T&W Medical A/S

Annual report 2019/2020
01 October 2019 – 30 September 2020

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Chairman of the General Meeting

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Management commentary 2

Key figures and financial ratios 2
Primary activities 2
Merger of Widex and Sivantos 3
Financial review 3
Outlook 4
Risk management 4

Statutory report on corporate social responsibility 7

Policies and contribution to SDGs 8
Environment and Climate 8
Labor rights 9
Human Rights 10
Anti-corruption and bribery 10
Supplier Due Diligence 11

Consolidated financial statements 13

Consolidated income statement 13
Consolidated statement of comprehensive income 13
Consolidated balance sheet 14
Consolidated statement of cash flow 15
Consolidated statement of changes in equity 16
Notes to the consolidated financial statements 17
1 Basis of preparation 18
2 Results of the year 22
3 Operating assets and liabilities 27
4 Capital structure and financing items 40
5 Other disclosures 48

Parent financial statements 64

Income statement 64
Statement of comprehensive income 64
Balance sheet 65
Statement of changes in equity 66
Statement of cash flow 67
Notes to the parent financial statements 68
1 Basis of preparation 68
2 Result of the year 69
3 Operating assets and liabilities 69
4 Other disclosures 71

Entity Information 72

Statement by Management on the Annual Report 73

Independent auditors' report 74

Management commentary

Key figures and financial ratios

Key figures	2019/20 12 months (IFRS)	2018/19 17 months (IFRS)	2017/18 12 months (IFRS)	2016/17 (DK GAAP)	2015/16 (DK GAAP)
Income statement, DKKm					
Revenue	12.965	12.462	4.459	4.346	3.855
Gross profit	7.255	7.485	3.307	3.017	2.629
R&D costs	656	634	72	217	194
EBITDA	1.436	568	935	841	735
Adjusted EBITDA	2.404	2.267	1.025	863	735
Amortisation and depreciation etc.	2.344	1.312	174	313	318
Operating profit (EBIT)	(913)	(744)	761	528	417
Net financial items	(1.293)	(1.497)	(87)	(57)	(109)
Profit/(loss) before tax	(2.206)	(2.241)	675	470	306
Profit/(loss) for the year	(1.816)	(2.156)	527	365	163
Balance sheet, DKKm					
Assets	55.659	56.008	5.425	5.117	4.366
Equity	17.280	19.080	1.150	1.591	1.289
Other key figures, DKKm					
Investment in property, plant and equipment	260	314	139	152	118
Cash flow from operating activities	2.006	1.500	732	572	634
Average number of employees	10.836	10.965	4.225	4.065	3.974
Financial ratios					
Gross profit margin	56,0%	60,1%	74,2%	69,4%	68,2%
EBITDA margin	11,1%	4,6%	21,0%	19,3%	19,1%
Adjusted EBITDA margin	18,5%	18,2%	23,0%	19,9%	19,1%
Profit margin (EBIT margin)	(7,0%)	(6,0%)	17,1%	12,1%	10,8%
Return on equity	(10,5%)	(11,3%)	38,5%	25,4%	13,4%
Equity ratio	31,0%	34,1%	21,2%	31,1%	29,5%

Key Figures/ Financial ratios definitions	
EBITDA	Earnings before interest, tax, depreciation, amortisation investments in associates after tax
Net financial items	Interest income, interest expenses and other financials net
Gross profit margin	Gross profit/(loss) x 100/Revenue
EBITDA margin	EBITDA x 100/Revenue
Adjusted EBITDA margin	Adjusted EBITDA x 100/Revenue
Profit margin (EBIT margin)	Operating profit/(loss) x 100/Revenue
Return on equity	Profit/(loss) for the year x 100/Average equity
Equity ratio	Total Equity/ Total Assets x 100

Primary activities

T&W Medical A/S (TWM) is the holding company for the Tøpholm and Westermann families ownership in the WS Audiology Group (WSA), T&W Holding (TWH), UNEEG Medical (UM) and other group companies. WS Audiology Group (WSA) is the combination of former Widex and Sivantos that develops and manufactures hearing aids and associated products that are sold globally through own sales companies and independent distributors. T&W Holding (TWH) is the main investment company of the Tøpholm and Westermann families and UNEEG Medical (UM)` main activity is commercialisation of active implantable devices and other EEG-/neurological medical devices supported by T&W Engineering (TWE) which main activity is research and development of technology used for measuring long-term EEG and its varied use.

Merger of Widex and Sivantos

WS Audiology A/S was established 28 February 2019 to effectuate the merger of the Sivantos Group and the Widex Group. From an accounting point of view, the Widex Group has been regarded as the accounting acquirer, and the Sivantos Group was 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.

To align the accounting periods in the combined group, TWM and Widex Group in 2018/19 changed its accounting period end from 30 April to 30 September, such that the accounting period is from 1 October to 30 September. The consolidated financial statements for 2018/19 covered 17 months from 1 May 2018 to 30 September 2019 and includes the financials for the Sivantos Group from closing of the merger, i.e. 1 March 2019 to 30 September 2019. The comparative periods 2017/18, 2016/17 and 2015/16 respectively represent the business of the TWM Group only.

Key figures and financial ratios for 2019/20, 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.

Financial review

As for many companies, fiscal year 2019/20 was an eventful year, during which TWM Group delivered a total revenue of DKK 12.965 million. Revenue grew by 4% in absolute terms supported by the merger in 2019, whereas in the second half of the fiscal year the average monthly sales dropped below the levels of fiscal year 2018/19 due to the COVID-19 pandemic and the related lockdowns in all major markets, especially the US and Europe.

In October 2019, WSA successfully dealt with a malware attack that impacted sales of Signia temporarily. Strong crisis management meant the situation was under control within a matter of weeks.

The lack of a Widex lithium-ion rechargeable solution impacted sales in the product portfolio in the earlier part of the year, but this was successfully mitigated by several product launches including the Signia Xperience platform in November 2019 and Widex Moment in early March 2020 as well as other organic growth initiatives across the business, particularly in the online (audibene) and Managed Care (TruHearing) segments.

Gross profit ended at DKK 7.255 million corresponding to 56% gross margin. The gross margin declined compared to previous year due to a combination of change in business mix as well as the decreased sales and consequently increased fixed costs ratio as a result of COVID-19.

The Group considers one-time costs and one-time gains as normalization items if they are unusual or non-recurring in nature. These are excluded from the Adjusted EBITDA and Adjusted EBITDA margin. The total normalisation for the fiscal year 2019/20 amounts to DKK 968 million (2019/20: DKK 1.699 million) and is mainly driven by costs related to the merger and restructuring of DKK 372 million, asset impairment of DKK 261 million, and ERP implementation costs of DKK 134 million.

Adjusting for normalization items, Adjusted EBITDA was DKK 2.404 million corresponding to an adjusted EBITDA margin of 18,5%. Adjusted EBITDA was positively impacted by a change of accounting policy (IFRS 16) in the year whereby operating lease costs are now recognised in the consolidated income statement as depreciation of right of use (ROU) assets and interest on lease liabilities (Please refer to Note 1.4 for a detailed explanation on the implementation of IFRS 16 and Note 3.4 for the financial impact of IFRS 16). Adjusting for this effect the margin would have been 16%. This was lower than previous year mainly because of the COVID-19 effects mentioned above.

Earnings before Interest, Tax, Depreciations and Amortizations (EBITDA) ended at DKK 1.436 million corresponding to an EBITDA margin of 11% driven by the lower gross margin and significant one-time costs related to transformation projects following the merger, asset impairment and compensation to customers. This was partially offset by the implementation of IFRS 16.

Operating results (EBIT) ended at DKK -913 million corresponding to an EBIT margin of -7%. Adjusting for one-time costs and amortisation and depreciation of the fair value uplift of the merger-related assets of DKK 2.487 million, the operating results ended at DKK 595 million or an adjusted EBIT margin of 5%.

Net Financial items ended at DKK -1.293 million driven in particular by interest expenses of DKK 1.686 million, which were partially offset by foreign currency gains and fair value adjustments to derivatives and a return on securities and other investments in TWH of DKK 140 million. 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 DKK -2.206 million and Group net results after tax ended at DKK -1.816 million. Despite the negative net results after tax, the Group remains well positioned with an equity ratio of 31% and a solid financial and liquidity position. The capital structure and financial items are described in detail in Note 4.

Despite the challenging market environment due to COVID-19, EBITDA and EBITDA margin increased.The reported financial result did not meet the expectiation set out in the annual report for 2018/19, mainly due to COVID-19, however Management is satisfied with the results considering the significant efforts from the organization managing the impact from the pandemic, while creating significant progress on merging the previous two companies into one Group with one purpose and strategy.

Outlook

The merger between two leading hearing aid companies forming WSA has created a strong player, which is coming out of a turbulent financial year 2019/20 even stronger. In 2020/21 the Group aims at accelerating growth using the unique portfolio of differentiated product brands and attractive sales channels 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 profitability. The Group will continue to invest 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 deliver double digit organic revenue growth for the group in the financial year 2020/21, while improving the adjusted EBITDA margin to above 20% and hence above the level of 2019/20 due to a combination of realization of synergies related to the merger, scalability from the revenue growth as well as continued cost discipline. It should be noted that market uncertainty remains higher than normal due to the ongoing pandemic.

For the TWM financial investments activities mainly executed in T&W holding, Management expects result for 2020/21 before tax to be in the range of DKK 350-500 million depending on the development of the financial markets. For the other activities within TWM incl. UNEEG Medical and T&W Engineering, the reseach and development and commercialisation activities will continue and result of the these before tax is expected to be in the range of DKK 90-110 million (negative) in 2020/21 depending on level on delvelopment projects.

Risk management

The Group considers risk management as a key part of effective management and internal control. The Group has implemented internal control systems 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 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 - most recently the shift towards rechargeable products across all major markets. For the WSA 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 that is characterized by some price pressure. In order to compensate for the pressure, the Group constantly develops new products and offerings are constantly developed with new and enhanced consumer value propositions. Good examples of this are the launch of the new technology platform 'Signia Xperience' in September 2019, which is the first hearing aid platform with integrated motion sensors to provide an audiological benefit, adding additional value to the consumer experience, as well as the launch of Widex Moment in March 2020, which offers the market's fastest sound processing to deliver the most natural sound experience. These launches have further been supplemented by award winning and unique form factors such as Styletto X and Silk X as well as the launch of Rexton M-Core R.

The risks of new competitor entrants offering over the counter ("OTC") products exist, but the impact on the current hearing aid business is expected to 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 are expected to 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 audiometry software, hearing instruments and related accessories, software and apps, to the public and, (iii) the development, testing, manufacturing, labelling, premarket clearance and approval, and marketing, export and import of audiometry software, hearing instruments, related accessories, software and apps. 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 behaviour, 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 SGD, JPY, USD, CAD, AUD and GBP 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 consideration of 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 2020. Please refer to Notes 3.5 and 3.8 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 2020, 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.

Statutory report on corporate social responsibility

This report constitutes the consolidated statements on corporate social responsibility and gender diversity 2020, cf. the Danish Financial Statements Act sec. 99a and 99b for T&W Medical A/S.

Business Model
T&W Medical A/S (TWM) is the holding company for WS Audiology A/S (WSA) and other investment and portfolio companies owned by Tøpholm and Westermann families. For a more detailed description of the business model of WSA please refer to the Annual Report 2019/20 for the company.

CSR Policies
TWM and WSA supports the 10 principles of the UN Global Compact. WSA has joined the UN Global Compact and is in the process of incorporating the principles into the strategies, policies and procedures, covering human rights, environment and climate protection, social and employee matters and anti-corruption.

TWM follows the progress through its active ownership and board participation in WSA. In this report, the CSR Report of WSA outlining the policies, activities and results for 2019/20 which can be found below.

TWM has not developed separate group CSR policies for its subsidiaries or a separate formalized CSR policy for the financial investments at this point, since this has not been considered necessary considering the extent of the investment activities. However, as part of the regular monitoring of the financial investments within TWM, Management and the owner families set expectations of the investment companies acting and being in compliance with law and international conventions.

Within investment activities, TWM has - trough funds - invested in energy infrastructure projects and in particular renewables and greenfields. The investments are part of the green energy transition and comprise newly constructed energy capacity such as solar plants and wind turbines.

Within real estate investments, TWM is the owner of the building in Lynge which houses the shared headquarter and manufacturing site for WSA as well as the headquarter for T&W Medical A/S, T&W Holding A/S, T&W Engineering A/S, UNEEG Medical A/S.

Since the construction in 2010, the building has been CO2 neutral, and in the daily use of the property focus is centered around saving of energy and minimum exploitation of natural resources. Thus, rain water is collected and used for toilet flushing and waste heat from production is reused for the heating of domestic water.

The electricity consumed to run the building and the production facility is produced by the Group’s own wind turbine and solar cells installed on the building. In periods in which the company’s own production of electricity does not cover the energy demand, “green” electricity is purchased from the grid. In addition, sensors are applied in the entire building to minimize the consumption of energy.

Furthermore, an advanced system for ground water heat exchange is established by which excess heat from the cooling of the building during the summer is collected and stored in the subsurface and subsequently, the energy is used to heat the building in the winter.

CSR risk evaluation and mitigation
The principal CSR risks in the TWM Group in terms of human rights, environment and climate protection, social and employee matters and anti-corruption are mainly related to the activities in WSA. The risk evaluation and mitigation procedures are described in the WSA CSR Report presented below.

Gender diversity
TWM promotes diversity at all levels of the Group. Discrimination and harassment are not tolerated in any form. WSA released our Group Harassment-Free Policy in 2020 and communicated to all employees our zero-tolerance policy for any form of harassment in the workplace.

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. Policies, including code of conduct, are in place to support this commitment, including an updated working environment policy and an antiharassment policy.

The share of women in managerial positions is not at the desired level across the Group. We focus on ensuring that gender diversity is promoted. We endeavor to have options on diversity on both gender and nationality when candidates are proposed, especially when we hire for leadership positions. In addition, we ensure gender and nationality representation in leadership courses is examined and calibrated.

For the Family Office, the gender split is 55% women and 45% men (excluding family members) with equal gender diversity in managerial positions.

The board of directors currently consist of six members. At present there are no female board members as the board consists of family owners. The gender target is that the share of women should be two members by 2024. The previous target has not been reached in the re-porting year, as the best qualified candidate for the board who joined during the year was a male member. The board composition will be reviewed on an ongoing basis to ensure the ambition is met.

Policies and contribution to SDGs

WS Audiology's policies for human rights, labor rights, environment, and anti-corruption are reflected in our Code of Conduct and Environmental, Health & Safety Policy (EH&S).

Our Code of Conduct covers:

- How to speak up: the grievance mechanism for internal and external stakeholders to raise concerns to us in a secure manner.
- Conduct in our business: our commitment to complying with applicable laws, rules and regulations, business ethics.
- Conduct towards our customers and society: our commitment to product safety, sourcing responsibly from legitimate and conflict-free mines.
- Working with business partners and suppliers: expectation towards third parties and our commitment to conducting due diligence on third parties.
- Fair treatment of our employees and workspace conduct: our commitment to respecting human rights.
- Financial integrity and protection of our assets: our commitment to maintaining accurate and complete business records, to respecting intellectual property rights.

Our Environmental, Health & Safety Policy covers our commitment to:

- Providing safe and healthy working conditions 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 and performance to bring us closer toward the goal of zero accidents, zero health impact and zero waste.

By signing WS Audiology to the UNGC, we reinforced our former commitment out of conviction. Also, WSA has formally committed to The Ten Principles of UNGC, which cover human rights, labor, environment and anti-corruption.

We already know how important the provided value system and principles-based approach is for doing business. The SDGs, a set of global goals to transform our world, have provided a shared language and universal compass to help navigate the challenges of the 21st century. This is also the reason why WSA aims to further broaden their commitment and increase their impact. Not only did WSA hire a dedicated Global Head of Sustainability, but we have redefined sustainability as central component of our corporate strategy and have built a sustainability board with no less than 5 of our Global Management Board members.

In 2020, we defined four sustainability goals for WS Audiology:

- Be the front-runner in communicating the hearing crisis.
- Be the leader in accessibility to hearing care at every relevant price point.
- Be the most environmentally-friendly hearing aid manufacturer.
- Be the most diverse and inclusive hearing aid company.

Our new sustainability strategy will enable us to continuously contribute to the following five UN Sustainable Development Goals (SDGs):

SDG 3 – Good Health and Well-being
SDG 5 – Gender Equality
SDG 8 – Decent Work and Economic Growth
SDG 12 – Responsible Consumption and Production
SDG 13 – Climate Action

Environment and Climate

As mentioned in our Environmental, Health & Safety Policy, WSA is committed to **ensuring that our product life cycle contributes to a sustainable future by** continuously reducing the company's impact on the environment and climate. We contribute to the SDG12 **Responsible Consumption and Production**.

WS Audiology's manufacturing process overall has limited impact on the environment, because the total amount of material consumption for producing hearing aid devices is small and the production process is not energy intensive.

Despite the limited impact, WSA continues to explore opportunities to reduce our environmental impact via the regular maintenance of production processes and environmental management systems. In 2020, we continue to maintain our environmental management system at the main production sites in Singapore, China and Poland. In 2021, we aim to have our production site in Denmark also ISO 14001 certified.

Waste handling
In 2020, we focused attention on the definition of hazardous waste in the regulations of various countries by making these definitions familiar to every employee through visual management, so that hazardous waste was disposed of in accordance with the correct disposal process. For the first time, we also measured the amount of hazardous waste generated globally, setting a benchmark for future reduction of hazardous waste.

33 tons of hazardous waste were generated and disposed of in a legally compliant and sustainable manner with proper records and verifiable data across our main production sites in 2020. Our engineering department constantly explores alternative materials to reduce the hazardous waste generation.

Climate change
WSA is also committed to contribute to the SDG 13 Climate Action.

We have the ambition to further reduce our greenhouse gas emission from our operations around the world. We aim at setting accurate baseline of our greenhouse gas emission and concrete targets for reducing the emission in 2021.

Labor rights

As reflected in our Code of Conduct, we support the principles defined within the International Labor Organization Core Conventions and the United Nations (UN) Global Compact Ten Principles.

We continue to monitor and mitigate any other labor rights risks through complying with national legislation, having open and honest relationships with employees, and respecting their right to be informed, heard and to voice their concerns in an open and transparent manner.

Health and safety
As mentioned in our Environmental, Health & Safety Policy, WSA is committed to providing safe and healthy working conditions for our employees, contractors and visitors, and systematically eliminating hazards and reducing risks.

During COVID-19 pandemic, we responded swiftly and minimized the impact. Our production was running at full speed. We also managed to change people's habits in a very short time. By the end of financial year 2020, we keep monitoring the COVID-19 pandemic, and take all possible measures to ensure the health of our employees.

In 2020, we continue to maintain our health and safety management system at the production sites at Singapore, China and Poland. In 2021, we aim to have our production site in Denmark also ISO 45001 certified.

In 2020, we had 8 recordable injury accidents in 3 production sites, all accidents were investigated, and corrective and preventive actions implemented to prevent similar cases happening again.

Freedom of association and rights to collective bargaining
We respect our employees' freedom of association and their rights to collective bargaining. The employee representatives in workers councils in selected countries continue to facilitate the dialogue between the company and employees.

Employee Representatives from fourteen countries are continuing the negotiations for an agreement towards a WS Audiology European Works Council. The process to establish a WS Audiology European Works Council was started in 2019.

A Special Negotiation Body, consisting of employee representatives from Italy, Germany, France, Hungary, Austria, Czech Republic, Norway, the Netherlands, Poland, UK, Sweden, Slovakia and Denmark has been formed. Special Negotiation Body and WS Audiology Management are in negotiations to reach an agreement on the structure of the European Works Council, which can take up to three years under European Union Rules. Latest 2022 a European Works Council will be established.

Child labor and forced labor
Our thorough hiring procedures ensure we have no child labor or any forms of forced and compulsory labor anywhere in our own operation.

Diversity and inclusion
We promote diversity at all levels of the Group. Discrimination and harassment are not tolerated in any form. We released our Group Harassment-Free Policy in 2020 and communicated to all employees our zero-tolerance policy for any form of harassment in the workplace.

The share of women in managerial positions is not at the desired level across the Group. We focus on ensuring that gender diversity is promoted. We endeavor to have options on diversity on both gender and nationality when candidates are proposed, especially when we hire for leadership positions. In addition, we ensure gender and nationality representation in leadership courses is examined and calibrated.

We have a very diversified team when it comes to passport diversity. Our total employee population consists of people with 63 different nationalities. The Group Management team consists of 12 members with 8 different nationalities located in Denmark, Germany, Singapore and USA.

Employee engagement
WS Audiology is committed to high workplace satisfaction and active engaged employees.

In October 2019, we completed the first WSA employee engagement survey, facilitated by Great Place To Work Institute®. 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. Six WS Audiology countries attained a Trust Index© of more than 70% to be certified as a Great Place to Work.

To ensure that we have sufficient time to follow up on the outcome of the survey and make improvements, we decided not to repeat the survey every year. In addition, in 2020, we focus on engaging our employees to build WSA's "to be" culture.

Human Rights

As reflected in our Code of Conduct, we believe that respecting human rights is fundamental to our way of business. We support the United Nations (UN) Global Compact Ten Principles and the UN Guiding Principles on Business and Human Rights.

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.

Product safety
As a medical device company, we understand that product safety must 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 2018-2020.
In Europe, WSA is one of the first hearing aid manufacturing companies audited successfully under the new Medical Device Regulations (MDR) and received the new certificates in 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.

Local community engagement
Helping others fully participate in life again is a great motivation for many of the employees who work for us.

WS Audiology follows an "every-step-counts" approach and encourages its personnel to participate in any activity that makes a difference. We have a broad-scope of engagement that has been driven by the passion of our people. Three recent examples:

- Lebanon:
  On the 4th of August 2020, a terrifying explosion ripped through the heart of Beirut, killing around two hundred people, injuring thousands, and damaging the hearing of many. WS Audiology donated 100 Widex Dream hearing aids to Lebanon to help those in need.

- Philippines:
  2020 was a challenging year for everyone but even more so for the Philippines, which suffered a volcano eruption earlier in January and has been severely battered by successive typhoons towards the end of the year. Many people lost homes and livelihoods. WSA and its employees raised funds to support people affected by the Taal Volcano eruption. WSA employees also collected and distributed relief goods to families staying outside of the evacuation centers.

- Germany:
  WS Audiology works with the German Lions on the "Help for Little Ears" project. Together, they provide people in need with hearing aids and a chance to live independently. Through the project, implemented by the Lions Club Kelkheim, around 30,000 hearing aids have already been fitted to patients in many parts of the world. These hearing aids, which often come from WS Audiology, are passed on to charitable aid organizations for suitable projects with the hard of hearing. On-site specialists adapt the devices to the patients individually. The collaboration with the German Lions is long term.

Besides donating hearing aid devices, we also offer audiological services free of charge to selected groups of people that would otherwise have no access to such healthcare. Although the frequency of these projects has slowed due to COVID-19, we were still able to support those who needed it most.

Furthermore, WS Audiology has long-standing partnerships with many universities worldwide forming the foundation for disruptive innovations.
At a time when we are more physically separated than ever before, our US entity has taken action against racism, bias and discrimination and empowered their people to use two paid days per year to participate in charitable causes in their communities, combatting our collective complicity, naivete and cultural blinders.

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. This commitment and zero-tolerance approach are entrenched in our WS Audiology Code of Conduct ("Code") which guides the organization and employees in conducting their day-to-day business.

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, North America, and Asia (Singapore and Japan), 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 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, 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 Code, internal policies and trainings set the basis for our system that is designed to prevent, detect, and respond to potential violations of anti-corruption and bribery regulations. All employees at WS Audiology must read and become familiar with our Code, as its principles need to be a part of their daily work. Employees who are required to deal with customers, government-related bodies and other relevant stakeholders are provided with additional training.

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 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, 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 is always 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 financial year, there has not been any substantiated breaches of corruption or bribery incidents.

No reports were made to the Ombudsman on corruption or bribery incidents in the last financial year.

Supplier Due Diligence

As reflected in our Code of Conduct, we refuse to work with third parties that do not share our commitment to integrity.

The WS Audiology Code of Conduct for Suppliers reflects our internal values and the expectations of external stakeholders, such as customers, regulators, investor and the public. We find business relationships are more productive and effective when they are built on trust, mutual respect and common values, and seek relationships with suppliers who share our vision.

Our Code of Conduct for Suppliers covers the following topics

- Legal compliance
- Prohibition of corruption and bribery
- Respect for the basic human rights of employees and right to work (incl. forced labor)
- Prohibition of child labor
- Health and safety of employees
- Environmental protection

- Supply chain, sourcing of materials and trade
- Business continuity and monitoring

As part of our sourcing procedure, all potential suppliers that enter tenders must sign the Code of Conduct for Suppliers.

We conduct due diligence to evaluate the qualifications and reputation of third parties and avoid working with third parties whose standards are incompatible with our Code. The supplier due diligence is imbedded in the quality audit, which is conducted by our Supplier Quality Management team.

The code of conduct check is performed together with the supplier quality audit for all planned periodic audits or for new suppliers.
Due to COVID-19 restrictions, the Supplier Quality Management team performed fewer audits in 2020. The team conducted 3 supplier Code of Conduct audits. No non-compliance was observed during the audit.

Consolidated financial statements

Consolidated income statement

DKKm	Notes	1 October 2019 - 30 September 2020 (12 month)	1 May 2018 - 30 September 2019 (17 month)
Revenue	2.1	12.965,3	12.462,4
Cost og goods sold		(5.710,0)	(4.977,8)
Gross profit		**7.255,3**	**7.484,6**
Research and development costs	3.1	(655,7)	(633,5)
Selling and general admin expenses		(7.521,7)	(7.557,4)
Other operating income & costs		(8,9)	(27,9)
Share of profit/(loss) in associates	5.6	17,6	(9,7)
Operating (loss)/profit		**(913,4)**	**(743,9)**
Interest income	4.4	86,0	79,6
Interest expenses	4.4	(1.686,1)	(1.004,4)
Other financials net	4.4	307,5	(572,5)
Financing, net		(1.292,6)	(1.497,3)
Profit before tax		**(2.206,0)**	**(2.241,2)**
Tax on profit/(loss)	2.3	389,6	85,3
Group share of result		**(1.816,4)**	**(2.155,9)**
Shareholders of T&W Medical		(1.048,1)	(1.125,1)
Minority interests share of result		(768,3)	(1.030,8)

Consolidated statement of comprehensive income

(Loss)/profit for the year	**(1.816,4)**	**(2.155,9)**
Items that will not be reclassified to profit or loss		
Actuarial losses	(20,9)	(71,7)
Tax on items that will not subsequently be reclassified to the income statement	6,0	20,0
Items that may be reclassified subsequently to profit or loss		
Change in fair value gains of cash flow hedge	(0,7)	(73,2)
Tax on items that have been or may subsequently be reclassified to the income statement	12,7	(3,2)
Foreign exchange adjustment	(152,1)	134,0
Other comprehensive income for the year, net of tax	**(155,0)**	**5,9**
Shareholders of T&W Medical A/S	(73,4)	(23,2)
Non-controlling interests share of result	(81,6)	29,1
Group share of other comprehensive income	**(155,0)**	**5,9**
Total comprehensive income for the year	**(1.971,4)**	**(2.150,0)**

Consolidated balance sheet

DKKm	Notes	30 September 2020	30 September 2019
BALANCE			
Assets			
Goodwill	3.1	26.056,7	26.108,6
Other intangible assets	3.1	14.781,7	16.043,2
Property, plants and equipment	3.2	1.905,0	2.052,8
Right of use assets	3.4	1.031,5	-
Investments in associates	5.6	166,7	106,6
Deferred tax assets	2.3	755,7	515,1
Other non-currents financial assets	3.5	3.678,6	3.806,5
Other non-currents assets	3.6	35,0	35,1
Total non-current assets		**48.410,9**	**48.667,9**
Inventories	3.7	1.052,9	874,9
Trade receivables	3.8	2.122,5	2.434,4
Current income tax receivables		12,3	38,4
Other current financial assets	3.5	1.835,4	2.412,1
Prepayments		1,2	1,4
Other current assets	3.6	286,4	432,1
Cash and cash equivalents		1.937,4	1.146,3
Total currents assets		**7.248,1**	**7.339,6**
Total assets		**55.659,0**	**56.007,5**

DKKm	Notes	30 September 2020	30 September 2019
Equity and Liabilities			
Share capital	4.1	500,0	500,0
Other reserves		(177,8)	(111,9)
Retained earnings		5.459,2	6.514,9
Total equity attributable to the shareholders of T&W Medical A/S		**5.781,4**	**6.903,0**
Non-Controlling interest		11.498,1	12.176,5
Total Equity		**17.279,5**	**19.079,5**
Long-term debts	4.2, 4.3	25.895,2	25.743,6
Lease liabilities	4.3	906,6	-
Pension obligations	5.4	177,2	147,8
Provisions	3.11	183,9	211,3
Deferred tax liabilities	2.3	2.983,7	3.385,7
Other non-current financial liabilities	3.9	791,7	1.204,0
Other non-current liabilities	3.10	495,9	266,0
Total non-current liabilities		**31.434,2**	**30.958,4**
Short-term debts	4.2, 4.3	1.571,5	916,4
Lease liabilities	4.3	247,1	-
Trade payables		1.369,7	1.452,5
Debt to related parties		1.487,3	1.540,2
Current income tax liabilities		224,1	212,8
Provisions - current	3.11	430,4	357,6
Other current financial liabilities	3.9	300,1	280,7
Other current liabilities	3.10	1.315,1	1.209,4
Total current liabilities		**6.945,3**	**5.969,6**
Total liabilities		**38.379,5**	**36.928,0**
Total equity and liabilities		**55.659,0**	**56.007,5**

Consolidated statement of cash flow

DKKm	Notes	1 October 2019 - 30 September 2020 (12 months)	1 May 2018 - 30 September 2019 (17 months)
Operating activities			
(Loss)/profit for the year		**(1.816,4)**	**(2.155,9)**
Depreciation, amort & impair	3.3	2.390,7	1.384,4
Amortisation of transac cost		0,0	74,6
Income tax expenses, net	2.3	(389,6)	(85,3)
Interest expenses, net		1.609,5	730,8
Loss on sales of assets		23,1	14,2
Impairment loss/profit right of use assets	3.4	20,1	-
Share of profit/loss associates		(17,6)	9,7
Income from equity investments, fixed		(36,3)	103,6
Other non-cash adjustments	5.7	(252,8)	294,2
Cash flow from operating activities before changes in working capital		**1.530,7**	**369,6**
Change in inventories		(286,4)	449,4
Change in receivables		218,7	(109,5)
Change in other current assets		126,8	173,9
Change in trade payables		16,7	58,5
Change in other current liabilities		228,6	(129,3)
Change in other assets/liabilities		28,1	484,8
Change in provisions		92,5	58,2
Cash flow from operating activities before financial items and tax		**1.955,7**	**1.355,6**
Financial income received		234,2	307,6
Income taxes paid, net		(183,5)	(163,4)
Cash flow from operating activities		**2.006,4**	**1.499,8**
Acquisition of companies/operations	5.1	(43,2)	(239,6)
Investments in intang & tang assets		(1.002,6)	(837,7)
Investments in other asstes		(7,5)	(1.156,0)
Proceeds from disp intang&tang assets	4.6	38,8	33,9
Proceeds from disp of other assets		231,5	-
Cash flow used in investing activities		**(783,0)**	**(2.199,4)**
Cashflow from operating and investing activities		**1.223,4**	**(699,0)**
Increase in capital reserve and issuance of shares	4.1	197,7	-
Transcation costs issuance long-term debt		(20,9)	(90,3)
Proceeds from long-term & short term debt		2.087,9	3.131,5
Repayments of long-term & short-term debt		(913,0)	(506,7)
Other transactions with non-controlling interest		(8,9)	-
Financial expenses paid		(1.306,6)	(943,5)
Dividens paid to shareholders		0,0	(2,2)
Lease liabilities		(363,1)	-
Change in other short-term debt and other financing activities		(25,4)	(27,6)
Change in debt to related parties		(52,9)	-
Cash flow from/(used in) financing activities		**(405,2)**	**1.561,1**
Net cash flow		**818,2**	**861,5**
Cash & cash equivalents beginning og period		1.146,3	278,1
Adjustments foreign currency cash and cash equivalents		(27,0)	6,7
Cash and cash equivalents, end of period		**1.937,5**	**1.146,3**

Consolidated statement of changes in equity

DKKm	Share capital	Foreign exchange adjustments	Hedging reserve	Retained earnings
Equity at 30 April 2018	**500**	**(127,4)**	**5,0**	**726,7**
Income for the period				
Profit for the period	-	-	-	(1.125,1)
Other transactions with non-controlling interest	-	-	-	6.947,0
Actuarial losses	-	-	-	(33,7)
Adjustment of hedges	-	-	(67,3)	-
Foreign exchange adjustment, etc.	-	63,0	-	-
Tax relating to other comprehensive income	-	-	14,8	-
Total income for the year	**-**	**63,0**	**(52,5)**	**5.788,2**
Equity at 30 September 2019	**500,0**	**(64,4)**	**(47,5)**	**6.514,9**
Income for the period				
Profit for the period	-	-	-	(1.048,7)
Other transactions with non-controlling interest	-	-	-	-
Actuarial losses	-	-	-	(9,8)
Adjustment of hedges	-	-	(0,4)	-
Foreign exchange adjustment, etc.	-	(71,5)	-	-
Tax relating to other comprehensive income	-	6,0	-	2,2
Total income for the year	**-**	**(65,5)**	**(0,4)**	**(1.056,3)**
Equity at 30 September 2020	**500,0**	**(129,9)**	**(47,9)**	**5.458,6**

DKKm	Proposed dividend	Equity of shareholders in T&W Medical A/S	Non-controlling interest	Total Equity
Equity at 30 April 2018	**-**	**1.104,3**	**45,5**	**1.149,8**
Profit for the period	-	**(1.125,1)**	(1.030,8)	**(2.155,9)**
Other transactions with non-controlling interest	-	**6.947,0**	13.132,7	**20.050,2**
Actuarial losses	-	**(33,7)**	(38,0)	**(38,0)**
Adjustment of hedges	-	**(67,3)**	(5,9)	**(5,9)**
Foreign exchange adjustment, etc.	-	**63,0**	71,0	**120,4**
Tax relating too the rcomprehensive income	-	**14,8**	2,0	**2,0**
Total income for the year	**-**	**5.798,7**	**12.131,0**	**17.972,8**
Equity at 30 September 2019	-	**6.903**	**12.176,5**	**19.079,5**
Income for the period				
Profit for the period	0,6	**(1.048,1)**	(768,3)	**(1.816,4)**
Other transactions with non-controlling interest	-	**-**	168,4	**168,4**
Actuarial losses	-	**(9,8)**	(5,2)	**(15,0)**
Adjustment of hedges	-	**(0,4)**	-	**(0,4)**
Foreign exchange adjustment, etc.	-	**(71,5)**	(80,6)	**(152,1)**
Tax relating to other comprehensive income	-	**8,2**	7,3	**15,5**
Total in come for the year	**0,6**	**(1.121,6)**	**(678,4)**	**(1.800,0)**
Equity at 30 September 2020	**0,6**	**5.781,4**	**11.498,1**	**17.279,5**

Notes to the consolidated financial statements

1. Basis for preperation

1.1 Establishment of WS Audiology A/S
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

3. Operating assets and liabilities

3.1 Intangible assets
3.2 Property, plant and equipment
3.3 Depreciation, amortization and impairment
3.4 Right of use asset/lease liabilities
3.5 Other non-current and current financial assets
3.6 Other non-current and current assets
3.7 Inventories
3.8 Trade receivables and contract assets
3.9 Other non-current and current financial liabilities
3.10 Other non-current and current liabilities
3.11 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
4.5 Government grants

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 liabilities and secruities
5.6 Associates
5.7 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 T&W Medical A/S 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 T&W Medical 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 Danish Kroner (DKK) which is the functional currency of T&W Medical A/S. All values are rounded to the nearest million (DKK) with one decimal, except where indicated otherwise.

The Group's general accounting policies are described in section 1.2 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.

1.1 Establishment of WS Audiology A/S

WS Audiology A/S was established on 28 February 2019 to effectuate the merger of the Sivantos Group and the Widex Group.

To align the accounting periods in the combined group, TWM Group had changed its accounting period end from 30 April to 30 September, such that the accounting period would be from 1 October to 30 September. Therefore, the consolidated financial statements for 2018/19, which is the year in which the accounting period had changed, covered 17 months from 1 May 2018 to 30 September 2019. These comparative figures were presented according to the IFRS framework.

1.2 General accounting policies

Basis of consolidation

The consolidated financial statements comprise the financial statements of T&W Medical A/S (the parent company) and subsidiaries, which are entities controlled by T&W Medical 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 or the reporting entities in the Group. The functional currency is the primary currency used for the reporting entity's operations. Transactions denominated in other that 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 DKK, at the exchange rates at the reporting date. The income statements and statements of cash flows of foreign operations are translated into DKK 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 on 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
Recognition and measurement of development projects	3.1. Intangible assets
Impairment testing, useful lives and residual values	3.3. Depreciation, amortisation and impairment
Loans to customers – Initial recognition at fair value and allowance for expected credit losses	3.5 Other current and non-current financial assets
Measurement of provisions	3.11 Provisions
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

On 1 October 2019, the Group has adopted the new or amended IFRS Standards and IFRIC interpretations that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective IFRS and IFRIC guidances.

The adoption of these new or amended IFRS standards and IFRIC interpretations did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years except for the adoption of IFRS 16 Leases.

Adoption of IFRS 16 *Leases*

When the Group is the lessee:

Prior to the adoption of IFRS 16, non-cancellable operating lease payments were not recognised as liabilities in the balance sheet. These payments were recognised as rental expenses over the lease term on a straight-line basis.

The Group's accounting policy on leases after the adoption of IFRS16 is as disclosed in Note 3.4.
On initial application of IFRS 16, the Group has elected to apply the following practical expedients:

i) For all contracts entered into before 1 October 2019 and that were previously identified as leases under IAS 17 *Leases* and IFRIC 4 *Determining whether an Arrangement contains a Lease*, the Group has not reassessed if such contracts contain leases under IFRS 16; and

ii) On a lease-by-lease basis, the Group has:

   a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
   b) relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
   c) accounted for operating leases with a remaining lease term of less than 12 months as at 1 October 2019 as short-term leases;
   d) excluded initial direct costs in the measurement of the right of use ("ROU") asset at the date of initial application; and
   e) used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

There were no onerous contracts as at 1 October 2019.

For leases previously classified as operating leases on 1 October 2019, the Group has applied the following transitional provisions:

i) Recognised its lease liabilities by discounting the remaining lease payments as at 1 October 2019 using the incremental borrowing rate for each individual lease or, if applicable, the incremental borrowing rate for each portfolio of leases with reasonably similar characteristics.

ii) The standard was implemented on 1 October 2019 using the modified retrospective approach, where the ROU assets on transition are measured at an amount equal to the lease liability at the date of initially applying the standard without restating comparative figures.

iii) For leases previously classified as finance leases, the carrying amounts of the leased assets and finance lease liabilities as at 1 October 2019 are determined as the carrying amount of the ROU assets and lease liabilities.

On transition to IFRS 16, the Group recognised additional ROU assets, and additional lease liabilities adjusted by the amount of any prepaid or accrued lease payments related to that lease recognised in the statement of financial position immediately before the date of initial recognition. The impact on transition is summarised below:

DKKm	**1 October 2019**
Right Of Use assets	1.245,1
Lease liabilities	1.316,7

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using the applicable incremental borrowing rates as at 1 October 2019. The range of incremental borrowing rates applied across the various entities across the Group was 3.3% - 11.5%.

An explanation of the differences between the operating lease commitments previously disclosed in the Group's financial statements as at 30 September 2019 and the lease liabilities recognised in the balance sheet as at 1 October 2019 are as follows:

DKKm	**1 October 2019**
Operating lease commitments at 30 September 2019 as disclosed under IAS 17 in the Group's consolidated financial statements	1.409,8
Discounted using the incremental borrowing rate at 1 October 2019	(282,2)
Recognition exemption for leases of low-value assets	(7,4)
Recognition exemption for leases with less than 12 months of lease term	(57,3)
Non-lease components separated	(71,5)
Extension options reasonably certain to be exercised	339,5
Disposal of subsidiary	(38,0)
Others	23,8
Lease liabilities recognised at 1 October 2019	**1.316,7**

2 Results of the year

2.1 Revenue

DKKm	1 October 2019 - 30 September 2020 (12 months)	1 May 2018 - 30 September 2019 (17 months)
Revenue by geographic region:		
EMEA-LA	5.344,3	4.412,0
North-America	5.811,4	5.543,3
Asia-Pacific	1.809,6	2.507,1
Total	**12.965,3**	**12.462,4**
Hereof US	5.341,7	4.544,9
Hereof Germany	1.699,3	1.233,7
Hereof Other	5.924,3	6.683,8
Total	**12.965,3**	**12.462,4**

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 constitue a single operating segment.

Contract liabilities
The T&W Medical A/S Group has recognised the following liabilities related to contracts with customers:

DKKm	1 October 2019 - 30 September 2020 (12 months)	1 May 2018 - 30 September 2019 (17 months)
Customer prepayments	76,1	90,3
Deferred revenue	189,4	147,0
Volume discounts	298,2	206,0
Right of returns	198,3	183,6
Contract liabilities with customers	**762,0**	**626,9**

Significant changes in the contract liabilities balances during the year are as follows:

DKKm	1 October 2019 - 30 September 2020 (12 months)
Contract Liabilites	
Opening balances as at 1 October 2019	626,3
Foreign Currency Translation Adjustments	(23,9)
Revenue recognised that was included in the contract liability from prior year and current year balance	(278,9)
Increases due to cash received excluding amounts recognised as revenue during the year	429,5
Others	8,9
Total	**761,9**

DKKm	1 May 2018 - 30 September 2019 (17 months)
Revenue recognised that was included in the contract liability balance from prior year	(27,6)
Total	**(27,6)**

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 and extended warranties
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. Note 3.5 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 warranties for inventories sold. The extended warranty is a distinct service to the customer. 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, in some cases up to 60 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.

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. Note 3.5 Other non-current and current financial assets) is based on the customers total 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

DKKm	1 October 2019 - 30 September 2020 (12 months)	1 May 2018 - 30 September 2019 (17 months)
Wages, salaries and remuneration	4.227,2	3.869,2
Statutory social welfare contributions and expenses for optional support	463,5	471,3
Expenses relating to pension plans and employee benefits	135,3	229,1
Total	**4.826,0**	**4.569,6**
Average number of full-time employees	10.836	10.965

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

DKKm	1 October 2019 - 30 September 2020 (12 months)	1 May 2018 - 30 September 2019 (17 months)
Tax on profit/(loss)		
Current tax for the year	(256,6)	(174,8)
Deferred tax for the year	623,8	234,5
Effect of change in income tax rates	(17,9)	14,1
Withholding tax	(5,2)	(3,7)
Adjustment to current tax with respect to prior years	32,1	33,1
Adjustment to deferred tax with respect to prior years	13,4	(17,9)
Total	**389,6**	**85,3**
Reconciliation of effective tax rate		
Expected income tax (expense)/benefit	462,4	715,0
Non-deductible expenses	(144,7)	(283,5)
Non-taxable income	76,8	(170,2)
Adjustment of tax with respect to prior years	45,5	12,4
Reassessment of deferred tax assets on tax losses and temporary differences	(151,8)	(110,4)
Effect of change in income tax rates	(17,9)	14,2
Effect of tax rates in foreign jurisdictions	50,7	(97,7)
Tax incentives	57,4	23,1
Withholding tax	(5,2)	(3,7)
Other, net	16,4	(13,7)
Total	**389,6**	**85,3**
Tax relating to other comprehensive income		
Actuarial gains	(4,5)	(20,2)
Adjustment of hedges	(0,7)	14,0
Foreign exchange adjustments, etc.	(12,5)	17,2
Total	**(18,7)**	**11,0**

Deferred tax

DKKm	1 October 2019 - 30 September 2020 (12 months)	1 May 2018 - 30 September 2019 (17 months)
Deferred tax, net 1 October	(2.868,9)	137,3
Foreign currency translation adjustments	2,2	2,2
Changes in deferred tax assets/(liabilities)	621,1	240,0
Additions relating to acquisitions	(1,5)	(3.261,6)
Adjustment of deferred tax, prior years	18,4	(17,9)
Impact of changes in corporate tax rates	(17,9)	14,2
Deferred tax relating to changes in equity, net	18,6	16,9
Deferred tax, net	**(2.228,0)**	**(2.868,9)**
Deferred tax recognised in the balance sheet		
Deferred tax assets	755,7	515,1
Deferred tax liabilities	(2.983,7)	(3.385,7)
Deferred tax, net	**(2.228,0)**	**(2.868,9)**

Breakdown of the Group's temporary differences and changes

DKKm	Tax effect of Temporary differences at 30 September 2019	Exchange rate adjustments	Acquisitions
Financial assets	128,4	-	-
Intangible assets	(3.430,6)	27,6	(1,5)
Property, plant and equipment	(98,1)	5,2	-
Inventories	153,0	(2,2)	-
Receivables	(62,0)	(3,0)	-
Pension plans and similiar commitments	(17,9)	(0,7)	-
Provisions	93,5	(2,5)	-
Liabilities	19,8	(13,4)	-
Tax loss and credit carry-forward	334,3	(9,7)	-
Other	10,7	1,5	-
Total	**(2.868,9)**	**2,8**	**(1,5)**

DKKm	Recognised in profit for the year	Other comprehensive income	Tax effect of Temporary differences at 30 September 2020
Financial assets	(1,5)	-	**126,9**
Intangible assets	402,6	-	**(3.001,9)**
Property, plant and equipment	(5,3)	-	**(98,2)**
Inventories	18,6	-	**169,4**
Receivables	85,7	-	**20,7**
Pension plans and similiar commitments	(0,7)	6,0	**(13,3)**
Provisions	(3,7)	-	**87,3**
Liabilities	59,5	-	**65,9**
Tax loss and credit carry-forward	35,8	-	**360,4**
Other	42,6	-	**54,8**
Total	**633,6**	**6,0**	**(2.228,0)**

DKKm	Tax effect of Temporary differences at 30 April 2018	Exchange rate adjustments	Acquisitions
Financial assets	(5,2)	-	121,7
Intangible assets	(14,1)	(9,7)	(3.489,7)
Property, plant and equipment	(68,8)	(0,7)	(53,8)
Inventories	(64,1)	-	29,9
Receivables	(16,4)	(2,2)	(47,8)
Pension plans and similiar commitments	-	0,7	(32,9)
Provisions	18,6	3,7	53,8
Liabilities	56,6	0,7	(156,0)
Tax loss and credit carry-forward	69,3	5,2	308,4
Other	-	-	4,8
Total	**(24,1)**	**(2,3)**	**(3.261,6)**

DKKm	Recognised in profit for the year	Other comprehensive income	Tax effect of Temporary differences at 30 September 2019
Financial assets	11,9	-	**128,4**
Intangible assets	81,7	-	**(3.430,6)**
Property, plant and equipment	11,1	-	**(98,1)**
Inventories	59,0	-	**153,0**
Receivables	(14,9)	-	**(62,0)**
Pension plans and similiar commitments	(6,0)	20,0	**(17,9)**
Provisions	17,2	-	**93,2**
Liabilities	118,5	(3,2)	**19,8**
Tax loss and credit carry-forward	(48,5)	-	**334,6**
Other	6,2	-	**10,7**
Total	**236,2**	**16,8**	**(2.869,2)**

The tax loss carry-forward (gross amount) of DKK 1.437,1 million (2019: DKK 719,3 million) includes tax losses of DKK 61,0 million (2019: DKK 73,0 million) that can be carried forward for 5 to 20 years. The remaining tax loss have no expiry date.

Unrecognized deferred tax assets
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.

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

DKKm	1 October 2019 - 30 September 2020 (12 months)	1 May 2018 - 30 September 2019 (17 months)
Capital loss carry forwards	-	-
Tax loss carry forwards	2.394,2	1.809,6
Total unrecognized tax carry forwards	**2.394,2**	**1.809,6**

The tax loss carry-forward for period ended 30 September 2019 has been changed from DKK 49,9 million to DKK 1.809,6 million to reflect the correct amount.

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 DKK 26,8 million (2019: DKK 56,7 million) 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.

T&W Medical A/S is jointly taxed with all Danish subsidiaries, 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 TWM 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 TWM 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 resultion of the uncertain tax position.

3 Operating assets and liabilities

3.1 Intangible assets

DKKm	Goodwill	Develop-ment projects	Customer relation-ships, Patents and rights	Software	Total
Cost at 1 October 2019	**26.107,8**	**1.180,6**	**18.620,4**	**493,2**	**46.402,0**
Foreign exchange adjustments	(70,7)	(68,5)	(140,0)	(30,5)	**(309,7)**
Business Combinations	19,6	-	3,0	-	**22,6**
Additions	-	610,4	8,2	122,9	**741,5**
Disposals	-	(62,5)	(30,5)	(26,6)	**(119,6)**
Cost at 30 September 2020	**26.056,7**	**1.659,9**	**18.461,1**	**561,0**	**46.738,6**
Amortisation and impairment at 1 October 2019	**0,8**	**(342,0)**	**(3.625,9)**	**(283,1)**	**(4.250,2)**
Foreign exchange adjustments	(0,8)	28,3	34,3	17,9	**79,7**
Business Combinations	-	-	-	-	**-**
Amortisation	-	(251,8)	(1.482,4)	(116,9)	**(1.851,1)**
Disposals	-	62,8	27,6	20,1	**110,5**
Impairment	-	-	-	12,7	**12,7**
Transfers	-	-	-	-	**-**
Amortisation and impairment at 30 September 2020	**-**	**(502,7)**	**(5.046,4)**	**(349,3)**	**(5.898,4)**
Carrying amount at 30 September 2020	**26.056,7**	**1.156,3**	**13.414,7**	**208,9**	**40.838,4**
Cost at 1 October 2018	**1.237,3**	**97,9**	**494,1**	**152,0**	**1.981,3**
Foreign exchange adjustments	56,0	17,9	129,9	13,4	**217,2**
Business Combinations	24.815,4	575,6	17,995,8	281,5	**43.688,3**
Additions	1,3	489,2	0,6	61,2	**552,3**
Disposals	(2,2)	-	-	(14,9)	**(17,1)**
Cost at 30 September 2019	**26.107,8**	**1.180,6**	**16.620,4**	**493,2**	**46.402,0**
Amortisation and impairment at 1 October 2018	**-**	**-**	**(298,4)**	**(103,1)**	**(401,5)**
Foreign exchange adjustments	-	(7,5)	(21,7)	(8,2)	**(37,4)**
Business Combinations	-	(188,9)	(2.406,4)	(125,4)	**(2.720,7)**
Amortisation	-	(83,6)	(899,5)	(59,0)	**(1.042,1)**
Disposals	-	-	-	12,7	**12,7**
Impairment	-	(62,0)	-	-	**(62,0)**
Transfers	0,8	-	-	-	**0,8**
Amortisation and impairment at 30 September 2019	**0,8**	**(342,0)**	**(3.626,0)**	**(283,0)**	**(4.250,2)**
Carrying amount at 30 September 2019	**26.108,6**	**838,6**	**14.994,4**	**210,1**	**42.151,8**

Please refer to note 5.1 for further information about increases in goodwill related to the business combinations in 2019/20.

There was no impairment losses recognized on goodwill at 30 September 2020 and 30 September 2019. For the financial period ended 30 September 2019, DKK 62,0 million of impairment losses was recognised on development projects due to significant changes in the technological market.

Total expensed development costs

DKKm	1 October 2019 - 30 September 2020 (12 months)	1 May 2018 - 30 September 2019 (17 months)
Research and development cost incurred	989,0	934,1
Development costs capitalised as development projects	(611,2)	(484,6)
Depreciation of operating assets etc., used for development purposes	25,4	25,4
Amortisation and impairment of capitalised developments projects	249,1	152,3
	652,2	**627,2**

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

Internal development expenditure is capitalised only if it meets the recognition criteria of IAS 38 Intangible Assets. Where regulatory and other uncertainties are such that the criteria are not met, the expenditure is charged to profit and loss.

Where, however, recognition criteria are met, intangible assets are capitalised and amortised on a straight-line basis over their useful economic lives from product launch, of which judgement is required.

Costs incurred on development projects are recognized as an intangible asset when the following criteria are met:

- It is technically feasible to complete the product so that it will be available for use;
- Management intends to complete the product and use it;
- The product can be used;
- It can be demonstrated how the product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete development and use the product are available;
- The expenditure attributable to the product during its development can be reliably measured.

Identification of cash generating units

Management has determend that T&W Medical A/S has two operating segments in accordance with IFRS 8, to which goodwill is allocated:

1: Developing, producting and selling of hearing aids (WS Audiology A/S)
2: Development and commercialicing of medical devices within UNEEG Medical A/S.

Management minotors goodwill at the operating segment level.

DKKm	2019/20	2018/2019
WS Audiology A/S	26.028,2	26.078,7
Other investments	28,5	29,9
	26.056,7	**26.108,6**

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

DKKm	Land and buildings and Lease-hold im-provement	Plant and Machinery	Other plant, fixtures and operating equipment	Assets under con-struction	Total
Cost at 1 October 2019	**1.659,2**	**868,2**	**1.065,4**	**80,0**	**3.672,8**
Foreign exchange adjustments	(62,5)	(24,6)	(69,2)	(3,7)	**(160,0)**
Business Combinations	6,0	1,5	0,7	-	**8,2**
Additions	55,1	63,3	117,6	23,8	**259,8**
Disposals	(44,7)	(40,2)	(45,4)	(31,3)	**(161,6)**
Transfers	195,1	-	(195,1)	-	**-**
Disposals of subsidiaries	(8,9)	(0,7)	-	-	**(9,6)**
Cost at 30 September 2020	**1.799,3**	**867,5**	**874,0**	**68,8**	**3.609,6**
Amortisation and impairment at 1 October 2019	**(347,1)**	**(587,0)**	**(677,7)**	**(8,2)**	**(1.620,0)**
Foreign exchange adjustments	31,3	15,6	53,6	-	**100,5**
Business Combinations	(3,0)	(0,7)	(0,7)	-	**(4,4)**
Depreciations	(77,4)	(82,2)	(147,5)	-	**(307,1)**
Disposals	32,7	32,0	61,8	-	**119,1**
Impairment	-	-	-	8,2	**(0,1)**
Transfers	(123,6)	-	115,3	7,4	**-**
Amortisation and impairment at 30 September 2020	**(487,1)**	**(622,3)**	**(595,2)**	**7,4**	**(1.712,0)**
Carrying amount at 30 September 2020	**1.312,2**	**245,2**	**278,8**	**76,2**	**1.905,0**
Cost at 1 May 2018	**1.051,0**	**518,5**	**483,9**	**38,9**	**2.092,3**
Foreign exchange adjustments	29,9	6,0	29,9	1,5	**67,3**
Business Combinations	510,7	279,4	524,1	53,8	**1.368,0**
Additions	90,0	74,7	109,6	39,6	**313,9**
Disposals	(37,3)	(48,5)	(73,1)	(9,7)	**(168,6)**
Transfers	14,9	38,1	(9,0)	(44,1)	**(0,1)**
Cost at 30 September 2019	**1.659,2**	**868,2**	**1.065,4**	**80,0**	**3.672,8**
Amortisation and impairment at 1 May 2018	**(87,9)**	**(380,7)**	**(345,7)**	**-**	**(814,2)**
Foreign currency translation adjustments	(12,7)	(3,7)	(22,4)	-	**(38,8)**
Business Combinations	(165,0)	(144,8)	(277,0)	-	**(586,8)**
Depreciation for the year	(100,3)	(86,9)	(82,8)	-	**(270,0)**
Disposals during the year	20,2	36,6	50,2	-	**107,0**
Impairment	-	(7,5)	-	(8,2)	**(15,7)**
Transfers	(1,5)	-	-	-	**(1,5)**
Amortisation and impairment at 30 September 2019	**(347,1)**	**(587,0)**	**(677,7)**	**(8,2)**	**(1.620,0)**
Carrying amount at 30 September 2019	**1.312,1**	**281,2**	**387,7**	**71,8**	**2.052,8**

DKK 15,6 million of impairment losses was recognised on property, plant and equipment in 2018/2019.

The T&W Medical A/S Group has contractual commitments for purchases of property, plant and equipment amounting to DKK 34,3 million as of 30 September 2020 (30 September 2019: DKK 49,1 million).

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:

The estimated 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

DKKm	1 October 2019 - 30 September 2020 (12 months)
Depreciation of property, plant, equipment, right of use assets recognised in the income statement as follows:	
Cost of goods sold	150,6
Research and development costs	55,2
Selling, general and administrative expenses	447,6
Total	**653,4**
Amortisation and impairment of intangible assets recognised in the income statement is as follows:	
Cost of goods sold	339,3
Research and development costs	256,8
Selling, general and administrative expenses	1.128,1
Total	**1.724,2**

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.

For the financial period ended 30 September 2019, the impairment of intangible assets relate to capitalised development cost for 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.

Significant judgements and accounting estimates

Impairment test – Goodwill

The recoverable amount of the CGU was tested on the basis of the higher of value in use and fair value less costs to sell. The value in use was determined on the basis of a discounted cash flow model, while the fair value less cost to sell was determined mainly by computing the Enterprise Value ("EV").

The EV was estimated as of 30 September 2020 by taking the market capitalization of a comparable peer group, adjusted for the most updated balance sheet numbers of interest-bearing debt and other liabilities with the carrying amounts. The estimated EV was then compared with the respective consensus EBITDA to derive multiple, taking into account an illiquidity discount and control premium.

The Group applied the EV/EBITDA multiple to the adjusted consensus EBITDA of WS Audiology; the carrying amount of the CGU was determined to be lower than its recoverable amount and the Group has therefore no impairment loss to be recognised.

Key assumptions used in the determination of the fair value less costs to sell are consensus EBITDA for the comparable companies as well as for WS Audiology, where adjustments for one-time cost as described in the management commentary were factored in. Furthermore, in using the market based EV/EBITDA multiple models, the Group has applied relevant illiquidity discounts and control premiums to reflect the ownership structure of WS Audiology. The adjusted consensus

EBITDA is based on Management's best estimates and most recent financial budgets for the coming year as approved by the Board of Directors. All the above inputs are level 3 input factors according to the fair value hierarchy.

Management has not identified any reasonably possible changes in the above key assumptions that 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 CGUs to which the asset belong.

Recoverability of assets is measured by comparing the carrying amount of the asset or CGUs 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 CGUs 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.

3.4 Right of use assets/Lease liabilities

DKKm	Buildings and retail shops	Vehicle fleet	Other plant, fixtures and operating equipment	Total
Cost at 1 October 2019	**-**	**-**	**-**	**-**
Effect of adoption of IFRS 16	1.195,8	46,3	3,0	**1.245,1**
Foreign exchange adjustments	(50,0)	(0,7)	-	**(50,7)**
Additions during the year	152,3	11,2	6,0	**169,5**
Disposals	(20,9)	(2,2)	-	**(23,1)**
Transfers	7,5	-	-	**7,5**
Cost at 30 September 2020	**1.284,7**	**54,6**	**9,0**	**1.348,3**
Amortisation and impairment at 1 October 2019	**-**	**-**	**-**	**-**
Foreign exchange adjustments	7,5	-	-	**7,5**
Transfers	3,7	-	-	**3,7**
Depreciation	(297,7)	(20,2)	(1,5)	**(319,4)**
Disposals	11,2	0,4	-	**11,6**
Impairment	(20,2)	-	-	**(20,2)**
Amortisation and impairment at 30 September 2020	**(295,5)**	**(19,8)**	**(1,5)**	**(316,8)**
Carrying amount at 30 September 2020	**989,2**	**34,8**	**7,5**	**1.031,5**

Other disclosures relating to ROU assets/ lease liabilities are as follows:

DKKm	1 October 2019 - 30 September 2020 (12 months)
Interest expense on lease liabilites	(61,7)
Lease expense not capitalised in lease liabilites:	
Lease expense - short-term leases and low value assets	(46,9)
Total cash outflow for all leases	(362,6)

The maturity analysis of the lease liabilities is included in Note 4.2 Financial risks and financial instruments/ liquidity risk.

Extension options
The leases for certain retail stores, equipment and motor vehicles contain extension periods, for which the related lease payments had not been included in lease liabilities as the Group is not reasonably certain to exercise these extension option. The Group negotiates extension options to optimise operational flexibility in terms of managing the assets used in the Group's operations. The majority of the extension options are exercisable by the Group.

Accounting policies

The accounting policy for leases from 1 October 2019 are as follows:

When the Group is the lessee:
At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

Right of use assets
The Group recognised a right of use asset and lease liability at the date which the underlying asset is available for use. Right of use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right of use assets.

These right of use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right of use assets or the end of the lease term.

Lease liabilities
The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease if the rate can be readily determined. If that rate cannot be readily determined, the incremental borrowing rate is used.

Lease payments include the following:

- Fixed payment (including in-substance fixed payments), less any lease incentives receivables;
- Variable lease payment that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- Amount expected to be payable under residual value guarantees;
- The exercise price of a purchase option if is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

For contracts that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component. The Group has elected to not separate lease and non-lease component for property leases and account for these as one single lease component.

Lease liability is measured at amortised cost using the effective interest method. Lease liability is remeasured when:

- There is a change in future lease payments arising from changes in an index or rate;
- There is a change in the Group's assessment of whether it will exercise an extension option; or
- There is a modification in the scope or the consideration of the lease that was not part of the original term.

Lease liability is remeasured with a corresponding adjustment to the right of use asset, or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

Short term and low value leases
The Group has elected to not recognise right of use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and low value leases, except for leased asset subject to sublease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

Variable lease payments
Variable lease payments that are not based on an index or a rate are not included as part of the measurement and initial recognition of the lease liability. The Group recognise those lease payments in profit or loss in the periods in which the event or condition that triggers those lease payments occurs.

3.5 Other non-current and current financial assets

DKKm	30 September 2020	30 September 2019
Other non-current financial assets		
Customer loans	597,9	771,3
Other loans	1.235,4	1.474,7
Derivative financial instruments	-	79,1
Trade receivables, non-current	6,7	6,7
Other securities and equity investments	1.736,8	1.398,1
Others	101,8	76,6
Total	**3.678,6**	**3.806,5**

DKKm	30 September 2020	30 September 2019
Other current financial assets		
Customer loans	154,9	218,0
Derivative financial instruments	14,9	11,9
Loans receivables from related parties	6,7	0,8
Other securities and equity investments	1.467,1	1.978,2
Others	191,8	203,2
Total	**1.835,4**	**2.412,1**

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.

Credit rating DKKm	Expected credit loss (ECL) rate	Basis for recognition of expected credit loss	Estimated gross carrying amount at default
Performing	9%	12-month expected credit loss	702,9
Underperforming	42%	Lifetime expected credit losses	192,9
Write-off	100%	Assets derecognised through the income statement	101,3
Total customer loans at 30 September 2020			**997,1**

Credit rating DKKm	Expected credit loss (ECL) rate	Basis for recognition of expected credit loss	Estimated gross carrying amount at default
Performing	9%	12-month expected credit loss	865,3
Underperforming	53%	Lifetime expected credit losses	197,1
Write-off	100%	Assets derecognised through the income statement	-
Total customer loans at 30 September 2019			**1.062,4**

DKKm	Performing (12-month ECL)	Underperforming (Lifetime ECL)	Credit impaired (Lifetime ECL)	Total
Closing loss allowance as at 1 October 2019	**24,6**	**48,4**	**-**	**73,0**
Foreign currency translation differences	(2,2)	(3,0)	(3,7)	(8,9)
Impairment loss for the year	38,7	36,5	105,0	180,2
Closing loss allowance as at 30 September 2020	**61,1**	**81,9**	**101,3**	**244,2**

DKKm	Performing (12-month ECL)	Underperforming (Lifetime ECL)	Total
Opening loss allowance as at 1 May 2018	**26,1**	**5,2**	**31,3**
New customer loans	11,2	9,7	20,9
Loan recovered	(12,7)	-	(12,7)
Impairment loss for the year	-	33,5	33,5
Closing loss allowance as at 30 September 2019	**24,6**	**48,4**	**73,0**

The following significant changes in gross carrying amount of customer loans contributed to changes in the loss allowance:
New customer loans of DKK 112,4 million were issued in the year ended 30 September 2020 (DKK 163,8 million was issued in the period 1 Mar 2019 to 30 September 2019);
Customers with gross carrying amount of DKK 133,3 million (2019: DKK 104,2 million) went from performing to underperforming during the year ended 30 September 2020;
Customer loans with a gross carrying amount of DKK 102,8 million were repaid in the period in the year ended 30 September 2020 (2019: DKK 174,4 million were repaid en the period 1 Mar 2019 to 30 September 2019).

Management has put a special focus on situations where the COVID-19 situation has rendered additional financial pressure on already low performing customers which is reflected in the evaluation of credit risks and the basis of expected credit losses applied. As such, adjustments to the loan allowances were made where deemed necessary, including instances where enforcement activities are still undergoing, which is evaluated on a case-by-case basis.

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.

Issued loans with conversion options are measured in their entirety at fair value through profit or loss. Fair value is determined using discounted cash flows based on forward rate curve.

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 T&W Medical 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 T&W Medical A/S Group.

The T&W Medical 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 in-creased 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 impared.

3.6 Other non-current and current assets

Other non-current assets

DKKm	30 September 2020	30 September 2019
Prepaid assets, non-current	-	5,3
Assets for deferred compensation plan	4,5	29,1
Others	30,5	0,7
Total	**35,0**	**35,1**

Other current assets

DKKm	30 September 2020	30 September 2019
Pre-paid expenses	112,9	143,7
Miscellaneous tax receivables	120,5	104,5
Others	53,0	183,9
Total	**286,4**	**432,1**

3.7 Inventories

DKKm	30 September 2020	30 September 2019
Raw materials and purchased components	462,3	134,3
Work in progress	91,7	41,1
Finished goods and goods for resale	498,9	699,5
Inventories	**1.052,9**	**874,9**
Write-downs, provisions for obsolescence etc. included	(227,9)	(191,9)

Included in the income statement under production costs:

DKKm	30 September 2020	30 September 2019
Write-downs of inventories for the year	(51,4)	(130,7)
Reversals of write-downs of inventories for the year	-	60,5
Cost of goods sold during the year	(4.193,7)	(4.027,3)
Total	**(4.245,1)**	**(4.097,5)**

The reversal of write down of inventories of DKK 60,5 million in 2018/19 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.

3.8 Trade receivables and contract assets

DKKm	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
Gross carrying amount							
- Trade receivables	1.766,2	200,3	109,5	76,0	120,9	260,6	**2.533,5**
Sales rebates	(195,8)	-	-	-	-	-	**(195,8)**
Loss allowance at 30 September 2020	(43,2)	(6,7)	(3,7)	(3,0)	(29,8)	(128,8)	**(215,2)**
Trade receivables at 30 September 2020	**1.527,2**	**193,6**	**105,8**	**73,0**	**91,1**	**131,8**	**2.122,5**
Expected loss rate	-2,5%	-3,3%	-3,4%	-3,9%	-24,6%	-49,4%	-8,5%

DKKm	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
Gross carrying amount							
- Trade receivables	1.906,9	248,6	182,2	102,3	135,4	233,7	**2.809,1**
Sales rebates	(174,0)	-	-	-	-	-	**(174,0)**
Loss allowance at 30 September 2020	(26,1)	(11,9)	(3,0)	(10,5)	(26,9)	(122,4)	**(200,8)**
Trade receivables at 30 September 2019	**1.706,8**	**236,7**	**179,2**	**91,8**	**108,5**	**111,3**	**2.434,3**
Expected loss rate	-1,4%	-4,8%	-1,6%	-10,2%	-19,9%	-52,4%	-7,1%

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.

DKKm	Collectively assessed	Individually assessed	Total
Opening loss allowance as at October 2019	(88,8)	(112,0)	**(200,8)**
Net remeasurement of loss allowance	49,1	(76,7)	**(27,6)**
Amounts written off	1,5	-	**1,5**
Other changes	6,7	3,7	**10,4**
Closing loss allowance as at 30 September 2020	**(31,5)**	**(185,0)**	**(216,5)**
Opening loss allowance as at October 2019	(47,7)	-	(47,7)
Transfer to credt impaired	13,4	(12,7)	0,7
Changes from business combinations	(14,9)	(29,1)	(44,0)
Net remeasurement of loss allowance	(89,6)	(56,0)	(145,6)
Amounts written off	37,3	-	37,3
Amounts recovered	9,7	1,5	11,2
Change in loss allowance due to new receivables, net of receivable settled	-	(6,0)	(6,0)
Other changes	3,0	(9,7)	(6,7)
Closing loss allowance as at 30 September 2019	**(88,8)**	**(112,0)**	**(200,8)**

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

T&W Medical 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.

3.9 Other non-current and current financial liabilities

Other non-current financial liabilities are as follows:

DKKm	30 September 2020	30 September 2019
Derivative financial instruments	783,8	890,0
Others	7,9	29,1
Total	**791,7**	**919,1**

Other current financial liabilities are as follows:

DKKm	30 September 2020	30 September 2019
Bonuses and discounts to customers	117,6	20,2
Contingent considerations from acquisitions	-	3,0
Derivative financial instruments	17,9	29,9
Others	150,5	162,6
Liabilities from rebates	-	41,1
Customers with net credit balances	14,1	23,9
Total	**300,1**	**280,7**

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 closelyrelated to the respective host contract. Bifurcated derivatives are measured at fair value through profit or loss.

3.10 Other non-current and current liabilities

Other non-current liabilities are as follows:

DKKm	30 September 2020	30 September 2019
Employee related liabilities	42,2	108,1
Deferred revenue	149,4	106,8
Liability under MPP scheme	265,8	284,5
Other	38,5	51,4
Total	**495,9**	**550,8**

Other current liabilities are as follows:

DKKm	30 September 2020	30 September 2019
Employee costs payable	179,5	336,7
Sales tax and other tax liabilities	136,7	91,9
Payroll and social security taxes	412,2	184,7
Bonus obligations	241,2	203,6
Deferred revenue	41,2	40,3
Other liabilities	304,3	352,2
Total	**1.315,1**	**1.209,4**

Accounting policies

Other liabilities are measured at amortised cost.

3.11 Provisions

DKKm	Warranties	Right of returns	Asset Retirement Obligation	Other	Total
Provision at 1 October 2019	**358,9**	**183,8**	**18,7**	**7,5**	**568,9**
Foreign exchange adjustments	(26,5)	(8,0)	(1,6)	(0,7)	(36,1)
Additions	122,6	40,2	16,4	20,8	200,0
Reversals	(2,2)	-	-	-	(2,2)
Usages	(96,1)	(15,6)			(111,7)
Reversals	(5,2)	-	-	-	(5,2)
Accretion and effect of changes in discount rates	(11,2)	(3,0)	2,2	8,9	(3,1)
Provision at 30 September 2020	**344,7**	**196,7**	**35,7**	**37,2**	**614,3**
Which is presented in the consolidated balance sheet as:					
Non-current	144,1	0,8	35,3	3,7	183,9
Current liabilities	200,6	195,9	-	33,9	430,4
Provision at 30 September 2020	**345,3**	**196,6**	**35,7**	**37,6**	**614,3**
Provision at 1 May 2018	**87,7**	**27,6**	**-**	**10,5**	**125,8**
Foreign exchange adjustments	15,7	4,5	0,7	(9,7)	11,2
Additions	216,3	57,5	1,5	5,2	280,5
Additions through business combinations	215,0	119,5	17,2	31,4	383,1
Usages	(120,2)	(2,2)	-	(28,4)	(150,8)
Reversal	(53,8)	(23,1)	(0,7)	(1,5)	(79,1)
Accretion and effect of changes in discount rates	(2,2)	-	-	-	(2,2)
Provision at 30 September 2019	**358,5**	**183,8**	**18,7**	**7,5**	**568,5**
Which is presented in the consolidated balance sheet as:					
Non-current liabilities	192,6	-	18,7	-	211,3
Current liabilities	166,3	183,8	-	7,5	357,6
Provision at 30 September 2019	**358,5**	**183,8**	**18,7**	**7,5**	**568,5**

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 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.

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 T&W Medical 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 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

All shares are fully issued and paid up. The share capital was nominally DKK 500 million divided into a corresponding number of shares of 500 million. There are no restrictions on the negotiability or voting rights of the shares, no changes to share capital during the financial year.

Capital management

The 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 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 equivlents) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests).

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 T&W Medical 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.

Risks arising from financial investments are managed in the holding companies (TWM and TWH) in accordance with the approved investment strategy. Those financial risks that arise from the operation of WSA Group are managed by WSA Group Treasury in accordance with the approved policies on Foreign Currency and Interest Hedging Policy approved by Group CFO. The WSA Group enters financial instruments only to mitigate these financial risks. It is the WSA 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. The WSA 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

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 3.5 Other non-current and current financial assets and note 3.8 Trade receivables and contract assets.

There were no significant concentrations of credit risk as of the 30 September 2020 and 30 September 2019.

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 2020, 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 has access to DKK 1.936,0 million (2019: DKK 1.936 million) Revolving Credit Facility as of 30 September 2020 of which DKK 1.286,7 million (2019: DKK 615 million) was utilized (DKK 1.239,8 million relating to RCF drawdown and DKK 46,9 million realing to utilized ancillary facility).

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 DKK 1.937,4 million as of 30 September 2020 (30 September 2019: DKK 1.146,3 million). In addition, the Group has access to DKK 649,3 million (30 September 2019: DKK 1.324,5 million) available Revolving Credit Facility as of 30 September 2020. 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 2020 and 30 September 2019. 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 2020 and 30 September 2019.

DKKm	Less than 1 year	Between 1-5 years	More than 5 years	Total
30 September 2020				
Interest-bearing debt	1.571,5	7.105,2	18.790,0	27.466,7
Lease liabilities	247,1	-	906,6	1.153,7
Trade payables	1.369,7	-	-	1.369,7
Other financial liabilities	300,1	791,7	-	1.091,8
Total non-derivative financial liabilities	**3.488,4**	**7.896,9**	**19.696,6**	**31.081,9**
Derivative financial liabilities	17,9	720,8	-	738,7

DKKm	Less than 1 year	Between 1-5 years	More than 5 years	Total
30 September 2019				
Interest-bearing debt	916,4	5.651,9	20.091,7	**26.660,0**
Trade payables	1.452,5	-	-	**1.452,5**
Other financial liabilities	280,7	919,1	-	**1.199,8**
Total non-derivative financial liabilities	**2.649,6**	**6.571,0**	**20.091,7**	**29.312,3**
Derivative financial liabilities	29,1	820,5	69,5	919,1

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 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 2020

DKKm	Profit/(Loss)	Other Comprehensive income	Total comprehensive income
USD +5%	(352,2)	-	(352,2)
CAD +5%	33,5	-	33,5
AUD +5%	7,4	-	7,4
GBP +5%	(4,5)	-	(4,5)

Cash flow hedges of foreign currency risk:

	Average exchange Rate	Notional value: Foreign currency mil	Notional value: Functional currency DKKm	Carrying amount of hedging instruments – Assets DKKm	Carrying amount of hedging instruments - Liabilities DKKm
Sell AUD					
< 6 months	1,7	(20,1)	104,5	-	(1,5)
Sell CAD					
< 3 months	1,5	(7,6)	59,7	0,7	-
Sell GBP					
< 3 months	0,9	(10,6)	89,6	3,0	-
Sell JPY					
< 3 months	121,4	(3.641,5)	149,3	4,5	-
3-6 months	124,0	(1.240,4)	112,0	-	-
Buy SGD					
< 3 months	1,6	86,0	-261,3	-	(11,2)
3-6 months	1,6	40,2	-298,6	-	(0,7)
Buy USD					
< 3 months	1,2	(21,3)	186,7	-	(0,7)
**Amount less than DKKm 0,5*				*8,2*	*(14,1)*

30 September 2019

DKKm	Profit/(Loss)	Other Comprehensive income	Total comprehensive income
USD +5%	(363,6)	-	(363,6)
EUR +5%	96,3	-	96,3
CAD +5%	13,4	-	13,4
CNY +5%	3,0	-	3,0

Cash flow hedges of foreign currency risk:

	Average exchange Rate	Notional value: Foreign currency mil	Notional value: Functional currency DKKm	Carrying amount of hedging instruments – Assets DKKm	Carrying amount of hedging instruments - Liabilities DKKm
Sell AUD					
< 6 months	1,6	(22,7)	104,5	-	*
6-12 months	1,6	(3,3)	14,9	-	*
Sell CAD					
< 3 months	1,5	(11,8)	59,7	-	(0,7)
3-6 months	1,5	(8,9)	44,8	-	(0,7)
Sell GBP					
< 3 months	0,9	(10,6)	89,6	1,5	-
3-6 months	0,9	(5,3)	44,8	0,7	-

Sell JPY					
< 3 months	121,6	(2.432,8)	149,3	-	(6,0)
3-6 months	118,1	(1.771,9)	112,0	-	*
Buy SGD					
< 3 months	1,6	54,1	(261,3)	-	(7,5)
3-6 months	1,6	62,1	(201,6)	-	(2,2)
Buy USD					
< 3 months	1,1	(28,8)	186,7	-	(7,5)
3-6 months	1,1	(30,3)	201,6	-	(2,2)
**Amount less than DKKm 0,5*				*11,9*	*(17,1)*

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

DKKm	1 October 2019 - 30 September 2020 (12 months)	1 May 2018 - 30 September 2019 (17 months)
Movement during the period		
Foreign currency risk – Current period hedging gains recognized in other comprehensive income	7,4	19,4
Amount reclassified to profit/(loss) - Due to hedged item affecting profit/(loss)	(7,4)	(10,5)

Translation risk and effects of foreign currency translation
The Group's presentation currency is DKK and the financial statements of foreign operations are translated into DKK 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 DKK are reflected in the Group's consolidated statement of changes in equity. The T&W Medical 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 EUR 2.062,5 million and USD 1.216,7 million as well as 2nd lien term loan of EUR 525,0 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 swap, however the Group applies an interest rate swap to limit interest rate risk on floating-rate mortgages (Danish headquarter) with a residual debt of DKK 366.498 thousands to expire in 2047. There are two interest rate swap agreement both with outstanding debt of DKK 183.303 thousands each, one that expires in 2027 and the other to expire in 2037. Changes in market value of the interest rate swap is recognized directly in equity.

Specification of net interest-bearing debt:

DKKm	30 September 2020	30 September 2019
Cash and cash equivalents	1.937,4	1.146,4
Bank loans, non-current liabilities	(25.895,2)	(25.743,6)
Bank loans, current liabilities	(1.571,5)	(916,4)
Total net interest-bearing debt	**(25.529,3)**	**(25.513,6)**

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 2020 would increase by DKK 23,1 million (2019: DKK 24,6 million). 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 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.

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.

DKKm		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
Financial assets measured at fair value											
Forward Exchange Contracts (designated as hedging instruments)	3.5	-	15	-	-	-	15	-	15	-	**15**
Other financial assets (current and non-current)*	3.5	4.436	-	-	-	-	4.436	3.204	1.232	-	**4.436**
Redemption call option and interest rate floor	3.5	-	-	-	-	-	-	-	-	-	**-**
		4.436	**15**	**-**	**-**	**-**	**4.451**				
Financial assets measured at amortised cost											
Trade receivables*	3.8	-	-	2.123	-	-	2.123	-	-	-	-
Other financial assets (current and non-current)*	3.5	-	-	1.053	-	-	1.053	-	-	-	-
Cash and cash equivalents*		-	-	1.937	-	-	1.937	-	-	-	-
		-	**-**	**5.113**	**-**	**-**	**5.113**				
Financial liabilities measured at fair value											
Forward Exchange Contracts (designated as hedging instruments)	3.9	-	-	-	-	17	17	-	17	-	**17**
Forward Exchange Contracts (not designated as hedging instruments)	3.9	-	-	-	-	1	1	-	1	-	**1**
Interest rate swaps	3.9	-	-	-	-	283	283	-	283	-	**283**
Interest rate floors	3.9	-	-	-	-	501	501	-	-	501	**501**
		-	**-**	**-**	**-**	**802**	**802**				
Financial liabilities measured at amortised cost											
Other financial liabilities*	3.9	-	-	-	290	-	290	-	-	-	**-**
Loans under Senior Facilities Agreement	4.3	-	-	-	27.467	-	27.467	-	27.467	-	**27.467**
Trade payables*		-	-	-	1.370	-	1.370	-	-	-	**-**
		-	**-**	**-**	**29.127**	**-**	**29.127**				

*The Group has not disclosed the fair values for financial instruments such as short-term trade receivables and payables, because their carrying amounts are not 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 af 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:.

Level 1:	Quoted prices in active markets for identical assets or liabilities
Level 2:	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)
Level 3:	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**
FX contracts	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
Interest rate swaps	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
Interest rate floors	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
Redemption call option	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
Other loans	Issued loans with conversion options are measured in their entirety at fair value through profit or loss. Fair value is determined using discounted cash flows based on forward rate curve.	Implied volatility	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:

DKKm	**1 October 2019 - 30 September 2020 (12 months)**
Carrying amount 1 October 2019	(521,2)
Additions	(5,1)
Total gains or losses on recognised in profit/(loss)	25,3
Carrying amount 30 September 2020	**(501,0)**

Offsetting, Master netting agreements and similar arrangements

The T&W Medical 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

DKKm	Loans and borrowings under the Senior Facilities Agreements	Other short term debt	Interest rate floors and redemption options relating to financing agreement	Interest rate swap	Payables to related parties	Others	Total
Liabilities at 1 October 2019	**26.660,0**	**1,5**	**521,1**	**289,0**	**1.540,2**	**-**	**29.011,8**
Changes from financing cash flows	1.411,8	674,2	-	-	-	-	2.086,0
Amortisation of transaction costs	(15,6)	-	-	-	-	-	(15,6)
Changes from business combinations on 1 March 2019 (net)	-	-	-	-	-	-	-
Interest paid	(1.132,4)	-	-	(116,9)	-	-	1.249,3
Other changes	542,9	(666,1)	(20,1)	110,2	(52,9)	-	(6.080,9)
Non cash changes	-	-	-	-	-	248,0	248,0
Liabilities at 30 September 2020	**27.466,7**	**9,6**	**501,0**	**282,3**	**1.487,3**	**248,0**	**29.994,9**
Liabilities at 1 May 2018	**364,1**	**-**	**-**	**69,2**	**2.564,0**	**-**	**2.997,3**
Changes from financing cash flows	615,2	(8,2)	-	(23,9)	-	(73,2)	509,9
Changes in fair value	-	-	315,8	219,8	-	-	534,6
Amortisation of transaction costs	74,7	-	-	-	-	-	74,7
Changes from business combinations on 1 March 2019 (net)	24.404,6	9,7	205,3	-	(971,2)	-	23.648,4
Other changes	1.201,4	-	-	23,9	-	73,2	1.298,5
Non cash changes	-	-	-	-	(52,6)	-	(52,6)
Liabilities at 30 September 2019	**26.660,0**	**1,5**	**521,1**	**289,0**	**1.540,2**	**-**	**29.011,8**

Accounting policies

Financial liabilities, other than derivatives, are initially recognised at fair value less transaction costs, and subsequently measured at amor-tised 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

DKKm	1 October 2019 - 30 September 2020 (12 months)	1 May 2018 - 30 September 2019 (17 months)
Interest income	63,1	49,0
Interest income customer loans	11,2	27,6
Other interest income	11,7	3,0
Total	**86,0**	**79,6**
Interest expenses	(1.683,9)	(982,8)
Interest expense from pension plans	(2,2)	(1,5)
Other interest expenses	-	(20,1)
Total	**(1.686,1)**	**(1.004,4)**
Other financials, net		
Foreign currency translation gains/(losses)	395,4	(60,4)
Change in fair value of embedded derivatives	25,4	(315,7)
Change in fair value of derivative financial instruments	(105,0)	(175,4)
Others	(8,3)	(21,0)
Total	**307,5**	**(572,5)**

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 trans-actions 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.

4.5 Government grants

For the financial year ended 2020, various subsidiaries of the Group received government grants in lieu of the negative business impact caused by the COVID-19 pandemic. The total grant amount received by the Group recorded within other income in profit or loss is DKK 160,1 million, and these mostly pertain to wage subsidy schemes given to various subsidiaries by respective government of the jurisdiction in which these subsidiaries operate in.

Accounting policies

Grants from the government are recognized as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognized as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

5 Other disclosures

5.1 Business combinations

There where no significant acquisitions made by the Group for the year ended 30 September 2020

Acquisition of Sivantos Group – 28 February 2019

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 DKK 24.130,7 million was recorded as goodwill.

The consideration transferred for the acquisition was DKK 16.074,0 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:

DKKm	Sivantos Group	Other Acquisitions
Assets acquired:		
Other intangible assets	15.826,1	306,1
Property, plant and equipment	777,5	3,7
Other non-current assets	82,9	-
Other non-current financial assets	2.815,5	-
Other security and equity investments	-	3.120,6
Deferred tax assets	286,0	-
Inventories	891,5	11,2
Trade and other receivables	1.540,3	36,6
Other current financial assets	129,2	5,2
Other current assets	236,7	18,2
Fair value of call option	168,7	-
Cash and cash equivalent	594,3	666,5
Total assets acquired at the date of acquisition	**23.348,7**	**4.168,1**
Liabilities assumed at the date of acquisition:		
Long-term debts	(24.685,5)	(24,8)
Short term debts	(8,2)	(501,9)
Provisions	(381,5)	(1,5)
Deferred tax liabilities	(3.491,2)	(57,5)
Pension obligations	(67,2)	-
Other financial liabilities	(298,6)	-
Other liabilities	(157,5)	-
Trade payables	(983,3)	(77,8)
Other current financial liabilities	(415,1)	(7,5)
Income taxes payables	(149,3)	(21,2)
Intragroup payables	-	(1.592,8)
Other current liabilities	(436,0)	(7,0)
Total liabilities assumed at the date of the acquisition	**(31.073,4)**	**(2.292,0)**
Net assets acquired	**(7.724,7)**	**1.876,1**
Goodwill	24.130,7	684,7
Fair value of non-controlling interest	(344,2)	178,9
Total consideration transferred	**16.061,8**	**2.739,7**
Fair value of contingent consideration and deferred payments	-	(65,7)
Consideration as part of the acquisitions	(16.074,0)	-
Cash and cash equivalents acquired	(594,3)	634,2
Total cash consideration (received)/paid	**(606,5)**	**3.308,2**

The Group incurred acquisition-related cost of DKK 237,3 million 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 **DKKm**	**30 Septemnber** **2019**
Share of revenue and profit/(loss) for the year from the acquisition date:	
Revenue	5.979,5
EBIT	271,1
Loss for the year	(1.289,7)
The share of revenue and profit/(loss) if acquisition had taken place at 1 May 2018:	
Revenue	13.502,7
EBIT	690,7
Loss for the year	(2.279,5)

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 (DKK) 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 – acquisition of Sivantos Group on 28 February 2019

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 October 2019 - 30 September 2020 (12 months)

DKKm	Short-term benefits	Termination benefits	Total
Executive Management & Board of Directors	5,5	-	5.5
Other Key Management	31,3	-	31,3
Total	**36,8**	**-**	**36,8**

1 May 2018 - 30 September 2019 (17 months)

DKKm	Short-term benefits	Termination benefits	Total
Executive Management & Board of Directors	3,8	-	3,8
Other Key Management	400,6	34,3	434,9
Total	**404,4**	**34,3**	**438,7**

5.3 Management Participation Program Liability
Management in the subsidiary T&W Holding A/S was in the period 2015-2018 granted certain bonus programs, which will be settled from 2020/21 and onwards in cash. The amount of the bonus that will ultimately be settled is dependent on the management remaining employed until settlement and is based on changes in equity.

The Group has in place a Management Participation Program ("MPP") - Certain members of Key Management Personal in WS Audiology A/S (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 fair value of the equity instruments on acquisition date is equivalent to the cost. The redemption price is based on the leaver status at the time of redemption. The fair value of the liability associated with the equity instruments is equivalent to the cost price as at 30 September 2020 and 30 September 2019.

The MPP participants acquired Ordinary shares, which rank pari passue in all respets, as well as preference shares. The reacquisition of the ownership interests is triggered upon the termination of employment.of MPP Particiants; a liability in this regard is included in Other non-current liabilities, with reference to note 3.10.

MPP Liability	Share price DKK	Number of shares (mil)
Outstanding at 1 October 2019	1	38,1
Additions	1	11,0
Disposals	1	(14,4)
Others	1	1,0
Outstanding at 30 September 2020	1	35,7

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, and is consistent with the overall approach applied in the evaluation of Goodwill impairment testing as discussed in Note 3.3.

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 2020 – 3.539 participants, including 2.429 active employees, 716 former employees with vested rights and 394 retirees and surviving dependents (2019: 3.136 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 are as follows:

DKKm	**Defined benefit obligation**	**Fair value of plan assets**	**Total**
30 September 2020			
Germany	(472,8)	401,4	(71,4)
U.S.	(311,3)	231,6	(79,7)
Others	(39,5)	13,4	(26,1)
Total	**(828,8)**	**646,4**	**(177,2)**
30 September 2019			
Germany	(461,4)	404,7	(56,7)
U.S.	(318,8)	249,4	(69,4)
Others	(38,1)	16,4	(21,7)
Total	**(818,3)**	**670,5**	**(147,8)**

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.

DKKm	**1 October 2019 - 30 September 2020 (12 months)**	**1 May 2018 - 30 September 2019 (17 months)**
Current service cost	20,1	17,9
Past service benefit	0,0	(24,6)
Net interest expenses	2,2	2,2
Liability administration expenses	2,2	(1,5)
Defined benefit costs recognized in the income statement	**24,5**	**(6,0)**
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)	(0,7)	(24,6)
Remeasurement losses on defined benefit obligations	20,9	98,6
Foreign currency translation differences	(1,5)	0
Remeasurements of defined benefit plans recognized in the Statement of Comprehensive Income	**18,7**	**74,0**
Change in defined benefit obligations:		
Defined benefit obligation at beginning of year	817,2	9,7
Additions - Business combinations	-	680,9
Current service cost	20,1	19,4
Interest expense	11,2	17,9
Contributions paid	0,7	1,5
Net accumulated actuarial gains	20,9	98,6
Benefits paid	(24,6)	(25,4)
Prepaid cost for post employee benefit	-	(1,5)
Foreign currency effects	(20,9)	19,4
Plan settlement	-	(2,2)
Defined benefit obligation at 30 September 2020	**824,7**	**818,3**

Change in plan assets:		
Fair value of plan assets at beginning of year	669,6	-
Additions through business combinations	-	613,8
Interest income	8,9	14,9
Remeasurement (losses)/ gains (Return on plan assets excluding amounts included in net interest income and net interest expense)	0,7	24,6
Contributions paid	2,2	1,5
Benefits paid	(12,7)	(13,4)
Employer contributions	(0,7)	13,4
Liability administration costs	(2,2)	(1,5)
Foreign currency effects	(18,6)	17,2
Fair value of plan assets at 30 September 2020	**647,2**	**670,5**
Plan assets comprise of the following:		
Investment funds	634,5	647,4
Cash and cash equivalents	12,7	8,2
Qualified insurance policies	-	13,4
Others	-	1,5
Total	**647,2**	**670,5**
Quoted	634,5	645,9
Unquoted	12,7	24,6
Total	**647,1**	**670,5**

Acturial 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 2020 and 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 September 2020	**30 September 2019**
Germany		
Discount rate	0,63%	0,64%
Future salary growth	2,25%	2,25%
Expected return on assets	1,75%	0,64%
Expected pension progression	1,75%	1,75%
U.S.		
Discount rate	2,80%	2,80%
Future salary growth	N/A	N/A
Expected return on assets	2,80%	3,90%
Expected pension progression	3,00%	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:

DKKm	**30 September 2020**	**30 September 2019**
Germany		
Longevity at age 55 for current pensioners		
Males	151,4	150,8
Females	177,5	177,0

Longevity at age 55 for current pensioners with 10% reduction in mortality rates		
Males	158,1	157,5
Females	183,4	182,9
U.S.		
Longevity at age 55 for current pensioners		
Males	214,7	216,5
Females	233,4	234,5
Longevity at age 55 for current pensioners with 10% reduction in mortality rates		
Males	222,9	224,0
Females	240,8	241,0

The weighted-average duration of the defined benefit obligation was 13,6 years as at 30 September 2020 (2019: 15,3 years)

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 assumption shown.

Sensitivity analysis

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

30 September 2020 **DKKm**	**0.5% increase**	**0.5% decrease**
Germany		
Discount rate	-30,6	39,5
Rate of pension progression	20,1	-18,6
	-1 year	+1 year
Life expectancy	-12,7	14,9
U.S	**0.5% increase**	**0.5% decrease**
Discount rate	-14,9	16,4

30 September 2019 **DKKm**	**0.5% increase**	**0.5% decrease**
Germany		
Discount rate	-29,8	39,5
Rate of pension progression	20,8	-18,6
	-1 year	+1 year
Life expectancy	-12,7	14,9
U.S	**0.5% increase**	**0.5% decrease**
Discount rate	-14,9	16,4

The Company expects to pay DKK 49,9 million (2019: DKK 37,2 million) in contribution to its defined benefit plans in the upcoming financial year.

Defined contribution plan

The amount recognized as an expense for defined contribution plans at 30 September 2020 was DKK 73,7 million (2019: DKK 96,8 million).

Accounting policies

Defined contribution plans

The 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 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 un-related 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 liabilities and securities

The Group has investments commitments which at 30 September 2020 total DKK 1.115 million (2019: 1.414 million).

Guarantees
The Group has issued Corporate Guarantees, mainly to the business partners, outstanding for an amount of DKK 750,6 million as at 30 September 2020 (2019: DKK 746 million).

In addition, the Group has a contingent obligation to indemnify the issuing Banks for Bankers Guarantees for an amount up to DKK 49,2 million as of 30 September 2020. None of the outstanding guarantees are likely to be drawn, hence no provision have been made.

Security
The Group is securing an overdraft facility for related company through a Standby Letter of Credit over DKK 3 million as of 30 September 2020 (2019: DKK 3 million). Furthermore, an additional pledge has been deposited in cash and securities for a total value of DKK 1.115 million (2019: DKK 1.173 million).

The Group is securing an interest rate swap through a deposit of cash and securities af a total value of DKK 83 million as of 30 Septemer 2020 (2019: DKK 83 million). Mortgage debt of a total DKK 364 million is secured by way of a deposit mortgage deed registred to the mortgagor on properties of 798 million as of 30 September 2020 (2019: DKK 807 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.

5.6 Associates

DKKm	Investments in associated	Receivables from associates
Cost at 1 October 2019	106,6	16,4
Share of post acquisition of retained earnings	60,1	7,4
Carrying amount at 30 September 2020	**166,7**	**23,8**

DKKm	Investments in associated	Receivables from associates
Cost at 1 May 2018	113,5	33,5
Share of post acquisition of retained earnings	(6,9)	(16,3)
Carrying amount at 30 September 2019	**106,6**	**17,2**

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

DKKm	1 October 2019 - 30 September 2020 (12 months)	1 May 2018 - 30 September 2019 (17 months)
Non-current assets	1.001,8	280,0
Current assets	231,2	63,2
Current liabilities	(160,1)	(105,8)
Net assets	**1.072,9**	**237,7**
Revenue	390,0	134,8
Net loss from continuing operation	22,1	(6,2)
Total comprehensive income	**412,1**	**(128,4)**

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

DKKm	1 October 2019 - 30 September 2020 (12 months)	1 May 2018 - 30 September 2019 (17 months)
Unrealised loss of loans and borrowings	(270,3)	339,0
Others	17,9	(44,8)
Total	**(252,4)**	**294,2**

Significant non-cash transaction – for the period 1 October 2019– 30 September 2020
For the financial year ended 30 September 2020, there were significant additions of ROU assets of DKK 169,0 million

Significant non-cash transactions – for the period 1 May 2018 – 30 September 2019
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 DKK 1.695,5 million;
- Partial settlement of payables to parent entity (existing loans from parent entity and dividend declared) through receipt of loan from Auris III of DKK 315.5 million;
- Settlement of remaining payables to parent entity through receipt of capital contribution from parent entity of DKK 306,0 million;

5.8 Lease obligations

Future payment obligations under operating leases under IAS 17 are as follows:

DKKm	30 September 2019
Rent	2.039,1
Other operating leases	69,4
Total	**2.108,5**
Operating leases	
Less than one year	374,8
Between one and five years	912,4
More than five years	821,3
Total	**2.108,5**
Operating leases recognised in the income statement	521,9

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 or 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.

Please refer to Note 3.4 for the accounting policy on leases after 1 October 2019.

5.9 Fees to auditors appointed at the annual general meeting

1 October 2019 – 30 September 2020 (12 months)

DKKm	Deloitte	Others
Audit fees	5,6	-
Other assurance related services	7,6	3,0
Tax services	4,5	13,4
Other services	0,7	1,0
Total	**18,4**	**17,4**

1 May 2018 - 30 September 2019 (17 months)

DKKm	Deloitte	Others	KPMG
Audit fees	3,5	1,4	2,2
Other assurance related services	6,0	-	4,5
Tax services	3,0	0,7	-
Other services	19,4	0,7	3,7
Total	**31,9**	**2,8**	**10,4**

5.10 Related parties

Related parties include Westermann A/S and Tøpholm Holding A/S and group entities controlled by T&W Medical A/S as well as associates.

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 2019/20 and 2018/19.

DKKm	1 October 2019 – 30 September 2020 (12 months)	1 May 2018 – 30 September 2019 (17 months)
Transactions with shareholders		
- Loans from related parties	1.487,3	1.540,2
- Repayment of loans to related parties	165,1	14,8
- Interest on loans	(29,6)	15,3
Transactions with associates		
- Sales of goods and services	60,3	81,4
Other related parties		
- Sales of goods and services	-	14,2
- Purchase of goods and services	(69,2)	(184,7)
Total transactions with related parties	**1.614,0**	**1.481,2**

As at 30 September 2020, the outstanding balances with the associated are DKK 85 million (30 September 2019: DKK 229 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 2019/20	Director	Member of Executive Management since/ until
Executive Management		
Lars Nørgaard	CEO T&W Medical A/S	October 2019 - September 2020
Board of Directors		
Jan Tøpholm	Chairman T&W Medical A/S	October 2019 - September 2020
Julian Tøpholm	Member	October 2019 - September 2020
Richard Tøpholm	Member	October 2019 - September 2020
Søren Erik Westermann	Member	October 2019 - September 2020
Anders Steen Westermann	Member	October 2019 - September 2020
Adam Westermann	Member	December 2019 - September 2020
Other Key Management		
Eric Bernard	CEO WS Audiology A/S Group	September 2019
Henrik Skak Bender	CFO WS Audiology A/S Group	September 2019 – May 2020
Michael Tyroller (interim)	CFO WS Audiology A/S Group	June 2020 – October 2020

Year 2018/19	Director	Member of Executive Management since/ until
Executive Management		
Lars Nørgaard	CEO T&W Medical A/S	May 2017 - April 2018
Board of Directors		
Jan Tøpholm	Chairman T&W Medical A/S	May 2017 - April 2018
Julian Tøpholm	Member	May 2017 - April 2018
Richard Tøpholm	Member	May 2017 - April 2018
Søren Erik Westermann	Member	May 2017 - April 2018
Anders Steen Westermann	Member	May 2017 - April 2018
Other Key Management		
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 Skak Bender	CFO WS Audiology A/S Group	September 2019 – May 2020

5.11 Companies in the T&W Medical A/S Group

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

Company	Country	Equity Interest in %
T&W Medical A/S		
T&W Holding A/S	Denmark	0,3
WS Audiology A/S	Denmark	47
Nymøllevej ApS	Denmark	100
UNEEG medical A/S	Denmark	84
T&W Engineering A/S	Denmark	100
Twings ApS	Denmark	100
Nabto ApS	Denmark	40,9
Subsidiaries of T&W Holding A/S		
Core Bolig VIII nr. 14	Denmark	100
Heidelburg GmbH	Germany	100
TWI I ApS	Denmark	100
Vipic ApS	Denmark	58
Other equity investments of T&W Holding A/S		
Din HøreSpecialist	Denmark	40
Core Bolig VIII nr. 13	Denmark	45
EnViAc Komplementar ApS	Denmark	50
EnViAc P/S	Denmark	50
Kjøbenhavns Boligejendomsselskab A/S	Denmark	20
Symic OA ApS	Denmark	37,5
Østergaard & Co. ApS	Denmark	20
Subsidiaries of WS Audiology A/S	Denmark	100
North Harbour Topco Sarl	Luxembourg	99
North Harbour Midco S.a.r.l	Luxembourg	100
Auris Luxembourgh 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
Subsidiaries of Widex A/S		
EMEA-LA		
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 Brasitom Ltda	Brazil	100
Communicare Aparelhos Auditivos Ltda	Brazil	100
Sivantos Solucuoes 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-Reabilitacão 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

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

Company	Country	Equity Interest in %
Subsidiaries of Lifestyle Hearing Corporation USA Inc.		
North-America		
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 Auds 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 of Widex A/S		
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
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
Hoortechnish 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
Entone SAS	France	100
Biotone Technologie SAS	France	100
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 %
Subsidiaries of Sivantos GmbH		
EMEA-LA		
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
North-America		
Sivantos, Inc.	USA	100
Audiology Distribution, LLC	USA	100
HearX West, LLC	USA	50
HearX West, Inc.	USA	100
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
Asia-Pacific		
Sivantos (Suzhou) Co. Ltd.	China	100
Sivantos India Pvt. Ltd	India	100
Soundrise Hearing Solutions Private Limited	India	100
Sivantos Pty Ltd	Australia	100
Subsidiaries of audibene GmbH		
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
Other equity investments of Sivantos Pte. Ltd.		
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 afther 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 T&W Medical A/S were approved by the Board of Directors and authorised for issue on 22 February 2021.

Parent financial statements

Income statement

DKKm	Notes	1 October 2019 – 30 September 2020 (12 month)	1 May 2018 – 30 September 2019 (17 month)
Selling and general admin expenses		(20,5)	(3,4)
Operating (loss)/profit		**(20,5)**	**(3,4)**
Income from equity investments	3.1	(870,8)	5.802,5
Interest income		118,2	91,1
Interest expenses		(109,5)	(102,0)
Other financials net		(173,4)	(3,5)
Profit before tax		**(1.056,1)**	**5.784,7**
Tax on profit/(loss)	2.1	8,0	7,7
Profit for the year		**(1.048,1)**	**5.792,4**

Statement of comprehensive income

(Loss)/profit for the year	**(1.048,1)**	**5.792,4**
Items that may be reclassified subsequently to profit or loss		
Share of other comprehensive income in group enterprises, net	(73,5)	49,6
Other comprehensive income for the year, net of tax	**(73,5)**	**49,6**
Total comprehensive income for the year	**(1.121,6)**	**5.842,0**

Balance sheet

DKKm	Notes	30 September 2020	30 September 2019
BALANCE			
Assets			
Investments in group enterprises	3.1	6.328,7	7.098,0
Investments in associate enterprises		7,5	-
Deferred tax asset		8,2	-
Other non-currents financial assets	3.2	1.781,0	1.855,6
Total non-current assets		**8.125,4**	**8.953,6**
Intragroup receivables		274,9	251,0
Current income tax receivables		16,9	17,0
Other current financial assets	3.2	13,4	182,0
Other current assets		-	42,4
Cash and cash equivalents		-	10,0
Total currents assets		**305,2**	**503,0**
Total assets		**8.430,6**	**9.456,0**

DKKm	Notes	30 September 2020	30 September 2019
Equity and Liabilities			
Share capital	4.1	500,0	500,0
Retained earnings		5.439,6	6.480,6
Other reserves		(158,2)	(77,6)
Total equity		**5.781,4**	**6.903,0**
Other non-current liabilities		4,9	-
Total non-current liabilities		**4,9**	**-**
Intragroup short-term payables		2.608,4	2.549,0
Other current liabilities		35,9	4,0
Total current liabilities		**2.644,3**	**2.553,0**
Total liabilities		**2.649,2**	**2.553,0**
Total equity and liabilities		**8.430,6**	**9.456,0**

Statement of changes in equity

DKKm	**Share capital**	**Foreign exchange adjust-ments**	**Hedging reserve**	**Retained earnings**	**Propo-sed di-vidend**	**Equity of sharehold-ers in T&W Medical A/S**
Equity at 30 April 2018	**500,0**	**(128,0)**	**1,0**	**688,2**	**-**	**1.061,2**
Profit for the period	-	-	-	5.792,4	-	5.792,4
Foreign exchange adjustment, etc.	-	49,4	-	-	-	49,4
Total comprehensive income for the year	**-**	**49,4**	**-**	**5.792,4**	**-**	**5.841,8**
Equity at 30 September 2019	**500,0**	**(78,6)**	**1,0**	**6.480,6**	**-**	**6.903,0**
Profit for the period	-	-	-	(1.048,7)	0,6	(1.048,1)
Other comprehensiv income, net	-	(83,7)	3,1	7,1	-	(73,5)
Total comprehensive income for the year	**-**	**(83,7)**	**3,1**	**(1.050,0)**	**0,6**	**(1.121,6)**
Equity at 30 September 2020	**500,0**	**(162,3)**	**4,1**	**5.439,0**	**0,6**	**5.781,4**

Statement of cash flow

DKKm	Notes	1 October 2019 - 30 September 2020 (12 months)	1 May 2018 - 30 September 2019 (17 months)
(Loss)/profit for the year		**(1.048,1)**	**5.792,4**
Income from equity investment		870,8	(5.802,5)
Financial income adjustments, net		(8,7)	91,1
Tax on profit/(loss)		(8,0)	(7,7)
Other non-cash adjustments		168,4	3,2
Cash flow from operating activities before changes in working capital		**-25,6**	**76,5**
Change in receivables		42,3	(39,5)
Change in trade payables		(3,5)	-
Change in other current liabilities		35,9	-
Change in other assets/liabilities		4,2	1,2
Cash flow from operating activities before financial items and tax		**53,2**	**38,2**
Financial income received		118,2	-
Financial expenses paid		(109,5)	(102,0)
Cashflow from operating activities		**62,0**	**-63,8**
Dividend received		-	1.725,0
Investments in other assets, net		(107,2)	(2.307,5)
Cash flow used in investing activities		**(107,2)**	**(582,5)**
Cashflow from operating and investing activities		**(45,2)**	**(646,3)**
Proceeds from long-term & short term debt		35,1	656,4
Repayments of long-term & short-term debt		-	-
Dividens paid to shareholders		-	-
Change in intercompany balances		-	-
Cash flow from/(used in) financing activities		**35,1**	**656,4**
			-
Net cash flow		**(10,1)**	**10,1**
Cash & cash equivalents beginning og period		10,1	-
Cash and cash equivalents, end of period		-	**10,1**

Notes to the parent financial statements

1. Basis for preparation

2. Results of the year
2.1 Tax

3. Operating assets and liabilities
3.1 Investment in subsidiaries
3.2 Other non-current and current assets

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 for T&W Medical A/S have been prepared in accordance with IFRS as adopted by the European Union (EU) and further require-ments in the Danish Financial Statements Act.

The parent financial statements are presented in Danish Krone (DKK) which is the functional currency of T&W Medical A/S. All values are rounded to the nearest million (DKK) with one decimal, except where indicated otherwise.

The Parent's general accounting policies are described in each of the individual notes to the parent 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.

The financial statements for all periods presented have been prepared in accordance with all IFRS as adopted by EU effective for accounting periods ending 30 September 2020.

2 Result of the year

2.1 Tax

DKKm	1 October 2019 – 30 September 2020 (12 months)	1 May 2018 – 30 September 2019 (17 months)
Tax on profit/(loss)		
Current tax for the year	0,1	3,7
Deferred tax for the year	7,9	0,3
Adjustment to current tax with respect to prior years	-	3,7
Total	**8,0**	**7,7**

Reconciliation of effective tax rate	1 October 2019 – 30 September 2020 (12 months)	1 May 2018 – 30 September 2019 (17 months)
Danish tax rate	22%	22%
Expected income tax (expense)/benefit	(232,3)	(1.486,8)
Non-taxable income	240,3	1.490,8
Adjustment of tax with respect to prior year	-	3,8
Total	**8,0**	**7,7**

T&W Medical A/S serves as the administration company in a Danish joint taxation arrangement with all subsidiaries. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for these entities.

3 Operating assets and liabilities

3.1 Investment in subsidiaries

DKKm	30 September 2020	30 September 2019
Cost beginning of year	3.300,7	2.969,7
Additions	175,0	331,0
Disposals	-	-
Cost end of year	**3.475,7**	**3.300,7**
Revaluations beginning of year	3.797,3	(259,3)
Other adjustments	(27,2)	68,6
Share of profit/loss for the year	(870,8)	(994,1)
Share of other comprehensive income, net	(73,5)	(89,6)
Gain on dilution of ownership interests	-	6.796,7
Dividend	-	(1.725,0)
Revaluations end of year	**2.853,0**	**3.797,3**
Carrying amount end of year	**6.328,7**	**7.098,0**

Group companies are listed on Note 5.11 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.

3.2 Other non-current and current assets

DKKm	30 September 2020	30 September 2019
Other non-current financial assets		
Other loans	1.232,0	1.307,3
Intragroup loans	548,0	548,3
Total	**1.781,0**	**1.855,6**
Other current financial assets		
Securities and other equity investments	-	168,4
Others	13,4	13,6
Total	**13,4**	**182,0**

Other loans are loans issued to non-controlling interests in WS Audiology for the purpose of such non-controlling interests acquisition of shares in Auris Lux II S.A., which was ultimately exchanged for shares in WS Audiology. The loans become due at 28 February 2025, at which date T&W Medical may at its election require that the repayment of the loans be satisfied in full through the transfer of shares in WS Audiology from the borrower to T&W Medical. No fair value adjustments are recognized in 2019/20.

Intragroup loans are loans to subsidiaries of WS Audiology A/S. Credit risk related to the loans is insignificant.

T&W Medical received call options to acquire additional shares in WS Audiology from the non-controlling interest. Fair value adjustments of DKK 168,4 million has been recognized in 2019/20.

Accounting policies

Issued loans with conversion options are measured in their entirety at fair value through profit or loss. Fair value is determined using discounted cash flows based on forward rate curve (level 2).

Other loans and receivables, including intragroup loans are recognized 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 recognized 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.

Call options are measured at fair value through profit or loss. Fair value is in general determined using a Monte Carlo simulation approach (level 3) combined with Management estimates.

4 Other disclosures

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.

DKKm	1 October 2019 - 30 September 2020 (12 Months)	1 May 2018 - 30 September 2019 (17 Months)
Transactions with related parties		
- Intergroup loans, granted	548,0	548,3
- Loans, received	2.608,4	2.549,0
- Receivables, intergroup	274,0	141,8
- Interest on loans, paid	103,2	102,0
- Interest on loans, received	22,4	91,1

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

DKKm	1 October 2019 - 30 September 2020 (12 Months) Deloitte	1 May 2018 - 30 September 2019 (17 Months) Deloitte
Audit fees	0,2	0,5
Other assurance related services	-	-
Tax services	-	-
Other services	0,2	-
Total	**0,4**	**0,5**

4.4 Significant events after the balance sheet date

There have been no non-adjusting events afther 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 T&W Medical A/S were approved by the Board of Directors and authorised for issue on 22 February 2021.

Entity Information

Entity
T&W Medical A/S
Nymøllevej 6
3540 Lynge

Business Registration No (CVR): 28511809
Founded: 22.03.2005
Registered in: Allerød
Financial year: 01.10.2019 – 30.09.2020

Board of Directors
Jan Tøpholm, Chairman
Julian Tøpholm
Richard Tøpholm
Søren Erik Westermann
Anders Steen Westermann
Adam Westermann

Executive Management
Lars Nørgaard, Chief Executive 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 T&W Medical A/S for the financial year October 1, 2019 to September 30, 2020.

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, 2020 and of their financial performance and cash flows for the financial year October 1, 2019 to September 30, 2020.

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, 22 February 2021

Executive Manangement:

Lars Nørgaard
Chief Executive Officer

Board of Directors:

Jan Tøpholm
Chairman

Julian Tøpholm

Richard Tøpholm

Søren Erik Westermann

Anders Steen Westermann

Adam Westermann

Independent auditors' report

To the shareholders of T&W Medical A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of T&W Medical A/S for the financial year October 1, 2019 to September 30, 2020, 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 2020, and of the results of their operations and cash flows for the financial year October 1, 2019 to September 30, 2020 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, 22 February 2021

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Nikolaj Thomsen
State-Autorised
Public Accountant
MNE no. mne33276