Annual Report 2021/22

Wonderful Sound for All

WSAudiology

Unlocking human potential
by making wonderful sound
part of everyone's life.

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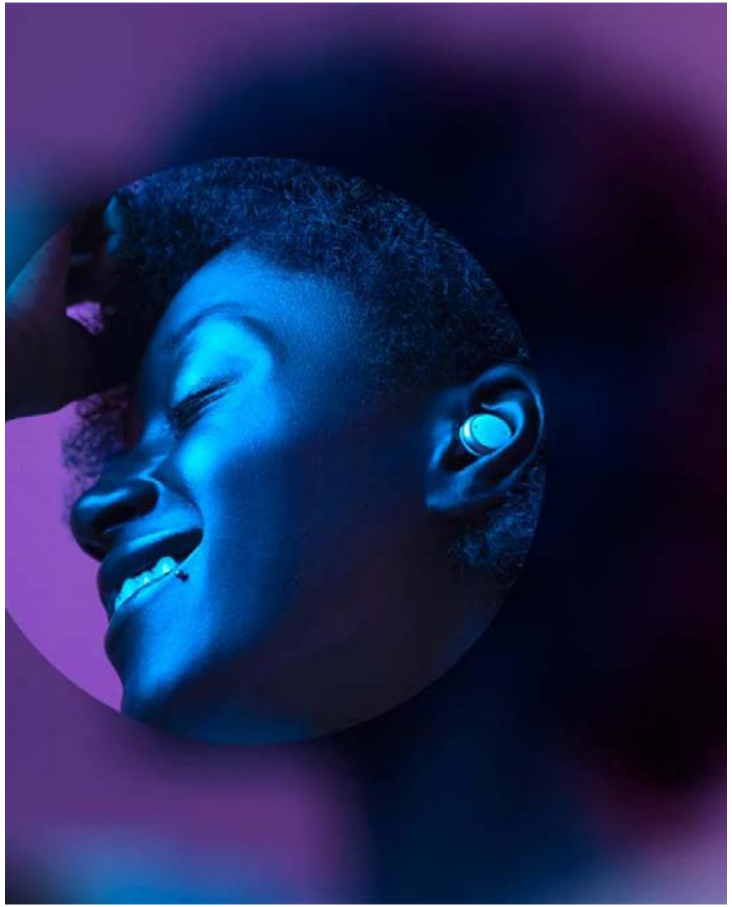


Coverpage image:
Signia. Be Brilliant.

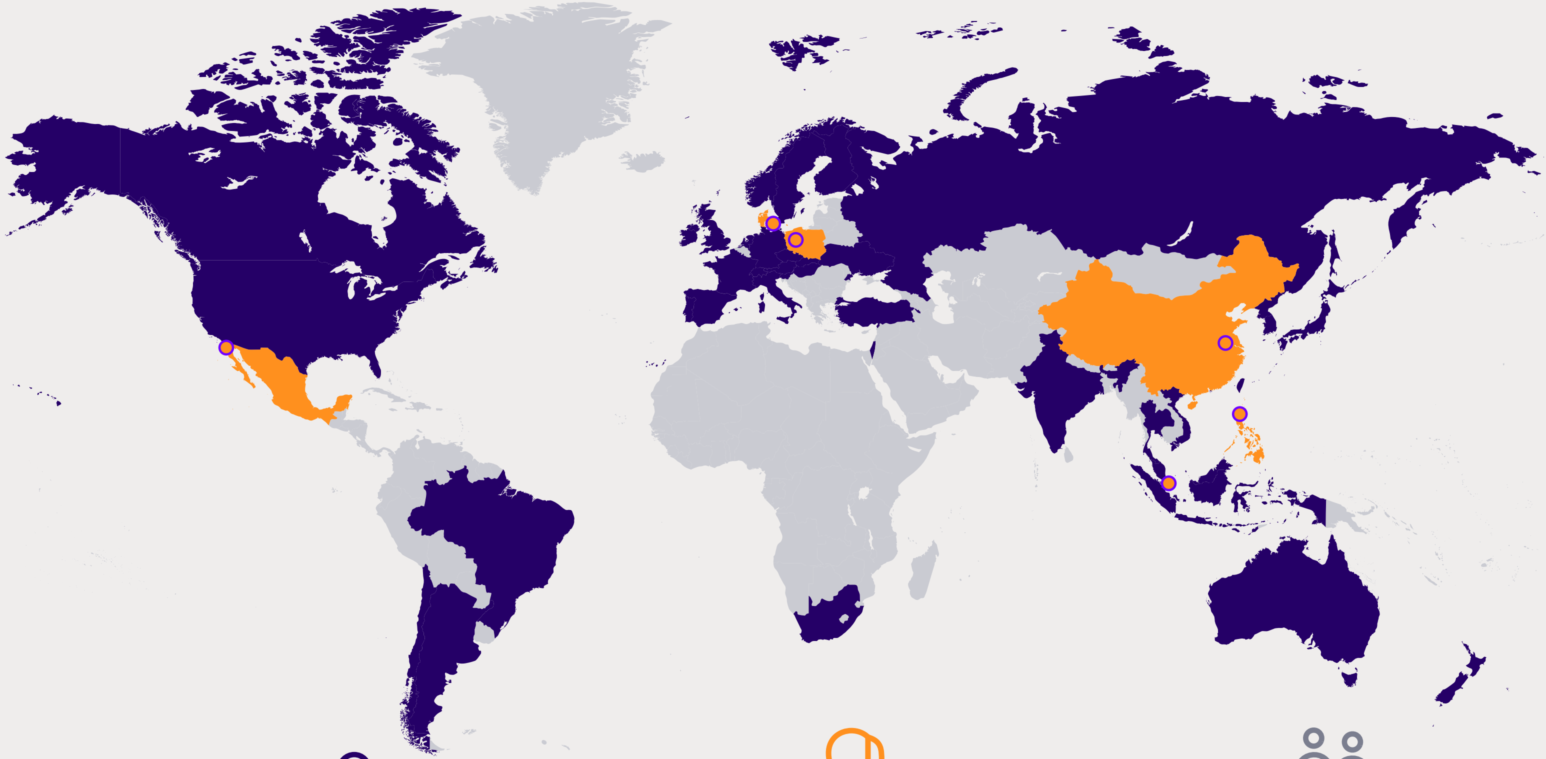
Follow us

Overview

At a **glance**

WS Audiology is a global leader in the hearing aid industry. **We help millions of people** regain and benefit from the miracle of hearing by designing and manufacturing innovative hearing aid devices and solutions. We improve people's health, well-being, and quality of life as we strive to unlock human potential by making wonderful sound part of everyone's life.

Through our global customer network of thousands of hearing care providers, as well as through our consumer-facing businesses, we help increase the awareness of hearing challenges and facilitate access to professional care.



Main production sites
Presence

Headquartered in Denmark and Singapore

12,000

employees in more than

45

offices globally.

6

main production sites in Denmark, Singapore, China, Mexico, Poland and the Philippines.

3.5 million

people equipped with WSA hearing aid devices in more than

130

countries during 2021/2022.

Letter from our Chair and CEO

A solid result

Following a strong first half with 12% organic growth, the second half was impacted by general macro weakness. Still, we were able to keep our guidance and delivered 7.4% organic growth for the full fiscal year and a normalized EBITDA of EUR 502 million in line with the guidance of +EUR 500 million. We are deeply grateful to the dedication and motivation of our 12,000 employees who together achieved this solid result.

Strategy

The global hearing aids market continues to be full of opportunities for growth, as the need for hearing aids is greater than ever and most people with hearing loss are not served with any form of hearing care. Motivated by our purpose of Wonderful Sound for All, we feel a strong urge to change that and have embedded awareness, access and affordability in our strategy, while fighting the stigma of wearing hearing aids with unique design solutions and inspiring role models.

Our efforts to build a diverse, inclusive, and supportive culture have started to pay off. A survey in June 2022 showed a significant jump of the employee engagement from 7.2 to 7.6 out of 10. We continue to work hard building a great place to work for all our employees. In 2022 we launched programs to make leaders aware of the importance of psychological safety. Only when employees feel the room to speak up freely and say what they really believe, we can create an optimal innovation climate.

Another pillar of our strategy is our program to minimize our impact on the environment. This is not just about the way we work, the energy we consume, the footprint of our activities, but also about the way we help our customers to minimize their impact, by offering rechargeable solutions and optimizing to more resilient supply chains, with ever more ambitious recycling levels. In addition, we of course continue to support the UN Global Compact.

Market conditions

Although market conditions did never stop to be challenging with continued COVID lockdowns, supply issues, inflationary pressure, material costs and wages, the first half of the financial year showed strong growth. But in Q3 all of the above plus the consequences of the war in Ukraine, with a looming energy crisis, high inflation and the prospect of economic depression, started to have an impact on the sale of hearing aids, especially in markets where hearing aids are not or not fully reimbursed. We were confronted with market softening and in some markets, volume even contracted versus last year. France had a very high base of comparison due to the French healthcare reform in 2021. And consumer sentiment in the US was weakening. Still, we were able to gain market share during the 2021-2022 fiscal year.

Purpose

Wonderful Sound for All

> Motivated by our purpose of Wonderful Sound for All, we have embedded Awareness, Access, and Affordability in our strategy.

Main events

Late in 2021, WSA published the industry's first ever Life Cycle Assessment study of rechargeable hearing aids. The study shows that our rechargeable hearing aids have a 65% lower environmental impact compared to traditional battery driven hearing aids.

In December WSA announced the appointment of Marianne Wiinholt as Group CFO. She joined in April 2022 from a position as Group CFO of the renewable energy company Ørsted.

In January we announced the strategic acquisition of leading Brazilian hearing aid distributor Audibel, active in both the public and private local market.

In February, Russia invaded Ukraine. We strongly condemned this blatant violation of international law and human decency. We managed to get our Ukrainian team and their families from Kiev to safer ground and suspended all shipments to Russia. Globally, employees collected a huge sum of money for the Red Cross and our owners contributed generously.

To structurally mitigate supply chain challenges, improve our customer service and increase the resilience of our manufacturing network, we decided to near-shore part of our custom hearing aid production for the Americas from China to Tijuana, Mexico. In September 2022 we announced the move of all Signia operations from Piscataway, New Jersey, to the Mexican site, to serve all customers in North and South America.

In August we launched a retail rebranding program that will transform

> Minimizing our environmental impact is not just about the way we work, the energy we consume, or the footprint of our activities. It's also about helping our customers minimize their own impact such as offering rechargeable solutions.

our retail stores to provide hearing care consumers with a modern, unified, and more seamless experience. Implementation of the program has already started in North America.

During the same month we changed our regional set-up and appointed Carsten Buhl as leader of the new region Americas. The formation of Americas will strengthen our growing network of partners in the US, Canada, and Brazil, as well as leverage new business models in the region.

On August 16th, the Food & Drug Administration (FDA) published the final rule for the over-the-counter sales of hearing aids in the US. WSA supports this development as it connects with our strategic goals to increase the awareness, access, and affordability of hearing care.

In September we announced a partnership agreement with Sony Corporation. Aim of the partnership is to jointly develop and supply new products and services in the over-the-counter hearing aid market, beginning with the United States. In October we launched the first joint product under the Sony brand. It is being sold by Sony online, by big American retailers and by independent partners who would like to supplement their offering with OTC hearing aids. Realistically it will take a few years until this OTC market will be sizeable. The reason that many people in the US and other markets do not seek hearing care when they have hearing loss, is a complex mix of lack of awareness, access, affordability, and stigma. Overcoming these hurdles will require some patience.

Outlook

Since the third quarter of FY 2021/22 we saw the momentum in some of the larger markets most notably US and France softening due to macroeconomic headwinds and in France also due to the high comparison base driven by the introduction of the national healthcare reform in 2021.

We expect the US private pay market to remain soft into FY 2022/23, while Managed Care in the US will maintain its strong growth momentum. In France we also expect that the softness we saw in the last quarters of FY 2021/22 to continue at least into the first quarter of FY 2022/23.

The growth fundamentals of the hearing care market remain strong. We will continue to leverage our unique product portfolio and our multi-brand, multi-channel strategy, and we expect to deliver low single-digit organic growth in FY 2022/23.

The reported EBITDA margin is expected to increase by 1-2 percentage-points compared to FY 2021/22 driven by the increased topline, impact of efficiency measures and reduction of normalizations.

Marco Gadola
Chair of the Board of Directors

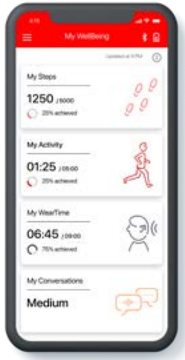
Eric Bernard
President and CEO

Innovation highlights

In 2021/22 we launched several **groundbreaking innovations.**

Signia Augmented Xperience platform
The world's first dual processor technology ensuring that users always hear clearly and enjoy handsfree calling with controls directly at the hearing aid.

Signia Styletto AX
Hearing aids in an award-winning design preferred by 8 out of 10 people including on-the go-charging.



Signia My WellBeing
Empowering wearers to stay healthy in body and mind by utilizing the hearing aids sensors. As a world's first adding conversation time tracking.

Rexton BiCore platform
A smooth all-round hearing experience, with an ultra-quick binaural link and embedded Speech Preservation Technology.

Widex Moment Sheer sRIC
The smallest rechargable RIC featuring Widex PureSound, that is delivered by the ultra-fast ZeroDelay pathway.

GOOD DESIGN AWARD 2022

Widex Instant Eartips
A new range of instant eartips that work together with TruAcoustics™ to provide better acoustical stability.

Widex SoundRelax™
Expansion of our fractal sound stimulation universe, providing a new palette of sounds designed to relax the mind and aid concentration.

Performance highlights

Financial

7%
Organic growth

203
Free cash flow EURm

21%
EBITDA Margin, Normalized

6,069
Capital employed EURm

Outlook	Outlook FY 2021/22	Realized FY 2021/2022
Normalized EBITDA	> EUR 500 mio.	EUR 502 mio.

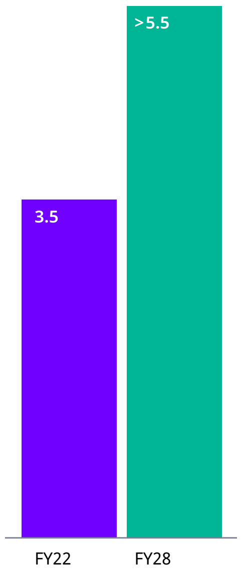
Read more Financial review and Outlook FY23

Read more Financial Statement section

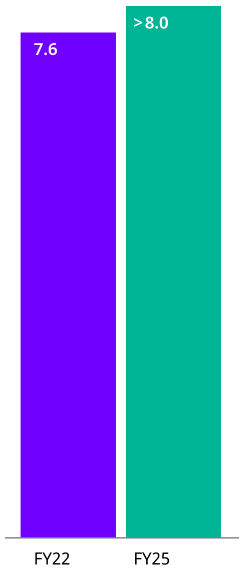
Read more ESG Statement section

Non-financial

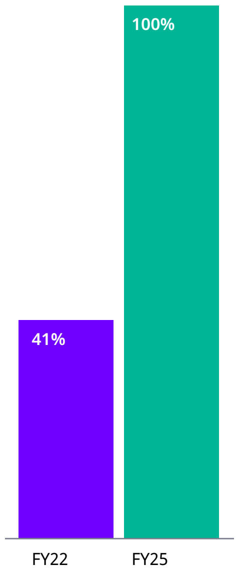
Expand access
million people equipped with hearing aids



Wonderful place to work
Engagement score, 1 - 10



Protect the planet
% of renewable energy used



5-year **key figures** and financial ratios

EURm	2021/22 12 months IFRS	2020/21 12 months IFRS	2019/20 12 months IFRS	2018/19 17 months IFRS*	2017/18 12 months IFRS*
Income statement					
Revenue	2,351	2,053	1,738	1,670	599
Gross profit	1,376	1,202	973	998	441
R&D costs**	120	102	84	84	30
EBITDA, Normalized	502	464	331	316	120
EBITDA	422	413	201	104	132
Depreciation and amortization ***	323	305	317	183	20
EBIT	99	109	(116)	(79)	100
Net financial items	(372)	(190)	(183)	(220)	(10)
(Loss)/Profit before tax	(273)	(81)	(299)	(299)	90
(Loss)/Profit for the year	(270)	(82)	(243)	(285)	70
Balance sheet					
Assets	6,779	6,668	6,811	6,691	615
Net Interest Bearing Debt	3,806	3,504	3,452	-	-
Net Working Capital	285	225	241	-	-
Equity	1,593	1,701	1,770	1,982	318

* WS Audiology A/S was established on 28 February 2019 to effectuate the merger of the Sivantos Group and the Widex Group. Widex group was regarded as the account acquirer and consequently the figures from 2017/18 and the first 5 month of 2018/19 disclose pre-merger figures from the Widex Group

** Total R&D spend amounted to EUR 162 million in 2021/22 (2020/21: EUR 142 million) and includes expensed cost of EUR 120 million (2020/21: EUR 102 million) and capitalized costs of EUR 100 million (2020/21: EUR 81 million) offset by amortizations for the year, refer to page 40 for breakdown.

*** Includes amortization of identifiable assets from Purchase Price Allocations of EUR 159 million (2020/21: EUR 181 million) from business combinations.

EURm	2021/22 12 months IFRS	2020/21 12 months IFRS	2019/20 12 months IFRS	2018/19 17 months IFRS*	2017/18 12 months IFRS*
Other key figures					
Investment in property, plant and equipment	60	43	35	39	18
Cash flow from operating activities	368	397	240	168	94
Free cash flow	203	262	116	-	-
Average number of employees	12,000	11,441	10,791	10,899	4,175
Financial ratios, %					
Organic growth	7	22	(11)	4	-
Gross profit margin	59	59	56	60	74
EBITDA margin, Normalized	21	23	19	19	22
EBITDA margin	18	20	12	6	20
EBIT margin	4	5	(7)	(5)	17
Return on equity	(16)	(5)	(13)	(25)	24
Equity ratio	24	26	26	30	52
ESG					
People equipped with hearing aids (million)	3.5	3.1	2.2	-	-
Gender diversity in managerial roles (% of female)	39%	37%	38%	-	-
Renewable electricity (%)	41%	23%	16%	-	-

Key figures/ financial ratios definitions

EBITDA = Earnings before interest, tax, depreciation, amortization
EBIT = Earnings before interest and 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
EBITDA margin, normalized = EBITDA, normalized x 100/revenue
EBIT margin = EBIT x 100/Revenue
Return on equity = Profit/(loss) for the year x 100/average equity
Equity ratio = Total equity/total assets x 100
Net Working Capital = Trade receivable + Inventories – Trade payables
Free cash flow = Operating cash flow - net capex
Net interest-bearing debt = total interest-bearing debt – cash and cash equivalents

Strategy and sustainability

Market overview

Underpenetrated market
Today more than 1.6 billion people suffer from hearing loss. Of these, 430* million have disabling moderate to complete hearing loss requiring treatment.

However, less than 20% of people* in need are equipped with hearing aids, despite the adverse consequences associated with hearing loss both for the individual and society, specifically:

- Social isolation and loneliness
- Higher risk of developing dementia
- Higher risk of unemployment

Translated into economic value, unaddressed hearing loss has an annual cost to society of more than $980 billion* driven by healthcare spend, education, and productivity losses.

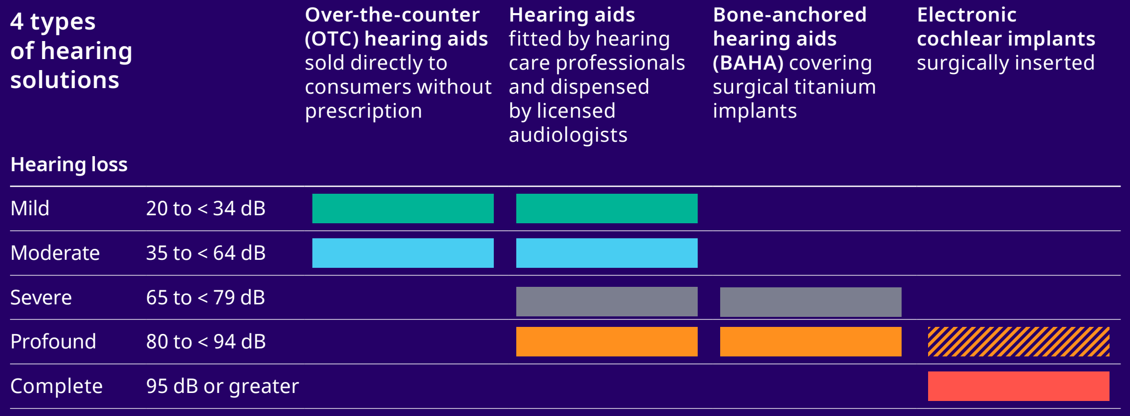
* Source: WHO, Hopkins Medicine

The main barriers holding people back from adopting hearing aids are:

1. Awareness of own problem and solution benefits
2. Access to care
3. Affordable solutions
4. Stigma perception/association with aging and lower intelligence
5. User experience (complex user journey)

The prevalence of each barrier is highly dependent on the country in question.

At WSA, we are on a mission to break down each barrier by growing a sustainable business to deliver Wonderful Sound for All.



People with varying degrees of hearing loss

Resilient industry

Globally, approximately 12 million people are fitted with new hearing aids every year, roughly equaling 20 million hearing aids. This number grows by 5-6% annually, driven by a set of key factors, including:

1. Increase in number of people with disabling hearing loss
    a. Growing population
    b. Aging population
    c. Noise pollution (concerts, audio behavior, occupation, etc.)
2. Increase in number of replacement cycles of hearing aids due to longer life expectancies

Historically, little progress has been made in breaking down the main barriers to increased user adoption and unlock further growth of the industry.

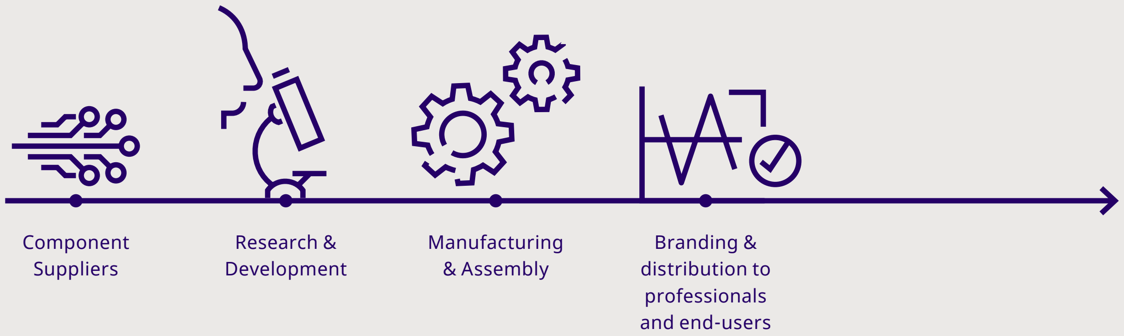
The industry is characterized by resilience to general economic turbulence due to factors including:

1. Growth decoupled from macro effects (population growth, demographic shifts)
2. Public reimbursement support across many markets
3. User group primarily with fixed income, higher net worth, and less exposure to unemployment risk

During the COVID-19 pandemic, for example, the market contracted by -18% in volume in 2020, as hearing care professionals were forced to close their centers. But as soon as 2021, the market bounced back with +33% growth due to pent-up demand. In addition, during the 2008 financial crisis, the market only dropped by approximately 1% in terms of volume.

Source: WHO

Industry Value Chain



User Journey

Distribution channels

The way people obtain hearing aids varies greatly by country and highly depends on local reimbursement benefits and support. Most people typically first consult their general practitioner and/or ENT (ear, nose, and throat) specialist, who act as intermediaries, before going to a professional hearing care center. Professional channels include:

a. Independent hearing centers (incl. ENTs)

b. Governments (public centers, hospitals)

c. Specialized hearing chains

d. Big Box chains

e. Optical chains

In addition, some people prefer online-to-offline models where consultation is done online before being fitted at a hearing center. Others have insurance benefits and leverage managed care providers to help them navigate the journey (managed care only exists in the US).

Online direct-to-consumer models today account for approximately 1% of the traditional hearing aid market. This is driven by strong regulation in most Western countries, where hearing aids can only be acquired after prescription and testing by a hearing care professional. In addition, user preference for face-to-face consultation and complexity of the fitting process, especially for more severe hearing loss, adds to the low prevalence of online direct-to-consumer models today. However, this channel is expected to grow rapidly as countries start to ease regulation, self-fitting technologies improve, and more tech-savvy end users enter the category. China is one example where there is limited regulation, and therefore substantial volume is sold online via Tmall and other e-commerce platforms. However, the majority of this volume consist of Personal Sound Amplification Products (PSAP) and not true hearing aids.

In the US, the over-the-counter Hearing Aid law is now effective. The law allows certain types of hearing aids to be made available over the counter (OTC) to Americans with mild to moderate hearing loss.

Purpose:

Wonderful Sound for All

1 Increase awareness | 2 Expand access | 3 Tackle affordability

4 Deliver profitable growth

5 Build a wonderful place to work

6 Protect the planet

Strategic ambition and goals

Our strategic ambition is linked to our purpose of providing Wonderful Sound for All, while growing a sustainable business. We aspire to become a true market leader by changing lives across all markets, channels, and price points.

We have defined 6 strategic goals:

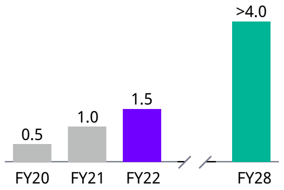
1. **Increase awareness** – We make people aware of hearing health and hearing solutions that fit personal needs.
2. **Expand access** – We make it easy to get hearing solutions wherever people are.
3. **Tackle affordability** – We bring relevant hearing solutions to all people, through technology and commercial innovation.
4. **Deliver profitable growth** – We further the investment in R&D and customer care to strengthen our solution offering for all.
5. **Build a wonderful place to work** – We foster the inclusion of people with diverse views, opinions, and backgrounds.
6. **Protect the planet** – We take care of the planet and we therefore evolve towards circular business models.

Strategic Goals

For each goal we have set a clear target:

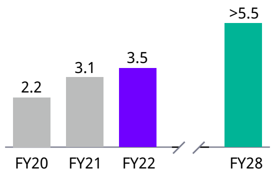
1 Increase awareness

Million people hearing tested



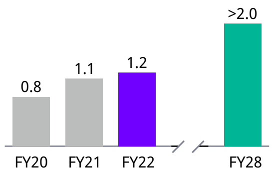
2 Expand access

Million people equipped with a hearing aid



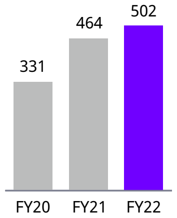
3 Tackle affordability

Million people equipped with hearing aids with lower private-pay [1]



4 Profitable growth

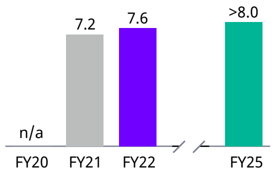
Normalized EBITDA, mEUR



*For FY23 outlook please go to page 8.

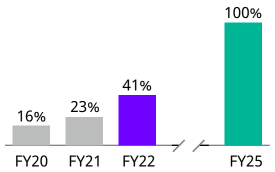
5 Wonderful place to work

Engagement score, 1 - 10



6 Protect the planet

% of renewable energy used



(1) Including public sales, managed care, OTC and price points below pp50.

Our way to differentiate

The hearing aid market for manufacturers is highly consolidated, whereas the retail market is very fragmented. The competitive landscape of manufacturers has been rather stable for the last few decades, except for the merger that formed WSA in 2019. Competition is intensifying, especially in retail, where manufacturers are including the direct distribution of products, and new direct-to-consumer companies are entering the category in market segments where regulation allows.

In this competitive market, WSA is well positioned to be a market leader, due to:

- **Scaling advantages** from producing the most hearing aids globally
- **Unique multi-brand portfolio** allowing us to cater to more partners and end users than anyone else, supported by two distinct audiology platforms
- **Unparalleled R&D setup** with 1,000+ people across 3 hubs pioneering innovation via new design and features to reduce the stigma, improve user experience and create affordable solutions
- **Leadership in high-growth distribution channels** (Hear.com and managed care in the US)
- Strong **position in fast growing markets** (China, India, Brazil, SEA, and Turkey)

Areas where we invest

To continue to drive leadership and strengthen our competitive differentiation, we make investments to:

- **Accelerate growth** in the Americas, leveraging our unique business portfolio
- Strengthen our **retail brand** and end-user experience
- Bring new solutions **(R&D)** to our partners and end users
- Enhance **service** across our businesses to improve our partner and end-user experience
- Developing and supplying new products and services in the **over-the-counter ("OTC")** self-fitting hearing aid market in partnership with Sony Corporation.

Spotlight story

Rebranding retail in North America

Introducing the sound of the new age

Hearing loss is the most common physical condition that adults face. In a time where everything is possible, no one should be left to struggle with their hearing health. But the prejudice and negativity associated with hearing health is still preventing too many from living their lives to the fullest.

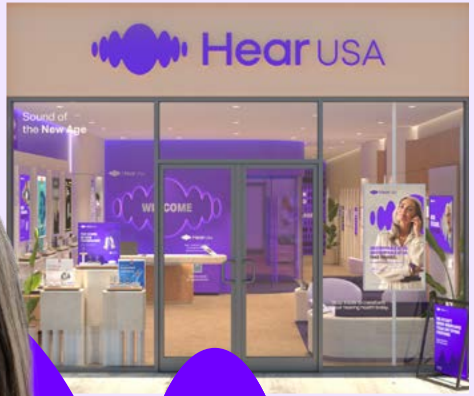
Transforming the hearing health industry to better meet our clients' needs while breaking the stigma around aging to help everyone embrace the next chapter in their lives is a bold ambition and it needs a bold new brand to make it a reality. That is why we have developed a new retail brand with the vision of reinventing the industry standards to deliver cutting edge hearing care solutions for the new age.

To achieve this vision, we launched a retail rebranding program in North America in August that will transform our retail stores to provide hearing care consumers with a modern, unified, and more seamless experience.

In the US, 28 retail brands are now under one, HearUSA, brand. In Canada, 17 retail brands are now under one, HearCanada, brand.

HearUSA

HearCANADA



Watch the video of the launch

Business model

Wonderful Sound for All

Growing a sustainable business

Resources

In WSA, we are **12,000 people**

Working from **45 offices globally**

Our products are sold in more than **130 countries**

Research & development

1,000 people
Work across 3 R&D locations enabling us to access top talents across geographies

>150 mEUR
Invested annually in pioneering innovation across traditional hearing and beyond

2 audiology platforms
To support our multi-brand strategy

Manufacturing & assembly

2,500 people
Work within operations to efficiently produce and distribute the best hearing aids and accessories

6 production sites
Distributed across our 3 regions to ensure a resilient supply chain: Denmark, Singapore, Poland, Philippines, Mexico, and China

Branding & distribution to partners (B2B)

3,500 people
Work to support our partners getting the hearing solutions they need

5 product brands
Make up our multi-brand product portfolio: Widex, Signia, Rexton, AudioService and Vibe

+90,000 partners
Receive hearing solutions from our portfolio of brands and businesses

Branding & distribution to end-users (B2C)

5,000 people
Work to directly support end-users getting the solutions they need

4 own B2C channels
Allow us to serve end-users with different preferences: Retail, Managed Care, Online, Over-The-Counter/ Direct-To-Consumer

1,000 own hearing centers
Distributed across 20 countries employing hearing care professionals who diagnose, fit and sell hearing aids

Value

This year, **3.5 million people** were equipped with WSA hearing aid devices

EUR 2,351 million
Revenue

EUR 502 million
Normalized EBITDA generated

Science Based Targets were submitted and the share of renewable electricity reached 41%

Spotlight story

South Africa: Bringing hearing care to more people

It is our goal to increase awareness by making more people understand their own hearing needs, expanding access to reach more people, and tackling affordability by providing lower cost solutions.

One of the key take-aways has been the importance of partnering with local NGOs, charity organizations, and other service providers and role players within the community."

Rouxsanne Smit, Product and Brand Manager at WSA South Africa

Watch the video of the launch

In 2022, WSA and HearInAfrica, a Cape Town based audiology practice, launched the #Hearittogether Hearing Healthcare Program. The launch took place in Grassy Park Western Cape, where a local NGO partner, LOFOB, and WSA's General Practitioner Network, participated in free hearing screenings as a start to the larger initiative #Hearittogether.

Hearing care is not common in South Africa due to lack of awareness and inadequate access to good audiology services or affordable hearing aids.

An estimated 4-10% of the South African population suffer from hearing loss, 50% of which is preventable. More than 75% have never had a hearing test.

#Hearittogether is the start of a journey that aims at not only driving awareness of hearing care but also to take an active step in making hearing screenings, diagnostic tests, and hearing devices more accessible and affordable for all.

Together, the Hearittogether partners bring the hearing test to people where they are - in churches, in shopping malls, or at home.

Since the launch of the program, 115 people have participated in hearing screenings. 83% of them did not pass the screening, which indicates hearing issues. Many of them continued the diagnostic testing and were fitted with hearing aids from the WSA brand Rexton.

Building a **wonderful** place to work

In WSA we focus on creating a culture anchored in a psychologically safe environment that embraces differences and honors diverse views. Our three values show the company we are building: Going Beyond Together, where we embrace diversity and inclusion, Pioneering for Better Solutions, where we share our passion for our customers and consumers, and Passion for Impact, where we deliver results while we grow and learn. We have anchored our culture journey around three main pillars:

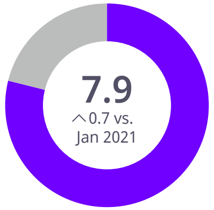
1. Strengthening and refining our people processes to activate the WSA culture in all touchpoints
2. Establishing a safe and trusted environment where all our employees can thrive, and
3. Expanding our communication and activation efforts to bring the culture to life.

In our people processes, we focus on encouraging and living our WSA values and behaviors. We have also enhanced our talent development framework to ensure that we take a broader and more holistic view when defining the developmental needs of our talents.

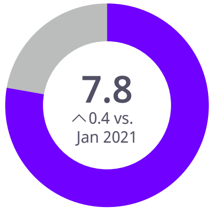
The refinement of our core people processes and activations has resulted in a strong improvement in our regular pulse survey results. Our latest WSA Heartbeat pulse survey in June 2022 showed that our employees are truly living our values and there has been a solid improvement over the last 12 months.

Our values

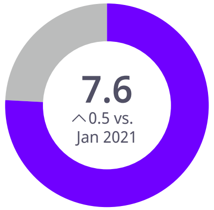
 # Going beyond together



 # Passion for impact



 # Pioneering for better solutions



Employee engagement

The overall engagement score improved to 7.6 - an increase of 0.4 points compared to last year when we launched the program. We are pleased to see this positive development, as it is an important step towards the continued efforts to make WSA a wonderful place to work and grow.

7.6

Engagement score in June 2022 - up from 7.2 in Jan 2021.

This improvement shows the trust and support our employees have in the company and its direction. This means the collective efforts of everyone within the company, not least role modelled by our leaders. Some key highlights include having more regular global and local town hall meetings and ‘Ask-Me-Anything Cafes,’ allowing employees to stay connected with what is happening across WSA. The majority of our activation campaigns are driven by employees. A recent example was ‘Passion for impact’ week in Lynge, where employees from various functions introduced their innovations to their fellow colleagues. In Singapore, actions were prioritized around promoting well-being and social activities among colleagues. In USA Retail we launched a Hearing Care Professional advisory board to ensure providers' voices are heard and incorporated into future actions and to further connect employees to the company.

Employee development

People development is fundamental for WSA. We are building a culture where everyone gets the opportunity to learn and grow and we encourage our colleagues to learn on the job, both from colleagues and by attending formal training.

For leaders, we focus on enhanced self-awareness using 360-tools and leadership programs designed for both new and more experienced leaders. The main aim is to equip leaders with the skills and mindset to successfully deliver on our WSA business priorities and thrive in today’s fast-changing world. Team and specialist development has also been a focal point.

Additionally, we have invested in Digital Learning across the company. A total of 86% of all invited employees have activated their Digital Learning accounts and completed a total of more than 23,000 courses online.

Diversity and inclusion

At WSA we are committed to building a company that is inclusive, diverse, and equitable for all. This is reflected in our purpose of Wonderful Sound for All and our value ‘Going beyond together.’

Advancing a diverse, equitable, and inclusive workforce

We believe diversity is multifaceted, and it is important to protect and celebrate all elements of our employees’ and customers’ identities around the globe. In early 2022, a global D&I strategy was introduced to foster an inclusive, diverse, and equitable work environment. Moreover, we translated our global strategy to local strategies in all three regions (APAC, EMEA, and Americas), and focused our efforts on four building blocks (shown to the right).

Building an inclusive and psychologically safe culture

A psychologically safe work environment is a prerequisite for creating a diverse and inclusive workplace. This year, HR professionals across all WSA’s locations participated in unconscious bias and psychological safety training courses.

The main objective of these courses is to spark conversations on how to cultivate an inclusive and psychologically safe environment and unlock the potential of all WSA colleagues.

Creating a deeper understanding of what D&I is and the importance of it.

Establishing a clear link between D&I, culture, strategy and sustainability.

Enabling leaders to anchor the D&I agenda locally.

Creating transparency and celebrating milestones.

Spotlight story

Diversity & Inclusion

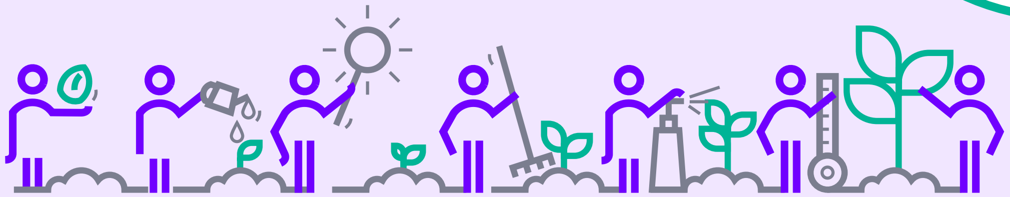
It takes all kinds of voices to deliver Wonderful Sound for All and it requires a psychologically safe environment to make it possible!

Guided by our WSA values, we believe that we all should be role models and contribute to an inclusive and psychologically safe culture. We are certain that with such a culture, we will reach our ambition of building a diverse, equitable, and inclusive hearing aid company. We know that diverse views, together with an open and encouraging culture, make us drive performance and impactful innovation to the benefit of our customers and consumers.

In the past year, we have focused on anchoring our values, creating an inclusive and psychologically safe environment through our internal networks – the TIDE Council (Team for Inclusion, Diversity, and Equity in the USA) and the global DEI Network. Both networks have seen an influx of new members who are motivated to make a difference. All members went above and beyond and dedicated their free time to creating a great place to work that is inclusive and psychologically safe for all. Currently, we have 30 passionate colleagues representing all three regions, role-modelling our value of Going Beyond Together by setting clear standards of behavior for inclusion and empowering everyone to challenge exclusionary behavior.

Over the course of 2021 both networks were successful in implementing several actions supporting our cultural journey and the global D&I strategy.

> It takes all kinds of voices to deliver Wonderful Sound for All and it requires a psychologically safe environment to make it possible!



This year's mark days related to diversity, equity and inclusion were all opportunities to celebrate our diversity and focus on the topic of inclusion.

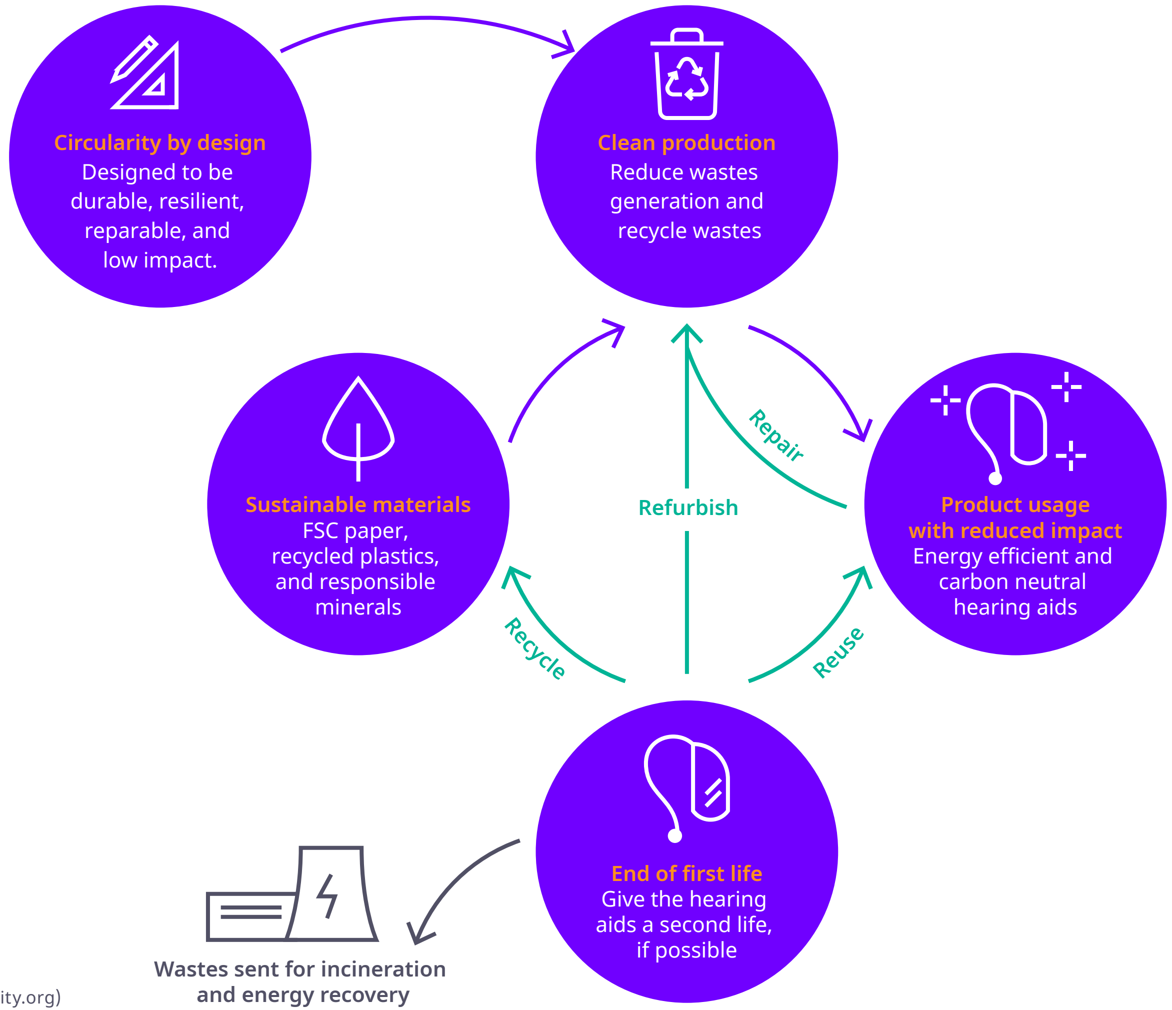
Enabling active allyship: Global DEI Network focused on launching guidelines, articles, and e-learnings on how to become an active ally and and support the culture of inclusion.

Ensuring local anchoring: the TIDE Council focused their efforts locally on introducing an Unconscious Bias Training in the US and rolled out a local DEI Survey including a focus group discussion that will further contribute to developing local strategy for the US region.

Protect the planet

At WSA we want to contribute to meeting global climate goals, limiting the global temperature rise to **1.5°C**, and reducing biodiversity loss. Therefore, we strive to integrate circular business models.[1]

A circular business model is about keeping materials in the usage phase for as long as possible, reduce the extraction of natural resources, and reduce the generated wastes. The circular business model is enabled by design, realized by operation, and sorted by business partners such as customers and suppliers.



70%

of non-hazardous wastes from main production sites are sent for recycling

1 Understanding circularity - UNEP circularity platform (buildingcircularity.org)

Circularity by design

Through product and process innovation, we strive to design our hearing aids to be repairable and recyclable.

Our hearing aids are long-lasting by design. They are durable and resilient to external factors, such as sweat and ear wax. If ever damaged, the devices are returned to our Global Service Center, where a dedicated team ensures repair.

Sustainable materials

This year, we started a project to reduce the environmental impact of packaging. We established an internal policy to work toward phasing out virgin plastics, introducing FSC-certified paper into product packaging, and optimizing shipping packaging to reduce waste. We support sustainable forest management by switching to FSC paper in our packaging. All the new products developed since March 2022 will be packed in FSC paper. With this transition already underway, 47% of paper packaging material sourced in this year are made of FSC paper.

> At WSA we focus on the entire value chain when it comes to reducing environmental impact. As such, we strive to support our customers and consumers in reducing environmental impacts associated with our hearing aids."

Clean production

In the ongoing SMART LEAN manufacturing program at our Singapore site, environment is one of the main pillars where we assess and identify opportunities to reduce the environmental impact of our production. Two key results of the assessment have led to reusing shipping packaging and recovering e-waste. Certain components in packaging are reused. Precious metals from the e-waste are recovered and the residues are processed and converted to cement.

This year, we sent 70% of non-hazardous waste from our main production sites to recycling. This means we have already achieved our 2023 target of increasing recycling rate.

See more in ESG Statements Note 12.1

Product usage with reduced impact

At WSA we focus on the entire value chain when it comes to reducing environmental impact. As such, we strive to support our customers and consumers in reducing environmental impacts associated with our hearing aids. Our lifecycle assessment has proven that rechargeable hearing aids are more environmentally friendly than batteries, but we also understand that all users have different needs and not everyone prefers to use rechargeable hearing aids.

To help our consumers reduce the carbon footprint associated with both rechargeable and non-rechargeable hearing aids, we have been running a pilot project offering carbon-neutral hearing aids to all customers and consumers in Switzerland since January 2022. As part of this effort, our Swiss colleagues engaged with a local reforestation project through which the carbon footprint associated with the hearing aids are offset.

End of first life

We receive our hearing aids back from consumers after the trial period or for repair. We reuse parts and components from the returned hearing aids where possible. All reused parts have been thoroughly tested in accordance with applicable standards and permissible regulatory frameworks. 100% of the electronic waste from our repair center is sent for recycling.

There are still many old hearing aids out there. We conducted a survey to understand what our consumers do with old hearing aids they no longer use. About 24% of the consumers keep them at home and 22% throw them away. We see this as an opportunity and this year, we initiated a pilot project in our Bloom Hearing Australia retail shops to take back used hearing aids from consumers. The purpose is to give these hearing aids a second life if possible. With approximately 95% of the hearing aids found to be functioning properly, they are cleaned and donated to local charity.

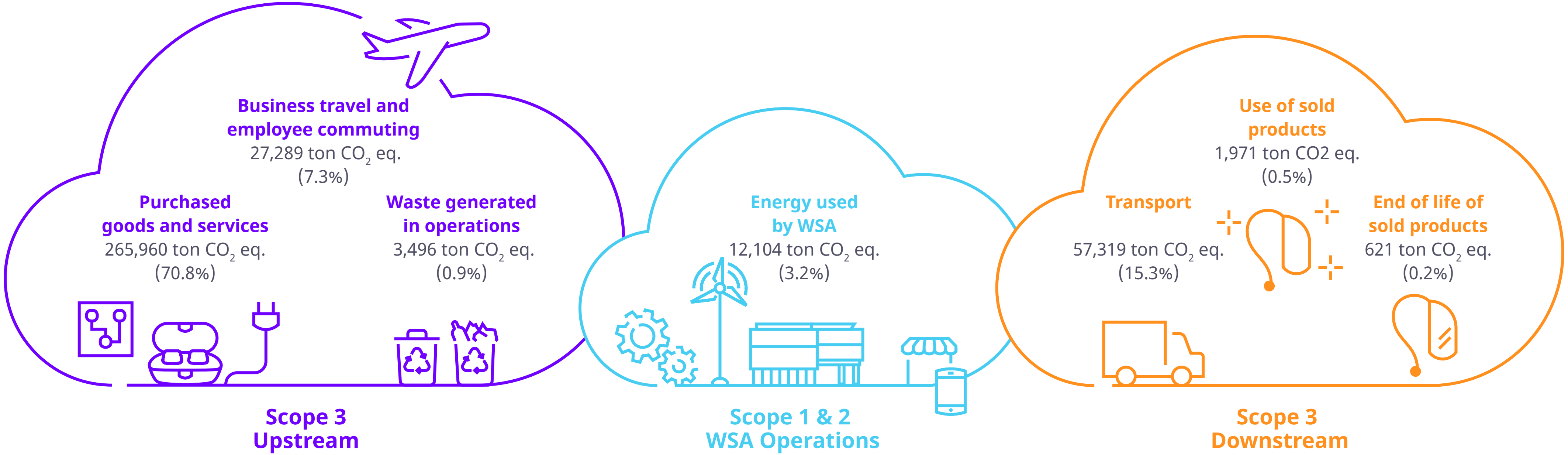
Reduce greenhouse gas emissions

By advancing towards a circular business model, working closely with stakeholders in our value chain, we are not only making more efficient use of natural resources, but also reducing our greenhouse gas emissions.

We continue to be committed to setting science-based targets. In July, we submitted our Scope 1, 2, and 3 emissions reduction targets to the Science-Based Targets initiative (SBTi). We remain committed to transitioning to 100% renewable electricity where we operate, including all manufacturing sites, offices, warehouses, and retail stores. This is in line with the Paris Agreement of limiting the global temperature rise to maximum 1.5°C. We will share the full scope of our emissions reduction targets and pathway to reach the targets after SBTi's approval.

This year, the share of renewable electricity reached 41%. We installed solar panels at our manufacturing site in Suzhou, China. The solar panels currently cover about 14% electricity consumption of our China site. Together with the wind turbine outside our Lynge headquarters in Denmark and the solar panels used by TruHearing in USA, the renewable electricity we produced on our sites accounts for 9% of total consumption. The remaining 32% of renewable electricity is sourced directly from utility companies or through energy attributes certificates. By powering our business with renewable electricity, we reduced 4,655 tons CO_2 emissions.

See more in ESG Statements Note 12.5 and 12.6



Innovation

Wonderful Sound for All

WSA builds on a 140-year history of driving ground-breaking innovations in hearing care. While in the past audiological innovation was the main domain driving our roadmaps, we are now pursuing a much broader pallet of innovations, while strengthening our lead in delivering exceptional audiological benefits.

We are the only player in our industry that follows two different philosophies with regards to sound: Creating the most *natural sound* using ultra-fast processing in our PureSound technology and *enhancing hearing performance* by offering several breakthrough audiological features via our dual-processor Augmented Experience technology.

Too many people choose to live with untreated hearing loss. Our purpose of bringing wonderful sound to all through our multi-brand, multi-channel strategy puts very high standards on our R&D teams as each brand, each channel and each consumer segment has unique requirements. To obtain those channel- and brand specific consumer and customer insights we deploy various strategies. They range from using classical qualitative, quantitative, and observational market research to leveraging GDPR-compliant big data analysis on datasets derived from our own retail stores, our on-line sales agents in hear.com and our fitting software.

Serving our multi-brand multi-channel strategy

We are tapping into more technologies than ever before to accommodate

consumer needs. Some examples of already broadly applied technologies are ultra-low-power ASIC designs, advanced speech enhancement, noise reduction algorithms, electro-acoustic, rechargeability, Deep Learning and miniaturization.

Other examples of technologies used in modern hearing aid designs are advanced connectivity protocols, allowing our hearing aids to be connected to mobile phones, and Artificial Intelligence to help consumers fine-tune their individual sound experience within the boundaries set by the hearing care professional.

Using these diverse technologies, some of them driven by the consumer electronics domain, we do not only serve those channels and customers that have been relying on our solutions for decades, but also serve new and emerging channels such as the optical and the over-the-counter channel (OTC). With this growing number of channels, it also becomes more and more important to provide an intuitive UX/UI to the hearing care professionals who use our fitting software to personalize our solutions to the specific needs of their clients.

+1000

More engineers based out of our three innovation hubs in Denmark, Germany, and Singapore

On top of this, we spend a significant amount of effort to make our advanced hearing solutions available for people, who cannot afford expensive hearing aid fittings or do not have access to a hearing care professional.

Our continuously increasing investments in R&D have brought us to a point where we are now serving more brands than ever before with brand-specific innovations. Our 1000+ engineers based out of our three innovation hubs in Denmark, Germany, and Singapore keep developing unique, stigma-fighting form-factors and lifestyle-oriented accessories.

To remain at the forefront of innovation we are strengthening our early-phase innovation efforts, too. This will result in a broader pipeline of new brand specific and brand agnostic technologies available to fuel our product roadmaps for the future.

To ensure the effectiveness and efficiency of our R&D efforts, we have optimized our so-called platform strategy with the aim of maximizing relevant brand differentiation while benefitting from scale effects in brand agnostic parts of the solution.

Our latest innovations

During the past business year, the key innovations around rechargeability have been rolled out into the portfolio. The first rechargeable custom-made in-the-ear solutions, chargers with built-in power-bank and Qi charging, as well as portable chargers, have been designed for a growing part of our hearing aid portfolio.

In September we introduced innovations on our two main platforms: We introduced Widex MOMENT SHEER with improvements in audiology, design and usability and we added the Signia My WellBeing APP that uses the hearing aid sensors for a wide range of health measurements and four health indicators.

Our brands

WS Audiology has a strong brand portfolio with five distinct product brands and more.

Rooted in unparalleled innovation and decades of experience, our brands are managed independently and built on truly differentiated platforms with their own unique technology inside. We take a dialogue-based approach and engage closely with our stakeholders to ensure continued development and refinement. We conduct research, surveys, and interviews to establish valuable and actionable insights into the needs, wants, and aspirations of consumers and hearing care professionals. Through our extensive partner network of independents, large accounts, and strong local retail brands, we offer the most differentiated choice of brands to our channel partners and consumers.

signia

WIDEX

REXTON

Audio Service

vibe





Our Brands

Signia

Top 3 products

Pure Charge&Go AX
Pure 312 AX (RIC)

Styletto AX
(SlimRIC)

Insio Charge&Go AX
(ITE/ITC custom fit)

The Signia brand has a clear promise: **Be Brilliant.** It is both a challenge and an invitation. A call to everybody with hearing loss to grab the opportunity, take action, and perform at their best. At the heart of the Signia brand strategy lies the passion for multi-dimensional user-centric innovation, making the brand one of the leading players in the hearing aid industry.

Signia is distributed broadly due to its presence in brick & mortar and online channels across wholesale, retail, and governmental segments, supported by targeted communication in key B2B and B2C owned and bought media. The Augmented Xperience (AX) platform, the introduction of new app innovations as well as brand activation initiatives, have driven Signia's growth.

We have continued to expand the Augmented Xperience platform with RIC, slim RIC, and custom fit form factors, upgraded the AX firmware for better speech intelligibility in reverberant environments (Auto EchoShield), and introduced a new generation of our Own Voice Processing technology. Moreover, we introduced HandsFree for iOS, including the CallControl technology that allows wearers to answer and end calls directly on their hearing aids.

As a natural part of its devotion to challenging the status quo, Signia has launched its Responsibility strategy. Rooted in WSA's bold ambitions within Sustainability, the purpose of the Signia Responsibility strategy is to drive positive change in partnership with customers and consumers on topics like the environment, stigma, and hearing health.

In early 2022, Signia received the CES innovation award for the AX platform as well as the CES innovation award and the iF design award for Insio Charge & Go AX. The Net Promotor Score among Signia customers is consistently high, as are the satisfaction scores.

Reflections from Uffe Buchard

Together we tackle the stigma

Like every sixth Dane over the age of 18, Uffe Buchard has problems with hearing. Now, he wants to destigmatize having hearing loss and wearing hearing aids.

> When I found out that Signia now is making hearing aids that are not only small technological marvels but stylishly designed, I summoned up the courage.

After 15 years with complex hearing damage caused by a wild life of night-clubbing, leading to gradually being sidelined in meetings, social events, and groups, I finally sought help for my hearing loss at the age of 55. It took me a long time to acknowledge that the damage was so great that it was actually having a negative impact on my busy everyday life. It was difficult for me to see how I could ever equate myself with something as archaic as a hearing aid.

But when I found out that Signia now is making hearing aids that are not only small technological marvels but stylishly designed, I summoned up the courage.

And what a difference it has made! Simply put, I feel like I've gotten large parts of my quality of life back, and I would wish no less for others, young and old alike, who are suffering from hearing loss. The entire process really got me thinking about why I could have ever had so much resistance to a hearing aid, which, when it really comes down to it, is not that different from wearing a pair of glasses. What is it that makes us ashamed of hearing loss and getting help for it?

It became clear to me that there is obviously a huge amount of stigma associated with the use of hearing aids. Together with Signia I set out on a mission. We would work together to demystify and break down the taboo surrounding hearing aids, so that more people could benefit from the new breakthroughs in this field and regain their quality of life. I became a public face for hearing aid use, and we launched a campaign that awoke massive interest on social media and in the press.

Together we have tackled the stigma and proudly continue this work today.

Biography: Denmark's Uffe Buchard works as a creative director within design, lifestyle, fashion, interiors and art in his own creative agency Darling Creative Studio alongside a TV career lasting for more than two decades.

Our Brands

Widex

Top 3 products

Widex Moment Sheer sRIC

Widex Instant Eartips

Widex SoundRelax™

Widex is one of WSA's key brands in the **premium B2B2C segment,** catering to the independent channel. At the heart of Widex hearing aids is its distinctive time-domain signal processing, which is unique compared to the frequency-domain approach by all other players in the hearing aid industry. This one-of-a-kind approach to signal processing relies on principles that mimic how the human ear works, producing the superior, natural PureSound quality of Widex hearing aids.

Widex continued strengthening the MOMENT platform by introducing a rechargeable BTE device and two new chargers, along with a new RIC and charger in September. Widex also updated the design of the award-winning TV PLAY. On the app side, Widex strengthened its AI leadership by updating the MOMENT app's My Sound features and functionalities to better meet the needs of end users. Furthermore, with the Widex SoundRelax update, the brand provides new ZEN tones, which are highly appreciated, especially by tinnitus patients.

Widex continues to share its passion for sound via the Sound Ambassador program, which engages with inspirational musicians, composers, and sound experts. Over the past year, the program has expanded globally by partnering with David Garrett and the Orchestre de Paris. In addition, Widex has cemented the benefit of the Widex sound with a long series of testimonials from satisfied users in Japan, Australia, Portugal, the US, and more.

By offering a new Point of Sale experience, Widex is transforming the traditional clinic environment into an inviting and stimulating place that focuses on empowering the patient.

The success of these initiatives is reflected in high brand awareness and strong Net Promotor Scores, especially on service, sound, and app.

WIDEX

Reflections from David Garrett

Sounds have a significant influence on our well-being

David Garrett is an exceptional German/American violinist. At the age of five, he won a prize at the prestigious Jugend Musiziert (Youth plays Music) competition, and at thirteen, he had his first recording contract. How did the greatest violinist of his generation become a sound ambassador for Widex?

As a musician, I live for sound. Sound is so much more than music; hearing is multifaceted, and all the different sounds greatly influence our well-being.

As a musician, I live for sound. Sound is so much more than music; hearing is multifaceted, and all the different sounds greatly influence our well-being. That's why I like to work to give people with hearing loss their quality of life back, especially the natural sound that people long for. That's precisely what Widex stands for.

It quickly became apparent to me that Widex and I share a passion for the perfect sound. Both of us are interested in pushing boundaries and becoming even better.

Since I've been working with Widex and learned a lot about hearing loss and the solutions that are available today, I've been emphasizing the importance of sound in everyday life. I also find it important to raise awareness about the impact hearing impairment has on your ability to enjoy life if you don't seek help in time.

The more I study the subject, the more it fascinates me, and the more convinced I am. After all, Widex' hearing systems strive for perfection and have a lasting positive impact on people's quality of life.

And should it need any more proof: I recently took my mother to a hearing care professional, and we got a Widex hearing system for her. Guess what? She immediately felt safer when driving, but the most beautiful thing for her was listening to music. She could perceive a much more comprehensive range of sound.

Our Brands

Rexton

Rexton has been delivering proven hearing technology to the market since 1955. Over the financial year, Rexton solidified its unique brand positioning **Rely on Rexton.**

Top 3 products

Rexton BiCore

Rexton BiCore Slim RIC

Rexton BiCore Custom Li

With this brand positioning Rexton targets hearing aid users who need durable hearing aids that can with-stand challenging environments or situations where reliability is key. They will perform reliably at home, at work, during exercise, and you can wear them in all weather. They are tough and tested rigorously to answer all chal-lenges that life throws at its wearers. Rexton calls their hearing aids: Life-proof. This focus is also highly visible in all communication efforts.

Rexton is on a strong growth trajectory, especially in Latin America, the Middle East, and Africa.

The launch of the new BiCore product range has driven sales in the US and Germany. As a unique benefit for the product range, the BiCore Technology separates and processes speech and background noise to provide the best speech clarity while maintaining the background sounds around the wearer.

From a consumer perspective, Rexton has deployed significant upgrades to the Rexton Assist and the feature set, which provides wearers even more empowering options to personalize and optimize the hearing aid experience.

Top 3 products

R Li 7

SR Li 7

ITE/ITC 7

Our Brands

Audio Service

The Audio Service team handles **WSA's B2B customers.** The team partners with a diverse range of companies: independent audiologists, buying groups, retail brands, and large accounts.

The focus of Audio Service is on the brands of its customers, supporting them to develop initial product portfolios and service models, while also creating the market-driven innovations that keep them moving forward.

Audio Service has three business areas:

1. Own product labels and hearing aid portfolios for customers that are looking for a ready-made portfolio.
2. Private label solutions for large accounts and solutions for smaller customers to help them market their own brand.
3. Non-hearing aid products that include hearing aid batteries, special equipment like our Unity measurement system, hygiene, and cleaning products.

By focusing on the needs and demands of the various B2B channels, Audio Service has achieved a healthy growth over the last 3 years. Audio Service has the most unique positioning within the own label business. In the fast-growing hearing aid industry, Audio Service is the only partner that puts the customer's brand first. To achieve this, Audio Service offers a smart choice of product & service solutions to help customers build their own brand.

The Audio Service team also takes care of two special WSA brand labels: **Coselgi,** a business that more than doubled this fiscal year, and **A&M,** which offers a broad range of essential products. A&M was revitalized in 2021 and has shown solid double-digit growth since then.

Our Brands

Vibe

Top products

Vibe Complete

Vibe Go

Vibe is the **over-the-counter hearing aid brand** in markets outside the United States where people don't have access to support from an audiologist or do not seek professional support. Each Vibe product is digitally aided with hearing screening tools and self-adjustment to make the process easy for the consumer. This makes Vibe well-positioned to be placed in new channels such as e-Commerce, optical stores, and pharmacies. Vibe is already available in some markets.

"Web-fitting" is the process for a consumer to take an online hearing screening and then fit his or her Vibe hearing aid in less than 15 minutes. Web-fitting was previously only available for the high-end Vibe products. Now it is available for the basic products as well.

In 2022, Vibe also received FDA 510(k) clearance for its new line of Vibe self-fitting hearing aids.

Vibe users in China have been given the additional option of controlling their hearing aids with the introduction of a WeChat mini program – a first in WS Audiology. Because Android app stores are not available in China, many Vibe users didn't have access to the standard apps to get the best of their devices.

Over the course of the financial year, Vibe started new initiatives in Egypt, Vietnam, Korea, the Philippines, and Japan with different sales channels. Examples include e-commerce marketplaces, our own webstore, and the optical channel.

Strategic **Partnership** with Sony Corporation

In September, Sony Corporation and WS Audiology informed the markets that the companies entered into **a partnership agreement** and various ancillary agreements with the aim of jointly developing and supplying new products and services in the over-the-counter ("OTC") self-fitting hearing aid market.

Top products

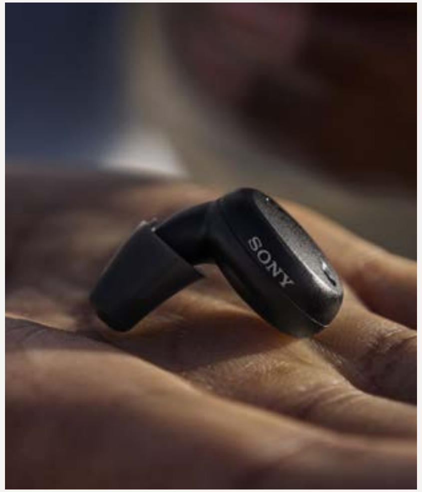
CRE-E10
Earbud style ITE

CRE-C10
"Invisible" CIC

Through the partnership, Sony and WSA will combine their respective technological and medical expertise to create solutions that will shape this new field. To this end, the partnership will leverage Sony's longstanding audio and product miniaturization technologies, its brand, and its broad consumer sales and service infrastructure that manages a wide array of products, in conjunction with WSA's hearing aid technology and innovation strength, as well as its distribution power in the professional channel, which has been at the forefront of providing better solutions to help people with hearing loss for over 100 years.

Going forward, both companies will pursue enhanced products and services, striving to create OTC hearing aids that can be used more naturally and comfortably. By focusing on OTC hearing aids, both companies are trying to build a world where top-of-the-line hearing aids can be obtained more easily and by all people who are seeking solutions for better hearing with easy-to-use features that personalize the hearing aid.

Sony and WSA introduced the first Sony branded OTC hearing aid product in October 2022.



Performance

Sales performance

EUR

1,003 m

+11% reported growth

EUR

966 m

+18% reported growth

EUR

382 m

+12% reported growth

EMEA-LA-CA

Our teams in EMEA, Latin America and Canada delivered a solid sales performance, with 9% organic growth. This is a strong result taking into consideration the impact from the war in Ukraine, continued challenges with Covid as well as supply challenges.

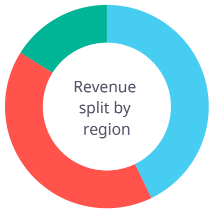
The success of the Signia AX platform continued during the fiscal year. And the launch of Signia Insio Charge and Go AX in key markets clearly contributed. The performance in 2021/22 was further supported by Latin American countries and Canada where our retail business delivered a strong organic growth. We continued our expansion, with the acquisition of the Brazilian Distributor Audibel Aparelhos Auditivos in the beginning of the year, strongly supported local growth.

US

Our US business grew 4% organically despite challenging market conditions in the second half of the fiscal year. Strong growth was achieved across the independent segment in our wholesale as we continue to leverage the multi-brand strategy coupled with our unique product portfolio to support audiologists and their clients. A strong volume uptake in the Managed Care division contributing positively to the organic growth throughout the year. Our online business however, continued to be challenged with disappointing growth rates and market shares affecting their overall performance and earnings. We announced our new retail brand across the US, HearUSA. The brand was received very well, and we are confident that this will fuel further growth in our retail footprint.

APAC

Sales performance was solid in our APAC business, which increased revenue by 7% organically despite challenging market conditions. The year was impacted by severe lockdowns in China and restrictions in other important markets such as Japan. These were partly outweighed by strong growth in India and South-East Asia. New product launches and innovative customer concepts helped boosting the performance and secure a faster growth than the market in most of the countries.



EMEA-LA-CA	43%
US	41%
APAC	16%

Financial review

Profit and loss

Revenue

Revenue amounted to EUR 2,351 million corresponding to a reported growth of 14.5%. The organic growth ended at 7.4% in line with the guidance given at the beginning of the year of high single digit organic growth. Tailwind from currencies lifted the reported growth mainly due to the stronger USD.

After a very strong first half of the fiscal year with growth rates well above double-digit, the markets softened in the second half of the year impacted by the war in Ukraine, the energy crisis and rising interest rates.

The revenue growth was driven by strong performance in the wholesale business in all regions and in the Managed Care business in the US.

China realized negative organic growth due to Covid lock-downs. The US retail business was challenged by a shortfall of HCPs (Hearing Care Professionals) which impacted revenue for the year. In the other retail markets growth was solid.

The growth in revenue was attributable to a significant growth in volumes as well as an increase in the average sales prices (ASP) for the hearing aids driven by price increases that were successfully implemented to compensate for the high-cost inflation.

Gross profit and margin

WSA's reported gross profit was EUR 1,376 million, up by 14.5% compared to last year (2020/21: 1,202 million). The gross margin remained relatively flat at 58.5%.

EURm	2021/22	2020/21
R&D expenses (P&L)	**120**	**102**
Depreciation & Amortization	(58)	(41)
Capitalization	100	81
R&D expenditure incurred	**162**	**142**

Excluding one-time items, the Group's normalized gross margin for 2021/22 was lower at 60.8% (2020/21: 61.3%) driven by higher input costs due to pressure on the supply chains mainly related to freight and components, cushioned by scale effects and synergies realized from the integration and transformation projects.

Research and development expenses

Total research and development costs incurred in 2021/22 amounted to EUR 162 million (2020/21: EUR 142 million) of which EUR 100 million was capitalized. The R&D spend was kept stable as a percentage of revenue (around 7%) and the spend was focused on strengthening the future product portfolio based on our multi-brand strategy.

Selling and general administrative expenses

Total reported selling and general administrative expenses were EUR 1,129 million or 48.0% as a percentage of revenue (2020/21: EUR 997 million and 48.6%). The improved ratio was due to scale effects and prudent cost management. Normalized selling and general and administrative expenses were 41.8% as a percentage of revenue, higher by 1.2% points on comparable year-on-year basis due to rebranding of WSA retail stores in US and Canada to drive further B2C growth.

Effects of normalization

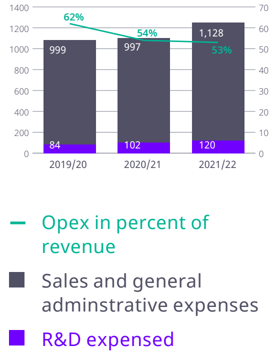
Post-merger, certain one-time costs and gains incurred are normalized if they are unusual or non-recurring by nature. Normalized items are excluded from the reported EBIT and EBITDA to arrive at the underlying business results. Total normalizations, including hear.com adjustments, for the fiscal year 2021/22 amounted to a net effect of EUR 80.2 million (2020/21: EUR 50.6 million) and were mainly impacted by costs related to the acquisition related costs of EUR 2.7 million, transformation projects of EUR 24.9 million, ERP IT transformation projects of EUR 9.8 million, merger and integration costs of EUR 6.0 million, others of EUR 12.4 million and hear.com adjustments of EUR 24.4 million as a result of its unsuccessful IPO and write-down of legacy receivables.

Revenue EUR

2,351m

+14.5% Reported growth
+7.4 % Organic growth

Opex in percent of revenue



EURm	2021/22	2020/21
Reported EBITDA	**422**	**413**
ERP IT transformation	10	13
Transformation projects	25	13
Merger and integration costs	6	15
Acquisition related costs	2	1
Others	13	(3)
Normalizations (excluding hear.com adjustments)	**56**	**39**
Hear.com adjustments	24	12
Normalizations (including hear.com adjustments)	**80**	**51**
Normalized EBITDA	**502**	**464**

Reported EBITDA and normalized EBITDA
Reported EBITDA amounted to EUR 422 million (2020/21: EUR 413 million) corre-sponding to a reported EBITDA margin for 2020/21 of 17.9% (2020/21: 20.1%). The lower EBITDA margin was driven by a write-off of costs related to the hear.com IPO that was not effectuated.

Normalized EBITDA increased to EUR 502 million (2020/21: EUR 464 million) which was in line with the guidance given at the start of the year of a normalized EBITDA of above EUR 500 million.

The normalized EBITDA margin fell from 22.6% to 21.3% due to a lower gross profit.

Operating profit (EBIT)
Reported EBIT ended at EUR 99 million (2020/21: 109 million), corresponding to a reported EBIT margin for 2021/22 of 4.2% (2020/21: 5.3%), mainly due to lower gross profit. The operating profit was moreover negatively affected by one-time costs.

Net financials
Net financial expenses amounted to EUR 372 million in 2021/22 (2020/21: EUR 190 million).

The net interest expenses of EUR 226 million were higher than the EUR 216 million in 2020/21 due to higher interest rates. The net impact from exchange rate adjustments was EUR -186 million (EUR -15 million in 2020/21) and related to the currency revaluation of the USD term loan due to the appreciation of the USD.

Net result
Net income ended at EUR -270 million, down EUR 188 million versus 2020/21, mainly due to the adverse foreign currency impacts .

Cash flow

Operating activities
Cash flows from operating activities decreased by 7.3% to EUR 368 million (2020/21: EUR 397 million) as stronger EBITDA compared to 2021/22 and lower tax payments were offset by an increase in net working capital items mainly due to higher inventories related to safety stocks held to compensate for the tight supplier market for certain components.

Investing activities
Cash flows from investing activities increased by 11.0% to EUR 200 million (2020/21: EUR 180 million) mainly driven by higher capitalized R&D expendi-ture. The Group also acquired Audibel in Brazil and Longkang in China and expanded the retail footprint through acquisitions of retail stores in Australia, France, and US.

Financing activities
Cash flows from financing activities was an outflow of EUR 198 million (2020/21: EUR 324 million) mainly due to draw down of credit facilities to finance investing activities.

Change in liquidity
Total liquidity (cash and available credit facilities) amounted to EUR 229 million on 30 September 2022 (EUR 301 million at 30 September 2021). The reduction in liquidity was attributable to higher net working capital and higher capex.

Balance sheet

Total assets
Current assets increased to EUR 766 million mainly due to lower cash and cash equivalents. Non-current assets increased by EUR 80 million to EUR 6,014 million largely due to goodwill from acquisitions and derivatives from the application of hedge accounting on the interest rate swaps.

Net working capital
Net working capital amounted to EUR 285 million (EUR 224 million in 2020/21). Net working capital as a percentage of sales increased from 11% to 12% mainly as a result of the higher safety stock.

Interest-bearing net debt
Interest-bearing net debt increased from EUR 3,504 million to EUR 3,806 million mainly from the translation effect of the USD term loan and draw-down of the revolving credit facility.

Governance

Corporate governance

Management structure

WS Audiology operates a two-tier management structure under which the overall vision, strategy, and objectives are anchored in the Board of Directors appointed by the company's shareholders.

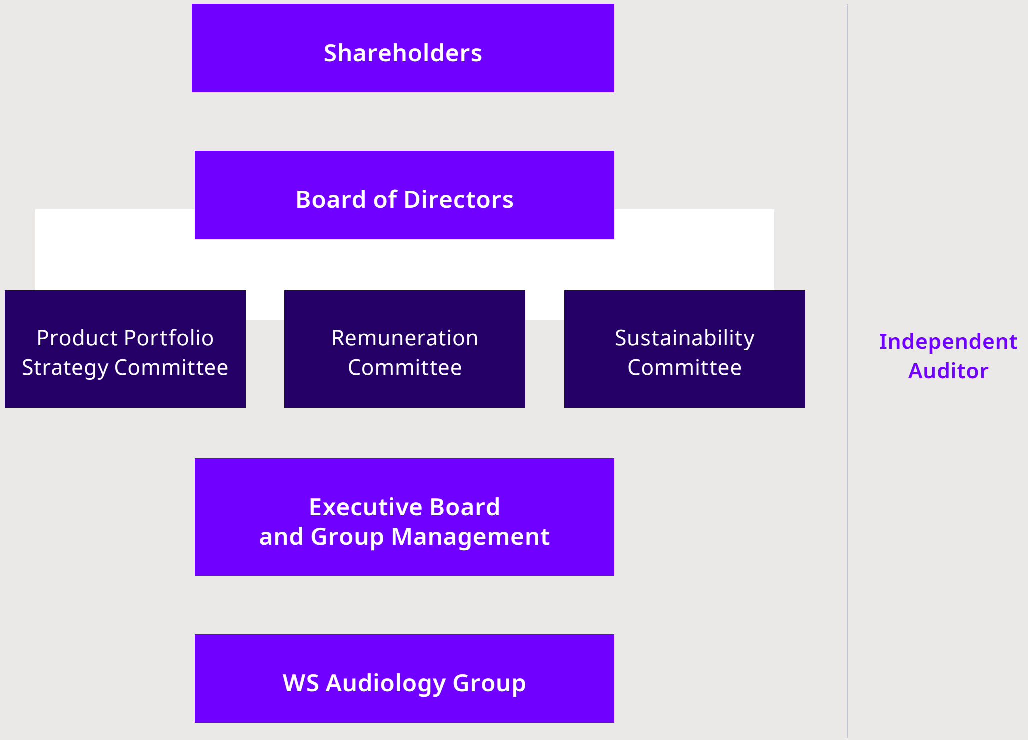
The Board of Directors appoints and supervises the Executive Board, consisting of the Group President and CEO, and the Group CFO, who are responsible for pursuing the strategic direction and handling the day-to-day management of WSA. None of the senior executives are members of the Board of Directors. A management team consisting of the Executive Board and 11 Senior Vice Presidents and selected Vice Presidents constitutes Group Management. Group Management is responsible for driving strategic development and cultural alignment across the company.

Our product portfolio strategy, remuneration, and sustainability committees have been established by- and report to -the Board.

Board of Directors

The Board of Directors is comprised of ten directors who are all elected by the shareholders in accordance with the company's Articles of Association. The directors are elected based on an overall assessment of their individual professional experience and competencies, as well as their contribution to ensuring an appropriate and diverse composition of the combined competencies of the Board of Directors.

The Board of Directors is responsible for the overall and strategic management of the company. The Board of Directors sets the company's strategic direction and makes decisions concerning major investments and divestments, the capital base, key policies, control and audit matters, risk management, and significant operational issues. The ten members of the board consist of five nationalities. Moreover, our goal is to increase the number of women in the board to two members by 2022. This target has been achieved already.



The competencies required of the Board of Directors currently include knowledge of the global audiology healthcare sector and technological innovation, international commercial and management experience as well as strategy, M&A, risk management, IT, human resources, finance, and accounting.

A description of the individual board members, including their other executive positions, independence, and how they contribute to the required competences can be found in the following pages. Their meeting attendance during 2022 is included in the overview.

Main activities of the Board of Directors in FY21/22

The board directors participated in five general board meetings and one special update. The main activities included:

1. Approved budget for next fiscal year
2. Consulted on and approved reorganization to form new regional structure (Americas)
3. Approved key M&A activities (Long Kang, Audibel)
4. Consulted on and approved R&D roadmap
5. Consulted on and approved future business plans by key topics (i.e. Sony OTC partnership agreement)
6. Consulted on cybersecurity approach
7. Consulted on sustainability approach WSA

Risk management

Risks are a natural and integral part of our business. We continuously monitor the risk landscape and take proactive mitigating actions to optimize business performance while balancing risk and returns.

The oversight responsibility for risk management lies with the Board of Directors. Group Management is responsible for the ongoing identification and management of risks, reviewing and shaping processes and activities. Regional and Local Management teams are also an integrated part of risk management via their day-to-day responsibility for the entities they run, and for regularly providing updates to Group Management on risk developments.

The group is exposed to a wide range of business and regulatory risks. The purpose of our risk management is to identify and quantify our risks and decide how to manage and mitigate them. We assess the extent to which individual risks are acceptable or to whether these risks can be reduced to ensure an optimum balance between risk and return.

WS Audiology's key risks and relevant mitigating efforts are described in more detail below.

Risk management process

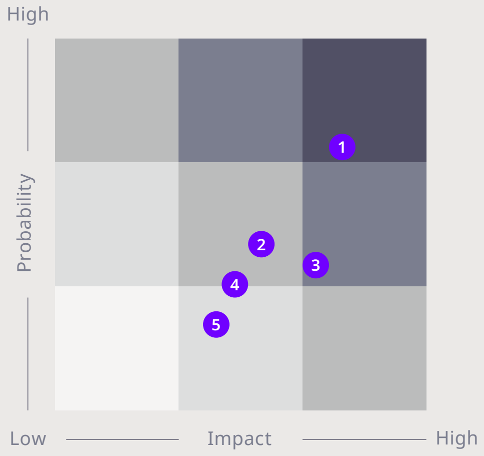
Identification
Risks are continously identified and reported using uniform templates and tools

Assessment
Identified risks are analysed and assessed to determine triggers, impact and likelihood

Recording
Key risks are established, prioritized and documented, and risk owners are appointed

Mitigation
Risk mitigation action plans are prepared and implemented across the affected businesses

Monitoring
Development of key risks and mitigation actions are monitored by risk deep-dives and reporting



1. Interest and currencies
2. Cybersecurity
3. Supply chain bottlenecks and Inflation
4. Product development
5. Quality and Regulatory

Risk	Description	Potential impact	Mitigation
Interest and currencies	We are exposed to various financial risks in a volatile financial market affected by high inflation and geopolitical risks stemming from the war in Ukraine. These risks derive from fluctuations in foreign currencies due to our international operations; and WS Audiology's exposure to interest rate fluctuations as a result of our floating rate loans. Approximately 2/3 of our sales is nominated in other currencies than our reporting currency. Our main currencies exposures are USD, SGD and JPY. We are primarily exposed to increasing supply chain cost / manufacturing cost nominated in USD and SGD as well as local sales exposure where cost and income are nominated in local currencies. Our funding structure as set up at the time of the merger, is exposed to volatile financial markets. Our long-term facilities are nominated in USD and EUR. Refer to notes 3.5, 3.8, 4.1 and 4.2 in the Financial Statements.	Fluctuations in exchange rates and interest rates may adversely impact our earnings, thereby affecting the value of our assets. Please refer to notes 3.5, 3.8, 4.1 and 4.2 in the Financial Statements for detailed information.	We have implemented efficient treasury polices for assessing groups currencies and interest rate risks. We hedged 40-75% of rolling 12 months net currency exposure through 3-12 months' foreign exchange forward contracts managed by the Group treasury function to alleviate the impact of adverse currency effects on earnings. Moreover, a significant portion of our interest rate risk is hedged through the use of interest rate swaps to convert floating interest rate to fixed interest rate (90% in FY23). The risk is constantly monitored to alleviate the impact of rising interest rates.
Cybersecurity	Cybersecurity is a key risk as global market service provider. Our global operations and services provided to our customers rely on robust and secure IT infrastructure and systems. In WSA we assess cybersecurity risk by the protection level of our systems and processes. Our cybersecurity risk exposure derives from several different cyberattack threats, such as potential data leaks, unauthorized access to data and systems, denial of services attacks and disruption of IT infrastructure and systems.	Minor digital risk events, such as viruses and attempted break-ins, are everyday risks as a global business, without significant impact. However, major cyberattacks, or events may have a substantial negative financial impact on WS Audiology due to reputation loss and potential regulatory fines because of the failure to adequately protect data as well as disruption of internal operations and services provided to our customers.	We monitor our IT infrastructure and applications 24x7 and maintain both internal and external incident response capabilities. We recurrently upgrade defence, response and disaster recovery processes and tools to minimize potential impact of cybersecurity events. We carry out ongoing, global security communication and training on secure behaviour in the workplace.

Risk	Description	Potential impact	Mitigation
Supply chain bottleneck and Inflation	WSA's global manufacturing sites are located in Singapore and Denmark with significant regional operational hubs in Philippines, China, Poland and Mexico. Stable performance in deliveries and quality of our manufacturing and suppliers is key to ensuring strong business development. Shortage in the supply chain, COVID-19 related restriction to infrastructure and the war in Ukraine, have resulted in cost inflation and supply chain instability.	Any supply chain disruption may lead to shortages affecting on-time customer deliveries, impacting business objectives and may entail quality issues, limited production output and delayed deliveries or unsatisfactory service to customers. Moreover, supply disruption and cost increases may have an impact on the company's earnings.	We engage closely with critical suppliers, conduct audits and identify alternative sourcing options to reduce the risk of material shortages and ensure a satisfactory quality and service level. WS Audiology's stock levels are designed based on supplier and component assessments to ensure continuous supply, and we are working with multiple freight forwarders to ensure available capacity and on-time deliveries.
Product development	As a leading player in the hearing aid markets investment in product development and R&D initiatives plays a vital role in our strategy (ref page 27) and is essential as product differentiator and supportive to our market position. In a technology and product-driven market our knowledge and trade secrets are key to maintain the cutting edge and to compete effectively with other companies in the market.	There is a risk that our intellectual property and property development is unsuccessful in patenting with adverse impact on earnings.	We obtain patent protection in key jurisdictions for patentable subject matter in the proprietary devices. We furthermore review third party patents and patent applications to develop an effective patent strategy, avoid infringement of third-party patents, identify licensing opportunities, and monitor patent claims of others.
Quality & Regulatory	As a medical device company, we understand that product quality and safety must never be compromised as errors in our hearing aids or other devices could lead to significant and potentially lifelong damage to our consumers. Our business and products are subject to market conditions and medical product regulations governing the supply of products and services to the public and the development, testing, manufacturing, labelling, premarket clearance, approval, marketing, export and import of our products. The most recent regulatory change is the final publication of the OTC rules by the USA FDA came into effect in October 2022.	Our business may be affected by changes to regulations, and in particular, changes to the conditions for coverage and the ability to obtain national health insurance coverage. Offering products under the new OTC self-fitting rules in the US will require FDA premarket approvals (510k).	We have implemented the ISO 13485 certified multi-site Quality Management System (QMS) to enable global governance and align local adaptations, ensuring efficient quality management throughout WS Audiology. We manage our QMS multi-site system actively following new business and regulatory requirements like adding sites in India and Brazil. In addition, our manufacturing sites in China, Denmark, Germany, the US, and Singapore have all successfully passed the US Food and Drug Administration (FDA) audit inspections since 2018. Our operations are fully certified under the European Medical Device Regulation (MDR EU 2017/745). To comply with the new OTC rules in the US, we have successfully achieved premarket approval for placing OTC products into the US market in August 2022. We continuously monitor the regulatory landscape and adjust our management systems and manufacturing to accommodate relevant changes.

Board of **Directors**

From left:

Kasper Knokgaard
Jan Tøpholm
Karen Prange
Jes Munk Hansen
Marco Gadola
Malou Aamund
Egbert van Acht
Adam Westermann
Marcus Brennecke
Julian Tøpholm

Board of Directors

Chair
Marco Gadola

Swiss

Marco Gadola is a consultant, professional board member, and senior advisor to EQT.

He served as CEO of the Straumann Group, the world-leading brand for confidence in esthetic dentistry, from 2013-2019 after working as CFO and regional CEO of APAC for Panalpina from 2008-2012.

Marco Gadola is currently Chair of DKSH Holding and Medartis as well as Vice-Chair of MCH Group. He is a board member of Tally Weijl Holding, Straumann, and AVAG Anlage und Verwaltungs AG.

Independent

Vice-Chair
Jan Tøpholm

Danish

Jan Tøpholm is a professional board member and Chair of T&W Medical, which is the main investment vehicle of the Tøpholm and Westermann families and the majority shareholder in WS Audiology.

He is a co-owner of WS Audiology and currently active on the boards of several companies controlled by the families and served as Chair of Widex from 2013-2021 and CEO of the company from 1985-2013.

Jan Tøpholm was also a board member of A.P. Moller - Maersk from 2001-2014.

Not independent

Malou Aamund

Danish

Malou Aamund served as Managing Director of Google Denmark from 2016-2022. Prior to that, she worked in several leading positions in Microsoft from 2011 - 2016 including as COO and CMO of the Danish company and Business Group Leader of Microsoft Western Europe.

From 2007-2011, she was a Member of Parliament in Denmark, and prior to that she held management positions in IBM.

Malou Aamund is Chair of Thinkproject and she is a board member of KIRKBI A/S, the LEGO Foundation and DSV.

Independent

Egbert van Acht

Dutch

Egbert van Acht is an independent board member, advisor, and investor in a range of Consumer Health and Digital Health companies in Europe, Asia, and the US. Focus on scale-up activities and driving accelerated, profitable growth. He served as marketing director at Procter & Gamble and in a range of leadership positions at the Philips Group between 2002 and 2018, most recently as CEO of the Personal Health Business and as member of the Group Executive Committee. Egbert van Acht is a member of the Advisory Council of Latent-View, a global digital analytics consulting and solutions firm.

Independent

Marcus Brennecke

German

Marcus Brennecke is Partner and Co-Head of EQT Private Equity Advisory Team and has been with EQT since 2005, where he is a member of the Equity Partners Investment Committee, Chair of the Portfolio Review Committee and Head of the Industrial Network.

Prior to joining EQT, he worked at PE from 1994-2004 and Axel Springer Publishing Group from 1987-1994. He currently serves on the board of Ottobock.

Not independent

Jes Munk Hansen

Danish

Jes Munk Hansen has served as CEO & President of TERMA Group, which provides mission-critical solutions for the defense and aerospace industry, since 2019 after holding executive positions at OSRAM from 2013-2019, most recently as CEO of OSRAM USA and Head of OSRAM Global Sales Function.

Prior to that, he served as CEO & President of Grundfoss Holding's North American activities, among others. Jes Munk Hansen is currently a board member of the Confederation of Danish Industry.

Independent

Board of **Directors** (continued)

Kasper Grundtvig Knokgaard

Danish

Kasper Grundtvig Knokgaard is Partner at EQT Partners and Global Head of EQT's Services Sector Team. He joined EQT in 2007 and has worked in the Copenhagen, New York, and Munich offices.

Prior to joining EQT Partners, he worked with McKinsey & Co.

He is currently also on the board of Cast & Crew, Magnit and United Talent Agency.

Not independent

Karen Prange

American

Karen Prange is a professional board member and senior advisor to EQT. She served as CEO of Global Animal Health, Medical and Dental Surgical Group at Henry Schein and a member of the Executive Committee from 2016-2018 after working as Senior Vice President of Boston Scientific and President of the company's Urology & Women's Health division from 2012-2016.

Prior to that, Karen Prange held management positions at Johnson & Johnson and Cordis. She is currently a board member of ViewRay, AtriCure, Nevro and Embecta.

Independent

Julian Tøpholm

Danish

Julian Tøpholm is a senior advisor at T&W Medical and a co-owner of WS Audiology. He has previously held senior positions at Widex A/S.

He is a board member of T&W Medical, which is the main investment vehicle of the Tøpholm and Westermann and the majority shareholder in WS Audiology.

Not independent

Adam Westermann

Danish

Adam Westermann is Vice President Global Innovation in R&D at WS Audiology. He is also co-owner of WS Audiology.

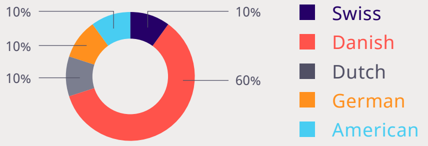
He has held various positions in R&D at Widex and WS Audiology since 2015 after working at the National Acoustics Laboratories in Australia as a PhD candidate and postdoctoral researcher from 2011-2015.

Adam Westermann is a board member of T&W Medical, which is the main investment vehicle of the Tøpholm and Westermann families and the majority shareholder in WS Audiology.

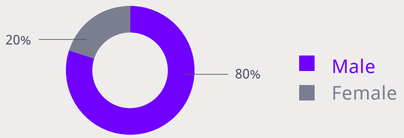
Not independent

Diversity

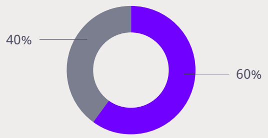
Nationality
Board members elected by shareholders



Gender
Board members elected by shareholders



Diversity among independent



Executive Board

Group CEO
Eric Bernard
French

Eric Bernard started his career at the LVMH Group. He joined Essilor International in 1994 where he spent 25 years in country, regional, and global leadership roles and was a member of its executive committee for nine years until joining WSA in June 2019. He has lived in Japan, Singapore, the US, Australia, and China and currently resides in Denmark.

Group CFO
Marianne Wiinholt
Norwegian

Marianne Wiinholt joined WS Audiology in April 2022 from Ørsted, the global leader in off-shore wind, where she was the CFO since 2013. Prior to Ørsted she worked in senior roles at Borealis and Arthur Andersen. She is currently a board member and head of the Audit Committees of both Coloplast and Norsk Hydro.

Read CVs at WSA.com

Group Management

Eric Bernard
Group CEO (French)

Marianne Wiinholt
Group CFO (Norwegian)

Maarten Barmentlo
Chief Marketing Officer (Dutch)

Carsten Buhl
President Region Americas (Danish)

Roberto Di Fiore
Chief Operations Officer and President Region APAC (Italian)

Mary Doumtsi
Chief Retail Officer (Greek)

Thomas Hies
Chief Quality & Regulatory Officer (German)

Nicolai Jensen
Chief HR Officer (Danish)

Roman Lychman
Chief IT Officer (Ukrainian)

Stefan Menzl
Chief R&D Officer (Swiss)

Jan-Peter Rekling
President Region Nordic (Danish)

Dawn Seah
Chief Legal Officer (Singaporean)

Annemarie van Neck
President Region EMEA (Dutch. Joined WSA 1 November 2022)

Investor information

Ownership

WS Audiology share capital is divided into 100 million shares, enjoying equal voting rights and dividend rights. WS Audiology is privately owned by T&W Medical A/S – the jointly owned investment vehicle of families Tøpholm and Westermann – as well as funds under the management of EQT.

The owners possess comprehensive healthcare industry and technology insight as well as experience building global market leaders with significant value-creation opportunities.

Debt and ratings

The WS Audiology Group has issued senior secured and second lien loans in its holding company Auris Luxembourg III S.A. The holding company Auris Luxembourg II is rated by Fitch, S&P, and Moody's.

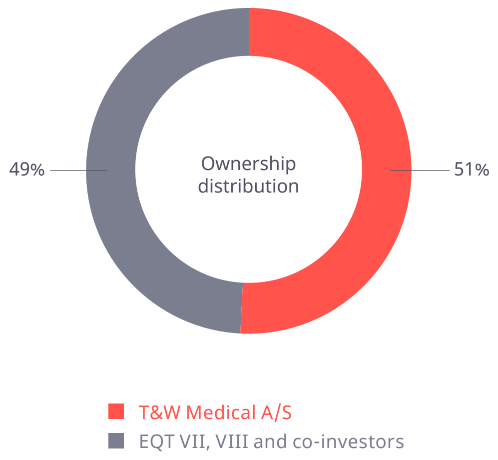
Annual General Meeting and dividends

The Board of Directors will not propose distribution of dividends at the Annual General Meeting to be held on January 16, 2023.

Investor Relations

It is WS Audiology's objective to provide information about matters deemed relevant to enable debt investors and rating agencies to assess the business and financial development and risks of the WS Audiology Group.

The Executive Board and the Investor Relations function manage relations with debt investors and rating agencies and host quarterly conference calls.



Current ratings (as of Nov 2022)

Issuers	Fitch	S&P	Moody's
Auris Luxembourg II SA (Corporate Family/Issuer)	B-Stable Outlook	B-Stable Outlook	B3-Stable Outlook

Financial calendar

February 2023	Q1 interim results presentation 2022/23
May 2023	H1 interim results presentation 2022/23
August 2023	9M interim results presentation 2022/23
December 2023	Annual results presentation 2022/23

Investor Relations contact
Henning Klemmensen
Head of Group Treasury, Insurance & Investor Relations

Tel. +45 44 35 56 00
investor.relations@wsa.com

Statements

Statement by Management on the Annual Report

The Board of Directors and the Executive Management have today considered and approved the Annual Report of WS Audiology A/S for the financial year that ended 30 September 2022.

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 Large C.

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 on September 30, 2022 and of their financial performance and cash flows for the financial year October 1, 2021 to September 30, 2022.

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, November 28 2022

Executive Management

Eric Alain Bernard
Chief Executive Officer

Marianne Wiinholt
Chief Financial Officer

Board of Directors

Marco Gadola
Chairman

Jan Tøpholm
Vice-Chairman

Egbertus Adrianus Johannes van Acht

Karen Naomi Prange

Kasper Grundtvig Knokgaard

Jes Carøe Munk Hansen

Julian Tøpholm

Marcus Eckart Friedrich Karl Brennecke

Adam Westermann

Malou Aamund

Independent auditor's report

To the shareholders of WS Audiology A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of WS Audiology A/S for the financial year 1 October 2021 to 30 September 2022, page 60-131, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement 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 Large C.

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 2022 and of the results of their operations and cash flows for the financial year 1 October 2021 to 30 September 2022 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act Large C.

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 Large C.

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 Large C. 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 Large C, 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 judgment 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, November 28 2022

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Kirsten Aaskov Mikkelsen

Kirsten Aaskov Mikkelsen
State-Authorized Public Accountant
Identification No. (MNE) mne21358

Nikolaj Thomsen
State-Authorized Public Accountant
Identification No. (MNE) mne33276

Independent auditor's assurance report

To the Management and stakeholders of WS Audiology A/S

We have reviewed the Consolidated ESG statements in WS Audiology A/S's Annual Report 2021/22, covering global activities from 1 October 2021 to 30 September 2022, to provide limited assurance that:

- The ESG performance data on page 132-156 in the Report have been stated in accordance with the criteria defined by WS Audiology A/S's accounting principles set out on page 132-156.
- The ESG statements on page 132-156 in the Report meet the requirements of the UN Global Compact Communication on Progress Policy.

We express a conclusion providing limited assurance.

Management's responsibility

The Management of WS Audiology A/S is responsible for collecting, analysing, aggregating and presenting the ESG statements, ensuring that data is free from material misstatement, whether due to fraud or error. WS Audiology A/S's non-financial accounting principles contain Management's defined reporting scope for each data type. The criteria for the accounting principles can be found on page 132-156 of the Report.

Auditor's responsibility

Our responsibility is to express a limited assurance conclusion on the ESG performance data on page 132-156 in the Report. Furthermore, our responsibility is to review whether WS Audiology A/S has aligned its reporting with the UN Global Compact Communication on Progress Policy. We have conducted our work in accordance with ISAE 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information, and additional requirements under Danish audit regulation to obtain limited assurance about our conclusion.

Deloitte Statsautoriseret Revisionspartnerselskab is subject to International Standard on Quality Control (ISQC) 1 and, accordingly, applies a comprehensive quality control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by FSR-Danish Auditors (Code of Ethics for Professional Accountants), which are based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Considering the risk of material misstatement, we planned and performed our work to obtain all information and explanations necessary to support our conclusion.

We performed our review from September 2022 to November 2022. Our work has included interviews with key functions in WS Audiology A/S, inquiries regarding procedures and methods to ensure that selected ESG data and information have been incorporated in accordance with the accounting principles. We have assessed processes, systems and controls for gathering, consolidating and aggregating ESG data at Group level, and we have performed analytical review procedures and tested ESG data prepared at Group level against underlying documentation. We have reviewed the reported data (some measured, some calculated and some estimated) as well as evaluated and given feedback on the reliability and validity of the underlying sources, especially of estimated data. We have evaluated the overall presentation of the Report, including the consistency of information. Finally, we have reviewed the Report for alignment with the requirements of the UN Global Compact Communication on Progress Policy.

We have not performed site visits, nor have we performed any assurance procedures on economic or financial data or on certain data models supplied to WS Audiology A/S (e.g. for scope 3 emissions) or on accumulated historical data or forward-looking statements such as targets and expectations. Consequently, we draw no conclusion on these statements.

Conclusion

Based on our work, nothing has come to our attention causing us not to believe that:

- the ESG performance data subject to our review have been stated in accordance with the criteria defined in the accounting principles. Certain environmental data are based on estimates, as stated in the Report, and WS Audiology A/S is working towards reducing the amount of estimated data in future reports.

- The ESG statements subject to our review meet the requirements of the UN Global Compact Communication on Progress Policy.

Copenhagen, 28 November 2022

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Nikolaj Thomsen
State-Authorized Public Accountant
Identification No. (MNE) mne33276

Helena Barton
Partner, ESG and Lead Reviewer

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Income Statement

For the financial year ended 30 September 2022

EURm	Note	30 Sept. 2022	30 Sept. 2021
Revenue	2.1	2,351.1	2,053.2
Cost of goods sold		(974.8)	(850.8)
Gross profit		**1,376.3**	**1,202.4**
Research and development costs	3.1	(119.9)	(102.4)
Selling and general administration expenses		(1,128.6)	(997.0)
Other operating (costs)/income, net		(28.6)	5.4
Share of (loss)/profit in associates, net of tax	5.6	(0.5)	0.2
Operating profit		**98.7**	**108.6**
Interest income	4.4	7.9	5.7
Interest expenses	4.4	(233.5)	(222.1)
Other financial (expenses)/income, net	4.4	(146.3)	26.4
Loss before tax		**(273.2)**	**(81.4)**
Income taxes	2.3	3.1	(0.5)
Loss for the year		**(270.1)**	**(81.9)**
Attributable to:			
Non-controlling interests		(4.7)	5.2
Shareholders of WS Audiology A/S		(265.4)	(87.1)

Statement of Comprehensive Income

For the financial year ended 30 September 2022

EURm	Note	30 Sept. 2022	30 Sept. 2021
Loss for the year		**(270.1)**	**(81.9)**
Items that will not be reclassified to profit or loss:			
Actuarial gains	5.4	9.6	8.1
Tax on items that will not subsequently be reclassified to the income statement	2.3	(2.9)	(2.5)
Capital gains tax on sale of a subsidiary	2.3	-	(6.7)
Items that may be reclassified subsequently to profit or loss:			
Change in fair value gains of cash flow hedge		96.2	1.6
Tax on items that have been or may subsequently be reclassified to the income statement	2.3	(26.1)	(0.3)
Foreign currency translation differences		102.0	15.9
Other comprehensive income for the year, net of tax		**178.8**	**16.1**
Total comprehensive loss for the year		**(91.3)**	**(65.8)**
Attributable to			
Non-controlling interests		4.3	5.0
Shareholders of WS Audiology A/S		(95.6)	(70.8)

Consolidated Financial Statements

Balance Sheet

As at 30 September 2022

EURm	Note	30 Sept. 2022	30 Sept. 2021
Assets			
Goodwill	3.1	3,623.0	3,559.3
Other intangible assets	3.1	1,802.1	1,866.8
Property, plant and equipment	3.2	165.5	145.4
Right-of-use assets	3.4	198.3	205.8
Investments in associates	5.6	3.7	4.2
Deferred tax assets	2.3	48.3	80.1
Customer loans	3.5	50.2	54.0
Other assets	3.6	122.4	17.6
Total non-current assets		**6,013.5**	**5,933.2**
Inventories	3.7	198.1	168.4
Trade receivables	3.8	305.5	288.2
Current income tax receivables		41.2	34.4
Customer loans	3.5	19.6	17.2
Other assets	3.6	77.6	82.0
Cash and cash equivalents		123.7	144.5
Total current assets		**765.7**	**734.7**
Total assets		**6,779.2**	**6,667.9**

EURm	Note	30 Sept. 2022	30 Sept. 2021
Equity and Liabilities			
Share capital	4.1	100.0	100.0
Other reserves		2,182.5	2,029.0
Accumulated losses		(744.1)	(485.2)
Total equity attributable to the shareholders of WS Audiology A/S		**1,538.4**	**1,643.8**
Non-controlling interests		55.0	57.4
Total equity		**1,593.4**	**1,701.2**
Long-term debts	4.3	3,824.2	3,523.9
Lease liabilities	4.3	174.0	182.5
Pension obligations	5.4	15.9	17.1
Provisions	3.10	28.0	29.6
Deferred tax liabilities	2.3	340.7	369.0
Other liabilities	3.9	92.8	128.7
Total non-current liabilities		**4,475.6**	**4,250.8**
Short-term debts	4.3	105.6	124.7
Lease liabilities	4.3	44.1	40.7
Trade payables		218.7	231.7
Current income tax liabilities		32.6	28.6
Provisions	3.10	77.8	60.1
Other liabilities	3.9	231.4	230.1
Total current liabilities		**710.2**	**715.9**
Total equity and liabilities		**6,779.2**	**6,667.9**

Consolidated Financial Statements

Statement of Cash Flows

For the financial year ended 30 September 2022

EURm	Note	30 Sept. 2022	30 Sept. 2021
Operating activities			
Loss for the year		**(270.1)**	**(81.9)**
Depreciation, amortization and impairment	3.3	322.7	304.8
Income tax expense, net	2.3	(3.1)	0.5
Interest expense, net		225.6	215.8
Loss/(Gain) on sales and disposals of intangibles, plant and equipment and right-of-use assets		0.7	(0.5)
Reversal of impairment loss on right-of-use assets	3.4	(1.1)	(0.4)
Share of loss/(profit) in associates	5.6	0.5	(0.2)
Other non-cash adjustments	5.7	234.8	22.5
Cash flow from operating activities before changes in working capital		**510.0**	**460.6**
Change in inventories		(4.8)	(21.7)
Change in trade and other receivables		(7.1)	2.1
Change in trade payables		(42.1)	40.0
Change in customer loans		6.3	13.7
Change in other assets and other liabilities		(81.6)	(56.2)
Change in provisions		9.9	(4.3)
Cash flow from operating activities before financial items and tax		**390.6**	**434.2**
Financial income received		7.0	3.5
Income taxes paid, net		(29.5)	(40.6)
Cash flow from operating activities		**368.1**	**397.1**

EURm	Note	30 Sept. 2022	30 Sept. 2021
Investing activities			
Acquisition of companies/operations, net of cash acquired		(35.4)	(46.1)
Investments in intangible assets and property, plant and equipment		(177.5)	(140.7)
Investments in other assets		0.2	-
Proceeds from disposal of intangible assets and property, plant and equipment		13.0	6.7
Cash flow used in investing activities		**(199.7)**	**(180.1)**
Cash flow from operating and investing activities		**168.4**	**217.0**
Financing activities			
Transaction costs paid for issuance of long-term debt	4.3	(0.9)	–
Proceeds from long-term and short-term debt	4.3	199.1	82.8
Repayment of long-term and short-term debt	4.3	(162.1)	(166.9)
Other transactions with non-controlling interests		(7.6)	2.8
Financial expenses paid	4.3	(171.9)	(190.1)
Cash flows relating to lease liabilities	4.3	(56.5)	(51.4)
Change in other short-term debt and other financing activities		1.3	(1.5)
Cash flow used in financing activities		**(198.6)**	**(324.3)**
Net cash flow		**(30.2)**	**(107.3)**
Cash and cash equivalents, beginning of year		144.5	248.5
Adjustment foreign currency, cash and cash equivalents		9.4	3.3
Cash and cash equivalents, end of year		**123.7**	**144.5**

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Statement of Changes in Equity

For the financial year ended 30 September 2022

EURm	Share capital	Other reserves	Foreign exchange adjustments	Hedging reserve	Accumulated losses	Equity of shareholders in WS Audiology A/S	Non-controlling interests	Total equity
Equity at 30 September 2021	**100.0**	**2,041.5**	**(12.9)**	**0.4**	**(485.2)**	**1,643.8**	**57.4**	**1,701.2**
Loss for the year	–	–	–	–	(265.4)	(265.4)	(4.7)	(270.1)
Actuarial gains	–	–	–	–	9.6	9.6	–	9.6
Adjustment of cash flow hedges	–	–	–	96.2	–	96.2	–	96.2
Foreign exchange adjustment, etc.	–	–	93.0	–	–	93.0	9.0	102.0
Tax relating to other comprehensive income	–	–	(2.8)	(23.3)	(2.9)	(29.0)	–	(29.0)
Total comprehensive loss for the year	**–**	**–**	**90.2**	**72.9**	**(258.7)**	**(95.6)**	**4.3**	**(91.3)**
Changes in other reserves	–	(9.6)	–	–	(0.2)	(9.8)	0.9	(8.9)
Dividends	–	–	–	–	–	–	(6.5)	(6.5)
Other transactions with non-controlling interests	–	–	–	–	–	–	(1.1)	(1.1)
Equity at 30 September 2022	**100.0**	**2,031.9**	**77.3**	**73.3**	**(744.1)**	**1,538.4**	**55.0**	**1,593.4**

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Statement of **Changes in Equity** (cont'd)

For the financial year ended 30 September 2022

EURm	Share capital	Other reserves	Foreign exchange adjustments	Hedging reserve	Accumulated losses	Equity of shareholders in WS Audiology A/S	Non-controlling interests	Total equity
Equity at 30 September 2020	**100.0**	**2,047.6**	**(28.8)**	**(1.1)**	**(397.0)**	**1,720.7**	**49.5**	**1,770.2**
Loss for the year	–	–	–	–	(87.1)	(87.1)	5.2	(81.9)
Actuarial gains	–	–	–	–	8.1	8.1	–	8.1
Adjustment of cash flow hedges	–	–	–	1.6	–	1.6	–	1.6
Foreign exchange adjustment, etc.	–	–	16.1	–	–	16.1	(0.2)	15.9
Tax relating to other comprehensive income	–	–	(0.2)	(0.1)	(9.2)	(9.5)	–	(9.5)
Total comprehensive loss for the year	–	–	**15.9**	**1.5**	**(88.2)**	**(70.8)**	**5.0**	**(65.8)**
Changes in other reserves	–	(3.2)	–	–	–	(3.2)	–	(3.2)
Other transactions with non-controlling interests	–	(2.9)	–	–	–	(2.9)	2.9	–
Equity at 30 September 2021	**100.0**	**2,041.5**	**(12.9)**	**0.4**	**(485.2)**	**1,643.8**	**57.4**	**1,701.2**

Description of Other reserves:
- Capital reserve relates to deemed contribution by the shareholders in relation to the reverse acquisition in 2018/19.
- The difference between the consideration paid, in the form of acquiring the shares of the Sivantos Group and the net equity of the subsidiaries acquired in 2018/19.
- The elimination of the investment in the Widex Group in 2018/19.
- The reserves under the scope of IFRS 2 (Note 5.3).

Consolidated Financial Statements

Notes

– For the financial year ended 30 September 2022

1 Basis of preparation

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

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

The Group's general accounting policies are described in Note 1.1 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 General accounting policies

Basis of consolidation

The consolidated financial statements comprise the financial statements of WS Audiology A/S (the parent company) and subsidiaries, which are entities controlled by WS Audiology A/S, prepared in accordance with Group policies. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are listed in note 5.10.

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 recognized 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 derecognizes 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 recognized in profit or loss.

Translation of foreign currency

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

The WS Audiology Group has significant activities in EUR and has raised significant debt in EUR. Therefore, the functional currency of WS Audiology A/S and the presentation currency of the WS Audiology Group is determined to be EUR.

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 recognized in other financial income/expenses, net in the income statement. However, the following foreign exchange differences are recognized in other comprehensive income ("OCI"):

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

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

Foreign exchange differences arising on translation of the opening balance of equity of foreign entities at the exchange rate at the reporting date and on translation of the income statement from the average exchange rate to the exchange rate at the reporting date are recognized 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.

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Notes

1.1 General accounting policies (cont'd)

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 recognized in other comprehensive income relating to that foreign entity is recognized 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 or 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 flows from acquired enterprises are recognized in the cash flow statement from the acquisition date. Cash flows from disposed enterprises are recognized 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), lease liabilities, 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.

Consolidated Financial Statements

Notes

1.2 Significant accounting estimates and judgments

In preparation of the consolidated financial statements, Management makes various accounting estimates and judgments 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 judgments that can have a significant effect on the amounts recognized in the consolidated financial statements. Management judgment is required in particular when assessing the substance of transactions that have a complicated structure or legal form.

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

Principal accounting policies	Key accounting	Note	Estimation risk
Income tax and deferred income taxes	Judgment and estimate of deferred tax assets and uncertain tax positions	2.3	Medium
Depreciation, amortization and impairment	Estimates used in impairment testing	3.3	High
Depreciation, amortization and impairment	Estimates of useful lives of intangible asset and property, plant and equipment	3.3	Medium
Financial instruments	Judgment and estimate for expected credit losses for customer loans	3.5	Medium
Provisions	Estimates over the measurement of provisions	3.10	Medium
Business combinations	Estimates over the measurement of contingent consideration	5.1	Medium

1.3 Adoption of new and amended IFRS

In the current year, the Group has applied the amendments to IFRS standards and Interpretations issued by the Board that are effective for annual periods beginning on or after 1 October 2021. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Consolidated Financial Statements

Notes

2 Results of the year

2.1 Revenue

EURm	30 Sept. 2022	30 Sept. 2021
Revenue by geographic region:		
EMEA-LA-CA	1,002.6	900.0
US	966.2	817.8
Asia-Pacific	382.3	335.4
Total	**2,351.1**	**2,053.2**

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-CA” consists of Europe, the Middle East, Africa, Canada and Latin-America. The Region “US” is the United States. The Region “Asia-Pacific” consists of Asia, Australia and the Pacific region.

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

Contract liabilities

The Group has recognized the following liabilities related to contracts with customers:

EURm	30 Sept. 2022	30 Sept. 2021
Customer prepayments	13.9	9.4
Deferred revenue	36.6	31.2
Volume discounts	43.3	45.9
Right of return	30.7	23.8
Total	**124.5**	**110.3**

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

EURm	30 Sept. 2022	30 Sept. 2021
Contract liabilities		
Opening balance at 1 October	110.3	102.2
Foreign currency translation adjustments	10.3	(5.5)
Revenue recognized that was included in the contract liability from prior year and current year balance	(53.1)	(43.1)
Advances received during the year	55.9	51.0
Others	1.1	5.7
Total	**124.5**	**110.3**

Consolidated Financial Statements

Notes

2.1 Revenue (cont'd)

§ Accounting policies

Revenue from sale of products is recognized 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 recognized 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 recognized 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 recognized.

Discounts, rebates, and sales incentives to customers
The Group pays various discounts, rebates and sales incentives to customers including trade discounts and volume rebates. Furthermore, customer discounts include the difference between the present value and the nominal amount of loans to customers at below market interest rates, cf. Note 3.5 Customer loans.

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.

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 recognized 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.

Discounts, rebates and sales incentives are estimated and accrued when the related revenue is recognized. To make such estimates require use of judgment, 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 Customer loans) is based on the customers total committed purchases of products throughout the term of the customer loan, and is recognized as a discount for each product sold.

Extended warranties
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 recognized as revenue on a straight-line basis over the period the warranty services are provided. Revenue is recognized when the customer receives the warranty coverage and loss and damage as part of the purchase of the hearing aid.

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

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2.2 Staff costs

EURm	30 Sept. 2022	30 Sept. 2021
Wages, salaries and remuneration	709.8	614.9
Statutory social welfare contributions	75.6	67.7
Expenses relating to pension plans and long-term employee benefits	20.4	17.1
Total	**805.8**	**699.7**
Included in:		
Cost of goods sold	131.8	110.5
Research and development costs	100.9	88.3
Selling and general administration expenses	573.1	500.9
Total	**805.8**	**699.7**
Average number of full-time employees	12,000	11,441

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

§ Accounting policies

Wages, salaries, social security contributions, annual leave and sick leave, bonuses and non-monetary benefits are recognized 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.

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2.3 Income taxes

Income taxes consists of the following:

EURm	30 Sept. 2022	30 Sept. 2021
Current tax for the year	(30.6)	(4.5)
Deferred tax for the year	29.7	9.8
Effect of change in income tax rates	0.7	(0.8)
Withholding tax	(1.8)	(1.0)
Adjustment to current tax with respect to prior years	6.2	3.6
Adjustment to deferred tax with respect to prior years	(1.1)	(7.6)
Total	**3.1**	**(0.5)**

Income tax benefit/(expense) differs from the amounts computed by applying the statutory Denmark income tax rate of 22% (2021: 22%) as follows:

EURm	30 Sept. 2022	30 Sept. 2021
Reconciliation of effective tax rate		
Expected income tax benefit	60.1	17.9
Non-deductible expenses	(73.5)	(32.1)
Non-taxable income	4.7	2.3
Adjustment of tax with respect to prior years	5.1	(4.0)
Change in unrecognized deferred tax assets and temporary differences	(18.1)	(27.2)
Effect of change in income tax rates	0.7	(0.8)
Effect of tax rates in foreign jurisdictions	(4.7)	10.9
Tax incentives	26.3	26.5
R&D tax credits	7.0	7.4
Withholding tax	(1.7)	(1.0)
Others, net	(2.8)	(0.4)
Total	**3.1**	**(0.5)**

EURm	30 Sept. 2022	30 Sept. 2021
Tax relating to other comprehensive income		
Actuarial gains	2.9	2.5
Adjustment of cash flow hedges	23.3	0.1
Foreign exchange adjustments, etc.	2.8	0.2
Gain on sale of a subsidiary	-	6.7
Total	**29.0**	**9.5**

Deferred Tax

EURm	30 Sept. 2022	30 Sept. 2021
Opening deferred tax, net	**(288.9)**	**(288.2)**
Foreign currency translation adjustments	(0.7)	0.6
Changes in deferred tax assets recognized in income statement	29.7	8.2
Additions relating to acquisitions	(3.1)	–
Adjustment of deferred tax, prior years	(1.1)	(7.6)
Impact of changes in corporate tax rates	0.7	0.8
Deferred tax related to changes in equity, net recognized in other comprehensive income	(29.0)	(2.7)
Closing deferred tax, net	**(292.4)**	**(288.9)**
Deferred tax recognized in the balance sheet		
Deferred tax assets	48.3	80.1
Deferred tax liabilities	(340.7)	(369.0)
Deferred tax, net	**(292.4)**	**(288.9)**

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2.3 Income taxes (cont'd)

Breakdown of the Group's temporary differences and changes

EURm	Tax effect of temporary differences at 1 Oct. 2021	Foreign currency translation adjustments	Acquisitions and Disposal	Recognized in loss for the year	Recognized in other comprehensive income	Tax effect of temporary differences at 30 Sept. 2022
Other assets	17.7	0.4	-	(1.8)	-	**16.3**
Intangible assets	(387.9)	(8.4)	(3.1)	22.7	-	**(376.7)**
Property, plant and equipment	(10.2)	(1.2)	-	(0.7)	-	**(12.1)**
Right-of-use assets	(41.1)	(2.1)	-	4.0	-	**(39.2)**
Inventories	26.8	0.3	-	2.4	-	**29.5**
Receivables	–	0.1	-	(47.7)	(23.1)	**(70.7)**
Pension plans and similar commitments	(3.9)	0.6	-	2.0	(2.9)	**(4.2)**
Provisions	10.8	1.0	-	(3.1)	-	**8.7**
Other liabilities	9.0	3.3	-	(8.0)	-	**4.3**
Lease liabilities	45.9	2.2	-	(4.8)	-	**43.3**
Tax loss and credit carry-forward	35.4	1.0	-	79.3	-	**115.7**
Others	8.6	2.1	-	(15.0)	(3.0)	**(7.3)**
Total	**(288.9)**	**(0.7)**	**(3.1)**	**29.3**	**(29.0)**	**(292.4)**

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2.3 Income taxes (cont'd)

Breakdown of the Group's temporary differences and changes

EURm	Tax effect of temporary differences at 1 Oct. 2020	Foreign currency translation adjustments	Recognized in loss for the year	Recognized in other comprehensive income	Tax effect of temporary differences at 30 Sept. 2021
Other assets	17.0	–	0.7	–	**17.7**
Intangible assets	(405.6)	(0.4)	18.1	–	**(387.9)**
Property, plant and equipment	(4.0)	–	(6.2)	–	**(10.2)**
Right-of-use assets	(51.9)	(0.2)	11.0	–	**(41.1)**
Inventories	22.7	0.1	4.0	–	**26.8**
Receivables	2.8	–	(2.8)	–	**–**
Pension plans and similar commitments	(1.8)	–	0.3	(2.4)	**(3.9)**
Provisions	11.7	0.2	(1.1)	–	**10.8**
Other liabilities	9.6	0.3	(0.9)	–	**9.0**
Lease liabilities	54.0	0.1	(8.2)	–	**45.9**
Tax loss and credit carry-forward	48.3	0.2	(13.1)	–	**35.4**
Others	9.0	0.3	(0.4)	(0.3)	**8.6**
Total	**(288.2)**	**0.6**	**1.4**	**(2.7)**	**(288.9)**

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2.3 Income taxes (cont'd)

The tax loss carry-forward (gross amount) of EUR 262.6 million (2021: EUR 130.0 million) includes tax losses of EUR 2.1 million (2021: EUR 3.5 million) that can be carried forward for 2 to 30 years. The remaining tax loss have no expiry date.

The interest carry-forward of EUR 195.0 million (2021: EUR 3.9 million) can be carried forward indefinitely.

Unrecognized deferred tax assets

Unrecognized 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):

EURm	30 Sept. 2022	30 Sept. 2021
Capital losses carry forwards	-	0.1
Tax losses carry forwards	474.9	365.2
Total unrecognized tax carry forwards	**474.9**	**365.3**

Unrecognized deferred tax liabilities

The Group has not recognized deferred tax liabilities for income taxes or foreign withholding taxes on the cumulative earnings of subsidiaries of EUR 18.7 million (2021: EUR 14.6 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 recognized in profit or loss except to the extent that it relates to items recognized directly in other comprehensive income or directly in equity.

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

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

Deferred tax is measured using the balance sheet liability method and comprises all temporary differences between the carrying amount and tax base of assets and liabilities. Deferred tax is not recognized 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 amortization of goodwill is deductible for tax purposes, a deferred tax liability is recognized 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.

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2.3 Income taxes (cont'd)

Significant judgments and accounting estimates

The Group operates in a large number of tax jurisdictions where tax legislation can be highly complex and subject to interpretation. Significant judgment 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 recognized 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 judgment 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 Group operates.

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

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3 Operating assets and liabilities

3.1 Intangible assets

EURm	Goodwill	Development projects	Customer relationships	Trademarks, patents, and similar rights	Core patented technology and intellectual property	Software	Total
Cost at 1 October 2021	**3,559.3**	**289.5**	**1,400.0**	**183.7**	**843.4**	**118.1**	**6,394.0**
Foreign exchange adjustments	46.0	20.0	39.0	5.5	0.4	11.2	**122.1**
Additions from business combinations	18.6	–	5.1	6.6	–	–	**30.3**
Additions	–	100.2	–	0.1	–	17.7	**118.0**
Disposals	–	(0.7)	(10.6)	(0.4)	–	(1.9)	**(13.6)**
Cost at 30 September 2022	**3,623.9**	**409.0**	**1,433.5**	**195.5**	**843.8**	**145.1**	**6,650.8**
Accumulated amortization and impairment at 1 October 2021	**–**	**(99.1)**	**(344.4)**	**(94.4)**	**(360.3)**	**(69.7)**	**(967.9)**
Foreign exchange adjustments	–	(12.8)	(15.1)	(2.2)	(0.1)	(7.6)	**(37.8)**
Amortization	–	(54.3)	(84.4)	(8.1)	(58.5)	(25.2)	**(230.5)**
Impairment	(0.9)	–	–	–	–	(0.3)	**(1.2)**
Disposals	–	–	10.6	0.1	–	1.0	**11.7**
Accumulated amortization and impairment at 30 September 2022	**(0.9)**	**(166.2)**	**(433.3)**	**(104.6)**	**(418.9)**	**(101.8)**	**(1,225.7)**
Carrying amount at 30 September 2022	**3,623.0**	**242.8**	**1,000.2**	**90.9**	**424.9**	**43.3**	**5,425.1**

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Notes

3.1 Intangible assets (cont'd)

EURm	Goodwill	Development projects	Customer relationships	Trademarks, patents, and similar rights	Core patented technology and intellectual property	Software	Total
Cost at 1 October 2020	**3,495.5**	**210.2**	**1,396.8**	**175.1**	**839.7**	**122.3**	**6,239.6**
Foreign exchange adjustments	5.8	2.8	3.3	0.4	0.1	1.9	**14.3**
Additions from business combinations	59.3	–	–	7.6	3.6	–	**70.5**
Additions	–	81.0	–	0.6	–	17.4	**99.0**
Disposals	(1.3)	(4.5)	(0.1)	–	–	(23.5)	**(29.4)**
Cost at 30 September 2021	**3,559.3**	**289.5**	**1,400.0**	**183.7**	**843.4**	**118.1**	**6,394.0**
Accumulated amortization at 1 October 2020	–	**(65.2)**	**(237.6)**	**(87.6)**	**(309.1)**	**(70.7)**	**(770.2)**
Foreign exchange adjustments	–	(1.6)	(1.9)	(0.2)	–	(1.1)	**(4.8)**
Amortization	–	(36.8)	(104.9)	(6.6)	(51.2)	(21.5)	**(221.0)**
Disposals	–	4.5	–	–	–	23.6	**28.1**
Accumulated amortization at 30 September 2021	–	**(99.1)**	**(344.4)**	**(94.4)**	**(360.3)**	**(69.7)**	**(967.9)**
Carrying amount at 30 September 2021	**3,559.3**	**190.4**	**1,055.6**	**89.3**	**483.1**	**48.4**	**5,426.1**

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3.1 Intangible assets (cont'd)

Development costs

EURm	30 Sept. 2022	30 Sept. 2021
Research and development cost incurred	162.1	142.5
Development costs capitalized as development projects	(100.2)	(81.0)
Depreciation of operating assets etc., used for development purposes	3.5	4.4
Amortization of capitalized development projects	54.5	36.5
Total expensed development costs	**119.9**	**102.4**

Please refer to Note 5.1 for further information about increases in goodwill related to the business combinations.

Impairment losses recognized
An impairment loss of EUR 0.9 million was recognized on goodwill at 30 September 2022 (30 September 2021: Nil) due to a sale of assets in the Group's retail outlet in the United Kingdom.

§ Accounting policies

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

Goodwill
On initial recognition, goodwill is recognized and measured at cost. Subsequently goodwill is measured at cost less accumulated impairment losses.

Goodwill is not amortized 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 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 recognized 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, and software.

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 recognized as intangible assets. Other development costs are recognized 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 amortization and impairement losses. Amortization is provided on a straight-line basis over the expected useful lives of the assets to their estimated residual value if any.

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3.1 Intangible assets (cont'd)

§ Accounting policies (cont'd)

Internal development expenditure is capitalized 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 capitalized and amortized on a straight-line basis over their useful economic lives from product launch, of which judgment 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.

The Group has defined milestones for various phases of the development of new products, from the commencement of the project to successful realization and subsequently product launch. The criteria as required by IAS 38 for the recognition of development costs, have been adapted within the work processes of the first milestone, to ensure that all criteria have been met for development cost to be capitalized.

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3.2 Property, plant and equipment

EURm	Land and buildings and leasehold improvements	Plant and machinery	Other plant, fixtures and operating equipment	Assets under construction	Total
Cost at 1 October 2021	**128.1**	**127.0**	**127.6**	**11.4**	**394.1**
Foreign exchange adjustments	14.9	5.9	19.1	0.7	**40.6**
Additions from business combinations	0.2	0.2	0.9	–	**1.3**
Additions	13.5	10.2	25.1	10.7	**59.5**
Disposals	(10.4)	(5.1)	(12.8)	(4.8)	**(33.1)**
Transfers	1.7	3.7	3.0	(8.4)	–
Cost at 30 September 2022	**148.0**	**141.9**	**162.9**	**9.6**	**462.4**
Accumulated depreciation at 1 October 2021	**(66.2)**	**(92.6)**	**(89.9)**	**–**	**(248.7)**
Foreign exchange adjustments	(8.9)	(4.0)	(15.1)	–	**(28.0)**
Depreciation	(12.8)	(8.4)	(20.5)	–	**(41.7)**
Disposals	4.9	4.7	11.9	–	**21.5**
Transfers	(0.2)	(0.1)	0.3	–	–
Accumulated depreciation at 30 September 2022	**(83.2)**	**(100.4)**	**(113.3)**	**–**	**(296.9)**
Carrying amount at 30 September 2022	**64.8**	**41.5**	**49.6**	**9.6**	**165.5**

EURm	Land and buildings and leasehold improvements	Plant and machinery	Other plant, fixtures and operating equipment	Assets under construction	Total
Cost at 1 October 2020	**127.5**	**116.0**	**114.4**	**9.3**	**367.2**
Foreign exchange adjustments	2.2	1.7	2.5	0.2	**6.6**
Additions from business combinations	0.3	0.1	0.2	–	**0.6**
Additions	6.6	9.5	15.3	10.3	**41.7**
Disposals	(8.3)	(2.9)	(6.8)	(0.9)	**(18.9)**
Transfers	(0.2)	2.6	2.0	(7.5)	**(3.1)**
Cost at 30 September 2021	**128.1**	**127.0**	**127.6**	**11.4**	**394.1**
Accumulated depreciation at 1 October 2020	**(60.0)**	**(83.4)**	**(77.8)**	**–**	**(221.2)**
Foreign exchange adjustments	(1.0)	(1.0)	(2.0)	–	**(4.0)**
Depreciation	(11.1)	(11.6)	(16.8)	–	**(39.5)**
Disposals	5.3	2.4	5.2	–	**12.9**
Transfers	0.6	1.0	1.5	–	**3.1**
Accumulated depreciation at 30 September 2021	**(66.2)**	**(92.6)**	**(89.9)**	**–**	**(248.7)**
Carrying amount at 30 September 2021	**61.9**	**34.4**	**37.7**	**11.4**	**145.4**

The Group has contractual commitments for purchases of property, plant and equipment amounting to EUR 12.4 million (2021: EUR 6.7 million) as of 30 September 2022.

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3.2 Property, plant and equipment (cont'd)

§ 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.

3.3 Depreciation, amortization, and impairment

EURm	30 Sept. 2022	30 Sept. 2021
Depreciation and impairment of property, plant, equipment, right-of-use assets recognized in the income statement as follows:		
Cost of goods sold	22.6	22.7
Research and development costs	3.5	3.6
Selling, general and administrative expenses	64.9	57.5
Total	**91.0**	**83.8**
Amortization and impairment of intangible assets recognized in the income statement as follows:		
Cost of goods sold	45.8	46.2
Research and development costs	54.5	37.3
Selling, general and administrative expenses	131.4	137.5
Total	**231.7**	**221.0**

§ Accounting policies

Depreciation
Depreciation is recognized 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.

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

Impairment
Goodwill and intangible assets not yet available for use, e.g. development projects in progress, are not subject to amortization, 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 amortization, and property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If assets do not generate cash flows that are largely independent of those from other assets or groups of assets, the impairment test is performed at the level of the CGU to which the asset belong.

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

If the carrying amount of an asset, or of the CGU to which the asset belong, is higher than its recoverable amount, the carrying amount is reduced to the recoverable amount, and an impairment loss is recognized 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 amortization had the asset not been impaired.

Significant judgments and accounting estimates

Impairment test – Goodwill
The recoverable amount of the CGU was tested on the basis of fair value less costs to sell. The fair value less cost to sell was determined mainly by computing the Enterprise Value ("EV").

The EV was estimated as of 30 September 2022 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,

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3.3 Depreciation, amortization, and impairment (cont'd)

Significant judgments and accounting estimates (cont'd)

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 recognized.

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.

Determination of the useful life of intangible assets
Management applies judgments 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 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.

The estimated useful lives are as follows:

Completed development projects	3 years
Patents and rights	3 - 10 years
Customer relationships acquired	2 - 10 years
Customer contracts	15 - 20 years
Trademarks	20 years
Acquired intellectual property	8 - 12 years
Software	10 years

The estimated useful life and amortization 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.

Determination of the useful life of property, plant and equipment
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 recognized prospectively as a change in accounting estimates.

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3.4 Right-of-use assets/Lease liabilities

Right-of-use assets:

EURm	Buildings and retail shops	Vehicle fleet	Other plant, fixtures and operating equipment	Total
Cost at 1 October 2021	**275.1**	**9.1**	**1.2**	**285.4**
Foreign currency translation adjustments	18.3	–	–	**18.3**
Additions during the year	28.7	2.6	0.8	**32.1**
Disposals	(14.9)	(1.9)	(0.1)	**(16.9)**
Cost at 30 September 2022	**307.2**	**9.8**	**1.9**	**318.9**
Accumulated depreciation and impairment at 1 October 2021	**(74.7)**	**(4.5)**	**(0.4)**	**(79.6)**
Foreign currency translation adjustments	(7.2)	–	–	**(7.2)**
Depreciation	(45.9)	(2.8)	(0.3)	**(49.0)**
Disposals	12.0	2.3	0.1	**14.4**
Impairment	(0.3)	–	–	**(0.3)**
Reversal of impairment	1.1	–	–	**1.1**
Accumulated depreciation and impairment at 30 September 2022	**(115.0)**	**(5.0)**	**(0.6)**	**(120.6)**
Carrying amount at 30 September 2022	**192.2**	**4.8**	**1.3**	**198.3**

EURm	Buildings and retail shops	Vehicle fleet	Other plant, fixtures and operating equipment	Total
Cost at 1 October 2020	**268.5**	**7.3**	**1.2**	**277.0**
Foreign currency translation adjustments	2.1	–	–	**2.1**
Additions during the year	25.1	2.7	–	**27.8**
Disposals	(18.0)	(0.9)	–	**(18.9)**
Transfers	(2.6)	–	–	**(2.6)**
Cost at 30 September 2021	**275.1**	**9.1**	**1.2**	**285.4**
Accumulated depreciation and impairment at 1 October 2020	**(42.6)**	**(2.6)**	**(0.2)**	**(45.4)**
Foreign currency translation adjustments	(0.7)	0.1	–	**(0.6)**
Transfers	2.6	–	–	**2.6**
Depreciation	(41.2)	(2.9)	(0.2)	**(44.3)**
Disposals	6.8	0.9	–	**7.7**
Reversal of impairment	0.4	–	–	**0.4**
Accumulated depreciation and impairment at 30 September 2021	**(74.7)**	**(4.5)**	**(0.4)**	**(79.6)**
Carrying amount at 30 September 2021	**200.4**	**4.6**	**0.8**	**205.8**

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3.4 Right-of-use assets/Lease liabilities (cont'd)

Other disclosures relating to right-of-use assets/lease liabilities are as follows:

EURm	30 Sept. 2022	30 Sept. 2021
Interest expense on lease liabilities	(9.7)	(10.0)
Lease expense not capitalized in lease liabilities:		
Lease expense – short-term leases and low value assets	(5.8)	(6.7)
Variables lease payment which do not depends on an index or rate	(0.3)	-
Total cash outflow for all leases	(56.5)	(51.4)

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

§ Accounting policies

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 recognized 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 at the commencement date;
- Amount expected to be payable under residual value guarantees;
- The exercise price of a purchase option if it 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 amortized 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 recognize 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.

Significant judgments and accounting estimates

The lessee's incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. That is, the rate specific to:

- The lessee – i.e. it is a company specific rate that reflects the credit worthiness of the company
- The term of the arrangement
- The amount of the funds “borrowed”
- The “security”- i.e. the nature and quality of the underlying asset; and
- The economic environment, encompassing the jurisdiction, the currency and the date at which the lease entered into.

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3.5 Customer loans
Customer loans are as follows:

EURm	30 Sept. 2022	30 Sept. 2021
Non-current	50.2	54.0
Current	19.6	17.2
Total	**69.8**	**71.2**

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.

Group internal credit rating	Expected credit loss (ECL) rate	Basis for recognition of expected credit loss	Gross carrying amount (EURm)
30 September 2022:			
Performing	1%	12-month expected credit loss (Low risk)	51.8
Performing	6%	12-month expected credit loss (Medium risk)	10.5
Underperforming	47%	Lifetime expected credit losses (High risk)	10.9
Credit impaired	86%	Assets derecognized through the income statement (In default)	18.7
Total customer loans at 30 September 2022			**91.9**
30 September 2021:			
Performing	4%	12-month expected credit loss (Low risk)	50.0
Performing	5%	12-month expected credit loss (Medium risk)	12.8
Underperforming	43%	Lifetime expected credit losses (High risk)	14.3
Credit impaired	84%	Assets derecognized through the income statement (In default)	18.6
Total customer loans at 30 September 2021			**95.7**

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

EURm	Performing (12-month ECL- Low risk)	Performing (12-month ECL – Medium risk)	Under-performing (Lifetime ECL)	Credit impaired (Lifetime ECL)	Total
Opening loss allowance at 1 October 2021	**1.9**	**0.7**	**6.2**	**15.7**	**24.5**
Foreign currency translation differences	(1.7)	–	1.2	3.9	**3.4**
Net impairment loss/(reversal) for the year	0.1	(0.2)	(2.3)	(3.4)	**(5.8)**
Closing loss allowance at 30 September 2022 (calculated under IFRS 9)	**0.3**	**0.5**	**5.1**	**16.2**	**22.1**
Opening loss allowance at 1 October 2020	**8.2**	–	**11.0**	**13.6**	**32.8**
Write-off for the year	–	–	–	(4.2)	**(4.2)**
Foreign currency translation differences	–	–	0.3	0.6	**0.9**
Net impairment loss/(reversal) for the year	(6.3)	0.7	(5.1)	5.7	**(5.0)**
Closing loss allowance at 30 September 2021 (calculated under IFRS 9)	**1.9**	**0.7**	**6.2**	**15.7**	**24.5**

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3.5 Customer loans (cont'd)

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

- New customer loans of EUR 13.5 million (2021: EUR 10.3 million) were issued in the year ended 30 September 2022;
- Customer loans with a gross carrying amount of EUR 0.5 million (2021: EUR 0.5 million) went from performing to underperforming during the year ended 30 September 2022;
- Customer loans with a gross carrying amount of EUR 23.9 million (2021: EUR 2.0 million) were repaid in the year ended 30 September 2022.

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 are initially recognized at fair value less transaction costs and subsequently measured at amortized 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 recognized in the income statement as a reduction of revenue as and when the customer purchases goods from the 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 recognized as interest income in the income statement over the term of the loans.

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 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.

Significant judgments and accounting estimates

The 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 Group.

The 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, along with any new significant developments across the macroeconomic landscape, such as COVID-19. This assessment is performed using a scoring matrix that covers 3 broad categories namely customer type, payment and performance and risk and bankruptcy. Based on the credit score assessed, the risk category of the customer will be determined to be one of the following:

- Low risk (performing)
- Medium risk (performing)
- High risk (underperforming)
- In default

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, and considered any forward-looking elements such as new significant developments, such as COVID-19. 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 performing customer loans are based on a weighted average of historical annual losses on customers. Payment plans are agreed with customers when issuing loans to them. The credit risk of loans to customers is considered to have increased significantly since initial recognition when the loan is no longer assessed to be performing under the Group’s risk assessment model. Based on the above, the customer loans and related prepaid discount are categorised as either performing, non-performing or credit impaired.

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3.6 Other assets

Other non-current assets are as follows:

EURm	30 Sept. 2022	30 Sept. 2021
Prepaid assets	0.6	0.9
Asset for deferred compensation plan	9.7	3.4
Derivative financial instruments	93.4	–
Deposits	8.7	6.4
Others	10.0	6.9
Total	**122.4**	**17.6**

Other current assets are as follows:

EURm	30 Sept. 2022	30 Sept. 2021
Prepaid assets	21.6	18.6
Loans receivables from third parties	0.1	0.7
Derivative financial instruments	7.4	1.5
Miscellaneous tax receivables	27.8	31.6
Deposits	11.9	17.3
Others	8.8	12.3
Total	**77.6**	**82.0**

§ Accounting policies

Other assets are recognized initially at fair value less directly attributable transactions costs. Subsequently, they are measured at amortized 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.

3.7 Inventories

EURm	30 Sept. 2022	30 Sept. 2021
Raw materials and purchased components	91.4	69.8
Work in progress	20.4	20.5
Right of return	14.4	12.6
Finished goods and goods for resale	71.9	65.5
Total	**198.1**	**168.4**
Write-downs, provisions for obsolescence etc. included in the above	(42.8)	(38.2)

Included in the income statement under production costs:

EURm	30 Sept. 2022	30 Sept. 2021
Write-downs of inventories for the year	(5.7)	(7.6)
Cost of goods sold during the year	(766.9)	(789.7)
Total	**(772.6)**	**(797.3)**

§ 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 method. Cost comprise raw materials, consumables, direct labour and indirect production overheads. Indirect production overheads comprise indirect supplies, wages, and salaries, amortization 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.

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3.8 Trade receivables

EURm	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
30 September 2022							
Gross carrying amount – Trade receivables	270.2	27.3	12.6	10.7	16.5	30.0	**367.3**
Sales rebates	(32.8)	–	–	–	–	–	**(32.8)**
Specific loss allowance at 30 September 2022 (expected credit loss model)	(4.9)	(0.4)	(0.6)	(0.5)	(1.6)	(18.6)	**(26.6)**
General loss allowance at 30 September 2022 (expected credit loss model)	(1.2)	(0.2)	(0.1)	(0.1)	(0.5)	(0.3)	**(2.4)**
Trade receivables at 30 September 2022	**231.3**	**26.7**	**11.9**	**10.1**	**14.4**	**11.1**	**305.5**
Expected loss rate	**-0.4%**	**-0.7%**	**-0.8%**	**-0.9%**	**-3.0%**	**-1.0%**	**-0.7%**
30 September 2021							
Gross carrying amount – Trade receivables	245.8	25.5	14.0	7.5	14.9	38.8	**346.5**
Sales rebates	(30.8)	–	–	–	–	–	**(30.8)**
Specific loss allowance at 30 September 2021 (expected credit loss model)	(2.9)	(0.6)	(0.5)	(0.5)	(3.2)	(16.9)	**(24.6)**
General loss allowance at 30 September 2021 (expected credit loss model)	(1.0)	(0.2)	(0.2)	(0.2)	(0.3)	(1.0)	**(2.9)**
Trade receivables at 30 September 2021	**211.1**	**24.7**	**13.3**	**6.8**	**11.4**	**20.9**	**288.2**
Expected loss rate	**-0.4%**	**-0.8%**	**-1.4%**	**-2.7%**	**-2.0%**	**-2.2%**	**-0.8%**

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3.8 Trade receivables (cont'd)

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

EURm	Collectively assessed	Individually assessed (credit impaired)	Total
Opening loss allowance at 1 October 2021	**(2.9)**	**(24.6)**	**(27.5)**
Net remeasurement of loss allowance	(0.7)	(1.2)	**(1.9)**
Amounts written off	0.9	0.4	**1.3**
Other changes	0.3	(1.2)	**(0.9)**
Closing loss allowance at 30 September 2022	**(2.4)**	**(26.6)**	**(29.0)**
Opening loss allowance at 1 October 2020	**(4.2)**	**(24.8)**	**(29.0)**
Net remeasurement of loss allowance	2.1	0.5	**2.6**
Amounts written off	0.1	–	**0.1**
Other changes	(0.9)	(0.3)	**(1.2)**
Closing loss allowance at 30 September 2021	**(2.9)**	**(24.6)**	**(27.5)**

Receivables acquired in business combinations are recognized 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 amortized 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.

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.

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

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3.9 Other liabilities

Other non-current liabilities are as follows:

EURm	30 Sept. 2022	30 Sept. 2021
Derivative financial instruments	6.9	53.0
Deferred revenue	27.1	23.8
Employee related liabilities	4.0	4.3
Liability under MPP scheme	49.4	41.8
Others	5.4	5.8
Total	**92.8**	**128.7**

Other current liabilities are as follows:

EURm	30 Sept. 2022	30 Sept. 2021
Bonuses and discounts to customers	12.1	11.4
Customers with net credit balances	11.5	5.1
Customer prepayment	13.9	9.4
Deferred revenue	14.2	11.4
Derivative financial instruments	3.4	1.2
Employee related liabilities	76.0	75.6
Payroll and social security taxes	48.8	46.1
Sales tax and other tax liabilities	16.7	27.6
Earnout provision	6.9	20.9
Others	27.9	21.4
Total	**231.4**	**230.1**

Earnout provision 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

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

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

Liability under MPP scheme is measured at fair value, with reference to Note 5.3.

Other liabilities are measured at amortized cost.

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3.10 Provisions

EURm	Warranties	Right of return	Asset Retirement Obligation	Others	Total
Provision at 1 October 2021	**50.0**	**23.8**	**5.3**	**10.6**	**89.7**
Foreign exchange adjustments	6.4	2.9	0.1	(0.1)	**9.3**
Additions	24.3	4.3	0.3	8.2	**37.1**
Usages	(23.4)	(0.1)	–	(2.2)	**(25.7)**
Reversals	(3.0)	(0.2)	(0.3)	(0.1)	**(3.6)**
Accretion and effect of changes in discount rates	(1.3)	–	0.3	–	**(1.0)**
Provision at 30 September 2022	**53.0**	**30.7**	**5.7**	**16.4**	**105.8**
Which is presented in the consolidated balance sheet as					
Non-current liabilities	21.9	0.1	5.7	0.3	**28.0**
Current liabilities	31.1	30.6	–	16.1	**77.8**
Provision at 30 September 2022	**53.0**	**30.7**	**5.7**	**16.4**	**105.8**

EURm	Warranties	Right of return	Asset Retirement Obligation	Others	Total
Provision at 1 October 2020	**46.3**	**26.4**	**4.8**	**4.9**	**82.4**
Foreign exchange adjustments	1.1	0.4	0.1	(0.1)	**1.5**
Additions	15.6	0.5	0.5	5.8	**22.4**
Usages	(11.8)	(3.5)	–	–	**(15.3)**
Reversals	(1.1)	–	–	–	**(1.1)**
Reclassifications	–	–	(0.2)	–	**(0.2)**
Accretion and effect of changes in discount rates	(0.1)	–	0.1	–	–
Provision at 30 September 2021	**50.0**	**23.8**	**5.3**	**10.6**	**89.7**
Which is presented in the consolidated balance sheet as					
Non-current liabilities	23.6	0.1	5.2	0.7	**29.6**
Current liabilities	26.4	23.7	0.1	9.9	**60.1**
Provision at 30 September 2021	**50.0**	**23.8**	**5.3**	**10.6**	**89.7**

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3.10 Provisions (cont'd)

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.

The warranty provision represents Management's 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 recognized in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and 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 judgments and accounting estimates

Significant estimates are involved in the determination of provisions related to warranty costs, right of return, legal proceedings. 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 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 recognized 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 judgment 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 considers 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.

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4 Capital structure and financing items

4.1 Outstanding shares

	Outstanding shares (mil)	Total number of shares (mil)	Nominal value of outstanding shares EURm
Number/value of shares at 30 September 2022 and 30 September 2021	**100.0**	**100.0**	**100.0**

All shares are fully issued and paid up. The share capital was nominally EUR 100,000,100 divided into a corresponding number of 100,000,100 (2021: EUR 100,000,100 divided into a corresponding number of 100,000,100). There are no restrictions on the negotiability or voting rights of the shares.

Capital structure
The Group's ambition is to maintain access to a strong capital base and with a high degree of investor, creditor and market confidence to support the strategic development of the Group. To support this ambition, the Group has obtained a credit rating from the three rating agencies Moody's, Standard & Poor and Fitch Ratings.

The capital structure of the Group consists of net debt (short-term and long-term borrowings disclosed in Note 4.2 after deducting cash and cash equivalents) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests).

The Group raised debt in 2019 to finance the establishment of the Group through the merger of Sivantos and Widex. In June 2020, the Group raised an additional Sidecar loan of EUR 100.0 million with a backup guarantee from the Danish Export Credit Foundation (EKF) as contingency working capital in the face of COVID-19. This sidecar loan was repaid in December 2021 with an add on of EUR 100.0 million to Facility B1. The Group's debt is shown in table below:

Debt	Interest rate	Hedge interest
FY 2022		
Facility B1 EUR 2,062.5 million	Euribor + 4.0%	Partly till FY 2024
Facility B2 USD 1,192.0 million	USD Libor + 3.75%	Partly till FY 2024
2nd Lien Loan EUR 525.0 million	Euribor + 6.75%	Partly till FY 2024
Revolving Facility EUR 100.0 million	Euribor + 2.75%	No
FY 2021[1]		
Sidecar Loan 100.0 million	Euribor + 4.5%	No
Facility B1 EUR 1,962.5 million	Euribor + 4.0%	Partly till FY 2022
Facility B2 USD 1,204.3 million	USD Libor + 3.75%	Partly till FY 2023
2nd Lien Loan EUR 525.0 million	Euribor + 6.75%	No
Revolving Facility EUR 90.5 million	Euribor + 2.75%	No

1 The Group hedged interest in FY 2021 but did not adopt hedge accounting.

If Euribor or Libor is less than zero, the rate shall be deemed as zero.

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

Interest rate benchmark transition for non-derivative financial instruments.

The Group is currently in negotiations with its lenders to reprice its loans from IBOR equivalent rates to SOFR, which would only take into effect in 2023. The Group does not foresee any material changes from the change in interest rate benchmark.

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4.1 Outstanding shares (cont'd)

§ Accounting policies

Proposed dividend is recognized 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 Group is exposed to several financial risks arising from its operating, investing and financial activities, including foreign exchange risk, interest rate risk, liquidity risk and credit risk.

Liquidity risk, foreign exchange risk and interest rate risk are managed by Group Treasury while customer credit risk is managed by the individual business units and affiliates. The Group uses financial instruments only to mitigate financial risks. The objective, policies and processes for managing the risk exposure to these items are further explained in the following sections.

Credit risk

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

The Group has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. This includes the review of individual receivables and of individual customer creditworthiness on a case-by-case basis as well as the review of current economic trends, the analysis of historical bad debts on a portfolio basis, and the 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 pledges related to customer loan. Assessment of the credit risk related to customers is further described in Note 3.5 Customer loans and Note 3.8 Trade receivables.

There were no significant concentrations of credit risk at 30 September 2022 and 30 September 2021.

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 2022 (30 September 2021: Nil), 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 suppliers and servicing interest-bearing debt.

The Group finances itself from its operating cash flow and through access to EUR 260 million of committed Revolving Credit provided by a group of banks – of which EUR 93.5 million has been carved out as ancillary facilities.

The Group had cash and cash equivalents of EUR 123.7 million as of 30 September 2022 (30 September 2021: EUR 144.5 million). In addition, the Group has access to EUR 105.8 million (30 September 2021: EUR 157.2 million) available Revolving Credit Facility as of 30 September 2022. 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.

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.

The Group maintains an in-house banking and cash pool setup. A significant part of cash balances from affiliates is pooled centrally with Group Treasury to secure an effective liquidity management and use of funds within the Group.

The following table reflects all contractually fixed payoffs for settlement, repayments and interest resulting from recognized financial liabilities. It includes expected net cash outflows from derivative financial liabilities that were in place at 30 September 2022 and 30 September 2021. 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 2022 and 30 September 2021.

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4.2 Financial risks and financial instruments (cont'd)

EURm	Less than 1 year	Between 1-5 years	More than 5 years	Total
30 September 2022				
Interest-bearing debt	247.8	4,686.0	–	4,933.8
Lease liabilities	55.1	116.7	87.5	259.3
Trade payables	218.7	–	–	218.7
Other financial liabilities	171.9	56.3	–	228.2
Total non-derivative financial liabilities	**693.5**	**4,859.0**	**87.5**	**5,640.0**
Derivative financial liabilities	**3.4**	**6.9**	**–**	**10.3**
30 September 2021				
Interest-bearing debt	254.3	3,680.8	542.6	4,477.7
Lease liabilities	44.9	98.9	113.1	256.9
Trade payables	231.7	–	–	231.7
Other financial liabilities	181.9	47.0	–	228.9
Total non-derivative financial liabilities	**712.8**	**3,826.7**	**655.7**	**5,195.2**
Derivative financial liabilities	**1.2**	**53.0**	**–**	**54.2**

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

Translation risk and effects of foreign currency translation

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

Sensitivity analysis for foreign currency risk

The following table demonstrates the approximate effect on the Group's income statement (financial items) in response to fluctuation of the currencies other than the Group's reporting currency EUR. This analysis assumes that all other variables, in particular interest rates, remain constant.

EURm	Profit/(Loss)
30 September 2022	
USD +5%	(57.9)
CAD +5%	3.0
BRL +5%	2.4
30 September 2021	
USD +5%	(48.2)
CAD +5%	1.6
CNY +5%	(0.9)
AUD +5%	0.8

Notes

4.2 Financial risks and financial instruments (cont'd)

Interest rate risk
At 30 September 2022, the Group's long-term debt consists of secured term loans of EUR 2,062.5 million (2021: EUR 2,062.5 million) and USD 1,192.0 million (2021: USD 1,204.3 million) as well as 2nd lien term loan of EUR 525.0 million (2021: EUR 525 million) with a floating interest rate of which 90% (2021: 72%) have been swapped into fixed interest rate. The Group have applied hedge accounting in relation to these interest rate swaps effective October 2021.

Specification of net interest-bearing debt

EURm	30 Sept. 2022	30 Sept. 2021
Cash and cash equivalents	123.7	144.5
Bank loans, non-current liabilities	(3,824.2)	(3,523.9)
Bank loans, current liabilities	(105.6)	(124.7)
Total net interest-bearing debt	**(3,806.1)**	**(3,504.1)**

Interest rate sensitivity analysis
The Group is exposed to change in the following interest rates: EURIBOR and LIBOR. The sensitivity analysis 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 (after hedging) 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.

At 30 September 2022, if interest rates had been 1 per cent higher and all other variables were held constant, the Group's loss for the year ended 30 September 2022 would increase by EUR 3.6 million (2021: EUR 2.9 million). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Hedging of future cash flows
Foreign currency risk hedging
The Group has cash flow in foreign currencies due to its international operations and USD denomi-nated debt which exposes the Group to fluctuations in exchange rates vs reporting currency EUR. Foreign currency exchange rate fluctuations may create unwanted and unpredictable earnings and cash flow vola-tility. The Group manufactures and distributes most of its products at its headquarters in Singapore and Denmark. The products are sold to its regional affiliates and as a general principle invoiced in the currency of the buying entities.

The majority of the Group's sales and costs are in USD, JPY, GBP, AUD, CAD and SGD. The Group's hedging 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 foreign exchange movements impact on net cashflow for 3 - 12 months rolling forward.

The foreign currency risk is centrally managed by Group Treasury. The policy for the Group is to maintain an adequate hedging level of between 40% and 75% of the net foreign currency exposure. Group Treasury is not allowed to undertake any financial transactions in foreign currencies of a speculative nature. 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.

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4.2 Financial risks and financial instruments (cont'd)

Cash flow hedges of foreign currency risk
Hedging instruments:

30 Sept. 2022	Average exchange rate	Notional value: Foreign currency	Notional value: Functional currency (EUR)	Carrying amount of hedging instruments - Assets	Carrying amount of hedging instruments - Liabilities
	Rate	mil	EURm	EURm	EURm
Sell AUD					
< 3 months	1.6	(11.2)	7.0	–	(0.4)
3-12 months	1.5	(41.0)	27.0	0.1	–
Sell CAD					
< 3 months	1.4	(6.9)	5.0	–	(0.1)
3-12 months	1.4	(19.0)	14.0	–	(0.1)
Sell GBP					
< 3 months	0.9	(6.0)	7.0	0.2	–
3-12 months	0.9	(24.4)	27.5	0.3	–
Sell JPY					
< 3 months	131.0	(1,960.3)	15.0	1.1	–
3-12 months	138.0	(6,193.1)	27.5	0.4	–
Sell USD					
< 3 months	1.1	(2.3)	2.0	–	(0.3)
Buy SGD					
< 3 months	1.5	22.6	(15.0)	1.1	–
3-12 months	1.5	73.8	(50.0)	2.2	–
				5.4	**(0.9)**

30 Sept. 2021	Average exchange rate	Notional value: Foreign currency	Notional value: Functional currency (EUR)	Carrying amount of hedging instruments - Assets	Carrying amount of hedging instruments - Liabilities
	Rate	mil	EURm	EURm	EURm
Sell AUD					
< 3 months	1.6	(8.0)	5.0	*	–
3-12 months	1.6	(30.4)	19.0	0.2	–
Sell CAD					
< 3 months	1.5	(3.0)	2.0	–	*
3-12 months	1.5	(3.0)	2.0	–	*
Sell GBP					
< 3 months	0.9	(5.2)	6.0	–	(0.1)
3-12 months	0.9	(19.5)	22.5	–	*
Sell JPY					
< 3 months	128.0	(1,920.3)	15.0	0.2	–
3-12 months	130.8	(3,924.1)	30.0	–	(0.2)
Buy SGD					
< 3 months	1.6	32.1	(20.0)	0.3	–
3-12 months	1.6	32.3	(20.0)	0.4	–
				1.1	**(0.3)**

* Amount less than EUR 0.1 mil

4.2 Financial risks and financial instruments (cont'd)

Hedged Items - Foreign currency hedge
The hedged items are forecasted transactions denominated in foreign currencies. The ineffective portions of these hedges are insignificant.

Interest rate risk hedging
The Group has long-term loans on floating interest rate which expose the Group to interest rate fluctuations. Interest rate swaps are used to hedge interest rate risks arising from the floating rate loans. The strategy for the Group is to maintain a mid-term adequate hedging ratio of between 35% to 90% of its interest rate exposure. The Group applied hedge accounting in relation to these interest rate swaps effective from 1 October 2021.

Cash flow hedges of interest rate risk
Hedging instruments:

30 Sept. 2022	Weighted average rate	Notional value: Foreign currency	Notional value: Functional currency (EUR)	Carrying amount of hedging instruments - Assets	Carrying amount of hedging instruments - Liabilities
	Rate	mil	EURm	EURm	EURm
EUR – 6m Euribor					
< 12 months	0.68	1,865	1,865	36.3	–
12-24 months	1.47	1,300	1,300	5.8	–
EUR – 3m Euribor					
< 12 months	1.04	475	475	7.3	–
USD					
< 12 months	0.89	1,080	1,108-	30.7	–
12-24 months	2.86	600	615-	12.5	–
				92.6	**–**

Hedged Items – Interest rate hedge
The hedged items are future interest payments under floating interest rates. Details of the hedged items are disclosed in Note 4.1.

Cash Flow Hedge Reserve
The risk categories recognized in the cash flow hedge reserve is reconciled in the table below with items impacting the comprehensive income for the period.

EURm	30 Sept. 2022	30 Sept. 2021
Carrying amount at 1 October	0.4	(1.1)
Changes in fair value:		
Foreign currency risk – cash flow hedge	8.5	1.7
Interest rate risk – cash flow hedge	92.6	–
Amounts reclassified to profit or loss:		
Foreign currency risk – cash flow hedge	(4.9)	(0.1)
Tax effect	(23.3)	(0.1)
Carrying amount at 30 September	**73.3**	**0.4**

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4.2 Financial risks and financial instruments (cont'd)

§ 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 recognized initially and subsequently at fair value. Any attributable transaction costs are recognized 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 recognized in other comprehensive income and accumulated in a separate reserve in equity. The cumulative fair value adjustments of these contracts are transferred from the reserve in equity and recycled to the income statement through other comprehensive income when the hedged transaction is recognized in the income statement. However, when the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the transfer from the reserve in equity is recognized 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 recognized when the forecast transaction is ultimately recognized 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 recognized in other financial income, net.

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4.2 Financial risks and financial instruments (cont'd)

Categories of financial assets and financial liabilities and Fair value hierarchy

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

EURm		Carrying Amount						Fair Value			
30 September 2022	Notes	Financial assets measured at fair value through profit and loss	Financial assets used as hedging instruments	Financial assets measured at amortized cost	Financial liabilities at amortized 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 through P&L											
Forward Exchange Contracts (designated as hedging instruments)	3.6	–	7.4	–	–	–	**7.4**	–	7.4	–	**7.4**
Interest rate risk - cash flow hedge	3.6	–	92.6	–	–	–	**92.6**	–	92.6	–	**92.6**
Interest rate swaps	3.6	0.8	–	–	–	–	**0.8**	–	0.8	–	**0.8**
Fair value of call option	5.1	2.1	–	–	–	–	**2.1**	–	–	2.1	**2.1**
		2.9	**100.0**	**–**	**–**	**–**	**102.9**				
Financial assets measured at amortized cost											
Trade receivables*	3.8	–	–	305.5	–	–	**305.5**	–	–	–	–
Customer loans*	3.5	–	–	69.8	–	–	**69.8**	–	–	–	–
Other financial assets*		–	–	37.4	–	–	**37.4**	–	–	–	–
Cash and cash equivalents*		–	–	123.7	–	–	**123.7**	–	–	–	–
		–	**–**	**536.4**	**–**	**–**	**536.4**				
Financial liabilities measured at fair value through P&L											
Forward Exchange Contracts (designated as hedging instruments)	3.9	–	–	–	–	1.8	**1.8**	–	1.8	–	**1.8**
Forward Exchange Contracts (not designated as hedging instruments)	3.9	–	–	–	–	1.6	**1.6**	–	1.6	–	**1.6**
Redemption call option and interest rate floors	3.9	–	–	–	–	6.9	**6.9**	–	–	6.9	**6.9**
		–	**–**	**–**	**–**	**10.3**	**10.3**				
Financial liabilities measured at amortized cost											
Trade payables*		–	–	–	218.7	–	**218.7**	–	–	–	–
Other financial liabilities*		–	–	–	242.0	–	**242.0**	–	–	–	–
Loans under Senior Facilities Agreement and other short-term debt	4.3	–	–	–	3,929.8	–	**3,929.8**	45.2	3,884.6	–	**3,929.8**
		–	**–**	**–**	**4,390.5**	**–**	**4,390.5**				

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

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4.2 Financial risks and financial instruments (cont'd)

EURm		Carrying Amount						Fair Value			
30 September 2021	Notes	Financial assets measured at fair value through profit and loss	Financial assets used as hedging instruments	Financial assets measured at amortized cost	Financial liabilities at amortized 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 through P&L											
Forward Exchange Contracts (designated as hedging instruments)	3.6	–	1.5	–	–	–	**1.5**	–	1.5	–	**1.5**
		–	**1.5**	**–**	**–**	**–**	**1.5**				
Financial assets measured at amortized cost											
Trade receivables*	3.8	–	–	288.2	–	–	**288.2**	–	–	–	–
Customer loans*	3.5	–	–	71.2	–	–	**71.2**	–	–	–	–
Other financial assets*		–	–	43.6	–	–	**43.6**	–	–	–	–
Cash and cash equivalents*		–	–	144.5	–	–	**144.5**	–	–	–	–
		–	**–**	**547.5**	**–**	**–**	**547.5**				
Financial liabilities measured at fair value through P&L											
Forward Exchange Contracts (designated as hedging instruments)	3.9	–	–	–	–	0.4	**0.4**	–	0.4	–	**0.4**
Forward Exchange Contracts (not designated as hedging instruments)	3.9	–	–	–	–	0.8	**0.8**	–	0.8	–	**0.8**
Interest rate swaps	3.9	–	–	–	–	7.4	**7.4**	–	7.4	–	**7.4**
Redemption call option and interest rate floors	3.9	–	–	–	–	45.6	**45.6**	–	–	45.6	**45.6**
		–	**–**	**–**	**–**	**54.2**	**54.2**				
Financial liabilities measured at amortized cost											
Trade payables*		–	–	–	231.7	–	**231.7**	–	–	–	–
Other financial liabilities*		–	–	–	232.2	–	**232.2**	–	–	–	–
Loans under Senior Facilities Agreement and other short-term debt	4.3	–	–	–	3,648.6	–	**3,648.6**	3.8	3,644.8	–	**3,648.6**
		–	**–**	**–**	**4,112.5**	**–**	**4,112.5**				

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

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4.2 Financial risks and financial instruments (cont'd)

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

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

- Forward currency contracts – the fair value of foreign currency exchange contracts is based on forward exchange rates.
- Interest rate swap contracts – the fair value is based on discounted cash flows of fixed leg and floating legs.
- Interest rate floors – the fair value is based on discounted cash flows of floorlets.
- Loan Repayment call option – the fair value is based on backward induction method calculated from valuation model.

The Group select valuation methods based on market's best practice. Market data required in the valuation model is extracted from third party financial data provider Bloomberg.

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); and

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 (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 (level 3 unobservable inputs)**	Implied volatility	Higher implied volatility will lead to higher fair value and vice versa. Change in implied volatility will not result in significant financial impact
Loan Repayment call option	Backward induction method where total **remaining cash flows are calculated at each prepayment date. The prepayment gain is then calculated based on the probability of a credit rating improved at future repayment date (level 3 unobservable data)**	1-year migration matrix	The higher the probability of an increase in credit quality, the higher the value of prepayment option

Notes

4.2 Financial risks and financial instruments (cont'd)

The following table shows the reconciliation of Level 3 fair value measurements of the loan repayment call option and interest rate floors:

EURm	30 Sept. 2022	30 Sept. 2021
Carrying amount 1 October	(45.6)	(67.2)
Total gains or losses:		
- Recognized in profit or loss	38.7	21.6
Carrying amount 30 September	**(6.9)**	**(45.6)**

Offsetting, Master netting agreements and similar arrangements

The 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.

EURm	30 Sept. 2022	30 Sept. 2021
Counterparty A: Goldman Sachs		
Derivative assets	14.4	0.6
Derivative liabilities	(0.5)	(0.7)
Net amount	**13.9**	**(0.1)**
Counterparty B: Standard Chartered Bank		
Derivative assets	0.5	0.7
Derivative liabilities	(1.2)	(0.3)
Net amount	**(0.7)**	**0.4**
Counterparty C: Jyske Bank		
Derivative assets	1.0	0.1
Derivative liabilities	(0.3)	(0.2)
Net amount	**0.7**	**(0.1)**
Counterparty D: Nordea		
Derivative assets	0.4	–
Derivative liabilities	*	–
Net amount	**0.4**	**–**
Counterparty E: Danske		
Derivative assets	84.5	–
Derivative liabilities	*	–
Net amount	**84.5**	**–**

* Amount less than EUR 0.1 mil

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4.3 Liabilities from financing activities

EURm	Loans and borrowings	Other short-term debt	Derivatives relating to financing agreements	Interest rate swap	Lease liabilities	Others	Total
Liabilities at 1 October 2021	**3,644.8**	**3.8**	**45.6**	**7.4**	**223.2**	**–**	**3,924.8**
Proceeds from loans and borrowings	160.0	39.1	–	–	–	–	199.1
Transaction costs related to loans and borrowings	(0.9)	–	–	–	–	–	(0.9)
Interest paid	(146.9)	(0.1)	–	(13.8)	–	(11.1)	(171.9)
Repayment of borrowings	(162.1)	–	–	–	–	–	(162.1)
Payment of lease liabilities	–	–	–	–	(56.5)	–	(56.5)
Others	–	–	–	–	–	0.3	0.3
Total changes from financing cash flows	**(149.9)**	**39.0**	**–**	**(13.8)**	**(56.5)**	**(10.8)**	**(192.0)**
Accrued loan interest	174.6	–	–	–	–	–	174.6
Amortization of transaction costs	23.0	–	–	–	–	–	23.0
Effective changes in hedge accounting	–	–	–	(92.6)	–	–	(92.6)
Foreign exchange adjustments	191.9	2.4	–	–	11.9	–	206.2
Other changes	0.2	–	(38.7)	5.6	39.5	10.8	17.4
Liabilities at 30 September 2022	**3,884.6**	**45.2**	**6.9**	**(93.4)**	**218.1**	**–**	**4,061.4**
Liabilities at 1 October 2020	**3,699.4**	**1.3**	**67.2**	**29.6**	**248.0**	**–**	**4,045.5**
Proceeds from loans and borrowings	50.0	32.8	–	–	–	–	82.8
Interest paid	(160.8)	(0.1)	–	(22.0)	–	(7.2)	(190.1)
Repayment of borrowings	(136.4)	(30.5)	–	–	–	–	(166.9)
Payment of lease liabilities	–	–	–	–	(51.4)	–	(51.4)
Others	–	–	–	–	–	(1.5)	(1.5)
Total changes from financing cash flows	**(247.2)**	**2.2**	**–**	**(22.0)**	**(51.4)**	**(8.7)**	**(327.1)**
Accrued loan interest	161.0	–	–	–	–	–	161.0
Amortization of transaction costs	20.8	–	–	–	–	–	20.8
Other changes	10.8	0.3	(21.6)	(0.2)	26.6	8.7	24.6
Liabilities at 30 September 2021	**3,644.8**	**3.8**	**45.6**	**7.4**	**223.2**	**–**	**3,924.8**

§ Accounting policies

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

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4.4 Financial income and expenses

EURm	30 Sept. 2022	30 Sept. 2021
Interest income	–	0.8
Interest income from customer loans	1.5	2.5
Other interest income	6.4	2.4
Total interest income	**7.9**	**5.7**
Interest expenses	(233.3)	(221.2)
Interest expense from pension plans	(0.2)	(0.3)
Other interest expenses	–	(0.6)
Total interest expenses	**(233.5)**	**(222.1)**
Other financial income/expenses, net		
Foreign exchange differences	(186.3)	(15.1)
Change in fair value of derivatives relating to financing arrangements	38.8	21.6
Change in fair value of derivative financial instruments, not designated hedging instruments	1.8	21.4
Others	(0.6)	(1.5)
Total other financial (expenses)/income, net	**(146.3)**	**26.4**

Interest income and interest expense includes those generated 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, exchange rate adjustments on receivables, payables and transactions denominated in foreign currencies, credit card fees, amortization 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 amortized cost is recognized using the effective interest method. Other financial income and expenses are recognized on an accrual basis in the period to which they relate.

4.5 Government grants

For the financial year ended 30 September 2022, various subsidiaries of the Group received government grants for wage subsidy schemes, training grants or in lieu of 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 EUR 2.6 million (2021: EUR 8.7 million), mainly for a training grant received from the Economic Development Board in Singapore.

§ 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.

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5 Other disclosures

5.1 Business combinations

The Group had completed various acquisitions during the year. The acquisitions are meant to increase the Group's footprint in various regions and expand its technological capabilities.

Acquisition of Zhejiang Longkang Medical Equipment Co., Ltd and its related companies–22 September 2021

On 22 September 2021, the Group, through its subsidiary, Widex Hearing Aid (Shanghai) Co., Ltd, entered into a Sales and Purchase agreement to acquire 51% equity interest in Zhejiang Longkang Medical Equipment Co., Ltd and its related companies (collectively known as "Longkang") for a consideration of approximately EUR 7.6 million. Longkang operates online stores across several different ecommerce marketplaces in China and is and one of the top companies in online hearing aid business in China. The acquisition is expected to increase the Group's footprint in China through an "Online to Offline" business model. The acquisition was completed on 8 November 2021 and accordingly, the Group recognized the Longkang entities and subsidiaries and consolidated them from 8 November 2021 onwards.

Under the Sales and Purchase agreement, the Group was also awarded a call option to purchase the remaining 49% of the equity interests from the Sellers. The call option will vest 3 years from the acquisition date and will expire after the 5th anniversary of the acquisition date. The call option was priced using the Binomial options pricing model and has a fair value on recognition of approximately EUR 2.1 million.

Acquisition of Centro Auditivo Audibel Exportacao Ltda – 22 October 2021

On 22 October 2021, the Group, through its subsidiary, WS Audiology Solucoes Auditiva Ltda, entered into a Sales and Purchase agreement to acquire full interests in Centro Auditivo Audibel Exportacao Ltda (also known as "Audibel") for a consideration of approximately EUR 16.1 million. Audibel is active in the selling and distribution of hearing aids in Brazil and has a strong brand name in the hearing aid industry. The acquisition is expected to grow WSA's wholesale footprint in Brazil and also through the sale of Audibel private labelled WSA hearing aids. The acquisition was completed on 31 January 2022.

The amounts recognized in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

EURm	Longkang	Audibel	Other acquisitions
Assets acquired:			
Other intangible assets	2.6	10.2	0.1
Property, plant and equipment	0.1	-	0.2
Inventories	1.7	1.6	0.1
Trade and other receivables	0.2	1.2	0.2
Other current assets	0.2	0.7	-
Cash and cash equivalents	0.3	0.7	0.2
Total assets acquired at the date of acquisition	**5.1**	**14.4**	**0.8**
Liabilities assumed at the date of acquisition:			
Trade payables	(0.6)	(1.8)	(0.4)
Other current liabilities	(0.2)	(0.8)	(0.3)
Deferred tax liabilities	(0.9)	-	-
Current income tax payable	-	(0.1)	-
Total liabilities assumed at the date of acquisition	**(1.7)**	**(2.7)**	**(0.7)**
Net assets acquired	**3.4**	**11.7**	**0.1**
Goodwill	3.9	5.1	11.8
Fair value of call option	2.1	-	-
Non-controlling interest	(1.7)	-	-
Total consideration	**7.7**	**16.8**	**11.9**
Cash and cash equivalents acquired	(0.1)	(0.7)	(0.2)
Total cash consideration paid	**7.6**	**16.1**	**11.7**

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5.1 Business combinations (cont'd)

Longkang
The Group has used the present ownership instruments at a proportionate share of 51% in Longkang's identifiable net assets for measuring non-controlling interest. The Group has conducted a Purchase Price Allocation exercise to identify any identifiable assets. Trademarks are identified as identifiable assets, valued using the Income Approach method. The residual amount allocated to goodwill of EUR 3.9 million is attributed to Longkang's expertise in running online stores and increasing market share of WSA hearing aids through online and offline channels. Subsequent to the acquisition, the staying sellers of Longkang continue to hold management positions in Longkang. The related earnout in this arrangement is capped at a maximum payment of EUR 6.8 million subject to achieving certain percentage of revenue and EBITDA. In considering various factors among which the term of the continuing employment, the level or remuneration as compared to other employees, the earnout payment is treated as an employee remuneration rather than consideration.

Audibel
The fair value of the financial assets includes trade receivables with a fair value of EUR 1.4 million. The best estimate at acquisition date of the trade receivables not to be collected is EUR 0.2 million. The Group has done a provisional Purchase Price Allocation exercise to identify any identifiable assets. The Group has identified trademarks and customer relationships as identifiable assets. The residual amounts allocated to goodwill of EUR 5.1 million relate to synergies acquired to expand WSA's market share through additional sales channels. As part of the aquisition, the maximum provisional amount of earnout is EUR 3.3 million. Excluding 40% of the earnout which relates to employees' remuneration, the provisional earnout is EUR 2 million. As of 30 September 2022, no provision has been made as the Group is still assessing the potential earnout.

Other acquisitions
During the year, the Group acquired various retail chains which are not individually material.

The Group incurred acquisition-related cost of EUR 0.2 million (2021: EUR 0.8 million) for audit, legal and due diligence services. These costs have been included as part of profit or loss when incurred.

Share of revenue and loss from the acquisitions:

EURm	**30 Sept. 2022**
The share of revenue and loss for the year from the acquisition date:	
Revenue	13.2
EBIT	(0.2)
Loss for the year	(0.4)
The share of revenue and loss if acquisitions had taken place at 1 October 2021 :	
Revenue	17.2
EBIT	(0.2)
Loss for the year	(0.4)

§ Accounting policies

Newly acquired or newly established enterprises are recognized 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 recognized 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 amortized 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

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5.1 Business combinations (cont'd)

§ Accounting policies (cont'd)

or more future events, the consideration will be recognized at the fair value on acquisition. Any subsequent adjustment of contingent consideration is recognized 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 recognized 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 recognized 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 recognized in the income statement. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in Other comprehensive income are reclassified to the income statement, where such treatment would be appropriate if that interest were disposed of.

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

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

Significant judgments and accounting estimates

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 amortization 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 considers sales run rates of the acquired business.

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5.2 Remuneration of Key Management Personnel

EURm	Short-term benefits	Termination benefits	Total
1 October 2021 – 30 September 2022			
Executive Management	4.1	0.1	**4.2**
Board of Directors	0.6	-	**0.6**
Total	**4.7**	**0.1**	**4.8**
1 October 2020 – 30 September 2021			
Executive Management	3.8	-	**3.8**
Board of Directors	0.5	-	**0.5**
Total	**4.3**	**-**	**4.3**

The Executive Management and Board of Directors hold ordinary and preference shares in NH Lux ManCo SCSp. Please refer to Note 5.3 for details of this program. The shares held by the Executive Management and the Board of Directors are insignificant.

5.3 Management Participation Program liability

The Group has in place a Management Participation Program ("MPP") - Certain members of management (the "MPP Participants") may acquire a minority partnership interest in NH Lux ManCo SCSp ("NHSCSp"), which is controlled by North Harbour Lux TopCo S.a.r.l. ("TopCo"), a holding entity that is fully consolidated within WS Audiology, therefore indirectly having an ownership interest in the intermediate 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 MPP participants acquired ordinary shares, which rank pari passu in all respects, as well as preference shares. The reacquisition of the ownership interests by TopCo is triggered upon the termination of employment of MPP Participants; a liability in this regard is included in Other non-current liabilities, with reference to Note 3.9.

MPP Liability	Number of shares (mil)
Outstanding at 1 October 2021	**37.1**
Additions	0.5
Disposals	(3.0)
Outstanding at 30 September 2022	**34.6**
Outstanding at 1 October 2020	**35.7**
Additions	3.8
Disposals	(1.4)
Others	(1.0)
Outstanding at 30 September 2021	**37.1**

§ 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 recognized reflecting the fair value of the Group's intention to acquire the 'interests'.

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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 2022 – 3,570 participants, including 2,457 active employees, 706 former employees with vested rights and 407 retirees and surviving dependents (2021: 3,488 participants, including 2,365 active employees, 703 former employees with vested rights and 420 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:

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5.4 Pension obligations (cont'd)

EURm	Defined benefit obligation	Fair value of plan assets	Total
30 September 2022			
Germany	(46.4)	50.8	**4.4**
U.S.	(37.2)	30.9	**(6.3)**
Others	(7.5)	3.2	**(4.3)**
Total	**(91.1)**	**84.9**	**(6.2)**
30 September 2021			
Germany	(63.3)	59.9	**(3.4)**
U.S.	(39.5)	33.7	**(5.8)**
Others	(7.9)	3.4	**(4.5)**
Total	**(110.7)**	**97.0**	**(13.7)**

The following table show the total defined benefit cost that was recognized in profit or loss account and other comprehensive income at the end of the reporting period.

EURm	30 Sept. 2022	30 Sept. 2021
Current service cost	2.5	2.7
Net interest expenses	0.2	0.3
Liability administration expenses	-	0.2
Defined benefit costs recognized in the income statement	**2.7**	**3.2**
Return on plan assets (excluding amounts included in net interest expense and net interest income)	17.7	(6.3)
Remeasurement losses on defined benefit obligations	(27.3)	(2.1)
Foreign currency translation differences	-	0.3
Remeasurements of defined benefit plans recognized in the Statement of Comprehensive Income	**(9.6)**	**(8.1)**
Change in defined benefit obligations:		
Defined benefit obligation at beginning of year	110.7	110.6
Current service cost	2.5	2.7
Interest expense	1.7	1.3
Contributions paid	0.2	(0.1)
Net accumulated actuarial gains	(27.3)	(2.1)
Benefits paid	(4.3)	(3.0)
Foreign currency effects	7.6	1.3
Defined benefit obligation at 30 September	**91.1**	**110.7**

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5.4 Pension obligations (cont'd)

EURm	30 Sept. 2022	30 Sept. 2021
Change in plan assets:		
Fair value of plan assets at beginning of year	97.0	86.8
Interest income	1.5	1.0
Remeasurement gains (Return on plan assets excluding amounts included in net interest income and net interest expense)	(17.7)	6.3
Contributions paid	0.3	0.6
Benefits paid	(3.0)	(1.5)
Employer contributions	0.4	2.6
Liability administration costs	-	(0.2)
Foreign currency effects	6.4	1.4
Fair value of plan assets at 30 September	**84.9**	**97.0**
Plan assets comprise of the following:		
Investment funds	84.4	95.6
Cash and cash equivalents	0.5	1.4
Total	**84.9**	**97.0**
Quoted	84.4	95.6
Unquoted	0.5	1.4
Total	**84.9**	**97.0**

The Group has reported EUR 9.7 million (2021: EUR 3.4 million) of asset for deferred compensation plan under Note 3.6, which is used to fund the pension obligations.

Actuarial assumptions

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

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

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

The DBO was only significantly affected by other financial assumptions in Germany and U.S. For Germany, the long-term rate of compensation increase and the pension increase rate were constant on average in fiscal year 2022 and 2021. 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).

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5.4 Pension obligations (cont'd)

EURm	30 Sept. 2022	30 Sept. 2021
Germany		
Discount rate	3.66%	0.85%
Future salary growth	2.25%	2.25%
Expected return on assets	2.25%	1.75%
Expected pension progression	2.25%	1.75%
U.S.		
Discount rate	5.08%	2.39%
Future salary growth	N/A	N/A
Expected return on assets	5.08%	2.39%
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:

EURm	30 Sept. 2022	30 Sept. 2021
Germany		
Longevity at age 55 for current pensioners		
Males	20.0	20.0
Females	24.0	24.0
Longevity at age 55 for current pensioners with 10% reduction in mortality rates		
Males	21.0	21.0
Females	25.0	25.0
U.S.		
Longevity at age 55 for current pensioners		
Males	28.8	28.6
Females	31.3	31.1
Longevity at age 55 for current pensioners with 10% reduction in mortality rates		
Males	29.8	29.6
Females	32.2	32.0

The weighted-average duration of the defined benefit obligation was 9.7 years at 30 September 2022 (2021: 11.2 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 assumptions shown.

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5.4 Pension obligations (cont'd)

Sensitivity analysis

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

30 Sept. 2022 EURm	0.5% decrease	0.5% decrease
Germany		
Discount rate	(1.9)	2.1
Rate of pension progression	1.4	1.2
	-1 year	+1 year
Life expectancy	(0.9)	1.0
U.S.	**0.5% increase**	**0.5% decrease**
Discount rate	(1.3)	1.4

30 Sept. 2021 EURm	0.5% decrease	0.5% decrease
Germany		
Discount rate	(3.6)	4.1
Rate of pension progression	2.5	(2.3)
	-1 year	+1 year
Life expectancy	(1.7)	1.9
U.S.	**0.5% increase**	**0.5% decrease**
Discount rate	(1.8)	1.9

The Company expects to pay EUR 7.6 million (2021: EUR 7.0 million) in contributions 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 2022 was EUR 11.7 million (2021: EUR 10.2 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 recognized 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 unrelated to the management of plan assets are recognized 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 recognized in other comprehensive income.

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

For unfunded plans, the Group recognizes 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 recognizes the net amount, after adjustments for effects related to any asset ceiling, as a non-current liability or other current assets.

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5.5 Contingent assets and liabilities

Guarantees
The Group has issued Corporate Guarantees, mainly to the business partners, outstanding for an amount of EUR 109.3 million at 30 September 2022 (2021: EUR 101.2 million). None of the outstanding guarantees are likely to be drawn, hence no provisions have been made.

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

EURm	Investments in associates	Receivables from associates
Balance at 30 September 2021	**4.2**	**3.2**
Share of post-acquisition retained earnings and translation differences	(0.5)	-
Carrying amount at 30 September 2022	**3.7**	**3.2**
Balance at 30 September 2020	**4.0**	**3.2**
Share of post-acquisition retained earnings and translation differences	0.2	-
Carrying amount at 30 September 2021	**4.2**	**3.2**

Included in the investments in associates is a customer loan to an associate, Hear-Mart Holdings LLC, of EUR 1.7 million. The investment was fully impaired in 2019/20 as Management has assessed that there are difficulties in recovering the loan.

The Group's investments in associates are not individually material.

Please refer to Note 5.10 for a list of associates.

§ 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 recognized at cost and adjusted thereafter to recognize 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 recognizing its share of future losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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5.7 Non-cash adjustments

EURm	30 Sept. 2022	30 Sept. 2021
Unrealized loss on foreign currency translation	227.0	18.5
Others	7.8	4.0
Total	**234.8**	**22.5**

Significant non-cash transaction – for the period 1 October 2021 – 30 September 2022
For the financial year ended 30 September 2022, there were no significant non-cash transaction.

5.8 Fees to auditors appointed at the annual general meeting

EURm	Deloitte	Others
1 October 2021 - 30 September 2022		
Audit fees	0.9	-
Other assurance related services	0.9	1.6
Tax services	0.7	1.6
Other services	0.1	0.2
Total	**2.6**	**3.4**
1 October 2020 - 30 September 2021		
Audit fees	0.9	0.1
Other assurance related services	0.9	1.6
Tax services	1.5	1.6
Other services	0.1	1.2
Total	**3.4**	**4.5**

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5.9 Related parties

Related parties include North Harbour VIII S.à.r.l., North Harbour VII S.à.r.l., Auris Luxembourg I S.A.,T&W Medical A/S, as well as transactions with associates.

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

Transactions with related parties
In addition to the related party disclosure that is disclosed elsewhere in the financial statements, the following significant transactions between the Group and its related parties took place at terms agreed during the fiscal year:

EURm	30 Sept. 2022	30 Sept. 2021
Transactions with associates		
- Sales of goods and services	0.4	9.5
Other related parties		
- Purchase of goods and services	(7.6)	(7.2)
Total transactions with related parties	**(7.2)**	**2.3**

At 30 September 2022, the outstanding balances with the associates are EUR 5.7 million (2021: EUR 5.7 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. In financial years 2021/22 and 2020/21, there were no significant, material or major transactions between the Group and members of the Executive Management and Board of Directors, other than their remuneration and transactions towards the participation program. For information about re¬muneration to Executive management and Board of Directors refer to Note 5.2.

5.10 Companies in the WS Audiology A/S Group

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

Company	Country	30 Sept. 2022 Equity Interest %	30 Sept. 2021 Equity Interest %
WS Audiology A/S	Denmark	100	100
North Harbour Topco S.à.r.l.	Luxembourg	100	100
North Harbour Midco S.à.r.l.	Luxembourg	99	99
Auris Luxembourg II S.A.	Luxembourg	100	100
Auris Luxembourg III S.à.r.l.	Luxembourg	100	100
Widex A/S	Denmark	100	100
Sivantos Holding Singapore Pte. Ltd.	Singapore	100	100
Hear.com N.V.	Netherlands	100	100
Subsidiaries of Widex A/S			
EMEA-LA			
Bloomhearing ApS	Denmark	100	100
WSAUD A/S *(formerly Investment DK ApS)*	Denmark	100	100
WS Audiology Benelux BV	Netherlands	100	100
Widex UK Ltd.	UK	100	100
Widex DK A/S	Denmark	100	100
Coselgi DK ApS	Denmark	-	100
SAS Clermont Distribution	France	100	100
SAS Pavillon de l'audition[1]	France	-	100
SAS Clarte Audition	France	100	-
Widex S.A.S	France	100	100
Bloom Hearing Specialists Ltd.	UK	100	100
Aberdeen Hearing Services Ltd. *(under liquidation)*	UK	-	100
Bonavox Limited	Ireland	100	100

1 SAS Pavillion De'L Audition was merged into SAS Clermont Distribution during 2021/22.

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5.10 Companies in the WS Audiology A/S Group (cont'd)

Company	Country	30 Sept. 2022 Equity Interest %	30 Sept. 2021 Equity Interest %
Subsidiaries of Widex A/S (cont'd)			
EMEA-LA (cont'd)			
WS Audiology Chile SpA *(formerly Widex Chile SpA)*	Chile	100	100
Widex Uruguay	Uruguay	51	51
COW-Audición en Alta Definición S.A. de C.V	Mexico	100	100
Widex Argentina S.A	Argentina	51	51
Centro Auditivo Widex Brasitom Ltda	Brazil	-	100
Communicare Aparelhos Auditivos Ltda[1]	Brazil	100	100
RAR Comercio e Servicos em Aparelhos Auditivos Ltda[1]	Brazil	-	100
WS Audiology Solucuoes Auditiva Ltd.	Brazil	100	100
Centro Auditivo Audibel Importacao E Exportacao Ltda	Brazil	100	-
Bloom Hörakustik AG *(dormant)*	Switzerland	100	100
WS Audiology Switzerland AG	Switzerland	100	100
Widex Hörgeräte GmbH	Germany	100	100
Widex AB[2]	Sweden	100	100
Hörselhuset Aktiebolag[2]	Sweden	-	100
Widex Biocord AB[2]	Sweden	-	100
Widex OOO LLC *(dormant)*	Russia	100	100
Widex Norge AS	Norway	100	100
Widex-Reabilitacão Auditiva Lda.	Portugal	100	100
WSA Portugal S.A.	Portugal	100	100
WSA Rus LLC	Russia	100	100

1 RAR Comercio e Servicos em Aparelhos Auditivos Ltda was merged into Communicare Aparelhos Auditivos Ltda during 2021/22.
2 Hörselhuset Aktiebolag and Widex Biocord AB was merged into Widex AB during 2021/22.
3 Myprojects Kft merged into Audiofon Kft during 2021/22.

Company	Country	30 Sept. 2022 Equity Interest %	30 Sept. 2021 Equity Interest %
Subsidiaries of Widex A/S (cont'd)			
EMEA-LA (cont'd)			
Widex Akustik OY	Finland	100	100
Widex Lines s.r.o	Czech Republic	100	100
Widex Poland Sp. Z.o.o	Poland	60	60
Widex Tibbi ve Teknik Chihazlar San.ve Tic. AŞ	Turkey	100	100
Widex Trading d.o.o Ljubljana	Slovenia	60	60
Slušni Aparati d.o.o. Widex Ljubljana	Slovenia	84	84
WS Audiology-H Kft *(formerly Widex-H Kft)*	Hungary	100	100
Audiofon Kft	Hungary	100	100
Myprojects Kft[3]	Hungary	-	100
Widex Italia s.r.l.	Italy	100	100
WS Audiology Slovakia s.r.o *(formerly Widex-Slovton Slovakia)*	Slovakia	100	100
Widex Slušni Aparati d.o.o.	Bosnia	60	60
ReOton Ltd	Ukraine	100	100
Koalys Technologies Ltd	Israel	100	100
Shoebox France SARL	France	100	100
Koalys Poland Sp z.oo	Poland	100	100
Widex Regional Operation Center EMEA	Poland	100	100
Asia-Pacific			
Widex Hearing Aid Sdn Bhd	Malaysia	100	100
Widex Singapore Pte Ltd	Singapore	100	100
Bloom Hearing Co. Ltd.	Japan	100	100
Widex Co. Ltd.	Japan	100	100

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5.10 Companies in the WS Audiology A/S Group (cont'd)

Company	Country	30 Sept. 2022 Equity Interest %	30 Sept. 2021 Equity Interest %
Subsidiaries of Widex A/S (cont'd)			
Asia-Pacific (cont'd)			
Widex Hearing Aid (Shanghai) Co. Ltd.	China	100	100
Widex India Private Ltd.	India	100	100
Widex New Zealand Ltd.[1]	New Zealand	-	100
Active Hearing Pty. Ltd.	Australia	100	100
Hearclear Audiology Pty. Ltd.	Australia	100	100
Hutchinson Audiology Clinics Pty Ltd	Australia	100	-
Bloom Hearing Ltd.[1]	New Zealand	100	100
Widex Hong Kong Hearing & Speech Centre Ltd.	Hong Kong	100	100
Starry Hearing & Speech Centre Ltd.	Hong Kong	65	65
Zhejiang Longkang Medical Equipment Co. Ltd.	China	51	-
Hangzhou Miaoyin Medical Equipment Co. Ltd.	China	51	-
Hangzhou V Hearing Medical Equipment Co. Ltd.	China	51	-
Hong Kong V Hearing Trading Co. Ltd	Hong Kong	51	-
Suzhou FenBei Medical Equipment Co. Ltd.	China	51	-
WS Audiology Philippines Corp.	Philippines	100	-
North America			
TW Group Canada Ltd.	Canada	100	100
Lifestyle Hearing Corporation Inc.[2]	Canada	100	100
Lifestyle Hearing Corporation USA Inc.[3]	USA	100	100
Widex USA Inc.	USA	100	100

1 Widex New Zealand Ltd. was merged into Bloom Hearing Ltd. during 2021/22.

2 Hearcanada Inc. was merged into Lifestyle Hearing Corporation Inc. during 2021/22.

3 Helix Hearing Care (Florida) Partnership, LLC., Helix Hearing Care (Texas) Partnership, LLC., New Asheville Audiology Services PLLC, PAS Development Services, LLC. and Lifestyle Hearing Professionals, LLC. was merged into Lifestyle Hearing Corporation USA, Inc. during 2021/22.

Company	Country	30 Sept. 2022 Equity Interest %	30 Sept. 2021 Equity Interest %
Subsidiaries of Lifestyle Hearing Corporation Inc.			
North America			
Lifestyle Hearing Network Inc.	Canada	100	100
Helix Hearing Inc.	Canada	100	100
Hearcanada Inc.[2]	Canada	-	100
Helix Service Corporation Inc.	Canada	100	100
Manji Nicholaou Audiology Inc.	Canada	100	100
Subsidiaries of Lifestyle Hearing Corporation USA Inc.			
North America			
Audiology Management Group Inc.	USA	100	100
Helix Hearing Care (California) Inc.	USA	100	100
New Asheville Audiology Services PLLC[3]	USA	-	100
Lifestyle Hearing Professionals LLC[3]	USA	-	100
Helix Hearing Care (Texas) LLC[3]	USA	-	100
Helix Hearing Care (Florida) LLC[3]	USA	-	100
My Hearing Centers LLC	USA	100	100
Hear Again Hearing Aids LLC.	USA	60	60
Helix Hearing Care Naples LLC	USA	60	60
The Hearing Center of ENTA LLC	USA	60	60
Medical Hearing Systems LLC	USA	70	70
PAS Development services LLC[3]	USA	-	82

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5.10 Companies in the WS Audiology A/S Group (cont'd)

Company	Country	30 Sept. 2022 Equity Interest %	30 Sept. 2021 Equity Interest %
Other equity investments			
Hearing Instrument Manufacturers Software Association A/S	Denmark	25	25
HIMSA II a/s	Denmark	20	20
HIMSA II K/S	Denmark	17	17
HIMPP A/S	Denmark	13	13
K/S HIMPP	Denmark	9	9
Sound Advice Hearing Ltd.	UK	49	49
D Med Hearing Company	Thailand	38	38
Widex Columbia SAS	Columbia	30	30
Hear-Mart Holdings LLC.	USA	49	49
Audiology Associates of Westchester LLC	USA	49	49
Smartcare LLC	USA	10	10
Widex Servicios Technico S.A.	Spain	30	30
Widex Audifonos S.A.	Spain	30	30
Instituto Auditivo Widex C.A.	Venezuela	30	30
Widex Macau Hearing & Speech Centre Ltd.	Macau	49	49
Subsidiary of Sivantos Holding Singapore Pte. Ltd.			
Sivantos Pte. Ltd.	Singapore	100	100

Company	Country	30 Sept. 2022 Equity Interest %	30 Sept. 2021 Equity Interest %
Subsidiaries of Sivantos Pte. Ltd.			
EMEA-LA			
Sivantos Holding Germany GmbH	Germany	100	100
Sivantos A/S	Denmark	100	100
Oorwerk B.V.	Netherlands	100	100
Oorwerk den Haag B.V.	Netherlands	100	100
Hoortechnish Centrum Schagen B.V *(dormant)*	Netherlands	100	100
Sivantos Isitme Cihazlari Sanayi Ve Ticaret A.S.	Turkey	100	100
Sivantos Europe GmbH *(under liquidation)*	Germany	100	100
Bloom Hörakustik GmbH	Austria	100	100
WS Audiology Spain S.A.	Spain	100	100
Sivantos (RUS) LLC *(dormant)*	Russia	100	100
Biotone Technologie SAS	France	100	100
North America			
WS Audiology Mexico S.A. de C.V.	Mexico	100	100
Asia-Pacific			
Sivantos K.K.	Japan	100	100
Hearing Express K.K.	Japan	100	100
WS Audiology Korea Limited	Korea	100	100

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5.10 Companies in the WS Audiology A/S Group (cont'd)

Company	Country	30 Sept. 2022 Equity Interest %	30 Sept. 2021 Equity Interest %
Subsidiaries of Sivantos Holding Germany GmbH			
Sivantos GmbH	Germany	100	100
Subsidiaries of Sivantos GmbH			
EMEA-LA			
AS-AUDIO SERVICE GmbH	Germany	100	100
Signia GmbH	Germany	100	100
Sivantos Kft. *(under liquidation)*	Hungary	100	100
Sivantos AS	Norway	100	100
Sivantos s.r.o	Czech Republic	100	100
Sivantos Sp. z o.o.	Poland	100	100
Sivantos S.r.l	Italy	100	100
Signia S.A.S.	France	100	100
WS Audiology Limited *(formerly Sivantos Limited)*	UK	100	100
WS Audiology South Africa Pty Ltd	South-Africa	100	100
North America			
Sivantos, Inc.	USA	100	100
Audiology Distribution, LLC[1]	USA	100	100
HearX West, LLC	USA	50	50
HearX West, Inc.	USA	50	50
HearUSA IPA, Inc.	USA	100	100
WS Audiology Canada Inc	Canada	100	100
Shoebox, Inc.	Canada	100	100

1 Harmony Hearing Services LLC was merged into Audiology Distribution LLC during 2021/22.

Company	Country	30 Sept. 2022 Equity Interest %	30 Sept. 2021 Equity Interest %
Subsidiaries of Sivantos GmbH (cont'd)			
North America (cont'd)			
TruHearing, Inc.	USA	100	100
TruHearing IPA LLC	USA	100	100
Hearing Care Solutions, Inc	USA	100	100
Harmony Hearing Services LLC[1]	USA	-	100
MEDPlus Health Solutions LLC	USA	100	100
Asia-Pacific			
Sivantos (Suzhou) Co. Ltd.	China	100	100
Sivantos India Pvt. Ltd	India	100	100
WS Audiology ANZ Pty Ltd	Australia	100	100
Other equity investments			
Koden Co., Ltd.	Japan	43	43
Kikoeno Soudanshitsu Co., Ltd.	Japan	50	50
Kanto Hochouki Co., Ltd.	Japan	25	25
Subsidiaries of Hear.com N.V.			
Hear.com Korea Limited	Korea	100	100
Soundrise Hearing Solutions Private Limited	India	100	100
hear.com USA Parent LLC	USA	100	100
hear.com, LLC	USA	100	100

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5.10 Companies in the WS Audiology A/S Group (cont'd)

Company	Country	30 Sept. 2022 Equity Interest %	30 Sept. 2021 Equity Interest %
Subsidiaries of Hear.com N.V. (cont'd)			
Sivantos NewCo GmbH[1]	Germany	-	100
audibene GmbH[1]	Germany	100	100
audibene GmbH	Switzerland	100	100
Audiocare Hearing Experts Malaysia Sdn. Bhd.	Malaysia	100	100
audibene B.V.	Netherlands	100	100
Ihre Hörgeräte Beratung GmbH	Germany	100	100
Hear.com - Simply Good Hearing Inc *(dormant)*	Canada	100	100
Hearing Experts (Thailand) Co. Ltd. *(under liquidation)*	Thailand	100	100

1 Sivantos NewCo GmbH was merged into audibene GmbH during 2021/22.

5.11 Significant events after the balance sheet date

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

5.12 Approval of the consolidated financial statements

The annual report of WS Audiology A/S were approved by the Board of Directors and authorised for issue on 28 November 2022.

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Income Statement

For the financial year ended 30 September 2022

EURm	Note	30 Sept. 2022	30 Sept. 2021
General and administration expenses		(0.9)	(0.9)
Operating loss before tax		**(0.9)**	**(0.9)**
Income taxes	7.1	0.2	0.6
Loss for the year		**(0.7)**	**(0.3)**

Balance Sheet

As at 30 September 2022

EURm	Note	30 Sept. 2022	30 Sept. 2021
Assets			
Investments in subsidiaries	8.1	3,985.5	3,985.5
Total non-current assets		**3,985.5**	**3,985.5**
Current income tax receivables		0.5	0.4
Cash		0.2	0.2
Total current assets		**0.7**	**0.6**
Total assets		**3,986.2**	**3,986.1**
Equity and Liabilities			
Share capital	9.1	100.0	100.0
Other reserves		3,885.5	3,885.5
Accumulated losses		(2.8)	(2.1)
Total equity attributable to the shareholders of WS Audiology A/S		**3,982.7**	**3,983.4**
Deferred tax liabilities		0.1	–
Total non-current liabilities		**0.1**	–
Other current financial liabilities		0.3	0.4
Amounts due to related parties		3.1	2.3
Total current liabilities		**3.4**	**2.7**
Total equity and liabilities		**3,986.2**	**3,986.1**

Parent Financial Statements

Statement of **Cash Flows**

For the financial year ended 30 September 2022

EURm	Note	30 Sept. 2022	30 Sept. 2021
Operating activities			
Loss for the year		**(0.7)**	**(0.3)**
Income tax expense, net		(0.2)	(0.6)
Cash flow from operating activities before changes in working capital		**(0.9)**	**(0.9)**
Changes in other liabilities		(0.1)	0.3
Change in amounts due to related parties		0.8	0.6
Cash flow from operating activities before financial items and tax		**(0.2)**	–
Income taxes received, net		0.2	0.2
Cash flow from operating activities		-	**0.2**
Net cash flow		**–**	**0.2**
Cash and cash equivalents, beginning of year		0.2	–
Cash and cash equivalents, end of year		**0.2**	**0.2**

Statement of **Changes in Equity**

For the financial year ended 30 September 2022

EURm	Share capital	Other reserve	Accumulated losses	Total equity
Equity at 30 September 2020	**100.0**	**3,885.5**	**(1.8)**	**3,983.7**
Loss for the year	–	–	(0.3)	(0.3)
Equity at 30 September 2021	**100.0**	**3,885.5**	**(2.1)**	**3,983.4**
Loss for the year	–	–	(0.7)	(0.7)
Equity at 30 September 2022	**100.0**	**3,885.5**	**(2.8)**	**3,982.7**

Parent Financial Statements

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6 Basis of preparation

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

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

The terminology used in the consolidated financial statements has been applied in the parent's financial statements to ensure a uniform presentation. The parent's accounting policies on recognition and measurement are generally consistent with those of the Group with reference to Note 1.1 in the consolidated financial statements.

7 Results of the year

7.1 Income taxes

EURm	30 Sept. 2022	30 Sept. 2021
Income taxes		
Current tax for the year	0.2	0.2
Deferred tax for the year	–	0.4
Total	**0.2**	**0.6**
Reconciliation of effective tax rate		
Danish tax rate	22%	22%
Expected income tax benefit	0.2	0.2
Adjustment of tax with respect to prior years	–	0.4
Total	**0.2**	**0.6**

8 Operating assets and liabilities

8.1 Investment in subsidiaries

EURm	30 Sept. 2022	30 Sept. 2021
Capital contributions to subsidiaries	3,985.5	3,985.5

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

Investments in subsidiaries are carried at cost less accumulated impairment losses in the parent's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognized in the income statement.

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9 Other disclosures

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

9.2 Related parties
T&W Medical A/S is the parent entity and ultimate parent controlling WS Audiology A/S. There have been no transactions with subsidiaries or other related parties during the year besides related party balances at market rates.

9.3 Fees paid to the auditor appointed at the annual general meeting
Fees paid to Deloitte for assurance related services for the year ended 30 September 2022 was EUR 0.2 million (2021: EUR 0.1 million).

9.4 Fees paid to the Board of Directors
Please refer to Note 5.2 in the Consolidated Financial Statements for fees paid to the Board of Directors of WS Audiology A/S.

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

9.6 Approval of the consolidated financial statements
The financial statements of WS Audiology A/S were approved by the Board of Directors and authorised for issue on 28 November 2022.

Parent Financial Statements
Entity information

Entity
WS Audiology A/S
Nymøllevej 6
3540 Lynge

Business Registration No (CVR): 40296638
Founded: 28.02.2019
Registered in: Allerød
Financial year: 01.10.2021 – 30.09.2022

Board of Directors
Marco Gadola, Chairman
Jan Tøpholm, Vice-Chairman
Adam Westermann
Egbertus Adrianus Johannes van Acht
Jes Carøe Munk Hansen
Julian Tøpholm
Karen Naomi Prange
Kasper Grundtvig Knokgaard
Malou Aamund
Marcus Eckart Friedrich Karl Brennecke

Executive Management
Eric Alain Bernard, Chief Executive Officer
Marianne Wiinholt, Chief Financial Officer

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
2300 København S

Consolidated ESG statements

incl. materiality assessment and business ethics

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Social Performance

	Note	Unit	Target	FY21-22	FY20-21	FY19-20
Awareness, accessibility, affordability						
Additional people that become aware of hearing loss through WSA online and offline screening platforms	11.1	Number	>4 million (2028)	1.5 million	1.0 million	0.5 million
People equipped with hearing devices	11.1	Number	>5.5 million (2028)	3.5 million	3.1 million	2.2 million
People equipped with affordable hearing devices	11.1	Number	>2 million (2028)	1.2 million	1.1 million	0.8 million
Diversity and inclusion						
Gender on Board of Directors	11.2	Number of female	2 (2022)	2	2	1
Gender in Group Management Team	11.2	% of female	30% (2025)	25%	15%	8%
Gender in Global Leadership Team	11.2	% of female	35-40% (2025)	25%	27%	28%
Gender in managerial roles	11.2	% of female	45-50% (2025)	39%	37%	38%
Unique nationality in Group Management Team	11.2	Number		9	10	9
Employee engagement						
Employee engagement	11.3	Number	8.0 (2025)	7.6	7.2	65%
Talent attraction, development and retention						
Total employee turnover	11.4	%	12% (2025)	22.9%	22%	18%
Total voluntary employee turnover	11.4	%	6% (2025)	13.4%	14%	9%
Health and safety						
Rate of recordable work-related injuries	11.5	%	0 (target for every year)	1.85	1.96	N/A

Consolidated ESG Statements

Environmental Performance

	Note	Unit	Target	FY21-22	FY20-21	FY19-20
Clean production						
Hazardous waste	12.1	Kg		53,268	42,987	33,894
Non-hazardous waste	12.1	Kg		807,416	676,305	549,208
Non-hazardous waste sent for recycling	12.1	%		70%	60%	N/A
Water consumption	12.2	ton		35,464	32,362	24,947
Sustainable materials						
Share of product packaging in FSC paper	12.3	%	100% (2025)	47%	-	-
Energy consumption						
Total energy consumption	12.4	MWh		58,103	50,411	61,051
Share of renewable electricity	12.4	%	100% (2025)	41%	23%	16%
Climate change						
Scope 1 GHG emission	12.5	CO_2-eq t	Carbon-neutral (2025)	4,402	3,764	6,940
Scope 2 GHG emission (location-based)	12.5	CO_2-eq t	Carbon-neutral (2025)	12,357	12,066	13,335
Scope 2 GHG emission (market-based)	12.5	CO_2-eq t	Carbon-neutral (2025)	7,703	11,094	13,372
Scope 3 GHG emission	12.5	CO_2-eq t	Set science-based target across all scopes (2023)	363,723	383,900	463,400

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Governance

	Note	Unit	Target	FY21-22	FY20-21	FY19-20
Sustainable supply chain						
Share of high-risk suppliers audited for their social, environmental, and ethical management systems and performance	13.1	%	100% (2022)	100%	20%	8%
Suppliers audited for their social, environmental, and ethical management systems and performance	13.1	Number	15 (2022)	15	5	3
Suppliers with major social, environmental, or ethical on-compliance	13.1	Number		15	4	0
Suppliers establishing improvement plans to rectify non-compliance	13.1	Number		15	4	0
Business ethics and anti-corruption						
Substantiated breaches – corruption or bribery incident	13.2	Number		0	0	0

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Notes

10. Basis of preparation

The WSA consolidated ESG Statement has been prepared in accordance with Danish Financial Statements Act, GRI standards, principles of United Nations Global Compact (UNGC), and Task Force on Climate Related Financial Disclosures (TCFD).

10.1 Materiality

Prioritizing the Environmental, Social, and Governance (ESG) topics that are material to WSA helps us to maximize our impact. The consolidated ESG Statement discloses material topics, which are defined based on dedicated materiality assessments and ongoing stakeholder engagement.

WSA's materiality assessment is conducted every two years with a systematic double materiality approach. It means the assessment considers the impact of WSA's activities on ESG topics, as well as impact of ESG topics on WSA's financial performance.

The long list of ESG topics assessed is generated on the basis of Sustainable Development Goals, topics and future challenges for the sector reported by peers, competitors, and NGOs, relevant laws and regulations, reporting standards (incl. GRI & SASB).

Stakeholders engaged in the materiality assessment include Group Management, select employees, customers, and suppliers. WSA's Board of Directors reviews the results of the materiality assessment.

In addition to the materiality assessment conducted in FY20-21, ongoing stakeholder engagement is also taken into consideration. The ongoing stakeholder engagement in FY21-22 is based on the customer Net Promotion Score (NPS) survey, global employee sustainability ideation challenge, etc.

10.2 Basis of consolidation

The disclosure of waste and water consumption covers five main production sites of WSA in Denmark, Singapore, China, Poland, and the Philippines. Other sites are considered to not have significant impact due to waste and water consumption.

The disclosure of the energy consumption, greenhouse gas emissions, social and governance topics covers the WSA Group, including production sites, distribution centers, offices, and retail stores.

Material topics

Create positive impact

1. Awareness of hearing health
2. Affordability
3. Access to hearing care

People

4. Diversity & Inclusion
5. Employee engagement
6. Talent attraction, development and retention
7. Human rights & labor rights

Planet

8. Circular economy and clean production
9. Climate action
10. Environment – innovation & product design

Business ethics and compliance

11. Business ethics and anti-corruption
12. Suppliers code of conduct and due diligence
13. Product safety
14. Ethical marketing
15. Anti-trust/anti-competition
16. Data privacy and cyber security

Governance

17. Governance and accountability

Consolidated ESG Statements

Section 11 Social Performance

11.1 Awareness, Accessibility, and Affordability

At WSA, it is our priority to make people aware of hearing health and hearing solutions that fit personal needs, make it easy to get hearing solutions wherever people are, and bring relevant hearing solutions to all people, through technology and commercial innovation.

Performance FY21-22

	Unit	Target	FY21-22	FY20-21	FY19-20
Additional people that become aware of hearing loss through WSA online and offline screening platforms	Number	>4 million (2028)	1.5 million	1.0 million	0.5 million
People equipped with hearing devices	Number	>5.5 million (2028)	3.5million	3.1 million	2.2 million
People equipped with affordable hearing devices	Number	>2 million (2028)	1.2 million	1.1 million	0.8 million

Almost 1.5 million additional people became aware of their hearing capability through WSA online and offline platforms, which contributed to an impressive increase of 53% compared to last years' performance. This positive result was driven by the organic growth of Shoebox and the acquisition of Koalys, which doubled the number of tests performed through this channel.

3.5 million people were equipped with our brand's hearing aids. This was a 13% increase compared to last years' data. This metric depicts the positive impact of the continuous effort to make hearing aids more accessible to more and more people.

1,2 million people were equipped with affordable hearing aids, which belonged to our low-cost channels (public, managed care, OTC) and basic segment products. This was a 9% increase compared to last year, a slightly softer growth rate due to high inflation rates impacting these channels.

§ Accounting principles

Additional people that become aware of hearing loss through WSA online and offline screening platforms – WSA online and offline screening tools capture the number of screening tests completed. Each test is counted for one person. Number of tests also includes hearing appointments performed by WSA own retail and a proxy for Managed care, based on people served with hearing devices, assuming a fallout rate of 30%. The accounting principle of this KPI was updated in FY21-22, and data of FY19-21 are updated based on new accounting principle.

People equipped with hearing devices – Number of people equipped is calculated based on hearing devices sales volume and binaural rate.

People equipped with affordable hearing devices – Number of people equipped in low-cost channels (public, managed care, OTC) and with hearing devices offered in the Basic price segments across all channels. Basic segment is the entry-level segment in the global WS Audiology product portfolio. The number is calculated based on hearing devices sales volume in the channels and price segments mentioned above and binaural rate. The accounting principle of this KPI was updated in FY21-22, and data of FY19-21 are updated based on new accounting principle.

Consolidated ESG Statements

Section 11 Social Performance (cont'd)

11.2 Diversity and inclusion

Diversity and Inclusion (D&I) comprise a cornerstone in our culture. We are building upon a culture where everyone can bring their whole self to work, and we condemn all forms of discrimination.

Through a global D&I Dashboard, monthly reporting of our gender KPIs, and the bi-annual Pulse Survey, we measure the impact of our actions and maintain an ongoing view of representation, equity, and employee sentiment.

Performance FY21-22

	Unit	Target	FY21-22	FY20-21	FY19-20
Gender on Board of Directors	Number of female	2 (2022)	2	2	1
Gender in Group Management Team	% of female	30% (2025)	25%	15%	8%
Gender in Global Leadership Team	% of female	35-40% (2025)	25%	27%	28%
Gender in managerial roles	% of female	45-50% (2025)	39%	37%	38%
Unique nationality in Group Management Team	Number		9	10	9

The overall employee composition in FY21-22 was 58% women, 41% men, and remaining 1% employees decided not to declare their gender. As of September 2022, our Group Management Team had 12 members representing 9 nationalities and was 25% comprised of women. Our target is to reach 30% women in the Group Management Team by 2025, 35-40% women in the Global Leadership Team, and 45-50% women in other managerial roles.

Many of our efforts are now focused on improving the pipeline of future women leaders to ensure that we achieve our ambition by 2025. Over FY21-22 our global recruitment team attended unconscious bias training, added D&I as part of the global recruitment training, developed inclusive recruitment guidelines, and used AI to maximize inclusive language in our verbal communication. As a result, hiring is approaching gender parity. However, with the current gap it will still be necessary to push for increased hiring of women at all managerial levels of WSA.

Moreover, we monitor gender breakdown in attrition and retention on managerial levels. During FY21-22, we saw total attrition of 8.4% for Male Managers, and 7.8% for Female Managers.

§ Accounting principles

Board of Directors – The highest governance body of WS Audiology.

Executive Board – Consists of Group CEO and Group CFO

Group Management Team – Consists of Group CEO, CXOs and SVPs.

Global Leadership Team – Consists of direct reports to CXOs of grade directors and above, Country GM/CEO/MD and Country CFOs.

Managerial roles – Consists of all managers with direct reports.

All employees – Consists of all employees, including operators, retail employees, and white-collar staff. Only employees with a permanent working contract are included.

Unique nationality in Group Management Team – The number of unique nationalities among all Group Management members.

Consolidated ESG Statements

Section 11 Social Performance (cont'd)

11.3 Employee engagement

We aim to ensure high workplace satisfaction and actively engaged employees while reducing employee turnover. We therefore strive to make WS Audiology a great place to work and grow.

Performance FY21-22

	Unit	Target	FY21-22	FY20-21	FY19-20
Employee engagement	Number	8.0 (2025)	7.6	7.2	65%

The overall engagement score as of FY21-22 was 7.6; an improvement of 0.4 compared to FY20-21, when the program was first launched. Significant efforts were implemented across the organization both at a global and country level in building the WSA culture and a great place to work. Over FY21-22, we strengthened our people processes on a structural level ensuring our values and behaviors were connected to everything we do starting with our performance and development processes. We initiated a wide spectrum of employee activities such as 'Going Beyond' event among our retail employees and 'Pioneering Week' across our key sites in Lynge, Erlangen and Singapore.

We recognize that employees increasingly seek to integrate work and personal life commitments. Our workplace wellness plans are supported by flexible, part-time and working-from-home arrangements, as well as comprehensive parental leave and nursing rooms.

§ Accounting principles

Employee engagement – Employee engagement score is a computed score based on the key drivers of engagement defined by the selected engagement platform. Starting from FY20-21, the employee engagement survey was facilitated by Peakon and based on their methodology. The scoring scale is 0-10. The survey population taken for FY20-21 is based on 10% representative population of WSA and in FY21-22, we have expanded the scope to include 100% of all WSA employees for the engagement survey. In FY19-20, the employee engagement survey was facilitated by the Great Place to Work Institute and based on their methodology. The scoring scale was 0-100%. The survey was sent to 10% of WSA employees.

11.4 Talent attraction, development and retention

We monitor employee turnover on several levels (total, involuntary and voluntary) as part of the key business metrics. We aim to create a strong workplace culture where employees find joy in work and grow their careers. To ensure employee turnover is at a healthy level, we create a workplace that is stable and forward looking.

Performance FY21-22

	Unit	Target	FY21-22	FY20-21	FY19-20
Total employee turnover	%	12% (2025)	22.9%	22%	18%
Total voluntary employee turnover	%	6% (2025)	13.4%	14%	9%

The total employee turnover as of FY21-22 was at 22.9% which was 0.9% higher compared to FY20-21. The total voluntary employee turnover was 13.4% as of the end of FY21-22, 0.6% lower compared to FY20-21. The increase in total turnover was attributed to pockets of structural changes that took place in parts of the organization. We monitored the voluntary attrition situation within the organization on a regular basis and across various segments of the business – region, site, functional and employee groups. This detailed analysis allowed us to identify specific 'at-risk' segments and deep dive where needed for actions to be taken. We also took reference from the external market benchmarks at the country level to provide another perspective. Exit interviews were conducted with employees to further understand the rationale for leaving and identify measures to be put in place.

§ Accounting principles

Total employee turnover – Total number of permanent employees who leave WS Audiology within a 12-month period divided by total number of permanent employees for the current month. Permanent Employees are defined as the Regular Employees who have working contracts.

Total voluntary employee turnover – Total number of permanent employees who leave WS Audiology within a 12-month period voluntarily divided by total number of permanent employees for the current month. Voluntary leavers are defined as employees who resign from WS Audiology.

Consolidated ESG Statements

Section 11 Social Performance (cont'd)

11.5 Health and safety

WS Audiology is committed to providing safe and healthy working conditions for our employees, contractors, and visitors, and systematically eliminating hazards and reducing risks. Our commitment is outlined in our Environmental, Health & Safety Policy.

Performance FY21-22

	Unit	Target	FY21-22	FY20-21	FY19-20
Recordable work-related injuries	Number	0 (target for every year)	11	11	10
Rate of recordable work-related injuries	%	0 (target for every year)	1.85	1.96	N/A
Fatalities	Number	0 (target for every year)	0	0	0

Rate of recordable work-related injuries decreased by 6% compared to last year. 11 recordable work-related injuries occurred, which was the same as last year.

The safety of our employees will always be our top priority, so each recordable work-related injury that occurred was reported to our Environmental Health & Safety (EH&S) team. The EH&S team thoroughly investigates each case, generated “lessons learned” report, took corrective- and preventive actions, including changes to systems and procedures if applicable.

Though our work environment is generally safe, certain incidents did unfortunately occur. In June, an employee slipped, fell, and injured her ankle when walking down a flight of stairs in our Suzhou manufacturing site. The investigation revealed that the root cause of the accident was that the employee’s safety shoes were worn out and she did not hold the handrail. The employee’s ankle was treated immediately. She returned to work after 90 days of rest. Several preventive actions were taken after the incident occurred. All employees’ working shoes were checked and replaced where necessary. In addition, a voice prompter was installed at the entrance of the stairs to remind employees to use the handrails when walking on the stairs. The EH&S team continues to track the effectiveness of the actions taken.

We continue to maintain ISO 45001-certified health and safety management systems in our main production sites in Singapore, China, and Poland. In FY21-22, our headquarter Lynge site, successfully completed the ISO45001 third party certification audit with a recommendation for certification. We expect to receive the certification in early FY22-23.

Site	FY21-22	FY20-21	FY19-20
China	ISO 45001	ISO 45001	OHSAS 18001
Singapore	ISO 45001	Not certified	OHSAS 18001
Poland	ISO 45001	Not certified	OHSAS 18001

§ Accounting principles

Recordable work-related injuries – Data is consolidated from production sites in Denmark, Singapore, China, and Poland. Any work-related injury that results in any one of the following is considered recordable: 1) Days away from work (lost day cases), 2) Restricted work or transfer to another job, and 3) Medical treatment beyond first aid, loss of consciousness, or diagnosis of a significant injury or illness by a physician or other licensed healthcare professional.

Rate of recordable work-related injuries – Data is consolidated from production sites in Denmark, Singapore, China, and Poland. Rate of recordable work-related injuries equals number of recordable work-related injuries divided by number of hours worked. The number of hours worked is recorded in HR’s IT system.

Fatality – Number of victims of fatal accidents at work. Data is consolidated from the entire company.

Consolidated ESG Statements

Section 11 Social Performance (cont'd)

11.6 Human Rights

The WSA Code of Conduct reflects our commitment to respecting human rights. We support the ten principles of the United Nations (UN) Global Compact, the UN Guiding Principles on Business and Human Rights (UNGP), and the International Labor Organization Core Conventions.

1. Salient human rights issues

Overview of salient human rights issues, scope, and issue owners:

Salient human rights issue	Own operation	Supply chain
Occupational Health, Safety and Security	X	X
Violence and Harassment	X	X
Non-Discrimination and Equal Opportunity	X	X
Freedom of Association and Collective Bargaining	X	X
Forced Labor	X	X
Working Conditions: Working Hours, Wages & Benefits	X	X
Young Workers and Child Labor	X	X
Grievance Mechanisms and Access to Remedy	X	X
Access to Healthcare and Right to Science	X	
Responsible Marketing and Sales	X	
Product Quality and Safety	X	
Sourcing from Conflict-Affected and High-Risk Areas		X

The salient human rights issues in our own operation are owned by relevant departments, such as EH&S, HR, Legal, Marketing, and Quality. The supply chain human rights issues are jointly owned by Procurement, Sustainability, and Legal.

2. Human rights due diligence process

We have due diligence processes to identify potential human rights impacts and risks, both within our own operation, in our supply chain, and through potential M&A.

The salient human rights issues in our own operation and supply chain are identified based on a human rights assessment conducted by external human rights experts in FY20-21. It covers the full scope of WSA's global operations and value chain, from supply chain to sales, marketing, and distribution. The assessment is based on internal and external stakeholder interviews and documentation review.

The respective issue owners continue to assess, monitor, and mitigate the risks associated with salient human rights issues in our own operation. We include vulnerable groups in the risk assessment, where applicable. For example, the health and safety risk assessment conducted in our Singapore production site in FY21-22 included a specific review for pregnant women and colleagues with disability.

Due diligence of suppliers with respect to human rights is outlined in notes 13.1 Sustainable Supply Chain.

Beginning this year, we have also integrated human rights in our M&A due diligence questionnaire. We will introduce human rights risk assessment in high-risk countries in FY22-23.

3. Mitigation and remediation

We ensure compliance with national labor 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.

In FY21-22, 11 health and safety incidents have been directly reported to EH&S officers. All cases have been investigated and resolved, with preventive actions taken to mitigate risks. See notes 11.5 for an example of mitigation actions of a health and safety incident.

The WSA Compliance Portal is also a channel for all internal and external stakeholders to raise their concerns of human rights violations anonymously. Read more about the WSA Compliance Portal in note 13.2 Business ethics.

Consolidated ESG Statements

Section 11 Social Performance (cont'd)

11.7 Community engagement

Helping others fully participate in life again is a great motivation for many of the employees who work for us. We adhere to an “every-step-counts” approach and encourage all employees to participate in any activity that makes a positive difference. We have a broad scope of engagement that has been driven by the passion of our people. Some examples are:

- The WSA employees together donated €89,146 for the benefit of Ukrainian refugees fleeing the conflict in their country.
- Our colleagues donated 20 desktop computer units (incl. monitor, CPU, keyboard, and mousepad) to the schools in impoverished communities in the Philippines.
- Fund raised by the Bloom Hearing Australia team to help kids battle cancer.
- Fund raised by the Widex US team to support those fighting against breast cancer.
- Colleagues in Singapore volunteered to collect trash along the riverside, supporting local NGO.

Consolidated ESG Statements

Section 12 Environmental Performance

12.1 Waste from production sites

We are committed to protect the environment, as stated in our Environmental, Health and Safety Policy. As part of our focus on the transition to a circular business model, we endeavor to make efficient use of resources, reduce waste generated from production sites, increase waste segregation, and send waste to recycling as much as possible.

Performance FY21-22

Clean production	Unit	Target	FY21-22	FY20-21	FY19-20
Hazardous waste	Kg		53,268	42,987	33,894
Hazardous waste sent for incineration (mass burn)	%		40%	45%	34%
Hazardous waste sent for other disposal method	%		60%	55%	66%
Non-hazardous waste	Kg		807,416	676,305	549,208
Non-hazardous waste sent for recycling	%	70% (2023)	70%	60%	N/A

The share of wastes sent for recycling increased by 10%, which was driven by better waste sorting and waste recycling by competent vendors. We achieved our target earlier than planned. We will review our target in FY22-23.

Generation of hazardous waste increased by 24% and non-hazardous waste increased by 19%. The increase of quantity of waste generated was mainly driven by increased production. The waste intensity (waste generated per hearing aids produced) remained stable.

We continue to maintain ISO 14001-certified environmental management systems in our main production sites in Singapore, China, Poland, and Philippines. In FY21-22, our headquarter Lynge site, successfully completed the ISO14001 third party certification audit with a recommendation for certification. We expect to receive the certification in early FY22-23.

Site	FY21-22	FY20-21	FY19-20
China	ISO 14001	ISO 14001	ISO 14001
Singapore	ISO 14001	Not certified	ISO 14001
Poland	ISO 14001	Not certified	ISO 14001
The Philippines	ISO 14001	ISO 14001	ISO 14001

§ Accounting principles

Hazardous waste – Hazardous waste includes both solid and liquid hazardous waste generated in our main production sites: Denmark, Poland, Singapore, China, and the Philippines. Hazardous waste is classified based on the MSDS card information and national regulations. The quantity of the hazardous waste is based on the forwarding notes to the authorized vendor.

Hazardous waste sent for incineration (mass burn) – Chemical substances are incinerated or used as fuels. This includes solid hazardous waste (e.g., electronic/electrical parts containing hazardous substances).

Hazardous waste sent for other disposal method – Neutralization processes (disassembly, composting, distillation, and transformation) according to local regulations.

Non-hazardous waste – Non-hazardous waste includes defective hearing aids, packaging, and waste from production activities at main production sites. Depending on the type of non-hazardous waste in question, the quantity is based on the forwarding notes to the authorized vendor or weight records kept by WSA. Total weight of certain types of non-hazardous waste in China, Singapore, and Poland are estimated based on samples. The quantity of the non-hazardous waste from the site in China has been included since FY20-21. Office waste from China and Singapore is not included.

Non-hazardous waste sent for recycling – The amount of non-hazardous waste generated in our main production sites in Denmark, Poland, Singapore, China, and the Philippines that is sent for recycling.

Consolidated ESG Statements

Section 12 Environmental Performance (cont'd)

12.2 Water consumption

The production of hearing aids is not water intensive. The consumption of water is driven mainly by office activities. We keep monitoring the water consumption in main production sites to ensure that malfunctioning (e.g. leakage) of the water supply system is detected early.

Performance FY21-22

	Unit	FY21-22	FY20-21	FY19-20
Water consumption	Ton	35,464	32,362	24,947

Water consumption increased by 10%, mainly driven by increased number of colleagues who returned to office after COVID-19.

§ Accounting principles

Water consumption – Overall usage based on water billing information or own meters at our main production sites in Denmark, Poland, Singapore, China, and the Philippines.

12.3 Sustainable materials

We put high focus on using sustainable materials to produce our hearing aids and packaging. We have an internal policy to work toward phasing out virgin plastics, introduce FSC-certified paper into product packaging, and optimize shipping packaging to reduce waste.

Performance FY21-22

	Unit	Target	FY21-22	FY20-21	FY19-20
Share of product packaging in FSC paper	%	100% (2025)	47%	-	-

We support sustainable forest management by switching to FSC paper in our packaging. All the new products developed since March 2022 will be packed in FSC paper. With this transition already underway, 47% of paper packaging material sourced in this year were made of FSC paper.

§ Accounting principles

Share of product packaging in FSC paper – Total number of packaging includes user guide, manual, leaflet, carton box and packaging box. Each piece is counted as one packaging item. The share is calculated based on number of packaging in FSC paper divided by total number of packaging.

Consolidated ESG Statements

Section 12 Environmental Performance (cont'd)

12.4 Energy Consumption

Energy consumption at WSA is driven mainly by electricity consumption, heating and cooling in production sites, offices, and retail stores. In addition, we also consume fossil fuels for company cars used for sales trips.

Increasing energy efficiency and switching to renewable electricity are the key drivers for us to achieve our science-based ambitious decarbonization targets.

Performance FY21-22

Energy consumption	Unit	Target	FY21-22	FY20-21	FY19-20
Total energy consumption	MWh		58,103	50,411	61,051
Fuel consumption	MWh		19,799	16,415	23,434
Electricity, heating, and cooling consumption	MWh		38,304	33,996	37,617
Share of renewable electricity	%	100% (2025)	41%	23%	16%

Total energy consumption increased by 15%, including 21% increase in company car fuel consumption and 13% increase in electricity, heating, and cooling consumption. The increase of company car fuel consumption was driven by resumed customer visits post COVID-19 restrictions. The increase in electricity, heating, and cooling was driven by opening of new retail and office sites, and better estimation of heating from natural gas based on more actual data.

WSA is committed to reducing energy consumption through optimization, innovation, and assets upgrade. WSA's Singapore site was selected for an energy site audit to identify opportunities for energy savings. We performed an energy assessment, understanding load profiles and energy correlation to identify energy conservation measures (ECM). Potential energy/CO_2 savings of about 10% of the total consumption can be achieved if the measures are implemented. A roadmap for this operation is in progress, while an ECM selection and prioritization strategy is also being developed, depending on the complexity and impact of the projects. The energy savings will not only contribute to the overall CO_2 neutrality target, but will also benefit the company financially.

We continue to seek opportunities to install onsite renewable energy. The wind turbine in our manufacturing site in Lynge generated 2,167 MWh. Solar panels in China have been producing power since June, and as of September 30th, the solar panels have produced 97 MWh. Solar panels in our TruHearing site in USA produced 1,171 MWh. These onsite renewable energy assets power our production during the week. Over the weekend, the additional renewable electricity is sent to the grid to support the local community. Where onsite renewable energy is not feasible, such as in our manufacturing site in Singapore and many small offices and retail stores, we purchase renewable energy certificates.

Our manufacturing sites in Denmark, China, Singapore, and Poland and our R&D center in Germany are powered by 100% renewable electricity. This is achieved through onsite renewable and energy attribute certificates. Due to the limited quantity of energy attribute certificates available in Singapore, we purchased certificates from Vietnam and Thailand to balance our consumption in Singapore. This supports the green transition of the ASEAN region overall.

§ Accounting principles

Total energy consumption – Total energy consumption includes fuel, electricity, district heating, and cooling consumed on sites where WSA has operational control.

This year we increased the amount of primary data collection, emissions from 62% of the non-retail sites and 7% of the retail sites are based on energy bills. Emissions from 38% of the non-retail sites and 93% of the retail sites are calculated based on primary data from other sites. 97% of the estimated emissions were calculated with data from the same country and the remaining 3% from global averages.

Fuel consumption – This includes fuel consumption in onsite stationary combustion (e.g., heating boilers), and in process (e.g. back-up electricity generators), and company-owned or leased vehicles for business trips. The company fleet is comprised of vehicles owned or controlled by WSA that are used for transportation and business trips. The leased cars that are paid for by WSA but used by employees for commuting are not in scope. Only primary data was used to calculate for fuel consumption.

Electricity, heating, and cooling consumption – This includes electricity, district heating, and cooling consumption.

Share of renewable electricity – This is calculated as renewable electricity consumption divided by total electricity consumption.

Consolidated ESG Statements

Section 12 Environmental Performance (cont'd)

12.5 Climate change

1. Greenhouse gas emissions

WSA is committed to reducing our own greenhouse gas emissions, working closely with key suppliers to reduce their emissions, and improving circularity of our products.

We are committed to the Science-Based Targets initiative (SBTi). We submitted our emissions reduction targets in scope 1, 2, and 3 to SBTi for approval on 1st of July 2022.

Performance FY21-22

	Unit	Target	FY21-22	FY20-21	FY19-20
Scope 1 GHG emissions	CO_2-eq t	Carbon-neutral (2025)	4,402	3,764	6,940
Scope 2 GHG emissions (location-based)	CO_2-eq t	Carbon-neutral (2025)	12,357	12,066	13,335
Scope 2 GHG emissions (market-based)	CO_2-eq t	Carbon-neutral (2025)	7,703	11,094	13,372
Total Scope 3 GHG emissions	CO_2-eq t	Set science-based target across all scopes (2023)	363,723	383,900	463,400

Overall GHG emissions, including all scopes, reduced 6% compared to FY20-21. Market-based scope 2 emissions decreased by 31% due to an increased share of renewable energy. GHG scope 1 emissions increased 17%, mainly driven by resumed customer visits post COVID-19 restrictions.

2. Scope 3 emissions

Scope 3 categories	Unit	FY21-22	FY20-21
Purchased goods and services	CO_2-eq t	265,960	291,369
Capital goods	CO_2-eq t	3,499	2,034
Fuel- and energy-related activities, not included in scope 1 or scope 2	CO_2-eq t	3,568	3,353
Upstream transport	CO_2-eq t	57,319	64,081
Waste generated in operations	CO_2-eq t	3,496	615
Business Travel	CO_2-eq t	6,889	451
Employee commuting	CO_2-eq t	20,400	20,400
Use of sold products	CO_2-eq t	1,971	1,069
EoL of sold products	CO_2-eq t	621	528

GHG scope 3 emissions decreased 5% across categories compared to FY20-21. Higher accuracy in our accounting has driven this decrease.

Emissions previously accounted for in Purchased goods and services have been more accurately distributed to other categories, such is the case of Capital goods and Waste generated in operations.

The increase in emissions from the Business travel category is driven by the change in accounting methodology, moving from spend-based to emission reports from our travel agencies. Increases in Use of sold products and EoL of sold products are attributed to an increase in sales compared to FY20-21.

WSA works with numerous suppliers to manufacture and deliver HAs to our customers. Suppliers of parts and components contribute to most of our scope 3 emissions. We have submitted an ambitious scope 3 emission reduction target to SBTi. We will engage with suppliers with high amount of spend that translates into significant percentage of our scope 3 emissions. Our goal is to work closely with these suppliers towards emissions disclosure and reduction.

Consolidated ESG Statements

Section 12 Environmental Performance (cont'd)

12.5 Climate change (cont'd)

§ Accounting principles (cont'd)

From the initial engagement done with the selected suppliers, the maturity of the suppliers varies. Some suppliers are aware of the existence of science-based targets. These suppliers already have plans to improve the sustainability of their operations, and some are even considering making their own commitment to science-based targets. Some suppliers needed more assistance and guidance on how to improve the sustainability aspect of their operations and goods sold to WSA. Based on the insights and feedback collected from the engagement process, WSA will select feasible opportunities to further explore the possibilities of reducing our scope 3 emissions.

§ Accounting principles

Greenhouse gas emissions – This GHG inventory was compiled in accordance with the WRI/WBCSD Greenhouse Gas (GHG) Protocol. The organizational boundary applied to consolidate WS Audiology's emissions was the operational control approach. No sites have been excluded from the inventory boundary over the reporting period FY21-22.

More than 1,100 WSA sites are in Scope based on the operational control approach. This includes more than 100 non-retail sites and over 1000 retail shops. This year we increased the amount of primary data collection, emissions from 62% of the non-retail sites and 7% of the retail sites are based on energy bills. Emissions from 38% of the non-retail sites and 93% of the retail sites are calculated based on primary data from other sites, from which 97% of the estimated emissions were calculated with data from the same country and the remaining 3% from global averages.

Scope 1 GHG emissions – Activity data and emissions include onsite stationary combustion of fossil-fuel burning equipment (e.g., heating boilers) or process-based emissions (e.g., back-up electricity generators), company-owned or leased vehicles for business trips. Fugitive emissions associated with the use of HVAC equipment are included here.

Scope 2 GHG emissions (location-based) – Following the Scope 2 Guidance from the GHG Protocol, WSA uses the national or regional emissions factors for indirect (scope 2) emissions defined by the following methods in each relative geography where WSA operates:

- Department for Environment, Food & Rural Affairs (DEFRA) CO2
- Emissions from Fuel Combustion and Refrigerants
- For US sites: US EPA Emissions & Generation Resource Integrated Database (eGRID)
- For UK sites: Department for Environment, Food & Rural Affairs (DEFRA) conversion factors
- For remaining countries: International Energy Agency (IEA) Emissions Factors database.

Scope 2 GHG emissions (market based) – Based on the latest available emissions factors, published by the electricity supplier(s), and relating specifically to the carbon intensity of the electricity procured.

- Supplier-specific emissions factors for the reporting year 2020-21 were collected, along with supporting evidence (such as Energy Attribute Certificates, supplier invoices, etc.) and checked against quality criteria as described in the GHG Protocol Standard requirements for Scope 2 reporting. Supplier-specific emissions factors were collected from sites in Canada, Finland, Germany, Italy, Japan, the Netherlands, Singapore, Slovenia, South Korea, and Switzerland. For the remaining sites, following GHG protocol hierarchy, residual mix or location-based emissions factors were used according to availability.

Scope 3 GHG emissions – Scope 3 emission are calculated based on hearing aids life cycle assessments results from our main brands, transportation & logistics providers carbon emission reports, and travel carbon emission reports in combination with the Quantis Tool. Scope 3 covers all company activities that are not covered by scope 1 and 2 emissions.

Due to the nature of WSA's operation, only three greenhouse gases are considered to be released in significant quantifies for tracking: CO2, CH4, and N2O. Global warming potentials (GWPs) are taken from the Intergovernmental Panel on Climate Change (IPCC) IPCC Fifth Assessment Report (AR5) using 100-year values. For the current inventory the following values are used: CO2 GWP = 1, CH4 GWP = 28, N2O GWP = 265.

FY19-20 is the base year for GHG emissions reporting and target setting.

Consolidated ESG Statements

Section 12 Environmental Performance (cont'd)

12.6 TCFD

We have performed a first alignment with Task Force on Climate-related Disclosures (TCFD), to assess risks and opportunities posed by climate change and the transition to a low-carbon economy. Focusing on core elements of our organizational operation: governance, strategy, risk management, metrics, and targets.

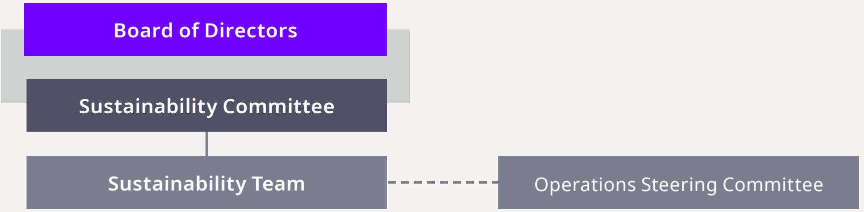
Governance

The Board of Directors has the ultimate responsibility of outlining the overall vision, strategy, and objectives of the company.

The Sustainability Committee reports to the Board of Directors in sustainability matters including climate-related risks and opportunities. The committee meets on a monthly basis and is comprised of the Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Operations Officer (COO), Chief Quality & Regulatory Officer (CQRO), Chief Retail Officer (CRO), and Chief Human Resources Officer (CHRO).

The Global Head of Sustainability, supported by other members from the sustainability core team, reports to the Sustainability Committee and is responsible for the execution of the climate strategy and climate-related issues. The team reports to the Operations Steering Committee before escalating topics to the Sustainability Committee. The Operation-Sustainability Steering Committee includes the COO and CQRO.

The sustainability core team is the multi-disciplinary department responsible of developing and overseeing WSA's sustainability strategy and involving the required internal and external stakeholders to assess climate-related risks and opportunities.



Consolidated ESG Statements

Section 12 Environmental Performance (cont'd)

12.6 TCFD (cont'd)

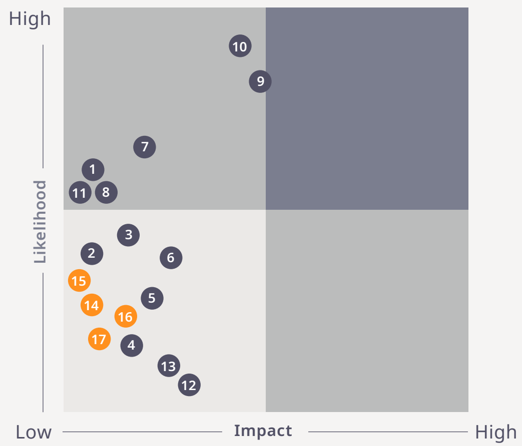
Risk Management

We have acknowledged the climate-related risks and opportunities that are relevant for our organization and performed an initial evaluation of transition and physical risks in the short (5-10 years), mid (10-20 years), and long (>20 years) term across our geographical locations.

To increase the degree of robustness of our climate-related risk management strategy, transition impacts were evaluated following two scenarios from the International Energy Agency (IEA), representing a 1.5-2°C and a business-as-usual pathway. Specifically, the Sustainable Development Scenario (SDS) with a Net Zero Emissions by 2050 (NZE) supplement and the Stated Policies Scenario (STEPS). Physical impacts were assessed based on two Shared Socioeconomic Pathway (SSP) scenarios by the Intergovernmental Panel on Climate Change (IPCC). SSP1-2.6 for a 1.5-2°C trajectory in line with our Science-Based Target ambition, and SSP5-8.5 where an increase of 4°C in global temperatures is expected by 2100.

All climate-related transition and physical risks were identified through a qualitative assessment involving internal subject-matter experts and considered potential implications in finance, business interruption, mitigation time, supply chain impact, and likelihood for our company. Each potential risk/opportunity was evaluated considering WSA's level of preparedness for potential mitigation/ implementation. Possible responses on the short, medium, and long term were identified for each to set a strategy moving forward.

The climate-related key risks identified are related to WSA´s supply chain disruptions, which are addressed in the company´s overall risk management strategy. Any possible risks are managed following a process of identification, assessment, recording, mitigation and monitoring. Read more on risk management on page 45.



Transition Risk

1. Increased pricing of GHG emissions
2. Enhanced reporting obligations
3. Increased regulation of existing products
4. Exposure to litigation
5. Substitution of existing products with lower emissions options
6. Unsuccessful investment in new technologies
7. Costs to transition to lower emissions technology
8. Changing customer behavior
9. Uncertainty and instability in market
10. Increased cost of raw materials
11. Shifts in consumer preferences
12. Stigmatization of sector
13. Increased stakeholder concern or negative feedback

Physical Risk

14. Increased severity of extreme weather events
15. Changes in precipitation patterns and extreme variability in weather patterns
16. Rising mean temperatures
17. Rising sea levels

Consolidated ESG Statements

Section 12 **Environmental Performance** (cont'd)

12.6 TCFD (cont'd)

Strategy

The resiliency of our climate strategy, including GHG emissions reduction and energy-related goals, reduces our risks related to fluctuations in carbon and energy markets. Our product portfolio management, sector, and business model mitigate risks of transition to lower-carbon technology and reputation-related risks such as sector stigmatization.

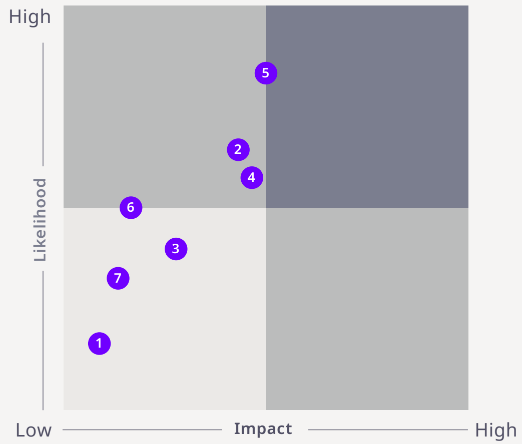
Physical and transition risks with potential implication in our supply chain in the mid- to long-term related to raw materials shortages (battery minerals) and extreme weather events are tackled by our circularity strategy, and diversification of production locations and suppliers.

Currently, any transitional, acute, or chronic disruption is addressed by our Business Continuity Plan, and any damages to company property are mitigated through our insurance system, for which exposure to climate-related events was modeled through location-specific data.

WSA´s main opportunities are related to energy and resource efficiency, including energy efficiency in operations and production, renewable energy sources, and decentralization of energy generation. These opportunities are all addressed by our overall sustainability strategy and climate goals, which are focused on renewable energy transition. A more robust circularity and energy efficiency strategy will be developed in 2023.

Metrics and Targets

Energy and carbon-related risks are addressed by our renewable energy and GHG emissions reduction targets in all scopes. KPIs related to energy and material efficiency will be developed along our Circular Economy strategy in 2023.



Opportunities

1. Use of more efficient modes of transport
2. Use of more efficient production and distribution processes
3. Use of recycling, reduced water consumption
4. Use of lower-emission sources of energy
5. Shift toward decentralized energy generation
6. Use of supportive policy incentives
7. Resource substitutes/diversification

Consolidated ESG Statements

Section 13 Governance

13.1 Sustainable Supply Chain

A resilient and sustainable supply chain is critical for the success of WSA. We are taking steps to improve our natural resource utilization and adoption of renewable energy in our operations (refer to 12.2, 12.3 and 12.4). To show our commitment in making our Supply Chain more sustainable, we have submitted our proposal to Science-Based Target initiative (refer to 12.5). We work with our suppliers to promote and ensure fair labor standards, explore ways to reduce our environmental impact, and maintain ethical business practices.

Our supply chain consists mainly of direct material suppliers and indirect suppliers. Direct material suppliers provide us with electronic components, electronic manufacturing services, packaging, resins, and accessories. Indirect suppliers include utilities, professional consulting services, real estate owners, and other service providers. Our main suppliers are based in and operate from Europe, Americas, and Asia & Others. From a spend perspective, approximately 43% are in Europe, 21% are in Americas, and 36% in Asia & Others.

To further improve the sustainability of our supply chain, we have also initiated discussions with our suppliers to identify ways to systematically reduce our Scope 3 emissions. By engaging our suppliers and onboarding them with us on this meaningful journey, we increase our prospects of incorporating sustainability factors into our supply chain and the hearing aids that our customers use.

Through the Sustainable Supply Chain Program, we conduct due diligence of our suppliers with the aim of ensuring their compliance to the WSA Supplier Code of Conduct.

The due diligence process starts with risk assessment. We identify suppliers at high risk of non-compliance with our Code of Conduct based on the country, category, spend, and business relations on annual basis. High-risk suppliers are audited by third-party auditors every two years. All the salient human rights issues are covered in both the risk assessment and audit.

Based on the audit, suppliers with non-compliances must improve to become compliant.

Performance FY21-22

	Unit	Target	FY21-22	FY20-21	FY19-20
Share of high-risk suppliers audited for their social, environmental, and ethical management systems and performance	%	100% (2022)	100%	20%	8%
Suppliers audited for their social, environmental, and ethical management systems and performance	Number	15 (2022)	15	5	3
Suppliers with major social, environmental, or ethical non-compliance	Number		15	4	0
Suppliers establishing improvement plans to rectify non-compliance	Number		15	4	0

In FY21-22, we planned and conducted Code of Conduct audits of 15 high-risk suppliers. Besides auditing 100% of high-risk suppliers identified in this financial year, we also conducted some audits that were planned for last year but postponed due to COVID-19 restrictions. The major non-compliances are related to health and safety and working hours. The suppliers have established relevant improvement action plans to rectify major non-compliances. We are committed to working closely with the suppliers to drive improvements.

In addition, we further improved the risk criteria by updating the risks of the product and service categories.

Cobalt is used in lithium-ion batteries that form an integral part of electrical equipment. Demand for cobalt is therefore expected to increase significantly over the coming years. Cobalt is extracted in mech-

Consolidated ESG Statements

Section 13 Governance (cont'd)

13.1 Sustainable Supply Chain (cont'd)

anized and artisanal mining operations. Multiple reports have highlighted concerns over social and environmental impacts of cobalt extraction, including child labor and unsafe working conditions in artisanal cobalt mining. We have actively conducted surveys within our battery supply chain per OECD due diligence guidelines and ensured transparency, and no illegal cobalt smelters have been reported within our supply chain.

Similarly, we are planning to conduct the Conflict Mineral survey throughout the supply chain to ensure supply chain transparency. We will also be implementing standard operating procedure and workflow for Conflict Minerals reporting management along with our Chemical In Products management system. This updated management system will enable us to ensure our supply chain and our products are compliant with environmental regulations and also sustainable.

§ Accounting principles

Share of high-risk suppliers audited for their social, environmental, and ethical management systems and performance – Number of high-risk suppliers audited divided by number of high-risk suppliers identified.

Suppliers audited for their social, environmental, and ethical management systems and performance – Number of suppliers that are audited against WSA 's Code of Conduct. The scope of this audit includes human rights, labor rights, environment, and anti-corruption.

Suppliers with major social, environmental, or ethical non-compliance – The suppliers with major non-compliances based on the Code of Conduct audits.

Suppliers establish improvement plans to rectify non-compliance – Suppliers with significant non-compliances are either terminated or put on improvement plans to rectify the non-compliances.

13.2 Business ethics

1. Anti-corruption

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 bribery, corruption, and fraud. This is entrenched in our Code of Conduct, which guides the organization and employees in conducting their day-to-day business.

Anti-corruption considerations are integral to our business partners' handling processes, and we continue to ensure that our partners acknowledge and respect their responsibility when doing business with us.

The main risks related to our activities include employee- and business partner violation of our anti-corruption commitment and the resulting potential legal and financial consequences. We have established multiple measures, such as vetting of relevant suppliers and ad hoc evaluations, to ensure zero tolerance of any corrupt behavior in our business.

Performance FY21-22

	Unit	Target	FY21-22	FY20-21	FY19-20
Substantiated violations – corruption or bribery incident	Number		0	0	0

Substantiated violation of corruption or bribery incident remains zero.

In this financial year, we developed comprehensive training for relevant employees to strengthen their knowledge in these areas and equip them with the tools to handle or escalate issues.

We continue to make efforts to strengthen these processes in line with applicable laws and regulations. Central to our anti-bribery and corruption governance process are detailed policies and training provisions for our relevant employees, as well as a publicly accessible whistle-blowing channel.

The Gifts, Entertainments, Donations & Speakers policy sets out clear guidelines on giving and receipt of gifts and hospitality items. This includes charitable donations and sponsorships, which will go through a review process in accordance with the policy where recipients are subject to appropriate due diligence

Consolidated ESG Statements

Section 13 Governance (cont'd)

13.2 Business ethics (cont'd)

before approval by relevant parties in authority. The Conflict of Interest policy provides binding principles to be complied with. Declarations apply to all relevant employees and managers have the responsibility of ensuring conflict of interests are appropriately addressed. WSA also has an Anti-money Laundering policy which guides employees to recognize the WSA Group's legal obligations and their personal obligations.

§ Accounting principles

Substantiated breaches involving corruption or bribery incidents – Number of corruption or bribery incidents that are substantiated.

2. Anti-competitive behavior

We adhere to antitrust laws and ensure fair competition, achieving our market position through the outstanding quality of our products as well as our performance. We do not discuss any antitrust-related information with competitors, suppliers, or customers. Furthermore, we do not participate in any discussions or enter into agreements with competitors that could result in a restriction of competition, or use our position in the market to discriminate against others through unfair business practices. In addition, our ethical guidelines in competitive intelligence govern us when collecting information about competitors. Our approach is aligned with Strategic & Competitive Intelligence Professionals (SCIP).

As we expand our global footprint, we continuously assess our market position across the markets in which operate. We also continue to develop our employees through training to ensure that they are familiar with the relevant laws and regulations and commit to conducting business fairly and in line with our Code of Conduct.

3. Whistleblower mechanism

We foster an environment where our employees can ask questions and raise issues or concerns about business ethics and other topics without fear of retaliation. Employees can raise concerns to their managers, Local Compliance Advisor, Regional Compliance Officer, and Human Resources Department.

At the start of the financial year, we worked with an independent third-party service provider of a whistleblower software to launch a whistleblowing system, the WSA Compliance Portal. The portal allows whistleblowers (incl. both internal and external stakeholders) to report anonymously 24-7, provides translations in 15 languages, and is externally hosted in a secured environment by the independent third-party service provider. The portal replaced the previous ombudsman setup that had limitations in language and accessibility, as the ombudsman was based in Germany. Issues that can be raised via the portal include topics in WSA Code of Conduct, such as corruption, harassment, discrimination, human rights, environment, etc.

In addition to the new WSA Compliance Portal, employees can also raise concerns to their managers, Human Resources Department, Local Compliance Adviser, Regional Compliance Officer, or through the compliance mailbox at tell-us@wsa.com.

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 issue and ensure that appropriate actions are carried out. We also respond to incidents of employee misconduct with appropriate disciplinary action.

All emails and reporting are 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) investigating and/or deciding on the reported potential violation.

We continuously strive to improve our whistleblower mechanism by reviewing its effectiveness while aligning with best practices in the countries where we operate.

Consolidated ESG Statements

Section 13 Governance (cont'd)

13.3 Product safety

As a medical device company, we understand that product safety and information must never be compromised, as quality issues and unsafe use of our hearing aids or other devices could lead to consumer injury.

Our quality policy outlines our commitment to high-quality and safe hearing solutions.

Performance FY21-22

	Unit	Target	FY21-22	FY20-21	FY19-20
Class I recalls	Number	0	0	0	0
Class II recalls	Number	0	0	0	0

Number of class I and class II recalls remains zero.

WS Audiology's product risk management procedure is ISO 14971-certified. We are committed to minimizing residual risks as far as reasonably possible to avoid serious injuries.

Our ISO 13485-certified multi-site Quality Management System (QMS) allows global governance and local adaptations to ensure efficient quality management throughout the WS Audiology Group.

Our products are registered according to local regulations. We continuously survey requirements and take them into consideration when we develop new products.

- Our manufacturing sites in China, Denmark, Germany, the US, and Singapore have all successfully passed US Food and Drug Administration (FDA) audit inspections since 2018.
- WS Audiology was the first hearing aid manufacturing company that was successfully audited under the EU's new Medical Device Regulation (MDR) and received the new certificates in Q1/2020.

Our post-market surveillance system enables us to follow and manage complaints. In the event of safety issues, we have a procedure to report to authorities, and if necessary, recall products.

Health and safety impacts are assessed for improvement for all our product categories.

In addition to implementing the Product Related Environmental Protection (PREP) procedure to comply with RoHS and REACH regulations, we have also extended our focus to comply with UK REACH, UAE RoHS, and few other regional environmental regulations. In coming years, we will keep focusing on strategic and systematic approach to comply with all current and upcoming regulations with efficient data.

Our quality management systems in our manufacturing sites in Denmark, Singapore, China, Poland, Mexico, and USA are ISO 13485-certified.

§ Accounting principles

Class I recalls – A situation in which there is a reasonable probability that the use of- or exposure to a volatile product will cause serious adverse health consequences.

Class II recalls – A situation in which use of- or exposure to a volatile product may cause temporary or medically reversible adverse health consequences or where the probability of serious adverse health consequences is remote.

Consolidated ESG Statements

Section 13 Governance (cont'd)

13.4 Ethical marketing

To ensure the veracity of marketing claims, we maintain a claim management practice that establishes the claim type and required data substantiation. Each claim and supporting substantiation is listed in a platform evidence document. Furthermore, each product launch is documented with a clinical evaluation.

We ensure that the product safety manual for each product is included in the package to every consumer who purchases our hearing devices.

We have zero incidents of non-compliance with regulations and/or voluntary codes concerning product and service information and labeling.

13.5 Data privacy

We strive to promote a corporate culture of responsibility, respect, and trust for personal data and the privacy rights of individuals by complying with all applicable laws wherever we do business. The WSA Code of Conduct includes our policy on data privacy.

Through routinely reviewed processes and policies, WS Audiology ensures that personal data is collected, stored, processed, disclosed, protected, secured, and destroyed properly and in accordance with good data protection practices. Individuals exercising their rights to rectify, change, or be informed about what data WS Audiology processes from and about them can exercise those rights in compliance with relevant legal requirements.

As data privacy regulations continue to evolve, we closely monitor these developments to quickly adapt and apply changes to our existing processes as needed. We also subject our new and existing processes to regular reviews in order to ensure that they are relevant and have the appropriate measures for data privacy.

WSA has in 2022 adopted a Policy on Data Ethics that serves as a framework for the ethical management of data within the WSA group. WSA hereby supplements its general commitment to integrity and compliance - not only in relation to personal data but in relation to any kind of data processed by WSA. The Data Ethics Policy applies globally, and it is mandatory for management and employees in the WSA group to comply with the policy.

13.6 Data ethics

WSA has in 2022 adopted a Policy on Data Ethics that serves as a framework for the ethical management of data within the WSA group. WSA hereby supplements its general commitment to integrity and compliance - not only in relation to personal data but in relation to any kind of data processed by WSA. The Data Ethics Policy applies globally, and it is mandatory for management and employees in the WSA group to comply with the policy.

13.7 Cyber security

Secure, reliable, and precise handling of information is essential to the success of our business. Risk management and IT security are therefore an integral part of WSA Strategy and are subject to an oversight by the Group Management Audit Committee and Board of Directors Cybersecurity Committee.
As member of the WSA board, Jes Munk Hansen chairs the cyber security committee. Jes Munk Hansen receives ongoing briefings from relevant cyber and security organizations about the current threat landscape and intelligence and comes with extensive experience, including the application of the US Department of Defense, Cybersecurity Maturity Model Certification (CMMC).

Key objectives are:

- We ensure the security of corporate information and critical application and infrastructure through a risk-based approach and in close collaboration with our business partners.
- We maintain high level of cybersecurity aware among our employee via recurrent trainings, awareness campaigns and drills
- We work with our Cybersecurity partners to ensure our detection and response capabilities are up to date to face evolving cybersecurity threats.

GRI index

GRI **index**

Disclosure Number	Aspect	Page or comments
Organizational profile		
102-1	Name of the organization	p1
102-2	Activities, brands, products, and services	p13-36
102-3	Location of headquarters	p5
102-4	Location of operations	p5
102-5	Ownership and legal form	Privately held stock corporation
102-6	Markets served	p5
102-7	Scale of the organization	p5
102-8	Information on employees and other workers	WS Audiology Group employs 12,431 employees across all entities and countries. The following breakdown data includes Audibene, TruHearing, CommuniCare and Shoebox. 3 main regions - Asia Pacific, Americas, and EMEA. We employed 3,779 employees in APAC (99% permanent and 1% temporary), 4,147 employees in Americas (98.6% permanent and 1.4% temporary) and 4,505 employees in EMEALA-CA (96.5% permanent and 3.5% temporary). 3 main groups of employees - White Collars (63%), Manufacturing Operators (14%) and Retail Employees (23%). 12,183 permanent employees, incl. 42.2% male and 57.8% female. 248 temporary employees, incl. 48.9% male and 51.1% female. 11,140 full time employees, incl. 43.9% male and 56.1% female. 1291 part time employees, incl. 29.4% male and 70.6% female.

Disclosure Number	Aspect	Page or comments
Organizational profile (cont'd)		
102-9	Supply chain	Note 13.1
102-10	Significant changes to the organization and its supply chain	Note 13.1
102-11	Precautionary Principle or approach	We are committed to the UNGC Ten Principles, which includes the precautionary approach.
Strategy		
102-14	Statement from senior decision-maker	p6
102-15	Key impacts, risks, and opportunities	p44
Ethics and integrity		
102-16	Values, principles, standards, and norms of behavior	Note 13.2
102-17	Mechanisms for advice and concerns about ethics	Note 13.2
Governance		
102-18	Governance structure	p42
102-19	Delegating authority	p42

GRI **index** (cont'd)

Disclosure Number	Aspect	Page or comments
Governance (cont'd)		
102-20	Executive-level responsibility for economic, environmental, and social topics	Chief Quality and Regulatory Affairs Officer is chiefly responsible for Sustainability (incl. economic, environmental, and social topics). This role reports directly to the President and CEO.
102-21	Consulting stakeholders on economic, environmental, and social topics	Note 10.1
102-22	Composition of the highest governance body and its committees	As of 09/30/2022, average tenure in the Board of Directors was 3 years. 9 members were of the age group of 30-60, 1 member of the age group above 60. No directors represent other under-represented social groups. One member of Board of Directors closely guides WS Audiology on sustainability.
102-23	Chair of the highest governance body	p48
102-24	Nominating and selecting the highest governance body	The members of the Board of Directors are chosen based on their experience and qualifications as well as to achieve diversity in regard to nationality and gender mix.

Disclosure Number	Aspect	Page or comments
Governance (cont'd)		
102-25	Conflicts of interest	Conflict of Interest Policy. A process has been established to ensure that conflicts of interest are avoided. Each WS Audiology employee has a duty to make business decisions in the interest of WS Audiology and not be influenced by their own personal interests. For senior employees, the disclosure will be done on an annual basis. Conflicts of interest for senior employees are disclosed to Group Management and/or the Board of Directors. WSA Code of Conduct
102-26	Role of highest governance body in setting purpose, values, and strategy	p42-43
102-27	Collective knowledge of highest governance body	p48-49
102-28	Evaluating the highest governance body's performance	p42-43
102-29	Identifying and managing economic, environmental, and social impacts	Note 10.1
102-30	Effectiveness of risk management processes	p44-46
102-31	Review of economic, environmental, and social topics	Note 10.1
102-32	Highest governance body's role in sustainability reporting	p43

GRI index (cont'd)

Disclosure Number	Aspect	Page or comments
Governance (cont'd)		
102-33	Communicating critical concerns	p43
102-34	Nature and total number of critical concerns	None
102-35	Remuneration policies	We reward our employees in accordance with market benchmarks, seniority levels, and roles. Employees' renumeration packages are made up of different components including fixed salary, allowances, commissions, short term incentives (based on individual and company performance), and long-term incentives. WS Audiology adheres to the local statutory contribution for each employee. We follow a strict renumeration process where 2-level approvals are required for salary changes (known as the four eyes principle). For senior executives, salary is approved via the remuneration committee, which is comprised of select board members. For the Global Leadership Team (GLT), salary changes are approved by the Chief HR Officer and the President and CEO. WS Audiology makes use of salary grading/evolution to ensure that we are on par with market conditions to attract the best talents in our competitive environment. The grading/evaluation exercises are supported and based on Mercer Salary Grading framework. In addition to compensation, our employees also enjoy a wide variety of benefits including medical, hospitalization, screenings, as well as subsidies, such as hearing aids for themselves and their immediate family members.

Disclosure Number	Aspect	Page or comments
Governance (cont'd)		
102-36	Process for determining remuneration	p43
102-37	Stakeholders' involvement in remuneration	p43
102-38	Annual total compensation ratio	Data not for disclosure.
102-39	Percentage increase in annual total compensation ratio	Data not for disclosure.
Stakeholder engagement		
102-40	List of stakeholder groups	Stakeholders are selected based on the stakeholders' interests in WSA and stakeholders' influence on WSA. Stakeholder identification and prioritization is an integrated part of our materiality assessment.
102-41	Collective bargaining agreements	19% of all employees are covered by collective bargaining agreements. 4% increase comparing to FY20-21.
102-42	Identifying and selecting stakeholders	Note 10.1
102-43	Approach to stakeholder-engagement	Note 10.1
102-44	Key topics and concerns raised	Note 10.1

GRI index (cont'd)

Disclosure Number	Aspect	Page or comments
Reporting practice		
102-45	Entities included in the consolidated financial statements	Note 5.10
102-46	Defining report content and topic Boundaries	The reporting content and topic are defined based on materiality assessment.
102-47	List of material topics	Note 10.1
102-48	Restatements of information	None.
102-49	Changes in reporting	None.
102-50	Reporting period	10/1/2021-09/30/2022
102-51	Date of most recent report	12/15/2021, WSA Annual Report FY20-21
102-52	Reporting cycle	Annually
102-53	Contact point for questions regarding the report	Please call +45 44 35 56 00 to be directed to the Sustainability Team
102-54	Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: Core option
102-55	GRI content index	GRI content index
102-56	External assurance	Deloitte is appointed to conduct the third-party assurance for this report. Deloitte is also the assurance provider for WSA's financial report. See page 57-58 for assurance report.

Disclosure Number	Aspect	Page or comments
GRI 205: Anti-corruption 2016		
103-1	Explanation of the material topic and its Boundary	Note 13.2
103-2	The management approach and its components	Note 13.2
103-3	Evaluation of the management approach	There have not been any substantiated incidents of corruption or bribery in the last financial year. No reports were made to the Ombudsman on corruption or bribery incidents in the last financial year.
205-3	Confirmed incidents of corruption and actions taken	Note 13.2
GRI 206: Anti-competitive behavior 2016		
103-1	Explanation of the material topic and its Boundary	Note 13.2
103-2	The management approach and its components	Note 13.2
103-3	Evaluation of the management approach	There have not been any substantiated incidents of corruption or bribery in the last financial year. No reports were made to the Ombudsman on corruption or bribery incidents in the last financial year.
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	No legal actions pending or completed.

GRI **index** (cont'd)

Disclosure Number	Aspect	Page or comments
GRI 302: Energy 2016		
103-1	Explanation of the material topic and its Boundary	Note 12.4
103-2	The management approach and its components	Note 12.4
103-3	Evaluation of the management approach	Note 12.4 We evaluate the management approach of material topics through quantified KPIs and internal audits or reviews.
302-1	Energy consumption within the organization	Note 12.4
GRI 305: Emissions 2016		
103-1	Explanation of the material topic and its Boundary	Note 12.5
103-2	The management approach and its components	Note 12.5
103-3	Evaluation of the management approach	Note 12.5
305-1	Direct (Scope 1) GHG emissions	Note 12.5
305-2	Energy indirect (Scope 2) GHG	Note 12.5
305-3	Other indirect (Scope 3) GHG emissions	Note 12.5

Disclosure Number	Aspect	Page or comments
GRI 306: Waste 2020		
103-1	Explanation of the material topic and its Boundary	Note 12.1
103-2	The management approach and its components	Note 12.1
103-3	Evaluation of the management approach	Note 12.1
306-1	Waste generation and significant waste-related impacts	The waste from our own operation includes waste from production, packaging waste from goods received, and office waste. Downstream packaging waste is also a material topic for us.
306-2	Management of significant waste-related impacts	WS Audiology gradually implements the concept of lean production in the production process to control waste volumes. We monitor waste production every month, identify abnormal data in time, and take control measures. Qualified waste disposal suppliers handle our waste according to applicable regulations and jurisdiction where we operate.
306-3	Waste generated	Note 12.1
GRI 307: Environmental compliance 2016		
103-1	Explanation of the material topic and its Boundary	Note 12.1
103-2	The management approach and its components	Note 12.1
103-3	Evaluation of the management approach	Note 12.1

GRI index (cont'd)

Disclosure Number	Aspect	Page or comments
GRI 307: Environmental compliance 2016 (cont'd)		
307-1	Non-compliance with environmental laws and regulations	None
GRI 308: Supplier environmental assessment 2016		
103-1	Explanation of the material topic and its Boundary	Note 13.1
103-2	The management approach and its components	Note 13.1
103-3	Evaluation of the management approach	Note 13.1
308-2	Negative environmental impacts in the supply chain and actions taken	Note 13.1
GRI 401: Employment 2016		
103-1	Explanation of the material topic and its Boundary	p21-23
103-2	The management approach and its components	p21-23, Note 11
103-3	Evaluation of the management approach	Note 11

Disclosure Number	Aspect	Page or comments
GRI 401: Employment 2016 (cont'd)		
401-1	New employee hires and employee turnover	WS Audiology hired a total of 3,332 employees in the reporting period of which 59.4 % are female and 36.3 % are male. The regional breakdown and age group breakdown of the new hires are similar to the Group distribution. WS Audiology has a total annualized attrition rate of 22.9 .% of which voluntary attrition rate stands at 13.4 % over a 12 month period. A total of 2,541 employees had left WS Audiology over the 12 months period.
GRI 403: Occupational health and safety 2018		
103-1	Explanation of the material topic and its Boundary	Note 11.5
103-2	The management approach and its components	Note 11.5
103-3	Evaluation of the management approach	Note 11.5
403-1	Occupational health and safety management system	Note 11.5

GRI **index** (cont'd)

Disclosure Number	Aspect	Page or comments
GRI 403: Occupational health and safety 2018 (cont'd)		
403-2	Hazard identification, risk assessment, and incident investigation	WS Audiology established the Standard Operating Procedure (SOP) "EH&S Aspects Impacts and Hazards Risks Assessment" to systematically identify and assess risks in the workplace. The SOP is reviewed at least once a year, and relevant training is carried out to ensure that the evaluators have the relevant competence. In addition, employees are encouraged to report Near Miss incidents at work to identify risks in a wider scope. Our SOP follows ISO 14001 and OHSAS 18001.
403-3	Occupational health services	WS Audiology has established a risk identification and evaluation system to determine the major risks and control measures.
403-4	Worker participation, consultation, and communication on occupational health and safety	WS Audiology has implemented the EHS management system by establishing an EHS committee, electing/appointing employee representatives, holding regular EHS committee meetings, communicating EHS related information, and ensuring consultation and participation of workers.
403-5	Worker training on occupational health and safety	WS Audiology organizes a variety of training programs to ensure that employees are aware of the risks and necessary precautions associated with their jobs, as well as emergency response actions.
403-6	Promotion of worker health	In addition to the basic and mandatory medical insurance, WS Audiology also purchases additional commercial insurance for its employees to provide additional protection for their physical and mental health.

Disclosure Number	Aspect	Page or comments
GRI 403: Occupational health and safety 2018 (cont'd)		
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Potential fire hazards can cause significant negative occupational health and safety impacts. WS Audiology protects employees against these risks by setting up fire alarm systems and organizing relevant training and drills.
403-9	Work-related injuries	Note 11.5
GRI 405: Diversity and equal opportunity 2016		
103-1	Explanation of the material topic and its Boundary	p21-23, Note 11.2
103-2	The management approach and its components	p21-23, Note 11.2
103-3	Evaluation of the management approach	p21-23, Note 11.2
405-1	Diversity of governance bodies and employees	p21-23, Note 11.2
GRI 406: Non-discrimination 2016		
103-1	Explanation of the material topic and its Boundary	WSA own operation and supply chain.
103-2	The management approach and its components	We are committed to non-discrimination and we expect our suppliers to do the same. This is included in our company policies. Our employees can raise complaints through our grievance mechanism.

GRI **index** (cont'd)

Disclosure Number	Aspect	Page or comments
GRI 406: Non-discrimination 2016 (cont'd)		
103-3	Evaluation of the management approach	We evaluate the management of the discrimination topic through employee engagement surveys. Supplier compliance is evaluated through audits.
406-1	Incidents of discrimination and corrective actions taken	No legal actions or complaints registered with WS Audiology or competent authorities through a formal process, including WS Audiology's grievance mechanism.
GRI 407: Freedom of association and collective bargaining 2016		
103-1	Explanation of the material topic and its Boundary	Note 11.6
103-2	The management approach and its components	Note 11.6
103-3	Evaluation of the management approach	Note 11.6
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Note 11.6
GRI 408: Child labor 2016		
103-1	Explanation of the material topic and its Boundary	Note 11.6
103-2	The management approach and its components	Note 11.6

Disclosure Number	Aspect	Page or comments
GRI 408: Child labor 2016 (cont'd)		
103-3	Evaluation of the management approach	Note 11.6
408-1	Operations and suppliers at significant risk for incidents of child labor	Note 11.6
GRI 409: Forced or compulsory labor 2016		
103-1	Explanation of the material topic and its Boundary	Note 11.6
103-2	The management approach and its components	Note 11.6
103-3	Evaluation of the management approach	Note 11.6
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	WSA UK Modern Slavery Act Statement FY20-21 Note 11.6
GRI 412: Human rights assessment 2016		
103-1	Explanation of the material topic and its Boundary	Note 11.6
103-2	The management approach and its components	Note 11.6
103-3	Evaluation of the management approach	Note 11.6

GRI index (cont'd)

Disclosure Number	Aspect	Page or comments
GRI 412: Human rights assessment 2016 (cont'd)		
412-1	Operations that have been subject to human rights reviews or impact assessments	Note 11.6
412-2	Employee training on human rights policies or procedures	Human rights training has been provided to all employees through WSA Code of Conduct eLearning
GRI 413: Local communities 2016		
103-1	Explanation of the material topic and its Boundary	Note 11.7
103-2	The management approach and its components	Note 11.7
103-3	Evaluation of the management approach	Our communication department evaluates the quality of local community engagement activities and communicates high-quality engagement stories to encourage other colleagues.
413-2	Operations with significant actual and potential negative impacts on local communities	Our operation is located in a commercial building with very limited negative impact on local communities, i.e. no human rights (incl. land rights) violations. Water is sourced from the municipal water system, waste is handled by qualified vendors. Read more about GHG emissions in note 12.5.

Disclosure Number	Aspect	Page or comments
GRI 414: Supplier social assessment 2016		
103-1	Explanation of the material topic and its Boundary	Note 13.1
103-2	The management approach and its components	Note 13.1
103-3	Evaluation of the management approach	Note 13.1
414-2	Negative social impacts in the supply chain and actions taken	Note 13.1
GRI 416: Customer health and safety 2016		
103-1	Explanation of the material topic and its Boundary	Note 13.3
103-2	The management approach and its components	Note 13.3
103-3	Evaluation of the management approach	Note 13.3
416-1	Assessment of the health and safety impacts of product and service categories	100% product and service categories for which health and safety impacts are assessed for improvement.

GRI index (cont'd)

Disclosure Number	Aspect	Page or comments
GRI 417: Marketing and labeling 2016		
103-1	Explanation of the material topic and its Boundary	Note 13.4
103-2	The management approach and its components	Note 13.4
103-3	Evaluation of the management approach	Note 13.4
417-2	Incidents of non-compliance concerning product and service information and labeling	Note 13.4
GRI 418: Customer privacy 2016		
103-1	Explanation of the material topic and its Boundary	Note 13.5
103-2	The management approach and its components	Note 13.5
103-3	Evaluation of the management approach	Note 13.5
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	WS Audiology has not recorded any non-compliance with data privacy regulations, and no fines have been imposed on WS Audiology.

Disclosure Number	Aspect	Page or comments
GRI 419: Socioeconomic compliance 2016		
103-1	Explanation of the material topic and its Boundary	Note 11
103-2	The management approach and its components	Note 11
103-3	Evaluation of the management approach	Note 11
419-1	Non-compliance with laws and regulations in the social and economic area	WS Audiology has not recorded any non-compliance with regulations in the social and economic area, and no fines have been imposed on WS Audiology.

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We delivered a solid performance in the 2021/22 fiscal year in line with our guidance. The results are delivered by our team in a challenging business environment. Thank you so much to our 12,000 dedicated colleagues across WSA. Together, we enabled millions of people to enjoy wonderful sound as part of their lives.

Eric Bernard
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