization items if they are non-recurring in nature. These are excluded in Adjusted EBITDA and Adjusted EBITDA margin. The total normalisation for the extended fiscal year 2018/19 amount to EUR 211.5 million and is mainly driven by cost related to the Merger of EUR 123.9 million, ERP implementation of EUR 17.3 million, Transformation projects of EUR 7.2 million, restructuring cost of EUR 23.6 million and harmonisation of accounting policies of EUR 17.8 million.

Operating results (EBIT) ended at EUR -79 million corresponding to an EBIT margin of -4,7%. Adjusting for one-time cost of EUR 211.5 million the operating results ended at EUR 132.5 million or adj EBIT margin of 7.9%.

Net Financial items ended at -220 mEUR driven in particular by interest expenses of -127 mEUR, Foreign currency losses of -30,2 mEUR and fair value losses on derivatives and other financial instruments of -66 mEUR. Details on Net Financial items are specified in note 4.4

With the negative operating result and negative net financial items the Group result before tax ended at -299 mEUR and Group net results after tax ended at -285 mEUR. Despite the negative net results after tax the Group remain well positioned with an equity ratio of 30% and a solid financial and liquidity position. The capital structure and financial items are described in detail in Note 4.

Reported financial results cannot be compared to earlier provided guidance from Widex Group due to the merger with Sivantos Group. However still the adjusted EBITDA margin is lower than previous years. Despite the lower adjusted EBITDA margin Management is satisfied with the results considering the significant efforts from the organization in connection with the merger and the significant progress on merging the previous two companies into one company with one joint purpose and one joint strategy.

## Outlook

The merger between two leading hearing aid companies forming WS Audiology Group has created a strong player. The Group aims at accelerating growth using the unique portfolio of differentiated product brands to strengthen its market penetration and in parallel enhancing efficiencies to enable additional investments into R&D and supply chain. This will allow the Group to expand access to hearing healthcare via its dedicated salesforce by product brand through even more innovative solutions across a wide range of hearing needs, increasing the quality of life of millions of people and thereby delivering on the purpose of WS Audiology being "unlocking human potential by making wonderful sound part of everyone's life"

Leading technologies, flexible business models and a broad geographical footprint combined with a unique portfolio of brands and products puts the Group in a strong position to capture substantial business opportunities in the future. The Group plans to gain market share in traditional channels and key mature markets, and at the same time grow in new channels such as big box retailers, optical stores, and managed care. The Group is also well positioned to grow in emerging markets such as China with next generation business models being developed and tested. Beside a stronger than market growth, the Group is also focusing on further improving profit margins. The Group is continuing to invest heavily into building capabilities and realize optimizations and synergies from the merger coupled with established technological leadership driving sustainable growth.

With the above fundamentals and plans in place, management expects to grow revenue for the group above 10%-pts for the financial year 2019/20 and improve the adjusted EBITDA margin to above 20% due to a combination of stronger earnings performance in Wholesale and Retail as well as realization of synergies related to the merger

## Risk management

The Group considers risk management as a key part of effective management and internal control. The Group has implemented internal control systems with the aim to provide a framework for all processes and activities designed to give reasonable assurance regarding the achievement of business objectives. Such systems are designed to manage, rather than eliminate, the risk of failure. Assurance activities monitor the efficiency and effectiveness of policies and operations and the status of compliance with statutory obligations. These can cover the effectiveness of Internal Controls (IC) over a broad range of areas such as strategic, operations, financial and compliance.

## Strategy Risk

The hearing instrument industry has in the past experienced shifts to new key technologies, for recent shift towards rechargeable products across all major markets. For the Group to remain competitive, it is essential to develop and bring to market new technologies and offerings or to find new applications for existing technologies at an increasing speed.

The Group operates in a competitive industry which is characterized by some downward price pressures. In order to compensate the pressure, the Group constantly develops new products and offerings are constantly developed with new and enhanced consumer value propositions. A good example to illustrate this is the launch of the new technology platform 'Signia Xperience' in September 2019 which is the first hearing aid platform with acoustic motion sensor integrated adding additional value to the consumer experience.

The risks of new competitor entrants offering over the counter ("OTC") products exist, but the impact on the current hearing aid business will be limited. The OTC products will cater to a new segment of the market currently not in focus for the traditional hearing aid providers and therefore the OTC products will likely attract new customers towards traditional hearing aids thus expanding the overall market. WS Audiology has the product portfolio, channel footprint and operational experience to quickly respond to any developments in the OTC segment when needed.

### **Regulatory Risk**

The Group's business and products are subject to a variety of market conditions and medical product regulations in the jurisdictions in which the Group operates. In particular, these regulations govern: (i) coverage and reimbursement by national health services or by private health insurance services for the purchase of hearing instruments, (ii) the supply of hearing instruments to the public and, (iii) the development, testing, manufacturing, labelling, premarket clearance and approval, and marketing, export and import of hearing instruments. Accordingly, the Group's business may be affected by changes of laws and regulations, and in particular, changes to the conditions for coverage, the way in which reimbursement is calculated, and the ability to obtain national health insurance coverage.

### **Intellectual Property Risk**

Intellectual property rights, particularly patents and trade secrets, play a significant role in product development and differentiation in our industry. These proprietary rights are essential to the Group's business and its ability to compete effectively with other companies in the market is greatly enhanced by the availability of any successful technology through licensing. The Group pursues a policy of generally obtaining patent protection in key jurisdictions for patentable subject matter in the Group's proprietary devices and attempt to review third party patents and patent applications to the extent publicly available to develop an effective patent strategy, avoid infringement of third party patents, identify licensing opportunities and monitor patent claims of others.

### **Operational Risk**

As any interruption in the operations of the Group's manufacturing facilities may adversely affect the Group's businesses, financial conditions and result of operations, the Group conducts preventive maintenance in all operating equipment. The operation of production plants and the transfer of data between the affiliates and market organizations depend on the efficient and uninterrupted operation of the Group's IT landscape. The Group has experienced IT cyber-attacks, but has mitigated any material effects from these by ensuring a solid level of IT security and clear Business Continuity Plans in case of breaches.

Finally, the Group not only relies on the timely supply from suppliers; for key components or products dual sourcing strategies are being implemented on top of a constant monitoring of supplier quality and delivery performance.

### **Compliance Risk**

Conducting the Group's business in an ethical acceptable manner is important to the Group's reputation, status with regulators and business prospects. A part of the Group's revenue is derived under contracts with government agencies and consequently, the Group regularly conduct business with public officials and other politically exposed persons. The Group has policies in place to prevent direct or indirect acts of corruption, bribery, anti-competitive behavior, money laundering, fraud, deception, and any other criminal or otherwise unacceptable conduct. A law firm, which is experienced in the duties of an ombudsman, has been entrusted with this function by the Group. The contacts of the Ombudsman are available on the Group intranet and internet.

### **Legal Disputes Risk**

The Group is and has been in the past, subject to legal disputes and regulatory proceedings in connection with business activities. Although the Group maintains liability insurance in amounts it believes to be adequate and consistent with industry practice, the Group may not be fully insured against all potential damages that may arise out of any claims to which the Group may be party in the ordinary course of business (though the Group is not aware of any such claims at present). A negative outcome of these proceedings might prevent the Group from pursuing certain activities and/or require the Group to incur additional costs in order to do so and pay damages.

### **Currency Risk**

The Group's international operations expose the Group to foreign currency exchange rate risks, particularly regarding fluctuations of the USD, EUR, CAD and CNY in the ordinary course of business. The Group mainly employs the use of foreign exchange forward contracts to mitigate the group's major risks from adverse FX movements' impact on consolidated earnings for 3-12 months rolling forward.

As a matter of principle, the foreign currency risk is centrally managed by Group Treasury in cooperation with the Group entities in the countries. Please refer to Note 4.2 in the Consolidated financial statements for further information.

### **Credit Risk**

Credit risk is defined as an unexpected loss in cash and earnings if the customer is unable to pay its obligations in due time. The Group may incur losses if the credit quality of its customers deteriorates or if they default on their payment obligations to the Group. The Group's exposure to credit risk arises primarily from trade and other receivables.

The Group has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. This includes the review of individual receivables and of individual customer creditworthiness on a case-by-case basis as well as the review of current economic trends, the

analysis of historical bad debts on a portfolio basis and the considers country credit ratings. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets. However, the Group has credit enhancements such as personal guarantees and share pledge related to customer loans.

The maximum exposure to credit risk of financial assets is represented by their carrying amount. There were no significant concentrations of credit risks as of 30 September 2019. Please refer to Notes 3.4 and 3.7 for more information.

### **Liquidity Risk**

Liquidity risk results from the Group's potential inability to meet its financial liabilities, in particular, paying its suppliers and servicing its interest-bearing debt. In addition to having implemented effective working capital and cash management, the Group has implemented short-term and medium-term liquidity forecasts. Group Treasury monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables. Please refer to Note 4.2 for more information.

### **Interest Rate Risk**

As of 30 September 2019, the Group's long-term debt consists of secured term floating rate loans of which a certain proportion have been swapped for fixed interest rates. Please refer to Note 4.2 for more information.

### **Parent company**

The parent company is a holding company that has been established in accordance with the aforementioned combination of the Sivantos and Widex Group, and as described in note 1. The Parent company has not had other significant transactions during the year.



## Statutory report on corporate social responsibility

Following the approval of the merger of Widex Group and Sivantos Group to form WS Audiology, work has started to align the policies, actions, systems and procedures, and processes to ensure a company-wide CSR policy. Some of that work is still ongoing and will be completed during 2020.

For a brief description of the Group's business model, please refer to section above on Merger Description,

WS Audiology has introduced a new Code of Conduct to replace the previous codes produced by Sivantos and Widex. The code reflects the organization's commitment to customers, business partners, employees and communities where WS Audiology does business.

The code covers:

- How to speak up
- Conduct in our business
- Conduct towards our customers and society
- Working with business partners and suppliers
- Fair treatment of our employees and workspace conduct
- Financial integrity and protection of our assets

The Code of Conduct can be found at [https://www.wsa.com/-/media/Files/WSA\\_Code-of-Conduct.ashx](https://www.wsa.com/-/media/Files/WSA_Code-of-Conduct.ashx)

In addition, WS Audiology will become a signatory to the UN Global Compact, following on from the work already done by Sivantos. The UN Global Compact (UNGC) provides a company with a value system and a principles-based approach to doing business.

This means meeting fundamental responsibilities in the areas of human rights, labor, environment and anti-corruption. The Ten Principles of the United Nations Global Compact are derived from The Universal Declaration of Human Rights, the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption.

As a global goals system, the Sustainable Development Goals (SDGs) provide a common language and compass for the challenges of the 21st century. We are committed to work towards them wherever possible.

WS Audiology is currently focusing on four SDGs:

SDG 3 – Good Health and Well-being

SDG 4 – Quality Education

SDG 7 – Affordable and Clean Energy

SDG 12 – Responsible Consumption and Production

### Health and Safety, Environment and Climate

As part of our commitment to support the UN Sustainable Development Goals, WS Audiology is focused on reducing the company's impact on the environment and climate by responsible production and consumption. We aim for environmental sustainability by contributing to the UN Sustainable Development Goal 12.

As a medical instrument manufacturer, we place a great deal of importance on excellence in environmental protection, occupational health management, and workplace safety within the business as well as in the product life cycle.

We are committed to:

- Providing a safe and healthy working condition for our employees, contractors and visitors, and systematically eliminating hazards and reducing risks.
- Ensuring that our product life cycle helps protect the natural environment and contributes to a sustainable future.
- Fulfilling our EH&S compliance obligations in our processes, which are the cornerstone of our daily work.
- Continuously improving our EH&S management system & performance to bring us closer toward the goal of zero accidents, zero health impact and zero waste.

This policy is implemented through a comprehensive EH&S Management System based on international standards and overseen by governance arrangements at all levels of the organization. EH&S must be embraced by everyone and clearly demonstrated through communication, consultation and participation of all stakeholders.

WS Audiology's manufacturing process has a low risk of impact on the environment and climate and reduces or avoids the risk of environmental damage via the regular maintenance of production processes and environmental protection systems.

With regards to Health and Safety the risk is also considered low due to manufacturing process and use of products. The risk is mitigated through implementation of the multi-site EH&A systems described below.

Following the merger, the smart lean program has been extended to the former Widex manufacturing centers.

However, there is some metal, electronic and plastic waste generated during the manufacturing process. Waste from operations is disposed of in a legally compliant and sustainable manner with proper records and verifiable data. In 2018, Sivantos began a new program with the goal of 100% recycling or reutilization of all materials. We aim to recycle all plastics while batteries undergo a recovery process including the lithium component in the case of Li-ion batteries, as well as components from all other electronic waste. This is already done in some sites and will be expanded to all in the coming years. We have a goal of setting a formal target during 2020.



Former-Sivantos implemented a comprehensive multi-site EH&S (Environmental, Health and Safety, ISO 14001) and OHSAS 18001 (Occupational Health and Safety Assessment Series) management system at the three production sites at Singapore, Suzhou and Poznan. They were awarded an ISO14001 and OHSAS 18001 certification. This concept will be rolled out to all major manufacturing sites of WS Audiology.

In November 2017, Sivantos Group started a comprehensive improvement program. Thanks to this "smart lean program", our European and Asian manufacturing centers go beyond the traditional manufacturing methods that were long common in the hearing aid industry.

Following the merger, the smart lean program has been extended to the former Widex manufacturing centers.

The above-mentioned activities have contributed to succeed in maintaining a high level of people and environmental protection throughout the merger period.

## Social engagement

The company takes part in a wide range of activities with global and local communities on its own behalf and in support of employees. The company maintains strong partnerships with local non-profit organizations around the globe, most notably, the China Foundation for Disabled Persons and the Akshaya Patra foundation in India.

From employees raising funds for multiple sclerosis, to a multi-year university sponsorship program in Singapore, it is a broad-scope engagement that has been driven by the passion of our people. We are currently reviewing our existing policies and activities to see how we can further engage and contribute.

The two companies behind WS Audiology have long-standing partnerships with the Danish Technical University in improving the basic science behind hearing aids and the National University of Singapore in creating better-qualified audiologists.

For the financial year 2019-20, WS Audiology plans to continue its contributions to sustainability activities through monetary and in-kind donations to local non-profit organizations, educational facilities, and relief associations.

Examples include:

Since 2011, Sivantos France supported Audition Solidarité, a humanitarian association which operates in three specific areas internationally:

- Hearing aids for disadvantaged adults and children in France and all over the world
- Recycling of hearing aids in a unique workshop in France
- Hearing loss prevention for musicians

Financial support is given to the association every year so they can continue their work in schools for the deaf and hard of hearing in Morocco, Tunisia, Guinea, Vietnam, Madagascar, Cameroon and Burkina Faso.

On World Hearing Day, Sivantos China donated around 7,500 USD to the "Love Ears" concert put on by the China Symphony Orchestra. Children with hearing loss also performed songs and poems to an audience of around 2,000 in celebration of the beauty of hearing. The annual event is organized by the China Rehabilitation Research Center for Hearing and Speech Impairment.

The main risk in this area is considered bribery, please refer to the section below which describes action to prevent bribery.

For more information see

[https://www.wsa.com/-/media/Files/Sivantos\\_CoP-Report\\_2019\\_for-ePaper.ashx](https://www.wsa.com/-/media/Files/Sivantos_CoP-Report_2019_for-ePaper.ashx)

## Anti-corruption and bribery

We are committed to working against corruption in all its forms, by always acting professionally, fairly and with integrity. We take a zero-tolerance approach to corruption, including fraud and bribery.

Anti-corruption considerations are an integrated part of our business partner handling process, and we continue to safeguard that our partners acknowledge and respect their responsibility when doing business with us.

The main risks related to our activities include employees' and business partners' violation of our anti-corruption commitment and the resulting potential legal and financial consequences.

Our main suppliers are located in Europe and North America, regions generally perceived as being low risk with regards to anti-corruption. The risk of corruption in connection with our business is perceived to be higher in some of our markets, but we have established multiple measures to ensure that anti-corruption is an integrated part of our business, such as vetting of all suppliers, and ad-hoc evaluations.

We ensure that we are not indirectly facilitating corrupt or unethical practices by allowing money or materials to get into the wrong hands.

In particular, we do not do business with third parties (such as consultants, agents, and intermediaries) if the circumstances indicate that all or part of the money paid to them may be directly or indirectly passed on to a government official to influence official action or obtain an improper advantage; or passed on to a private commercial counterparty in consideration for an unfair advantage in a business transaction.

For that reason, we will evaluate the qualifications and reputation of these third parties and avoid working with third parties whose standards are incompatible with our Code.

Like any business, we sometimes give and accept gifts, hospitality or entertainment. In every case, we must consider whether it is appropriate. Before offering or accepting anything, employees must ensure that it complies with our internal policy or procedure, that it is normal in a business relationship and is unlikely to influence the other person's – or our own – decision making.

If the gift, hospitality or entertainment is linked to a sale, or can be perceived as excessive or as a bribe, we do not offer or accept such a gift, hospitality or entertainment. We do not offer, promise or give anything of value to any public official, directly, or indirectly, with the

intention of influencing them in their work or to obtain or retain business or a business advantage. We also do not make facilitation payments or permit others to make them on our behalf.

Our internal guidelines and trainings set the basis for our system that is designed to prevent, detect, and respond to potential violations of anti-corruption and antitrust regulations.

All employees at WS Audiology must read and become familiar with the Code, as its principles need to be a part of daily work. Both former Sivantos and Widex employees have attended mandatory training sessions on their separate codes of conduct before the merger. Mandatory training for the WS Audiology Code of Conduct will start in February 2020.

We are committed to fostering an environment where our employees can ask questions and raise issues or concerns about business ethics without fear of retaliation. If unethical behavior or illegal conduct in the workplace is experienced or witnessed, we require our employees to report it and seek guidance on such matters.

Employees and third parties can contact an external Ombudsman anonymously if they believe to have witnessed incorrect business practices within the group.

We follow up on every reported violation with internal compliance investigations when justified by supporting evidence. Upon completion of an investigation, we propose solutions for any identified issues and ensure they are carried out. We also respond to incidents of employee misconduct with appropriate and legal disciplinary action.

The Ombudsman investigates any reported matter and if there is any suspicion of violation, especially of criminal nature or in defiance of our Code of Conduct, the reports will be forwarded to the group so that we can start investigations immediately. The identity of the informant will not be revealed.

All emails and reporting will be kept confidential to the extent permitted by law and will only be shared on a need-to-know basis with the required person(s) who shall investigate and/or decide on the reported possible violation.

We have a policy of "zero tolerance" for retaliation. Employees can report issues and concerns in good faith without fear of the consequences.

For the last calendar year, there has not been any substantiated breaches of our code of conduct save for one case in retail US where the employee has been terminated and was also under police investigations for a fraud case amounting to USD100K.

No reports were made to the Ombudsman in the last calendar year.

## Labor rights

WS Audiology seeks to create a safe working environment that appeals to all employees, so we can attract, develop and retain well-qualified and engaged employees.

In regard to labor rights the risk is considered low due to the organizational setup of the Group and strong culture for having an open and honest relationship with employees. The risk is mitigated through clear compliance with national legislation, implementation of UN global compact principles 3-6 and employee representatives in workers councils in selected countries.

We work towards an open and honest relationship with employees. We respect their right to be informed, heard and to voice their concerns in an open and transparent manner.

We act in compliance with national legislation in the countries in which we operate, and we follow the UN Global Compact Principles 3-6.

- Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- The elimination of all forms of forced and compulsory labor
- The effective abolition of child labor;
- and the elimination of discrimination in respect of employment and occupation.

WS Audiology is committed to regular Employee Engagement surveys, following on from the surveys undertaken in the former Sivantos and Widex companies.

The first of these surveys from the Great Place To Work Institute® was completed in October. It surveyed all employees in the merged company with a response rate of 87%. Employees were asked for their feedback on three key relationships that make a Great Place to Work®: Management, Employee and Job. These were measured on Credibility, Respect, Fairness, Pride and Camaraderie.

Country managers have been tasked with sharing the results for their companies and Six WS Audiology countries attained a Trust Index® of more than 70% to be certified as a Great Place to Work.

Employee Representatives from fourteen countries met in December 2019 to begin negotiations for an agreement towards a WS Audiology European Works Council. Employee elected delegates from Italy, Germany, France, Hungary, Austria, Czech Republic, Norway, Estonia, the Netherlands, Poland, UK, Sweden, Slovakia and Denmark, met as part of a Special Negotiation Body that will have the task of creating a Works Council from the different European countries in which WS Audiology has operations. The representatives are informed and consulted by central management on transnational issues of concern to the company's employees. Under European Union rules, the Special Negotiation Body has now three years to reach an agreement with the WS Audiology management on the structure of the Works Council.

## Human Rights

We believe that respecting human rights is fundamental to our way of business.

We recognize that we are responsible for the impact of our business activities on the people who work for or with us and are also responsible for our impact on the people in communities where we operate. We act on this responsibility by using our influence to promote and protect the human rights of all those we work with and alongside. We support the principles defined within the International Labor Organization Core Conventions, the United Nations (UN) Global Compact and the UN Guiding Principles on Business and Human Rights.

Regarding human rights the risk is considered low due to the organizational setup of the Group and strong culture for having an open and honest relationship with employees. The risk is mitigated through implementation of our Employee code of conduct as well as our OHSAS certifications as described below.

We are committed to complying with applicable laws and regulations regarding working conditions, labor standards, modern slavery, human trafficking, discrimination and harassment.

We are committed to ensuring a safe and healthy work environment

We are committed to providing a safe and healthy workplace for our customers, business partners, employees and other stakeholders working within, or visiting, our facilities or premises.

We are committed to ensuring that all of our employees are familiar with our Employee Code of Conduct and kept updated when changes are integrated.

Respecting human rights is a core value of WS Audiology and is part of our Business Conduct Guidelines. We have a multisite OHSAS 18001 certification for manufacturing sites and offices as part of our commitment to upholding a safe work environment.

As a medical device company, we understand that product safety can never be compromised as errors in our hearing aids or other devices could lead to significant and potentially life-long damages.

To ensure that medical devices are safe in every aspect, the US Food and Drug Administration (FDA) regularly inspects manufacturers. Sites in China, Denmark, Germany, the USA and Singapore all successfully passed the FDA audit inspection in 2018-19.

In Europe, WSA is one of the first hearing aid manufacturing companies audited successfully under the new Medical Device Regulations (MDR), awaiting the new certificates by Q1/2020. The success behind is a multi-site Quality Management Systems (QMS) following the ISO 13485 that allows global governance and local adaptations to ensure an effective but efficient quality throughout the whole WS Audiology group.

### **Statutory report on the underrepresented gender**

WS Audiology wishes to promote diversity at all levels of the Group. Discrimination and harassment are not tolerated in any form. A series of new policies, including the updated code of conduct, has been introduced to support this commitment, including an updated working environment policy and an antiharassment policy. All employees will have the same opportunities regardless of gender, age, race, ethnicity, sex, religion, sexual orientation, etc. Personal privacy will be respected; discrimination and verbal or psychological harassment will not be tolerated.

. For the total employee population, the gender split is 56% women and 44% men. For employees with managerial responsibility the split is 72% men and 28% women.

The share of women in managerial positions is not at the desired level across the Group, and there are still countries where better representation of women is needed. The company is focused on ensuring that gender diversity is promoted. This is for example the case when hiring for leadership positions where at least one female candidate must be found and when organizing leadership courses where female representations is examined

The board of directors currently consist of eight members. At present there are no female board members, but the target is that the share of women should be two members by 2022. The target has not been reached in the reporting year, as the best qualified candidates for the board members who joined during the year were men. The board composition will be reviewed on an ongoing basis to ensure the ambition is met.



## Consolidated financial statements

### Consolidated income statement

EURm	Notes	1 May 2018 - 30 September 2019 (17 months)	1 May 2017 - 30 April 2018 (12 months)
Revenue	2.1	1,669.5	599.2
Cost of goods sold		(671.2)	(158.0)
<b>Gross profit</b>		<b>998.3</b>	<b>441.2</b>
Research and development costs		(84.0)	(29.5)
Selling and general administration expenses		(989.1)	(314.7)
Other operating income and costs, net		(4.3)	3.1
Share of profit/(loss) in associates	5.6	0.1	(0.1)
<b>Operating (loss)/profit</b>		<b>(79.0)</b>	<b>100.0</b>
Interest income	4.4	5.2	7.3
Interest expenses	4.4	(127.0)	(12.5)
Other financials, net	4.4	(97.8)	(4.4)
<b>(Loss)/profit before tax</b>		<b>(298.6)</b>	<b>90.4</b>
Tax on profit/(loss)	2.3	14.0	(20.0)
<b>(Loss)/profit for the year</b>		<b>(284.6)</b>	<b>70.4</b>
<b>Attribute to:</b>			
Non-controlling interests		0.1	1.8
Shareholders of WS Audiology A/S		(284.7)	68.6

### Consolidated statement of comprehensive income

EURm	Notes	1 May 2018 - 30 September 2019 (17 months)	1 May 2017 - 30 April 2018 (12 months)
<b>(Loss)/profit for the year</b>		<b>(284.6)</b>	<b>70.4</b>
<i>Items that will not be reclassified to profit or loss</i>			
Actuarial gains	5.4	(9.6)	-
Tax on items that will not subsequently be reclassified to the income statement		2.7	-
<i>Items that may be reclassified subsequently to profit or loss</i>			
Change in fair value gains of cash flow hedge		(1.2)	-
Tax on items that have been or may subsequently be reclassified to the income statement		(2.3)	2.1
Foreign exchange adjustments		10.1	(21.7)
<b>Other comprehensive income for the year, net of tax</b>		<b>(0.3)</b>	<b>(19.6)</b>
<b>Total comprehensive income for the year</b>		<b>(284.9)</b>	<b>50.8</b>
<b>Attributable to</b>			
Non-controlling interests		0.8	0.6
Shareholders of WS Audiology A/S		(285.7)	50.2

## Consolidated balance sheet

EURm	Notes	30 September 2019	30 April 2018	Opening IFRS balance sheet 1 May 2017
<b>Assets</b>				
Goodwill	3.1	3,492.9	159.9	156.1
Other intangible assets	3.1	2,138.4	41.8	35.6
Property, plants and equipment	3.2	164.2	62.7	61.1
Investments in associates	5.6	7.4	6.5	5.8
Deferred tax assets	2.3	73.1	28.2	34.5
Other non-current financial assets	3.4	122.3	64.3	53.8
Other non-current assets	3.5	4.7	-	-
<b>Total non-current assets</b>		<b>6,003.0</b>	<b>363.4</b>	<b>346.9</b>
Inventories	3.6	116.8	55.0	48.6
Trade receivables	3.7	326.0	98.4	97.4
Current income tax receivables		4.4	1.0	-
Other current financial assets	3.4	49.6	37.5	28.3
Prepayments		-	1.3	-
Other current assets	3.5	48.4	21.1	24.8
Cash and cash equivalents		142.7	36.9	45.2
<b>Total current assets</b>		<b>687.9</b>	<b>251.2</b>	<b>244.3</b>
<b>Total assets</b>		<b>6,690.9</b>	<b>614.6</b>	<b>591.2</b>
<b>Equity and Liabilities</b>				
Share capital	4.1	100.0	4.0	4.0
Other reserves		1,982.8	(18.4)	-
(Accumulated losses)/Retained earnings		(152.7)	325.8	257.2
<b>Total equity attributable to the shareholders of WS Audiology A/S</b>		<b>1,930.1</b>	<b>311.4</b>	<b>261.2</b>
Non-controlling interests		52.3	6.8	7.0
<b>Total equity</b>		<b>1,982.4</b>	<b>318.2</b>	<b>268.2</b>
Long-term debts	4.2, 4.3	3,472.8	0.3	0.2
Pension obligations	5.4	19.8	1.3	1.9
Provisions	3.10	28.3	8.7	9.4
Deferred tax liabilities	2.3	447.1	0.4	0.1
Other non-current financial liabilities	3.8	113.8	10.4	9.2
Other non-current liabilities	3.9	69.3	7.2	24.9
<b>Total non-current liabilities</b>		<b>4,151.1</b>	<b>28.3</b>	<b>45.7</b>
Short-term debts	4.2, 4.3	86.8	-	2.2
Trade payables		198.5	51.1	45.1
Debt to related parties		-	-	12.4
Current income tax liabilities		28.5	8.4	14.3
Provisions - current	3.10	47.9	8.1	10.3
Other current financial liabilities	3.8	37.6	130.1	129.7
Other current liabilities	3.9	158.1	70.4	63.3
<b>Total current liabilities</b>		<b>557.4</b>	<b>268.1</b>	<b>277.3</b>
<b>Total equity and liabilities</b>		<b>6,690.9</b>	<b>614.6</b>	<b>591.2</b>

## Consolidated statement of cash flow

EURm	Notes	1 May 2018 - 30 September 2019 (17 months)	1 May 2017 - 30 April 2018 (12 months)
<i>Operating activities</i>			
(Loss)/profit for the year		(284.6)	70.4
Depreciation, amortisation and impairment	3.3	183.1	19.8
Amortisation of transaction costs		10.0	-
Income tax expense, net	2.3	(14.0)	20.0
Interest expense, net		115.6	9.7
Loss on sales and disposals of intangibles, plant and equipment		1.9	-
Share of (profit)/loss in associates		(0.1)	0.1
Other non-cash adjustments	5.7	39.4	(0.1)
<b>Cash flow from operating activities before changes in working capital</b>		<b>51.3</b>	<b>119.9</b>
Change in inventories		60.6	(7.8)
Change in trade and other receivables		(7.8)	(4.6)
Change in other current assets		23.3	0.9
Change in trade payables		5.4	18.0
Change in other current liabilities		(17.3)	(10.3)
Change in other assets and other liabilities		63.8	-
Change in provisions		7.8	(3.5)
<b>Cash flow from operating activities before financial items and tax</b>		<b>187.1</b>	<b>112.6</b>
Financial income received		1.4	1.7
Income taxes paid, net		(20.9)	(20.0)
<b>Cash flow from operating activities</b>		<b>167.6</b>	<b>94.3</b>
<i>Investing activities</i>			
Acquisition of companies/operations, net of cash acquired		(32.1)	(18.3)
Investments in intangible assets and property, plant and equipment		(104.5)	(33.4)
Investments in other assets		(0.9)	(11.0)
Proceeds from disposal of intangible assets and property, plant and equipment		6.9	4.3
Proceeds from disposal/repayment of other assets		-	1.1
<b>Cash flow used in investing activities</b>		<b>(130.6)</b>	<b>(57.3)</b>
<b>Cash flow from operating and investing activities</b>		<b>37.0</b>	<b>37.0</b>
<i>Financing activities</i>			
Transaction costs paid for issuance of long-term debt		(12.1)	-
Proceeds from long-term and short-term debt		215.9	-
Repayment of long-term and short-term debt		(27.4)	(18.6)
Dividend paid to non controlling interest		-	(0.8)
Financial expenses paid		(104.4)	(26.6)
Dividend paid to shareholders		(0.3)	-
Change in other short-term debt and other financing activities		(3.7)	0.7
<b>Cash flow from/(used in) financing activities</b>		<b>68.0</b>	<b>(45.3)</b>
<b>Net cash flow</b>		<b>105.0</b>	<b>(8.3)</b>
Cash and cash equivalents, beginning of period		36.9	45.1
Adjustment foreign currency, cash and cash equivalents		0.8	0.1
<b>Cash and cash equivalents, end of period</b>		<b>142.7</b>	<b>36.9</b>



## Consolidated statement of changes in equity

EURm	Share capital	Capital Reserve	Other reserve	Foreign exchange adjustments	Hedging reserve	Retained earnings	Equity of shareholders in WS Audiology A/S	Non-controlling interests	Total equity
Equity at 30 April 2017	4.0	-	-	-	-	249.3	253.3	7.0	260.3
Impact of transition to IFRS	-	-	-	-	-	7.9	7.9	-	7.9
Equity at 1 May 2017	4.0	-	-	-	-	257.2	261.2	7.0	268.2
Profit for the period	-	-	-	-	-	68.6	68.6	1.8	70.4
Foreign exchange adjustment, etc.	-	-	-	(20.5)	-	-	(20.5)	(1.2)	(21.7)
Tax relating to other comprehensive income	-	-	-	2.1	-	-	2.1	-	2.1
Total comprehensive income for the year	-	-	-	(18.4)	-	68.6	50.2	0.6	50.8
Dividends paid	-	-	-	-	-	-	-	(0.8)	(0.8)
Equity at 30 April 2018	4.0	-	-	(18.4)	-	325.8	311.4	6.8	318.2
Loss for the period	-	-	-	-	-	(284.7)	(284.7)	0.1	(284.6)
Actuarial losses	-	-	-	-	-	(9.6)	(9.6)	-	(9.6)
Adjustment of cash flow hedges	-	-	-	-	(1.2)	-	(1.2)	-	(1.2)
Foreign exchange adjustment, etc.	-	-	-	9.4	-	-	9.4	0.7	10.1
Tax relating to other comprehensive income	-	-	-	(2.4)	0.1	2.7	0.4	-	0.4
Total comprehensive income for the year	-	-	-	7.00	(1.1)	(291.6)	(285.7)	0.8	(284.9)
Business combination as at 28 February 2019	(4.0)	-	(1,840.2)	-	-	-	(1,844.2)	46.1	(1,798.1)
Capital contribution in kind from the parent entity	100.0	3,835.5	-	-	-	-	3,935.5	-	3,935.5
Capital contribution in kind	-	-	-	-	-	41.1	41.1	-	41.1
Other transactions with non-controlling interest	-	-	-	-	-	-	-	(1.4)	(1.4)
Cash dividend paid	-	-	-	-	-	(0.3)	(0.3)	-	(0.3)
Non cash dividend paid	-	-	-	-	-	(227.7)	(227.7)	-	(227.7)
Equity at 30 September 2019	100.0	3,835.5	(1,840.2)	(11.4)	(1.1)	(152.7)	1,930.1	52.3	1,982.4

## Description of reserves:

- Capital reserve relates to deemed contribution by the shareholders in relation to the reverse acquisition.
- Other reserve comprises:
  - the difference between the consideration paid, in the form of the acquiring the shares of the Sivantos Groups (ref. note 1) and the net equity of the subsidiaries acquired.
  - the elimination of the investment in the Widex Group (ref Note 1)
  - the reserve under the scope of IFRS 2 (Note 5.3)

## Notes to the consolidated financial statements

### 1. Basis for preparation

- 1.1 First-time adoption of IFRS
- 1.2 General accounting policies
- 1.3 Significant accounting estimates and judgements
- 1.4 Adoption of new and amended IFRS

### 2. Results of the year

- 2.1 Revenue
- 2.2 Staff costs
- 2.3 Tax on profit/(loss)

### 3. Operating assets and liabilities

- 3.1 Intangible assets
- 3.2 Property, plant and equipment
- 3.3 Depreciation, amortization and impairment
- 3.4 Other non-current and current financial assets
- 3.5 Other non-current and current assets
- 3.6 Inventories
- 3.7 Trade receivables and contract assets
- 3.8 Other non-current and current financial liabilities
- 3.9 Other non-current and current liabilities
- 3.10 Provisions

### 4. Capital structure and financing items

- 4.1 Outstanding shares
- 4.2 Financial risks and financial instruments
- 4.3 Liabilities from financing activities
- 4.4 Financial income and expenses

### 5. Other disclosures

- 5.1 Business combinations
- 5.2 Remuneration of Key Management Personnel
- 5.3 Management Participation Program Liability
- 5.4 Pension obligations
- 5.5 Contingent assets and liabilities
- 5.6 Associates
- 5.7 Other non-cash adjustments
- 5.8 Lease obligations
- 5.9 Fees to auditors appointed at the annual general meeting
- 5.10 Related parties
- 5.11 Companies in the WS Audiology Group
- 5.12 Significant events after the balance sheet date

## 5.13 Approval of the consolidated financial statements

**1 Basis of preparation**

The consolidated financial statements for the Group and separate parent financial statements for WS Audiology A/S have been prepared in accordance with IFRS as adopted by the European Union (EU) and further requirements in the Danish Financial Statements Act.

The consolidated financial statements and separate parent financial statements are presented in Euros (EUR) which is the functional currency of WS Audiology A/S. All values are rounded to the nearest million (EUR) with one decimal, except where indicated otherwise.

The Group's general accounting policies are described in 1.2 Significant general accounting policies below. In addition to this, specific accounting policies are described in each of the individual notes to the consolidated financial statements. The accounting policies set out below and in each note have been used consistently in respect of the financial year and the comparative figures, except as explained in note 1.1 First-time adoption of IFRS.

**Background**

On 28 February 2019, but prior to the incorporation of WS Audiology A/S, the shares in the Widex Group were held by T&W Medical A/S (previously named Widex Holding A/S) and the shares in the Sivantos Group were held by Auris Luxembourg I S.A., North Harbour VII S.à.r.l. and North Harbour VIII S.à.r.l.

WS Audiology A/S was established 28 February 2019 to effectuate the merger of the Sivantos Group and the Widex Group, as explained in the Management Commentary. Therefore, the financial statements for 2018/19 for WS Audiology A/S are the first financial statements for the company and for the combined group.

From an accounting point of view the Widex Group has been regarded as the accounting acquirer, and the Sivantos Group is regarded as the accounting acquiree. Accordingly, the consolidated financial statements therefore represent a continuation of the financial position, performance and cash flows of the Widex Group and a purchase price allocation has been prepared for the Sivantos Group with an acquisition date of 28 February 2019 as outlined in note 5.1. on business combinations. Accordingly, the consolidated financial statements are prepared on the following basis:

- a) the assets and liabilities of the Widex Group are recognised and measured in the consolidated statement of financial position of the Group at their pre-acquisition carrying amounts;
- b) the assets and liabilities of the Sivantos Group are recognised and measured in the consolidated statement of financial position of the Group at their acquisition-date fair values;
- c) the retained earnings and other equity balances recognised in the consolidated financial statements are the retained earnings and other equity balances of the Widex Group immediately before the Reverse Acquisition;
- d) the amount recognised as issued equity interests in the consolidated financial statements is determined by adjusting the issued equity of Widex Group immediately before the Reverse Acquisition to the fair value of the consideration effectively transferred at the acquisition date.
- e) To align the accounting periods in the combined group, Widex Group has changed its accounting period end from 30 April to 30 September, such that the accounting period will be from 1 October to 30 September. Therefore, the consolidated financial statements for 2018/19, which is the year in which the accounting period is changed, cover 17 months from 1 May 2018 to 30 September 2019, whereas the comparative figures cover 12 months from 1 May 2017 to 30 April 2018. These comparative figures are presented according to the IFRS framework (refer to Note 1.1)
- f) As a result of the merger, the accounting estimates have been aligned within the Group and there was no significant financial impact from the alignment of these estimates.

WS Audiology is a holding entity and does not have any activity, assets or liabilities other than the ownership interests in the Group entities. After the merger, the WS Audiology Group have significant activities in EUR and have raised significant debt in EUR. Therefore, the functional currency of WS Audiology A/S and the presentation currency of the WS Audiology Group is determined to be EUR.

As explained above, these consolidated financial statements are a continuation of the consolidated financial statements for Widex A/S for 2017/18 which were presented in DKK. All amounts previously reported in DKK have been translated to EUR in accordance with the requirements of IAS 21 *The Effects of Changes in Foreign Exchange Rates*.

**Establishment of the Group**

On 28 February 2019, the Group was established in the following two steps:

1. T&W Medical A/S forms WS Audiology A/S by a contribution in kind of 100% of the shares in Widex A/S at a fair value agreed between independent parties of EUR 1,849.7 million. WS Audiology A/S then issued shares at a fair value of EUR 1,849.7 million, nominally EUR 47 million (47 million shares of nominally EUR 1 each), at a subscription price per share of approx. EUR 39.355 to T&W Medical A/S as consideration for the shares in Widex A/S.
2. Auris Luxembourg I S.A., North Harbour VII S.à.r.l. and North Harbour VIII S.à.r.l. contribute their 100% of the shares in North Harbour Lux TopCo S.à.r.l. at fair value agreed between independent parties of EUR 2,085.8 million. WS Audiology A/S then issued shares at a fair value of EUR 2,085.8 million, nominally EUR 53 million (53 million shares of nominally EUR 1 each), at a subscription price per share of approx. EUR 39.355 to Auris Luxembourg I S.A., North Harbour VII S.à.r.l. and North Harbour VIII S.à.r.l. as consideration for the shares in North Harbour Lux TopCo S.à.r.l.



## 1.1 First-time adoption of IFRS

As explained above these first consolidated financial statements of WS Audiology A/S are a continuation of the consolidated financial statements of Widex A/S Group, which have historically been prepared in accordance with the Danish Financial Statements Act ("DFSA"). Beginning from 2018/19, the consolidated financial statements are prepared in accordance with IFRS, and the Group has applied IFRS 1 First-time adoption of IFRS with 1 May 2017 as the date of transition to IFRS. The Group has also applied the exemption under IFRS 1 Para E2 (a); IFRS 9 has been adopted on 1 May 2018, with the comparative information in compliance with the requirements of DK GAAP in place of the requirements IFRS 9 and IFRS 7.

The financial statements for all periods presented, including the opening IFRS statement of financial position have been prepared in accordance with all IFRS as adopted by EU effective for accounting periods ending 30 September 2019 except when IFRS 1 require or allow prospective implementation as explained below.

EURm	1 May 2017			30 April 2018			
	Assets	Liabilities	Equity	Profit for the year 2017/18	Assets	Liabilities	Equity
<b>According to previous GAAP (Danish Financial Statements Act)</b>	<b>581.4</b>	<b>321.1</b>	<b>260.3</b>	<b>51.2</b>	<b>585.6</b>	<b>294.0</b>	<b>291.6</b>
Goodwill	-	-	-	20.7	20.6	-	20.6
Other intangible assets	-	-	-	-	0.2	-	0.2
Deferred tax assets	5.9	-	5.9	-	-	-	-
Other non-current financial assets	(1.7)	-	(1.7)	-	0.5	-	0.5
Other current financial assets	5.6	-	5.6	(0.9)	7.7	-	7.7
Other financial liabilities	-	1.8	(1.8)	(0.6)	-	2.3	(2.3)
Other current liabilities	-	0.1	(0.1)	-	-	0.1	(0.1)
<b>According to IFRS</b>	<b>591.2</b>	<b>323.0</b>	<b>268.2</b>	<b>70.4</b>	<b>614.6</b>	<b>296.4</b>	<b>318.2</b>
Other comprehensive income							
Exchange rate adjustments investments in foreign operations				(21.7)			
Tax on other comprehensive income				2.1			
<b>Total comprehensive income</b>				<b>50.8</b>			

### IFRS adjustments related to the statement of comprehensive income for the period 1 May 2017 to 30 April 2018:

- 1) Widex recognizes a fair value adjustment on initial recognition of interest free customer loans within "Other financial expenses" under DFSA. Under IFRS, the fair value adjustment on initial recognition is considered to represent consideration payable to the customer and hence a reduction of transaction prices for goods to be delivered in the future. EUR 0.9 million represents the reduction in sales prices for goods delivered during the year.
- 2) Under DFSA, Widex amortizes goodwill over 10 years. Under IFRS, goodwill is not amortized but tested for impairment at least annually. Goodwill amortization of EUR 21.0 million has been reversed, and "Selling and general administration expenses" was decreased with the same amount.
- 3) Under DFSA, Widex recognizes operating lease expenses at the amounts paid for each period. Under IFRS, operating lease expenses are recognized on a straight-line basis. "Selling and general administration expenses" was increased by EUR 1.2 million.
- 4) Under DFSA, Widex recognizes adjustments to earn-outs in business combinations as an adjustment to consideration paid for the business combinations. Under IFRS, adjustments to earn-outs in business combinations are recognized in profit or loss. EUR 0.6 million in reduction of earn-out liabilities during the year was recognized in "Other operating income".

- 5) Under DFSA, Widex recognizes transactions costs related to business combinations as part of the consideration paid for the business combinations. Under IFRS, transaction costs related to business combinations are recognized in profit or loss. EUR 0.2 million in costs was recognized in "Other operating expenses" related to transaction costs related to business combinations during the year.
- 6) Under DFSA, Widex recognizes amortization of goodwill recognized as part of the investments in associates. Under IFRS, goodwill related to investments in associates is not amortized. EUR 0.2 million related to amortization of goodwill as part of the investments in associates during the year was reversed.
- 7) Under DFSA, Widex has based the amortization of fair value adjustments related to interest free customer loans on an interest rate determined for the entire portfolio of customer loans in the Widex Group. Under IFRS, the amortization is based on market interest rates in each jurisdiction. EUR 0.3 million in additional interest income was recognized under IFRS.
- 8) Under DFSA, Widex recognizes a fair value adjustment on initial recognition of interest free customer loans within "Other financial expenses" under DFSA. Under IFRS, the fair value adjustment on initial recognition is considered to represent consideration payable to the customer and hence a reduction of transaction prices for goods to be delivered in the future. EUR 4.6 million related to fair value adjustments on initial recognition of new customer loans issued during the year was reversed.
- 9) EUR 5.2 million was recognized as a net increase in deferred tax (additional tax cost) for the period from the tax effects of reversals of goodwill amortizations, straight lining of operating lease costs and actuarial gains or losses related to defined benefit plans.
- 10) Under DFSA, Widex recognizes exchange rate adjustments related to investments in foreign operations directly. Under IFRS, exchange rate adjustments related to investments in foreign operations are recognized in other comprehensive income. Foreign exchange rate adjustments previously recognized directly in equity, net of effects of adjustments from IFRS adjustments amount to EUR 19.6 million.

#### **IFRS adjustments related to the statement of financial position at 1 May 2017 and 1 May 2018:**

- 11) Under DFSA, Widex amortizes goodwill over 10 years. Under IFRS, goodwill is not amortized but tested for impairment at least annually. Widex has not adjusted the accounting for business combinations prior to 1 May 2017. Under IFRS, goodwill amortization from 1 May 2017 until 30 April 2018 amounting to EUR 21.0 million was reversed.
- 12) Business combinations entered into after 1 May 2017 was reassessed under IFRS. Compared to the accounting for business combinations under DFSA, removal of transaction costs as part of considerations for the business combinations, adjustments to identified intangible assets related to customer lists, adjustments to measurement of earn-outs resulted in a net increase of goodwill of EUR 0.3 million at 30 April 2018.
- 13) The effects of exchange rate adjustments related to goodwill from the abovementioned IFRS adjustments related to goodwill decreased "Goodwill" by EUR 0.7 million at 30 April 2018.
- 14) Business combinations after 1 May 2017 was reassessed under IFRS. Compared to the accounting for business combination under DFSA, adjustments to identify intangible assets related to customer lists resulted in a net increase of "Other intangible assets" related to customer lists of EUR 0.2 million at 30 April 2018.
- 15) Under DFSA, Widex recognizes amortization of goodwill recognized as part of the investments in associates. Under IFRS, goodwill related to investments in associates is not amortized. EUR 0.2 million related to amortization of goodwill recognized as part of the investments in associates from 1 May 2017 to 30 April 2018 was reversed.
- 16) The accumulated tax effects of IFRS adjustments amounts to an increase in deferred tax asset of EUR 5.9 million at 1 May 2017. The net IFRS adjustments to deferred tax asset at 30 April 2018 is null. The accumulated net tax effects relate to reversal of amortization of goodwill and other adjustments related to business combinations, straight lining of operating lease expenses and consequential adjustments to foreign exchange rate adjustments..
- 17) Under DFSA, Widex recognizes a fair value adjustment on initial recognition of interest free customer loans in profit or loss within "Other financial expenses". Under IFRS, the fair value adjustment on initial recognition is considered to represent consideration payable to the customer and hence a reduction of transaction prices for goods to be delivered in the future. Under IFRS, the asset related to accrual of fair value adjustments at 1 May 2017 amounts to EUR 5.6 million and EUR 7.7 million at 30 April 2018 and is presented as "Other current financial assets".
- 18) Under DFSA, Widex has measured the fair value of customer loans at initial recognition and subsequent amortization of fair value adjustments related to interest free customer loans on an interest rate determined for the entire portfolio of customer loans in the Widex Group. Under IFRS, the measurement and amortization is based on market interest rates in each jurisdiction. Under IFRS, the carrying amount of customer loans is reduced by EUR 1.7 million at 1 May 2017 and increased by EUR 0.3 million at 30 April 2018.
- 19) Under DFSA, Widex recognizes operating lease expenses at the amounts paid for each period. Under IFRS, operating lease expenses are recognized on a straight-line basis. The non-current portion of the related accrued operating lease liability amounts to EUR 1.7 million at 1 May 2017 and EUR 2.9 million at 30 April 2018. The current portion of the related accrued operating lease liability amounts to EUR 0.1 at 1 May 2017 and EUR 0.1 at 30 April 2018

## 1.2 General accounting policies

### Basis of consolidation

The consolidated financial statements comprise the financial statements of WS Audiology A/S (the parent company) and subsidiaries, which are entities controlled by WS Audiology A/S, prepared in accordance with Group policies. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are listed in note 5.11.

The consolidated financial statements are prepared by combining items of a uniform nature and subsequently eliminating intercompany transactions, internal shareholdings and balances and unrealized intercompany gains or losses. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences and until the date on which control ceases.

The accounting items of subsidiaries are recognised 100% in the consolidated financial statements. Non-controlling interest's share of subsidiaries' profit or loss for the year and of equity are included in the Group's profit or loss and equity, but are disclosed separately.

Acquisitions or disposals on non-controlling interests in subsidiaries, which does not result in obtaining or losing control of such subsidiaries, are treated as an equity transaction in the consolidated financial statements, and any difference between the consideration and the carrying amount of the non-controlling interest is allocated to the Parent's share of the equity.

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, as well as any related non-controlling interests and other components of equity. Any interest retained in the former subsidiary is measured at fair value when control is lost. Any resulting gain or loss is recognised in profit or loss.

### Translation of foreign currency

A functional currency is determined for each of the reporting entities in the Group. The functional currency is the primary currency used for the reporting entity's operations. Transactions denominated in other than the functional currency are translated into the functional currency at the exchange rates at the transaction date. Foreign exchange differences between the exchange rate at the transaction date and at the date of payment are recognised in other financials, net.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the transaction date.

Foreign exchange differences are generally recognised in other financials, net in the income statement. However, the following foreign exchange differences are recognised in other comprehensive income ("OCI"):

- Qualifying cash flow hedges to the extent that the hedges are effective
- Hedges of net investment in foreign operations to the extent that the hedges are effective
- Foreign exchange adjustment of balances with foreign entities that are considered part of the net investment in the entity

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into EUR, at the exchange rates at the reporting date. The income statements and statements of cash flows of foreign operations are translated into EUR at average exchange rates for the period, unless such average exchange rates are unrepresentative of the exchange rates prevailing at the transaction dates, in which case the transaction date exchange rates are applied.

Foreign exchange differences arising on translation of the opening balance of equity of foreign entities at the exchange rate at the reporting date and on translation of the income statement from the average exchange rate to the exchange rate at the reporting date are recognised in other comprehensive income and attributed to a separate translation reserve in equity, except to the extent that the translation difference is allocated to non-controlling interests.

On complete or partial disposal of a foreign entity such that control, significant influence or joint control is lost, or on repayment of balances that constitute part of the net investment in the foreign entity, the share of the cumulative amount of the exchange differences recognised in other comprehensive income relating to that foreign entity is recognised in the income statement as part of the gain or loss on disposal. When the Group disposes of part of its interest in a subsidiary but retains control, the relevant portion of the cumulative amount is reattributed to non-controlling interest. On partial disposal of an associate or joint venture while retaining significant influence or joint control, the relevant portion of the cumulative amount is reclassified to the income statement.

### Statement of cash flows

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the profit/(loss) for the period adjusted for non-cash operating items, changes in working capital and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc. of intangible assets and property, plant and equipment. Cash flow from acquired enterprises is recognised in the cash flow statement from the acquisition date. Cash flow from disposed of enterprises is recognised up until the disposal date.



Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, repayment of interest-bearing debt (principal and interest), acquisition and disposal of treasury shares and payment of dividends to shareholders.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk.

Cash flows cannot be derived directly from the statement of financial position and income statement.

## Applying materiality

The consolidated financial statements are a result of processing large numbers of transactions and aggregating those transactions into classes according to their nature or function. The transactions are presented in classes of similar items in the consolidated financial statements. If a line item is not individually material, it is aggregated with other items of a similar nature in the consolidated financial statements or in the notes.

There are substantial disclosure requirements throughout IFRS. Management provides specific disclosures required by IFRS unless the information is not applicable or considered immaterial to the economic decision-making of the users of these financial statements.

## 1.3 Significant accounting estimates and judgements

In preparation of the consolidated financial statements, Management makes various accounting estimates and judgements that form the basis of presentation, recognition and measurement of the Group's assets, liabilities, income and expenses. The key accounting estimates identified are those that have a significant risk of resulting in a material adjustment to the carrying amounts of assets or liabilities within the next financial year.

The application of the Group's accounting policies may require Management to make judgements that can have a significant effect on the amounts recognised in the consolidated financial statements. Management judgement is required in particular when assessing the substance of transactions that have a complicated structure or legal form.

The accounting estimates and judgements made are based on historical experience and other factors that Management assesses to be reliable, but that, by nature, are associated with uncertainty and unpredictability and may therefore prove incomplete or incorrect.

Specific accounting estimates and judgements are described in each of the following individual notes to the consolidated financial statements:

Significant estimate/judgement	Section
Revenue recognition for multiple elements contracts	2.1 Revenue
Measurement of deferred tax assets and uncertain tax positions	2.3 Tax on profit/(loss)
Recognition and measurement of development projects	3.1. Intangible assets
Impairment testing, useful lives and residual values	3.3. Depreciation, amortisation and impairment
Measurement of provisions	3.10 Provisions
Loans to customers – Initial recognition at fair value and allowance for expected credit losses	3.4 Other current and non-current financial assets
Recognition and measurement of acquired assets and liabilities in business combinations	5.1 Business combinations
Measurement of defined benefit plans	5.4 Pension obligations

## 1.4 Adoption of new and amended IFRS

### New or amended standards and interpretations not yet adopted

IASB has issued new or amended accounting standards and interpretations that have not yet become effective and have consequently not been implemented in the consolidated financial statements for 2018/19. WS Audiology A/S expects to adopt the accounting standards and interpretations when they become effective. Apart from the implementation of IFRS 16 Leases, the implementation of new or amended accounting standards and interpretations is not expected to have any significant impact on financials or the Group's accounting policies as they cover areas that are either not material or relevant for the Group.

IFRS 16 Leases, issued in January 2016, replaces IAS 17 Leases and related interpretations, and will significantly change the accounting treatment of leases that are currently treated as operating leases. IFRS 16 introduces a single lessee accounting model, requiring lessees to recognise all leases in the balance sheet as a lease liability and a right-of-use asset unless the lease term is 12 months or less or the underlying asset has a low value. In the income statement, the lease cost is replaced by depreciation of the right-of-use asset and an interest expense for the lease liability.

The standard will be implemented on 1 October 2019 using the modified retrospective approach, where the right-of-use asset on transition are measured at an amount equal to the lease liability at the date of initially applying the standard without restating comparative figures. In addition, the Group plans to apply the practical expedient to not reassess whether a contract is, or contains, a lease at the date of initial application.

The Group has reviewed its leasing arrangements, which mainly comprise leases of properties and cars. The identified right-of use assets are expected to increase the Group's non-current assets and interest-bearing debt by approximately EUR 137.4 million and EUR 136.2 million respectively. The effects are based on current lease agreements and are estimates subject to uncertainties. Possible future changes in activities and lease terms are not taken into account.

The cumulative effect of initially applying IFRS 16 will be presented as an adjustment to opening retained earnings under equity.

Apart from the implementation of IFRS 16, other published changes to IFRS Standards, including IFRIC 23, Uncertainty over Income Tax Treatments, are not expected to have any significant impact on the financials or the Group's accounting policies, as they cover areas that are not material and/or relevant for the Group

## 2 Results of the year

### 2.1 Revenue

EURm	1 May 2018 - 30 September 2019 (17 months)	1 May 2017 - 30 April 2018 (12 months)
<i>Revenue by geographic region:</i>		
EMEA-LA	590.9	231.2
North-America	742.7	244.0
Asia-Pacific	335.9	124.0
<b>Total</b>	<b>1,669.5</b>	<b>599.2</b>
Hereof US	620.8	177.4
Hereof Germany	165.3	43.1
Hereof Other	883.4	378.7
<b>Total</b>	<b>1,669.5</b>	<b>599.2</b>

Revenue is predominantly recognized at a point in time, and revenue recognized over time is not significant. Revenues are attributed to countries on the basis of the customer's location. The Region "EMEA-LA" consists of Europe, the Middle East, Africa and Latin-America. The Region "North-America" includes the United States and Canada. The Region "Asia-Pacific" consists of Asia, Australia and the Pacific region.

Consolidated revenue mainly derives from sales of goods and is broken down by the selling entity. No individual customer accounts for 10% or more of the total revenue. The Group considers its operations to constitute a single operating segment.

#### Contract liabilities

The WS Audiology A/S Group has recognised the following liabilities related to contracts with customers:

EURm	1 May 2018 - 30 September 2019 (17 months)	1 May 2017 - 30 April 2018 (12 months)
Customer prepayments	12.1	0.1
Deferred revenue	19.7	1.5
Volume discounts	27.6	-
Right of returns	24.6	3.7
<b>Contract liabilities with customers</b>	<b>84.0</b>	<b>5.3</b>

#### Changes in contract liabilities:

Revenue recognised that was included in the contract liability balance	3.7	-
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The contract liabilities has increased significantly from the prior year mainly due to the merger as explained in Note 1.

### Accounting policies

Revenue from sale of products is recognised when the Group has transferred control of products sold to the buyer and it is probable that the Group will collect the consideration to which it is entitled for transferring the products. Control of the products is transferred at a point in time, typically on delivery.

Revenue is measured at the fair value of the consideration received or receivable net of discounts, VAT and other duties.

Contracts with customers sometimes include multiple promises that constitute separate performance obligations, and to which a portion of the transaction price needs to be allocated. The total transaction price in the contract is allocated to separate performance obligation based on the relative stand-alone selling prices of each such performance obligation. Each separate performance obligation is recognised when control is transferred to the customer.

When products are sold with a right of return, a refund liability and a corresponding adjustment to revenue is recognised for those products expected to be returned. In such cases, the expected returns are estimated based on an analysis of historical experience adjusted for any known factors impacting expectations for future return rates. To the extent that the Group will be able to recover the cost of returned products, when the customers exercise their right to return, a separate right to returned products asset and a reduction in cost of sales is recognised.

#### **Discounts, rebates and sales incentives to customers**

The Group pays various discounts, rebates and sales incentives to customers including trade discounts and volume rebates. Furthermore, customer discounts include the difference between the present value and the nominal amount of loans to customers at below market interest rates, cf. section 3.4 Other non-current and current financial assets.

Discounts, rebates and sales incentives to customers are deducted from revenue and are measured using either the expected value method or the most likely amount method depending on which method better predicts the amount of consideration to which the Group will be entitled net of discounts, rebates and sales incentives.

The Group offers customers the option to separately purchase extended warranty for inventories sold. The extended warranty is a distinct service to the customer. The Group recognised all warranty-related costs as a provision for warranty at the time of the sales which were previously accounted for under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as deferred revenue. Under IFRS 15, the Group accounts for a service-type warranty as a separate performance obligation to which the Group allocates a portion of the transaction price when the warranty is bundled together with the sale of inventories. The portion of the transaction price allocated to the service-type warranty is initially recorded as a contract liability and recognised as revenue on a straight-line basis over the period the warranty services are provided. Revenue is recognised when the customer receives the warranty coverage and loss and damage as part of the purchase of the hearing aid.

The standard warranty period for hearing aids varies across territories, typically between 12 and 36 months. The extended warranty covers periods beyond the standard warranty period or standard warranty terms. Payment terms vary significantly across territories.

### **Significant judgements and accounting estimates**

Significant judgements are required in identifying separate performance obligations in contracts with customers, and allocation of the total consideration under the contract to each identified performance obligation. Separate performance obligations may include e.g. free or discounted supply of consumables for hearing aids, training of staff, leases of equipment, marketing contribution, extended warranties etc.

Estimates of the number of returns of products under customers right of return are based on the right of return policies and practices, accumulated historical experience, sales trends and the timing of returns from the original transaction date when applicable. Where new products are sold or products are sold to new markets, for which sufficient historical experience does not exist, refund liability and revenue to be recognised are based on estimated demand and acceptance rate for well-established products with similar market characteristics. If such similar product or market characteristics do not exist, recognition of revenue is postponed until there is evidence of consumption of the products by the customer, or when the right of return has expired.

Estimates of discounts, rebates and sales incentives are estimated and accrued when the related revenue is recognised. To make such estimates require use of judgement, as all conditions are not known at the time of the sale, e.g. the number of units sold to a given customer or the expected utilization of loyalty programmes. Liabilities in respect of sales discounts, rebates and loyalty programmes are adjusted, as the Group gain better information on the likelihood that they will be realized and the value at which they are expected to be realized.

The accrual against revenue of discounts from issue of customer loans at off-market terms (cf. Section 3.4 Other non-current and current financial assets) is based on the customers totally committed purchases of products throughout the term of the customer loan, and is recognised as a discount for each product sold.

## 2.2 Staff costs

EURm	1 May 2018 - 30 September 2019 (17 months)	1 May 2017 - 30 April 2018 (12 months)
Wages, salaries and remuneration	510.9	184.3
Statutory social welfare contributions and expenses for optional support payments	62.9	24.7
Expenses relating to pension plans and long term employee benefits	29.9	12.1
<b>Total</b>	<b>603.7</b>	<b>221.1</b>
Average number of full-time employees	10,899	4,175

For information regarding remuneration of the Board of Directors, Executive Board and other Key Management Personnel, please refer to note 5.2 Remuneration of Key Management personnel.

## Accounting policies

Wages, salaries, social security contributions, annual leave and sick leave, bonuses and non-monetary benefits are recognised in the year in which the associated services are rendered by employees of the Group. Where the Group provides long-term employee benefits, the costs are accrued to match the rendering of the services by the employees concerned.

## 2.3 Tax on profit/(loss)

Income tax benefit/(expense) consists of the following:

EURm	1 May 2018 - 30 September 2019 (17 months)	1 May 2017 - 30 April 2018 (12 months)
<b>Tax on profit/(loss)</b>		
Current tax for the year	(23.9)	(15.2)
Deferred tax for the year	35.0	(5.6)
Effect of change in income tax rates	1.9	-
Withholding tax	(0.5)	-
Adjustment to current tax with respect to prior years	3.9	(0.2)
Adjustment to deferred tax with respect to prior years	(2.4)	1.0
<b>Total</b>	<b>14.0</b>	<b>(20.0)</b>

Income tax expense differs from the amounts computed by applying the statutory Denmark income tax rate of 22% (2018: 22%) as follows:

Reconciliation of effective tax rate	1 May 2018 - 30 September 2019 (17 months)	1 May 2017 - 30 April 2018 (12 months)
Expected income tax (expense)/benefit	65.7	(19.9)
Non-deductible expenses	(34.4)	(0.9)
Non-taxable income	6.5	-
Adjustment of tax with respect to prior years	1.5	0.8
Reassessment of deferred tax assets on tax losses and temporary differences	(14.8)	-
Effect of change in income tax rates	1.9	(1.6)
Effect of tax rates in foreign jurisdictions	(13.1)	-
Tax incentives	3.1	-
Withholding tax	(0.5)	-
Other, net	(1.9)	1.6
<b>Total</b>	<b>14.0</b>	<b>(20.0)</b>

<b>Tax relating to other comprehensive income</b>		
Actuarial gains	(2.7)	-
Adjustment of cash flow hedges	-	-
Foreign exchange adjustments, etc.	2.3	(2.1)
<b>Total</b>	<b>(0.4)</b>	<b>(2.1)</b>

**Deferred Tax**

<b>EURm</b>	<b>1 May 2018 - 30 September 2019 (17 months)</b>	<b>1 May 2017 - 30 April 2018 (12 months)</b>
<b>Deferred tax, net 1 May</b>	<b>27.8</b>	<b>34.4</b>
Foreign currency translation adjustments	0.3	(4.1)
Changes in deferred tax assets/(liabilities)	35.0	(5.6)
Additions relating to acquisitions	(437.0)	-
Adjustment of deferred tax, prior years	(2.4)	1.0
Impact of changes in corporate tax rates	1.9	-
Deferred tax relating to changes in equity, net	0.4	2.1
<b>Deferred tax, net</b>	<b>(374.0)</b>	<b>27.8</b>
<b>Deferred tax recognised in the balance sheet</b>		
Deferred tax assets	73.1	28.2
Deferred tax liabilities	(447.1)	(0.4)
<b>Deferred tax, net</b>	<b>(374.0)</b>	<b>27.8</b>

## Breakdown of the Group's temporary differences and Changes

	Tax effect of Temporary differences at 30 April 2018	Effect of Implementation of IFRS	Tax effect of Temporary differences at 1 May 2018	Foreign currency translation adjustments	Acquisitions	Recognised in profit for the year	Recognised in other com- prehensive income	Tax effect of Temporary differences at 30 September 2019
<b>EURm</b>								
Financial assets	(0.7)	-	(0.7)	-	16.3	1.6	-	17.2
Intangible assets	(0.3)	(0.7)	(1.0)	(1.3)	(467.4)	12.2	-	(457.5)
Property, plant and equipment	(1.4)	-	(1.4)	(0.1)	(7.2)	4.1	-	(4.6)
Inventories	8.6	-	8.6	-	4.0	7.9	-	20.5
Receivables	2.2	-	2.2	0.3	(6.4)	(2.0)	(2.4)	(8.3)
Pension plans and similar commitments	-	-	-	0.1	(4.4)	(0.8)	2.7	(2.4)
Provisions	2.5	-	2.5	0.5	7.2	2.3	-	12.5
Liabilities	7.6	0.7	8.3	0.1	(20.9)	14.9	-	2.4
Tax loss and credit carry-forward	9.3	-	9.3	0.7	41.3	(6.5)	-	44.8
Other	-	-	-	-	0.5	0.8	0.1	1.4
<b>Total</b>	<b>27.8</b>	<b>-</b>	<b>27.8</b>	<b>0.3</b>	<b>(437.0)</b>	<b>34.5</b>	<b>0.4</b>	<b>(374.0)</b>



## WS Audiology A/S

Unrecognised tax assets are based on the Managements expectation about the future taxable profits during the periods in which those temporary differences and tax loss carry forwards become deductible. Management considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, it is probable the Group will realize the benefits of these deductible differences.

### Unrecognized deferred tax assets

Deferred tax assets have not been recognized with respect to the following items (gross amounts):

EURm	1 May 2018 - 30 September 2019 (17 months)	1 May 2017 - 30 April 2018 (12 months)
Capital loss carry forwards	0.1	-
Tax loss carry forwards	6.7	7.2
<b>Total unrecognized tax carry forwards</b>	<b>6.8</b>	<b>7.2</b>

The tax loss carry-forward of EUR 96.6 million (2018: EUR 7.2 million) includes tax losses of EUR 9.8 million (2018: EUR 3.8 million) that can be carried forward for 5 to 20 years. The remaining tax loss have no expiry date.

### Unrecognized deferred tax liabilities

The Group has not recognized deferred tax liabilities for income taxes or foreign withholding taxes on the cumulative earnings of subsidiaries of EUR 7.6 million as of 30 September 2019 because the earnings are intended to be permanently reinvested in the subsidiaries.

## Accounting policies

Income tax comprises current tax and changes in deferred tax for the year, including changes as a result of changes in tax rates. The tax expense for the year is recognised in profit or loss except to the extent that it relates to items recognised directly in other comprehensive income or directly in equity.

WS Audiology A/S is jointly taxed with all Danish subsidiaries, Danish parent entities exercising control over WS Audiology A/S (T&W Medical A/S) and any Danish subsidiaries of such parent entities. The current Danish corporation tax is allocated between the jointly taxed companies in proportion to their taxable income. The jointly taxed companies are taxed under the on-account tax scheme.

Current tax liabilities or assets are measured using the tax rates and tax laws that have been enacted or substantively enacted in each jurisdiction by the end of the reporting period.

Deferred tax is measured using the balance sheet liability method and comprises all temporary differences between the carrying amount and tax base of assets and liabilities. Deferred tax is not recognised for taxable or deductible temporary differences:

- arising from the initial recognition of goodwill
- on the initial recognition of assets and liabilities in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit
- associated with investments in subsidiaries, branches, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

If amortisation of goodwill is deductible for tax purposes, a deferred tax liability is recognised on temporary differences arising after initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantially enacted at the reporting date.

Deferred tax assets and tax liabilities are offset if the entity has a legally enforceable right to offset current tax liabilities and tax assets or intends either to settle current tax liabilities and tax assets or to realise the assets and settle the liabilities simultaneously.

## Significant judgements and accounting estimates

The WS Audiology A/S Group operates in a large number of tax jurisdictions where tax legislation can be highly complex and subject to interpretation. Significant judgement and estimates are required in determining the worldwide accrual for income taxes, deferred tax assets and liabilities and uncertain tax positions.

Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. This judgement is made annually and based on budgets and business plans, including planned commercial initiatives, for the coming five years unless a longer period in certain situations (e.g. for start-up businesses) is warranted. Currently, a longer period than five years has not been applied in any of the jurisdictions in which the WS Audiology A/S Group operates.

In the course of conducting business globally, tax and transfer pricing disputes with tax authorities may occur. Management judgement is applied to assess the possible outcome of such disputes. The "most probable outcome" method is used when determining whether to recognise any amounts related to such uncertain tax position. If it is probable that a tax adjustment will be required, the amount of such adjustment is measured at the most likely amount or the expected value, whichever method better predict the resolution of the uncertain tax position.

### 3 Operating assets and liabilities

#### 3.1 Intangible assets

EURm	Goodwill	Development projects	Customer relationship, Patents and rights	Software	Total
<b>Cost at 1 May 2018</b>	159.9	11.3	61.2	20.5	252.9
Foreign exchange adjustments	7.5	2.4	17.4	1.8	29.1
Additions on company acquisitions	91.7	-	41.6	-	133.3
Business combination - merger	3,234.0	77.1	2,368.7	37.7	5,717.5
Additions	-	57.9	-	8.2	66.1
Disposals	(0.3)	-	-	(2.0)	(2.3)
<b>Cost at 30 September 2019</b>	<b>3,492.8</b>	<b>148.7</b>	<b>2,488.9</b>	<b>66.2</b>	<b>6,196.6</b>
<b>Amortisation and impairment at 1 May 2018</b>	-	-	(37.4)	(13.8)	(51.2)
Foreign exchange adjustments	-	(1.0)	(2.9)	(1.1)	(5.0)
Additions on company acquisitions	-	-	(0.6)	-	(0.6)
Business combinations - merger	-	(25.3)	(321.7)	(16.8)	(363.8)
Amortisation	-	(11.2)	(119.1)	(7.9)	(138.2)
Disposals	-	-	-	1.7	1.7
Impairment	-	(8.3)	-	-	(8.3)
Transfers	0.1	-	-	-	0.1
<b>Amortisation and impairment at 30 September 2019</b>	<b>0.1</b>	<b>(45.8)</b>	<b>(481.7)</b>	<b>(37.9)</b>	<b>(565.3)</b>
<b>Carrying amount at 30 September 2019</b>	<b>3,492.9</b>	<b>102.9</b>	<b>2,007.2</b>	<b>28.3</b>	<b>5,631.3</b>
<b>Cost at 30 April 2017</b>	156.1	-	61.2	17.6	234.9
Effect of implementation of IFRS	-	-	-	-	-
<b>Cost at 1 May 2017</b>	156.1	-	61.2	17.6	234.9
Foreign exchange adjustments	(12.2)	-	(1.7)	(0.7)	(14.6)
Additions	16.2	11.3	2.1	3.5	33.1
Disposals	(0.2)	-	(0.4)	-	(0.6)
<b>Cost at 30 April 2018</b>	159.9	11.3	61.2	20.4	252.8
<b>Amortisation and impairment at 30 April 2017</b>	-	-	(32.6)	(10.6)	(43.2)
<b>Amortisation and impairment at 1 May 2017</b>	-	-	(32.6)	(10.6)	(43.2)
Foreign exchange adjustments	-	-	0.9	0.2	1.1
Amortisation	-	-	(6.1)	(3.2)	(9.3)
Disposals	-	-	0.5	(0.2)	0.3
<b>Amortisation and impairment at 30 April 2018</b>	-	-	(37.3)	(13.8)	(51.1)
<b>Carrying amount at 30 April 2018</b>	159.9	11.3	23.9	6.6	201.7

**Development costs**

EURm	1 May 2018 – 30 September 2019 (17 months)	1 May 2017 – 30 April 2018 (12 months)
Research and development cost incurred	118.1	38.7
Development costs capitalised as development projects	(57.9)	(11.3)
Depreciation of operating assets etc., used for development purposes	3.4	1.3
Amortisation and impairment of capitalised development projects	20.4	0.8
<b>Total expensed development costs</b>	<b>84.0</b>	<b>29.5</b>

Please refer to note 5.1 for further information about increases in goodwill related to the business combinations in 2018/19 including goodwill recognised on the merger between Sivantos and Widex.

There were no impairment losses recognized on goodwill at 30 September 2019 and 30 April 2018. EUR 8.3 million of impairment losses was recognised on development projects in 2019 due to significant changes in the technological market (2018: Nil).

**Accounting policies****Goodwill**

On initial recognition, goodwill is recognised and measured at cost as described in Accounting policies in note 5.1. Subsequently goodwill is measured at cost less accumulated impairment losses.

Goodwill is not amortised but is tested for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units (CGUs) expected to benefit from synergies of the business combination, and that represent the lowest level at which the goodwill is monitored for internal management purposes. The lowest level at which the goodwill is tested for impairment is at the level of operating segments before aggregation according to IFRS 8 Operating Segments.

CGUs (or operating segments) to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the CGU may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the CGU, the impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU on the basis of the carrying amount of each asset in the CGU. An impairment loss recognised for goodwill is not reversed in a subsequent period.

**Other intangible assets**

Other intangible assets include development projects, acquired intellectual property, trademarks, patents and licenses, acquired customer contracts and relationships, software and other internally generated intangible assets.

Development projects that are clearly defined and identifiable, where the technical feasibility of completion, availability of adequate resources to complete, existence of potential future market can be demonstrated, and where Management has the intent to manufacture, market or apply the product or process in question are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. The costs of development projects comprise all directly attributable costs including wages, salaries, costs to external consultants, rent, materials and services and other costs.

Intangible assets other than goodwill are measured at cost less accumulated amortisation and impairment losses. Amortisation is provided on a straight-line basis over the expected useful lives of the assets to their estimated residual value if any.

The estimated useful lives are as follows:

Completed development projects	3 years
Patents, licenses and other similar rights	3-10 years
Customer relationships acquired	2-10 years
Customer contracts	15-20 years
Trademark	20 years
Acquired intellectual property	8-12 years
Software and other internally generated intangible assets	3-10 years

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

**Significant judgements and accounting estimates****Identification of cash generating units**

Management has determined that WS Audiology only has one operating segment in accordance with IFRS 8, which is related to developing, producing and selling of hearing aids, and the entire value chain from development to sale of hearing aids to end customer is integrated and interrelated. Management has assessed that the goodwill acquired relates to the entire combined value chain and monitors goodwill at group level.

### Determination of useful lives

Management applies judgements in determination of the useful lives of intangible assets.

For patents, licenses, acquired intellectual property and other intangible assets arising from contractual or other legal rights, the useful life is the shorter of the period of the contractual or legal rights and the economic useful life.

For acquired customer contracts and relationships, the useful life is based on normal attrition/churn rates within the hearing aid business in the market in question, with a maximum of 10 years, except in exceptional situations, where a longer useful life can be justified. The useful life for customer contracts is based on the contractual term including expected extensions of the term.

## 3.2 Property, plant and equipment

EURm	Land and buildings and leasehold improvements	Plant and Machinery	Other plant, fixtures and operating equipment	Assets under construction	Total
<b>Cost at 1 May 2018</b>	<b>28.2</b>	<b>69.6</b>	<b>64.9</b>	<b>5.3</b>	<b>168.0</b>
Foreign exchange adjustments	4.0	0.8	4.0	0.2	9.0
Business combination - merger	67.9	37.0	69.7	7.2	181.8
Additions on company acquisitions - others	0.5	0.1	0.5	-	1.1
Additions	11.1	10.0	12.0	5.3	38.4
Disposals	(5.0)	(6.5)	(9.7)	(1.3)	(22.5)
Transfers	2.0	5.1	(1.2)	(5.9)	-
<b>Cost at 30 September 2019</b>	<b>108.7</b>	<b>116.1</b>	<b>140.2</b>	<b>10.8</b>	<b>375.8</b>
<b>Amortisation and impairment at 1 May 2018</b>	<b>(8.0)</b>	<b>(51.1)</b>	<b>(46.2)</b>	<b>-</b>	<b>(105.3)</b>
Foreign exchange adjustments	(1.7)	(0.5)	(3.0)	-	(5.2)
Business combination - merger	(21.9)	(19.3)	(36.8)	-	(78.0)
Additions of company acquisitions - others	(0.2)	(0.1)	(0.3)	-	(0.6)
Depreciations	(11.9)	(11.6)	(11.0)	-	(34.5)
Disposals	2.7	4.9	6.7	-	14.3
Impairment	-	(1.0)	-	(1.1)	(2.1)
Transfers	(0.2)	-	-	-	(0.2)
<b>Amortisation and impairment at 30 September 2019</b>	<b>(41.2)</b>	<b>(78.7)</b>	<b>(90.6)</b>	<b>(1.1)</b>	<b>(211.6)</b>
<b>Carrying amount at 30 September 2019</b>	<b>67.5</b>	<b>37.4</b>	<b>49.6</b>	<b>9.7</b>	<b>164.2</b>
<b>Cost at 30 April 2017</b>	<b>33.8</b>	<b>65.1</b>	<b>60.9</b>	<b>1.8</b>	<b>161.6</b>
<b>Cost at 1 May 2017</b>	<b>33.8</b>	<b>65.1</b>	<b>60.9</b>	<b>1.8</b>	<b>161.6</b>
Foreign exchange adjustments	(1.6)	(0.8)	(2.8)	-	(5.2)
Additions	0.2	6.9	7.4	3.7	18.2
Disposals	(2.3)	(1.6)	(2.7)	-	(6.6)
Transfers	(1.9)	-	2.1	(0.2)	-
<b>Cost at 30 April 2018</b>	<b>28.2</b>	<b>69.6</b>	<b>64.9</b>	<b>5.3</b>	<b>168.0</b>
<b>Amortisation and impairment at 30 April 2017</b>	<b>(10.0)</b>	<b>(47.7)</b>	<b>(42.8)</b>	<b>-</b>	<b>(100.5)</b>
<b>Amortisation and impairment at 1 May 2017</b>	<b>(10.0)</b>	<b>(47.7)</b>	<b>(42.8)</b>	<b>-</b>	<b>(100.5)</b>
Foreign currency translation adjustments	0.3	0.7	1.5	-	2.5
Transfers	1.2	-	(1.2)	-	-
Depreciation for the year	(0.7)	(5.3)	(6.0)	-	(12.0)
Disposals during the year	1.4	1.2	2.1	-	4.7
<b>Amortisation and impairment at 30 April 2018</b>	<b>(7.8)</b>	<b>(51.1)</b>	<b>(46.4)</b>	<b>-</b>	<b>(105.3)</b>
<b>Carrying amount at 30 April 2018</b>	<b>20.4</b>	<b>18.5</b>	<b>18.5</b>	<b>5.3</b>	<b>62.7</b>

EUR 2.1 million of impairment losses was recognised on property, plant and equipment in 2019 (2018: Nil).

The WS Audiology A/S Group has contractual commitments for purchases of property, plant and equipment amounting to EUR 6.6 million as of 30 September 2019 (30 April 2018: EUR Nil).

## Accounting policies

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and costs directly attributable to bringing the asset to its location and condition necessary for its intended use. In addition, the initial estimate of the costs related to dismantling and removing the asset and restoring the site on which the asset is located are added to the cost, if relevant. Where individual components of an item of property, plant and equipment, that is material, have different useful lives, they are accounted for as separate items, and depreciated separately. Borrowing costs are included in the cost for assets that necessarily take a substantial period of time to get ready for the intended use.

Depreciation is recognised on a straight-line basis over the expected useful lives of property, plant and equipment, taking into account the expected residual value after the end of the useful life. The expected useful lives are as follows:

- |  |             |
|--|-------------|
| • Factory and office buildings                                     | 20-50 years |
| • Technical machinery & equipment                                  | 4-10 years  |
| • Other fixtures and fittings, tools and equipment, furniture etc. | 3-5 years   |

Land is not depreciated.

Estimated useful lives and residual values are reassessed annually. If the residual value exceeds the carrying amount, depreciation is discontinued. When changing the expected useful lives or the expected residual value, the effect on the depreciation is recognised prospectively as a change in accounting estimates.

Depreciation is recognised in the income statement as production costs, development costs, distribution costs and administrative expenses.

## 3.3 Depreciation, amortisation and impairment

Depreciation, amortisation and impairment of property, plant and equipment and intangible assets are contained in line items Cost of Sales, Research and development expenses or, selling and general administrative expenses, depending on the use of the asset.

The impairment of intangible assets relate to capitalised development cost a specific development project for which management no longer believe that there will be a market for the output from the development project if finished. The development project was terminated, and hence the recoverable amount is nil.

### Impairment test – Goodwill

The recoverable amount of the CGUs were based on fair value less costs to sell, determined mainly by computing the Enterprise Value ("EV") by applying the Last Twelve Months (LTM) EV/EBITDA multiple range of comparable listed companies. The carrying amount of the CGUs was determined to be lower than its recoverable amount and the Group has no impairment loss to be recognised.

Key assumptions used in determination of the fair value less costs to sell are LTM normalized EBITDA based adjustments for one-time cost as described in the management commentary, the market based EV/EBITDA multiple applied, along with the relevant illiquidity discounts and control premium accounting for the ownership structure of WS Audiology. These are level 3 inputs according to the fair value hierarchy.

Management has identified that no reasonably possible change in two key assumptions of budgeted EBITDA or EV/EBITDA multiples could cause the carrying amount to exceed the recoverable amount.

## Accounting policies

### Impairment

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use, e.g. development projects in progress, are not subject to amortisation, but are tested for impairment at least annually, irrespective of whether there is any indication that they may be impaired.

Other intangible assets, which are subject to amortisation, and property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If assets do not generate cash flows that are largely independent of those from other assets or groups of assets, the impairment test is performed at the level of the CGU to which the asset belong.

Recoverability of assets is measured by comparing the carrying amount of the asset or CGU with the recoverable amount, which is the higher of the asset's or CGU's value in use and its fair value less costs to sell.

If the carrying amount of an asset, or of the CGU to which the asset belong, is higher than its recoverable amount, the carrying amount is reduced to the recoverable amount, and an impairment loss is recognised in the income statement.

Impairment of intangible assets, other than goodwill, and impairment of property, plant and equipment is reversed only to the extent of changes in the assumptions and estimates underlying the impairment calculation. Impairment is only reversed to the extent that the asset's new carrying amount does not exceed the carrying amount of the asset after amortisation had the asset not been impaired.

## Significant judgements and accounting estimates

The Group generally uses the Enterprise value to determine the recoverable amount of the CGU. The estimation of future cash flows of the LTM normalized EBITDA is inherently associated with significant uncertainty.

Key assumptions on which Management has based its determination of CGUs and recoverable amounts include the LTM normalized EBITDA and EV/EBITDA multiples.

The LTM normalized EBITDA uses projections that represent Management's best estimate of the future cash flows generated by the CGU, based on the most recent financial budgets for the coming year and forecasts for the subsequent years approved by Management.

## 3.4 Other non-current and current financial assets

Other non-current financial assets are as follows:

	30 September 2019	30 April 2018
Customer loans	103.3	50.9
Trade receivables, non-current	0.9	-
Derivative financial instruments	10.6	-
Others	7.5	13.4
<b>Total</b>	<b>122.3</b>	<b>64.3</b>

Other current financial assets are as follows:

	30 September 2019	30 April 2018
Loans receivables from related parties	0.1	-
Derivative financial instruments	1.6	-
Customer loans	29.2	32.1
Others	18.7	5.4
<b>Total</b>	<b>49.6</b>	<b>37.5</b>

The below table shows the carrying amount of customer loans by categories representing Management's credit risk assessment (*credit risk rating grades*) and gross carrying amounts.

The WS Audiology Group internal credit rating	Expected credit loss (ECL) rate	Basis for recognition of expected credit loss	Estimated gross carrying amount (EURm)
Performing	5%	12-month expected credit loss	115.9
Underperforming	42%	Lifetime expected credit losses	26.4
Write-off	100%	Assets derecognised through the income statement	-
<b>Total customer loans at 30 September 2019</b>			<b>142.3</b>

The 12-month and lifetime expected credit losses (ECL) have developed as follows:



EURm	Performing (12-month ECL)	Under- performing (Lifetime ECL)	Total
Closing loss allowance as at 1 May 2018 (calculated under IFRS 9)	3.5	0.7	4.2
New customer loans	1.5	1.3	2.8
Loan recovered	(1.7)	-	(1.7)
Impairment loss for the year	-	4.5	4.5
Closing loss allowance as at 30 September 2019 (calculated under IFRS 9)	3.3	6.5	9.8

The following significant changes in gross carrying amount of customer loans contributed to changes in the loss allowance:

- New customer loans of EUR22 million was issued in the period 1 Mar 2019 to 30 September 2019
- Customers with gross carrying amount of EUR 14.0 million went from performing to underperforming
- Customer loans with a gross carrying amount of EUR 23.4 million were repaid in the period 1 Mar 2019 to 30 September 2019

## Accounting policies

### Customer loans

Customer loans are initially recognised at fair value less transaction costs and subsequently measured at amortised cost less loss allowance or impairment losses. Any difference between the nominal value and the fair value of the loans at initial recognition is treated as a prepaid discount on future sales to the customer, and is recognised in the income statement as a reduction of revenue as and when the customer purchases goods from the WS Audiology A/S Group.

The fair value of customer loans at initial recognition is measured at the present value of future repayments of the loan discounted at a market interest rate corresponding to the money market rate based on the expected maturity of the loan with the addition of a risk premium. The effective interest on customer loans is recognised as interest income in the income statement over the term of the loans.

A loss allowance is recognised at initial recognition and subsequently based on 12-months expected credit losses, unless a significant increase has arisen since the initial recognition of the loan, in which case the loss allowance is based on lifetime expected credit losses.

Customer loans are written off when all possible options have been exhausted and there is no reasonable expectation of recovery.

### Other loans and receivables, including loans to associates

Other loans and receivables, including loans to associates are recognised initially at fair value less directly attributable transactions costs. Subsequently, they are measured at amortised cost using the effective interest method less impairment. A loss allowance is recognised at initial recognition and subsequently based on 12-months expected credit losses, unless a significant increase has arisen since the initial recognition of the loans and receivables, in which case the loss allowance is based on lifetime expected credit losses.

### Other investments

Other investments comprise listed and unlisted securities, which are measured at fair value through profit or loss.

## Significant judgements and accounting estimates

### Customer loans

The WS Audiology A/S Group grants sales related financing in the form of loans to some of its customers. These customer loan arrangements are complex, cover several aspects of the customer relationship and may vary from agreement to agreement.

Management has determined that off-market terms, if any, represent a prepayment of discounts on future sales to the customer.

Significant accounting estimates are involved in determination of the expected maturity of the loans, as repayments may to some extent be aligned with the customers purchases of goods, and also in determining a market based discount rate for each customer loan. Management estimates are based on current market condition at the time of issuing the loan as well as historical sales information and e.g. market penetration rates for loans to customers without substantial history with the WS Audiology A/S Group.

The WS Audiology A/S Group's assessment of credit risk associated with customer loans and prepaid discounts primarily involves consideration of the economic environment in which the customer operates, historic loss rates for customer loans, and the actual repayments on the loans compared to the repayment plan agreed when the loans were issued.

For customer loans performing in all material respect, and for which no other indications of increase in credit risk exist, the expected credit loss on the customer loan and related prepaid discount is measured at 12-month expected credit loss. For customer loans that are underperforming compared to the repayment plan agreed when the loans were issued, or for which there are other indications of increase in credit risk, the expected credit loss is measured at lifetime expected credit loss.

Loss rates are based on actual credit loss experience over the past years. These rates are multiplied by factors to reflect possible differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

The calculation of 12-month expected credit losses on customer loans are based on a weighted average of historical annual losses on customers. Payment plans are agreed with customers when issuing loans to these. The credit risk of loans to customers is considered to have increased significantly since initial recognition when actual loan balances differ from the agreed development in loan balances with more than 50%. At this point the loan is considered to be in default and credit impaired.

Based on the above, the customer loans and related prepaid discount are categorised as either performing, non-performing or credit impaired.

### 3.5 Other non-current and current assets

Other non-current assets are as follows:

	30 September 2019	30 April 2018
<b>EURm</b>		
Prepaid assets, non-current	0.7	-
Asset for deferred compensation plan	3.9	-
Others	0.1	-
<b>Total</b>	<b>4.7</b>	<b>-</b>

Other current assets are as follows:

	30 September 2019	30 April 2018
<b>EURm</b>		
Pre-paid expenses	19.2	8.6
Miscellaneous tax receivables	14.0	-
Others	15.2	12.5
<b>Total</b>	<b>48.4</b>	<b>21.1</b>

### 3.6 Inventories

	30 September 2019	30 April 2018
<b>EURm</b>		
Raw materials and purchased components	18.0	4.9
Work in progress	5.5	22.1
Finished goods and goods for resale	93.3	28.0
<b>Inventories</b>	<b>116.8</b>	<b>55.0</b>
Write-downs, provisions for obsolescence etc. included in the above	(25.7)	(6.3)

Included in the income statement under production costs:

	30 September 2019	30 April 2018
<b>EURm</b>		
Write-downs of inventories for the year	(17.5)	(4.5)
Reversals of write-downs of inventories for the year	8.1	3.1
Cost of goods sold during the year	(539.4)	(108.7)
	<b>(548.8)</b>	<b>(110.1)</b>

The reversal of write down of inventories of EUR 8.1 mil (2018: EUR 3.1 mil) was made as a result of a reassessment of the net realisable values of these inventories due to changed economic circumstances.

### Accounting policies

Inventories are measured at the lower of cost and net realisable value, cost being generally determined on the basis of a weighted average or FIFO method. Cost comprise raw materials, consumables, direct labour and indirect production overheads. Indirect production overheads comprise indirect supplies, wages, and salaries, amortisation of brands and software, as well as maintenance and depreciation of machinery, plant and equipment used for production.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

### 3.7 Trade receivables and contract assets

	Current not due	1-30 days past due	31-60 days past due	61-90 days past due	91-180 days past due	More than 181 days past due	Total
EURm							
Gross carrying amount – Trade receivables	255.4	33.3	24.4	13.7	18.1	31.3	376.2
Sales rebates	(23.3)						(23.3)
Loss allowance at 30 September 2019 (expected credit loss model)	(3.5)	(1.6)	(0.4)	(1.4)	(3.6)	(16.4)	(26.9)
<b>Trade receivables at 30 September 2019</b>	<b>228.6</b>	<b>31.7</b>	<b>24.0</b>	<b>12.3</b>	<b>14.5</b>	<b>14.9</b>	<b>326.0</b>
<b>Expected loss rate</b>	<b>-1.4%</b>	<b>-4.8%</b>	<b>-1.6%</b>	<b>-10.2%</b>	<b>-19.9%</b>	<b>-52.4%</b>	<b>-7.2%</b>

The below table shows the movement in lifetime expected credit losses that has been recognised for trade receivables and contract assets in accordance with the simplified approach set out in IFRS 9.

	Collectively assessed	Individually assessed (credit impaired)	Total
EURm			
Opening loss allowance as at 1 May 2018 (calculated under IFRS 9)	(6.4)	-	(6.4)
Transfer to credit impaired	1.8	(1.7)	0.1
Changes from business combinations	(2.0)	(3.9)	(5.9)
Net remeasurement of loss allowance	(12.0)	(7.5)	(19.5)
Amounts written off	5.0	-	5.0
Amounts recovered	1.3	0.2	1.5
Change in loss allowance due to new receivables, net of receivables settled	-	(0.8)	(0.8)
Other changes	0.4	(1.3)	(0.9)
<b>Closing loss allowance as at 30 September 2019 (calculated under IFRS 9)</b>	<b>(11.9)</b>	<b>(15.0)</b>	<b>(26.9)</b>

Receivables acquired in business combinations are recognised in the consolidated financial statements at fair value at the date of acquisition, which in most cases equals the carrying amounts net of loss allowance. Expected credit losses related to receivables acquired in business combinations are therefore only included in the above to the extent that the loss allowance for the receivables has increased compared to the acquisition date.

### Accounting policies

Trade receivables and contract assets are measured at amortised cost less allowance for lifetime expected credit losses.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. For trade receivables and contract assets that are considered credit impaired, the expected credit loss is determined individually.

Trade receivables and contract assets are written off when all possible options have been exhausted and there is no reasonable expectation of recovery.

### Significant judgements and accounting estimates

The WS Audiology A/S Group has historically suffered insignificant credit losses on trade receivables and contract assets.

Loss allowance is calculated using a provision matrix that incorporates an ageing factor, geographical risk and specific customer knowledge. The provision matrix is based on historical credit losses incurred within relevant time bands of days past due adjusted for a forward looking element.

### 3.8 Other non-current and current financial liabilities

Other non-current financial liabilities are as follows:

	30 September 2019	30 April 2018
<b>EURm</b>		
Derivative financial instruments	109.9	-
Others	3.9	10.4
<b>Total</b>	<b>113.8</b>	<b>10.4</b>

Other current financial liabilities are as follows:

	30 September 2019	30 April 2018
<b>EURm</b>		
Bonuses and discounts to customers	2.7	0.2
Contingent considerations from acquisitions	0.4	-
Derivative financial instruments	4.0	-
Others	21.8	129.9
Liabilities from rebates	5.5	-
Customers with net credit balances	3.2	-
<b>Total</b>	<b>37.6</b>	<b>130.1</b>

Contingent consideration from business combinations relates to components of the purchase price for which the payments depend on the achievement of defined performance measures. For additional information related to business combinations in the period, refer to note 5.1

### Accounting policies

Other financial liabilities are measured initially at fair value less transaction costs and subsequently at amortised cost using the effective interest rate method.

The Group bifurcates embedded derivatives at initial recognition when they are not closely-related to the respective host contract. Bifurcated derivatives are measured at fair value through profit or loss.

### 3.9 Other non-current and current liabilities

Other non-current liabilities are as follows:

	30 September 2019	30 April 2018
<b>EURm</b>		
Employee related liabilities	10.0	-
Deferred revenue	14.3	-
Liability under MPP scheme	38.1	-
Other	6.9	7.2
<b>Total</b>	<b>69.3</b>	<b>7.2</b>

Other current liabilities are as follows:

	30 September 2019	30 April 2018
<b>EURm</b>		
Employee costs payable	45.1	19.5
Sales tax and other tax liabilities	12.2	1.4
Payroll and social security taxes	23.8	3.6
Bonus obligations	27.0	7.1
Deferred revenue	5.4	-
Other liabilities	44.6	38.8
<b>Total</b>	<b>158.1</b>	<b>70.4</b>

### Accounting policies

Other liabilities are measured at amortised cost.

### 3.10 Provisions

		Right of returns	Asset Retirement Obligation	Other	Total
<b>EURm</b>	<b>Warranties</b>				
<b>Provision at 1 May 2018</b>	<b>11.8</b>	<b>3.7</b>	<b>-</b>	<b>1.4</b>	<b>16.9</b>
Foreign exchange adjustments	2.1	0.6	0.1	(1.3)	1.6
Additions	28.9	7.7	0.2	0.7	37.5
Additions through business combinations	28.8	16.0	2.3	4.2	51.3
Usages	(16.1)	(0.3)	-	(3.8)	(20.2)
Reversals	(7.2)	(3.1)	(0.1)	(0.2)	(10.6)
Accretion and effect of changes in discount rates	(0.3)	-	-	-	(0.3)
<b>Provision at 30 September 2019</b>	<b>48.0</b>	<b>24.6</b>	<b>2.5</b>	<b>1.0</b>	<b>76.2</b>
<i>Which is presented in the consolidated balance sheet as</i>					
Non-current liabilities	25.8	-	2.5	-	28.3
Current liabilities	22.2	24.6	-	1.1	47.9
<b>Provision at 30 September 2019</b>	<b>48.0</b>	<b>24.6</b>	<b>2.5</b>	<b>1.1</b>	<b>76.2</b>

The Group's provisions are generally expected to result in cash outflow during the next one to ten years.

Right of return relates to products sold for which customers have the right to return the products at their own discretion within a specified period. Based on historical data, return rates are calculated and provisions are recorded to cover the expected cost.

Warranties primarily relate to products sold. The warranty provision represent Managements best estimate of the Group's liability under assurance type warranties granted on hearing aids sold. The warranty period of regular assurance type warranties differ depending on jurisdiction and range between 1 and 3 years.



Asset retirement obligation relates to the Group's obligations to restore rented premises to the certain standards upon the expiry of the lease contracts including removal of leasehold improvements and other assets from the premises.

## Accounting policies

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect is material, provisions are measured at present value by discounting the expected future cash flows expected to settle the liability at a pre-tax rate that reflects current market assessment of the time value of money.

A provision for onerous contract is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting its obligations under the contract. The unavoidable cost is the lower of the expected cost of fulfilling the contract and the expected cost of terminating the contract.

## Significant judgements and accounting estimates

Significant estimates are involved in the determination of provisions related to warranty costs, right of return, legal proceedings and onerous contracts. Due to the technological features of the Group's products, the Group incurs a substantial amount of warranty costs and the determination of future warranty costs related to products sold is based on historic results as well as estimated product defects.

In some jurisdictions, the WS Audiology A/S Group sells extended warranties to customers and/or provide other service-type warranties in addition to regular (assurance-type) warranties. Such warranties are treated as separate performance obligations in the contracts with the customers and are recognised as contract liabilities and not provisions. In determining whether a warranty is an assurance type warranty or a service type warranty, Management considers factors such as whether the warranty is required by law, the length of the warranty coverage period and the nature of the tasks that the entity promises to perform in case of product defects. Generally, warranties covering periods after 3 years from the sale of the hearing aid are considered to be service-type warranties and treated as separate performance obligations.

The WS Audiology A/S Group is from time to time subject to legal disputes and regulatory proceedings in several jurisdictions. Such proceedings may result in criminal or civil sanctions, penalties, damage claims and other claims against the Group. Regulatory and legal proceedings as well as government investigations often involve complex legal issues and are subject to substantial uncertainties. Accordingly, Management exercises considerable judgement in determining whether there is a present obligation as a result of a past event, whether it is more likely than not that an outflow of economic resources will be required and the estimated amount of such outflow. Management consider the input of external counsels on each case, as well as known outcomes in case law. Although, Management believes that the total provisions for legal proceedings are adequate based on currently available information, there can be no assurance that there will not be any changes in facts or circumstances, or that any future lawsuits, claims, proceedings or investigations will not be material.

## 4 Capital structure and financing items

### 4.1 Outstanding shares

	Outstanding shares (mil)	Total number of shares (mil)	Nominal value of outstanding shares EURm	Nominal value of total shares EURm
<b>Number/value of shares</b>				
Issued in connection with the acquisition of ownership interest in subsidiaries		100	100	100
<b>Number/value of shares at 30 September 2019</b>		100	100	100

All shares are fully issued and paid up. The share capital was nominally EUR 100 million divided into a corresponding number of shares of 100 million. There are no restrictions on the negotiability or voting rights of the shares.

## Capital management

The WS Audiology A/S Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group has retained its earnings that have been accumulated since the merger of Si-vantos and Widex to strengthen its Equity.

The capital structure of the Group consists of net debt (short-term and long-term borrowings disclosed in notes 4.3 after deducting cash and cash equivalents) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests).

The Group has raised debt to finance the establishment of the Group through the merger of Sivantos and Widex. The debt raised consist of Facility B1 EUR1,895.0 million and Facility B2 USD1,160.0 million under the Senior Facilities Agreement and the applicable interest rate is Euribor plus 4.0% with a 0% floor and Libor plus 3.75% respectively. In addition, the Group had a 2nd lien facility EUR525million and the applicable interest rate is Euribor plus 6.75%. The Group had also drawn on Revolving Facility EUR17.0 million and applicable interest rate is Euribor plus 2.75%.

In July 2019, the Group had drawn an additional of EUR 60.0 million on Revolving Facility maturing in 2025. The applicable interest rate is Euribor plus 2.75%. The proceed has been used for working capital for the Group.

In August 2019, the Group had new Incremental term loans of EUR 67.5 million and USD 75.0 million under the Senior Facilities Agreement and the applicable interest rate is Euribor plus 4.0% with a 0% floor and Libor plus 3.75% respectively. All proceed were applied to an acquisition in USA and working capital for the Group.

The Senior Secured Term Loans are secured by a pledge of the shares of major subsidiaries as well as pledge of assets of major subsidiaries and are subject to a loan covenant. The Group has complied with to the loan covenant imposed by the Senior Facilities Agreement.

## Accounting policies

Proposed dividend is recognised as a liability at the date when it is adopted at the Annual General Meeting (declaration date). The dividend recommended by the Board of Directors, and therefore expected to be paid for the year, is disclosed in the notes.

## 4.2 Financial risks and financial instruments

### Financial risk management

The WS Audiology A/S Group is exposed to several financial risks arising from its operating, investing and financial activities, including market risk (foreign exchange risk and interest rate risk), liquidity risk and credit risk.

The Group is managed centrally by Management, which is responsible for the operating business, comprising commercial risk with hedge accounting to reduce volatility in the income statement.

Financial risks are managed by Treasury in accordance with the WS Audiology Foreign Currency Hedging Policy approved by Group CFO. The Group enters financial instruments only to mitigate these financial risks. It is the Group policy to maintain investor, creditor and market confidence, and to sustain future development of the business. The objective, policies and processes for managing the risk exposure to these items are summarized in the table below and further explained in the following sections.

### Credit risk

Credit risk is defined as an unexpected loss in cash and earnings if the customer is unable to pay its obligations in due time. The Group may incur losses if the credit quality of its customers deteriorates or if they default on their payment obligations to the Group. The Group's exposure to credit risk arises primarily from trade and other receivables including loans to customers.

The Group has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. This includes the review of individual receivables and of individual customer creditworthiness on a case-by-case basis as well as the review of current economic trends, the analysis of historical bad debts on a portfolio basis, and the considers country credit ratings. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets. However, the Group has credit enhancements such as personal guarantees and share pledge related to customer loan. Assessment of the credit risk related to customers is further described in note 3.4 Other non-current and current financial assets and note 3.7 Trade receivables and contract assets.

There were no significant concentrations of credit risk as of the 30 September 2019 and 30 April 2018.

The maximum exposure to credit risk of financial assets is represented by their carrying amount. Concerning trade receivables and other receivables, as well as loans or receivables included in line item Other financial assets that are neither impaired nor past due, there were no indications as of 30 September 2019, that defaults in payment obligations will occur.

### Liquidity risk

Liquidity risk results from the Group's potential inability to meet its financial liabilities, in particular paying its suppliers and servicing its interest-bearing debt. In addition to having implemented effective working capital and cash management, the Group has implemented short-term and medium term-liquidity forecasts. Treasury monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables.

The Group maintain an in-house banking setup within Sivantos Pte Ltd (Singapore) "Treasury". Cash from its related entities is pooled centrally for an efficient cash management and treasury purposes. The arrangement is governed by agreements signed by Sivantos Pte Ltd and related entities, which limits joint and several liabilities to each party's net credit balance at any time with Sivantos Pte Ltd.

The Group has access to a Revolving Credit Facility of EUR 260.0 million of which EUR 82.6 million was utilised as of 30 September 2019.

The Group finances itself from its operating cash flow and utilizing the Group's cash pooling and cash management systems, in which excess liquid funds are deposited at Treasury by its affiliates.

The Group has secured term loans to finance the merger of Sivantos and Widex. The Senior Secured Term Loans are secured by a pledge of the shares of major subsidiaries as well as pledge of assets of major subsidiaries.

The Group had cash and cash equivalents of EUR 142.7 million as of 30 September 2019 (30 April 2018: EUR 36.9 million). In addition, the Group has access to EUR 177.4 million (30 April 2018: EUR 14.2 million) available Revolving Credit Facility as of 30 September 2019. With its strong operating cash flow the Group expects to be able to meet all of its present and future obligations arising from operational cash needs.

The following table reflects all contractually fixed pay-offs for settlement, repayments and interest resulting from recognized financial liabilities. It includes expected net cash outflows from derivative financial liabilities that were in place as per 30 September 2019 and 30 April 2018. Such expected net cash outflows are undiscounted net cash outflows for the respective upcoming fiscal years, based on the earliest date on which the Group could be required to pay. Cash outflows for financial liabilities (including interest) without fixed amount or timing are based on the conditions existing at 30 September 2019 and 30 April 2018.

	Less than	Between	More than	
EURm	1 year	1-5 years	5 years	Total
<hr/>				
2018/19				
Interest-bearing debt	191.7	757.0	3,979.8	4,928.5
Trade payables	198.5	–	–	198.5
Other financial liabilities	33.6	42.0	–	75.6
Total non-derivative financial liabilities	423.8	799	3,979.8	5,202.6
Derivative financial liabilities	4	109.9	–	113.9

The risk implied from the values in the table above reflects the one-sided scenario of cash outflows only. Obligations under trade payables and other financial liabilities mainly originate from the financing of assets used in the Group's ongoing operations such as property, plant and equipment, and investments in working capital such as inventories and trade receivables. These assets are considered in the Group's overall liquidity risk management.

### Foreign currency risk

#### *Transaction risk and foreign currency exchange rate risk management*

The WS Audiology A/S Group has exposure towards foreign currency exchange rate risk arising from fluctuations in exchange rates, in connection with international operations. The exposure is particularly regarding fluctuations of the USD, EUR, CAD and CNY in the ordinary course of business. The general policy is to reduce the Group currency exposure mainly through employment of foreign exchange forward contracts to mitigate the group's major risks from adverse FX movements' impact on consolidated earnings for 3-12 months rolling forward.

Foreign currency exchange rate fluctuations may create unwanted and unpredictable earnings and cash flow volatility. The Group manufactures most of its products at its headquarters in Singapore and Denmark. The products are sold to its regional entities and invoiced in the currency of the buying entities, mostly in EUR and USD. As most of the material cost are also EUR and USD denominated, the Group is able to significantly reduce the net currency exposure.

The foreign currency risk is centrally managed by Group Treasury in cooperation with the Group entities in the countries. It is the Group's policy for the entities not to undertake any financial transactions in foreign currencies of a speculative nature. It is a target for the Group to maintain an adequate hedging level of between 40% and 75% of the net foreign currency exposure. Cash flow hedge accounting shall be applied to the extent possible to mitigate negative impacts of adverse development from foreign exchange risk on the consolidated operating result of the Group.

#### *Sensitivity analysis for foreign currency risk*

The following table demonstrates the approximate effect on the Group's Total comprehensive income Statement (financial items) in response to fluctuation of the currencies other than the respective group entities' functional currencies which the group entities have significant exposure at the balance sheet date. This analysis assumes that all other variables, in particular interest rates, remain constant.

30 September 2019

EURm	Profit/(Loss)	Other comprehensive income	Total comprehensive income
USD +5%	(48.7)	-	(48.7)
EUR +5%	(12.9)	-	(12.9)
CAD +5%	1.8	-	1.8
CNY +5%	0.4	-	0.4

*Cash flow hedges of foreign currency risk*

Hedging instruments:

	Average exchange rate	Notional value: Foreign currency mil	Notional value: Functional currency (EUR)	Carrying amount of hedging instruments - Assets EURm	Carrying amount of hedging instruments - Liabilities EURm
30-Sep-19	Rate		EURm		
<b>Sell AUD</b>					
< 6 months	1.62	(22.7)	14.0	-	*
6-12 months	1.64	(3.3)	2.0	-	*
<b>Sell CAD</b>					
< 3 months	1.48	(11.8)	8.0	-	(0.1)
6-12 months	1.49	(8.9)	6.0	-	(0.1)
<b>Sell GBP</b>					
< 3 months	0.87	(10.5)	12.0	0.2	-
3-6 months	0.89	(5.3)	6.0	0.1	-
<b>Sell JPY</b>					
< 3 months	121.64	(2,432.8)	20.0	-	(0.8)
3-6 months	118.13	(1,771.9)	15.0	-	*
<b>Buy SGD</b>					
< 3 months	1.55	54.1	(35.0)	0.7	-
3-6 months	1.55	62.1	(40.0)	0.6	-
<b>Sell USD</b>					
< 3 months	1.14	(28.8)	25.0	-	(1.0)
3-6 months	1.12	(30.3)	27.0	-	(0.3)
				1.6	(2.3)

\*Amount less than EUR 0.1 mil

The following table provides a reconciliation of components of equity and analysis of OCI items, gross of tax, resulting from cash flow hedge accounting:

EURm	1 May 2018 - 30 September 2019 (17 months)
------	--

**Movement during the period**

Foreign currency risk - Current period hedging gains recognised in other comprehensive income	2.6
Amount reclassified to profit/(loss) - Due to hedged item affecting profit/(loss)	(1.4)

*Translation risk and effects of foreign currency translation*

Most of the Group's entities are located outside the EUR zone. Since the WS Audiology A/S Group's presentation currency is the EUR, the financial statements of foreign operations are translated into EUR for the preparation of the consolidated financial statements. To consider the effects of foreign currency translation in the risk management, the general assumption is that investments in foreign operations are permanent and that reinvestment is continuous. Effects from foreign currency exchange rate fluctuations on the translation of net assets amounts into EUR are reflected in the Group's consolidated statement of changes in equity. The WS Audiology A/S Group does not hedge net investments in foreign operations.

### Interest rate risk

The Group's long-term debt consists of secured term loans of EUR1,962.0 million and USD 1,229.0 million as well as 2<sup>nd</sup> lien term loan of EUR525.0 million with a floating interest rate of which 74% have been swapped into fixed interest rate. The Group does not apply hedge accounting in relation to these interest rate swaps..

#### Specification of net interest-bearing debt

EURm	30 September 2019
Cash and cash equivalents	142.7
Bank loans, non-current liabilities	(3,472.8)
Bank loans, current liabilities	(86.8)
<b>Total net interest-bearing debt</b>	<b>(3,419.9)</b>

### Interest rate sensitivity analysis

The sensitivity analyses has been determined based on the exposure to interest rates at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 1% per cent increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1 per cent higher and all other variables were held constant, the Group's loss for the period ended 30 September 2019 would increase by EUR 3.3 mil This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings

## Accounting policies

### Derivative financial instruments, including hedge accounting

The WS Audiology A/S Group uses various financial instruments to reduce the impact of foreign exchange and interest rates on financial results. The derivative financial instruments are used to manage the exposure to market risk. Treasury enters into derivative contracts in accordance with Group policies. Financial instruments used include e.g. foreign currency exchange contracts, interest rate swaps, interest rate floors and redemption options (the latter two being bifurcated embedded derivatives).

All derivative financial instruments are recognised initially and subsequently at fair value. Any attributable transaction costs are recognised in the income statement in other financial income, net as incurred.

On initial recognition, Management determines if the derivative financial instrument qualifies for hedge accounting and if so designates the instrument as a hedging instrument in a fair value hedge, cash flow hedge or hedge of net investment respectively.

#### Cash flow hedges

For cash flow hedges, the portion of the fair value adjustments on the hedging instrument that is an effective hedge is recognised in other comprehensive income and accumulated in a separate reserve in equity. The cumulative fair value adjustments of these contracts is transferred from the reserve in equity and recycled to the income statement through other comprehensive income when the hedged transaction is recognised in the income statement. However, when the forecast transaction subsequently result in the recognition of a non-financial asset or non-financial liability, the transfer from the reserve in equity is recognised directly in the initial cost or other carrying amount of the asset or liability without recycling through other comprehensive income.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in the reserve within equity at that time remains in the reserve and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss existing in the reserve is immediately transferred to the income statement as a recycling through other comprehensive income and recognised in other financial income, net.



## WS Audiology A/S

**Categories of financial assets and financial liabilities and Fair value hierarchy**

The below table shows the categories of financial assets and financial liabilities, their carrying amounts and their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

EURm	Carrying Amount						Fair Value				
	Note	Financial assets measured at fair value through profit and loss	Financial assets used as hedging instruments	Financial assets measured at amortised cost	Financial liabilities at amortised costs	Financial liabilities measured at fair value through profit and loss	Total	Level 1	Level 2	Level 3	Total
30 September 2019											
Financial assets measured at fair value											
Forward Exchange Contracts (designated as hedging instruments)	3.4	-	1.6	-	-	-	1.6	-	1.6	-	1.6
Redemption call option and interest rate floor	3.4	10.6	-	-	-	-	10.6	-	-	10.6	10.6
		10.6	1.6	-	-	-	12.2				
Financial sssets not measured at fair value											
Trade receivables*	3.7	-	-	326.0	-	-	326.0	-	-	-	-
Other fnancial assets (current and non-current)*	3.4	-	-	159.7	-	-	159.7	-	-	-	-
Cash and cash equivalents*		-	-	142.7	-	-	142.7	-	-	-	-
		-	-	628.4	-	-	628.4				
Financial liabilities measured at fair value											
Forward Exchange Contracts (designated as hedging instruments)	3.8	-	-	-	-	2.3	2.3	-	2.3	-	2.3
Forward Exchange Contracts (not designated as hedging instruments)	3.8	-	-	-	-	1.7	1.7	-	1.7	-	1.7
Interest rate swaps	3.8	-	-	-	-	29.5	29.5	-	29.5	-	29.5
Interest rate floors	3.8	-	-	-	-	80.4	80.4	-	-	80.4	80.4
		-	-	-	-	113.9	113.9				
Financial liabilities not measured at fair value											
Other financial liabilities*	3.8	-	-	-	37.5	-	37.5	-	-	-	-
Loans under Senior Facilities Agreement	4.3	-	-	-	3,559.6	-	3,559.6	-	3,559.6	-	3,559.6
Trade payables *		-	-	-	198.5	-	198.5	-	-	-	-
		-	-	-	3,795.6	-	3,795.6				

\* The Group has not disclosed the fair values for financial instruments such as short-term trade receivables and payables, because their carrying amounts are a reasonable approximation of fair value.

The fair values of cash and cash equivalents, trade and other receivables and trade payables with a remaining term of up to twelve months, other current financial liabilities and borrowings under revolving credit facilities are approximately equal to their carrying amount, mainly due to the short-term maturities of these instruments.

Treasury enters into derivative contracts in accordance with Group policies. The exact calculation of fair values of derivative financial instruments depends on the specific type of instrument.

Derivative currency contracts – the fair value of foreign currency exchange contracts is based on forward exchange rates. Currency options are valued on the basis of quoted market prices or on estimates based on option pricing models.

The levels of the fair value hierarchy and its application to financial assets and financial liabilities are described below.

<b>Level 1:</b>	Quoted prices in active markets for identical assets or liabilities
<b>Level 2:</b>	Inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
<b>Level 3:</b>	Valuations methods, with significant inputs not being based on observable market data

Type	Valuation Technique	Significant unobservable inputs	Sensitivity of fair value to significant unobservable inputs
<b>FX contracts</b>	The fair value of the exchange rate contracts is based on forward exchange rates. Currency options are valued on the basis of quoted market prices or on estimates based on option pricing models with marked-standard inputs including implied volatility (level 2).	Not applicable	Not applicable
<b>Interest rate swaps</b>	The fair value of Interest Rate Swaps are determined using discounted cash flows of fixed leg and Net Present Value of floating leg based on Forward rate curve, and can be categorized as level 2 (observable inputs) in the fair value hierarchy.	Not applicable	Not applicable
<b>Interest rate floors</b>	The fair value of Interest Rate Floors is based on discounted cash flows or floorlets for intrinsic and option pricing models with implied volatility for time value component.	Implied volatility	Higher implied volatility will lead to higher fair value and vice versa
<b>Redemption call option</b>	Hull-White-Two-Factor model simulating interest-rate changes as well as credit spread changes is the valuation technique applied to cancellation rights with implied volatility of options on CDS as unobservable input (level 3). An increase in implied volatility will lead to an increase in fair value and vice versa.	Implied volatility of Options on CDS	Higher implied volatility will lead to higher fair value and vice versa

The following table shows the reconciliation of level 3 fair value measurements of the interest rate floors and the redemption call option:

	1 May 2018 - 30 September 2019 (17 months)
<b>EURm</b>	
Carrying amount 1 May	-
Additions through business combinations	(65.6)
Total gains or losses:	
- Recognised in profit/(loss)	(4.2)
<b>Carrying amount 30 September 2019</b>	<b>(69.8)</b>

### Offsetting, Master netting agreements and similar arrangements

The WS Audiology A/S Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements/FX Payment Netting Agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances – e.g. when a credit event such as a default occurs – all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

### 4.3 Liabilities from financing activities

EURm	Loans and borrowings under the Senior Facilities Agreement	Other short term debt	Interest rate floors and redemption options relating to financing agreements	Interest rate swap	Payables to related parties	Others	Total
Liabilities at 1 May 2018	-	-	-	-	123.2	-	123.2
Changes from financing cash flows	82.4	(1.1)	-	(3.2)	-	(9.8)	68.3
Changes in fair value	-	-	42.3	29.5	-	-	71.8
Amortisation of transaction costs	10.0	-	-	-	-	-	10.0
Changes from business combinations on 1 March 2019	3,306.3	1.3	27.5	-	-	-	3,335.1
Other changes	160.7	-	-	3.2	(0.1)	9.8	173.6
Non cash changes	-	-	-	-	(123.1)	-	(123.1)
Liabilities at 30 September 2019	3,559.4	0.2	69.8	29.5	-	-	3,658.9
Liabilities at 1 May 2017	-	-	-	-	129.3	-	129.3
Non cash changes	-	-	-	-	(6.1)	-	(6.1)
Liabilities at 30 April 2018	-	-	-	-	123.2	-	123.2

### Accounting policies

Financial liabilities, other than derivatives, are initially recognised at fair value less transaction costs, and subsequently measured at amortised cost using the effective interest method. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the liability.

### 4.4 Financial income and expenses

EURm	1 May 2018 - 30 September 2019 (17 months)	1 May 2017 - 30 April 2018 (12 months)
Interest income	1.1	0.3
Interest income customer loans	3.7	4.7
Other interest income	0.4	2.3
<b>Total interest income</b>	<b>5.2</b>	<b>7.3</b>
Interest expenses	(124.1)	(3.7)
Interest expense from pension plans	(0.2)	-
Other interest expenses	(2.7)	(8.8)
<b>Total interest expenses</b>	<b>(127.0)</b>	<b>(12.5)</b>
<b>Other financials, net</b>		
Foreign currency translation gains/(losses)	(30.2)	(4.4)
Change in fair value of embedded derivatives	(42.3)	-
Change in fair value of derivative financial instruments, not designated hedging instruments	(23.5)	-
Others	(1.8)	-
<b>Total other financial expenses, net</b>	<b>(97.8)</b>	<b>(4.4)</b>

Interest income/(expense) includes the interest/(expense) from financial assets/(financial liabilities) not measured at fair value through profit or loss.

**Accounting policies**

Financial income and expenses comprise interest income and expenses, gains and losses on securities, receivables, payables and transactions denominated in foreign currencies, credit card fees, amortisation and impairment of financial assets other than trade receivables and contract assets and liabilities, gains and losses on derivative financial instruments not designated as hedging instruments etc.

Interest income and expenses on financial assets and liabilities measured at amortised cost is recognised using the effective interest method. Other financial income and expenses are recognised on an accrual basis in the period to which they relate.

Borrowing costs that are directly attributable to the construction or production of qualifying assets form part of the cost of that assets. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use.

## 5 Other disclosures

### 5.1 Business combinations

#### Acquisition of Sivantos Group

The Group acquired Sivantos Group with acquisition date of 28 February 2019. The difference between consideration transferred and net assets at fair value at the acquisition date amounting to EUR3,234 million was recorded as goodwill.

The consideration transferred for the acquisition was EUR2,152.9 million, which consisted of consideration as part of the reverse takeover arrangement.

#### Fair value of identified assets and liabilities and consideration paid in acquired businesses:

EURm	Sivantos Group	Other acquisition
<i>Assets acquired:</i>		
Other intangible assets	2,119.7	41.0
Property, plant and equipment	103.8	0.5
Other non-current assets	11.1	-
Other non-current financial assets	377.1	-
Deferred tax assets	38.3	-
Inventories	119.4	1.5
Trade and other receivables	206.3	4.9
Other current financial assets	17.3	0.7
Other current assets	31.7	0.5
Fair value of call option	22.6	-
Cash and cash equivalent	79.6	2.2
<b>Total assets acquired at the date of acquisition</b>	<b>3,126.9</b>	<b>51.3</b>
<i>Liabilities assumed at the date of acquisition:</i>		
Long-term debts	(3,306.3)	-
Short term debts	(1.1)	(0.30)
Provisions	(51.1)	(0.2)
Deferred tax liabilities	(467.6)	(7.7)
Pension obligations	(9.00)	-
Other financial liabilities	(40.0)	-
Other liabilities	(21.1)	-
Trade payables	(131.7)	(10.40)
Other current financial liabilities	(55.6)	(1.00)
Income taxes payables	(20.0)	(0.10)
Other current liabilities	(58.4)	(0.6)
<b>Total liabilities assumed at the date of the acquisition</b>	<b>(4,161.9)</b>	<b>(20.3)</b>
<b>Net assets acquired</b>	<b>(1,035.0)</b>	<b>31.0</b>
Goodwill	3,234.0	91.7
Fair value of non-controlling interest	(46.1)	-
<b>Total consideration transferred</b>	<b>2,152.9</b>	<b>122.7</b>
Fair value of contingent consideration and deferred payments	-	(8.8)
Consideration as part of the reverse takeover arrangement	(2,152.9)	-
Cash and cash equivalents acquired	(79.6)	(2.2)
<b>Total cash consideration (received)/paid</b>	<b>(79.6)</b>	<b>111.7</b>

The Group incurred acquisition-related cost of EUR15.4m in fiscal year 2019 for legal fees and due diligence services. These costs have been included as part of profit or loss when incurred.

The goodwill arising on acquisition includes a new customer base expansion through new channels and new markets, new technologies which are not separately identifiable but contribute significantly to the business enterprise value and an assembled workforce. Goodwill will not be deductible for tax purposes.

**Share of revenue****EURm**

*The share of revenue and profit/(loss) for the year from the acquisition date:*

Revenue	803.0
EBIT	36.4
Loss for the year	(173.2)

*The share of revenue and profit/(loss) if acquisitions had taken place at 1 May 2018 :*

Revenue	1,813.30
EBIT	94.40
Loss for the year	(319.10)

**Accounting policies**

Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the time of acquisition or formation. The time of acquisition is the date when control of the enterprise is transferred to the Group. On acquiring new enterprises of which the Group obtains control, the purchase method is applied according to which their identified assets, liabilities and contingent liabilities are measured at their fair values on the acquisition date. Any non-current assets acquired for the purpose of resale are, however, measured at their fair values less expected costs to sell. Restructuring costs are solely recognised in the pre-acquisition balance sheet if they are a liability for the acquired enterprise. Any tax effect of revaluations will be taken into account.

Goodwill is measured at the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interests in the acquiree (if any) over the net of acquisition date fair values of the identifiable assets and liabilities and contingent liabilities. Goodwill is not amortised but tested at least annually for impairment. The first impairment test is performed within the end of the acquisition year.

The consideration transferred consists of the fair value of the consideration paid for the enterprise. If the final consideration is conditional upon one or more future events, the consideration will be recognised at the fair value on acquisition. Any subsequent adjustment of contingent consideration is recognised directly in the income statement, unless the adjustment is the result of new information about conditions prevailing on the acquisition date, and this information becomes available up to 12 months after the acquisition date. Transaction costs are recognised directly in the income statement when incurred.

If, on the acquisition date, there are any uncertainties with respect to identifying or measuring acquired assets, liabilities or contingent liabilities or uncertainty with respect to determining their cost, initial recognition will be made on the basis of provisionally calculated values. Such provisionally calculated values may be adjusted, or additional assets or liabilities may be recognised up to 12 months after the acquisition date, if new information becomes available about conditions prevailing on the acquisition date, which would have affected the calculation of values on that day, had such information been known.

Non-controlling interests are measured at the transaction date at either fair value or at its proportionate share of the fair value of identified net assets, determined on a transaction-by-transaction basis.

When a business combination is achieved in stages, the Group's previously held interests in the acquired business are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in the income statement. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in Other comprehensive income are reclassified to the income statement, where such treatment would be appropriate if that interest were disposed of.

Goodwill and fair value adjustments in connection with the acquisition of a foreign operation with a functional currency other than the Group's presentation currency (EUR) are treated as assets and liabilities belonging to the foreign entity and translated into the foreign operations functional currency at the exchange rate at the transaction date.

Acquisition or sale of equity interests without gaining or losing control of an entity is accounted for as equity transactions.

## Significant judgements and accounting estimates

### Assessment of control and identification of the acquirer

Control is determined to exist, when the Group is exposed to, or has the rights, to variable returns from its involvement in the investee and has the ability to affect those returns through its power over the investee.

The classification of entities where the WS Audiology A/S Group controls less than 100% of the voting rights is based on an assessment of the contractual and operational relationship between the parties. This includes assessing the conditions in shareholders agreements, contracts etc.

WS Audiology A/S was established on 28 February 2019 to effectuate the merger of the Sivantos Group and the Widex A/S Group. As such, WS Audiology A/S cannot be the accounting acquirer in the business combination, and Management has applied significant judgements in determination of which entity is the acquirer in the business combination. Based on all facts and circumstances including the shareholders agreement between the shareholders of WS Audiology A/S, Management has determined that the former shareholders of Widex A/S controls WS Audiology A/S, and that Widex A/S is the accounting acquirer in the business combination making up the WS Audiology A/S Group. Management's assessment is based on their analysis of the substance of the shareholders agreement, including the direct ownership rights over WS Audiology A/S, relative voting rights of WS Audiology A/S after the business combination, the existence of currently exercisable call options on shares in WS Audiology A/S, the composition of the Board of Directors and Executive Management of WS Audiology A/S, the relative size of each company, the terms of the exchange of equity securities and cash to effect the business combination, as well as other related ownership rights.

Consequently, the Sivantos Group is treated as the accounting acquiree and the purchase price allocation (PPA) accounting is applied to the Sivantos Group.

### Brands and trademarks

The value of brands and trademarks acquired and their useful lives are based on the brands' and trademarks' market position, expected long-term developments in the relevant markets and profitability. Management determines the useful life for each brand and trademark based on its relative local, regional and global market strength, market share, and the current and planned marketing efforts that are helping to maintain and increase the value of the brand or trademark.

When the value of a well-established brand or trademark is expected to be maintained for an indefinite period in the relevant markets, and these markets are expected to be profitable for a long period, the useful life of the brand or trademark is determined to be indefinite.

The fair value of brands and trademarks is based on the relief from royalty method, under which the value is calculated from expected future cash flows for the brands and trademarks. Cash flows are based on key assumptions about expected useful life, royalty rate, growth rate and tax effects. A post-tax discount rate that reflects the risk-free interest rate with the addition of a risk premium associated with the particular brand is used to discount the expected future cash flows.

### Customer relationships

Customer relationships are valued based on the multi-period excess earnings method. Cash flows related to the customer relationships are based on the forecasted revenues from existing customers, reduced by the expected future churn. Profits generated from those revenues are typically adjusted for saved selling costs, given that in most cases part of the selling costs relates solely to acquiring new customers. Profits are then netted of taxes and reduced by charges on contributory asset, which are required to generate those profits. Cash flows calculated in this way are discounted and adjusted for tax amortisation benefit.

### Contingent consideration

Business combinations may include contingent considerations, e.g. when the Group acquires audiology chains or shops. Such contingent considerations are usually additional payments to the previous owners, when certain events occur or certain financial results are achieved. The measurement of contingent consideration at fair value at the transaction date inherently involve significant estimates. In making these estimates, Management e.g. considers sales run rates of the acquired business.

## 5.2 Remuneration of Key Management Personnel

1 May 2018 - 30 September 2019 (17 months)

EURm	Short-term benefits	Termination benefits	Total
Executive Management	53.7	4.6	58.3
Board of Directors	0.5	0.0	0.5
<b>Total</b>	<b>54.2</b>	<b>4.6</b>	<b>58.8</b>

1 May 2017 - 30 April 2018 (12 months)

EURm	Short-term benefits	Termination benefits	Total
Executive Management	1.2	0.0	1.2
Board of Directors	0.4	0.0	0.4
<b>Total</b>	<b>1.6</b>	<b>0.0</b>	<b>1.6</b>



### 5.3 Management Participation Program Liability

The Group has in place a Management Participation Program ("MPP") - Certain members of management (the "MPP Participants") could acquire a partnership interest in NH Lux ManCo SCSp ("NHSCSp") from NorthHarbour Lux TopCo Sar ("TopCo"), a holding entity that is fully consolidated within WS Audiology, therefore indirectly having an ownership interest in the intermediate North Harbour Group.

The MPP participants acquired Ordinary shares, which rank *pari passu* in all respects, as well as preference shares. The reacquisition of the ownership interests is triggered upon the termination of employment of MPP Participants; a liability in this regard is included in Other non-current liabilities, with reference to note 3.9.

#### Accounting policies

The accounting for the shares purchased by management (at fair value, represented by 'interests' in NHSCSp) as part of the North Harbour MPP scheme falls within the scope of IFRS 2 as a cash-based arrangement. A liability is recognised reflecting the fair value of the Group's intention to acquire the 'interests'.

#### Significant judgements and accounting estimates

The terms of the North Harbour MPP scheme include references to "good" and "bad" leavers, which impact the return to be received by MPP plan participants. The determination of the fair value of the liability under the MPP scheme is most significantly impacted by the estimation of good vs. bad leavers, and the determination of the fair value of the Group.

The fair value for the MPP at inception and 30 September 2019 reflects the valuation of the combined Group by the parties in the merger as described in Note 1.1.

### 5.4 Pension obligations

Post-employment benefits provided by the Group are organized primarily through defined contribution plans as well as defined benefit plans which cover almost all of the Group's domestic employees and many of the Group's foreign employees. Post-employment defined benefit plans include to the major extent pension benefits.

#### Defined benefit plans

General principles are determined in a corporate pension policy. That means *inter alia* that the Group regularly reviews the design of its post-employment defined benefit plans. In order to reduce Group's exposure to certain risks associated with defined benefit plans, such as longevity, inflation, effects of compensation increase, the Group regularly review and continuously improves the design of its post-employment defined benefit plans. The benefits of the defined benefit plan open to new entrants are based predominantly on contributions made by the Group and are still affected by longevity, inflation adjustments and compensation increases, but only to a lesser extent. The major pension plans are funded with assets in segregated pension entities.

The existing defined benefit plans cover approximately as of 30 September 2019 3,135 participants, including 2,058 active employees, 700 former employees with vested rights and 378 retirees and surviving dependents. Individual benefits are generally based on eligible compensation levels and/or ranking within the Group's hierarchy and years of service. The characteristics of the defined benefit plans and the risks associated with them vary depending on legal, fiscal and economic requirements in each country. For the major defined benefit plans of the Group the characteristics and risks are as follows:

#### Germany:

In Germany, the Group provides pension benefits through the cash-balance plan BSAV (Beitragsorientierte Siemens Altersversorgung), frozen legacy plans and deferred compensation plans. Active employees in Germany participate in the BSAV introduced in fiscal 2004. A legacy pension plan (Altzusage) has been transformed into BSAV.

These benefits are predominantly based on contributions made by the Group and returns earned on such contributions, subject to a minimum return guaranteed. In general, the BSAV is fully funded from the Group's perspective. Sivantos GmbH has set up a CTA (=Contractual Trust Arrangement) in order to take precautions of financing all of its BSAV pension obligations, including the Group. Individual benefits under the frozen legacy plans are based on eligible compensation levels or ranking within the Group's hierarchy and years of service. In connection with the implementation of the BSAV, benefits provided under the frozen legacy plans were modified to substantially eliminate the effects of compensation increases by freezing the accretion of benefits under the majority of these plans. However, these frozen plans still expose the Group to actuarial risks such as investment risk, interest rate risk and longevity risk. Furthermore, deferred compensation plans are offered which are funded via a CTA. In Germany no legal or regulatory minimum funding requirements apply. The Trust which is legally separate manages its plan assets as trustee in accordance with the respective trust agreements.

#### U.S.:

The assets under these pension plans are administered by the Group and are, therefore, the sole responsibility of the Group. The assets are not separately identifiable; instead the companies had a common right to the trusts' assets. One major defined benefit plan, the Sivantos Pension Plan, is frozen to new entrants and accretion of new benefits. Employees hired prior to April 1, 2006 participate in the Sivantos Pension Plan. Most of the defined benefit plan participants' benefits are calculated using a cash balance formula; although a small group of participants are eligible for a benefit based on a final average pay formula. This frozen defined benefit plan exposes the Group to actuarial risks such as investment risk, interest rate risk and longevity risk.

The defined benefit plan assets are held in a Master Trust. The Group, as the sponsoring employer, has delegated investment oversight of the plans' assets to the Investment Committee. The Investment Committee members have a fiduciary duty to act solely in the best interests of the beneficiaries according to the trust agreement and U.S. law. The Committee has established an Investment Policy Statement which articulates the goals and objectives of the plans' investment management, including diversifying the assets of the Master Trust with the

intention of appropriately addressing concentration risks. The trustee of the Master Trust acts only by direction of the Investment Committee. It is responsible for the safekeeping of the trust, but generally has no decision making authority over the plan assets. The legal and regulatory framework for the plans is based on the applicable U.S. legislation Employee Retirement Income Security Act (ERISA). Based on this legislation a funding valuation is prepared annually. There is a regulatory requirement to maintain a minimum funding level of 80% in the defined benefit plans in order to avoid benefit restrictions.

The amounts included in the Group's Consolidated Statements of Financial Position arising from its pension obligations at 30 September 2019 and 30 April 2018 are as follows:

	Defined benefit obligation	Fair value of plan assets	Total
EURm	30-Sep-19	30-Sep-19	30-Sep-19
Germany	61.8	54.2	7.6
U.S.	42.7	33.4	9.3
Others	5.1	2.2	2.9
<b>Total</b>	<b>109.6</b>	<b>89.8</b>	<b>19.8</b>

The following table show the total defined benefit cost that was recognised in profit or loss account and Other Comprehensive Income ("OCI") at the end of the reporting period.

EURm	1 May 2018 - 30 September 2019 (17 months)
Current service cost	2.4
Past service benefit	(3.3)
Net interest expenses	0.3
Liability administration expenses	(0.2)
<b>Defined benefit costs recognized in the income statement</b>	<b>(0.8)</b>

The costs are recognized in the following income statement items:

Return on plan assets (excluding amounts included in net interest expense and net interest income)	(3.3)
Remeasurement losses on defined benefit obligations	13.2
<b>Remeasurements of defined benefit plans recognized in the Statement of Comprehensive Income</b>	<b>9.9</b>

**Change in defined benefit obligations:**

Defined benefit obligation at beginning of year	1.3
Additions - Business combinations	91.2
Current service cost	2.6
Interest expense	2.4
Contributions paid	0.2
Net accumulated actuarial gains	13.2
Benefits paid	(3.4)
Prepaid cost for post employee benefit	(0.2)
Foreign currency effects	2.6
Plan settlement	(0.3)
<b>Defined benefit obligation at 30 September 2019</b>	<b>109.6</b>

	1 May 2018 - 30 September 2019 (17 months)
<b>EURm</b>	
<b>Change in plan assets:</b>	
Fair value of plan assets at beginning of year	-
Additions through business combinations	82.2
Interest income	2.0
Remeasurement (losses)/ gains (Return on plan assets excluding amounts included in net interest income and net interest expense)	3.3
Contributions paid	0.2
Benefits paid	(1.8)
Employer contributions	1.8
Liability administration costs	(0.2)
Foreign currency effects	2.3
<b>Fair value of plan assets at 30 September 2019</b>	<b>89.8</b>
<b>Plan assets comprise of the following:</b>	
Investment funds	86.7
Cash and cash equivalents	1.1
Qualified insurance policies	1.8
Others	0.2
<b>Total</b>	<b>89.8</b>
Quoted	86.5
Unquoted	3.3
	<b>89.8</b>

#### Actuarial assumptions

Assumed discount rates, compensation increase rates, pension progression rates and mortality rates used in calculating the DBO vary according to the economic and other conditions of the country in which the retirement plans are situated.

The mortality tables used for the actuarial valuation of the DBO were as follows (most significant countries):

Germany	Heubeck Richttafeln 2005G (modified)
U.S.	RP-2014 Employee and Healthy Annuitant Tables projected with Scale MP-2015 for all years

The DBO was only significantly affected by other financial assumptions in Germany and U.S. For Germany, the long-term rate of compensation increase and the pension increase rate were constant on average in fiscal year 2019. For U.S., the DBO was mainly affected by the discount rate as the plan is frozen to new entrants and accretion of new benefits.

The DBO is also affected by assumed future inflation rates. The effect of inflation is recognized within the assumptions above where applicable.

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

	30-Sep-19
<b>Germany</b>	
Discount rate	0.64%
Future salary growth	2.25%
Expected return on assets	0.64%
Expected pension progression	1.75%
<b>U.S.</b>	
Discount rate	2.80%
Future salary growth	NA
Expected return on assets	3.90%
Expected pension progression	3.00%

Assumptions regarding future mortality have been based on published statistics and mortality tables. The current longevities underlying the values of the defined benefit obligation at the reporting date were as follows.

EURm	30-Sep-19
<b>Germany</b>	
Longevity at age 55 for current pensioners	
Males	20.2
Females	23.7
Longevity at age 55 for current pensioners with 10% reduction in mortality rates	
Males	21.1
Females	24.5
<b>U.S.</b>	
Longevity at age 55 for current pensioners	
Males	29.00
Females	31.40
Longevity at age 55 for current pensioners with 10% reduction in mortality rates	
Males	30.00
Females	32.40

The weighted-average duration of the defined benefit obligation was 15.3 years at 30 September 2019. Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

### Sensitivity analysis

As the significant part of the DBO results from the German and U.S. entities, the sensitivity analysis were as follows:

EURm	30-Sep-19	
	0.5% increase	0.5% decrease
<b>Germany</b>		
Discount rate	(3,967)	5,112
Rate of compensation increase	14	(13)
Rate of pension progression	2,821	(2,560)
	<u>-1 year</u>	<u>+1 year</u>
Life expectancy	(1,705)	1,938
<b>U.S</b>		
	<u>0.5% increase</u>	<u>0.5% decrease</u>
Discount rate	(1,987)	2,165
	<u>-1 year</u>	<u>+1 year</u>
Life expectancy	(1,668)	1,812

The Company expects to pay EUR 5 million in contributions to its defined benefit plans in year 2019.

### Defined contribution plan

The amount recognised as an expense for defined contribution plans at 30 September 2019 was EUR13 million.

## Accounting policies

### Defined contribution plans

The WS Audiology A/S Group operates a number of defined contribution plans around the World. These plans are externally funded in entities, e.g. insurance entities, that are legally separate from the Group. Contributions to defined contribution plans are recognised in the income statement in the year to which they relate.

### Defined benefit plans

The WS Audiology A/S Group also operates defined benefit plans in a few jurisdictions, primarily in Germany and the USA. The liability and costs for the year for defined benefit plans are determined using the projected unit credit method. This reflects services rendered by employees to the valuation dates and is based on actuarial assumptions regarding future compensation and benefit increases, mortality, expected return on plan assets and discount rates. Discount rates are based on average market yields of high-quality corporate bonds in the country and/or currency in which the pension liabilities are expected to be settled.

Current service cost, past service cost and settlements for post-employment benefits as well as other administration costs which are unrelated to the management of plan assets are recognised in the income statement and allocated among functional costs, following the functional area of the corresponding profit and cost centre. Administration costs which are related to the management of plan assets and taxes directly linked to the return on plan assets and payable by the plan itself are included in the return on plan assets and are recognised in other comprehensive income.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in Other comprehensive income in the period in which they arise. Past service costs are recognised immediately in the income statement.

For unfunded plans, the Group recognises a post-employment liability as non-current liability. For funded plans, the Group offsets the fair value of plan assets with the benefit obligations, and recognises the net amount, after adjustments for effects related to any asset ceiling, as a non-current liability or other current assets.

## 5.5 Contingent assets and liabilities

### Guarantees

The Group has issued Corporate Guarantees, mainly to the business partners, outstanding in an amount of EUR 100 million as of 30 September 2019.

In addition, the Group has a contingent obligation to indemnify the issuing Banks for Bankers Guarantees for an amount up to EUR 6.6 million as of 30 September 2019. None of the outstanding guarantees are likely to be drawn, hence no provisions have been made.

### Security

The Group is securing an overdraft facility for a related company through a Standby Letter of Credit over EUR -\* million as of 30 September 2019.

\* The stated amount is less than EUR 1 million.

### Outstanding Lawsuits and disputes

The Group is, from time to time, subject to legal disputes in connection with its business activities. In the light of the number of legal disputes and proceedings in which the Group is involved, it cannot be ruled out that some of these proceedings could result in rulings against the Group. Although the Group maintains liability insurance in its non-amounts the Group considers consistent with industry practice, it may not be fully insured against all potential damages that may arise out of any claims to which the Group may be party in the ordinary course of the Group's business. At this time, however the Group does not expect any significant negative effects on the Group's financial position or finance and earnings situation resulting from legal disputes.

The Group seeks to make adequate provisions for any legal disputes and proceedings, and assesses the likely outcome in which the Group is involved.

For information on lease obligations, please refer to note 5.8.

## 5.6 Associates

EURm	Investments in associates	Receivables from associates
Cost at 1 May 2018	7.5	4.5
Share of post acquisition of retained earnings	(0.1)	(2.3)
<b>Carrying amount at 30 September 2019</b>	<b>7.4</b>	<b>2.2</b>

EURm	Investments in associates	Receivables from associates
Cost at 1 May 2017	5.8	2.9
Share of post acquisition of retained earnings	0.7	1.6
<b>Carrying amount at 30 April 2018</b>	<b>6.5</b>	<b>4.5</b>

Please refer to note 5.11 for a list of associates.

Aggregate information about the Group's investments in associates that are not individually material, not adjusted for the proportion of ownership interests held by the Group, are as follows:

### Summarized information of the associate

EURm	1 May 2018 - 30 September 2019 (17 months)	1 May 2017 - 30 April 2018 (12 months)
Non-current assets	21.6	8.1
Current assets	7.2	7.2
Current liabilities	(12.4)	(3.8)
<b>Net assets</b>	<b>16.4</b>	<b>11.5</b>
Revenue	12.4	8.5
Net loss from continuing operation	(0.6)	(0.1)
<b>Total comprehensive income</b>	<b>(0.6)</b>	<b>(0.1)</b>

## Accounting policies

Associates are those entities in which the Group has significant influence but not control or joint control over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control over the financial and operating policies, and where the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in associates and joint ventures are accounted for using the equity method. This entails that the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture calculated in accordance with the Group's accounting policies. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in such associate or joint venture, the Group discontinues recognising its share of future losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

## 5.7 Non cash adjustments

EURm	1 May 2018 - 30 September 2019 (17 months)	1 May 2017 - 30 April 2018 (12 months)
Unrealised loss of loans and borrowings	45.4	-
Others	(6.0)	(0.1)
<b>Total</b>	<b>39.4</b>	<b>(0.1)</b>

### Significant non-cash transactions

WS Audiology A/S Group was established on 28 February 2019 through issuance of shares in return for the shares in Widex A/S and the shares in North Harbour Lux TopCo S.à.r.l. Please refer to note 1 for further information on the establishment of the group. Prior to the establishment of the WS Audiology A/S Group, a number of non-cash transactions occurred in Widex A/S (these consolidated financial statements are a continuation of the consolidated financial statements of Widex A/S Group as explained in note 1) to align the capital and financing in the Widex Group and the Sivantos Group. These transactions include:

- Declaration of dividends to parent entity of Widex A/S of EUR 227.7 million
- Partly settlement of payables to parent entity (existing loans from parent entity and dividend declared) through receipt of loan from Auris III of EUR 344.1
- Settlement of remaining payables to parent entity through receipt of capital contribution from parent entity of EUR 41.1 million

## 5.8 Lease obligations

Future payment obligations under operating leases are as follows:

	30 September 2019	30 April 2018
<b>EURm</b>		
Rent	273.1	179.3
Other operating leases	9.3	3.8
<b>Total</b>	<b>282.4</b>	<b>183.1</b>
<i>Operating leases:</i>		
Less than one year	50.2	19.8
Between one and five years	122.2	54.8
More than five years	110.1	108.5
<b>Total</b>	<b>282.5</b>	<b>183.1</b>
Operating leases recognised in the income statement	69.9	33.7

### Accounting policies

Finance leases, which transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group as lessee, are capitalised at the commencement date of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and repayment of the lease liability, so as to achieve a constant rate of interest on the remaining balance of the liability. Leased assets are depreciated over the lease term, or if shorter, the expected useful life of the assets.

Leases of assets under which substantially all risks and rewards of ownership are retained by the lessor are classified as operating leases. Costs related to operating leases are recognised in the income statement on a straight-line basis.

## 5.9 Fees to auditors appointed at the annual general meeting

EURm	Deloitte	Others	KPMG
Audit fees	0.4	0.1	0.3
Other assurance related services	0.8	-	0.6
Tax services	0.4	0.1	-
Other services	2.6	0.1	0.5
<b>Total</b>	<b>4.2</b>	<b>0.3</b>	<b>1.4</b>

1 May 2017 - 30 April 2018  
(12 months)

EURm	Deloitte
Audit fees	0.6
Tax services	0.2
Other services	0.2
<b>Total</b>	<b>1.0</b>



## 5.10 Related parties

Related parties include T&W Medical A/S, the parent entity and ultimate parent controlling WS Audiology A/S, as well as transactions with associates.

Other related parties in the summary below include those entities controlled by T&W Medical A/S.

### Transactions with related parties

In addition to the related party disclosure that is disclosed elsewhere in the financial statements, the following significant transactions between the Group and its related parties took place at terms agreed during the fiscal year 2018/19 and 2017/18.

EURm	1 May 2018 - 30 September 2019 (17 months)	1 May 2017 - 30 April 2018 (12 months)
<b>Transactions with shareholder</b>		
- Loans from related parties	(70.6)	(31.8)
- Repayment of loans to related parties	(3.0)	(3.6)
- Interest on loans	196.8	41.5
<b>Transactions with associates</b>		
- Sales of goods and services	10.9	6.7
<b>Other related parties</b>		
- Sales of goods and services	1.9	1.2
- Purchase of goods and service	(24.8)	(8.8)
<b>Total transactions with related parties</b>	<b>111.2</b>	<b>5.2</b>

As at 30 September 2019, the outstanding balances with the associates are EUR 3.0million (30 April 2018: EUR 4.5 million).

### Transactions with related individuals

The Group's Executive management is defined as those persons, who are responsible for the Group's worldwide operating business, based on their function within the Group or the interests of WS Audiology A/S and registered directors in the parent company. For information about remuneration to Executive management and Board of Directors refer to note 5.2.

The following individuals belong or belonged to the Group's Executive management:

Year 2018/19	Director	Member of Executive Management since/ until
<b>Executive management</b>		
Jørgen Jensen	CEO Widex A/S	May 2018 – February 2019
Jørgen Jensen	CEO WS Audiology A/S Group	February 2019 – August 2019
Eric Bernard	CEO WS Audiology A/S Group	September 2019
Dr. Wolfgang Ollig	CFO WS Audiology A/S Group	February 2019 – August 2019
Henrik Bender	CFO WS Audiology A/S Group	September 2019
<b>Year 2017/18</b>	<b>Director</b>	<b>Member of Executive management since/ until</b>
Jørgen Jensen	CEO Widex A/S	May 2017 – April 2018
<b>Board of Directors</b>		
Jan Tøpholm	Chairman Widex A/S	May 2017 – April 2018
Anders Steen Westermann	Member	May 2017 – April 2018
Søren Erik Westermann	Member	May 2017 – April 2018
Richard Tøpholm	Member	May 2017 – April 2018
Julian Tøpholm	Member	May 2017 – April 2018
Lars Vinge Frederiksen	Member	May 2017 – April 2018

In fiscal years 2018/19 and 2017/18, no other major transactions took place between the Group and members of the Executive Management.

## 5.11 Companies in the WS Audiology A/S Group

List of the Group's active companies included in the Consolidated Financial Statements:

Company	Country	Equity Interest in %
<b>WS Audiology A/S</b>		
North Harbour Topco Sarl	Denmark	100
North Harbour Midco S.a.r.l	Luxembourg	99
Auris Luxembourg II S.A.	Luxembourg	100
Auris Luxembourg III S.à.r.l.	Luxembourg	100
Widex A/S	Denmark	100
Sivantos Holding Singapore Pte. Ltd.	Singapore	100
<b>Subsidiaries of Widex A/S</b>		
<b>EMEA-LA</b>		
Bloomhearing ApS	Denmark	100
Investment DK ApS	Denmark	100
Veenhuis Medical Audio BV	Netherlands	100
Widex UK Ltd.	UK	100
Widex Marketing Services Ltd.	UK	100
Coselgi UK Ltd.	UK	100
Widex DK A/S	Denmark	100
Coselgi DK ApS	Denmark	100
SAS Clermont Distribution	France	98
Progression SAS	France	100
Savoire Audition SAS	France	100
Widex S.A.S	France	100
Winster House Ltd.	UK	100
Acuitis Optical & Hearing Limited	UK	100
Bloom Hearing Specialists Ltd.	UK	100
Aberdeen Hearing Services Ltd.	UK	100
Bonavox Limited	Ireland	100
Widex Chile SpA	Chile	100
Widex Uruguay	Uruguay	51
COW-Audición en Alta Definición S.A. de C.V	Mexico	99
Widex Argentina S.A	Argentina	51
Centro Auditivo Widex Brasilom Ltda	Brazil	100
Comunicare Aparelhos Auditivos Ltda	Brazil	100
Sivantos Solucoes Auditiva Ltd.	Brazil	100
Chestenbaum AG	Switzerland	100
Widex Hörgeräte AG	Switzerland	100
Widex Hörgeräte GmbH	Germany	100
Widex AB	Sweden	100
Hörselhuset Aktiebolag	Sweden	100
Widex Biocord AB	Sweden	100
Widex OOO LLC	Russia	100
Widex Norge AS	Norway	100
Widex-Reabilitação Auditiva Lda.	Portugal	100
Coselgi Portugal S.A.	Portugal	100
Widex Service OOO LLC	Russia	100
Widex Akustik OY	Finland	100
Widex Lines s.r.o	Czech Republic	100
Widex Poland Sp. Z.o.o	Poland	60
Widex South Africa Pty. Ltd.	South Africa	100
Widex Regional Operation Center EMEA	Poland	100
Widex Eesti OÜ	Estonia	100
Widex Italia S.r.l	Italy	100
ReOton LLC	Ukraine	100
Widex Slušni Aparati d.o.o	Bosnia	60
Widex-Slovton Slovakia s.r.o	Slovakia	100
Coselgi S.p.A	Italy	100
Widex Tibbi ve Teknik Chihazlar San.ve Tic. AŞ	Turkey	100
Widex Trading d.o.o Ljubljana	Slovenia	60
Slušni Aparati d.o.o. Widex Ljubljana	Slovenia	61
Widex-H Kft	Hungary	100
Audiofon Kft	Hungary	100
Widex Italia s.r.l.	Italy	100

**Asia-Pacific**

Widex Hearing Aid Sdn Bhd	Malaysia	100
Widex Singapore Pte Ltd	Singapore	100
Bloom Hearing Co. Ltd.	Japan	100
Widex Co. Ltd.	Japan	100
Widex Hearing Aid (Shanghai) Co. Ltd.	China	100
Widex Korea Ltd.	South Korea	100
Widex India Private Ltd.	India	100
Widex New Zealand Ltd.	New Zealand	100
Widex Australia Pty. Ltd.	Australia	100
Active Hearing Pty. Ltd.	Australia	100
Hearclear Audiology Pty. Ltd.	Australia	100
Bloom Hearing Ltd.	New Zealand	100
Widex Hong Kong Hearing & Speech Centre Ltd.	Hong Kong	100
Starry Hearing & Speech Centre Ltd.	Hong Kong	65

**North-America**

Widex Canada Ltd.	Canada	100
TW Group Canada Ltd.	Canada	100
Lifestyle Hearing Corporation Inc.	Canada	100
Lifestyle Hearing Corporation USA Inc.	USA	100
Widex USA Inc.	USA	100

<b>Company</b>	<b>Country</b>	<b>Equity Interest in %</b>
<b>Subsidiaries of Lifestyle Hearing Corporation Inc.</b>		
<b>North-America</b>		
Lifestyle Hearing Network Inc.	Canada	100
Helix Hearing Inc.	Canada	100
Hearcanada Inc.	Canada	100
Helix Service Corporation Inc.	Canada	100

<b>Company</b>	<b>Country</b>	<b>Equity Interest in %</b>
<b>Subsidiaries of Lifestyle Hearing Corporation USA Inc.</b>		
<b>North-America</b>		
Happy hearing LLC	USA	100
Audiology Management Group Inc.	USA	100
Helix Hearing Care (California) Inc.	USA	100
Lifestyle Managed Care LLC	USA	100
Lifestyle Hearing Professionals LLC	USA	100
New Asheville Audiology Services PLLC	USA	100
Helix Hearing Care (Ohio) LLC	USA	100
Helix Hearing Care (Texas) LLC	USA	100
Helix Hearing Care (Florida) LLC	USA	100
Physician Audiology Services Inc.	USA	100
Hearing Center of Browards Inc.	USA	100
Randa Nashour-Shousher LLC	USA	51
Hear Again Hearing Aids LLC	USA	60
Helix Hearing Care Naples LLC	USA	60
The Hearing Center of ENTA LLC	USA	60
Medical Hearing Systems LLC	USA	70
PAS Development LLC	USA	55
Hands on Hearing Inc.	USA	51

**Other equity investments**

HIMSA A/S	Denmark	25
HIMSA II a/s	Denmark	17
HIMSA II K/S	Denmark	23
HIMP A/S	Denmark	9
K/S HIMPP	Denmark	10
Sound Advice Hearing Ltd.	UK	49
D Med Hearing Company	Thailand	38
Widex Columbia SAS	Columbia	20
Hear-Mart Holdings LLC.	USA	49
Audiology Associates of Westchester LLC	USA	49
Smartcare LLC	USA	10
Widex Servicios Technico S.A.	Spain	30
Widex Audifonos S.A.	Spain	30
Instituto Auditivo Widex C.A.	Venezuela	44
Widex Macau Hearing & Speech Centre Ltd.	Macau	49

**Subsidiary of Sivantos Holding Singapore Pte. Ltd.**

Sivantos Pte. Ltd.	Singapore	100
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**Subsidiaries of Sivantos Pte. Ltd.****EMEA-LA**

Sivantos Holding Germany GmbH	Germany	100
Sivantos A/S	Denmark	100
Sivantos B.V.	Netherlands	100
Oorwerk B.V.	Netherlands	100
Oorwerk den Haag B.V.	Netherlands	100
Hoortecnisch Centrum Schagen B.V	Netherlands	100
Sivantos Isitme Cihazlari Sanayi Ve Ticaret A.S.	Turkey	100
Sivantos Soluções Auditivas Ltda.	Brazil	100
Sivantos Europe GmbH	Germany	100
Hörwelt GmbH	Austria	100
Medakustik GmbH	Austria	100
AS IBERICA Soluciones Auditivas S.L.U.	Spain	100
Sivantos (RUS) LLC	Russia	100 <sup>1)</sup>
Entone SAS	France	100
Biotone Technologie SAS	France	100 <sup>2)</sup>

**Asia-Pacific**

Sivantos K.K.	Japan	100
Best Sound K.K.	Japan	100
audibene K.K.	Japan	100
Sivantos Limited	Korea	100
Hear.com Korea Limited	Korea	100

**Subsidiaries of Sivantos Holding Germany GmbH**

Sivantos GmbH	Germany	100
audibene GmbH	Germany	100

Company	Country	Equity Interest in %
<b>Subsidiaries of Sivantos GmbH</b>		
<b>EMEA-LA</b>		
AS-AUDIO SERVICE GmbH	Germany	100
Signia GmbH	Germany	100
Sivantos Kft.	Hungary	100
Sivantos AG	Switzerland	100
Sivantos AS	Norway	100
Sivantos s.r.o	Czech Republic	100
Sivantos Sp. z o.o.	Poland	100
Sivantos S.r.l	Italy	100
Sivantos S.A.S.	France	100
Sivantos Limited	United Kingdom	100
Sivantos (Pty) Ltd	South-Africa	100
<b>North-America</b>		
Sivantos, Inc.	USA	100
Audiology Distribution, LLC	USA	100
HearX West, LLC	USA	50 <sup>3)</sup>
HearX West, Inc.	USA	100 <sup>4)</sup>
HearUSA IPA, Inc.	USA	100
hear.com, LLC	USA	100
Sivantos Inc.	Canada	100
Shoebox, Inc.	Canada	100
TruHearing, Inc.	USA	100
TruHearing IPA LLC	USA	100
Hearing Care Solutions, Inc	USA	100
Harmony Hearing Services LLC	USA	100
MEDPlus Health Solutions LLC	USA	100
Clearwater Clinical Inc	USA	100
<b>Asia-Pacific</b>		
Sivantos (Suzhou) Co. Ltd.	China	100
Sivantos India Pvt. Ltd	India	100
Soundrise Hearing Solutions Private Limited	India	100
Sivantos Pty Ltd	Australia	100
<b>Subsidiaries of audibene GmbH</b>		
audibene GmbH	Switzerland	100
Audiocare Hearing Experts Malaysia Sdn. Bhd.	Malaysia	100
audibene B.V.	Netherlands	100
Ihre Hörgeräte Beratung GmbH	Germany	100
Hear.com - Simply Good Hearing Inc	Canada	100
Hearing Experts (Thailand) Co. Ltd.	Thailand	100 <sup>5)</sup>
<b>Other equity investments</b>		
Koden Co., Ltd.	Japan	43
Kikoeno Soudanshitsu Co., Ltd.	Japan	50
Kanto Hochouki Co., Ltd.	Japan	25
HIMPP A/S	Denmark	11
HIMSA II A/S	Denmark	17
HIMSA II K/S	Denmark	15

## 5.12 Significant events after the balance sheet date

There have been no non-adjusting events after the balance sheet date that would be expected to influence the economic decisions that users make on the basis of these financial statements.

## 5.13 Approval of the consolidated financial statements

The financial statements of WS Audiology A/S were approved by the Board of Directors and authorised for issue on 12 February 2020

## Parent financial statements

### Income statement

EURm	Notes	28 February 2019 – 30 September 2019 (7 months)
General and administration expenses		(0.6)
<b>Operating loss before tax</b>		<b>(0.6)</b>
Tax on profit/(loss)	2.1	-
<b>Loss for the year</b>		<b>(0.6)</b>

### Balance sheet

EURm	Notes	30 September 2019
<b>Assets</b>		
Investments in subsidiaries	3.1	3,935.5
<b>Total non-current assets</b>		<b>3,935.5</b>
<b>Total assets</b>		<b>3,935.5</b>
<b>Equity and Liabilities</b>		
Share capital	4.1	100.0
Other reserves		3,835.5
Accumulated losses		(0.6)
<b>Total equity attributable to the shareholders of WS Audiology A/S</b>		<b>3,934.9</b>
Other liabilities		0.1
<b>Total non-current liabilities</b>		<b>0.1</b>
Other current financial liabilities		0.3
Amounts due to related parties		0.2
<b>Total current liabilities</b>		<b>0.5</b>
<b>Total equity and liabilities</b>		<b>3,935.5</b>

## Statement of cash flow

EURm	Notes	28 February 2019 – 30 September 2019 (7 months)
<i>Operating activities</i>		
Loss for the period, representing cash flow from operating activities before changes in working capital		(0.6)
Change in other payables		0.6
<b>Cash flow from operating activities</b>		-
<b>Net cash flow</b>		-
Cash and cash equivalents, beginning of period		-
Cash and cash equivalents, end of period		-

## Statement of changes in equity

EURm	Share capital	Capital Reserve	Accumulated losses	Total equity
Equity at date of incorporation, 28 February 2019	100.0	-	-	100.0
Capital increase in relation to the formation of company on 28 February	-	3,835.5	-	3,835.5
Profit/(loss) for the period	-	-	(0.6)	(0.6)
<b>Equity at 30 September 2019</b>	<b>100.0</b>	<b>3,835.5</b>	<b>(0.6)</b>	<b>3,934.9</b>

## Notes to the parent financial statements

### 1. Basis for preparation

### 2. Results of the year

#### 2.1 Tax on profit/(loss)

### 3. Operating assets and liabilities

#### 3.1 Investment in subsidiaries

### 4. Other disclosures

#### 4.1 Outstanding shares

#### 4.2 Related parties

#### 4.3 Fees paid to the auditor appointed at the Annual General Meeting

#### 4.4 Significant events after the balance sheet date

#### 4.5 Approval of the consolidated financial statements

## 1 Basis of preparation

The parent financial statements separate financial statements for WS Audiology A/S have been prepared in accordance with IFRS as adopted by the European Union (EU) and further requirements in the Danish Financial Statements Act.

The parent financial statements are presented in Euros (EUR) which is the functional currency of WS Audiology A/S. All values are rounded to the nearest million (EUR) with one decimal, except where indicated otherwise.

## 2.1 Tax on profit/(loss)

	28 Feb 2019- 30 September 2019 (7 months)
<b>EURm</b>	
<b>Tax on profit/(loss)</b>	
Current tax for the year	-
Deferred tax for the year	-
<b>Total</b>	-
	28 Feb 2019- 30 September 2019 (7 months)
<b>Reconciliation of effective tax rate</b>	
Danish tax rate	22%
Expected income tax (expense)/benefit	(0.1)
Expenses not deductible	0.1
<b>Total</b>	-



### 3.1 Investment in subsidiaries

EURm	30 September 2019
Cost at 28 February 2019	-
Additions, capital contributions	3,935.5
<b>Cost at 30 September 2019</b>	<b>3,935.5</b>

Group companies are listed on Note 5.10 of the Group financial statements.

As set out in Note 1 to the Consolidated financial statements, the investment in subsidiary represents a significant non-cash transaction.

### 4.1 Outstanding shares

For more information regarding outstanding shares, please refer to Note 4.1 in the consolidated financial statements.

### 4.2 Related parties

T&W Medical A/S is the parent entity and ultimate parent controlling WS Audiology A/S. There have been no transactions with subsidiaries or other related parties during the period.

### 4.3 Fees paid to the auditor appointed at the Annual General Meeting

Fees paid to Deloitte P/S for assurance related services for the period ended 30 September 2018 was EUR 0.2 million.

### 4.4 Significant events after the balance sheet date

There have been no non-adjusting events after the balance sheet date that would be expected to influence the economic decisions that users make on the basis of these financial statements.

### 4.5 Approval of the consolidated financial statements

The financial statements of WS Audiology A/S were approved by the Board of Directors and authorised for issue on 12 February 2020.

**Entity Information****Entity**

WS Audiology A/S  
Nymøllevej 6  
3540 Lyngø

Business Registration No (CVR): 40296638  
Founded: 28.02.2019  
Registered in: Allerød  
Financial year: 28.02.2019 – 30.09.2019

**Board of Directors**

Marco Gadola, Chairman  
Jan Tøpholm, Vice-Chairman  
Egbertus Adrianus Johannes van Echt  
Luis Ignacio Martínez Azkorra  
Kasper Grundtvig Knokgaard  
Jes Carøe Munk Hansen  
Julian Tøpholm  
Marcus Eckart Friedrich Karl Brennecke

**Executive Management**

Eric Alain Bernard, Chief Executive Officer  
Henrik Skak Bender, Chief Financial Officer

**Auditors**

Deloitte Statsautoriseret Revisionspartnerselskab  
Weidekampsgade 6  
2300 København S

## Statement by Management on the Annual Report

The Board of Directors and the Executive Management have today considered and approved the Annual Report of WS Audiology A/S for the financial year May 1, 2018 to September 30, 2019.

The Annual Report is presented in accordance with the International Financial Reporting Standards, which have been adopted by the EU and disclosure requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's assets, liabilities and financial position at September 30, 2019 and of their financial performance and cash flows for the financial year May 1, 2018 to September 30, 2019.

We also find that the Management commentary provides a fair statement of developments in the activities and financial situation of the Group and the Parent, financial results for the period, the general financial position of the Group and the Parent, and a description of conditions referred to therein.

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

Lynge, February 12, 2020

### Executive Management:

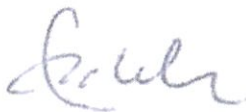


Eric Alain Bernard  
Chief Executive Officer



Henrik Skak Bender  
Chief Financial Officer

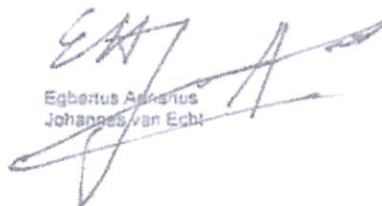
### Board of Directors:



Marco Gadola  
Chairman



Jan Tøpholm  
Vice-Chairman



Egbertus Augustus  
Johannes van Echt



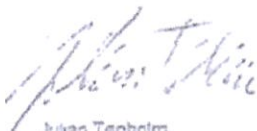
Luis Ignacio Martínez Azkora



Kasper Grundtvig Knokgaard



Jes Garze Munk Hansen



Julian Tøpholm

Marcus Eckert Friedrich  
Karl Brennecke

## Independent auditors' report

To the shareholders of WS Audiology A/S

### Opinion

We have audited the consolidated financial statements and the parent financial statements of WS Audiology A/S for the financial year May 1, 2018 to September 30, 2019, which comprise the income statement, statement of comprehensive income, balance sheet, statement of cash flow, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent. The consolidated financial statements and the parent financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 30 September 2019, and of the results of their operations and cash flows for the financial year May 1, 2018 to September 30, 2019 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

### 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 consolidated financial statements and the parent financial statements* section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of 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 the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

### Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 consolidated financial statements and these parent 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 consolidated financial statements and the parent 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'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 consolidated financial statements and the parent 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'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 consolidated financial statements and the parent 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent 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.

Copenhagen, 12-02-2020

**Deloitte**  
Statsautoriseret Revisionspartnerselskab  
Business Registration No 33 96 35 56

Kirsten Aaskov Mikkelsen  
State-Authorised  
Public Accountant  
MNE no. mne21358

Nikolaj Thomsen  
State-Authorised  
Public Accountant  
MNE no. mne33276