2018
ANNUAL REPORT

Årsrapport 2018

William Demant Invest A/S
CVR-nr. 27761291
Kongebakken 9
2765 Smørum, Danmark

Regnskabsperiode: 1. januar – 31. december 2018

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Dirigent:
Peter Foss

William Demant **Invest**

CONTENT

LETTER FROM THE CEO

In more than one way, 2018 was a year marked by new beginnings for William Demant Invest A/S and the companies in our fantastic medtech group. To be more concrete and as clearly evidenced in this report, we consolidated two more companies into our financial statements and thus developed William Demant Invest A/S into an actual group, now including more than just our "own flesh and blood", the hearing healthcare Group Demant.

As of January 2018, our ownership share of Össur exceeded 50%, and we are very happy to have further expanded our activities in this highly successful global leader in non-invasive orthopaedics. In May 2018, we acquired 89% of the leading manufacturer of surface guided radiation therapy, Vision RT, alongside the company's founders. It is the first time that William Demant Invest A/S has assumed full ownership responsibility for the development and operations of an unlisted company. A true pioneer in its field, Vision RT is growing as expected, and we look forward to continuing our active ownership role in the future.

Increasing our ownership in companies and consolidating them into our Group are not just technicalities. These actions also demonstrate our principles and how we want to act as owners. Our strategy is to grow what we have by continuing to increase our ownership of these companies and by continuing to be an active part in developing the companies in which we have already invested. Depending on our success, we then seek new investment opportunities.

Our steady focus has resulted in 2018 becoming a very good year. With an operating profit of DKK 6.6 billion, we delivered an outstanding result and William Demant Invest A/S is now positioned as a significant global medtech Group and indeed one of the largest originating from Denmark.

In addition to our subsidiaries which are consolidated in full, our other companies contribute with profit after tax, and they have delivered very strong performances. Fulfilling many couples' dream of having a baby, Vitrolife provides in vitro fertilisation in more than 100 countries world-wide and has done exceptionally well and generated impressive growth rates. The same high performance can also be seen in CellaVision, the medical microscopy company in which we increased our ownership share to around 12% in 2018 and now consider an important part of our strategic investment portfolio.

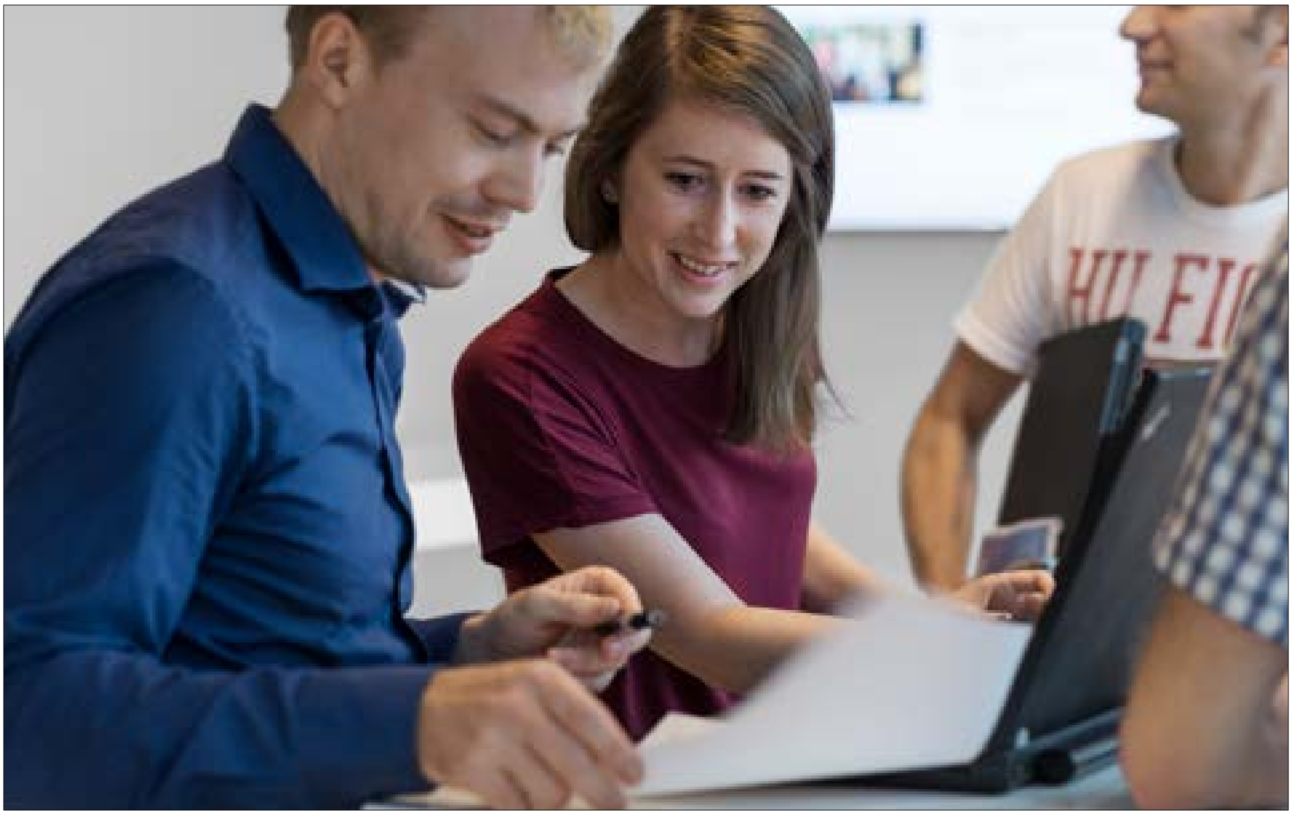
We make most of our investments in companies that share a vision of improving the lives of people with physical impairments. And if this is not the case, we want to see some form of sustainable and responsible origin of the company. The wind farm, Borkum Riffgrund 1, which was officially opened in 2015, has performed as expected, delivering green energy to around 320,000 households. The real estate and service company Jeudan A/S had a fantastic year, and I am pleased to see the enormous effort put into preserving buildings and making Copenhagen even more attractive for its residents and guests.

I would like to return to my statement of new beginnings. In 2018 – besides continuing to take market shares – Demant A/S worked hard to prepare the launch of their new name and brand strategy. The change from William Demant Holding A/S to Demant A/S also had an important impact on our Group as such: We chose to make the structure and hierarchy of the Group clearer by changing the name of the Oticon Foundation to William Demant Foundation. Two elements have resulted in unclear roles. The convergence of names – William Demant Invest A/S and William Demant Holding A/S – and the presence of Oticon in the Foundation's name. With the new naming, we create a much clearer structure, while also maintaining an obvious link to the founder of the Group and Foundation, William Demant.

I would like to thank everyone involved in one way or the other in this fantastic medtech Group. Customers, users, employees and partners all contribute to the many new beginnings during the year and not least to the good results achieved by William Demant Invest A/S.

Niels Jacobsen, CEO

ABOUT WILLIAM DEMANT INVEST A/S



History and purpose
William Demant Invest A/S was founded in 2004 as a wholly-owned holding company for all William Demant Foundation's (formerly known as the Oticon Foundation) investment activities. Today, William Demant Invest A/S secures liquidity from capital returns from subsidiaries and associated companies.

The main purpose of William Demant Foundation is to secure and expand Demant A/S (formerly known as William Demant Holding A/S) and to donate a share of its net income to charter-defined causes. This long-term perspective recurs in the majority of William Demant Invest A/S' other investments where William Demant Invest A/S seeks a substantial and active participation in the further development of subsidiaries and associated companies.

Investment strategy
William Demant Invest A/S invests in companies whose business models and structures resemble those of Demant A/S, but are outside of Demant A/S' strategic sphere of interest which is hearing healthcare.

When investing in new companies, William Demant Invest A/S generally looks for the following industry and company traits:

- Medtech/healthcare industries
- Strong underlying market factors such as demographic trends and structural growth
- Niche industries with consolidation potential
- Companies and products with proof of concept and existing revenue, i.e. not biotechnology/clinical trials
- Stable cash flow generation or the potential to achieve it in a short to medium term

William Demant Invest A/S seeks to place the majority of excess liquidity in these active investments. Any liquidity not placed in active investments is usually placed in corporate bonds and similar instruments for short-term cash optimisation.

GROUP STRUCTURE AND CORPORATE GOVERNANCE

William Demant Invest A/S is the holding company for William Demant Foundation's investment activities. Both entities have identical Boards of Directors although voting rights and decisions to buy or sell Demant A/S shares are exercised and made by William Demant Foundation. William Demant Foundation has communicated a 55-60% ownership interval in Demant A/S.

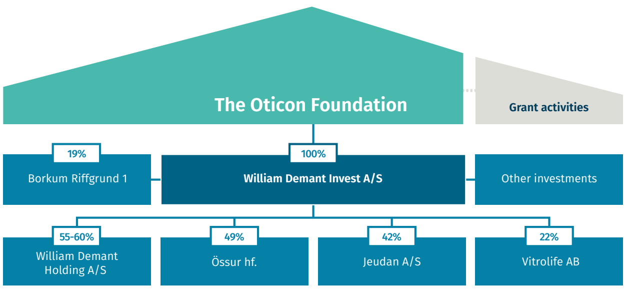
The wholly-owned relationship between William Demant Foundation and Demant A/S as well as the identical Boards of Directors ensure that investments are carried out in respect of the charter of William Demant Foundation along with the investment strategy outlined in William Demant Invest A/S.

In connection with the release of Demant A/S' Annual Report 2018, Demant A/S externally announced a name change of the Group from William Demant Holding A/S to Demant A/S. The new brand strategy marks the transition from Demant A/S being a silent holding company to a more active parent company.

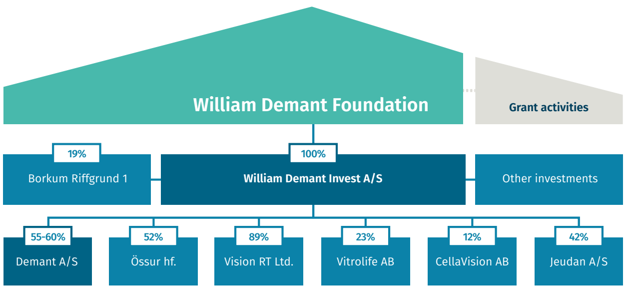
On the same occasion, William Demant Foundation announced a name change from the Oticon Foundation to William Demant Foundation. Meanwhile, William Demant Invest A/S' name remains the same.

The name change of Demant A/S and William Demant Foundation will establish a more clear and logical structure of the whole group, while also maintaining an obvious link to the founder of the group and Foundation, William Demant. The group structure before and after the name changes is illustrated below for comparison.

Previous group structure



New group structure



MANAGEMENT REVIEW

To give the reader an insight into the total size and operational results of William Demant Invest A/S, this management review presents an alternative pro forma consolidation, illustrating the underlying size and results of the investments and William Demant Invest A/S' share of these investments.

In 2018, total revenue for the companies in William Demant Invest A/S increased by 7% to DKK 22,020 million, of which William Demant Invest A/S' share amounted to DKK 11,349 million. Earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to DKK 8,748 million, corresponding to an increase of 67% compared to 2017, and William Demant Invest A/S' share arrived at DKK 5,759 million. The significant increase in EBITDA is a result of a change in recognition and measurement of our investment in Össur, which will be explained in the following.

In the beginning of January 2018, William Demant Invest A/S increased its ownership in Össur to 51%. Consequently, William Demant Invest A/S obtained control and Össur went from being recognised as an associated company on the balance sheet to becoming a subsidiary, requiring full consolidation in both William Demant Invest A/S' income statement and balance sheet. As a result hereof, a step-up of DKK 3,023 million is recognised to William Demant Invest A/S' consolidated EBITDA in 2018, which accounts for the difference between the fair market value of William Demant Invest A/S' ownership stake in Össur, when obtained control, and the equity method to which it was recorded previously on the balance sheet. The latter also explains the significant increase in the "Other" category of EBITDA in the pro forma consolidation, soaring from DKK -26 million in 2017 to DKK 2,984 million in 2018. When adjusting for this step-up, EBITDA amounts to DKK 5,725 million, corresponding to an increase of 9% on 2017, which in light of the realised revenue growth of 7% demonstrates the robustness and attractiveness of the underlying business models supporting our group companies, which continues to spur operational leverage and profitable growth.

Operating profit (EBIT) amounted to DKK 7,925 million in 2018, corresponding to an increase of 76% compared to 2017. The significant increase in the "Other" category of EBIT, arising from the step-up, amounted to DKK 3,023 million.

The impact of the increased ownership in Össur on consolidated financial statements will be explained further in the "Financial Review" section, cf. page 24. In addition to the step-up on Össur, the "Other" category in the pro forma consolidation includes minor investments and administration costs, including our co-investment in the Danish start-up studio, Founders A/S.

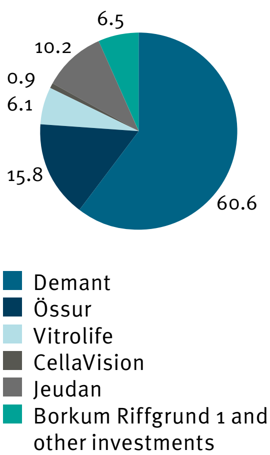
In the first half of 2018, William Demant Invest A/S decided to acquire 89% of the outstanding shares in the UK-based medtech company, Vision RT, which is a leading manufacturer of surface guided radiation therapy. Vision RT fits very well with William Demant Invest A/S' overall investment criteria, with strong underlying fundamentals, a market leading technology and a strong management team.

Furthermore during 2018 William Demant Invest A/S continued to increase its ownership stake in CellaVision and now considers the Swedish medical microscopy company as part of the strategic investment portfolio. By year-end, William Demant Invest A/S' ownership stake was 12% of the outstanding shares.

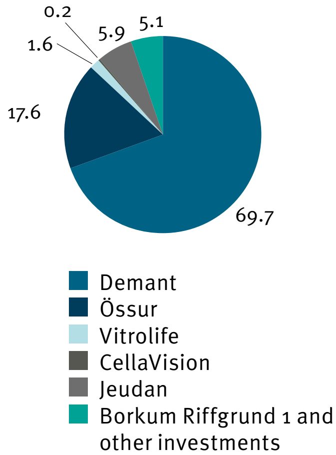
At the end of the year, the market value of the companies in William Demant Invest A/S reached nearly DKK 90 billion, representing an increase of 14% compared to 2017, of which William Demant Invest A/S' share totaled around DKK 43 billion. The growth is driven by favourable stock price developments among all shareholdings during 2018, resulting in strong growth in William Demant Invest A/S' underlying market capitalisation.

The companies in William Demant Invest A/S employed on average 18,271 people during 2018, corresponding to an increase of 6% compared to last year.

Market capitalisation split



Revenue split



Note: Numbers in %. Calculated as William Demant Invest A/S' proportional share.

PRO FORMA CONSOLIDATION

(DKK million)	Individual entities – 100%		William Demant Invest A/S proportional share	
	2018	**2017**	**2018**	**2017**
REVENUE				
Demant A/S	13,937	13,189	7,914	7,634
Össur hf.	3,876	3,576	1,995	1,612
Vision RT Ltd.	465	335	257	-
Vitrolife AB	833	783	183	155
CellaVision AB	264	232	20	1
Jeudan A/S	1,583	1,333	664	564
Borkum Riffgrund 1 (Boston Holding A/S)	832	865	308	320
Other	230	199	8	-
Total	**22,020**	**20,512**	**11,349**	**10,286**
EBITDA				
Demant A/S	2,978	2,742	1,692	1,588
Össur hf.	748	621	385	280
Jeudan A/S	856	787	359	333
Vision RT Ltd.	144	107	59	-
Vitrolife AB	347	306	76	60
CellaVision AB	86	77	6	-
Borkum Riffgrund 1 (Boston Holding A/S)	536	567	198	210
Other (including step-up on Össur)	3,053	37	2,984	-26
Total	**8,748**	**5,224**	**5,759**	**2,445**
OPERATING PROFIT (EBIT)				
Demant A/S	2,532	2,338	1,435	1,352
Össur hf.	553	472	285	212
Vision RT Ltd.	137	104	53	-
Vitrolife AB	285	254	63	50
CellaVision AB	81	70	6	-
Jeudan A/S	834	767	350	324
Borkum Riffgrund 1 (Boston Holding A/S)	454	486	168	180
Other (including step-up on Össur)	3,049	21	2,944	-26
Total	**7,925**	**4,512**	**5,304**	**2,092**
FINANCIAL ITEMS AND TAX				
Demant A/S	-702	-579	-399	-335
Össur hf.	-113	-109	-59	-49
Vision RT Ltd.	-131	-5	-43	-
Vitrolife AB	-60	-57	-13	-11
CellaVision AB	-17	-15	-1	-
Jeudan A/S	-237	-26	-99	-11
Borkum Riffgrund 1 (Boston Holding A/S)	-197	-214	-73	-79
Other	46	-8	62	4
Total	**-1,411**	**-1,013**	**-625**	**-481**
PROFIT FOR THE PERIOD, WILLIAM DEMANT FOUNDATION SHARE			**4,679**	**1,611**
Profit for the period, William Demant Foundation minority share			-43	-40
PROFIT FOR THE YEAR, TOTAL WILLIAM DEMANT INVEST A/S SHARE			**4,636**	**1,571**

PRO FORMA CONSOLIDATION – *CONTINUED*

	Individual entities – 100%		William Demant Invest A/S proportional share	
	2018	**2017**	**2018**	**2017**
EMPLOYEES, AVERAGE				
Demant A/S	14,250	13,280	8,096	7,689
Össur hf.	2,775	2,948	1,428	1,329
Vision RT Ltd.	189	142	169	-
Vitrolife AB	363	355	80	70
CellaVision AB	108	99	9	-
Jeudan A/S	514	420	210	178
Borkum Riffgrund 1 (Boston Holding A/S)	-	-	-	-
Other	72	57	14	5
Total	**18,271**	**17,301**	**10,005**	**9,271**
MARKET CAPITALISATION				
Demant A/S	45,308	43,864	26,151	24,902
Össur hf.	13,190	11,391	6,820	5,539
Vitrolife AB	11,594	10,229	2,615	2,209
CellaVision AB	3,319	2,593	391	49
Jeudan A/S	10,488	8,043	4,400	3,375
Borkum Riffgrund 1 and other investments, cash etc.	5,620	2,471	2,599	2,609
Total	**89,519**	**78,591**	**42,976**	**38,683**

	Average in		End of	
WILLIAM DEMANT INVEST A/S SHARE OF OWNERSHIP	**2018**	**2017**	**2018**	**2017**
Demant A/S (including William Demant Foundation minority share)	57%	58%	58%	57%
Össur hf.	51%	45%	52%	49%
Vision RT Ltd.	89%	0%	89%	0%
Vitrolife AB	22%	20%	23%	22%
CellaVision AB	7%	0%	12%	2%
Jeudan A/S	42%	42%	42%	42%
Borkum Riffgrund 1 (Boston Holding A/S)	19%	19%	19%	19%

The pro forma consolidation is prepared on the basis of average share of ownership in the reported years (adjusted for treasury shares). The market capitalisation is prepared on the basis of share of ownership end of period. Share of ownership in Demant A/S includes William Demant Invest A/S' shares as well as William Demant Foundations shares. In the market capitalisation figures, William Demant Invest A/S' debt to William Demant Foundation is eliminated.

The numbers for Borkum Riffgrund 1 represent Boston Holding A/S' proportional share of the wind farm and thus only account for 50% of the total production (revenue and operating profit), and William Demant Invest A/S' share of ownership in Borkum Riffgrund 1 is calculated on the basis of William Demant Invest A/S' ownership share in Boston Holding A/S, which is 37% (KIRKBI holds the remaining 63%) compared to 19% ownership of Borkum Riffgrund 1.

Demant

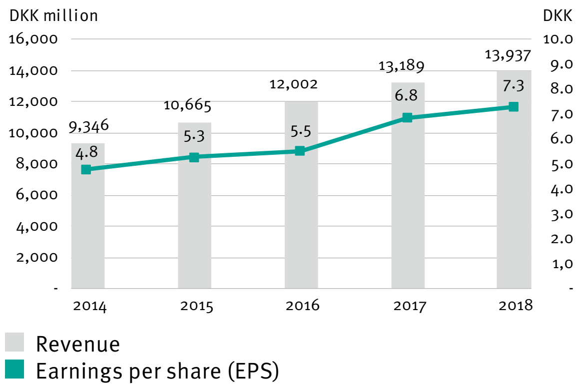
About Demant A/S

Demant A/S is a leading international hearing healthcare company, which develops, manufactures and sells products and equipment designed to aid people with hearing loss in their individual communication. Focus areas are: Hearing Devices, Hearing Implants, Diagnostic Instruments along with own retail and a headset joint venture, Sennheiser Communications. Companies in Demant A/S collaborate in many areas and to a wide extent also share resources and technologies.

On 19 February 2019, a name change to the new company name, Demant A/S, was announced, replacing the former William Demant Holding A/S. The name change took place as part of the launch of a new Group brand strategy.

Today, Demant A/S has more than 14,600 employees and is headquartered in Smørum on the outskirts of Copenhagen, Denmark. Demant A/S is listed on Nasdaq Copenhagen.

The roots of Demant A/S is Oticon, which was founded in 1904. Today, Demant A/S delivers products and services based on true innovation and delivered to customers and end-users through a multi-brand approach and backed by a comprehensive global distribution set-up and efficient shared services.



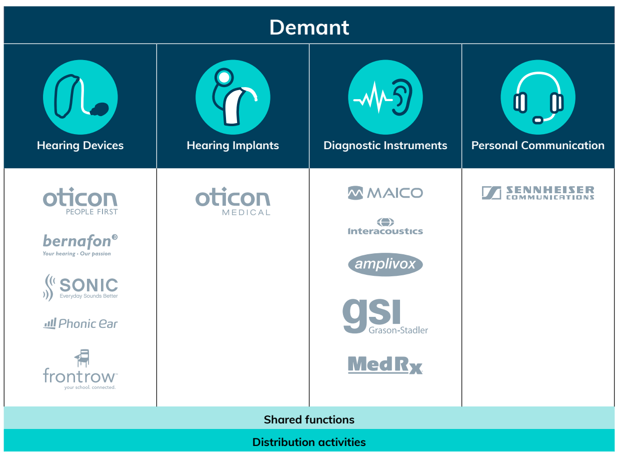
2018

Besides being the first full financial year for Søren Nielsen as President & CEO of Demant A/S, 2018 was indeed an eventful and successful year for Demant A/S.

The company reported consolidated revenue of DKK 13,937 million, which corresponds to 9% growth in local currency compared to 2017, of which 7 percentage points was organic growth, and adjusted for exchange rate effects revenue growth was 6%. Underlying operating profit (EBIT) increased 8% in local currency (6% adjusted for exchange rate effects) to DKK 2,652 million. Net result for the year amounted to DKK 1,830 million, corresponding to 4% growth on 2017.

The Hearing Devices business segment (comprising wholesale and retail of hearing aids) saw strong growth of 9% in local currency. The primary growth driver was strong performance in the wholesale business, which rose 9% organically. The retail business delivered similar growth of 9% compared to 2017, although primarily attributable to acquisitive growth, which accounted for 8 percentage points.

In 2018, the Hearing Implants business segment reported 5% revenue growth in local currency, of which all was organic growth. However, during the year, the Company decided to reduce the activity level within cochlear implants (CI) in selected markets due to lower price levels. When adjusting for this decision, the business segment delivered 10% organic growth.



The Diagnostic Instruments business segment had yet another strong year, growing to the tune of 12% in local currency. With an underlying estimated market growth of 5%, Demant A/S gained further market share within this business segment, driven by growth across all brands, product categories and markets.

During the second half of 2018, the company, in a joint announcement with German Sennheiser KG, announced the decision to end the Sennheiser Communication joint venture between Demant A/S and Sennheiser KG. The decision is based on a wish from both parties to fully capitalise on the opportunities lying ahead in all the business segments.

The separation is scheduled to take effect on 1 January 2020 and is carried out in good faith. Going forward, Demant A/S will take over the business segments of Enterprise Solutions (CC&O) and Gaming including the distribution, which has been with Sennheiser KG until now. The new business segment under Demant A/S will after 2019 continue to sell Sennheiser-branded CC&O and Gaming products under a license agreement with the Sennheiser brand.

Outlook 2019
In 2019, Demant A/S expects to deliver organic growth above market level accelerating through the year, an EBIT of DKK 2,650-2,950 million and a substantial growth in cash flow from operating activities (CFFO).

Demant A/S

(DKK million)	2018	2017
Revenue	13,937	13,189
EBITDA	2,978	2,742
EBIT	2,532	2,338
EBIT - adjusted	2,652	2,504
Net result	1,830	1,759
Equity	7,059	7,433
Assets	17,935	16,222
Cash flow from operations (CFFO)	1,683	1,872
Free cash flow (FCF)	1,185	1,387
Average number of employees	14,250	13,280
William Demant Invest A/S (incl. William Demant Foundation) ownership (end of the year)	58%	57%

Board of Directors

Niels B. Christiansen	Chairman
Niels Jacobsen	Deputy Chairman
Peter Foss	
Benedikte Leroy	
Lars Rasmussen	
Thomas Duer	Staff-elected
Ole Lundsgaard	Staff-elected
Jørgen Møller Nielsen	Staff-elected

Executive Management

Søren Nielsen	President & CEO
René Schneider	CFO

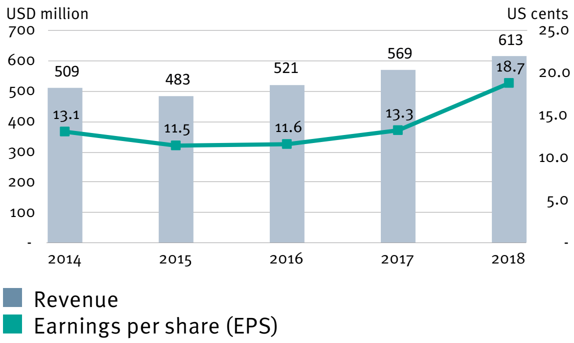
About Össur hf.

Össur is a global leader in non-invasive orthopaedics, focused on delivering innovative solutions in the prosthetics and bracing and supports market. The company was founded in 1971, is headquartered in Iceland and operates with more than 3,100 employees in 26 countries. Össur has been listed on the Icelandic Stock Exchange since 1999 and on Nasdaq Copenhagen since 2009. In December 2017, trading of Össur shares was concentrated on Nasdaq Copenhagen, following a request from Össur to cancel the trading of Össur shares on Nasdaq Iceland.

William Demant Invest A/S started investing in Össur in 2004 and has continually bought up Össur shares. Today, William Demant Invest A/S is the majority shareholder, holding around 52% of the share capital.

2018

Össur experienced strong growth in 2018, primarily driven by new product introductions, favourable product mix effects and acquisitions, resulting in revenue for the year of USD 613 million, corresponding to a full-year growth rate of 8% in local currency.



In particular, the Prosthetics business segment, which accounts for 52% of total revenue, performed well with 7% growth in local currency compared to 2017. Growth was mainly driven by high-end innovative products, like the bionics products and carbon-fiber mechanical feet. By the end of 2018, bionics products amounted to 22% of Prosthetics component sales. Össur's other business segment, Bracing & Support, delivered modest growth of 2% in local currency. Growth in EMEA was dulled by a competitive market environment in France and rationalisation efforts in selected markets. Growth in Americas was strong within high-end innovative products but negatively impacted by lower sales to a few large distributors.

Össur completed four acquisitions in 2018 to strengthen the Company's sales channels. Two of the companies contributed to revenue from the fourth quarter 2018, while the two others will begin contributing to revenue from the first quarter 2019. The combined full-year revenue effect for all acquisitions amounted to USD 70 million.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) before special items increased to USD 115 million, which corresponds to 19% of revenue compared to 18% in 2017. The slight improvement in profitability was due to positive product mix effects and efficiency initiatives within distribution, manufacturing and sourcing announced in 2017, which is expected to further increase profitability and scalability going forward.

Össur hf.

(USD million)	2018	2017
Revenue	613	569
EBITDA	107	97
EBIT	79	75
Net result	80	58
Equity	538	500
Assets	914	793
Cash flow from operations (CFFO)	92	90
Free cash flow (FCF)	39	55
Average number of employees	2,775	2,948
William Demant Invest A/S ownership (end of the year)	52%	49%

Board of Directors

Niels Jacobsen	Chairman
Kristján T. Ragnarsson	Deputy Chairman
Arne Boye Nielsen	
Guðbjörg Edda Eggertsdóttir	
Svafa Grönfeldt	

Executive Management

Jón Sigurðsson	President & CEO
Sveinn Sölvason	CFO
Egill Jónsson	EVP of Manufacturing and Operations
Ólafur Gylfason	EVP of Sales and Marketing
Kim De Roy	EVP of R&D
Margrét Lára Friðriksdóttir	EVP of HR and Strategy
Gudjon G. Karason	EVP of Clinics

Note: The numbers for 2018 are without any purchace price allocation adjustments.

Net result increased by USD 22 million to USD 80 million, corresponding to an increase of 38% compared to last year. Earnings per share amounted to US cents 18.7 compared to US cents 13.3 in 2017.

Outlook 2019

In 2019, Össur expects organic revenue growth of 4-5% in local currency. The EBITDA margin is expected to increase to around 23%, primarily due to the implementation of the new IFRS 16 accounting standard. Excluding the IFRS 16 impact, an EBITDA margin of around 20% is expected. Additionally, a slightly lower effective tax rate is expected due to, among others, favourable tax reforms in the US.

About Vision RT Ltd.
Vision RT is a UK-based pioneer and leading manufacturer of surface guided radiation therapy (SGRT). The company, which was founded in 2001 by three visionary scientific academics, has pioneered the market of SGRT and is currently the undisputed market leader. The company develops and manufactures camera systems that improve the efficiency, efficacy and patient comfort during radiation therapy cancer treatment.

The camera systems, which are based on stereo camera technology, complex software algorithms and proprietary hardware design, make it possible to monitor and track a patient's position in real-time during radiation treatment to ensure correct patient positioning and aid in treatment accuracy.

William Demant Invest A/S acquired approximately 89% of the shares in Vision RT in 2018 – thus becoming the majority shareholder alongside the company's original founders. As opposed to William Demant Invest A/S' other investments, except Borkum Riffgrund 1, Vision RT is not a listed company.

2018
Vision RT has seen remarkable growth over the last couple of years, which continued in 2018 where revenue rose with double-digit growth to GBP 55 million. The revenue growth was broadly based across market regions, and we are happy to see that SGRT is on a steep global growth trajectory, when it comes to market awareness and acceptance. That said, the growth potential is still enormous, as only a fraction of the global linear accelerator install base is equipped with an SGRT system.

Vision RT has since its inception invested heavily in building world-class R&D capabilities and expertise. This course continued in 2018, which, combined with a rapidly growing, commercial global infrastructure, set Vision RT in motion to continue to pioneer and lead the market for SGRT for many years to come.

Following William Demant Invest A/S' acquisition, a new Board of Directors was constituted with Niels Jacobsen as new chairman. Søren Nielsen, President & CEO of Demant A/S, was appointed member, together with the two founders and current shareholders, Norman Smith and Gideon Hale, who also hold positions as President & CEO and VP Special Products, respectively, in Vision RT.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to GBP 16 million, resulting in an EBITDA margin of 29%. Net result increased to GBP 12 million.

Outlook 2019

As Vision RT is a non-listed company they are not giving any guidance or outlook statements.

Vision RT

(GBP million)	2018
Revenue	55
EBITDA	16
EBIT	13
Net result	12
Equity	41
Assets	49
Cash flow from operations (CFFO)	8
Free cash flow (FCF)	7
Average number of employees (FTE)	189
William Demant Invest A/S ownership (end of period)	89%

Note: The numbers are without any purchace price allocation adjustments. Furthermore, in William Demant Invest A/S' consolidated statements, only seven months are accounted for, reflecting William Demant Invest A/S' ownership period.

Board of Directors

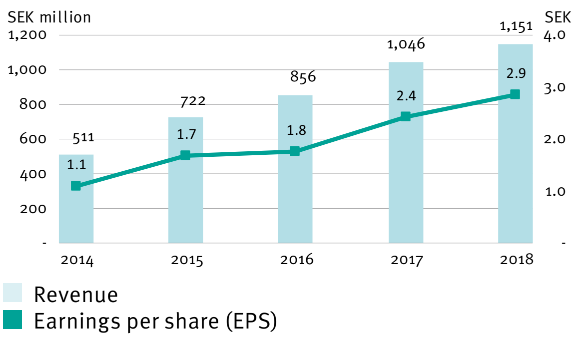
Niels Jacobsen	Chairman
Søren Nielsen	
Norman Smith	
Gideon Hale	

Executive Management

Norman Smith	President & CEO

About Vitrolife AB
Vitrolife is an international medical device group specialising in production and development of products for assisted reproduction. The company was founded in 1994 and was one of the first companies to provide IVF laboratories with high quality ready-to-use culture media. The company is headquartered in Sweden and has approx. 390 employees and the company's products are sold in approx. 110 markets. Vitrolife is listed on Nasdaq Stockholm. In 2014, William Demant Invest A/S divested its 31% share in Unisense FertiliTech A/S to Vitrolife in exchange for shares in the company, and has continually bought up shares in Vitrolife. During 2017, William Demant Invest A/S became the largest shareholder and today holds around 25% of the shares.

2018
Revenue arrived at SEK 1,151 million, corresponding to 10% growth in SEK. The growth was 5% in local currency and consisted purely of organic growth.



In particular, the market region Americas had a strong year with 15% growth in local currency, among others driven by the market approval of the EmbryoScope+ in the US. Consequently, Vitrolife's second largest business segment, Time-Lapse, reported yet another strong year with growth of 13% in local currency.

Vitrolife's largest and third largest business segments, Media and Disposable Devices, reported growth of 6% and 8% in local currency, respectively. The ART Equipment business segment saw negative growth of 31% in local currency in 2018, among others due to longer regulatory approval times than expected for new product upgrades.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) improved by SEK 71 million to SEK 479 million, resulting in an EBITDA margin of 42% which is an improvement of 3 percentage points compared to last year. Net result increased to SEK 311 million, compared to SEK 265 million last year.

In addition, it was resolved on the Annual General Meeting in April 2018 to increase the number of shares through a 5:1 stock split completed in May 2018. Consequently, earnings per share amounted to SEK 2.9 in 2018 compared to SEK 2.4 in 2017 (restated).

In the first quarter of 2018, Vitrolife announced the acquisition of licensing rights to a new technology, which will be commercialised through the market introduction of a unique embryo transfer catheter, strengthening the ART Equipment business segment. However, due to changes in the launch plan, the market introduction has been postponed, resulting in write-downs of SEK 17 million in the fourth quarter of 2018.

Vitrolife AB

(SEK million)	2018	2017
Revenue	1,151	1,046
EBITDA	479	408
EBIT	394	341
Net result	311	265
Equity	1,493	1,226
Assets	1,697	1,422
Cash flow from operations (CFFO)	349	312
Free cash flow (FCF)	87	209
Average number of employees	363	355
William Demant Invest A/S ownership (end of the year)	23%	22%

Board of Directors

Carsten Browall	Chairman
Barbro Fridén	
Lars Holmqvist	
Pia Marions	
Jón Sigurdsson	

Executive Management

Thomas Axelsson	CEO
Mikael Engblom	CFO
Fredrik Mattsson	Senior VP New Business & Strategy Development
Maria Forss	Business Unit Director Media
Rickard Ericsson	Chief Sales & Marketing Officer
Steffen Nielsen	Chief Operating Officer
Mark Larman	Chief Scientific Officer

Also, in the fourth quarter of 2018, Vitrolife entered into a licensing and commercialisation agreement with the US-based genomics company, Illumina Inc., which provides Vitrolife with exclusive distribution, development and commercialisation rights to Illumina's preimplantation genetic testing (PGT) business for IVF in EMEA and Americas. Consequently, Vitrolife has from 2019 added a new fifth business segment, Genomics.

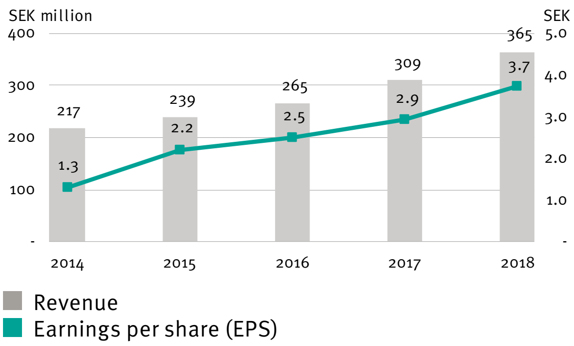
Outlook 2019

For 2019, Vitrolife anticipates a constantly expanding market, which in monetary terms is expected to grow by 5-10% per year in the foreseeable future.

About CellaVision AB
CellaVision is a global leader of digital solutions for medical microscopy in the field of hematology, replacing conventional microscopes with innovative digital and automated solutions. The company develops analysers, software and applications that make it easier, faster and more efficient to carry out blood cell analysis, ranging from among others pre-classification of white-blood cell types to morphological characteristics of red-blood cells.

The company is headquartered in Lund and has approx. 120 employees and the company's products are sold globally through an indirect sales and distribution model. CellaVision has since 2011 been listed on Nasdaq Stockholm.

William Demant Invest A/S started investing in CellaVision in 2017 and has continually bought up CellaVision shares. With an ownership of around 12%, William Demant Invest A/S is the largest shareholder in the company.



2018
CellaVision saw strong growth in 2018 and continued to increase its market penetration and capture market shares from conventional microscopy. Revenue rose 18% in local currency to SEK 365 million, driven by high-digit growth in all market regions and good leverage from prior investments in global market support functions, expanding to several new countries during the year.

CellaVision estimates to hold around 18% of the global market for digital microscopy at large hematology laboratories, with the remainder resting at conventional microscopes. There are no real competitors to CellaVision's products in the commercial hematology market, except for smaller, immature companies with little or no traction.

During 2018, CellaVision worked intensely on developing its new technology platform for small and mid-sized laboratories, the so-called CellaVision DC-1. The analyser will significantly expand CellaVision's core market from currently around 17,000 large laboratories with the addition of 100,000 small and mid-sized laboratories. In market value terms, this means an increase of the yearly addressable market to SEK 3 billion from SEK 1 billion.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) improved by SEK 20 million to SEK 119 million, resulting in an EBITDA margin of 32%, which is on par with last year's number. Net result increased to SEK 89 million, compared to SEK 70 million last year.

Outlook 2019

CellaVision is not giving specific guidance or outlook for 2019, but reiterated its long-term financial targets of an operating margin of at least 20% and organic revenue growth of 15% over an economic life cycle.

CellaVision AB

(SEK million)	2018	2017
Revenue	365	309
EBITDA	119	99
EBIT	112	91
Net result	89	70
Equity	290	241
Assets	373	301
Cash flow from operations (CFFO)	74	88
Free cash flow (FCF)	50	58
Average number of employees (FTE)	108	97
William Demant Invest A/S ownership (end of period)	12%	2%

Board of Directors	
Sören Mellstig	Chairman
Christer Fåhraeus	
Jurgen Riedl	
Torbjörn Kronander	
Anna Malm Bernsten	
Niklas Prager	
Åsa Hedin	
Stefan Wolf	
Exececutive Management	
Zlatko Rihter	CEO
Magnus Blixt	CFO
Magnus Johnsson	VP Quality
Maria Morin	VP Human Resources
Adam Morell	VP Engineering
Mattias Lundin	VP Global Sales
Peter Wilson	VP Global Marketing
Magnus Lindeberg	VP Supply & Sourcing
Jeppe Brandstrup	VP Business Development

jeudan

About Jeudan A/S

Jeudan A/S is Denmark's largest publicly listed real estate and service company. Jeudan A/S' activities consist of investment in and operation of commercial and residential properties, mainly in Copenhagen, and a complete offering of advisory services within real estate – through Jeudan Servicepartner.

William Demant Invest A/S started investing in Jeudan A/S in 2004 and today holds around 42% of the shares, being the majority shareholder together with Chr. Augustinus Fabrikker A/S. The development of Copenhagen as a city and the unique atmosphere was always close to the heart of William Demant, so while also being a sound financial investment, William Demant Invest A/S' ownership of Jeudan A/S has ties to the history of William Demant.

2018

2018 was yet another year with favourable conditions for the Danish real estate market fueled by a continued economic upswing, weak offering of orderly properties in attractive locations and real estate prices continuing to rise within both commercial and residential properties.

Consequently, Jeudan A/S has in 2018 reduced the investment level compared to 2017 and exploited favorable market conditions to reduce the overall risk exposure by selling off properties outside the strategic focus area. By year-end, Jeudan A/S' portfolio amounted to 194 properties, with a book value of DKK 24 billion and more than 90% of the total property portfolio located in the city centre of Copenhagen.

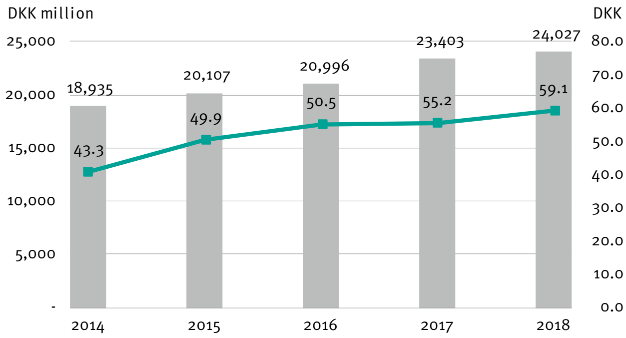
Equity, which at year-end reached DKK 6.7 billion, had a return of 9.3% and comprised 27.6% of Jeudan A/S' total assets. As a result of the equity ratio, the board proposed a dividend of DKK 12 for 2018 in accordance with the company's dividend policy.

In 2018, Jeudan A/S saw an increase in revenue of 19% to DKK 1,583 million and an operating profit (EBIT) of DKK 834 million, corresponding to an EBIT margin of 53%. After interest expense, but before value adjustments and tax, the result (EBVAT) amounted to DKK 655 million, which is an increase of 8% compared to last year. Net result arrived at DKK 597 million, which is a reduction of 144 million compared to last year. The decrease is mainly attributable to negative value adjustment of financial obligations as a result of decreasing interest levels in 2018.

During 2018, the Jeudan stock price increased by 30%, resulting in a market capitalisation of DKK 10.5 billion by the end of 2018.

Outlook 2019

In 2019, Jeudan A/S expects revenue of DKK 1,600 million, while EBVAT is expected to arrive around DKK 660-700 million.



Investment properties
EBVAT*/per share

**EBVAT = earnings before value adjustments and tax*

Jeudan A/S

(DKK million)	2018	2017
Revenue	1,583	1,333
EBIT	834	768
EBVAT	655	609
Net result	597	741
Equity	6,707	6244
Assets	24,263	23,593
Cash flow from operations (CFFO)	590	589
Free cash flow (FCF)	-292	93
Average number of employees	514	420
Occupancy rate	96%	96%
William Demant Invest A/S ownership (end of the year)	42%	42%

Board of Directors

Niels Jacobsen	Chairman
Claus Gregersen	Deputy Chairman
Tommy Pedersen	
Søren Bergholt Andersson	
Helle Okholm	

Executive Management

Per Wetke Hallgren	CEO

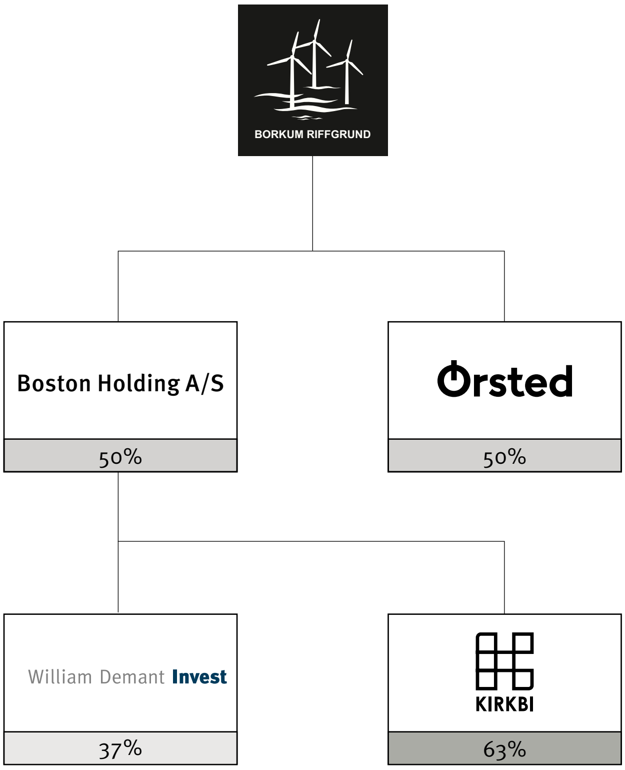
BORKUM RIFFGRUND 1

About Borkum Riffgrund 1
In 2012, William Demant Invest A/S entered into a joint arrangement with KIRKBI and Ørsted to construct 77 wind turbines each of 3.6 MW in the North Sea at the German coast. In 2013, it was decided to upgrade the wind turbines to 4.0 MW to boost the annual power production. Furthermore, the partnership decided to construct an additional wind turbine in 2014, so now the wind farm consists of 78 wind turbines each of 4.0 MW with a total capacity of 312 MW.

The 50% ownership in Borkum Riffgrund 1 is held by Boston Holding A/S where William Demant Invest A/S owns 37% and KIRKBI the remaining 63%. Ørsted owns the other 50% of Borkum Riffgrund 1. The ownership structure of Borkum Riffgrund 1 is outlined below.

2018
Boston Holding A/S' share of the revenue generated from the wind farm amounted to DKK 834 million, which is slightly below the amount in 2017. Operating profit and net result arrived at DKK 455 million and DKK 288 million, respectively.

Outlook 2019
In 2019, the wind farm is expected to produce around GWh 1,250 which approximates the energy consumption of around 320,000 German households.



Boston Holding A/S

(DKK million)	2018	2017
Revenue	834	865
Operating profit	455	486
Net result	288	301
Equity	673	415
Assets	4,849	5,002
William Demant Invest A/S ownership (end of the year)	37%	37%

Note: The numbers represent Boston Holding A/S' proportional share of Borkum Riffgrund 1 and thus only account for 50% of the total production (revenue and operating profit).

Board of Directors

Søren Thorup	Chairman
Niels Jacobsen	Deputy Chairman
Thomas Schleicher	
Nicklas Hansen	

Management

Kasper Trebbien	Managing Director

FINANCIAL REVIEW

As mentioned in the "Management Review" section, the financial statements for William Demant Invest A/S have in 2018 been impacted by the change of control in Össur. Consequently, the recognition and measurement of our investment in Össur has changed from the equity method applied in 2017 to full consolidation in both the income statement and balance sheet.

Additionally, William Demant Invest A/S acquired the majority of the shares in Vision RT (89%) in 2018, resulting in Vision RT also being fully consolidated in both the income statement and balance sheet.

Hence, the consolidated income statement and balance sheet of William Demant Invest A/S comprise for the first time three subsidiaries – Demant A/S, Össur, Vision RT and the parent company of William Demant Invest A/S – as well as our joint operation with KIRKBI, Boston Holding A/S.

Income statement
William Demant Invest A/S' consolidated revenue amounted to DKK 18,410 million in 2018 compared to DKK 13,509 million in 2017. Earnings before interest, taxes, depreciation and amortisation (EBITDA) more than doubled to DKK 7,286 million compared to DKK 3,492 million in 2017. The same goes for operating profit (EBIT), which arrived at DKK 6,556 million compared to DKK 3,007 million in 2017, whereas profit before tax arrived at DKK 6,314 million compared to DKK 2,829 million in 2017.

The significant increases in both revenue and earnings compared to 2017 are mainly driven by the change of measurement method of the investment in Össur, shifting from the equity method to full consolidation. As explained in the "Management Review" section, the change in measurement method implies a step-up of DKK 3,023 million to EBITDA, which has no revenue impact as it is recognised in the income statement under "Share of profit after tax, associates and joint ventures". EBITDA adjusted for the step-up amounted to DKK 4,263 million.

In 2018, William Demant Invest A/S' share of the aggregate net result was DKK 4,634 million. Profit for the year is deemed satisfactory.

Equity and capital structure
Total assets amounted to DKK 36,560 million at year-end 2018 compared to DKK 25,171 million in 2017. Consolidated equity in 2018 amounted to DKK 19,052 million compared to DKK 14,635 million in 2017. Full consolidation of Össur is also the main driver of the increasing balance level compared to 2017.

In order to strengthen the liquidity in William Demant Foundation, a dividend of DKK 20 million has been paid out to William Demant Foundation in 2018.

Cash flows
Cash flow from operating activities amounted to DKK 2,353 million in 2018 compared to DKK 2,093 million in 2017, whereas cash flow from investing activities amounted to DKK -5,024 million in 2018 compared to DKK -2,010 million in 2017. Finally, cash flow from financing activities amounted to DKK 2,370 million in 2018 compared to DKK 412 million in 2017.

Tax
William Demant Invest A/S is the administration company for the joint taxation of Demant A/S and other Danish subsidiaries. Total corporate tax paid in 2018 aggregated DKK 626 million of which DKK 384 million was paid in Denmark by William Demant Invest A/S on behalf of the jointly taxed companies. Tax in associated companies is paid in the respective companies.

Knowledge resources
William Demant Invest A/S has 8 employees but does to a great extent rely on the development and retention of knowledge resources in subsidiaries and associated companies. Further elaboration of knowledge resources can be found in subsidiaries and associated companies' annual reports and webpages.

Risks
William Demant Invest A/S' risks primarily relate to developments in our three subsidiaries, global medtech and Danish commercial occupancy rates and the financial markets. For a further review of financial risks, see note 4.1. Further elaboration on business-related risks can be found in subsidiaries' and associates' annual reports and webpages.

Corporate Social Responsibility
William Demant Invest A/S places its investments primarily in the medtech and healthcare industry and we look at consolidation and growth potential, among others, of the companies and projects in which we invest. Thus, our investment policy contributes to the positive development of a healthy society both in terms of coming up with new inventions, offering new possibilities for people suffering from diseases and paying back to society in form of generating jobs and contributing to economic development.

As an investment company, we do not have a stand-alone policy on CSR, but we consider it part of our defined investment policy. Most importantly, we monitor and participate in formulating CSR activities of our subsidiaries and associates through our Board representation. Furthermore, when analysing new investment opportunities, we strongly emphasise in our due diligence process to get a thorough understanding of the targeted company's position on Environmental, Social and Governance (ESG) issues.

Due to the nature of William Demant Invest A/S' business activities, we have not found it necessary to formulate separate policies on human rights, social and employee matters, environmental and climate issues or anti-corruption. We address these issues in our overall review, when we evaluate new investment opportunities, since we are aware of the risk of contributing to a negative impact through our investments.

William Demant Invest A/S' major holdings work intensively with corporate social responsibility, and William Demant Invest A/S continues to monitor the activities in subsidiaries and associates. It is our belief that our attention to their work with corporate social responsibility contributes to the continuing focus and improvement of the companies' achievements in this area. In fact, we applaud their results and continuing work with and focus on acting responsibly in a global market place. Further elaboration on concrete CSR activities can be found in subsidiaries' and associates' respective annual reports and webpages.

Besides the CSR activities in subsidiaries and associates, William Demant Invest A/S has invested in an offshore wind farm. William Demant Invest A/S' share of renewable energy will be enough to cover the energy consumption of the Group more than five times over.

Target for the share of the underrepresented gender in the Board of Directors
At year-end 2018, the Board of Directors in William Demant Invest A/S had four members. In continuation of the rules on the underrepresented gender in boards and under section 139a(1)(i) of the Danish Companies Act, the Board of Directors has set a target of electing and maintaining at least one board member of the underrepresented gender. Today, the board has one female member. As the total number of employees in William Demant Invest A/S is less than 50, no specific targets with regard to the share of the underrepresented gender have been set in other management levels.

Research and development activities
William Demant Invest A/S does not engage in research and development activities. Thus, William Demant Invest A/S' activities in this field are all placed in subsidiaries and associates. Further elaboration on research and development activities can be found in subsidiaries' and associates' annual reports and webpages.

Outlook 2019
The results for 2019 will largely be linked to the development in subsidiaries and associated companies and their respective outlook for 2019. Further elaboration on the latter can be found in their respective annual reports.

Results for William Demant Invest A/S are expected to be satisfactory.

BOARD OF DIRECTORS

Lars Nørby Johansen, Chairman

(born 1949)

Lars Nørby Johansen received a Master of Social Sciences degree and began his career as a lecturer in political science at the University of Odense. Later he became a researcher. In 1998, he was appointed managing director of Falcks Redningskorps and Falck Holding. He stayed with Falck until 2005; From 1995 he was CEO, from 2000 also President for Group 4 Falck and Group Falck Securicor. Lars Nørby Johansen was a member of the Demant A/S board of directors 1998-2017, where he served as deputy chairman in the period 2004-2007 and chairman of the board in the period 2008-2017.

– Member of the Board since 2017
– Up for election in 2019
– Special qualifications including extensive international experience as a corporate executive, including vast board experience from listed companies, and profound knowledge of the challenges resulting from globalisation and not least industrial policy
– Considered independent Board member
– Total fee in William Demant Foundation and William Demant Invest in 2018: DKK 1,050,000.

Other directorships
Codan A/S and one subsidiary, chairman
Dansk Vækstkapital, chairman
Copenhagen Airports A/S, chairman
Montana Møbler A/S, chairman
University of Southern Denmark, chairman
The Rockwool Foundation, chairman
Arp-Hansen Hotel Group A/S, deputy chairman
Fonden for Entreprenørskab – Young Enterprise, chairman
William Demant Foundation, chairman

Peter Foss, Deputy Chairman

(born 1956)

Peter Foss received a Master of Science degree in Engineering from the Technical University of Denmark in 1980, after which he was employed with Brüel & Kjær as an engineer. In 1981, he received a diploma in Business Administration from the Copenhagen Business School. In 1985, he joined FOSS A/S and acted as division manager until 1990. From 1990-2011, Peter Foss was the CEO of FOSS, and in 2011 he was appointed chairman of the board.

– Member of the Board since 2011
– Re-elected in 2018, up for election in 2020
– Special qualifications within management of global and market-leading industrial businesses with a high share of product development as well as board experience from various business areas
– Considered independent Board member
– Total fee in William Demant Foundation and William Demant Invest Group in 2018: DKK 925,000.

Other directorships
FOSS A/S and two affiliated companies, chairman
William Demant Foundation, deputy chairman
Demant A/S, board member
A.R. Holding af 1999 A/S, board member
TrackMan A/S, board member

BOARD OF DIRECTORS

Ulla Brockenhuus-Schack

(born 1961)

Ulla Brockenhuus-Schack graduated from Copenhagen Business School and holds a Master of Business Administration degree in Strategy and Innovation from Columbia Business School, New York, from 1988. In 1987-1990, she worked as a management consultant at McKinsey & Company, followed by the position of marketing director at Egmont Juvenile in 1990-1994 and CEO of Egmont Imagination in 1995-1996. In 1998-1999, she was the executive of Nordisk Film A/S. From 1999 to 2002, she was the co-founder of Haburi.com. Since 2005, Ulla Brockenhuus-Schack has been managing partner in SEED Capital Denmark and in the period 2003-2017 the managing director of Pre-Seed Innovation A/S.

- Member of the Board since 2012
- Re-elected in 2017, up for election in 2019
- Special qualifications within the area of business strategy, development as well as innovation in various industries incl. the medical field
- Considered independent Board member
- Total fee in William Demant Foundation and William Demant Invest in 2018: DKK 350,000.

Other directorships
Expanite Technology A/S, board member
Tivoli A/S, board member
DVCA, board member
The Mary Foundation, board member
OrderYoyo A/S, board member
VEO ApS, board member
William Demant Foundation, board member

Peter Straarup

(born 1951)

Peter Straarup received a diploma in Business Economics at Copenhagen Business School in 1979. He joined Danske Bank, Fredericia, in 1968. In 1975, he was hired as arbitrage dealer in Danske Bank in Copenhagen, and in 1976-1977 he worked as the manager of Loan Administration at Scandinavian Bank Ltd. in London. Peter Straarup was appointed vice president of Danske Bank in 1980 and he worked both in Denmark and abroad, including Singapore and New York, until 1986 when he was appointed director of Danske Bank. In 1998, he was appointed managing director and held this position until his retirement in 2012.

- Member of the Board since 2012
- Re-elected in 2018, up for election in 2020
- Special qualifications within management of financial businesses and business acquisitions in a global context
- Considered independent Board member
- Total fee in William Demant Foundation and William Demant Invest in 2018: DKK 350,000.

Other directorships
A.P. Møller Holding A/S, board member
Knud Højgaards Fond, board member
Højgaard Ejendomme A/S, board member
William Demant Foundation, board member

MANAGEMENT

Niels Jacobsen, CEO

(born 1957)

Niels Jacobsen holds a Master of Science degree in Economics from Aarhus University. He has extensive leadership experience from major international companies. His competencies include business management and in-depth knowledge of financial matters, accounting, risk management and M&A. He has broad experience from the global healthcare industry.

Other directorships
KIRKBI A/S, deputy chairman
Nissens A/S, chairman
Thomas B. Thrige Foundation, chairman
ABOUT YOU Holding GmbH, deputy chairman

Group-related directorships
Demant A/S, deputy chairman
Össur hf., chairman
Vision RT Ltd., chairman
Jeudan A/S, chairman
Boston Holding A/S, board member
Founders A/S, chairman
Sennheiser Communications A/S, board member
HIMPP A/S, chairman

FINANCIAL REPORT

KEY FIGURES AND FINANCIAL RATIOS

	2018	2017	2016	2015	2014
INCOME STATEMENT, DKK MILLION					
Revenue	18,410	13,509	12,154	10,665	9,346
Gross profit	13,626	10,211	9,110	7,895	6,813
R&D costs	-1,233	-919	839	763	680
Share of profit after tax, associates and joint ventures	3,549	561	374	550	75
EBITDA	7,286	3,492	2,753	2,699	2,059
Amortisation and depreciation etc.	730	485	447	325	294
Operating profit (EBIT)	6,556	3,007	2,306	2,374	1,765
Net financial items	-242	-178	-137	-72	-63
Profit before tax	6,314	2,829	2,169	2,302	1,702
Profit for the year	5,688	2,354	1,784	1,939	1,339
BALANCE SHEET, DKK MILLION					
Net interest-bearing debt	10,604	5,134	6,021	5,869	4,399
Assets	36,560	25,171	23,198	21,599	17,331
Equity	19,052	14,635	12,296	11,291	9,316
OTHER KEY FIGURES, DKK MILLION					
Investment in property, plant and equipment, net	569	296	403	609	1,317
Cash flow from operating activities (CFFO)	2,353	2,093	1,785	1,585	1,555
Free cash flow	1,629	1,600	1,237	1,246	703
Average number of employees	17,221	13,285	12,339	10,803	9,799
FINANCIAL RATIOS					
Gross profit margin	74.0%	75.6%	75.0%	74.0%	72.9%
EBITDA margin	39.6%	25.8%	22.7%	25.3%	22.0%
Profit margin (EBIT margin)	35.6%	22.3%	19.0%	22.3%	18.9%
Return on equity	35.5%	15.9%	13.5%	17.0%	11.2%
Equity ratio	51.9%	58.1%	53.0%	52.3%	53.8%

Financial ratios are calculated in accordance with “Recommendations and Ratios” from CFA Society Denmark. The free cash flow is calculated as the sum of cash flow from operating activities (CFFO) and investing activities (CFFI) before acquisitions and disposals of enterprises, participating interests and activities. On computation of the return on equity, average equity is calculated, duly considering the buy-back of shares.

Key figures and financial ratios for 2014 have been restated to reflect proportional consolidation of the Borkum Riffgrund 1 joint arrangement.

MANAGEMENT STATEMENT

We have today considered and approved the Annual Report 2018 of William Demant Invest A/S for the financial year 1 January – 31 December 2018.

The consolidated financial statements have been prepared and presented in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements in accordance with the Danish Financial Statements Act. The parent financial statements are presented in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2018 as well as of the results of their operations and the consolidated cash flows for the financial year 1 January – 31 December 2018.

In our opinion, the Management commentary contains a fair review of the development of the Group's and the Parent's business and financial matters, the results for the year and of the parents financial position and the financial position as a whole of the entities included in the consolidated financial statements, together with a desription of the principal risks and uncertainties that the group and the parent face.

We recommend the Annual Report 2018 for adoption at the annual general meeting.

Copenhagen, April 9th 2019

Executive Board:

Niels Jacobsen
CEO

Board of Directors:

Lars Nørby Johansen
Chairman

Peter Foss
Deputy Chairman

Ulla Brockenhuus-Schack

Peter Straarup

INDEPENDENT AUDITOR'S REPORT

To the shareholder of William Demant Invest A/S

Opinion
We have audited the consolidated financial statements and the parent financial statements of William Demant Invest A/S for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the statement of comprehensive income and the cash flow statement of the Group. The consolidated 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, and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at 31-12-2018, and of the results of its operations and cash flows for the financial year 01.01.2018 - 31.12.2018 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements under the Danish Financial Statements Act.

Further, in our opinion, the parent financial statements give a true and fair view of the Parent's financial position at 31-12-2018, and of the results of its operations for the financial year 01.01.2018 - 31.12.2018 in accordance with the Danish Financial Statements Act.

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

Statement on the management commentary
Management is responsible for the management commentary.

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

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

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

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

Management's responsibilities for the consolidated financial statements and the parent financial statements
Management is responsible for the preparation of consolidated financial statements 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 as well as the preparation of parent financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of 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 the parent financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Copenhagen, *April 9th* 2019

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33963556
Weidekampsgade 6
2300 Copenhagen S
Denmark

Anders Vad Dons	Kåre Valtersdorf
State-Authorised	State-Authorised
Public Accountant	Public Accountant
MNE no 25299	MNE no 34490

CONSOLIDATED INCOME STATEMENT

(DKK million)	Note	2018	2017
Revenue	1.1	18,410	13,509
Production costs	1.2 / 1.3 / 1.5	-4,784	-3,298
Gross profit		**13,626**	**10,211**
R&D costs	1.2 / 1.3	-1,233	-919
Distribution costs	1.2 / 1.3	-8,004	-6,101
Administrative expenses	1.2 / 1.3 / 8.2	-1,382	-745
Share of profit after tax, associates and joint ventures	3.3	3,549	561
Operating profit (EBIT)		**6,556**	**3,007**
Financial income	4.2	76	54
Financial expenses	4.2	-318	-232
Profit before tax		**6,314**	**2,829**
Tax on profit for the year	5.1	-626	-475
Profit for the year		**5,688**	**2,354**
Profit for the year attributable to:			
William Demant Invest A/S' shareholders		4,634	1,571
Non-controlling interests		1,054	783
		5,688	**2,354**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(DKK million)	2018	2017
Profit for the year	**5,688**	**2,354**
Other comprehensive income/(loss)		
Items that have been or may subsequently be reclassified to the income statement:		
Foreign currency translation adjustment, subsidiaries	86	-682
Other comprehensive income adjustments and associates	-62	7
Value adjustment of hedging instruments:		
Value adjustment for the year	-61	147
Value adjustment transferred to revenue	-21	-49
Tax on items that have or may subsequently be reclassified to the income statement	11	-11
Items that have been or may subsequently be reclassified to the income statement	**-47**	**-588**
Items that will not subsequently be reclassified to the income statement:		
Actuarial gains/losses on defined benefit plans	-17	8
Tax on items that will not subsequently be reclassified to the income statement	1	-2
Items that will not subsequently be reclassified to the income statement	**-16**	**6**
Other comprehensive income/(loss)	**-63**	-582
Comprehensive income	**5,625**	**1,772**
Comprehensive income attributable to:		
William Demant Invest A/S' shareholders	4,557	1,103
Non-controlling interests	1,068	669
	5,625	**1,772**
Breakdown of tax on other comprehensive income/(loss):		
Foreign currency translation adjustment, subsidiaries	-7	10
Value adjustment of hedging instruments for the year	13	-32
Value adjustment of hedging instruments transferred to revenue	5	11
Actuarial gains/losses on defined benefit plans	1	-2
Tax on other comprehensive income/(loss)	**12**	**-13**

CONSOLIDATED BALANCE SHEET 31 DECEMBER

(DKK million)	Note	2018	2017
Assets			
Goodwill	3.4	16,112	6,339
Patents and licences		107	40
Other intangible assets		1,031	407
Prepayments and assets under development		181	106
Intangible assets	3.1	**17,431**	**6,892**
Land and buildings		880	871
Plant and machinery		2,156	1,983
Other plant, fixtures and operating equipment		427	289
Leasehold improvements		425	265
Prepayments and assets under construction		76	83
Property, plant and equipment	3.2	**3,964**	**3,491**
Investments in associates and joint ventures	3.3	5,068	7,512
Receivables from associates and joint ventures	3.3 / 4.3 / 4.4	167	500
Other investments	3.3 / 4.3 / 4.5	508	60
Other receivables	1.6 / 3.3 / 4.3 / 4.4	581	456
Deferred tax assets	5.2	640	372
Other non-current assets		**6,964**	**8,900**
Non-current assets		**28,359**	**19,283**
Inventories	1.5	2,297	1,351
Trade receivables	1.6 / 4.3	3,631	2,622
Receivables from associates and joint ventures	4.3	170	81
Income tax		129	111
Other receivables	1.6 / 4.3 / 4.4	508	261
Unrealised gains on financial contracts	2.3 / 4.3 / 4.5	12	66
Prepaid expenses		292	208
Securities	4.3 / 4.5	-	32
Cash	4.3 / 4.4	1,162	1,156
Current assets		**8,201**	**5,888**
Assets		**36,560**	**25,171**

CONSOLIDATED BALANCE SHEET 31 DECEMBER

(DKK million)	Note	2018	2017
Equity and liabilities			
Share capital		4	4
Other reserves		15,073	11,243
Equity attributable to William Demant Invest A/S' shareholders		15,077	11,247
Equity attributable to non-controlling interests		3,975	3,388
Equity		**19,052**	**14,635**
Interest-bearing debt	4.3 / 4.4	3,715	2,307
Deferred tax liabilities	5.2	443	179
Provisions	7.1	355	316
Other liabilities	4.3 / 7.2	273	210
Deferred income	7.3	570	208
Non-current liabilities		**5,356**	**3,220**
Interest-bearing debt	4.3 / 4.4	8,877	4,834
Trade payables	4.3	684	516
Income tax		93	72
Provisions		47	25
Other liabilities	7.1	1,846	1,581
Unrealised losses on financial contracts	4.3 / 7.2	32	3
Deferred income	2.3 / 4.3 / 4.4 / 4.5	573	285
Current liabilities	7.3	**12,152**	**7,316**
Liabilities		**17,508**	**10,536**
Equity and liabilities		**36,560**	**25,171**

CONSOLIDATED CASH FLOW STATEMENT

(DKK million)	Note	2018	2017
Operating profit (EBIT) IS		6,556	3,007
Non-cash items etc.	1.7	-2,697	-3
Change in receivables etc.		-354	-387
Change in inventories		-392	-89
Change in trade payables and other liabilities etc.		-41	201
Change in provisions		21	-52
Dividends received		187	85
Cash flow from operating profit		**3,280**	**2,762**
Financial income etc. received		42	50
Financial expenses etc. paid		-297	-232
Realised foreign currency translation adjustments		-1	-2
Income tax paid		-671	-485
Cash flow from operating activities (CFFO)		**2,353**	**2,093**
Acquisition of enterprises, participating interests and activities	6.1	-4,300	-1,517
Investments in and disposal of intangible assets		-245	-126
Investments in property, plant and equipment		-589	-316
Disposal of property, plant and equipment		20	20
Investments in other non-current assets		-407	-366
Disposal of other non-current assets		497	295
Cash flow from investing activities (CFFI)		**-5,024**	**-2,010**
Repayments of borrowings		-510	-1,156
Proceeds from borrowings	4.4	2,349	1,132
Change in short-term bank facilities	4.4	1,984	-133
Dividends paid		-20	-23
Transactions with non-controlling interests		-1,433	592
Cash flow from financing activities (CFFF)		**2,370**	**412**
Cash flow for the year, net		**-301**	**495**
Cash and cash equivalents at the beginning of the year		1,110	603
Foreign currency translation adjustment of cash and cash equivalents		-29	12
Cash and cash equivalents at the end of the year		**780**	**1,110**
Breakdown of cash and cash equivalents at the end of the year:			
Cash		1.162	1,157
Overdraft	4.3 / 4.4	-382	-47
Cash and cash equivalents at the end of the year	4.3 / 4.4	**780**	**1,110**

Acquisition of enterprises, participating interests and activities include loans of DKK 291 million classified as other non-current assets, which have been settled as part of acquisitions without cash payments.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(DKK million)	Share capital	Other reserves: Foreign currency translation reserve	Other reserves: Hedging reserve	Other reserves: Retained earnings	Other reserves: Dividend	William Demant Invest A/S' sharehold-ers' share	Non-controlling interests' share	Equity
Equity at 31.12.2017	**4**	**-19**	**24**	**11,218**	**20**	**11,247**	**3,388**	**14,635**
Impact of changes in accounting policies				-222		-222	-185	-407
Equity at 1.1.2018	**4**	**-19**	**24**	**10,996**	**20**	**11,025**	**3,203**	**14,228**
Comprehensive income in 2018:								
Profit for the year	-	-	-	4,513	121	4,634	1,054	5,688
Other comprehensive income:								
Foreign currency translation adjustment, subsidiaries	-	31	-	-	-	31	55	86
Other comprehensive income adjustments and associates	-	-	-	-62	-	-62	-	-62
Value adjustment of hedging instruments:								
Value adjustment, year	-	-	-33	-	-	-33	-28	-61
Value adjustment transferred to revenue	-	-	-11	-	-	-11	-10	-21
Actuarial gains / (losses) on defined benefit plans	-	-	-	-9	-	-9	-8	-17
Tax on other comprehensive income	-	-4	10	1	-	7	5	12
Other comprehensive income/(loss)	-	27	-34	-70	-	-77	14	-63
Comprehensive income/(loss), year		**27**	**-34**	**4,443**	**121**	**4,557**	**1,068**	**5,625**
Transaction with non-controlling interests	-	-	-	-485	-	-485	-957	-1,442
Non-controlling interests arising on acquisition	-	-	-	-	-	-	661	661
Dividends paid out	-	-	-	-	-20	-20	-	-20
Equity at 31.12.2018	**4**	**8**	**-10**	**14,954**	**121**	**15,077**	**3,975**	**19,052**

For changes in share capital, please refer to Parent statement of changes in equity on page 99.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – *CONTINUED*

(DKK million)	Share capital	Other reserves				William Demant Invest A/S' sharehold-ers' share	Non-controlling interests' share	Equity
		Foreign currency translation reserve	Hedging reserve	Retained earnings	Dividend			
Equity at 1.1.2017	**4**	**502**	**-19**	**8,790**	**20**	**9,297**	**2,999**	**12,296**
Comprehensive income in 2017:								
Profit for the year	-	-	-	1,551	20	1,571	783	2,354
Other comprehensive income:								
Foreign currency translation adjustment, subsidiaries	-	-527	-	-	-	-527	-155	-682
Other compr. income adjustments, associates and joint ventures	-	-	-	7	-	7	-	7
Value adjustment of hedging instruments:								
Value adjustment, year	-	-	82	-	-	82	65	147
Value adjustment transferred to revenue	-	-	-27	-	-	-27	-22	-49
Actuarial gains/(losses) on defined benefit plans	-		-	4	-	4	4	8
Tax on other compr. income	-	6	-12	-1	-	-7	-6	-13
Other comprehensive income	-	-521	43	10	-	-468	-114	-582
Comprehensive income/(loss), year	**-**	**-521**	**43**	**1,561**	**20**	**1,103**	**669**	**1,772**
Transactions with non-controlling shareholders	-	-	-	867	-	867	-275	592
Dividends paid out	-	-	-	-	-20	-20	-	-20
Other changes in equity	-	-	-	-	-	-	-4	-4
Equity at 31.12.2017	**4**	**-19**	**24**	**11,218**	**20**	**11,247**	**3,388**	**14,635**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

When relevant, if a note contains a figure that directly refers to the consolidated income statement, statement of comprehensive income, balance sheet or cash flow statement, this will be indicated by the following references:

IS – Consolidated income statement
OCI – Consolidated other comprehensive income
BS – Consolidated balance sheet
CF – Consolidated cash flow statement

SECTION 1

OPERATING ACTIVITIES AND CASH FLOW

1.1 REVENUE FROM CONTRACTS WITH CUSTOMERS

	2018	2017
Revenue by business activity:		
Hearing Healthcare	13,937	13,189
Prosthetics, Bracing & supports	3,876	-
Radiotherapy	289	-
Renewable Energy	308	320
Revenue from contracts with customers IS	**18,410**	**13,509**

	2018	2017
Value adjustments transferred from equity relating to derivatives made for hedging revenue OCI	21	49

Liabilities related to contracts with customers:	**2018**
Customer prepayments*	71
Future performance obligations*	1,072
Expected volume discounts and other customer related items**	245
Expected product returns***	136
Contract liabilities with customers	**1,524**

Changes in contract liabilities with customers:	**2018**
Contract liabilities at 1.1	1,370
Foreign currency translation adjustment	-6
Revenue recognized that was included in the contract liability balance 1.1	-514
Increases due to cash received, excluding amounts recognized as revenue during the period	573
Changes from expected volume discounts and other customer related items	68
Changes from product returns	-9
Business combinations	42
Contract liabilities at 31.12.	**1,524**

**Included in deferred income.*
***Included in other cost payables under other liabilities.*
****Included in product-related liabilities under other liabilities.*

§ ACCOUNTING POLICIES

Revenue is recognised when obligations under the terms of the contract with the customer are satisfied, which usually occurs with the transfer of control of our products and services. Revenue is measured as the consideration we expect to receive in exchange for transferring goods and providing services net of the estimated discounts or other customer-related reductions.

Nature of goods and services

Control is normally transferred to the customer when the goods are shipped to the customer, though delivery terms can vary, and control may be transferred at a later point. In some territories, customers are given the right to return our products for a certain period. 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. Revenue and cost of goods sold are adjusted accordingly, and contract liabilities (refund liabilities) and rights to the returned goods (included in prepaid expenses) are recognised for the expected returns.

Our activities also involve delivery of various services, such as extended warranties, warranty-related coverages (loss and damage) and after-sales services (e.g. fine-tuning of products, additional test, cleaning and service checks). Revenue from these services is recognised on a straight-line basis over the warranty or service period as the customer makes use of the services continuously. Some customers purchase a battery package or are provided with batteries free of charge as part of the purchase of some products, entitling them to free batteries for a certain period.

Revenue is recognised when the customer receives the batteries or is provided with batteries free of charge as part of the purchase of product. When available, we use an observable price to determine the stand-alone selling price for the separate performance obligations related to these services, and in territories where observable prices are not available, we use a cost-plus-margin method.

The standard warranty period for our products varies across territories, typically between 12 and 24 months and for certain products up to 36 months. The extended warranty covers periods beyond the standard warranty period or standard warranty terms. Payment terms vary significantly across territories and depend on whether the customer is a private or public customer.

The majority of our products are sold to end-users are invoiced and paid for after the initial accept, but some customers choose to have the products financed by us. The transaction price of such arrangements is adjusted for any significant financing benefit, and the financing component is recognised as financial income.

ACCOUNTING ESTIMATES AND ASSUMPTIONS

Discounts, returns etc.

Discounts, loyalty programmes and other revenue reductions are estimated and accrued when the related revenue is recognised. To make such estimates is a matter of judgement, as all conditions are not known at the time of sale, e.g. the number of units sold to a given customer or the expected utilization of loyalty programmes. Sales discounts, rebates and loyalty programmes are adjusted, as we gain better information on the likelihood that they will be realised and the value at which they are expected to be realised. Sales discounts and rebates are recognised under other cost payables in other liabilities, and loyalty programmes are recognised in deferred income.

Depending on local legislation and the conditions to which a sale is subject, some customers have the option to return purchased goods for a refund. Based on historical return rates, an estimate is made of the expected returns and a provision is recognised. This provision is updated, as returns are recognised or when we collect more accurate data on return rates.

After-sales services

After-sales services are provided to end-users of our products and are based on estimates as not all end-users make use of these services. The estimate is a matter of judgement and is based on the number of visits, the duration of the visits for an average customer and the expected number of end-users that make use of the after-sales services.

1.2 EMPLOYEES

(DKK million)	Note	2018	2017
Staff costs:			
Wages and salaries		6,604	4,956
Share-based remuneration		5	3
Defined contribution plans		159	70
Defined benefit plans	7.1	13	2
Social security costs, etc.		733	476
Total		**7,514**	**5,507**
Staff costs by function:			
Production costs		1,301	796
R&D costs		811	571
Distribution costs		4,436	3,491
Administrative expenses		966	649
Total		**7,514**	**5,507**
Average number of full-time employees		17,221	13,285

In 2018, the basic remuneration of a member of the Parent's Board of Directors was DKK 200,000 (DKK 200,000 in 2017). The Chairman of the Board of Directors receives three times the basic remuneration and the Deputy Chairman one and a half time the basic remuneration. The total remuneration for the Board of Directors was DKK 2 million (DKK 2 million in 2017).

The remuneration of the Management in William Demant Invest includes cash remuneration, short-term benefits and social security. Short-term benefits include a bonus scheme based on the development in the fair value of the net assets. As of 1 April 2017, Niels Jacobsen became CEO of William Demant Invest. For 2018, the total remuneration for the Management of William Demant Invest was DKK 10 million (DKK 14 million in 2017).

1.3 AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES

(DKK million)	Note	2018	2017
Amortisation of intangible assets	3.1	207	84
Depreciation of property, plant and equipment	3.2	288	370
Impairment of property, plant and equipment	3.2	-1	-
Amortisation, depreciation and impairment losses		**694**	**454**
Amortisation, depreciation and impairment losses by function:			
Production costs		218	72
Research and development costs		75	53
Distribution costs		323	287
Administrative expenses		78	42
Amortisation, depreciation and impairment losses		**694**	**454**
Net gains from sale of assets		2	8
Net gains from sale of assets		**2**	**8**
Net gains from sale of assets by function:			
Production costs		-	5
Distribution costs		1	1
Administrative expenses		1	2
Net gains from sale of assets		**2**	**8**

For accounting policies on amortisation and depreciation, please refer to Note 3.1 and Note 3.2.

1.4 PROPOSED DIVIDEND

The Board of Directors will at the general assembly propose a dividend of DKK 121 million for 2018.

1.5 INVENTORIES

(DKK million)	2018	2017
Raw materials and purchased components	958	618
Work in progress	113	61
Finished goods and goods for resale	1,226	672
Inventories BS	**2,297**	**1,351**
Write-downs, provsions for obsolescence etc. included in the above	146	117
Included in the income statement under production costs		
Write-downs of inventories for the year, net	47	33
Cost of goods sold for the year	4,118	2,335

Inventories of DKK 77 million (DKK 0 million in 2017) are expected to be sold or used in production after more than twelve months.

Write-downs for the year are shown net, as breakdown into reversed write-downs and new write-downs is not possible. Inventories are generally expected to be sold within one year.

§ ACCOUNTING POLICIES

Raw materials, components and goods for resale are measured at cost according to the FIFO principle (according to which the most recently purchased items are considered to be in stock) or at their net realisable value, whichever is lower.

Group-manufactured products and work in progress are measured at the value of direct cost, direct payroll costs, consumables and a proportionate share of indirect production costs, which are allocated on the basis of the normal capacity of the production facility. Indirect production costs include the proportionate share of capacity costs directly relating to Group-manufactured products and work in progress. The net realisable value of inventories is calculated as the estimated selling price less costs of completion and costs to sell.

ACCOUNTING ESTIMATES AND ASSUMPTIONS

Indirect production cost allocations to inventory Indirect production cost allocations are based on relevant assumptions related to capacity utilisation at the production facility, production time and other product-related factors. The assumptions are reviewed regularly to ensure that inventories are measured at their actual production cost. Changes in assumptions may affect gross profit margins as well as the valuation of work in progress, finished goods and goods for resale.

Obsolescence provision

The obsolescence provision for inventories is based on the expected sales forecast for the individual types of hearing devices, diagnostic equipment and hearing implants. Sales forecasts are based on Management's expectations of market conditions and trends, and the obsolescence provision is subject to changes in these assumptions.

1.6 RECEIVABLES

(DKK million)	2018	2017
Trade receivables BS	3,631	2,622
Other non-current receivables BS	582	456
Other current receivables BS	508	261
Receivables	**4,721**	**3,339**
Non-impaired receivables by age:		
Balance not due	3,417	2,415
0-3 months	763	486
3-6 months	201	144
6-12 months	188	143
Over 12 months	152	151
Receivables	**4,721**	**3,339**
Allowance for impairment:		
Allowance for impairment at 31.12.	-272	-291
Impact of changes in accounting policies	-26	-
Allowance for impairment at 1.1.	**-298**	**-291**
Foreign currency translation adjustments	-6	19
Applied during the year	102	52
Additions during the year	-122	-56
Reversals during the year	11	4
Allowance for impairment at 31.12.	**-313**	**-272**

Of the total amount of trade receivables, DKK 246 milion (DKK 270 million in 2017) is expected to be collected after 12 months. For information on security and collateral, please refer to credit risks in Note 4.1.

§ ACCOUNTING POLICIES

Receivables include trade receivables and other receivables. Receivables are included in the loans and receivables category and are financial assets with fixed or determinable payments, which are not listed on an active market and are not derivatives.

On initial recognition, receivables are measured at fair value with the addition of transaction costs. Receivables with a definite maturity date are measured at amortised cost. Receivables without a definite maturity date are measured at cost. Current receivables arisen as a result of the Group's ordinary activities are measured at nominal value. Impairment is based on expected credit losses, which include the use of the lifetime expected loss provision for trade receivables.

ACCOUNTING ESTIMATES AND ASSUMPTIONS

Allowance for impairment is calculated for both trade receivables and other receivables. For trade receivables, the allowance is calculated for expected credit losses based on an assessment of the debtor's ability to pay. This assessment is made by local management and is made for uniform groups of debtors based on a maturity analysis. When indicated by special circumstances, impairments are made for individual debtors. Other receivables, including customer loans, are assessed on an individual basis based on expected credit loss.

1.7 SPECIFICATION OF NON-CASH ITEMS ETC.

(DKK million)	Note	2018	2017
Amortisation and depreciation etc.		729	485
Share of profit after tax, associates and joint ventures		-522	-561
Gain on sale of intangible assets and property, plant and equipment	1.3	-	-8
Fair value adjustment of non-controlling interest on obtaining control		-3,026	-
Other non-cash items		122	81
Non-cash items etc. CF		**-2,697**	**-3**

SECTION 2

EXCHANGE RATES AND HEDGING

2.1 EXCHANGE RATE RISK POLICY

The Group seeks to hedge against any exchange rate risks, first and foremost through forward exchange contracts. In relation to exchange rate fluctuations, hedging ensures predictability in the profit and gives Management the opportunity – and necessary time – to redirect business arrangements in the event of persistent changes in foreign exchange rates. The Group aims to hedge such changes in foreign exchange rates by seeking to match positive and negative cash flows in the main currencies as much as possible and by entering into forward exchange contracts. The Group hedges estimated cash flows with a horizon up to 18 months.

2.2 SENSITIVITY ANALYSIS IN RESPECT OF EXCHANGE RATES

William Demant Invest A/S Group's currency is in DKK and currency risk primarily relates to USD and GBP. The related expenses are incurred in USD, GBP, DKK and a wide range of other currencies such as CAD, AUD, JPY, ISK and PLN. Income and expenses from other activities, are mainly denominated in local currencies, thus reducing the Group's exposure to these currencies. The main purpose of hedging the Group's currency risk is to hedge the Group's net cash flow and reduce fluctuations in the profit. The Group uses various financial securities and exchange contracts to hedge these risks.

An increase in USD and GBP exchange rate of 5% against DKK to which the Group is primarily exposed to is estimated to have a positive impact on the Group's profit before tax by DKK 81 million (DKK 66 million in 2017) and to affect the Group's equity, excluding tax, positively by DKK 466 million (DKK 109 million in 2017). The exchange rate impact on EBIT has been calculated on the basis of the Group's EBIT for both currencies, and does not take into account a possible exchange rate impact on balance sheet values in those currencies.

** Estimated on a non-hedged basis, i.e. the total annual exchange rate impact excluding forward exchange contracts.*

2.3 HEDGING AND FORWARD EXCHANGE CONTRACTS

Open forward exchange contracts at the balance sheet date may be specified as shown below, with the contracts for sale of currencies being shown with their negative contract values. The expiry dates reflect the periods in which the hedged cash flows are expected to be realised.

Realised forward exchange contracts are recognised in the income statement together with the items, typically the revenue in foreign currency, that such contracts are designed to hedge. In 2018, our forward exchange contracts realised a gain of DKK 21 million (gain of DKK 49 million in 2017), which increased reported revenue for the year. In addition, we raised loans in foreign currencies to balance out net receivables. At year-end 2018, Demant A/S had entered into forward exchange contracts with a contractual value of DKK 1,411 million (DKK 1,297 million in 2017) and a fair value of DKK -19 million (DKK 63 million in 2017). The schedule shown below applies for Demant A/S

For Össur other financial liabilities consist of deferred income amounting to USD 3.8 million, fair value of hedge contracts and fair value of a purchase option of minority shares amounting to USD 2.1 million. Deferred income relates to sale of additional warranty for prosthetic products.

Forward exchange contracts

2018

	Expiry	Hedging period*	Average hedging rate	Contractual value	Fair value	Positive fair value at year-end	Negative fair value at year-end
				(DKK million)			
USD	2019	10 months	626	-926	-26	1	27
AUD	2019	5 months	466	-81	1	1	-
GBP	2019	10 months	832	-300	4	4	-
CAD	2019	10 months	477	-320	3	4	1
JPY	2019	9 months	5.82	-108	-2	-	2
PLN	2019	11 months	171	324	1	2	1
				-1,411	**-19**	**12**	**31**

2017

	Expiry	Hedging period*	Average hedging rate	Contractual value	Fair value	Positive fair value at year-end	Negative fair value at year-end
				(DKK million)			
USD	2018	10 months	650	-754	41	41	-
AUD	2018	5 months	493	-111	2	2	-
GBP	2018	9 months	838	-277	-	2	2
CAD	2018	7 months	496	-246	2	3	1
JPY	2018	8 months	6.48	-91	14	14	-
PLN	2018	10 months	172	182	4	4	-
				-1,297	**63**	**66**	**3**

** Hedging periods represent the estimated periods for which the exchange rate exposure of a relative share of our revenue in a currency will be covered by forward exchange contracts.*

2.3 HEDGING AND FORWARD EXCHANGE CONTRACTS – *CONTINUED*

§ **ACCOUNTING POLICIES**

On initial recognition, derivatives are measured at fair value at the settlement date. After initial recognition, derivatives are measured at fair value at the balance sheet date. Any positive or negative fair values of derivatives are recognised as separate items in the balance sheet. Forward exchange contracts and interest swaps are measured based on current market data and by use of commonly recognised valuation methods. Please refer to Note 4.5.

Any changes in fair values of derivatives classified as hedging instruments and satisfying the criteria for hedging the fair value of a recognised asset or a recognised liability are recognised in the income statement together with any changes in the fair value of the hedged asset or hedged liability.

Any changes in fair values of derivatives classified as hedging instruments and satisfying the criteria for effective hedging of future transactions are recognised in other comprehensive income. The ineffective portion is recognised directly in the income statement. On realisation of the hedged transactions, the accumulated changes are recognised together with the related transactions.

Derivatives not fulfilling the conditions for treatment as hedging instruments are considered trading investments and measured at fair value, with fair value adjustments being recognised on an ongoing basis in the income statement.

2.4 EXCHANGE RATES

The Group's presentation currency is Danish kroner. Denmark participates in the European Exchange Rate Mechanism ERM 2 at a central rate of 746.038 kroner per 100 euro. Denmark has concluded an agreement with the European Central Bank (ECB) and the euro area member states on an ERM 2 fluctuation band of +/- 2.25 per cent. This means that the exchange rate of the Danish krone can only fluctuate between 762.824 and 729.252 per 100 euro.

The following table shows the exchange rates for our key currencies, according to the central bank of Denmark. Depending on the phasing of revenue, EBIT and payments, the exchange rate impact on the consolidated income statement can vary from the below averages.

Exchange rate DKK per 100

Average	2018	2017	Change	Year-end	2018	2017	Change
EUR	745	744	0.1%	EUR	747	744	0.4%
USD	632	660	-4.2%	USD	652	621	5.0%
AUD	472	506	-6.7%	AUD	461	485	-4.9%
GBP	842	849	-0.8%	GBP	827	839	-1.4%
CAD	488	508	-3.9%	CAD	479	495	-3.2%
JPY	5.72	5.88	-2.7%	JPY	5.91	5.51	7.3%
PLN	175	175	0.0%	PLN	174	178	-2.2%

2.4 EXCHANGE RATES – *CONTINUED*

§ **ACCOUNTING POLICIES**

On initial recognition, transactions in foreign currencies are translated at the exchange rates prevailing at the date of the transaction. The functional currencies of the enterprises are determined by the economic environment in which they operate, normally the local currency.

Receivables, payables and other monetary items in foreign currencies are translated into Danish kroner at the exchange rates prevailing at the balance sheet date. Realised and unrealised foreign currency translation adjustments are recognised in the income statement under gross profit or net financial items, depending on the purpose of the underlying transaction.

Property, plant and equipment, intangible assets, inventories and other non-monetary assets purchased in foreign currencies and measured on the basis of historical cost are translated at the exchange rates prevailing at the transaction date. Non-monetary items, which are revalued at their fair values, are translated using the exchange rates at the revaluation date.

On recognition in the consolidated financial statements of enterprises presenting their financial statements in a functional currency other than Danish kroner, the income statement is translated using average exchange rates for the months of the year in question, unless they deviate materially from actual exchange rates at the transaction dates. In case of the latter, actual exchange rates are applied.

Balance sheet items are translated at the exchange rates prevailing at the balance sheet date. Goodwill is considered as belonging to the acquired enterprise in question and is translated at the exchange rate prevailing at the balance sheet date.

All foreign currency translation adjustments are recognised in the income statement, with the exception of the following, which are recognised in other comprehensive income:

- The translation of net assets of foreign subsidiaries using exchange rates prevailing at the balance sheet date
- The translation of income statements of foreign subsidiaries using monthly average exchange rates for the respective months of the year, whereas their balance sheet items are translated using exchange rates prevailing at the balance sheet date
- The translation of non-current, intra-group receivables that are considered to be an addition to or deduction from net investments in foreign subsidiaries
- The translation of investments in associates and joint ventures

SECTION 3

ASSETS BASE

3.1 INTANGIBLE ASSETS

(DKK million)	Goodwill	Patents and licences	Other intangible assets	Prepayments and assets under development	Total intangible assets
Cost at 1.1.2018	**6,339**	**141**	**605**	**106**	**7,191**
Foreign currency translation adjustments	120	-	18	-1	137
Additions during the year	-	10	102	132	244
Additions relating to acquisitions	9,653	78	643	-	10,374
Disposals during the year	-	-19	-4	-	-23
Transferred to/from other items	-	-	56	-56	-
Cost at 31.12.2018	**16,112**	**210**	**1,420**	**181**	**17,923**
Amortisation at 1.1.2018	-	-101	-198	-	-299
Foreign currency translation adjustments	-	-	-9	-	-9
Amortisation for the year	-	-21	-186	-	-207
Disposals during the year	-	19	4	-	23
Amortisation at 31.12.2018	**-**	**-103**	**-389**	**-**	-492
Carrying amount at 31.12.2018 BS	**16,112**	**107**	**1,031**	**181**	**17,431**
Cost at 1.1.2017	**6,276**	**141**	**429**	**152**	**6,998**
Foreign currency translation adjustments	-374	-	-14	-1	-389
Additions during the year	-	2	8	116	126
Additions relating to acquisitions	437	-	27	-	464
Disposals during the year	-	-3	-5	-	-8
Transferred to/from other items	-	1	160	-161	-
Cost at 31.12.2017	**6,339**	**141**	**605**	**106**	**7,191**
Amortisation at 1.1.2017	-	-90	-140	-	-230
Foreign currency translation adjustments	-	-	7	-	7
Amortisation for the year	-	-14	-70	-	-84
Disposals during the year	-	3	5	-	8
Amortisation at 31.12.2017	**-**	**-101**	**-198**	**-**	**-299**
Carrying amount at 31.12.2017 BS	**6,339**	**40**	**407**	**106**	**6,892**

3.1 INTANGIBLE ASSETS – *CONTINUED*

§ ACCOUNTING POLICIES

On initial recognition, goodwill is recognised and measured as the difference between the acquisition cost and the fair values of the acquired assets, liabilities and contingent liabilities. Please refer to Accounting policies in Note 6.1.

On recognition, goodwill is allocated to corporate activities that generate independent payments (cash-generating units). The definition of a cash-generating unit is in line with the Group's managerial structure as well as the internal financial management reporting. Goodwill is not amortised, but is tested for impairment at least once a year. If the recoverable amount of a cash-generating unit is lower than the carrying amounts of property, plant and equipment and intangible assets, including goodwill, attributable to the particular cash-generating unit, the particular assets will be written down.

Patents and licences acquired from third parties are measured at cost less accumulated amortisation and impairments. Patents and licenses are amortised over their estimated useful lives.

Other intangible assets consist of software, other rights than patents and licenses and other intangible assets acquired in connection with business combinations, primarily brand value, customer bases and non-compete agreements.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses. Other intangible assets are amortised on a straight-line basis over their estimated useful lives, except for other rights which are considered to have an indefinite useful life and are instead tested for impairment annually. Please refer to Note 3.5.

Patents and licenses	5-50 years
Software	2-10 years
Brand value	5-10 years
Customer relationships	4-10 years
Non-compete agreements	For the duration of the agreement

ACCOUNTING ESTIMATES AND ASSUMPTIONS

Impairment testing is carried out annually on preparation of the annual report or on indication of impairment in which discounted values of future cash flows are compared with carrying amounts. Group enterprises cooperate closely on R&D, purchasing, production, marketing and sale, as the use of resources in the individual markets is coordinated and monitored by Management in Denmark. Group enterprises are thus highly integrated. Consequently, Management considers the overall business as three cash-generating unit. Any business activity that largely acts with autonomy in relation to the Group and whose profitability can be measured independently of the other activities constitutes a separate cash-generating unit. In relation to the existing integration in the Group and the recognised goodwill, neither as of 31 December 2018 nor as of 31 December 2017, had any separate cash-generating units been identified to which goodwill could be allocated. The annual impairment testing was thus based on the Group as a whole. Please refer to Note 3.5.

It is Management's opinion that the product development undertaken by the Group today cannot meaningfully be allocated to either the development of new products or the further development of existing products. Moreover, as the products are subject to approval by various authorities, it is difficult to determine the final completion of new products.

3.2 PROPERTY, PLANT AND EQUIPMENT

(DKK million)	Land and buildings	Plant and machinery	Other plant, fixtures and operating equipment	Leasehold improvements	Prepayments and assets under construction	Total property, plant and equipment
Cost at 1.1.2018	**1,139**	**2,811**	**1,298**	**669**	**83**	**6,000**
Foreign currency translation adjustments	5	17	4	-	-	26
Additions during the year	9	115	196	166	69	555
Additions relating to acquisitions	25	211	97	78	-	411
Disposals during the year	-58	-301	-206	-42	-5	-612
Transferred to/from other items	1	43	11	16	-71	-
Cost at 31.12.2018	**1,121**	**2,896**	**1,400**	**887**	**76**	**6,380**
Depreciation and impairment losses at 1.1.2018	**-268**	**-828**	**-1,009**	**-404**	**-**	**-2,509**
Foreign currency translation adjustments	-	-8	-5	2	-	-11
Depreciation for the year	-21	-202	-162	-103	-	-488
Impairment losses for the year	-1	-	-	-	-	-1
Disposals during the year	48	298	203	43	-	592
Reversed impairment loss	1	-	-	-	-	1
Depreciation and impairment losses at 31.12.2018	**-241**	**-740**	**-973**	**-462**	**-**	**-2,416**
Carrying amount at 31.12.2018 BS	**880**	**2,156**	**427**	**425**	**76**	**3,964**

Cost at 1.1.2017	**1,157**	**2,843**	**1,255**	**601**	**91**	**5,947**
Foreign currency translation adjustments	-20	-6	-40	5	-	-61
Additions during the year	36	18	90	56	86	286
Additions relating to acquisitions	-	-	15	6	-	21
Disposals during the year	-41	-74	-68	-10	-	-193
Transferred to/from other items	7	30	46	11	-94	-
Cost at 31.12.2017	**1,139**	**2,811**	**1,298**	**669**	**83**	**6,000**
Depreciation and impairment losses at 1.1.2017	**-279**	**-773**	**-965**	**-338**	**-**	**-2,355**
Foreign currency translation adjustments	5	8	31	-10	-	34
Depreciation for the year	-33	-134	-137	-65	-	-369
Impairment losses for the year	39	71	62	9	-	181
Depreciation and impairment losses at 31.12.2017	**-268**	**-828**	**-1,009**	**-404**	**-**	**-2,509**
Carrying amount at 31.12.2017 BS	**871**	**1,983**	**289**	**265**	**83**	**3,491**

3.2 PROPERTY, PLANT AND EQUIPMENT – *CONTINUED*

§ ACCOUNTING POLICIES

Property, plant and equipment are recognised at cost less accumulated depreciation and impairment losses. Cost is defined as the acquisition price and costs directly relating to the acquisition until such time as the particular asset is ready for use. For assets produced by the Group, cost includes all costs directly attributable to the production of such assets, including materials, components, subsupplies and payroll. In respect of finance leased assets, cost is calculated as the fair value or the present value of future lease payments, whichever is lower.

Interest expenses on loans for financing of the construction of property, plant and equipment are recognised in the cost of the assets if such expenses pertain to the manufacturing period. Other borrowing costs are recognised in the income statement.

If the acquisition or the use of an asset requires the Group to defray costs for the demolition or restoration of such asset, the calculated costs hereof are recognised as a provision and as part of the cost of the particular asset, respectively.

The cost of a total asset is divided into various elements, which will be depreciated separately if their useful lives are not the same.

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Land is not depreciated.

The depreciation basis is cost less the estimated residual value of an asset after the end of its useful life. The residual value is the estimated amount, which could after deduction of costs to sell be obtained through the sale of the asset today, such asset already having the age and being in the state of repair expected after the end of its useful life. The residual value is determined at the time of acquisition and is reviewed annually. If the residual value exceeds the carrying amount, depreciation will be discontinued.

Buildings	25-50 years
Technical installations	2-10 years
Plant and machinery	3-5 years
Plant and machinery, Wind farm	20-25 years
Other plant, fixtures and operating equipment	3-5 years
IT hardware and software	2-5 years
Leasehold improvements	Up to 10 years

Depreciation methods, useful lives and residual values are reviewed annually. Property, plant and equipment are written down to their recoverable amounts, if these are lower than their carrying amounts.

3.3 OTHER NON-CURRENT ASSETS

(DKK million)	Investments in associates and joint ventures	Receivables from associates and joint ventures	Other investments	Other receivables
Cost at 1.1.2018	**5,905**	**500**	**68**	**546**
Foreign currency translation adjustments	29	7	-	7
Additions during the year	242	64	418	356
Additions relating to acquisitions	113	-	-	39
Disposals related to step-up acquisitions of associates	-2,267	-	-	-
Disposals, repayments etc. during the year	-	-300	-	-293
Movement to current	-	-104	-	-
Cost at 31.12.2018	**4,022**	**167**	**486**	**655**
Value adjustments at 1.1.2018	**1,607**	**-**	**-8**	**-90**
Foreign currency translation adjustments	-22	-	-	-4
Share of profit after tax	450	-	-	-
Dividends received	-188	-	-	-
Disposals related to step-up acquisitions of associates	-768	-	-	-
Disposals during the year	-	-	-	50
Impairment	-40	-	-	-
Other adjustments	7	-	30	-30
Value adjustments at 31.12.2018	**1,046**	**-**	**22**	**-74**
Carrying amount at 31.12.2018 BS	**5,068**	**167**	**508**	**581**
Cost at 1.1.2017	**4,721**	**383**	**16**	**664**
Foreign currency translation adjustments	-29	-33	-	-53
Additions during the year	1,213	157	53	236
Additions relating to acquisitions	-	-	-	1
Disposals, repayments etc. during the year	-	-7	-1	-302
Cost at 31.12.2017	**5,905**	**500**	**68**	**546**
Value adjustments at 1.1.2017	**1,451**	**-**	**-8**	**-125**
Foreign currency translation adjustments	-327	-	-	13
Share of profit after tax	561	-	-	-
Dividends received	-83	-	-	-
Disposals during the year	-	-	-	-
Other adjustments	5	-	-	22
Value adjustments at 31.12.2017	**1,607**	**-**	**-8**	**-90**
Carrying amount at 31.12.2017 BS	**7,512**	**500**	**60**	**456**

Please refer to Subsidiaries, associates and joint ventures on page 105 for a list of associates and joint ventures.

3.3 OTHER NON-CURRENT ASSETS – *CONTINUED*

In 2018, the Group received royalties from and paid licence fees to associates and joint ventures of net DKK 1 million (net DKK 1 million in 2017) and received dividends from associates and joint ventures of DKK 188 million (DKK 83 million in 2017). In 2018, the Group received interest income from associates and joint ventures of DKK 6 million (DKK 13 million in 2017). In the reporting period, transactions with related parties were made on an arm's length basis.

The schedule below is excluding Össur hf. associates.

	Associates		Joint ventures	
(DKK million)	2018	2017	2018	2017
Financial information (Group share):				
Revenue	1,440	2,952	542	371
Net profit for the year	287	518	104	43
Comprehensive income	225	192	104	43

Under the provisions of contracts concluded with associates and joint ventures, the Group is not entitled to receive dividends from certain associates and joint ventures. This is reflected in the profit included in the income statement, as no profit is recognised if the Group is not entitled to receive dividends.

§ ACCOUNTING POLICIES

Investments in associates and joint ventures are recognised and measured using the equity method, i.e. investments are recognised in the balance sheet at the proportionate share of the equity value determined in accordance with the Group's accounting policies after the deduction and addition of proportionate intra-group gains and losses, respectively, and after the addition of the carrying amount of any goodwill. The proportionate shares of profit after tax in associates and joint ventures are recognised in the income statement after the year's changes in unrealised intra-group profits less any impairment loss relating to goodwill.

The proportionate shares of all transactions and events, which have been recognised in other comprehensive income in associates and joint ventures, are recognised in consolidated other comprehensive income. On the acquisition of interests in associates and joint ventures, the acquisition method is applied.

3.4 IMPAIRMENT TESTING

Impairment testing is carried out for the Group´s cash-generating units. Based on the impairment tests, material excess values were identified compared to the carrying amounts for which reason no impairment of goodwill was made as of 31. December 2018 and 31. December 2017. Future cash flows are based on the budget and expectations for 2019, on strategy plans and on projections hereof. Projections extending beyond 2019 are based on general parameters, such as expected marked growth, selling prices and profitability assumptions. The terminal value for the period after 2018 is determined on the assumption of 2% growth (2% in 2017). The pre-tax discount rate is 7% (7.5% in 2017). Sensitivity calculations show that even a significant increase in the discount rate or a significant reduction of the growth assumptions will not change the outcome of the impairment tests. Apart from goodwill and some trademarks, all intangible assets have limited useful lives.

The market capitalisations of Demant A/S and Össur hf. on Nasdaq Copenhagen by far exceed the equity values of the Companies, lending further support to the conlclusion that we had no need for impairment in 2018 and 2017.

A summary of the goodwill allocation per cash-generating unit is presented below.

(DKK million)	2018	2017
Prosthetics, Bracing & supports	6,235	-
Radiotherapy	2,665	-
Hearing healthcare	7,212	6,339
	16,112	**6,339**

§ ACCOUNTING POLICIES

The carrying amounts of property, plant and equipment and intangible assets with definite useful lives as well as investments in associates and joint ventures are reviewed at the balance sheet date to determine whether there are indications of impairment. If so, the recoverable amount of the particular asset is calculated to determine the need for impairment, if any. The recoverable amounts of goodwill and other intangible assets with indefinite useful lives will be estimated, whether or not there are indications of impairment.

The recoverable amount is estimated for the smallest cash-generating unit of which the asset is part. The recoverable amount is determined as the higher of the fair value of the asset or cash-generating unit less costs to sell and the value in use of such asset or unit. On determination of the value in use, estimated future cash flows will be discounted to their present values using a discount rate that reflects partly current market valuations of the time value of money, and partly the special risks attached to the particular asset or cashgenerating unit for which no adjustment has been made in the estimated future cash flows. If the recoverable amount of a particular asset or cash-generating unit is lower than its carrying amount, such asset or unit is written down to its recoverable amount.

Impairment losses are recognised in the income statement. On any subsequent reversal of impairment losses due to changes in the assumptions on which the calculation of the recoverable amount is based, the carrying amount of an asset or cash-generating unit is increased to the adjusted estimate of the recoverable amount, however not exceeding the carrying amount of the asset or cash-generating unit, had the particular asset or cash-generating unit not been written down. Impairment of goodwill is not reversed.

SECTION 4

CAPITAL STRUCTURE AND FINANCIAL MANAGEMENT

4.1 FINANCIAL RISK MANAGEMENT AND CAPITAL STRUCTURE

Policies relating to financial risk management and capital structure
Financial risk management concentrates on identifying risks in respect of exchange rates, interest rates, credit and liquidity with a view to protecting the Group against potential losses and ensuring that Management's forecasts for the current year are only to a limited extent affected by changes or events in the surrounding world – be they changes in exchange rates or in interest rates. It is Group policy to exclusively hedge commercial risks and not to undertake any financial transactions of a speculative nature.

Interest rate risks
In previous years, we only hedged interest rate risks on Group loans to a limited extent, as the Group only had limited debt compared to its volume of activities. Because of the Group's high level of cash generation and relatively low financial gearing, the majority of our loans are raised on floating terms and predominantly as short-term commitments, resulting in a low level of interest expenses. In order to secure relatively low interest rates for the Group on the long term and as a consequence of our attractive funding possibilities in the financial market, the Group now partly funds its debt through medium-term committed facilities with fixed rates and through financial instruments, which limits the interest rate risk.

The Group's net interest-bearing debt amounted to DKK 10,604 million as at 31 December 2018, corresponding to a gearing ratio of 1.5 (NIBD/EBITDA).

Credit risks
The Group's credit risks relate primarily to trade receivables and loans to customers or business partners. Our customer base is fragmented, so credit risks in general only involve minor losses on individual customers. For Demant, the ten largest customers account for less than 13% of total consolidated revenue and for Össur the largest customer accounts for DKK 182 million (USD 28 million), for WDI Group the largest customers accounts for 10 % of total consolidated revenue.

Furthermore, when granting loans, we require that our counterparts provide security in their business. Overall, we therefore estimate that we have no major credit exposure on Group level.

The maximum credit risk relating to receivables matches the carrying amounts of such receivables. The Group has no major deposits with financial institutions for which reason the credit risk of such deposits is considered to be low.

Liquidity risks
The Group aims to have sufficient cash resources to be able to take appropriate steps in case of unforeseen fluctuations in cash outflows. We have access to considerable undrawn credit facilities, and the liquidity risk is therefore considered to be low. We are of the opinion that the Group has strong cash flows and a satisfactory credit rating to secure the current inflow of working capital and funds for potential acquisitions. Neither in previous years nor in the financial year 2018 has the Group defaulted on any loan agreements.

4.2 NET FINANCIAL ITEMS

(DKK million)	2018	2017
Interest on cash and bank deposits	6	4
Interest on receivables, customer loans etc.	31	44
Other financial income	9	6
Financial income from financial assets not measured at fair value in the income statement	**46**	**54**
Fair value adjustment on other investments	30	-
Financial income from financial assets measured at fair value in the income statement	**30**	**-**
Financial income IS	**76**	**54**
Interest on bank debt, mortgages etc.	-213	-138
Financial expenses on financial liabilities not measured at fair value in the income statement	**-213**	**-138**
Foreign exchange losses, net	-3	-2
Transaction costs	-102	-88
Financial expenses IS	**-318**	**-228**
Net financial items	**-242**	**-174**

In addition to the foreign exchange items above, the con-so-lidated income statement is also affected by foreign exchange hedging instruments as described in Note 2.3, as well as by foreign exchange effects of balance sheet items affecting production costs with a loss of DKK 15 million in 2018 (a loss of DKK 93 million in 2017).

§ ACCOUNTING POLICIES

Net financial items mainly consist of interest income and interest expenses, credit card fees and bank fees and also include interest on finance leases, unwinding of discounts on financial assets and liabilities, fair value adjustments of "shadow shares" under share-based remuneration programmes as well as certain realised and unrealised foreign exchange gains and losses. Interest income and interest expenses are accrued based on the principal amount and the effective interest rate.

The effective interest rate is the discount rate used for discounting expected future payments attaching to the financial asset or financial liability in order for the present value to match the carrying amount of such asset or liability.

4.3 CATEGORIES OF FINANCIAL INSTRUMENTS

(DKK million)	2018	2017
Unrealised gains on financial contracts BS	12	66
Financial assets used as hedging instruments	**12**	**66**
Receivables from associates BS	337	581
Other receivables BS	1,089	717
Trade receivables BS	3,631	2,622
Cash BS	1,162	1,156
Financial assets at amortised cost	**6,219**	**5,076**
Securities BS	-	32
Other investments BS	508	60
Financial assets at fair value through profit/loss	**508**	**92**
Unrealised losses on financial contracts BS	-32	-3
Financial liabilities used as hedging instruments	**-32**	**-3**
Debt to credit institutions etc.	-6,577	-3,228
Short-term bank facilities etc.	-3,633	-1,866
Debt to parent	-2,000	2,000
Cash management overdrafts	-382	-47
Trade payables BS	-684	-516
Other liabilities	-1,765	-1,475
Financial liabilities measured at amortised cost	**-15,041**	**-9,132**

As was the case in 2017, most financial liabilities fall due within one year. As regards financial assets and liabilities, their carrying amounts approximate their fair values. The following non-financial items are included in the balance sheet and represent the difference between the table above and the balance sheet: other liabilities DKK 354 million (DKK 316 million in 2017).

§ ACCOUNTING POLICIES

Debt to credit institutions is recognised at the date of borrowing at the proceeds received less transaction costs. For subsequent periods, financial liabilities are measured at amortised cost in order for the difference between proceeds and the nominal value to be recognised as a financial expense over the term of the loan.

On initial recognition, other financial liabilities are measured at fair value and subsequently at amortised cost using the effective interest method, and the difference between proceeds and the nominal value is recognised in the income statement as a financial expense over the term of the loan.

Lease payments concerning operating leases are recognised on a straight-line basis in the income statement over the lease period.

4.3 CATEGORIES OF FINANCIAL INSTRUMENTS – *CONTINUED*

§ ACCOUNTING POLICIES

On initial recognition, securities classified as current assets are recognised at their fair values adjusted for any directly related costs from the purchase of the securities. The securities are subsequently measured at fair value based on listed prices in an active market for the same type of instrument. Unrealised value adjustments are recognised in other comprehensive income, except for impairment losses which are included in the P&L as part of net financial items. When securities are disposed or sold, the accumulated value adjustments are reclassified to the net financial items in the income statement.

Debt to credit institutions and other interest-bearing debt is recognised at the date of borrowing at the proceeds received less transaction costs. For subsequent periods, financial liabilities are measured at amortised cost in order for the difference between proceeds and the nominal value to be recognised as a financial expense over the term of the loan.

The component parts of compound instruments (convertible promissory notes) are classified separately as financial liabilities and equity if fair value at initial recognition can be allocated to the conversion option. Fair value of the conversion option is calculated as the residual value between fair value of the liability component, using prevailing market interest rates for similar non-convertible instruments, and fair value of the entire instrument. The liability component is subsequently measured at amortised cost.

On initial recognition, other financial liabilities are measured at their fair values and subsequently at amortised cost using the effective interest method, and the difference between proceeds and the nominal value is recognised in the income statement as a financial expense over the term of the loan.

Lease commitments concerning assets held under a finance lease are recognised in the balance sheet as a liability and are measured on signing of the particular lease at the fair value of the leased asset or the present value of future lease payments, whichever is lower. After initial recognition, lease commitments are measured at amortised cost. The difference between the present value and the nominal value of lease payments is recognised in the income statement as a financial expense over the lease period.

4.4 NET INTEREST-BEARING DEBT, LIQUIDITY AND INTEREST RATE RISKS

(DKK million)	Contractual cash flows				Carrying amount	Weighted average effective interest rate
	Less than 1 year	1-5 years	More than 5 years	Total		
2018						
Interest-bearing receivables	416	309	166	891	826	
Cash BS	1,162	-	-	1,162	1,162	
Interest-bearing assets	**1,578**	**309**	**166**	**2,053**	**1,988**	**1.9%**
Debt to credit institutions etc.	-4,425	-2,121	-74	-6,620	-6,577	
Debt to parent	-116	-5	-2,018	-2,139	-2,000	
Short-term bank facilities etc.	-3,675	-	-	-3,675	-3,633	
Cash management overdrafts	-382	-	-	-382	-382	
Interest-bearing liabilities BS	**-8,598**	**-2,126**	**-2,092**	**-12,816**	**-12,592**	**1.7%**
Net interest-bearing debt	**-7,020**	**-1,817**	**-1,926**	**-10,763**	**-10,604**	**1.7%**

2017						
Interest-bearing receivables	125	349	599	1,073	842	
Securities BS	32	-	-	32	32	
Cash BS	1,133	-	-	1,133	1,133	
Interest-bearing assets	**1,290**	**349**	**599**	**2,238**	**2,007**	**1.3%**
Debt to credit institutions etc.	-947	-2,192	-147	-3,286	-3,228	
Debt to parent	-70	-2,029	-	-2,099	-2,000	
Short-term bank facilities etc.	-1,866	-	-	-1,866	-1,866	
Overdraft	-47	-	-	-47	-47	
Interest-bearing liabilities BS	**-2,930**	**-4,221**	**-147**	**-7,298**	**-7,141**	**2.0%**
Net interest-bearing debt	**-1,640**	**-3,872**	**452**	**-5,060**	**-5,134**	**2.2%**

Trade payables and other liabilities have a contractual maturity of less than one year, with the exception of other liabilities of DKK 273 million (DKK 210 million in 2017) which have a contractual maturity of 1-5 years. The contractual cash flows approximate their carrying amounts.

Interest-bearing debt broken down by currency: 27% in US dollars (27% in 2017), 52% in Danish kroner (59% in 2017), 12% in euros (15% in 2017), 6% in GBP (0% in 2017), 0% in Canadian dollars (1% in 2017) and 0% in other currencies (3% in 2017).

4.4 NET INTEREST-BEARING DEBT, LIQUIDITY AND INTEREST RATE RISKS – *CONTINUED*

Reconciliation of liabilities arising from financing activities The table below explains the changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

(DKK million)	2017	Cash flows from financing activities	Net cash flow from overdraft	Non-cash changes: Acquisitions	Non-cash changes: Foreign exchange movements	2018
Debt to parent	-2,000	-	-	-	-	-2,000
Debt to credit institutions etc.	-3,228	-3,333	-	-3	-13	-6,577
Short-term bank facilities etc.	-1,866	-1,683	-	-	-84	-3,633
Total liabilities from financing activities	**-7,094**	**-5,016**	**-**	**-3**	**-97**	**-12,210**
Overdraft CF	-47	-	-319	-	-16	-382
Interest-bearing liabilities	**-7,141**	**-5,016**	**-319**	**-3**	**-113**	**-12,592**

(DKK million)	2016	Cash flows from financing activities	Net cash flow from overdraft	Non-cash changes: Acquisitions	Non-cash changes: Foreign exchange movements	2017
Finance lease dept	-8	8	-	-	-	-
Debt to parent	-2,000	-	-	-	-	-2,000
Debt to credit institutions etc.	-3,261	16	-	-5	22	-3,228
Short-term bank facilities etc.	-2,202	133	-	-	203	-1,866
Liabilities from financing activities	**-7,471**	**157**	-	**-5**	**225**	**-7,094**
Overdraft CF	-203	-	-35	-	191	-47
Interest-bearing liabilities	**-7,674**	**157**	**-35**	**-5**	**416**	**-7,141**

The Group has limited the maximum interest rates on part of its non-current debt through an interest cap.

Interest cap

(DKK million)	2018 Expiry	2018 Interest rate/strike	2018 Contractual amount at year-end	2018 Positive fair value at year-end	2018 Negative fair value at year-end	2017 Expiry	2017 Interest rate/strike	2017 Contractual amount at year-end	2017 Positive fair value at year-end	2017 Negative fair value at year-end
DKK/DKK	2021	0%	650	-	1	2019	0%	650	-	-
			650	**-**	**1**			**650**	**-**	**-**

The fair value of interest cap (a strip of call options) outstanding at the balance sheet date is DKK -1 million (DKK 0 million in 2017), and the contractual value of interest cap is DKK 650 million (DKK 650 million in 2017). The cap will run until 2021.

Sensitivity analysis in respect of interest rates Based on the Group's net debt at the end of the 2018 financial year, a rise of 1 percentage point in the general interest rate level will cause an increase in consolidated annual interest expenses before tax of approximately DKK 107 million (DKK 10 million in 2017). About 42% of the interest-bearing debt is subject to fixed or limited interest rates, partly due to a bought cap (a strip of call options) and partly due to loans being raised at fixed interest rates.

4.5 FAIR VALUE HIERARCHY

Methods and assumptions for calculation of fair values

Other investments

Other investments are assessed on the basis of their equity value and fair value.

Derivatives

Forward exchange contracts are assessed using discounted cash flow valuation techniques. Future cash flows are based on forward exchange rates from observable forward exchange rates at the end of the reporting period and on contractual forward exchange rates discounted at a rate that reflects the credit risk related to various counterparties.

Interest swaps are assessed using discounted cash flow valuation techniques. Future cash flows are based on observable forward yield curves at the end of the reporting period and on contractual interest rates discounted at a rate that reflects the credit risk related to various counterparties.

The value of a cap is assessed using discounted cash flow valuation techniques. A cap consists of a series of interest rate options (IRGs) with the same strike rate. The individual interest rate options each cover an interest period. The key elements when pricing interest rate options are strike rate, forward rate, maturity and volatility. The value of an interest rate option is made up of the intrinsic value and the time value of such option. The value of a cap is the combined value of the individual IRGs.

Contingent considerations

Contingent considerations are measured at their fair values based on the contractual terms of the contingent considerations and on non-observable inputs (level 3), such as the financial performance and purchasing patterns of the acquired enterprises for a period of typically 1-5 years after the date of acquisition.

Fair value hierarchy for assets and liabilities measured at fair value in the balance sheet.

Financial instruments measured at fair value are broken down according to the fair value hierarchy:

- Listed prices in an active market for the same type of instrument (level 1)
- Listed prices in an active market for similar assets or liabilities or other valuation methods, with all significant inputs
  being based on observable market data (level 2)
- Valuation methods, with any significant inputs not being based on observable market data (level 3)

4.5 FAIR VALUE HIERARCHY – *CONTINUED*

(DKK million)	2018				2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets used as hedging instruments	-	12	-	**12**	-	66	-	**66**
Securities (available for sale)	-	-	-	**-**	32	-	-	**32**
Other investments (available for sale)	494	-	14	**508**	49	-	11	**60**
Financial liabilities used as hedging instruments	-	-32	-	**-32**	-	-3	-	**-3**
Contingent considerations	-	-	-170	**-170**	-	-	-365	**-365**

There are no transfers between levels 1 and 2 in the 2018 and 2017 financial years.

Financial instruments measured at fair value in the balance sheet based on valuation methods, with any significant inputs not being based on observable market data (level 3):

Level 3 assets and liabilities	Financial assets available for sale		Contingent considerations	
(DKK million)	2018	2017	2018	2017
Carrying amount at 1.1.	60	8	-365	-183
Foreign currency translation adjustment	-	-	-17	42
Acquisitions	418	53	-47	-122
Investments in associates	-	-	-6	-180
Disposals, repayments, settlements etc.	-	-1	261	73
Other adjustments	30	-	4	5
Carrying amount at 31.12.	**508**	**60**	**-170**	**-365**

§ ACCOUNTING POLICIES

On initial recognition, other investments are classified as assets available for sale, recognised at fair value and subsequently measured at fair value. Unrealised value adjustments are recognised the income statement. On realisation, value adjustments are transferred to net financial items in the income statement. The determination of fair values is based on equity values.

Contingent considerations arising from the acquisition of enterprises and activities are recognised at fair value at the time of acquisition. The obligations are re-evaluated on a recurring basis at fair value.

SECTION 5

TAX

5.1 TAX ON PROFIT

(DKK million)	2018	2017
Current tax on profit for the year	-554	-452
Adjustment of current tax, prior years	-3	-2
Change in deferred tax	-64	-75
Adjustment of deferred tax, prior years	-5	38
Impact of changes in corporate tax rates	-	16
Tax on profit for the year IS	**-626**	**-475**
Reconciliation of tax rates:		
Danish corporate tax rate	22.0%	22.0%
Differences between tax rates of non-Danish enterprises and Danish corporate tax rate	2.2%	1.1%
Impact of changes in corporate tax rates	0.0%	-0.4%
Use of tax assets not previously recognised	0.0%	-0.5%
Permanent differences	-14.5%	-8.6%
Other items, including prior-year adjustments	0.2%	-1.1%
Effective tax rate	**9.9%**	**12.5%**

§ ACCOUNTING POLICIES

Tax on the year's profit includes current tax and any changes in deferred tax. Current tax includes taxes payable determined on the basis of the estimated taxable income for the year and any prior-year tax adjustments. Tax on changes in equity and other comprehensive income is recognised directly in equity and in other comprehensive income, respectively. Foreign currency translation adjustments of deferred tax are recognised as part of the year's adjustments of deferred tax.

Current tax liabilities or tax receivables are recognised in the balance sheet and determined as tax calculated on the year's taxable income adjusted for any tax on account. The tax rates prevailing at the balance sheet date are used for calculation of the year's taxable income.

William Demant Invest A/S is applying SEL § 3, subsection 4, according to which William Demant Invest A/S can transfer positive taxable income to the William Demant Foundation, provided that the transfer is distributed to non-profit purposes by the William Demant Foundation.

5.2 DEFERRED TAX

(DKK million)	2018	2017
Deferred tax recognised in the balance sheet:		
Deferred tax assets BS	640	372
Deferred tax liabilities BS	-443	-179
Deferred tax, net at 31.12.	**197**	**193**
Deferred tax, net at 31.12	193	234
Impact of changes in accounting policies	136	-
Deferred tax, net at 1.1.	**329**	**234**
Foreign currency translation adjustments	-6	-5
Changes in deferred tax	-64	-75
Additions relating to acquisitions	-66	-2
Adjustment of deferred tax, prior years	-5	38
Impact of changes in corporate tax rates	-	16
Deferred tax relating to changes in equity, net	9	-13
Deferred tax, net at 31.12.	**197**	**193**

The tax value of deferred tax assets not recognised is DKK 133 million (DKK 36 million in 2017) and relates mainly to tax losses and tax credits for which there is considerable uncertainty about their future utilisation. An unrecognised tax asset of 5 million has been acquired during the year through acquisition.

The tax losses carried forward will not expire in the near future.

Any sale of shares in subsidiaries, associates and joint ventures at the balance sheet date is estimated to result in tax in the amount of DKK 0 million (DKK 0 million in 2017).

Breakdown of the Group's temporary differences and changes:	Temporary differences at 1.1.2018	Impact of changes in accounting policies	Temporary differences at 1.1.2018	Foreign currency translation adjustments	Acquisitions	Recognised in profit for the year	Recognised in other comprehensive income	Temporary differences at 31.12.2018
Intangible assets	-132	-	-132	-9	-118	-80	-	-339
Property, plant and equipment	-48	-	-48	-1	-22	-12	-	-83
Inventories	186	-	186	-	14	37	-	237
Receivables	11	3	14	1	9	19	-	43
Provisions	73	-	73	1	10	9	-	93
Deferred income	-	133	133	-	-	4	-	137
Tax losses	92	-	92	5	19	-17	-	99
Other	11	-	11	-3	22	-29	9	10
Total	**193**	**136**	**329**	**-6**	**-66**	**-69**	**9**	**197**

5.2 DEFERRED TAX – *CONTINUED*

Breakdown of the Group's temporary differences and changes:	Temporary differences at 1.1.2017	Foreign currency translation adjustments	Acquisitions	Recognised in profit for the year	Recognised in other comprehensive income	Temporary differences at 31.12.2017
Intangible assets	-94	16	-2	-52	-	-132
Property, plant and equipment	-70	1	-	21	-	-48
Inventories	185	-2	-	3	-	186
Receivables	28	-3	-	-14	-	11
Provisions	70	-6	-	9	-	73
Tax losses	111	-12	-	-7	-	92
Other	4	1	-	19	-13	11
Total	**234**	**-5**	**-2**	**-21**	**-13**	**193**

§ ACCOUNTING POLICIES

Deferred tax is recognised using the balance sheet liability method on any temporary differences between the tax base of assets and liabilities and their carrying amounts, except for deferred tax on temporary differences arisen either on initial recognition of goodwill or on initial recognition of a transaction that is not a business combination, with the temporary difference ascertained on initial recognition affecting neither net profits nor taxable income.

Deferred tax is determined on the basis of the tax rules and rates prevailing at the balance sheet date in a particular country. The effect of any changes in tax rates on deferred tax is included in tax on the year's profit, unless such deferred tax is attributable to items previously recognised directly in equity or in other comprehensive income. In the latter case, such changes will also be recognised directly in equity or in other comprehensive income. The tax base of a loss, if any, which may be set off against future taxable income, is carried forward and set off against deferred tax in the same legal tax entity and jurisdiction.

ACCOUNTING ESTIMATES AND ASSUMPTIONS

Deferred tax assets, including the tax value of any tax losses allowed for carryforward, are recognised in the balance sheet at the estimated realisable value of such assets, either by a set-off against a deferred tax liability or by a net asset to be set off against future positive taxable income. At the balance sheet date, an assessment is made as to whether it is probable that sufficient taxable income will be available in the future against which the deferred tax asset can be utilised. Deferred tax on temporary differences between the carrying amounts and the tax values of investments in subsidiaries, associates and joint ventures is recognised, unless the Parent is able to control the time of realisation of such deferred tax, and it is probable that such deferred tax will not be realised as current tax in the foreseeable future. Deferred tax is recognised in respect of eliminations of intra-group profits and losses.

SECTION 6

ACQUISITIONS

6.1 ACQUISITION OF ENTERPRISES AND ACTIVITIES

(DKK million)	Össur	Other	2018
	Fair value on acquisition		
Intangible assets	661	60	721
Property, plant and equipment	348	63	411
Other non-current assets	296	1	297
Inventories	566	30	596
Current receivables	699	210	909
Cash and bank debt	238	281	519
Non-current liabilities	-1,147	-154	-1,301
Current liabilities	-788	-247	-1,035
Acquired net assets	**873**	**244**	**1,117**
Goodwill	5,568	4,170	9,738
Acquisition cost	**6,441**	**4,414**	**10,855**
Non-controling interests' share of acqusition cost	-427	-334	-761
Carrying amount of non-controlling interests on obtaining control	-2,823	-355	-3,178
Fair value of non-controlling interests on obtaining control	-2,902	-2	-2,904
Contingent considerations and deferred payments	-	-76	-76
Acquired cash and bank debt	-238	-281	-519
Cash acquisition cost	**51**	**3,366**	**3,417**

	2017
Intangible assets	27
Property, plant and equipment	21
Other non-current assets	1
Inventories	4
Current receivables	14
Cash and bank debt	14
Non-current liabilities	-7
Current liabilities	-36
Acquired net assets	**38**
Goodwill	437
Acquisition cost	**475**
Contingent considerations and deferred payments	-122
Acquired cash and bank debt	-14
Cash acquisition cost	**339**

6.1 ACQUISITION OF ENTERPRISES AND ACTIVITIES – *CONTINUED*

Our most significant acquisition in 2018 was the purchase of Össur. Össur is a global leader in non-invasive orthopaedics; innovating, producing, and providing advanced technological solutions within prosthetics and bracing & supports. Prior to obtaining control, the Group had an ownership of 49% of the shares against an carrying amount of DKK 2,823 million. On 4 January 2018, the Group increased its ownership to 51% against an acquisition cost of DKK 289 million by which the Group obtained control of Össur.

The Group´s other acquisitions in 2018 consist of Vision RT, a company that develops technology for surface guided radiation therapy, as well as a number of minor acquisitions, mainly in Europe and North America to strenghten the sales channels in Demant and Össur. In respect of these acquisitions, we paid acquisition costs exceeding the fair values of the acquired assets, liabilities and contingent liabilities. Such positive balances in value can be attributed to expected synergies between the activities of the acquired entities and our existing activities, to the future growth opportunities and to the value of staff competencies in the acquired entities. These synergies are not recognized separately from goodwill, as they are not separately identifiable.

At the time of acquisition, non-controlling interests´ shares of acquisitions were measured at their proportionate shares of the total fair value of the acquired entities including goodwill. On obtaining a controlling interest through step acquisitions, previously held non-controlling interests are at the time of obtaining control included at fair value with fair value adjustments in the income statement.

In 2018, a few adjustments were made to the preliminary recognition of acquisitions made in 2017. These adjustments were made in respect of payments made, contingent considerations provided and net assets and goodwill acquired. The impact of these adjustments on goodwill was DKK 1 million (DKK 11 million in 2017). In relation to acquisitions with final recognition in 2010-2017, adjustments were made in 2018 in respect of estimated contingent considerations. Such adjustments are recognized in the income statement.

The total impact on the income statement of fair value adjustments of non-controlling interests in step acquisitions amounted to DKK 3,026 million (DKK 0 million in 2017), and adjustment of contingent considerations of DKK 4 million were made via the income statement in 2018 (DKK 5 million in 2017) and are recognized under Distribution costs.

Of the total acquisition entries in 2018, the fair value of estimated contingent considerations in the form of earn-outs or deferred payments accounted for DKK 76 million (DKK 122 million in 2017), and DKK 6 million relating to investments in associates and joint ventures. Such earn outs depend on the results of the acquired entities for a period of 1-5 years after takeover and can total a maximum of DKK 77 million (DKK 168 million in 2017) for acquisitions, and to DKK 6 million (DKK 180 million in 2017) for investments in associates and joint ventures.

The acquired assets include contractual receivables amounting to DKK 716 million (DKK 9 million in 2017) of which DKK 34 million (DKK 0 million in 2017) was thought to be uncollectible at the date of the acquisition. Of total goodwill in the amount of DKK 9,738 million (DKK 437 million in 2017), DKK 1,060 million (DKK 304 million in 2017) can be amortized for tax purposes. Transaction cost in connection with acquisitions made in 2018 amounted to DKK 28 million (DKK 0 million in 2017), which has been recognized under Distribution costs.

Revenue and profit generated by the acquired enterprises since our acquisition in 2018 amount to DKK 4,371 million (DKK 147 million in 2017) and DKK 518 million (DKK 6 million in 2017), respectively. Had such revenue and profit been consolidated on 1 January 2018, we estimate that consolidated pro forma revenue and profit would have been DKK 19,100 million (DKK 13,294 million in 2017) and DKK 5,908 million (DKK 1,763 million in 2017), respectively. Without taking synergies from our core business into account, we believe that these pro forma figures reflect the level of consolidated earnings after our acquisition of the enterprises.

The above statements of the fair values of acquisitions are not considered final until 12 months after takeover.

From the balance sheet date and until the date of financial reporting in 2019, we have acquired additional distribution enterprises. We are in the process of assessing their fair value. The acquisition cost is expected to relate primarily to goodwill.

6.1 ACQUISITION OF ENTERPRISES AND ACTIVITIES – *CONTINUED*

§ ACCOUNTING POLICIES

Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the time of acquisition or formation. The time of acquisition is the date when control of the enterprise is transferred to the Group. For Group accounting policies on control, please refer to consolidated financial statements in Note 9.1. In respect of newly acquired enterprises, comparative figures and key figures will not be restated. On acquiring new enterprises of which the Group obtains control, the purchase method is applied according to which their identified assets, liabilities and contingent liabilities are measured at their fair values on the acquisition date. Any non-current assets acquired for the purpose of resale are, however, measured at their fair values less expected costs to sell. Restructuring costs are solely recognised in the pre-acquisition balance sheet if they are a liability for the acquired enterprise. Any tax effect of revaluations will be taken into account.

The acquisition cost of an enterprise consists of the fair value of the consideration paid for the enterprise. If the final consideration is conditional upon one or more future events, the consideration will be recognised at the fair value on acquisition. Any subsequent adjustment of contingent consideration is recognised directly in the income statement, unless the adjustment is the result of new information about conditions prevailing on the acquisition date, and this information becomes available up to 12 months after the acquisition date. Transaction costs are recognised directly in the income statement when incurred. If costs exceed the fair values of the assets, liabilities and contingent liabilities identified on acquisition, any remaining positive differences (goodwill) are recognised in the balance sheet under intangible assets and tested for impairment at least annually. If the carrying amount of an asset exceeds its recoverable amount, it will be written down to such lower recoverable amount.

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

ACCOUNTING ESTIMATES AND ASSUMPTIONS

Identification of assets and liabilities

On recognition of assets and liabilities from business combinations, Management judgements may be required for the following areas:

- Intangible assets resulting from technology, customer relationships, client lists or brand names
- Contingent consideration arrangements

Contingent consideration

Business combinations may include provisions that additional payments of contingent considerations be paid to the previous owners, when certain events occur or certain results are obtained. Management assesses on a regular basis the assumptions made in respect of the particular acquisitions, taking sales run rates of the acquired entity into account.

SECTION 7

PROVISIONS, OTHER LIABILITIES ETC.

7.1 PROVISIONS

(DKK million)	2018	2017
Restructuring cost provisions	10	29
Staff-related provisions	56	57
Miscellaneous provisions	180	122
Other provisions	**246**	**208**
Defined benefit plan liabilities, net	156	133
Provisions at 31.12.	**402**	**341**
Breakdown of provisions:		
Non-current provisions BS	355	316
Current provisions BS	47	25
Provisions at 31.12.	**402**	**341**

Other provisions

(DKK million)	Restructuring costs	Staff-related	Miscellaneous	Total
Other provisions at 1.1.2018	29	57	122	208
Additions relating to acquisitions	-	-	32	32
Provisions during the year	2	-1	46	47
Applied during the year	-21	-	-13	-34
Reversals during the year	-	-	-7	-7
Other provisions at 31.12.2018	**10**	**56**	**180**	**246**
Breakdown of provisions:				
Non-current provisions	7	56	136	199
Current provisions	3	-	44	47
Other provisions at 31.12.2018	**10**	**56**	**180**	**246**
Other provisions at 1.1.2017	**45**	**54**	**130**	**229**
Foreign currency translation adjustments	-2	-5	-1	-8
Additions relating to acquisitions	-	1	-	1
Provisions during the year	5	7	7	19
Applied during the year	-19	-	-5	-24
Reversals during the year	-	-	-9	-9
Other provisions at 31.12.2017	**29**	**57**	**122**	**208**
Breakdown of provisions:				
Non-current provisions	14	57	112	183
Current provisions	15	-	10	25
Other provisions at 31.12.2017	**29**	**57**	**122**	**208**

7.1 PROVISIONS – *CONTINUED*

(DKK million)	2018	2017
Present value of defined benefit obligations:		
Defined benefit obligations at 1.1	361	495
Foreign currency translation adjustments	13	-30
Current service cost	12	21
Curtailment	-	-20
Calculated interest on defined benefit obligations	2	2
Actuarial gains/losses	33	-7
Benefits paid	-16	-109
Contributions from plan participants	8	9
Defined benefit obligations at 31.12.	**413**	**361**
Fair value of defined benefit assets:		
Defined benefit assets at 1.1.	228	297
Foreign currency translation adjustments	11	-24
Expected return on defined benefit assets	1	1
Actuarial gains/(losses)	16	1
Contributions	17	62
Benefits paid	-16	-109
Defined benefit assets at 31.12.	**257**	**228**
Defined benefit obligations recognised in the balance sheet, net	**156**	**133**
Return on defined benefit assets:		
Actual return on defined benefit assets	17	2
Expected return on defined benefit assets	1	1
Actuarial gains/losses on defined benefit assets	**16**	**1**
Assumptions:		
Discount rate	1.0%	0.5%
Expected return on defined benefit assets	1.0%	1.0%
Future salary increase rate	1.5%	1.5%

Generally, the Group does not offer defined benefit plans, but it has such plans in Switzerland, France and Germany, where they are required by law.

The Group expects to pay approximately DKK 15 million in 2019 (DKK 13 million in 2018) into defined benefit plans.

Defined benefit obligations in the amount of DKK 93 million will mature within 1-5 years (DKK 64 million in 2017) and obligations in the amount of DKK 320 million after 5 years (DKK 297 million in 2017).

If the discount rate is 0.5% higher (lower), the defined benefit obligation would decrease with 7% (increase with 8%). If the expected salary growth rate is 0.5% higher (lower) the defined benefit obligation would increase with 1% (decrease with 1%).

7.1 PROVISIONS – *CONTINUED*

§ ACCOUNTING POLICIES

Provisions are recognised if, as a result of an earlier event, the Group has a legal or constructive obligation, and if the settlement of such an obligation is expected to draw on corporate financial resources, but there is uncertainty about the timing or amount of the obligation. Provisions are measured on a discounted basis based on Management's best estimate of the amount at which a particular liability may be settled. The discount effect of any changes in the present value of provisions is recognised as a financial expense.

The Group has defined benefit plans and similar agreements with some of its employees. As regards defined contribution plans, the Group pays regular, fixed contributions to independent pension companies.Contributions are recognised in the income statement for the period in which employees have performed work, entitling them to such pension contributions. Contributions due are recognised in the balance sheet as a liability.

As regards defined benefit plans, the Group is obliged to pay a certain contribution when an employee covered by such a plan retires, for instance a fixed amount or a percentage of the employee's final salary. An actuarial calculation is made periodically of the accrued present value of future benefits to which employees through their past employment with the Group are entitled and which are payable under the defined benefit plan. This defined benefit obligation is calculated annually using the projected unit credit method on the basis of assumptions in respect of the future development in for instance wage levels, interest rates and inflation rates. The defined benefit obligation less the fair value of any assets relating to the defined benefit plan is recognised at the balance sheet under provisions.

Defined benefit costs are categorised as follows:

- Service costs, including current service costs, past service costs as well as gains and losses on curtailments and settlements
- Net interest expense or income
- Remeasurements

Remeasurements, comprising actuarial gains and losses, any effects of changes to the asset ceiling and return on defined benefit assets excluding interest, are reflected immediately in the balance sheet with a charge or credit recognised in other comprehensive income in the period in which it occurs. Remeasurements recognised in other comprehensive income are reflected immediately in retained earnings and will not be reclassified to the income statement. Service costs and net interest expense or income are included in the income statement as staff costs.

Other non-current employee benefits are recognised using actuarial calculation. Actuarial gains or losses on such benefits are recognised directly in the income statement.

ACCOUNTING ESTIMATES AND ASSUMPTIONS

Management assesses, on an ongoing basis, provisions for restructuring costs and the likely outcome of pending and probable lawsuits etc. (other provisions). When assessing the likely outcome of lawsuits, Management bases its assessment on internal and external legal advice and established precedent. Provisions for restructuring costs are based on the estimated costs of implementing restructuring initiatives and thus on a number of assumptions about future costs and events. For all provisions, the outcome and final expense depend on future events, which are by nature uncertain.

7.2 OTHER LIABILITIES

(DKK million)	2018	2017
Product-related liabilities	354	293
Staff-related liabilities	752	463
Other debt, public authorities	266	265
Contingent considerations	170	365
Accrued interest to parent	18	18
Other costs payable	559	387
Other liabilities	**2,119**	**1,791**
Due within 1 year BS	1,848	1,581
Due within 1-5 years BS	271	210

Product-related liabilities include standard warranties and returned products etc. Staff-related liabilities include holiday pay and payroll costs due. The carrying amount of other liabilities approximate the fair value of such liabilities.

The carrying amount of other liabilities approximate the fair value of the liabilities.

§ ACCOUNTING POLICIES

Other non-financial liabilities are recognised if, as a result of an earlier event, the Group has a legal or constructive obligation, and if the settlement of such an obligation is expected to draw on corporate financial resources. Other non-financial liabilities are measured on a discounted basis, and the discount effect of any changes in the present value of the liabilities is recognised as a financial expense.

On the sale of products with a right of return, a liability is recognised in respect of the profit on products expected to be returned and of any costs incurred with the return of such products. Warranty commitments include the obligation to remedy faulty or defective products during the warranty period.

ACCOUNTING ESTIMATES AND ASSUMPTIONS

Liabilities in respect of warranties have been calculated on the basis of information on products sold, related periods and past experience of costs incurred by our Group to fulfil our liabilities. Liabilities in respect of returns have been calculated based on information on products sold, related rights concerning returns and past experience of products being returned in the various markets. Consolidated product-related liabilities are the sum of a large number of small items, the sum changing constantly due to a large number of transactions.

7.3 DEFERRED INCOME

(DKK million)	2018
Prepayments from customers	71
Future performance obligations:	
Deferred warranty-related revenue	647
Deferred free products revenue	190
Deferred service revenue	234
Total BS	**1,142**

Expected recognition of revenue

	Less than 1 year	1-2 years	2-4 years	More than 4 years	Total
2018					
Prepayments from customers	68	1	1	1	71
Deferred warranty-related revenue	247	242	153	5	647
Deferred free products revenue	130	55	4	1	190
Deferred service revenue	127	93	14	-	234
Total	**572**	**391**	**172**	**7**	**1,142**

Free products, service and some warranty-related services mentioned above are provided free of charge to the customer. Certain other warranty-related services are paid by the customer in connection with delivery of the related goods, but delivery of the service takes place 1-4 years after delivery of the goods. Please refer to Note 1.1 for a description of the nature of the deferred income.

§ ACCOUNTING POLICIES

Deferred income includes income received or future performance obligations relating to subsequent financial years and is recognised as revenue when the Group performs the obligations by transferring the goods or services.

7.4 OPERATING LEASE COMMITMENTS

(DKK million)	2018	2017
Rent	1,950	928
Other operating leases	97	84
Total	**2,047**	**1,012**
Operating leases, less than 1 year	520	342
Operating leases, 1-5 years	1,134	517
Operating leases, over 5 years	393	153
Total	**2,047**	**1,012**

Operating leases are recognised in the income statement at an amount of DKK 677 million (DKK 495 million in 2017).

The Group's operating leases mainly relate to rent of which some have renewal options.

7.5 CONTINGENT LIABILITIES

The William Demant Invest Group is involved in a few disputes, lawsuits etc. Management is of the opinion that such disputes do not or will not significantly affect the Group's financial position. The Group seeks to make adequate provisions for legal proceedings.

As part of our business activities, the Group has entered into normal agreements with customers and suppliers etc. as well as agreements for the purchase of shareholdings.

William Demant Invest A/S is in relation to certain investments and securities committed to inject additional capital to the extent that the activities of these investments require additional capital.

SECTION 8

OTHER DISCLOSURE REQUIREMENTS

8.1 RELATED PARTIES

The William Demant Foundation, Kongebakken 9, 2765 Smørum, Denmark, is the only related party with a controlling interest.

Related parties with significant influence are the Company's Executive Board, Board of Directors and their related parties. Furthermore, related parties are companies in which the above persons have significant interests.

Subsidiaries, associates, joint ventures and joint operations as well as the Group's ownership interests in these companies appear from the list on page 105 and 106, and financial information on associates and joint ventures can be found in Note 3.3.

In 2018, the William Demant Foundation paid administration fees to the Group of DKK 2 million (DKK 2 million in 2017). Further, the William Demant Foundation has granted loans (convertible promissory notes) to William Demant Invest A/S totalling DKK 2,000 million at year end 2018, on which interest in 2018 totals DKK 70 million (DKK 70 million in 2017).

There have been no transactions with the Executive Board and the Board of Directors apart from normal remuneration, please refer to Note 1.2.

8.2 FEES TO PARENT'S AUDITORS APPOINTED AT THE ANNUAL GENERAL MEETING

(DKK million)	2018	2017
Statutory audit	20	11
Tax and VAT advisory services	3	4
Other services	1	1
Total	**24**	**16**

A few Group enterprises are not audited by the Parent's appointed auditors (Deloitte) or the auditors' foreign affiliates.

The fee for non-audit services delivered by Deloitte Statsautoriseret Revisionspartnerselskab to the Group amounts to DKK 1 million (DKK 2 million in 2017) and consists of VAT and tax assistance, tax advisory services related to transfer pricing, issuance of various assurance reports and accounting advisory.

8.3 GOVERNMENT GRANTS

In 2018, the William Demant Invest Group received government grants in the amount of DKK 15 million (DKK 16 million in 2017). Grants are offset against R&D costs.

§ ACCOUNTING POLICIES

Government grants are recognised when there is reasonable certainty that the conditions for such grants are satisfied and that they will be awarded. Grants received as compensation for costs incurred are recognised proportionately in the income statement over the periods in which the related costs are recognised in the income statement and are offset against costs incurred. Government grants relating to the acquisition of non-current assets are deducted from the cost of such asset.

8.4 EVENTS AFTER THE BALANCE SHEET DATE

There have been no events that materially affect the assessment of this Annual Report 2018 after the balance sheet date and up to today.

SECTION 9

BASIS FOR PREPARATION

9.1 GROUP ACCOUNTING POLICIES

The Group's general accounting policies are described below. In addition to this, specific accounting policies are described in each of the individual notes to the consolidated financial statements as outlined here:

1.1 Revenue from contacts with customers
1.5 Inventories
1.6 Receivables
2.3 Hedging and forward exchange contracts
2.4 Exchange rates
3.1 Intangible assets
3.2 Property, plant and equipment
3.3 Other non-current assets
3.4 Impairment testing
4.2 Net financial items
4.3 Categories of financial instruments
4.5 Fair value hierarchy
5.1 Tax on profit
5.2 Deferred tax
6.1 Acquisition of enterprises and activities
7.1 Provisions
7.2 Other liabilities
7.3 Deferred income
8.3 Government grants

General
The consolidated financial statements are presented in compliance with International Financial Reporting Standards (IFRS) as adopted by the EU and Danish disclosure requirements for annual reports published by reporting class C (large) companies, cf. the Danish executive order on IFRS issued in compliance with the Danish Financial Statements Act. The registered office of William Demant Invest A/S is in Denmark.

The consolidated financial statements are presented in Danish kroner (DKK), which is the functional currency for the Parent. The consolidated financial statements are presented based on historical cost, except for obligations for contingent consideration in connection with business combinations, share-based remuneration, derivatives and financial assets classified as assets available for sale, which are measured at fair value.

The financial statements for the Parent as well as the Parent's accounting policies are presented separately from the consolidated financial statements and are shown on the last pages of this Annual Report 2018.

Except for the implementation of new and amended standards as described below as well as insignificant reclassifications of the comparative figures for 2017, the accounting policies remain the same as in 2017.

Effect of new accounting standards
The Group has adopted all new, amended and revised accounting standards and interpretations as published by the IASB and adopted by the EU effective for the accounting period beginning on 1 January 2018. Except for IFRS 9 and 15, which are described below, none of these new, updated and amended standards and interpretations resulted in any changes to the accounting policies for the Group or had any significant impact on the consolidated financial statements for 2018.

Issued in May 2014, IFRS 15 Revenue from Contracts with Customers establishes a single comprehensive model for entities to be used on the recognition of revenue arising from contracts with customers. IFRS 15 supersedes the previous revenue recognition guidance, including IAS 18 Revenue and related interpretations. As stated in the Annual Report 2017, Management has analysed the impact of IFRS 15 and concluded that the new standard will have some impact on the timing of revenue recognition, on net or gross recognition of principal and agent relationships and on the disclosure of revenue. The transition has impacted the balance sheet by DKK 386 million net of tax and pertains predominantly to the deferral of income, which means that the impact on the income statement is limited.

IFRS 9 Financial Instruments was issued in 2009 and has been revised several times since then. Management estimates that the standard has only had limited impact on the consolidated financial statements. The main impact for the Group is on the measurement of credit losses related to receivables, where the impact of the transition on the balance sheet was DKK 21 million net of tax in respect of increased bad debt provisions. Although IFRS 9 provides the option to hedge net positions (i.e. EBIT) instead of hedging revenue, Management has decided to continue the current hedging policy, and consequently the changes in IFRS 9 will not have any impact on the Group's hedging.

The table below shows changes in the balance sheet items due to of the implementation of IFRS 9 and IFRS 15. IFRS 9 has been implemented using the limited exemption relating to transition for classification, measurement and impairment, and IFRS 15 has been implemented using the modified retrospective method. The transition effects for both standards have thus been recognised in the opening balance of retained earnings, and the comparative figures have not been restated. As a practical expedient, IFRS 15 is only applied to non-completed contracts as of 1 January 2018. The effect of changes in IFRS 15 as per 31 December 2018 only comprise the effect for the Demant Group.

9.1 GROUP ACCOUNTING POLICIES – *CONTINUED*

(DKK million)	1 January 2018 Previous accounting policy	Effect of changes in accounting policy	New accounting policy	31 December 2018 Previous accounting policy	Effect of changes in IFRS 15	New accounting policy
Assets						
Intangible assets	**6,892**	**-**	**6,892**	**17,431**	**-**	**17,431**
Property, plant and equipment	**3,491**	**-**	**3,491**	**3,964**	**-**	**3,964**
Deferred tax assets	372	117	489	528	112	640
Other non-current assets	**8,900**	**117**	**9,017**	**6,852**	**112**	**6,964**
Trade receivables	2,622	-26	2,596	3,631	-	3,631
Prepaid expenses	208	21	229	251	41	292
Current assets	**5,888**	**-5**	**5,883**	**8,160**	**41**	**8,201**
Assets	**25,171**	**112**	**25,283**	**36,407**	**153**	**36,560**
Equity and liabilities						
Other reserves	11,243	-407	10,836	15,462	-389	15,073
Equity	**14,635**	**-407**	**14,228**	**19,441**	**-389**	**19,052**
Deferred tax liabilities	179	-25	154	469	-26	443
Other liabilities	210	-13	197	278	-5	273
Deferred income	208	282	490	221	349	570
Non-current liabilities	**3,220**	**244**	**3,464**	**5,038**	**318**	**5,356**
Other liabilities	1,581	-2	1,579	1,838	8	1,846
Deferred income	285	277	562	357	216	573
Current liabilities	**7,316**	**275**	**7,591**	**11,928**	**224**	**12,152**
Liabilities	**10,536**	**519**	**11,055**	**16,966**	**542**	**17,508**
Equity and liabilities	**25,171**	**112**	**25,283**	**36,407**	**153**	**36,560**

The effect on the income statement items for 2018 is immaterial. Profit before tax was affected negatively by DKK 20 million, tax on profit for the period was affected positively by DKK 5 million, and comprehensive income was affected negatively by DKK 15 million.

Effect of new accounting standards not yet in force Revised and new standards and interpretations issued, but not yet effective or approved by the EU at the time of publication of this Annual Report 2018, have not been incorporated into this report.

Effect of new accounting standards not yet in force
Issued in January 2016, IFRS 16 Leases requires lessees to recognise nearly all leases on the balance sheet. Management has assessed the expected impact of the standard and concluded that it will have a material impact on the

9.1 GROUP ACCOUNTING POLICIES – *CONTINUED*

recognition of tangible assets and financial debt on the balance sheet. The standard will also impact the classification of expenses in the income statement, the classification of cash flows in the cash flow statement as well as the related key figures. The transition will increase the net interest-bearing debt by DKK 2.5 billion at the effective date of the standard i.e. 1 January 2019. Furthermore, based on the leases included at transition, the standard is expected to impact EBITDA in 2019 by approx. DKK 0.5 billion compared to previous accounting policy according to IAS 17. The effects on EBIT and profit before tax are expected to be immaterial.

Management has decided to use the modified transition method under which comparative figures are not restated and the lease assets are set equal to the lease liabilities. Thus, the change in accounting policy will not impact retained earnings. The estimated impacts represent an increase compared to the estimates provided in Note 9.1 in Annual Report 2017 and are primarily the result of a change in the interpretation of the lease term for contracts with no specified end date, which for the Group mainly relates to property leases. In our Annual report 2017, these were not included as leases due to the lack of control of the asset. However, following clarity from IASB in 2018, the lease term for these contracts have been adjusted accordingly, and the contracts are consequently now included as leases.

Issued in July 2017, IFRIC 23 Uncertainty over Income Tax Treatments clarifies the treatment of uncertain tax positions. The interpretations will not have any significant effect for the Group.

Definition of materiality
IFRS contain extensive disclosure requirements. The Group discloses the information required according to IFRS, unless such information is deemed immaterial.

Consolidated financial statements
The consolidated financial statements comprise William Demant Invest A/S (the Parent) and the enterprises in which the Parent can or does exercise control by either directly or indirectly holding more than 50% of the voting rights, or in which the Parent exercises control in some other manner.

Enterprises in which the Group holds 20-50% of the voting rights and/or in some other manner can or does exercise significant influence are considered associates or joint ventures and are incorporated proportionately into the consolidated financial statements using the equity method.

Consolidation principles
The consolidated financial statements are prepared based on the financial statements of the Parent and its subsidiaries by aggregating uniform items. Enterprises that, by agreement, are managed jointly with one or more other enterprises are recognised using the equity method. The consolidated financial statements are prepared in accordance with the Group's accounting policies. Intra-group income, expenses, shareholdings, balances and dividends as well as unrealised intra group profits on inventories are eliminated.

The accounting items of subsidiaries are recognised 100% in the consolidated financial statements. On initial recognition, non-controlling interests are measured either at fair value or at their proportionate share of the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary. The method is chosen for each individual transaction. Non-controlling interests are subsequently adjusted according to their proportionate share of changes in equity of the subsidiary. Comprehensive income is allocated to noncontrolling interests whether or not, as a result hereof, the value of such interests is negative. The purchase or sale of non-controlling interests in a subsidiary, which does not result in obtaining or discontinuing control of such subsidiary, is treated as an equity transaction in the consolidated financial statements, and any difference between the consideration and the carrying amount is allocated to the Parent's share of the equity.

Income statement
Income and costs are recognised on an accruals basis. The income statement is broken down by function, and all costs, including depreciation, amortisation and impairment losses, are therefore charged to production, distribution, administration and R&D.

Production costs
Production costs are costs incurred to generate revenue. Distribution companies recognise cost of goods sold under production costs. Production companies recognise cost of raw materials, consumables, production staff as well as maintenance of and depreciation, amortisation and impairment losses on property, plant and equipment and intangible assets used in the production process under production costs.

R&D costs
Research costs are always recognised in the income statement as such costs incur. Development costs include all costs not satisfying capitalisation criteria, but incurred in

9.1 GROUP ACCOUNTING POLICIES – *CONTINUED*

connection with development, prototype construction, development of new business concepts and amortisation of capitalised development costs.

Distribution costs
Distribution costs include costs relating to training, sales, marketing, promotion materials, distribution, bad debts as well as depreciation, amortisation and impairment losses on assets used for distribution purposes.

Administrative expenses
Administrative expenses include administrative staff costs, office expenses as well as depreciation, amortisation and impairment losses on assets used for administrative purposes.

Prepaid expenses
Prepaid expenses recognised under assets include costs relating to the subsequent financial years. Prepaid expenses are measured at cost.

Equity
Foreign currency translation reserve includes foreign currency translation adjustments on the translation of financial statements of foreign subsidiaries, associates and joint ventures from their respective functional currencies into Danish kroner. Foreign currency translation adjustments are recognised in the income statement on realisation of the net investment. Hedging reserves include fair value adjustments of derivatives and loans satisfying the criteria for hedging of future transactions. The amounts are recognised in the income statement or the balance sheet at the same time as hedged transactions are recognised.

Treasury shares and dividend
On the buy-back of shares or sale of treasury shares, the purchase price or selling price, respectively, is recognised directly in equity under other reserves (retained earnings). A capital reduction through the cancellation of treasury shares will reduce the share capital by an amount corresponding to the nominal value of such shares. Proposed dividends are recognised as a liability at the time of adoption at the annual general meeting.

Cash flow statement
The cash flow statement is prepared according to the indirect method and reflects the consolidated net cash flow broken down into operating, investing and financing activities. Cash flow from operating activities includes inflows from the year's operations adjusted for non-cash operating items, changes in working capital, financial income received, financial expenses paid, realised foreign currency translation gains and losses and income tax paid. Cash flow from investing activities includes payments in respect of the acquisition or divestment of enterprises and financial as-sets as well as the purchase, development, improvement or sale of intangible assets and property, plant and equipment. Cash flow from financing activities includ-es payments to and from shareholders and the raising and repayment of non-current and current debt not included in the working capital.

Cash flow in currencies other than the functional currency is recognised at average exchange rates for the months of the year, unless they deviate significantly from actual exchange rates on the transaction dates.

Cash and cash equivalents are cash less overdrafts, which consist of uncommitted bank facilities that often fluctuate from positive to overdrawn. Any short-term bank facilities that are consistently overdrawn are considered cash flow from financing activities.

9.2 ACCOUNTING ESTIMATES AND ASSUMPTIONS

On the preparation of the consolidated financial statements, Management makes a number of accounting estimates and judgements. These relate to the recognition, measurement and classification of assets and liabilities. Many items can only be estimated rather than accurately measured. Such estimates are based on the most recent information available on preparation of the financial statements. Estimates and assumptions are therefore reassessed on an ongoing basis. Actual figures may, however, deviate from these estimates. Any changes in accounting estimates will be recognised in the reporting period in which such changes are made.

Specific accounting estimates and assumptions are described in each of the individual notes to the consolidated financial statements as outlined here:
1.1 Revenue from contacts with customers
1.2 Employees
1.5 Inventories
1.6 Receivables
3.1 Intangible assets
5.2 Deferred tax
6.1 Acqusition of enterprises and activities
7.1 Provisions
7.2 Other liabilities

PARENT

FINANCIAL STATEMENTS

PARENT INCOME STATEMENT

(DKK million)	Note	2018	2017
Fee income		1	1
Administrative expenses	10.1 / 10.2	-37	-20
Operating profit/(loss) (EBIT)		**-36**	**-19**
Financial income	10.3	702	1,552
Financial expenses	10.3	-121	-74
Profit before tax		**545**	**1,459**
Tax on profit for the year		-	4
Profit for the year		**545**	**1,463**

PARENT BALANCE SHEET AT 31 DECEMBER

(DKK million)	Note	2018	2017
Assets			
Investments in subsidiaries		6,451	2,443
Receivables from subsidiaries		846	-
Investments in associates and joint operations		3,067	4,979
Receivables from joint operations		1,390	1,552
Other investments		494	49
Financial assets	10.4	**12,248**	**9,023**
Non-current assets		**12,248**	**9,023**
Receivables from subsidiaries		-	425
Receivable joint taxation		59	49
Income tax		54	4
Other receivables		-	1
Receivables		**113**	**479**
Securities		**-**	**32**
Cash		**-**	**434**
Current assets		**113**	**945**
Assets		**12,361**	**9,968**

PARENT BALANCE SHEET AT 31 DECEMBER

(DKK million)	Note	2018	2017
Equity and liabilities			
Share capital		4	4
Retained earnings		8,291	7,867
Proposed dividend		121	20
Total equity		**8,416**	**7,891**
Debt to the William Demant Foundation	10.5	-	2,000
Non-current liabilities		**-**	**2,000**
Debt to credit institutions		1,808	1
Debt to the William Demant Foundation	10.5	2,018	18
Payable joint taxation		113	19
Income tax		-	30
Other liabilities		6	9
Current liabilities		**3,945**	**77**
Liabilities		**3,945**	**2,077**
Equity and liabilities		**12,361**	**9,968**

Contingent assets and liabilities	10.6
Proposed distribution of net profit	10.7
Related parties	10.8
Shareholders	10.9
Events after the balance sheet date	10.10
Parent accounting policies	10.11

PARENT STATEMENT OF CHANGES IN EQUITY

(DKK million)	Share capital	Other reserves	Dividend	Total equity
Equity at 1.1.2017	**4**	**6,424**	**20**	**6,448**
Profit for the year	-	1,443	20	1,463
Dividend paid	-	-	-20	-20
Equity at 31.12.2017	**4**	**7,867**	**20**	**7,891**
Profit for the year	-	424	121	545
Dividend paid	-	-	-20	-20
Equity at 31.12.2018	**4**	**8,291**	**121**	**8,416**

The share capital of DKK 4 million is divided into 3,500 shares of DKK 1,000.

SECTION 10

NOTES TO PARENT FINANCIAL STATEMENTS

10.1 EMPLOYEES

In 2018, the basic remuneration of a member of the Parent's Board of Directors was DKK 200,000 (DKK 200,000 in 2017). The Chairman of the Board of Directors receives three times the basic remuneration and the Deputy Chairman one and a half time the basic remuneration. The total remuneration for the Board of Directors was DKK 2 million (DKK 2 million in 2017).

The remuneration of the Management in William Demant Invest includes cash remuneration, short-term benefits and social security. Short-term benefits include a bonus scheme based on the development in the fair value of the net assets. Until 31 March 2017, the management of William Demant Invest was outsourced to to Demant (formerly William Demant Holding), but as of 1 April 2017, Niels Jacobsen became CEO of William Demant Invest. For 2018, the total remuneration for the Management of William Demant Invest was DKK 10 million (DKK 14 million in 2017).

The average number of employees in William Demant Invest was 7 (5 in 2017).

10.2 FEES TO PARENT'S AUDITORS APPOINTED AT THE ANNUAL GENERAL MEETING

(DKK million)	2018	2017
Statutory audit	0.5	0.3
Other services	0.5	0.2
Total	**1.0**	**0.5**

10.3 NET FINANCIAL ITEMS

(DKK million)	2018	2017
Dividends from subsidiaries	28	-
Dividends from associates	68	31
Dividends from other investments	1	-
Interest income from joint operations	62	66
Interest income from securities	-	5
Interest income from subsidiaries	52	2
Valuation adjustment of shares	30	2
Other financial income	4	1
Gain on disposal of shares in Demant A/S	457	1,445
Financial income	**702**	**1,552**
Valuation adjustment of securities	-2	-3
Interest expenses to Parent	-70	-70
Impairment of investments in associates	-40	-
Other financial expenses	-9	-1
Financial expenses	**-121**	**-74**
Net financial items	**581**	**1,478**

10.4 FINANCIAL ASSETS

(DKK million)	Investments in subsidiaries	Receivables from subsidiaries	Investments in associates and joint operations	Receivables from joint operations	Other investments
Cost at 1.1.2018	**2,443**	**-**	**4,979**	**1,552**	**49**
Additions during the year	2,016	846	120	-	413
Disposals during the year	-	-	-	-162	-
Transfers during the year	1,992	-	-1,992	-	-
Cost at 31.12.2018	**6,451**	**846**	**3,107**	**1,390**	**462**
Value adjustments at 1.1.2018	**-**	**-**	**-**	**-**	**-**
Impairment of investments in associates	-	-	-40	-	-
Adjustments during the year	-	-	-	-	32
Value adjustments at 31.12.2018	**-**	**-**	**-40**	**-**	**32**
Carrying amount at 31.12.2018	**6,451**	**846**	**3,067**	**1,390**	**494**
Cost at 1.1.2017	**2,621**	**-**	**4,079**	**1,809**	**38**
Additions during the year	-	-	834	-	77
Disposals during the year	-178	-	-	-257	-
Transfers during the year	-	-	66	-	-66
Cost at 31.12.2017	**2,443**	**-**	**4,979**	**1,552**	**49**
Value adjustments at 1.1.2017	**-**	**-**	**13**	**-**	**-**
Adjustments during the year	-	-	-13	-	-
Value adjustments at 31.12.2017	**-**	**-**	**-**	**-**	**-**
Carrying amount at 31.12.2017	**2,443**	**-**	**4,979**	**1,552**	**49**

10.5 DEBT TO THE WILLIAM DEMANT FOUNDATION

Of the total debt to William Demant Foundation of DKK 2,018 million (DKK 2,018 million in 2017) DKK 2,000 million (DKK 2,000 million in 2017) is in convertible promissory notes.

10.6 CONTINGENT ASSETS AND LIABILITIES

William Demant Invest A/S is administration company of the joint taxation arrangement with the Danish subsidiaries in the Demant Group and is under an unlimited and joint liability regime for all Danish tax payments and withholding taxes on dividends, interests and royalties from the jointly taxed entities.

William Demant Invest A/S is in relation to certain investments and securities committed to inject additional capital to the extent that the activities of these investments require additional capital.

10.7 PROPOSED DISTRIBUTION OF NET PROFIT

(DKK million)	2018	2017
Retained earnings	424	1,443
Dividend	121	20
Total	**545**	**1,463**

10.8 RELATED PARTIES

William Demants og Hustru Ida Emilies Fond (the William Demant Foundation), Kongebakken 9, 2765 Smørum, Denmark, is the only related party with a controlling interest.

Related parties with significant influence are the Company's Executive Board, Board of Directors and their related parties.

Furthermore, related parties are companies in which the above persons have significant interests.

10.9 SHAREHOLDERS

The entire share capital is owned by William Demants og Hustru Ida Emilies Fond (the William Demant Foundation), Kongebakken 9, 2765 Smørum, Denmark.

10.10 EVENTS AFTER THE BALANCE SHEET DATE

Please refer to Note 8.4 "Events after the balance sheet date" in the consolidated financial statements.

10.11 PARENT ACCOUNTING POLICIES

The financial statements for the Parent, William Demant Invest A/S, are presented in accordance with the provisions of the Danish Financial Statements Act for class C (large) entities. The Parent financial statements are presented in Danish kroner (DKK), which is also the functional currency for the Parent. The accounting policies are the same as last year.

The Parent's accounting policies in respect of recognition and measurement are generally consistent with the Group's accounting policies. The instances in which the Parent's accounting policies deviate from those of the Group are described below.

Income Statement

Tax

The Parent is administration company in the joint taxation with the Danish subsidiaries in the William Demant Group. Current income tax is allocated to the jointly taxed Danish companies in proportion to their taxable incomes.

The Parent's tax for the year is comprised by tax of the Parent's taxable income for the year, changes to deferred tax and any adjustments for tax on taxable income for previous years. Tax for the year is recognised in the income statement, unless the tax relates to items recognised in equity.

William Demant Invest A/S is applying SEL § 3, subsection 4, according to which William Demant Invest A/S can transfer positive taxable income to the Willian Demant Foundation (William Demants og Hustru Ida Emilies Fond), provided that the transfer is distributed to non-profit purposes by the William Demant Foundation.

Balance Sheet

Investments in subsidiaries, associates and joint operations

Investments in subsidiaries, associates and joint operations are recognised and measured at cost. If cost exceeds the recoverable value, write down to the lower recoverable value will be made.

Dividends from investments in subsidiaries, associates and joint operations are recognised as income in the Parent's income statement under financial income in the financial year in which the dividends are declared.

Other investments

On initial recognition, other investments are measured at cost. Subsequently, they are measured at their fair values on the balance sheet date and any changes in fair values are recognised in the income statement under net financial items.

Securities

Securities are classified as current assets and are measured at their fair values on the balance sheet date and any changes in fair values are recognised in the income statement under net financial items.

Dividends

Dividends are recognised as a liability at the time of adoption at the annual general meeting. The proposed dividend is until this time recognised in a separate line as part of equity.

Statement of changes in equity

In compliance with the format requirements of the Danish Financial Statements Act, any items included under comprehensive income in the consolidated financial statements are recognised directly in equity in the Parent financial statements.

Cash flow statement

In compliance with section 86(4) of the Danish Financial Statements Act, a cash flow statement is not drawn up for the Parent, such statement being included in the consolidated cash flow statement.

SUBSIDIARIES, ASSOCIATES AND JOINT OPERATIONS IN WILLIAM DEMANT INVEST A/S

Company	*Interest*
William Demant Invest A/S	**Parent**
Demant A/S, Denmark	55.3%
Össur hf., Iceland	51.7%
Boston Holding A/S, Denmark	37.0%
Jeudan A/S, Denmark	42.0%
Vision RT Ltd., UK	89.2%
Vitrolife AB, Sweden	22.6%
Founders A/S, Denmark	33.2%

SUBSIDIARIES IN ÖSSUR HF.

Company	*Interest*
Össur hf., Iceland	**Parent**
Össur Americas Inc, USA	100%
Össur Australia PTY Ltd, Australia	100%
Össur Canada Inc, Canada	100%
Össur Deutschland GmbH, Germany	100%
Össur Europe BV, Netherlands	100%
Össur Hong Kong Ltd, Hong Kong	100%
Össur Iberia SA, Spain	100%
Össur Iceland ehf, Iceland	100%
Össur Mexico S. De R.L. de C.V., Mexico	100%
Össur Nordic AB, Sweden	100%
Össur Prosth. & Rehabilition Co Ltd., China	100%
Össur South Africa PTY Ltd, South Africa	100%
Össur UK Ltd, UK	100%
Gibaud SAS, France	100%
TeamOlmed AB, Sweden	100%
Touch Bionics Ltd, UK	100%

SUBSIDIARIES IN VISION RT LTD.

Company	*Interest*
Vision RT Ltd, UK	**Parent**
Vision RT INC, USA	100%
Vision RT Australia Pty Ltd, Australia	100%
Vision RT India Private Limited, India	100%

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES IN DEMANT A/S

Company	*Interest*
Demant A/S	**Parent**
Oticon A/S, Denmark*	100%
Oticon AS, Norway*	100%
Oticon AB, Sweden*	100%
Oticon Denmark A/S, Denmark*	100%
Oticon GmbH, Germany	100%
Oticon S.A., Switzerland*	100%
Oticon Italia S.r.l., Italy*	100%
Oticon España S.A., Spain	100%
Oticon Polska Sp. z o.o., Poland*	100%
Oticon Limited, United Kingdom*	100%
Oticon Inc., USA	100%
Oticon Australia Pty. Ltd., Australia*	100%
Oticon Portugal, Unipessoal LDA, Portugal*	100%
Oticon Singapore Pte Ltd., Singapore*	100%
Oticon Shanghai Hearing Technology Co. Ltd., China*	100%
Oticon International Trading Shanghai Co. Ltd., China*	100%
Oticon South Africa (Pty) Ltd., South Africa*	100%
Oticon Korea Co. Ltd., Korea*	100%
Oticon Malaysia Sdn, Malaysia*	100%
Oticon Medical A/S, Denmark*	100%
Oticon Medical AB, Sweden	100%
Oticon Medical LLC, USA	100%
AccuQuest Hearing Center LLC, USA	100%
Audika ApS, Denmark*	100%
Audicare SPRL , Belgium*	100%
Audiology Services Company LLC, USA	100%
Audmet OY, Finland*	100%
Audmet Australia Pty. Ltd., Australia*	100%
Audmet B.V., the Netherlands*	100%
Audmet Canada LTD., Canada	100%
Audmet K.K., Japan*	100%
Audmet New Zealand Limited, New Zealand*	100%
Audmet S.r.l., Italy*	100%
Bernafon AG, Switzerland*	100%
Bernafon Hörgeräte GmbH, Germany	100%
Bernafon S.r.l., Italy*	100%
Bernafon LLC, USA	100%
Bernafon AB, Sweden*	100%
Bernafon A/S, Denmark*	100%
Bernafon Ibérica S.L.U., Spain*	100%
DGS Diagnostics Sp. z o.o., Poland	100%
DGS Poland Sp. z o.o., Poland	100%
DGS Business Services Sp. z o.o.*	100%
Demant Technology Centre Sp. z o. o., Poland*	100%
ACS Sluchmed Sp. z o.o., Poland	100%
Acustica Sp. z o.o., Poland*	100%
Acoustic Metrology Limited, United Kingdom	100%

Company	*Interest*
Akoustica Medica M EPE, Greece*	100%
Amplivox Ltd., United Kingdom	100%
Audika AB, Sweden*	100%
Audika AG, Switzerland*	100%
Audika Groupe S.A.S., France*	100%
Audio Seleccion S.L., Spain*	100%
BC Implants AB, Sweden*	100%
Centro Auditivo Telex Ltda., Brazil	100%
Danacom Høreapparater A/S, Denmark*	100%
Demant Sound A/S, Denmark*	100%
Diagnostic Group LLC, USA	100%
Diatec AG, Switzerland*	100%
Diatec Diagnostics GmbH, Germany*	100%
Diatec Spain, S.L.U., Spain*	100%
e3 diagnostics Inc., USA	100%
Guymark UK Limited, United Kingdom	100%
Hear Better Centers LLC, USA	100%
HearingLife Canada Ltd., Canada*	100%
Hearing Holding Belgium NV, Belgium*	100%
Hearing Screening Associates LLC, USA	100%
Hidden Hearing (Portugal), Unipessoal Lda., Portugal*	100%
Hidden Hearing Limited, United Kingdom	100%
Hidden Hearing Limited, Ireland*	100%
IDEA Isitme Sistemleri Sanayi ve Ticaret A.S., Turkey*	100%
Interacoustics A/S, Denmark*	100%
Interacoustics Pty. Ltd., Australia*	100%
Kuulopiiri Oy, Finland*	100%
LeDiSo Italia S.r.l., Italy*	100%
Maico Diagnostic GmbH, Germany*	100%
Maico S.r.l., Italy*	100%
MedRx Inc., USA	100%
Micromedical Technologies Inc., USA	100%
Neurelec Maroc Sarlau, Morocco	100%
Neurelec S.A.S., France*	100%
New Zealand Audiology Limited, New Zealand*	100%
Prodition S.A.S., France*	100%
Sensory Devices Inc., USA	100%
SES Isitme Cihazlari Sanayi ve Ticaret A.S., Turkey*	100%
Sonic Innovations Inc., USA	100%
Sonic Innovations Pty Ltd., Australia	100%
Udicare S.r.l., Italy*	100%
Van Boxtel Hoorwinkels B.V., the Netherlands	100%
Your Hearing Network LLC, USA	100%
FrontRow Calypso LLC, USA	75%
Sennheiser Communications A/S, Denmark*	50%
Dencker A/S, Denmark*	40%
HIMSA A/S, Denmark	25%

The list above includes the Group's active companies.
** Directly owned by Demant A/S.*

William Demant Invest A/S
Kongebakken 9
2765 Smørum
Denmark
Phone +45 3917 7300
Fax +45 3927 8900
www.williamdemantfonden.dk
CVR no. 27761291

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William Demant Invest A/S

William Demant **Invest**