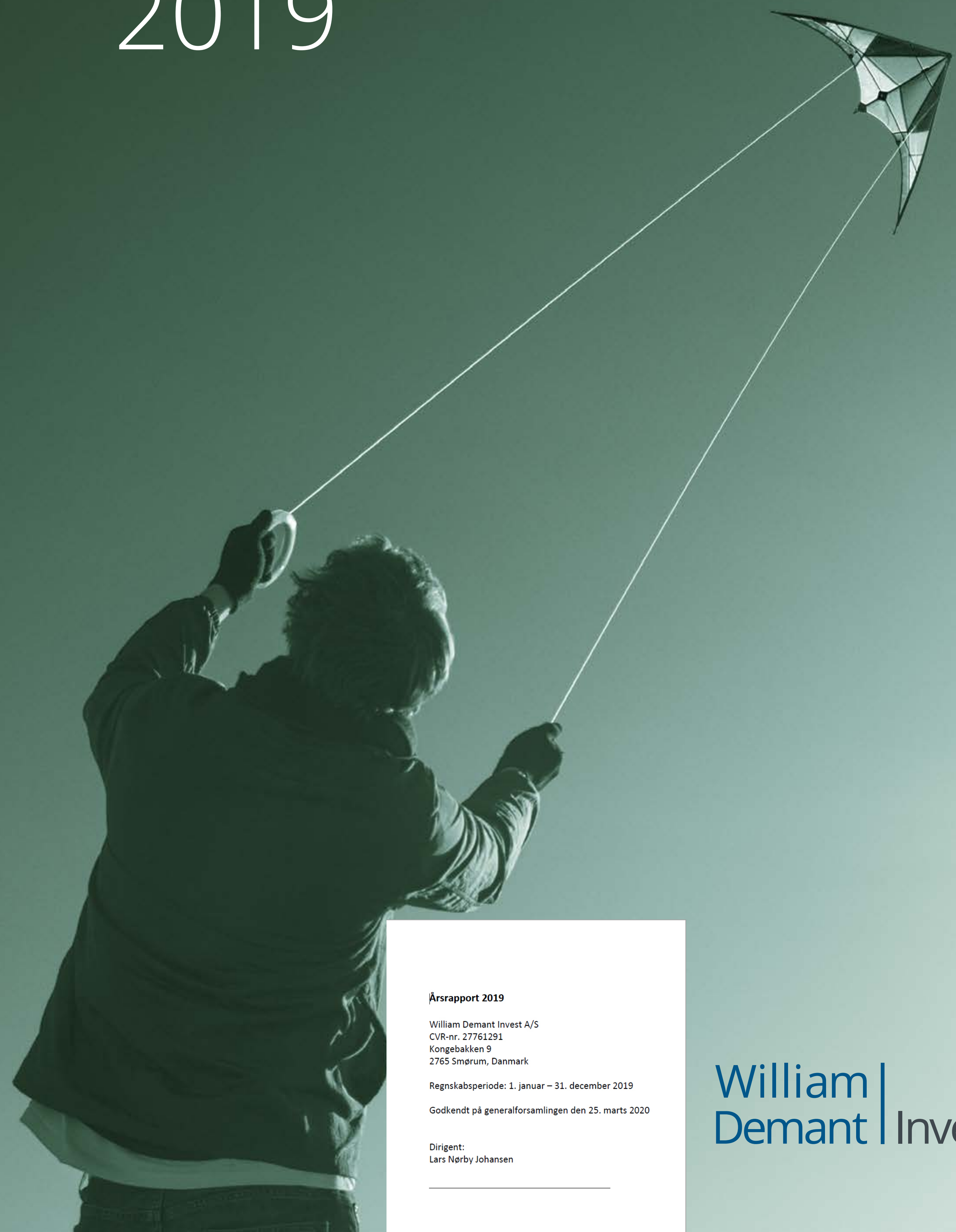
Annual Report
2019



Årsrapport 2019

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

Regnskabsperiode: 1. januar – 31. december 2019

Godkendt på generalforsamlingen den 25. marts 2020

Dirigent:
Lars Nørby Johansen

William Demant Invest

CONTENT

EVERGREEN INVESTOR

We are a long-term investor with keen focus on MedTech companies with sustainable business models and favourable growth prospects.

We believe in ownership longevity as a means of fostering the right conditions for long-term value creation.

In short, we are in it for the long haul.

LETTER FROM THE CEO

Dear reader,

Looking back on the past year, William Demant Invest A/S has continued to generate strong results. In addition to the fact that the stock market saw very positive development in 2019, I am pleased with the growth rates generated by the companies in our portfolio, which are in line with or significantly above growth rates on the stock market in general. With a 29% increase of our market value, amounting to DKK 54 billion, and an operating profit (EBIT) of DKK 3,357 billion, 2019 was yet another very good year. William Demant Invest A/S is the proud owner of companies that have all contributed positively to growing the assets of William Demant Foundation and thus to our vision to improve the lives of people with physical impairments and to make a positive impact on people's health and on society in general.

We followed our long-term strategy of increasing our ownership share in many of our companies during the year. Most evidently, in this year's report we are presenting the globally active eye diagnostics company Revenio in which we have increased our ownership share to 9%. Active on the global market, Revenio's products and core business of screening and monitoring eye diseases tap into the large underlying growth market of products that alleviate age-related impairments and are thus well in line with our key focus on MedTech companies with favourable underlying growth prospects.

In our MedTech portfolio, we have further expanded our activities in Össur, a highly successful global leader in non-invasive orthopaedics, as well as in the in vitro fertilisation company Vitrolife and the medical microscopy company CellaVision. All these companies have delivered impressive results in 2019, and I am very pleased with the development of these successful Nordic companies. Vision RT, the pioneer of surface-guided radiation therapy, celebrates its first full year with the Group, and we continue to see strong demand from its products, as well as excellent feedback from its growing customer base.

As defined in the charter of William Demant Foundation, our mission is to be a supportive owner of the hearing healthcare group Demant. Despite an unforeseen and critical IT incident, which had a significant adverse effect on Demant's earnings in 2019, our largest holding came out of the year with satisfactory results, thereby contributing with good growth despite the unfortunate circumstances.

In addition to significant holdings in various quality MedTech companies, we are also the proud owner of companies in such diverse areas as real estate and renewable energy. The real estate and service company, Jeudan, has seen remarkable growth, and the wind park, Borkum Riffgrund I, continues to deliver a stable financial profit.

One thing is the strong financial development of this MedTech Group in 2019. Another thing is the great progress we saw in 2019 with regard to growing the collaboration, sharing of knowledge and support amongst the companies in the Group. The theme of technology is especially prominent, and within such areas as artificial intelligence, digital sound processing and advanced image analysis, we have the potential to create a powerhouse of knowledge.

Our strategy is to grow what we have by continuing to increase our ownership of the companies in which we have already invested and by continuing to be an active part in developing these companies. I believe that 2019 has been a testimony to the success of this strategy, and I would like to thank everyone who has been and is a part of making this happen. Customers, users, employees and partners all contribute to the progress and good results achieved by William Demant Invest A/S to – at the end of the day – benefit people and society.

Niels Jacobsen, CEO

"The kite is a symbol of how we conduct our business in William Demant Invest. Hovering high up in the air, the kite possesses perspective and overview of the landscape below. To make sure that it never flies off in unwanted directions, it is held tight by a string, ensuring a grounded connection to the world."

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 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 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

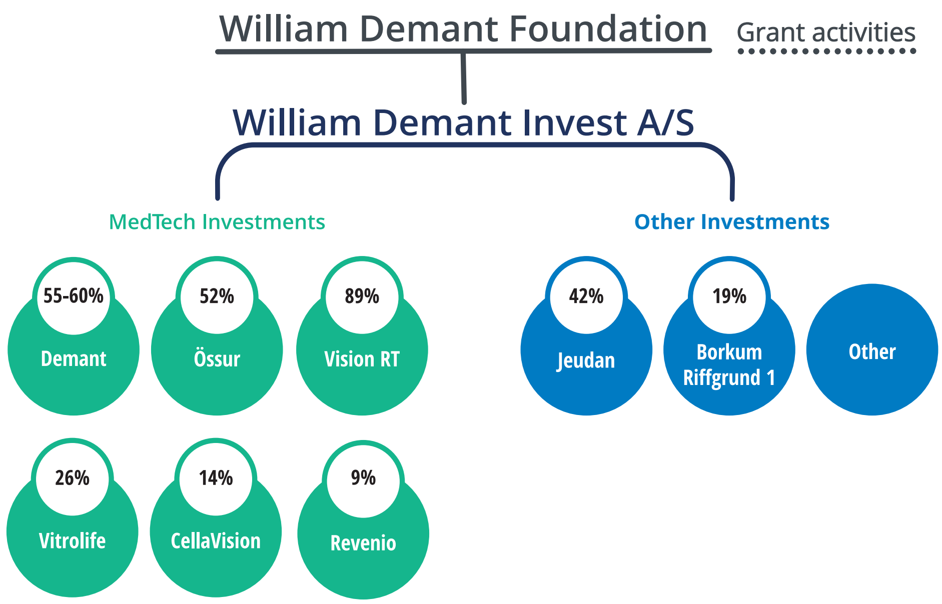
William Demant Invest A/S seeks to place the majority of excess liquidity in these active investments. Any liquidity not placed in active investments is usually placed in short-term and liquid securities (i.e. bonds and similar instruments) for short-term cash optimisation.

GROUP STRUCTURE AND CORPORATE GOVERNANCE

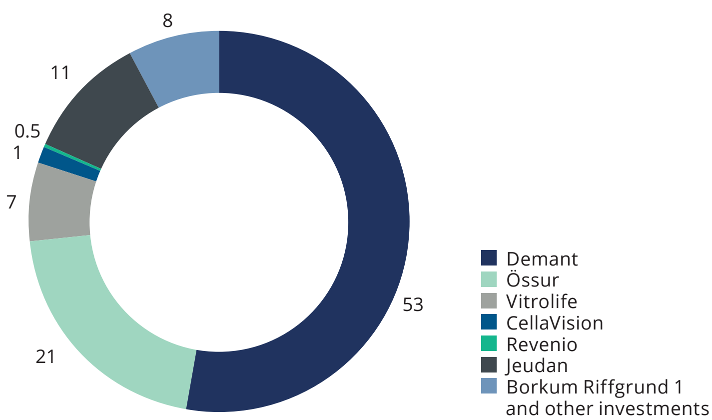
William Demant Invest A/S is the holding company for William Demant Foundation's investment activities. Both entities have identical Boards of Directors although voting rights and decisions to buy or sell Demant A/S shares are exercised and made by William Demant Foundation. William Demant Foundation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

The wholly owned relationship between William Demant Foundation and William Demant Invest 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.

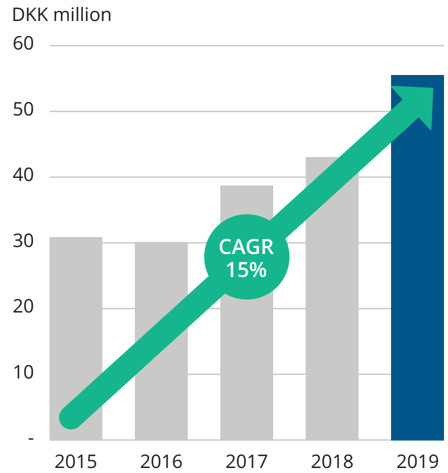
The group structure is illustrated below and includes William Demant Invest A/S' most recent investment in the Finnish MedTech company, Revenio. The stated ownership figures are as of March 25 2020.



MARKET CAPITALISATION



Numbers in %. Calculated as William Demant invest A/S' proportional share.



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 2019, total revenue for the companies in William Demant Invest A/S increased by 9% to DKK 24,103 million, of which William Demant Invest A/S' share amounted to DKK 12,658 million. Earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to DKK 6,165 million, corresponding to an increase of 10% compared to 2018 when adjusted for the step-up of DKK 3,023 million last year in relation to William Demant Invest A/S obtaining control in Össur. William Demant Invest A/S' share of pro forma EBITDA arrived at DKK 2,993 million.

In the later part of 2019, William Demant Invest A/S flagged an ownership of more than 5% in the Finnish MedTech company, Revenio. Revenio holds a market-leading position within high-technological screening, monitoring and diagnostic systems used for early detection and management of different ophthalmologic diseases such as glaucoma, macular degeneration and diabetic retinopathy. Revenio fits very well with William Demant Invest A/S' overall investment criteria, and by the end of 2019, William Demant Invest A/S holds approximately 8% of Revenio.

The "Other" category in the pro forma consolidation includes Vision RT, our co-investment in the Danish startup studio, Founders A/S, and administration costs.

At the end of the year, the market value of the companies in William Demant Invest A/S reached nearly DKK 120 billion, representing an increase of 31% compared to 2018, of which William Demant Invest A/S' share totaled around DKK 55 billion. The growth was supported by favourable stock price developments among all shareholdings during 2019, with especially stellar growth attributing to Össur, CellaVision and Revenio growing to the tune of +60%. Since 2015, William Demant Invest A/S' market value has grown from DKK 31 billion to over DKK 54 billion, representing an annual average increase of around 15%.

The companies in William Demant Invest A/S employed on average 20,306 people during 2019, corresponding to an increase of 11% compared to last year.

ACTIVE OWNERSHIP

We are looking for MedTech companies where we can be an active partner.

We want to be a part of – and contribute to – the companies we invest in.

PRO FORMA CONSOLIDATION

(DKK million)	Individual entities - 100%		William Demant Invest A/S proportional share	
	2019	**2018**	**2019**	**2018**
REVENUE				
Demant A/S	14,946	13,937	8,621	7,914
Össur hf.	4,578	3,876	2,361	1,995
Jeudan A/S	1,566	1,583	657	664
Vitrolife AB	1,058	833	260	183
CellaVision AB	330	264	41	20
Revenio Group Oyi	370	229	19	7
Borkum Riffgrund 1 (Boston Holding A/S)	805	832	298	308
Other	450	466	401	258
Total	**24,103**	**22,020**	**12,658**	**11,349**
EBITDA				
Demant A/S	3,110	2,978	1,795	1,692
Össur hf.	945	868	489	447
Jeudan A/S	859	856	360	359
Vitrolife AB	420	347	103	76
CellaVision AB	104	86	13	6
Revenio Group Oyi	109	80	5	2
Borkum Riffgrund 1 (Boston Holding A/S)	651	536	241	198
Other	-33	2,997	-13	2,979
Total	**6,165**	**8,748**	**2,993**	**5,759**
OPERATING PROFIT (EBIT)				
Demant A/S	2,151	2,532	1,238	1,435
Össur hf.	654	673	329	346
Jeudan A/S	836	834	351	350
Vitrolife AB	349	285	86	63
CellaVision AB	90	81	11	6
Revenio Group Oyi	94	76	5	2
Borkum Riffgrund 1 (Boston Holding A/S)	430	454	159	168
Other	-90	2,990	-48	2,934
Total	**4,514**	**7,925**	**2,131**	**5,304**
FINANCIAL ITEMS AND TAX				
Demant A/S	-685	-702	-396	-399
Össur hf.	-195	-113	-101	-59
Jeudan A/S	6	-237	2	-99
Vitrolife AB	-75	-60	-18	-13
CellaVision AB	-19	-17	-3	-1
Revenio Group Oyi	-24	-16	-1	-
Borkum Riffgrund 1 (Boston Holding A/S)	-176	-197	-65	-73
Other	453	-69	453	19
Total	**-715**	**-1,411**	**-129**	**-625**
PROFIT FOR THE PERIOD, WILLIAM DEMANT FOUNDATION SHARE			**2,002**	**4,679**
Profit for the period, William Demant Foundation minority share			-35	-43
Not consolidated entities			4	-
PROFIT FOR THE PERIOD, TOTAL WILLIAM DEMANT INVEST A/S SHARE			**1,971**	**4,636**

PRO FORMA CONSOLIDATION - CONTINUED

(DKK million)	Individual entities - 100%		William Demant Invest A/S proportional share	
	2019	**2018**	**2019**	**2018**
EMPLOYEES, AVERAGE				
Demant A/S	15,352	14,250	8,874	8,096
Össur hf.	3,382	2,775	1,742	1,428
Jeudan A/S	574	514	235	210
Vision RT Ltd.	309	189	276	169
Vitrolife AB	398	363	95	80
CellaVision AB	177	108	21	9
Revenio Group Oyi	88	48	4	1
Borkum Riffgrund 1 (Boston Holding A/S)	-	-	-	-
Other	26	24	15	14
Total	**20,306**	**18,271**	**11,262**	**10,005**
MARKET CAPITALISATION				
Demant A/S (share price DKK 209,8/184,9)	50,470	45,308	29,485	26,151
Össur hf. (share price DKK 52,3/31,1)	22,072	13,190	11,469	6,820
Jeudan A/S (share price DKK 1.260/946)	13,969	10,488	5,861	4,400
Vitrolife AB (share price SEK 197,5/147)	15,339	11,594	3,973	2,615
CellaVision AB (share price SEK 319,5/191,5)	5,453	3,319	740	391
Revenio Group Oyi (share price EUR 26,3/12,6)	5,215	2,260	431	103
Other, including Vision RT, Borkum Riffgrund 1, etc.	2,535	3,360	2,085	2,496
Total	**115,053**	**89,519**	**54,044**	**42,976**

	Average in		End of	
WILLIAM DEMANT INVEST A/S SHARE OF OWNERSHIP	**2019**	**2018**	**2019**	**2018**
Demant A/S (including William Demant Foundation non-controlling interest)	58%	57%	58%	58%
Össur hf.	52%	51%	52%	52%
Jeudan A/S	42%	42%	42%	42%
Vision RT Ltd.	89%	89%	89%	89%
Vitrolife AB	25%	22%	26%	23%
CellaVision AB	12%	7%	14%	12%
Revenio Group Oyi	5%	3%	8%	< 5%
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 Foundation's 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.

William Demant Invest A/S acquired 89% of the shares in Vision RT on 29 May 2018. Hence, the comparative figures in the pro forma consolidation only represent seven months of ownership.

FAVOURABLE GROWTH DRIVERS

Our portfolio companies all have one thing in common: They are all well-established quality companies that hold leading positions in their respective markets.

When exploring new investments, we always look for healthy markets with favourable growth prospects.

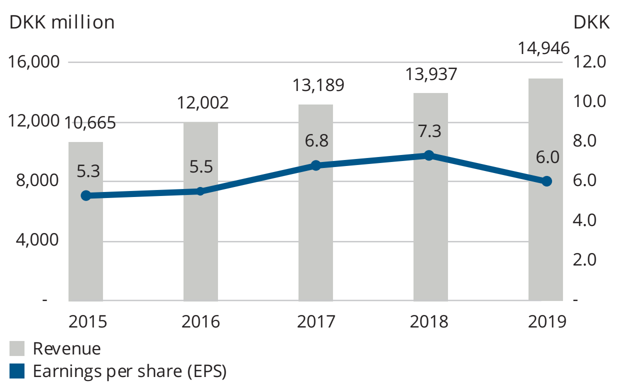
Demant

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, Diagnostics 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.

Today, Demant A/S has almost 16,000 employees and is headquartered in Smørum on the outskirts of Copenhagen, Denmark. Demant A/S is listed on Nasdaq Copenhagen.

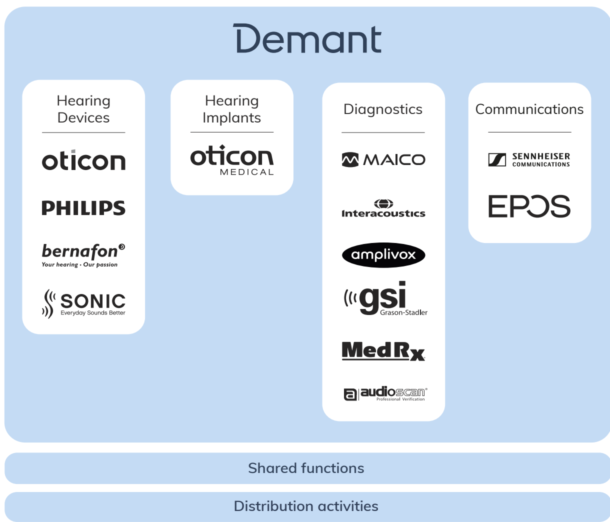
The roots of Demant A/S is Oticon, which was founded in 1904. Today, Demant A/S delivers products and services based on true innovation and delivered to customers and end-users through a multi-brand approach and backed by a comprehensive global distribution set-up and efficient shared services.

2019
2019 was an eventful year for Demant A/S which faced several challenges but also managed to carry out a very wide range of product launches across all business activities. As expected from the beginning of the year, financial performance was weak in the first months of 2019 but then improved following the launch of new flagship products in all hearing aid brands, which happened at scale from the end of March and during April and May. The launch included the first generation of products under the Philips brand as a result of a partnership announced in 2018. However, on 3 September 2019, the Group was subjected to a ransomware attack on its IT infrastructure and it immediately shut down IT systems across multiple sites and business units. The incident had a profound impact on business operations and an estimated total negative impact on EBIT of DKK 550 million for the year.



Total revenue for 2019 amounted to DKK 14,946 million, which corresponds to 7% reported growth compared to 2018. Organic growth contributed by 4%, acquisitive growth by 2% and exchange rate effects by 1%. As a result of the IT incident, operating profit (EBIT) decreased by 15% to DKK 2,151 million but adjusting for the estimated impact of the IT incident, EBIT grew by 7% to DKK 2,701 million. Profit for the year amounted to DKK 1,467 million, or a decrease of 20% compared to 2018.

Hearing Devices, which comprises Demant's hearing aid wholesale and retail businesses, grew by 4% in local currencies of which organic and acquisitive growth each accounted for 2 percentage points. Organic growth was driven by the hearing aid wholesale business which managed to grow organically by 5% driven by the successful uptake of the new flagship products launched in all brands in the first half-year, including Oticon Opn S and Philips HearLink. Adjusted for the estimated negative impact of the IT incident, underlying organic growth was 9%. The hearing aid retail business saw flat organic growth but 4% growth from acquisitions. Adjusted for the estimated negative impact of the IT incident, the underlying organic growth rate was 4% driven by good performances in European markets.



Hearing Implants delivered strong – entirely organic – growth of 21% in local currencies after seeing growth accelerating in the second half-year. Organic growth in the cochlear implants (CI) business was 25%, while driven by the continued success of the Neuro system. The bone anchored hearing systems (BAHS) business delivered organic growth of 18% after significant growth acceleration in the second half-year driven by the new Ponto 4 sound processor launched in June 2019.

In Diagnostics, growth in local currencies was 11% of which 10 percentage points were organic growth and 1 percentage point related to acquisitions made during the year. North America, in particular, delivered a strong performance, and growth was furthermore fuelled by tender wins.

Sennheiser Communications, the Group's 50/50 joint venture with Sennheiser KG, delivered growth of 4%, or an underlying growth rate of 12% measured as sales to external customers. After having enjoyed strong success since the establishment of the joint venture in 2003, the partners have announced plans to demerge the joint venture with completion expected to take place during 2020 with financial effect from 1 January 2020. As part of the demerger, Demant A/S will take over full ownership and control of the Enterprise Solutions and Gaming business segments, which it will operate under a newly established brand, EPOS.

DEMANT A/S

(DKK million)	**2019**	**2018**
Revenue	14,946	13,937
EBITDA	3,110	2,978
EBIT	2,151	2,532
Net result	1,467	1,830
Equity	7,645	7,059
Assets	21,798	17,935
Cash flow from operations (CFFO)	2,149	1,683
Free cash flow (FCF)	1,338	1,185
Average number of employees	15,352	14,250
William Demant Invest A/S (incl. William Demant Foundation) ownership (end of the period)	58%	58%

BOARD OF DIRECTORS

Niels B. Christiansen	Chairman
Niels Jacobsen	Deputy Chairman
Peter Foss*	
Benedikte Leroy	
Lars Rasmussen	
Anja Madsen*	
Thomas Duer	Staff-elected
Casper Jensen	Staff-elected
Jørgen Møller Nielsen	Staff-elected

EXECUTIVE MANAGEMENT

Søren Nielsen	President & CEO
René Schneider	CFO

** Anja Madsen was elected new member of the Board of Directors at Demant's annual general meeting on March 10, whilst Peter Foss opted not to stand for reelection.*

OUTLOOK 2020

Demant announced on March 15, due to the effects of the coronavirus, that the outlook for 2020 has been withdrawn due to uncertainty.

DIVERSIFIED (MEDTECH) PORTFOLIO

Over the years, we have accumulated extensive expertise in building up and driving global companies, especially in the MedTech industry.

We simply understand the business, and we see how people benefit from the products and services we help come to life.

In addition to significant holdings in various quality MedTech companies, we are also proud owners of companies in such diverse areas as real estate and renewable energy.

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 around 3,500 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.

2019

Össur experienced a strong development in 2019 with total revenue of USD 686 million, corresponding to 16% growth in local currency, primarily driven by attractive product mix effects and acquisitions. Organic growth was 5%, while acquisitive growth was 11%, derived from three acquisitions in the fourth quarter. The full-year revenue effect from the acquired companies amounts to around USD 20 million equivalent to around 3% acquisitive growth effect for the year.

Organic growth was mainly driven by the Prosthetics business segment, which saw organic growth of 7% and accounted for 55% of total revenue in 2019. The strong development in Prosthetics was led by sale of high-end products such as carbon-fiber mechanical feet and bionics. All main markets saw good growth with especially the emerging markets as a strong growth contributor. In the Americas region, which accounts for 48% of total revenue, revenue increased by 3%, however impacted by negative growth in the fourth quarter of 3% due to lower than expected sales to one particular US customer and soft sales in few key markets.

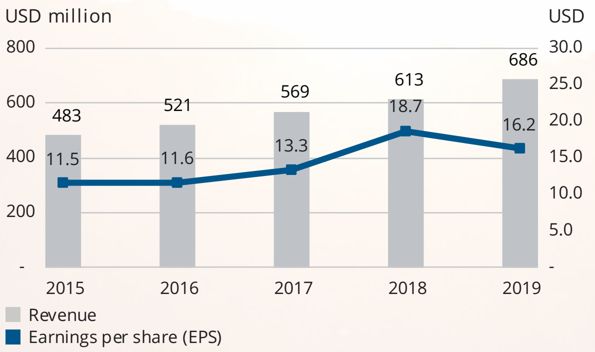
Össur's other business segment, Bracing & Support, saw organic growth of 3%. While sale of high-end products was strong, sales in the Americas and EMEA regions were also good, albeit dented by a competitive market environment in France and the US.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) before special items increased to USD 141 million, corresponding to an EBITDA margin of 21%. When adjusting EBITDA for the impact of IFRS 16, EBITDA was USD 130 million and the EBITDA margin was 19%, which is similar to the level in 2018.

Net result was USD 69 million, corresponding to a decrease of 14% compared to last year. Earnings per share amounted to US cents 16.2 compared to US cents 18.7 in 2018.

OUTLOOK 2020

Össur announced on March 17, due to the effects of the coronavirus, that the outlook for 2020 has been withdrawn due to uncertainty.



ÖSSUR HF.

(USD million)	2019	2018
Revenue	686	613
EBITDA	141	107
EBIT	98	79
Net result	69	80
Equity	569	538
Assets	1,091	914
Cash flow from operations (CFFO)	120	92
Free cash flow (FCF)	63	39
Average number of employees	3,382	2,775
William Demant Invest A/S ownership (end of the period)	52%	52%

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

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
Dr. Kristleifur Kristjansson	EVP of R&D
Margrét Lára Friðriksdóttir	EVP of HR and Strategy
Gudjon G. Karason	EVP of Clinics

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.

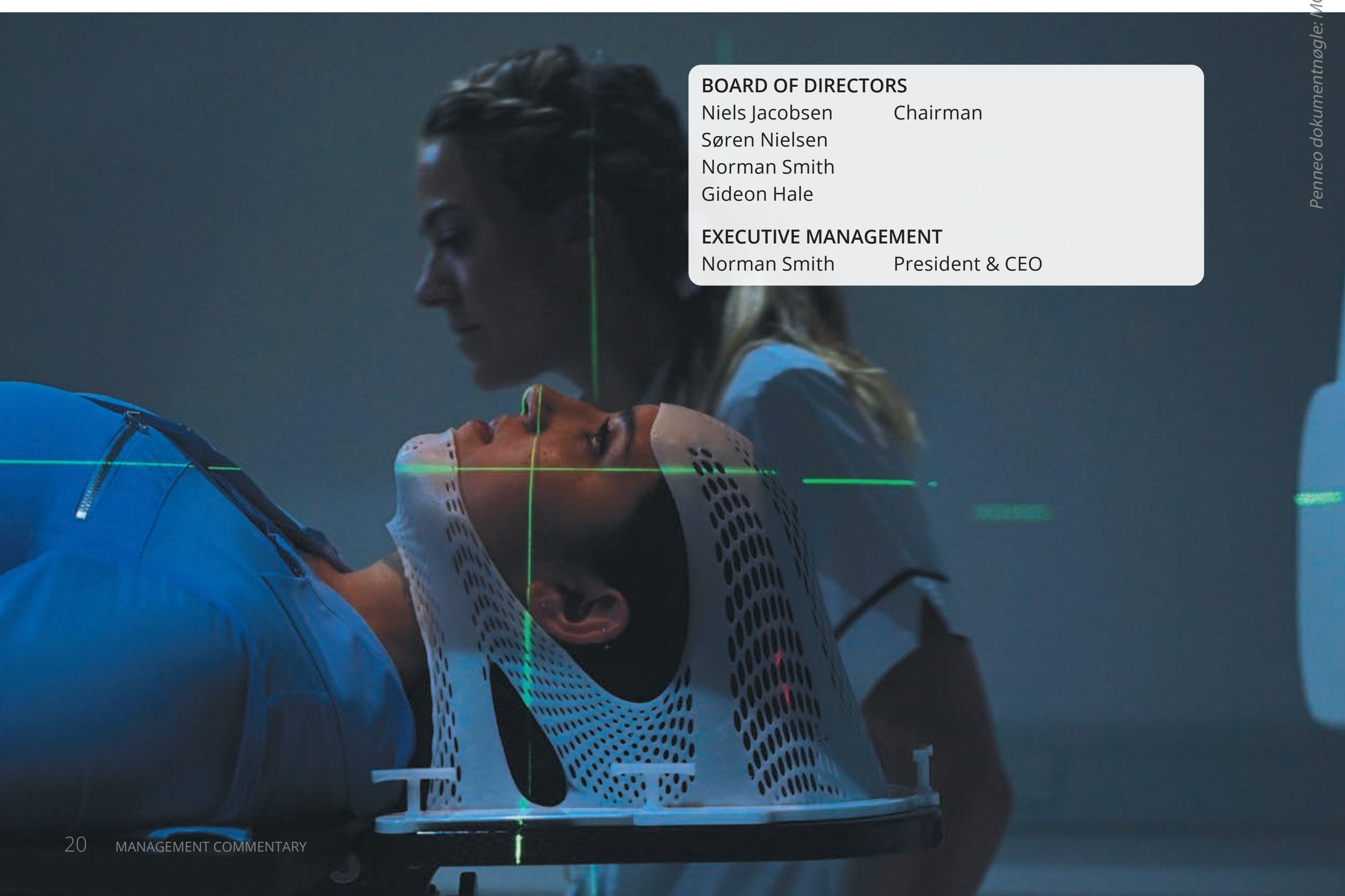
William Demant Invest A/S acquired approximately 89% of the shares in Vision RT in 2018 – thus becoming the majority shareholder alongside the company's original founders. As opposed to William Demant Invest A/S' other investments, except Borkum Riffgrund 1, Vision RT is not a listed company.

2019

We continue to see SGRT gaining footing in the treatment rooms, and we believe this growth trend will persist in many years to come. Being the pioneer of and offering the golden standard within SGRT, Vision RT is well positioned to take advantage of the positive market outlook for SGRT.

In 2019, Vision RT acquired the UK-based AI company, Aurora, which among others has developed unique facial recognition technology used across multiple security-critical industries including pre-boarding checks and threat detection in UK airports, including Heathrow Airport. Aurora brings deep specialised knowledge and complementary competencies to Vision RT's already market-leading R&D capabilities and will catalyse development of new products within the range of SGRT.

OUTLOOK 2020
As Vision RT is a non-listed company they are not giving any guidance or outlook statements.



BOARD OF DIRECTORS

Niels Jacobsen	Chairman
Søren Nielsen	
Norman Smith	
Gideon Hale	

EXECUTIVE MANAGEMENT

Norman Smith	President & CEO


VARIAN
medical systems
trueBEAM

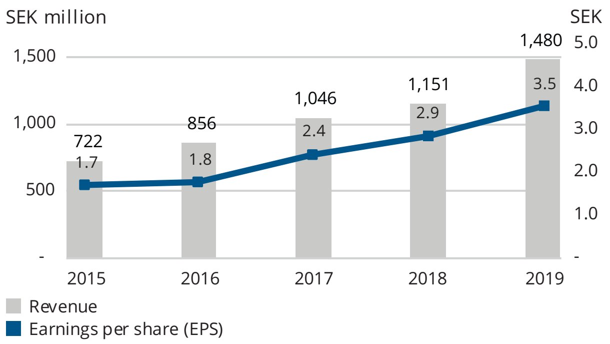
Vitrolife

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. 400 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 26% of the shares.

2019

2019 was yet another eventful year for Vitrolife with overall strong development, driven by both innovative product introductions, new collaborative partnerships, acquisitions and strong demand from the underlying IVF market.



Total revenue was SEK 1,480 million, corresponding to 22% growth in local currency of which 12% was organic growth.

One of the significant milestones in 2019 was the launch of the fifth business segment, Genomics. Genomics was established as of 1 January 2019 following the acquisition of licensing, development and commercialisation rights for preimplantation genetic testing (PGT) kits in EMEA and Americas from the US-based company, Illumina Inc. While the first quarter of 2019 was a "launch quarter", the Genomics sales quickly ramped up in the second quarter and remained at a good and stable level in the second half-year. Total Genomics revenue in 2019 was SEK 125 million.

As in 2018, especially the Americas region had a very strong year with revenue increasing 51% in local currency, primarily driven by increased Time-Lapse sales and the acquired growth from Genomics. Especially Time-Lapse, which is the second-largest business segment, saw impressive growth of 37% in local currency, following the market approval of the EmbryoScope+ in China in the first quarter and continued good growth in both already successful and undeveloped markets for Time-Lapse.

In the second quarter, Vitrolife acquired the rights to a technology for assessing embryos through Time-Lapse using artificial intelligence (AI) and entered into collaboration agreements to further develop the technology. The collaboration partners are Virtus Health, a leading IVF clinic group based in Australia and Harrison.ai, a technology company specialising in the development of AI software in healthcare applications based in Australia.

Finally, in the third quarter, Vitrolife entered into a collaboration agreement with the Japanese company, Prime Tech, to develop and exclusively market the Piezo technique for so-called ICSI procedures. ICSI involves the injection of a single sperm directly into a mature egg. The marketing rights have a global reach except for Japan, Thailand and Malaysia.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) improved by SEK 108 million to SEK 587 million, resulting in an EBITDA margin of 40% which is 2 percentage points lower than last year. The margin reduction is primarily driven by lower profitability in the newly established Genomics business segment. Net result increased to SEK 384 million, compared to SEK 311 million last year.

OUTLOOK 2020

Vitrolife's market outlook is unchanged compared to last year, and the company anticipates a constantly expanding market, which in monetary terms is expected to grow by 5-10% per year in the foreseeable future.

VITROLIFE AB

(SEK million)	**2019**	**2018**
Revenue	1,480	1,151
EBITDA	587	479
EBIT	488	394
Net result	384	311
Equity	1,794	1,493
Assets	2,139	1,697
Cash flow from operations (CFFO)	413	349
Free cash flow (FCF)	325	87
Average number of employees	398	363
William Demant Invest A/S ownership (end of the year)	26%	23%

BOARD OF DIRECTORS

Jón Sigurðsson	Chairman
Henrik Blomquist	
Lars Holmqvist	
Pia Marions	

EXECUTIVE MANAGEMENT

Thomas Axelsson	CEO
Mikael Engblom	CFO
Fredrik Mattsson	Senior VP New Business & Strategy Development
Maria Forss	Vice President Consumables
Claus Bisgaard	Vice President Technology
Rickard Ericsson	Chief Sales & Marketing Officer
Mark Larman	Chief Scientific Officer

CELLAVISION AB (SEK million)	2019	2018
Revenue	462	365
EBITDA	147	119
EBIT	127	112
Net result	99	89
Equity	348	290
Assets	642	373
Cash flow from operations (CFFO)	125	74
Free cash flow (FCF)	106	50
Average number of employees	177	108
William Demant Invest A/S ownership (end of period)	14%	12%

BOARD OF DIRECTORS

Sören Mellstig	Chairman
Christer Fåhraeus	
Jurgen Riedl	
Anna Malm Bernsten	
Niklas Prager	
Åsa Hedin	
Stefan Wolf	

MANAGEMENT GROUP

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

CELLAVISION

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 makes 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.

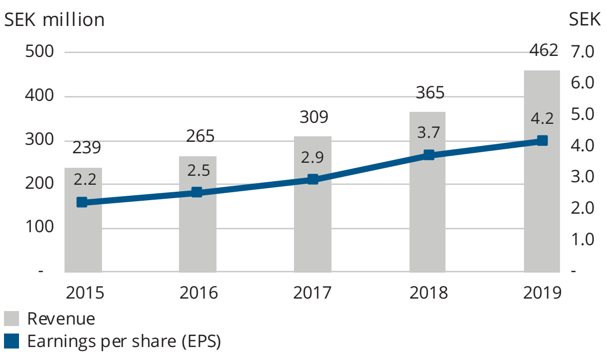
The company is headquartered in Lund and has approximately 180 employees and the company's products are sold globally through an indirect sales and distribution model. CellaVision has since 2011 been listed on Nasdaq Stockholm.

William Demant Invest A/S started investing in CellaVision in 2017 and has continually bought up CellaVision shares. With an ownership of around 14%, William Demant Invest A/S is the largest shareholder in the company.

2019

CellaVision delivered yet another strong year with organic revenue growth arriving at 15% corresponding to full-year revenue of SEK 462 million. Reported revenue rose 27% in which the acquisitive growth can be attributed to the acquisition of the French IVD company, RAL Diagnostics.

In addition to continuing positive momentum in CellaVision's core business and product portfolio, CellaVision expanded their addressable market with the acquisition of RAL Diagnostics. The French company develops and manufactures stains and equipment for staining and smearing, which in combination with CellaVision's newly



launched analyser, DC-01, targeted small- and medium-sized laboratories, offers a complete workflow system that minimises errors and inconsistencies while at the same time increases productivity.

Digital microscopy still holds a tremendous market potential. Currently, conventional microscopy within blood cell analysis, where most of the workflow consists of manual processes, dominates the market holding around 80% market share at larger hematology laboratories. With the pace of digitalisation and the increased focus on efficiency and efficacy, both from a healthcare and financial perspective, digital microscopy has become the preferred solution when replacing conventional microscopy equipment in hematology laboratories. CellaVision, having pioneered the field of digital microscopy within blood cell analysis, is now considered to be the golden standard, and with no real competitors offering similar high quality analysers, CellaVision is well positioned to continue the growth trajectory in the years to come.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) improved by SEK 28 million to SEK 147 million, resulting in an EBITDA margin of 32%, which is on par with last year's number. Net result increased to SEK 99 million, compared to SEK 89 million last year.

OUTLOOK 2020

CellaVision is not giving specific guidance or outlook for 2020, 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.

REVENIO

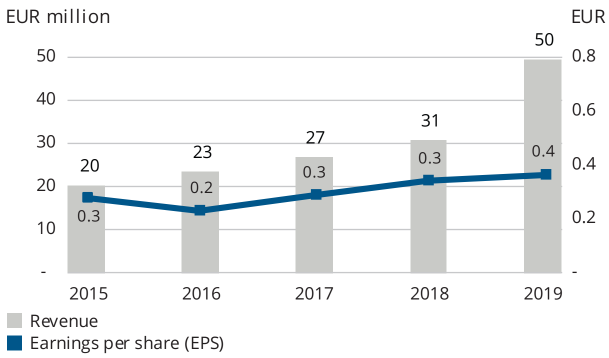
ABOUT REVENIO GROUP OYJ
In 2018, William Demant Invest A/S started investing in the Finnish MedTech company, Revenio Group. During the latter part of 2019, William Demant Invest A/S increased its ownership to more than 5% of the outstanding shares, triggering the announcement of the investment to the market. William Demant Invest A/S is today the largest shareholder in Revenio with approximately 9% ownership.

Revenio operates within development and manufacturing of diagnostic screening devices for eye diseases. Revenio's business operations include patient-driven screening, diagnostics and follow-up monitoring of ophthalmologic diseases. The company focuses on developing efficient and easily adopted methods for the early-stage detection of globally prevailing eye diseases, including glaucoma, diabetic retinopathy, age-related macular degeneration (AMD) and cataract as well as the monitoring of these during the treatment process. In addition, Revenio also, albeit at an early stage of commercialisation, develops systems that support the diagnosis of skin cancer and asthma in small children and the treatment planning hereof.

Revenio is headquartered in Helsinki, Finland, and has approximately 120 employees. Revenio Group is listed on Nasdaq OMX Helsinki.

2019
For Revenio, 2019 was an eventful year with strong development and new beginnings. Revenue for the year amounted to EUR 49.5 million, corresponding to 59% growth in local currency, primarily driven by an acquisition in the first half of the year.

In May, Revenio acquired the Italian company, CenterVue, which strengthened Revenio's position within ophthalmic diagnostics. Historically, Revenio has enjoyed a strong position within tonometry used for diagnosis of glaucoma through its unique rebound technology called Icare. The addition of CenterVue's imaging products expands Revenio's product portfolio beyond glaucoma into diabetic retinopathy, AMD and cataract, thereby increasing the total market potential.



Revenue for the existing business prior to the CenterVue acquisition was EUR 34.7 million, corresponding to 11% organic growth, primarily driven by strong development in select markets including Germany, US, Russia, Canada, Sweden and Italy.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) was EUR 14.6 million, however negatively impacted by non-recurring acquisition costs of EUR 2.8 million. Adjusting for this, the EBITDA margin was 35%, which is unchanged from 2018.

OUTLOOK 2020
Revenio is not giving specific outlook for 2020, but estimates net sales to grow very strongly from the previous year and profitability to remain at a good level without non-recurring items.

REVENIO

(EUR million)	2019	2018
Revenue	50	31
EBITDA	15	11
EBIT	13	10
Net result	9	8
Equity	64	18
Assets	110	22
Cash flow from operations (CFFO)	12	10
Free cash flow (FCF)	11	9
Average number of employees	88	48
William Demant Invest A/S ownership (end of period)	8%	<5%

BOARD OF DIRECTORS

Pekka Rönkä	Chairman
Kyösti Kakkonen	
Ari Kohonen	
Pekka Tammela	
Ann-Christine Sundell	

MANAGEMENT GROUP

Timo Hildén	CEO
Robin Pulkkinen	CFO
Tomi Karvo	Sales and Marketing Director
Ari Isomäki	Operations Director
Mika Salkola	R&D Director
Heli Huopaniemi	Quality Manager
Giuliano Barbaro	R&D Director of Imaging Devices

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.

2019

2019 was yet another year with favourable conditions for the commercial real estate sector with strong demand for well-located office buildings from both Danish and foreign investors. In particular, properties with attractive locations in the city centre of Copenhagen enjoyed demand exceeding the current supply, which – fueled by continuously decreasing and low interest levels and a liquidity surplus in the market – maintains the current relatively high price level.

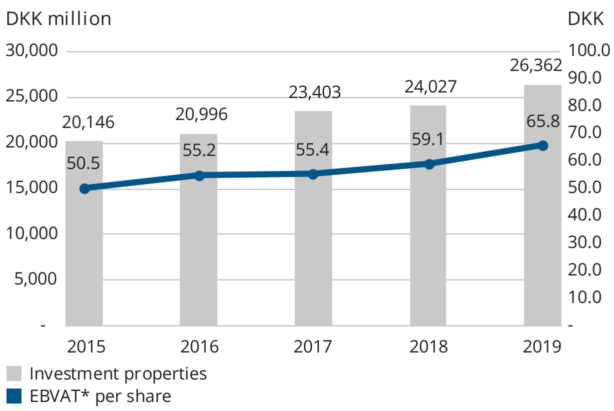
Consequently, Jeudan A/S has in 2019 reduced the yield requirement on several properties in the city centre of Copenhagen, resulting in total value adjustments incl. gain on sale of properties of DKK 1,267 million. By year-end, Jeudan A/S' portfolio amounted to approximately 200 properties, with a book value of DKK 26 billion and more than 90% of the total property portfolio located in the city centre of Copenhagen.

Equity reached DKK 7.4 billion, had a return of 12.0% and comprised 27.8% of Jeudan A/S' total assets. As a result of the equity ratio, the board proposed a dividend of DKK 12 per share for 2019 in accordance with the company's dividend policy.

OUTLOOK 2020

Jeudan announced on March 17, due to the effects of the coronavirus, that the outlook for 2020 has been withdrawn due to uncertainty.

In 2019, revenue decreased by 1% to DKK 1,565 million, which is mainly due to fewer large renovation and interior design projects. Operating profit (EBIT) was DKK 836 million, corresponding to an EBIT margin of 53%. Earnings after interest expense, but before value adjustments and tax (EBVAT) increased by 11% to DKK 729 million, while net result increased by 245 million to DKK 842 million. The increase is mainly attributable to positive value adjustments of the property portfolio, which more than offset the negative value adjustment of financial obligations of DKK 916 million as a result of decreasing interest levels.



*EBVAT = Earnings before value adjustments and tax

JEUDAN A/S

(DKK million)	2019	2018
Revenue	1,566	1,583
EBIT	836	834
EBVAT	729	655
Net result	842	597
Equity	7,416	6,707
Assets	26,702	24,263
Cash flow from operations (CFFO)	683	590
Free cash flow (FCF)	94	-292
Average number of employees	574	514
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

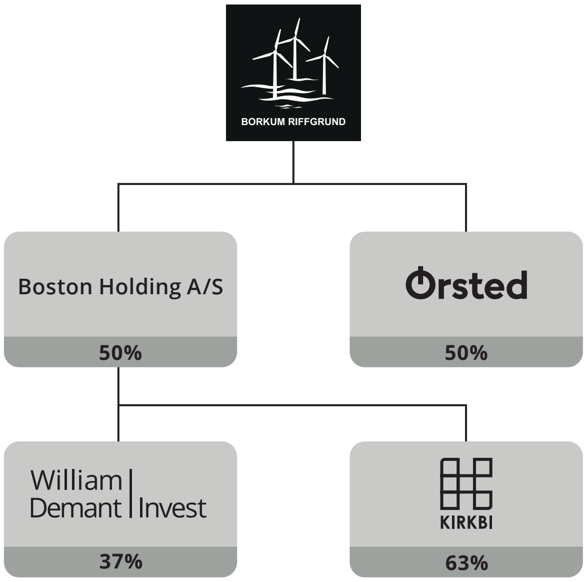
BORKUM RIFFGRUND 1

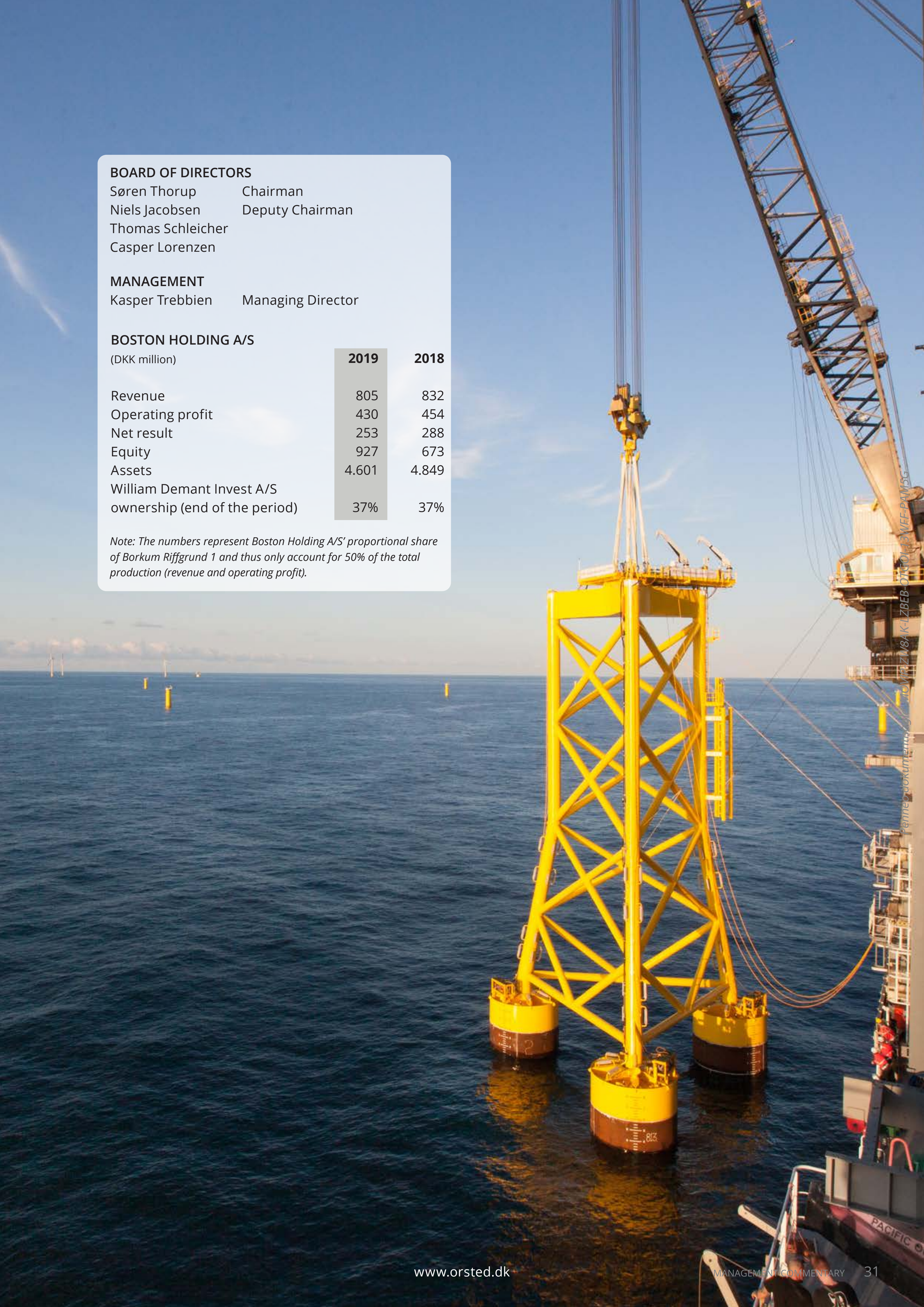
ABOUT BORKUM RIFFGRUND 1
In 2012, William Demant Invest A/S entered into a joint arrangement with KIRKBI and Ørsted to construct 77 wind turbines each of 3.6 MW in the North Sea of the german coast. In 2013, it was decided to upgrade the wind turbines to 4.0 MW to boost the annual power production. Furthermore, 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 to the right.

2019
Boston Holding A/S' share of the revenue generated from the wind farm amounted to DKK 804 million, which is slightly below the amount in 2018. Operating profit and net result arrived at DKK 430 million and DKK 253 million, respectively.

OUTLOOK 2020
In 2020, the wind farm is expected to produce around 1,200 GWh which approximates the energy consumption of around 320,000 German households.





BOARD OF DIRECTORS

Søren Thorup	Chairman
Niels Jacobsen	Deputy Chairman
Thomas Schleicher	
Casper Lorenzen	

MANAGEMENT

Kasper Trebbien	Managing Director

BOSTON HOLDING A/S

(DKK million)	2019	2018
Revenue	805	832
Operating profit	430	454
Net result	253	288
Equity	927	673
Assets	4.601	4.849
William Demant Invest A/S ownership (end of the period)	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).

FINANCIAL REVIEW

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

INCOME STATEMENT
William Demant Invest A/S' consolidated revenue amounted to DKK 20,272 million in 2019 compared to DKK 18,410 million in 2018. Earnings before interest, taxes, depreciation and amortisation (EBITDA) arrived at DKK 4,746 million compared to DKK 7,286 million in 2018. Operating profit (EBIT) ended at DKK 3,357 million compared to DKK 6,556 million in 2018, whereas profit before tax decreased by DKK 2,939 million to DKK 3,375.

As mentioned in the "Management Review" section, the decrease in EBITDA and EBIT in 2019 can be attributed to the change of measurement method of the investment in Össur in 2018, shifting from the equity method to full consolidation. The latter implied a step-up of DKK 3,023 million to EBITDA and EBIT in 2018, which was recognised in the income statement under "Share of profit after tax, associates and joint ventures".

EBITDA adjusted for the step-up soared by 11% to DKK 4,729 in 2019, whereas EBIT decreased by 5% to DKK 3,340 million. The decrease in EBIT primarily stem from lower than expected EBIT in Demant A/S due to the IT incident, which dented EBIT by 15% in 2019 compared to last year. The increase in EBITDA is to some extent explained by the implementation of IFRS 16, which requires lessees to recognise nearly all leases in the balance sheet.

In 2019, William Demant Invest A/S' share of the aggregate net result was DKK 1,971 million. Profit for the year is deemed satisfactory.

EQUITY AND CAPITAL STRUCTURE
Total assets amounted to DKK 43,470 million at year-end 2019 compared to DKK 36,560 million in 2018. Consolidated equity in 2019 amounted to DKK 21,052 million compared to DKK 19,052 million in 2018. A dividend of DKK 121 million has been paid out to William Demant Foundation in 2019.

CASH FLOWS
Cash flow from operating activities amounted to DKK 3,025 million in 2019 compared to DKK 2,353 million in 2018, whereas cash flow from investing activities amounted to DKK -2,714 million in 2019 compared to DKK -5,024 million in 2018. Finally, cash flow from financing activities amounted to DKK 136 million in 2019 compared to DKK 2,370 million in 2018.

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 expensed in 2019 aggregated DKK 534 million of which DKK 177 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 9 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 and associated companies, global MedTech and Danish commercial occupancy rates and the financial markets. For a further review of financial risks, see note 4.1 and for a description on the financial impact of corona virus we refer to note 8.4. 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 standalone policy on CSR, but we consider it part of our defined investment policy and the companies in our portfolio define, report and adhere to their own formulated policies and ambitions. 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 2019, the Board of Directors in William Demant Invest A/S had five 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 2020

The results for 2020 will largely be linked to the development in subsidiaries and associated companies and their respective outlook for 2020. 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.

COMPETENT MANAGEMENT

Respect and trust are keywords in William Demant Invest.

We respect the original values and legacy of the companies we invest in. And we respect the unique competencies, knowledge and experience they have built up over the years.

Equally important our collaboration must be founded on trust where we bring our experience to the table to help a company reach its full potential.

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. In 1998, he was appointed managing director of Falcks Rednings-korps and Falck Holding; from 2000 also President & CEO for Group 4 Falck and from 2004-2005 for Group Falck Securicor (G4S). 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
- Re-elected in 2019, up for election in 2021
- 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 A/S in 2019: DKK 1,050,000

OTHER DIRECTORSHIPS
Codan A/S and Codan Forsikring, chairman
Dansk Vækstkapital, chairman
Copenhagen Airports A/S, chairman
Montana Møbler A/S, chairman
The Rockwool Foundation, chairman
Arp-Hansen Hotel Group A/S, deputy chairman
Fonden for Entreprenørskab – Young Enterprise, chairman
William Demant Foundation, chairman

Jesper Brandgaard
Deputy Chairman
(born 1963)

Jesper Brandgaard holds a Master of Science degree in Economics and Auditing, as well as an MBA, both from Copenhagen Business School. He has experience from executive management in Novo Nordisk A/S, the global pharmaceutical company, including responsibility for strategy development and implementation, information technology, legal and finance. Jesper Brandgaard has 17 years of CFO experience. He served 11 years as Chairman of the Board of Directors of SimCorp A/S, the leading provider of software solutions to the global asset management industry.

- Member of the Board since 2019
- Up for election in 2021
- Special qualifications within the area of group management in a multinational pharmaceutical company, including responsibility for strategy development and implementation, information technology, as well as financial and accounting experience
- Considered independent Board member
- Total fee in William Demant Foundation and William Demant Invest A/S in 2019: DKK 337,500

OTHER DIRECTORSHIPS
Chr. Hansen Holding A/S, deputy chairman
Novo Nordisk Haemophilia Foundation Council (Switzerland), president
Vækst Partner Kapital, member of advisory board
William Demant Foundation, 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 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 A/S in 2019: 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
Tattoodo ApS, board member
William Demant Foundation, board member

Niels B. Christiansen
(born 1966)

Niels B. Christiansen holds a Master of Science degree in Engineering from the Technical University of Denmark (DTU) and holds an MBA from INSEAD in France. He was employed as CEO of Danfoss during the period 2008-2017 and since 2017, he has been employed as CEO of LEGO A/S. Niels B. Christiansen is also chairman of the Board of Directors of Demant A/S, where he has served since 2008.

- Member of the Board since 2019
- Up for election in 2021
- Special qualifications within international business management of major, global, industrial hi-tech corporations, including extensive board experience from listed companies as well as comprehensive insight into industrial policy
- Considered independent Board member
- Total fee in William Demant Foundation and William Demant Invest A/S in 2019: DKK 406,250

OTHER DIRECTORSHIPS
LEGO A/S, CEO
A.P. Møller – Mærsk A/S, board member
William Demant Foundation, deputy chairman
Demant A/S, chairman

BOARD OF DIRECTORS

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 A/S in 2019: DKK 350,000

OTHER DIRECTORSHIP
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, deputy chairman
Founders A/S, chairman
Sennheiser Communications A/S, board member

Demant

ÖSSUR®
LIFE WITHOUT LIMITATIONS

visionrt

Vitrolife

CELLAVISION

REVENIO

jeudan

BORKUM RIFFGRUND

FINANCIAL REPORT

KEY FIGURES AND FINANCIAL RATIOS

	2019	2018	2017	2016	2015
INCOME STATEMENT, DKK MILLION					
Revenue	20,272	18,410	13,509	12,154	10,665
Gross profit	14,793	13,626	10,211	9,110	7,895
R&D costs	-1,385	-1,233	-919	839	763
Share of profit after tax, associates and joint ventures	568	3,549	561	374	550
EBITDA	4,746	7,286	3,492	2,753	2,699
Amortisation and depreciation etc.	1,389	730	485	447	325
Operating profit (EBIT)	3,357	6,556	3,007	2,306	2,374
Net financial items	18	-242	-178	-137	-72
Profit before tax	3,375	6,314	2,829	2,169	2,302
Profit for the year	2,841	5,688	2,354	1,784	1,939
BALANCE SHEET, DKK MILLION					
Net interest-bearing debt	11,735	10,604	5,134	6,021	5,869
Net interest-bearing debt including lease liabilities	14,474	-	-	-	-
Assets	43,470	36,560	25,171	23,198	21,599
Equity	21,052	19,052	14,635	12,296	11,291
OTHER KEY FIGURES, DKK MILLION					
Investment in property, plant and equipment, net	714	569	296	403	609
Cash flow from operating activities (CFFO)	3,025	2,353	2,093	1,785	1,585
Free cash flow	1,980	1,629	1,600	1,237	1,246
Average number of employees	19,052	17,221	13,285	12,339	10,803
FINANCIAL RATIOS					
Gross profit margin	73.0%	74.0%	75.6%	75.0%	74.0%
EBITDA margin	23.4%	39.6%	25.8%	22.7%	25.3%
Profit margin (EBIT margin)	16.6%	35.6%	22.3%	19.0%	22.3%
Return on equity	16.5%	35.5%	15.9%	13.5%	17.0%
Equity ratio	48.4%	51.9%	58.1%	53.0%	52.3%

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 share buy-backs. The gearing multiple is calculated as net interest-bearing debt relative to EBITDA.

MANAGEMENT STATEMENT

We have today considered and approved the Annual Report 2019 of William Demant Invest A/S for the financial year 1 January – 31 December 2019.

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 2019 as well as of the results of their operations and the consolidated cash flows for the financial year 1 January – 31 December 2019 .

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 description of the principal risks and uncertainties that the group and the parent face.

We recommend the Annual Report 2019 for adoption at the annual general meeting.

Smørum, 25 March 2020

EXECUTIVE BOARD

Niels Jacobsen
CEO

BOARD OF DIRECTORS

Lars Nørby Johansen
Chairman

Jesper Brandgaard
Deputy Chairman

Ulla Brockenhuus-Schack

Niels B. Christiansen

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 01.01.2019 - 31.12.2019, 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 31.12.2019, and of the results of its operations and cash flows for the financial year 01.01.2019 - 31.12.2019 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 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019 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, 25 March 2020

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33963556

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

CASH FLOW POSITIVE

We invest in strong, cash flow-positive, quality companies that hold leading positions in the MedTech market.

We look for companies with products and a business model already proven and accepted in the market.

CONSOLIDATED INCOME STATEMENT

(DKK million)	Note	2019	2018
Revenue	1.1	20,272	18,410
Production costs	1.2 / 1.3 / 1.5	-5,479	-4,784
Gross profit		**14,793**	**13,626**
R&D costs	1.2 / 1.3	-1,385	-1,233
Distribution costs	1.2 / 1.3	-9,105	-8,004
Administrative expenses	1.2 / 1.3 / 8.2	-1,614	-1,382
Share of profit after tax, associates and joint ventures including step up	3.4	568	3,549
Other operating income		100	-
Operating profit (EBIT)		**3,357**	**6,556**
Financial income	4.2	470	76
Financial expenses	4.2	-452	-318
Profit before tax		**3,375**	**6,314**
Tax on profit for the period	5.1	-534	-626
Profit for the period		**2,841**	**5,688**
Profit for the year attributable to:			
William Demant Invest A/S' shareholders		1,971	4,634
Non-controlling interests		870	1,054
		2,841	**5,688**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(DKK million)	2019	2018
Profit for the year	**2,841**	**5,688**
Other comprehensive income/(loss)		
Items that have been or may subsequently be reclassified to the income statement:		
Foreign currency translation adjustment, subsidiaries	263	86
Foreign currency translation adjustment reclassified to the income statement	-14	-
Other comprehensive income adjustments and associates	-9	-62
Value adjustment of hedging instruments:		
Value adjustment for the year	-93	-61
Value adjustment transferred to revenue	91	-21
Tax on items that have been or may subsequently be reclassified to the income statement	7	11
Items that have been or may subsequently be reclassified to the income statement	**245**	**-47**
Items that will not subsequently be reclassified to the income statement:		
Actuarial gains/(losses) on defined benefit plans	-55	-17
Tax on items that will not subsequently be reclassified to the income statement	10	1
Items that will not subsequently be reclassified to the income statement	**-45**	**-16**
Other comprehensive income/(loss)	**200**	**-63**
Comprehensive income	**3,041**	**5,625**
Comprehensive income attributable to:		
William Demant Invest A/S' shareholders	2,118	4,557
Non-controlling interests	923	1,068
	3,041	**5,625**
Breakdown of tax on other comprehensive income:		
Foreign currency translation adjustment, foreign enterprises	5	-7
Value adjustment of hedging instruments for the year	22	13
Value adjustment of hedging instruments transferred to revenue	-20	5
Actuarial gains/(losses) on defined benefit plans	10	1
Tax on other comprehensive income	**17**	**12**

CONSOLIDATED BALANCE SHEET 31 DECEMBER

(DKK million)	Note	2019	2018
Assets			
Goodwill		17,091	16,112
Patents and licenses		107	107
Other intangible assets		1,142	1,031
Prepayments and assets under development		221	181
Intangible assets	3.1	**18,561**	**17,431**
Land and buildings		906	880
Plant and machinery		2,099	2,156
Other plant, fixtures and operating equipment		503	427
Leasehold improvements		515	425
Prepayments and assets under construction		135	76
Property, plant and equipment	3.2	**4,158**	**3,964**
Leased assets	3.3	2,701	-
Investments in associates and joint ventures	3.4	5,958	5,068
Receivables from associates and joint ventures	3.4 / 4.3 / 4.4	182	167
Other investments	3.4 / 4.3 / 4.5	1,186	508
Other receivables	1.6 / 3.4 / 4.3 / 4.4	617	581
Deferred tax assets	5.2	790	640
Other non-current assets		**11,434**	**6,964**
Non-current assets		**34,153**	**28,359**
Inventories	1.5	2,639	2,297
Trade receivables	1.6 / 4.3	4,135	3,631
Receivables from associates and joint ventures	4.3	178	170
Income tax		115	129
Other receivables	1.6 / 4.3 / 4.4	630	508
Unrealised gains on financial contracts	2.3 / 4.3 / 4.5	13	12
Prepaid expenses		371	292
Cash	4.3 / 4.4	1,236	1,162
Current assets		**9,317**	**8,201**
Assets		**43,470**	**36,560**

CONSOLIDATED BALANCE SHEET 31 DECEMBER

(DKK million)	Note	2019	2018
Equity and liabilities			
Share capital		4	4
Other reserves		16,733	15,073
Equity attributable to William Demant Invest A/S' shareholders		16,737	15,077
Equity attributable to non-controlling interests		4,315	3,975
Equity		**21,052**	**19,052**
Borrowings	4.3 / 4.4	6,244	3,715
Lease liabilities	3.3	2,209	-
Deferred tax liabilities	5.2	583	443
Provisions	7.1	409	355
Other liabilities	4.3 / 7.2	260	273
Deferred income	7.3	496	570
Non-current liabilities		**10,201**	**5,356**
Borrowings	4.3 / 4.4	7,848	8,877
Lease liabilities	3.3	530	-
Trade payables	4.3	852	684
Payables to associates and joint ventures		3	-
Income tax		158	93
Provisions	7.1	59	47
Other liabilities	4.3 / 7.2	2,075	1,846
Unrealised losses on financial contracts	2.3 / 4.3 / 4.4 / 4.5	43	32
Deferred income	7.3	649	573
Current liabilities		**12,217**	**12,152**
Liabilities		**22,418**	**17,508**
Equity and liabilities		**43,470**	**36,560**

CONSOLIDATED CASH FLOW STATEMENT

(DKK million)	Note	2019	2018
Operating profit (EBIT)		3,357	6,556
Non-cash items etc.	1.7	946	-2,697
Change in receivables etc.		-586	-354
Change in inventories		-324	-392
Change in trade payables and other liabilities etc.		200	-41
Change in provisions		68	21
Dividends received		259	187
Cash flow from operating profit		**3,920**	**3,280**
Financial income etc. received		38	42
Financial expenses etc. paid		-453	-297
Realised foreign currency translation adjustments		1	-1
Income tax paid		-481	-671
Cash flow from operating activities (CFFO)		**3,025**	**2,353**
Acquisition of enterprises, participating interests and activities	6.1	-1,669	-4,300
Investments in and disposal of intangible assets		-275	-245
Investments in property, plant and equipment		-724	-589
Disposal of property, plant and equipment		10	20
Investments in other non-current assets		-330	-407
Disposal of other non-current assets		274	497
Cash flow from investing activities (CFFI)		**-2,714**	**-5,024**
Repayments of borrowings	4.4	-129	-510
Proceeds from borrowings	4.4	2,015	540
Change in short-term bank facilities	4.4	-219	3,793
Repayments of lease liabilities	3.3/4.4	-554	-
Dividends paid		-47	-20
Transactions with non-controlling interest		-930	-1,433
Cash flow from financing activities (CFFF)		**136**	**2,370**
Cash flow for the year, net		**447**	**-301**
Cash and cash equivalents at the beginning of the year		780	1,110
Foreign currency translation adjustment of cash and cash equivalents		9	-29
Cash and cash equivalents at the end of the year		**1,236**	**780**
Breakdown of cash and cash equivalents at the end of the year:			
Cash	4.3/4.4	1,236	1,162
Overdraft	4.3/4.4	-	-382
Cash and cash equivalents at the end of the year		**1,236**	**780**

Acquisition of enterprises, participating interests and activities includes loans of DKK 56 million (DKK 291 million in 2018) 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				William Demant Invest A/S' share-holders' share	Non-con-trolling interests' share	Equity
		Foreign currency transla-tion reserve	Hedging reserve	Retained earnings	Dividend			
Equity at 1.1.2019	**4**	**8**	**-10**	**14,954**	**121**	**15,077**	**3,975**	**19,052**
Comprehensive income in 2019:								
Profit for the year	-	-	-	1,971	-	1,971	870	2,841
Other comprehensive income:								
Foreign currency translation adjustment, subsidiaries	-	186	-	-	-	186	77	263
Foreign currency translation adjustment reclassified to income statement	-	-8	-	-	-	-8	-6	-14
Other comprehensive income adjustments and associates	-	-	-	-9	-	-9	-	-9
Value adjustment of hedging instruments:								
Value adjustment, year	-	-	-52	-	-	-52	-41	-93
Value adjustment transferred to revenue	-	-	50	-	-	50	41	91
Actuarial gains/(losses) on defined benefit plans	-	-	-	-30	-	-30	-25	-55
Tax on other comprehensive income	-	3	1	6	-	10	7	17
Other comprehensive income/(loss)	-	181	-1	-33	-	147	53	200
Comprehensive income/(loss), year	**-**	**181**	**-1**	**1,938**	**-**	**2,118**	**923**	**3,041**
Transaction with non-controlling interest	-	-	-	-338	-	-338	-583	-921
Dividends	-	-	-	-	-121	-121	-	-121
Other changes in equity	-	-	-	1	-	1	**-**	1
Equity at 31.12.2019	**4**	**189**	**-11**	**16,555**	**-**	**16,737**	**4,315**	**21,052**

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 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
Foreign currency translation adjust-ment reclassified to income state-ment						-		-
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 compr. 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 interest	-	-	-	-485	-	-485	-957	-1,442
Non-controlling interests arising on aquisition	-	-	-	-	-	-	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**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SECTION 1

OPERATING ACTIVITIES AND CASH FLOW

1.1 - REVENUE FROM CONTRACT WITH CUSTOMERS

(DKK million)

Revenue by business activity	**2019**	**2018**
Hearing Healthcare	14,946	13,937
Prostetics, Bracing & Supports	4,578	3,876
Other	748	597
Revenue from contracts with customers	**20,272**	**18,410**

	2019	**2018**
Value adjustments transferred from equity relating to derivatives made for hedging foreign currency risk on revenue	-91	21

Liabilities related to contracts with customers:	**2019**	**2018**
Customer prepayments*	66	71
Future performance obligations*	1,079	1,072
Expected volume discounts and other customer-related items**	238	245
Expected product returns***	141	136
Contract liabilities with customers	**1,524**	**1,524**

Changes in contract liabilities with customers:	**2019**	**2018**
Contract liabilities at 1.1.	1,524	1,370
Foreign currency translation adjustment	30	-6
Changes to transaction price estimates from prior years	-18	-
Revenue recognised that was included in the contract liability balance 1.1	-614	-514
Increases due to cash received, excluding amounts recognised as revenue during the year	613	573
Changes from expected volume discounts and other customer related items	-10	68
Changes from product returns	-1	-9
Business combinations	-	42
Contract liabilities at 31.12.	**1,524**	**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 countries, 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 countries where observable prices are not available, we use a cost-plus-margin method.

The standard warranty period for our products varies across countries, 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 countries 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	2019	2018
Staff costs:			
Wages and salaries		7,563	6,604
Share-based remuneration		7	5
Defined contribution plans		177	159
Defined benefit plans	7.1	22	13
Social security costs etc.		860	733
Staff costs		**8,629**	**7,514**
Staff costs by function:			
Production costs		1,361	1,301
R&D costs		872	811
Distribution costs		5,315	4,436
Administrative expenses		1,081	966
Staff costs		**8,629**	**7,514**
Average number of full-time employees		19,052	17,221

In 2019, the basic remuneration of a member of the parent's Board of Directors was DKK 200,000 (DKK 200,000 in 2018). 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 2018).

The remuneration of the Management in William Demant Invest A/S 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. For 2019, the total remuneration for the Management of William Demant Invest A/S was DKK 17 million (DKK 10 million in 2018).

1.3 AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES

(DKK million)	Note	2019	2018
Amortisation of intangible assets	3.1	235	207
Depreciation on property, plant and equipment	3.2	532	488
Impairment of property, plant and equipment	3.2	-	-1
Depreciation on leased assets	3.3	588	-
Amortisation, depreciation and impairment losses		**1,355**	**694**
Amortisation, depreciation and impairment losses by function			
Production costs		287	218
Research and development costs		105	75
Distribution costs		773	323
Administrative expenses		190	78
Amortisation, depreciation and impairment losses		**1,355**	**694**
Net gains from sale of assets		2	2
Net gains from sale of assets		**2**	**2**
Net gains from sale of assets by function:			
Distribution costs		-	1
Administrative expenses		2	1
Net gains from sale of assets		**2**	**2**

For accounting policies on amortisation and depreciation, please refer to Note 3.1, Note 3.2 and Note 3.3.

1.4 PROPOSED DIVIDEND

The Board of Directors will at the general assembly propose a dividend of DKK 203 million for 2019.

1.5 INVENTORIES

(DKK million)	2019	2018
Raw materials and purchased components	928	958
Work in progress	157	113
Finished goods and goods for resale	1,554	1,226
Inventories	**2,639**	**2,297**
Write-downs, provisions for obsolescence etc. included in the above	160	146
Included in the income statement under production costs:		
Write-downs of inventories for the year, net	60	47
Cost of goods sold for the year	4,565	4,118

Inventories of DKK 95 million (DKK 77 million in 2018) 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)	2019	2018
Trade receivables	4,135	3,631
Customer loans	714	657
Other current receivables	533	432
Receivables	**5,382**	**4,720**

Credit risk:

2019	Balance not due	0-3 months overdue	3-6 months overdue	6-12 months overdue	More than 12 months overdue
Expected loss rate	1%	2%	7%	26%	60%
Gross carrying amount - trade receivables	2,698	856	295	256	376
Gross carrying amount - customer loans	728	2	-	1	2
Gross carrying amount - other receivables	533	-	-	-	-
Loss allowance	**34**	**18**	**21**	**67**	**225**

2018	Balance not due	0-3 months overdue	3-6 months overdue	6-12 months overdue	More than 12 months overdue
Expected loss rate	2%	2%	7%	19%	52%
Gross carrying amount - trade receivables	2,384	774	214	230	301
Gross carrying amount - customer loans	678	3	1	1	14
Gross carrying amount - other receivables	432	1	-	-	-
Loss allowance	**78**	**15**	**14**	**43**	**163**

Allowance for impairment:	2019	2018
Allowance for impairment at 31.12.	**-313**	**-272**
Impact of changes in accounting policies	-	-26
Allowance for impairment at 1.1.	**-313**	**-298**
Foreign currency translation adjustments	-6	-6
Applied during the year	70	102
Additions during the year	-129	-122
Reversals during the year	12	11
Allowance for impairment at 31.12.	**-366**	**-313**

Of the total amount of trade receivables, DKK 273 milion (DKK 246 million in 2018) is expected to be collected after 12 months. For information on security and collateral, please refer to credit risks in Note 4.1.

1.6 RECEIVABLES - CONTINUED

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)	2019	2018
Amortisation and depreciation etc.	1,389	729
Share of profit after tax, associates and joint ventures	-568	-522
Fair value adjustment of non-controlling interest on obtaining control	-	-3,026
Other non-cash items	125	122
Non-cash items etc.	**946**	**-2,697**

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 predominantly 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 98 million (DKK 81 million in 2018) and to affect the Group's equity, excluding tax, positively by DKK 284 million (DKK 466 million in 2018). 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 2019, our forward exchange contracts realised a loss of DKK 91 million (gain of DKK 21 million in 2018), which increased reported revenue for the year. In addition, we raised loans in foreign currencies to balance out net receivables. At year-end 2019, Demant A/S had entered into forward exchange contracts with a contractual value of DKK 697 million (DKK 1,411 million in 2018) and a fair value of DKK -28 million (DKK -19 million in 2018).

For Össur other financial liabilities consist of fair value of hedge contracts and fair value of a purchase option of minority shares amounting to DKK 5 million (DKK 14 million in 2018).

Forward exchange contracts

2019

	Expiry	Hedging period*	Average hedging rate	Contractual value (DKK million)	Fair value (DKK million)	Positive fair value at year-end (DKK million)	Negative fair value at year-end (DKK million)
USD	2020	10 months	656	-1,115	-4	5	9
AUD	2020	7 months	457	-84	-2	-	2
GBP	2020	10 months	835	-351	-15	-	15
CAD	2020	10 months	489	-343	-13	-	13
JPY	2020	11 months	6.07	-94	-1	-	1
PLN	2020	11 months	170	391	8	8	-
EUR	2024	60 months	741	899	-1	-	1
				-697	**-28**	**13**	**41**

2018

	Expiry	Hedging period	Average hedging rate	Contractual value (DKK million)	Fair value (DKK million)	Positive fair value at year-end (DKK million)	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**

** 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	2019	2018	Change
EUR	747	745	0.3%
USD	667	632	5.5%
AUD	464	472	-1.7%
GBP	851	842	1.1%
CAD	503	488	3.1%
JPY	6.12	5.72	7.0%
PLN	174	175	0.6%

Year-end	2019	2018	Change
EUR	747	747	0.0%
USD	668	652	2.5%
AUD	467	461	1.3%
GBP	877	827	6.0%
CAD	511	479	6.7%
JPY	6.11	5.91	3.4%
PLN	175	174	0.6%

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	Prepay-ments and asset under develop-ment	Total intan-gible assets
Cost at 1.1.2019	**16,112**	**210**	**1,420**	**181**	**17,923**
Foreign currency translation adjustments	284	3	14	-	302
Additions during the year	-	1	146	128	274
Additions relating to acquisitions	695	17	86	-	798
Disposals during the year	-	-14	-114	-	-128
Transfer to/from other items	-	-	88	-88	-
Cost at 31.12.2019	**17,091**	**217**	**1,640**	**221**	**19,169**
Amortisation at 1.1.2019	**-**	**-103**	**-389**	**-**	**-492**
Foreign currency translation adjustments	-	-1	-8	-	-9
Amortisation for the year	-	-20	-215	-	-235
Disposals during the year	-	14	114	-	128
Amortisation at 31.12.2019	**-**	**-110**	**-498**	**-**	**-608**
Carrying amount at 31.12.2019	**17,091**	**107**	**1,142**	**221**	**18,561**
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
Transfer 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	**16,112**	**107**	**1,031**	**181**	**17,431**

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 on a straight line basis 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 not amortised, due to the residual value of other rights are considered to exceed the cost price and are instead tested for impairment annually. Please refer to Note reference 3.5.

Assets under development include internally developed IT systems. Assets under development is measured at cost, which include direct salaries, consultant fees and other direct costs attributable to the development. Assets under development are not amortised, as the assets are not available for use.

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, Manage-ment 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.

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

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 1.1.2019	**1,121**	2,896	**1,400**	**887**	**76**	**6,380**
Foreign currency translation adjustments	9	5	26	24	-	64
Additions during the year	38	100	237	188	126	689
Additions relating to acquisitions	-	1	16	11	-	28
Disposals during the year	-1	-166	-133	-52	-1	-353
Transferred to/from other items	4	59	3	-	-66	-
Cost at 31.12.2019	**1,171**	**2,895**	**1,549**	**1,058**	**135**	**6,808**
Depreciation and impairment losses at 1.1.2019	**-241**	**-740**	**-973**	**-462**	**-**	**-2,416**
Foreign currency translation adjustments	-2	-1	-27	-17	-	-47
Depreciation for the year	-23	-217	-178	-114	-	-532
Disposals during the year	1	162	132	50	-	345
Depreciation and impairment losses at 31.12.2019	**-265**	**-796**	**-1,046**	**-543**	**-**	**-2,650**
Carrying amount at 31.12.2019	**906**	**2,099**	**503**	**515**	**135**	**4,158**
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	**880**	**2,156**	**427**	**425**	**76**	**3,964**

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, sub-supplies 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.

For accounting policies on segment information, please refer to Note 1.1.

3.3 LEASES

(DKK million)	2019
Lease assets at 1.1.	**2,735**
Foreign currency translation adjustments	21
Additions during the year	508
Additions relating to acquisitions	89
Disposals during the year	-64
Depreciations during the year	-588
Lease assets at 31.12.	**2,701**

(DKK million)	2019
Lease liabilities at 1.1.	**2,744**
Foreign currency translation adjustments	23
Additions during the year	508
Additions relating to acquisitions	89
Disposals during the year	-71
Payments	-554
Lease liabilities at 31.12.	**2,739**
Current lease liabilities	530
Non-current lease liabilities	2,209

(DKK million)	2019
Amounts recognised in the income statement:	
Short-term lease expenses	20
Low-value assets	14
Variable lease payments	3

The Group's leases primarily comprise agreements regarding properties. The lease terms are of various length and may contain extention and termination options. Management exercises significant judgement in determining whether it is reasonably certain that these extension and termination options will be exercised.

ACCOUNTING POLICIES

Lease assets
Lease assets and liabilities are recognised in the balance sheet at the commencement date of the contract, if it is or contains a lease. Lease assets are recognised at cost less accumulated depreciation and impairment. Cost is defined as the lease liability adjusted for any lease payments made at or before the commencement date. Lease assets are depreciated on a straight-line basis over the lease term.

Lease liabilities
Lease liabilities are measured at the present value of future payments, using the interest rate implicit in the lease agreement. Lease payments are discounted using the Group's incremental borrowing rate at 1 January 2019 adjusted for the functional currencies and lenght of the lease term, if the interest rate implicit in the lease agreement cannot be determined.

Lease payments contain fixed payments less any lease incentives receivable, variable lease payment that depend on an index or a rate as well as payments of penalties for terminating the lease, if the terms of the lease warrants that the Group exercises that option. The lease liability is remeasured if or when the future payment or lease term changes. Any net remeasurement of the lease liability is recognised as an adjustment to the lease asset. If the carrying amount of the lease asset is reduced to zero, the adjustment will be recognised in the income statement.

3.3 LEASES - CONTINUED

ADDITIONAL INFORMATION
Short-term lease expenses, low-value assets and variable lease payments are classified as operating expenses in the income statement.

ACCOUNTING ESTIMATES AND ASSUMPTIONS
Expired leases
The lease term is the period during which the lease contract is enforceable. If the original expiry date of a lease contract has passed, typically in the case of property leases, but the contract continues without a determined expiry date, the lease term is set for an estimated period during which the lease contract is expected to be enforceable. This estimate is based on Management's judgement and takes into consideration the location of the lease, capitalised leasehold improvements and the experience with similar leases for the specific area.

Extension and termination options
When determining the lease term for lease agreements containing extension and termination options, Management considers circumstances that create a financial incentive to exercise an extension option or not to exercise a termination option. Extension and termination options are only included in the lease term if it is reasonably certain that a lease will be extended/terminated.

3.4 OTHER NON-CURRENT ASSETS

(DKK million)	Investments in associates and joint ventures	Receivables from associates and joint ventures	Other investments	Other receivables: Customer loans	Other receivables: Other
Cost at 1.1.2019	**4,022**	**167**	**486**	**522**	**133**
Foreign currency translation adjustments	9	6	-	21	-1
Additions during the year	624	55	279	247	19
Additions relating to acquisitions	46	-	-	-	2
Disposals related to step-up acquisition of associates	-87	-	-	-	-
Disposals, repayments etc. during the year	-	-44	-	-82	-6
Movement to current	-	-2	-	-177	-4
Cost at 31.12.2019	**4,614**	**182**	**765**	**531**	**143**
Value adjustments at 1.1.2019	**1,046**	**-**	**22**	**-26**	**-48**
Foreign currency translation adjustments	-	-	-	-1	-2
Share of profit after tax (IS)	562	-	-	-	-
Dividends received	-256	-	-	-	-
Disposals relating to step-up acquisitions of associates	1	-	-	-	-
Other adjustments	-9	-	399	-7	1
Disposals during the year	-	-	-	26	-
Value adjustments at 31.12.2019	**1,344**	**-**	**421**	**-8**	**-49**
Carrying amount at 31.12.2019	**5,958**	**182**	**1,186**	**523**	**94**
Cost at 1.1.2018	**5,905**	**500**	**68**	**456**	**90**
Foreign currency translation adjustments	29	7	-	7	-
Additions during the year	242	64	418	348	8
Additions relating to acquisitions	113	-	-	-	39
Disposals related to step-up acquisition of associates	-2,267	-	-	-	-
Disposals, repayments etc. during the year	-	-300	-	-289	-4
Movement to current	-	-104	-	-	-
Cost at 31.12.2018	**4,022**	**167**	**486**	**522**	**133**
Value adjustments at 1.1.2018	**1,607**	**-**	**-8**	**-72**	**-18**
Foreign currency translation adjustment	-22	-	-	-4	-
Share of profit after tax (IS)	450	-	-	-	-
Dividends received	-188	-	-	-	-
Disposals relating to step-up acquisitions of associates	-768	-	-	-	-
Impairment	-40	-	-	-	-
Other adjustments	7	-	30	50	-30
Value adjustments at 31.12.2018	**1,046**	**-**	**22**	**-26**	**-48**
Carrying amount at 31.12.2018	**5,068**	**167**	**508**	**496**	**85**

Please refer to Subsidiaries, associates and joint ventures on page 121 for a list of associates and joint ventures.

3.4 OTHER NON-CURRENT ASSETS - CONTINUED

TRANSACTIONS WITH ASSOCIATES AND JOINT VENTURES

In 2019, the Group recognised revenue from associates and joint ventures of DKK 463 million (DKK 447 million in 2018), received royalties from and paid licence fees of net DKK 1 million (net DKK 1 million in 2018) and received dividends of DKK 256 (DKK 188 million in 2018).

In the reporting period, the Group received interest income of DKK 3 million (DKK 6 million in 2018).

Three transactions with related parties were made on arm's length basis.

	Associates		Joint ventures	
(DKK million)	**2019**	**2018**	**2019**	**2018**
Financial information (Group share)				
Revenue	1,587	1,440	563	542
Net profit for the year	502	287	66	104
Comprehensive income	503	225	66	104

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.

3.5 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 2019 and 31 December 2018. Future cash flows are based on the budget and expectations for 2020, on strategy plans and on projections hereof. Projections extending beyond 2020 are based on general parameters, such as expected market growth, selling prices and profitability assumptions. The terminal value for the period after 2019 is determined on the assumption of 2% growth (2% in 2018). The pre-tax discount rate is 7% (7% in 2018). 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, certain other rights 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 conclusion that we had no need for impairment in 2019 and 2018.

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

(DKK million)	2019	2018
Prosthetics, Bracing & supports	6,385	6,235
Radiotherapy	2,880	2,665
Hearing healthcare	7,826	7,212
	17,091	**16,112**

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 or-der 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 excluding lease liabilities amounted to DKK 11,735 million as at 31 December 2019. The net interest bearing debt including lease liabilities was DKK 14,474 million.

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 180 million and USD 27 per workings and supports for the William Demant Invest 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 2019 has the Group defaulted on any loan agreements.

4.2 NET FINANCIAL ITEMS

(DKK million)	2019	2018
Interest on cash and bank deposits	11	6
Interest on receivables, customer loans etc.	36	31
Other financial income	15	9
Financial income from financial assets not measured at fair value in the income statement	**62**	**46**
Fair value adjustment on other investments	399	30
Financial income from financial assets measured at fair value in the income statement	**399**	**30**
Foreign exchange gains, net	9	-
Financial income	**470**	**76**
Interest on bank debt, mortgages etc.	-258	-213
Financial expenses on financial liabilities not measured at fair value in the income statement	**-258**	**-213**
Interest expenses on lease liabilities	-76	-
Foreign exchange losses, net	-	-3
Transaction costs	-118	-102
Financial expenses	**-452**	**-318**
Net financial items	**18**	**-242**

In addition to the foreign exchange items above, the consolidated income statement is also affected by foreign ex-change 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 7 million in 2019 (a loss of DKK 15 million in 2018).

ACCOUNTING POLICIES

Net financial items mainly consist of interest income and interest expenses, credit card fees and bank fees and also include interest on lease liabilities, 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)	2019	2018
Unrealised gains on financial contracts	13	12
Financial assets used as hedging instruments	**13**	**12**
Receivables from associates	360	337
Customer loans	714	657
Other receivables	533	432
Trade receivables	4,135	3,631
Cash	1,236	1,162
Financial assets at amortised cost	**6,978**	**6,219**
Securities	1,170	494
Other investments	16	14
Financial assets at fair value through profit/loss	**1,186**	**508**
Unrealised losses on financial contracts	-43	-32
Financial liabilities used as hedging instruments	**-43**	**-32**
Debt to credit institutions etc.	-6,679	-4,750
Short-term bank facilities etc.	-5,321	-5,442
Lease liabilities	-2,739	-
Debt to parent	-2,092	-2,018
Overdraft	-	-382
Trade payables	-852	-684
Other liabilities	-1,954	-1,765
Financial liabilities measured at amortised cost	**-19,637**	**-15,041**

As was the case in 2018, 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 381 million (DKK 354 million in 2018).

ACCOUNTING POLICIES

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.

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.

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.

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.

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		
2019:						
Interest-bearing receivables	427	477	247	1,151	1,121	
Cash	1,236	-	-	1,236	1,236	
Interest-bearing assets	1,663	477	247	2,387	2,357	1.9%
Debt to credit institutions etc.	-2,153	-4,091	-164	-6,408	-6,679	
Debt to parent	-145	-2,117	-	-2,262	-2,092	
Short-term bank facilities etc.	-5,683	-	-	-5,683	-5,321	
Borrowings	-7,981	-6,208	-164	-14,353	-14,092	1.4%
Net interest bearing debt	-6,318	-5,731	83	-11,966	-11,735	1.3%
Lease liabilities	-609	-1,757	-720	-3,086	-2,739	
Net interest bearing debt incl. lease liabilities	**-6,927**	**-7,488**	**-637**	**-15,052**	**-14,474**	
2018:						
Interest-bearing receivables	416	309	166	891	826	
Cash	1,162	-	-	1,162	1,162	
Interest-bearing assets	**1,578**	**309**	**166**	**2,053**	**1,988**	**1.9%**
Debt to credit institutions etc.	-2,616	-2,121	-74	-4,811	-4,750	
Debt to parent	-116	-5	-2,018	-2,139	-2,018	
Short-term bank facilities etc.	-5,484	-	-	-5,484	-5,442	
Cash management overdrafts	-382	-	-	-382	-382	
Borrowings	**-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%**

Trade payables and other liabilities have a contractual maturity of less than one year, with the exception of other liabilities of DKK 260 million (DKK 273 million in 2018) which have a contractual maturity of 1-5 years. The contractual cash flows approximate their carrying amounts.

Interest-bearing Borrowings broken down by currency: 17% in US dollars (27% in 2018), 47% in Danish kroner (52% in 2018), 25% in euros (12% in 2018), 5% in GBP (6% in 2018), 2% in Canadian dollars (0% in 2018) and 4% in other currencies (3% in 2018).

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

(DKK million)	2018	Cash flows from financing activities	Net cash flow from overdraft	Non-cash changes: IFRS 16 transition	Acquisition	Foreign exchange movement	Other additions	Disposals	2019
Lease liabilities	-	554	-	-2,744	-89	-23	-508	71	-2,739
Debt to parent	-2,018	-	-	-	-	-	-74	-	-2,092
Debt to credit institutions etc.	-4,750	-1,886	-	-	-20	-24	1	-	-6,679
Short-term bank facilities	-5,442	601	-382	-	-	-98	-	-	-5,321
Liabilities from financing activities	**-12,210**	**-731**	**-382**	**-2,744**	**-109**	**-145**	**-581**	**71**	**-16,831**
Overdraft	-382	-	382	-	-	-	-	-	-
Interest-bearing liabilities	**-12,592**	**-731**	**-**	**-2,744**	**-109**	**-145**	**-581**	**71**	**-16,831**

(DKK million)	2017	Cash flows from financing activities	Net cash flow from overdraft	Non-cash changes: IFRS 16 transition	Acquisition	Foreign exchange movement	Other additions	Disposals	2018
Lease liabilities	-	-	-	-	-	-	-	-	-
Debt to parent	-2,018	-	-	-	-	-	-	-	-2,018
Debt to credit institutions etc.	-3,228	-30	-	-	-702	-794	4	-	-4,750
Short-term bank facilities	-1,866	-3,793	-	-	-453	670	-	-	-5,442
Liabilities from financing activities	**-7,112**	**-3,823**	**-**	**-**	**-1,155**	**-124**	**4**	**-**	**-12,210**
Overdraft	-47	-	-319	-	-	-16	-	-	-382
Interest-bearing liabilities	**-7,159**	**-3,823**	**-319**	**-**	**-1,155**	**-140**	**4**	**-**	**-12,592**

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

Interest Cap

(DKK million)	2019 Expiry	Interest rae / strike	Contractual amount at year end	Positive fair value at year-end	Negative fair value at year-end	2018 Expiry	Interest rae / strike	Contractual amount at year end	Positive fair value at year-end	Negative fair value at year-end
DKK/DKK	2022	0%	650	-	2	2021	0%	650	-	1
			650	**-**	**2**			**650**	**-**	**1**

The fair value of interest cap (a strip of call options) outstanding at the balance sheet date is DKK 2 million (DKK -1 million in 2018), and the contractual value of interest cap is DKK 650 million (DKK 650 million in 2018). The cap will run until 2022.

SENSITIVITY ANALYSIS IN RESPECT OF INTEREST RATES
Based on the Group's net debt at the end of the 2019 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 33 million (DKK 107 million in 2018). About 56% 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 ex-change 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)	2019				2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets used as hedging instruments	-	13	-	**13**	-	12	-	**12**
Other investments	1,170	-	16	**1,186**	494	-	14	**508**
Financial liabilities used as hedging instruments	-	-43	-	**-43**	-	-32	-	**-32**
Contingent considerations	-	-	-178	**-178**	-	-	-170	**-170**

There are no transfers between levels 1 and 2 in the 2019 and 2018 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		Contingent considerations	
(DKK million)	**2019**	**2018**	**2019**	**2018**
Carrying amount at 1.1.	**508**	**60**	**-170**	**-365**
Foreign currency translation adjustment	-	-	-2	-17
Acquisitions	279	418	-69	-47
Investments in associates	-	-	-	-6
Disposals, repayments, settlements etc.	-	-	70	261
Other adjustments	399	30	-7	4
Carrying amount at 31.12.	**1,186**	**508**	**-178**	**-170**

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)	2019	2018
Current tax on profit for the year	-567	-554
Adjustment of current tax, prior years	30	-3
Change in deferred tax	-13	-64
Adjustment of deferred tax, prior years	26	-5
Impact of changes in corporate tax rates	-10	-
Tax on profit for the year	**-534**	**-626**
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	1.4%	2.2%
Impact of changes in corporate tax rates	0.3%	0.0%
Impact of unrecognised tax assets	0.8%	0.0%
Permanent differences	-7.0%	-14.5%
Other items, including prior-year adjustments	-1.7%	0.2%
Effective tax rate	**15.8%**	**9.9%**

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 William Demant Foundation, provided that the transfer is distributed to non-profit purposes by William Demant Foundation.

5.2 DEFERRED TAX

(DKK million)	2019	2018
Deferred tax recognised in the balance sheet:		
Deferred tax assets	790	640
Deferred tax liabilities	-583	-443
Deferred tax, net at 31.12.	**207**	**197**

Breakdown of the Group's temporary differences and changes:	Temporary differ-ences at 31.12.2018	Impact of changes in accounting policy	Temporary differences at 1.1.2019	Foreign currency translation adjust-ments	Acquisitions	Recognised in profit for the year	Recognised in other com-pre-hensive income	Temporary differ-ences at 31.12.2019
Intangible assets	-339	-	-339	-5	-14	-141	-	-499
Property, plant and equipment	-83	-	-83	-1	-	-4	-	-88
Leased assets	-	-	-	-	-	8	-	8
Inventories	237	-	237	-	-	43	-	280
Receivables	43	-	43	1	-	24	-	68
Provisions	93	-	93	1	-	-	-	94
Deferred income	137	-	137	3	-	43	-	183
Tax losses	99	-	99	2	1	28	-	130
Other	10	-	10	-	5	3	13	31
Total	**197**	**-**	**197**	**1**	**-8**	**4**	**13**	**207**

Breakdown of the Group's temporary differences and changes:	Temporary differ-ences at 31.12.2017	Impact of changes in accounting policy	Temporary differences at 1.1.2018	Foreign currency translation adjust-ments	Acquisitions	Recognised in profit for the year	Recognised in other com-pre-hensive income	Temporary differ-ences at 31.12.2018
Intangible assets	-132	-	-132	-9	-118	-80	-	-339
Property, plant and equipment	-48	-	-48	-1	-22	-12	-	-83
Leased assets	-	-	-	-	-	-	-	-
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**

The tax value of deferred tax assets not recognised is DKK 165 million (DKK 133 million in 2017) and relates mainly to tax losses and tax credits for which there is considerable uncertainty about their future utilisation.

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

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	Total
2019			
Intangible assets	76	27	103
Property, plant and equipment	3	25	28
Other non-current assets	54	85	139
Inventories	7	21	28
Current receivables	19	52	71
Cash and bank debt	5	63	68
Non-current liabilities	-58	-35	-93
Current liabilities	-13	-83	-96
Acquired net assets	**93**	**155**	**248**
Goodwill	148	547	695
Acquisition cost	**241**	**702**	**943**
Carrying amount of non-controlling interests on obtaining control	-	-86	-86
Fair value adjustment of non-controlling interests on obtaining control	-	-13	-13
Contingent considerations and deferred payments	-33	-36	-69
Acquired cash and bank debt	-5	-63	-68
Cash acquisition cost	**203**	**504**	**707**

(DKK million)	Össur	Other	Total
2018			
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-controlling interests' share of acquisition 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**

6.1 ACQUISITION OF ENTERPRISES AND ACTIVITIES – CONTINUED

The Group's acquisitions in 2019 consist of a number of minor acquisitions, mainly in North America and Europe. 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 recognised separately from goodwill, as they are not separately identifiable.

At the time of acquisition, minority 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 2019, a few adjustments were made to the preliminary recognition of acquisitions made in 2018. These adjustments were made in respect of payments made, contingent considerations provided and net assets and goodwill acquired. The impact of these adjustments on payments made was DKK 44 million (DKK 0 million in 2018), the impact on goodwill was DKK 12 million (DKK 1 million in 2018), the impact on contingent considerations was DKK 3 million (DKK 0 million in 2018). In relation to acquisitions with final recognition in 2015-2018, adjustments were made in 2019 in respect of estimated contingent considerations. Such adjustments are recognised 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 13 million (DKK 3,026 million in 2018), and adjustment of contingent considerations of DKK 9 million were made via the income statement in 2019 (DKK 4 million in 2018) and are recognised under Distribution costs.

Of the total acquisition entries in 2019, the fair value of estimated contingent considerations in the form of earn-outs or deferred payments accounted for DKK 69 million (DKK 76 million in 2018). Such payments depend on the results of the acquired entities for a period of 1-5 years after takeover and can total a maximum of DKK 71 million (DKK 77 million in 2018) for acquisitions.

The acquired assets include contractual receivables amounting to DKK 56 million (DKK 716 million in 2018) of which DKK 1 million (DKK 34 million in 2018) was thought to be uncollectible at the date of the acquisition. Of total goodwill in the amount of DKK 695 million (DKK 9,738 million in 2018), DKK 344 million (DKK 694 million in 2018) can be amortised for tax purposes.

Transaction cost in connection with acquisitions made in 2019 amounted to DKK 2 million (DKK 28 million in 2018), which has been recognised under Distribution costs.

Revenue and profit generated by the acquired enterprises since our acquisition in 2019 amount to DKK 185 million (DKK 4,371 million in 2018) and DKK 13 million (DKK 5,180million in 2018), respectively. Had such revenue and profit been consolidated on 1 January 2019, we estimate that consolidated pro forma revenue and profit would have been DKK 20,508 million (DKK 19,100 million in 2018) and DKK 2,854 million (DKK 5,908 million in 2018), 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 2020, we have acquired additional enterprises, as well as changed our ownership structure of Sennheiser Communications A/S resulting in a business combination. We are in the process of assessing their fair value. The acquisition cost is expected to relate primarily to goodwill. For further details on Sennheiser Communications, please refer to Note 8.4.

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)	2019	2018
Provisions for restructuring costs	15	10
Staff-related provisions	55	56
Miscellaneous provisions	170	180
Other provisions	**240**	**246**
Defined benefit plan liabilities, net	228	156
Provisions at 31.12.	**468**	**402**
Breakdown of provisions:		
Non-current provisions	409	355
Current provisions	59	47
Provisions at 31.12.	**468**	**402**

Other provisions

(DKK million)	Restructuring costs	Staff-related	Miscellaneous	Total
Other provisions at 1.1.2019	**10**	**56**	**180**	**246**
Foreign currency translation adjustments	-	1	-	1
Reclassifications	15	9	-24	-
Additions relating to acquisitions	-	1	-	1
Provisions during the year	-	-	62	62
Applied during the year	-9	-	-30	-39
Reversals during the year	-1	-12	-18	-31
Other provisions at 31.12.2019	**15**	**55**	**170**	**240**
Breakdown of provisions:				
Non-current provisions	-	54	127	181
Current provisions	15	1	43	59
Other provisions at 31.12.2019	**15**	**55**	**170**	**240**
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**

7.1 PROVISION - CONTINUED

(DKK million)	2019	2018
Present value of defined benefit obligations:		
Defined benefit obligations at 1.1.	413	361
Foreign currency translation adjustments	13	13
Additions relating to acquisitions	1	-
Current service cost	21	12
Calculated interest on defined benefit obligations	4	2
Actuarial gains/losses	55	33
Net benefits paid	3	-16
Contribution from plan participants	9	8
Defined benefit obligations at 31.12	**519**	**413**
Fair value of defined benefit assets:		
Defined benefit assets at 1.1.	257	228
Foreign currency translation adjustments	7	11
Expected return on defined benefit assets	3	1
Actuarial gains/losses	-	16
Contributions	21	17
Net benefits paid	3	-16
Defined benefit assets 31.12.	**291**	**257**
Defined benefit obligations recognised in the balance sheet, net	**228**	**156**
Return on defined benefit assets:		
Actual return on defined benefit assets	3	17
Expected return on defined benefit assets	3	1
Actuarial gains/losses on defined benefit assets	**-**	**16**
Assumptions:		
Discount rate	0.2%	1.0%
Expected return on defined benefit assets	0.2%	1.0%
Future salary increase rate	1.3%	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.

Defined benefit plan costs recognised in the income statement amount to DKK 22 million (DKK 13 million in 2018). Accumulated actuarial loss recognised in the statement of comprehensive income amount to DKK 128 million (DKK 70 million in 2018).

The Group expects to pay approximately DKK 25 million in 2020 (DKK 15 million in 2019) into defined benefit plans.

Defined benefit obligations in the amount of DKK 107 million (DKK 93 million in 2018) will mature within 1-5 years and obligations in the amount of DKK 412 million (DKK 320 million in 2018) after five years.

If the discount rate is 0.5 percentage point higher (lower), the defined benefit obligation will decrease by 8% (increase by 9%). If the expected salary growth rate is 0.5 percentage point higher (lower), the defined benefit obligation will increase by 1% (decrease by 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 fu-ture 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)	2019	2018
Product-related liabilities	381	354
Staff-related liabilities	845	752
Other debt, public authorities	254	266
Contingent considerations	178	170
Other costs payable	377	577
Other liabilities	**2,335**	**2,119**
Due within 1 year	2,075	1,848
Due within 1-5 years	260	271

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)	2019	2018
Prepayments from customers	66	71
Future performance obligations:		
Deferred warranty-related revenue	655	647
Deferred free products revenue	195	190
Deferred service revenue	229	234
Total	**1,145**	**1,142**

Expected recognition of revenue

2019	Less than 1 year	1-2 years	2-4 years	More than 4 years	Total
Prepayments from customers	61	2	2	1	66
Deferred warranty-related revenue	317	224	98	16	655
Deferred free products revenue	132	60	3	-	195
Deferred service revenue	139	69	20	1	229
Total	**649**	**355**	**123**	**18**	**1,145**

2018	Less than 1 year	1-2 years	2-4 years	More than 4 years	Total
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 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

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 107 and 108, and financial information on associates and joint ventures can be found in Note 3.4.

In 2019, William Demant Foundation paid administration fees to the Group of DKK 2 million (DKK 2 million in 2018). Further, William Demant Foundation has granted loans (convertible promissory notes) to William Demant Invest A/S totalling DKK 2,000 million at year-end 2019, on which interest in 2019 totals DKK 70 million (DKK 70 million in 2018).

At year-end 2019 William Demant Foundation has other current receivables of DKK 92 million (DKK 18 in 2018) in William Demant Invest A/S arising from unpaid dividend and accrued interest.

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)	2019	2018
Statutory audit	23	20
Tax and VAT advisory services	2	3
Other services	8	1
Total	**33**	**24**

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 4 million (DKK 1 million in 2018) 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 2019, William Demant Invest Group received government grants in the amount of DKK 17 million (DKK 15 million in 2018). 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

As a result of the current global outbreak of coronavirus, we have seen several of the companies in the Group withdrawing their outlook for 2020. This is a consequence of the recent increase in the spread of coronavirus in several large markets. The negative impact is believed to be temporary and lead to pent-up demand which will materialise later in 2020 or 2021. We see no changes to the fundamental factors supporting the longevity of the Group's products and services, but expect to see a substantial, negative impact on the Group's results in 2020.

In 2003, Sennheiser Communications A/S was established as a joint venture between William Demant Holding A/S, now Demant A/S ("Demant"), and German Sennheiser electronic GmbH & Co. KG ("Sennheiser"). Sennheiser Communications currently comprises three business segments within the headset industry, i.e. Gaming, Enterprise Solutions and Mobile.

As announced on 11 September 2018, the joint venture between Demant and Sennheiser, Sennheiser Communications, will evolve into a new set-up with financial effect from 1 January 2020. As of 1 January 2020, Demant will obtain control of the Gaming and Enterprise Solutions segments and Sennheiser will obtain control of the Mobile segment. As Demant will obtain control of Gaming and Enterprise Solutions, these two segments will as of 1 January 2020 be consolidated line-by-line as a joint operation until the demerger is completed in 2020. Further, as Sennheiser will obtain control of the Mobile segment, this segment will no longer be consolidated into the Demant Group's financial statements.

As such the initial accounting is not yet completed, why disclosures of the fair value of assets acquired and other disclosures required by IFRS 3 Business Combinations cannot be provided.

The above change in consolidation implies a business combination, and we are currently in the process of determining the purchase price allocation.

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 Leases
3.4 Other non-current assets
3.5 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 2019.

Except for the implementation of new and amended standards as described below as well as insignificant reclassifications of the comparative figures for 2018, the accounting policies remain the same as in 2018.

Except for the implementation of new and amended standards as described below as well as insignificant reclassifications of the comparative figures for 2018, the accounting policies remain the same as in 2018.

During the year some bank facilities in the consolidated cash flow statement amounting DKK 1,809m in the 2018 comparison figures has been reclassified from proceeds from borrowings to change in short-term bank facilities.

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 1 January 2019. Except for IFRS 16, which is 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 2019.

Issued in January 2016, IFRS 16 Leases requires lessees to recognise nearly all leases in the balance sheet. Management has assessed the impact of the standard and concluded that it has a material impact on the recognition of non-current assets and financial debt in the balance sheet. The standard also impacts 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 Group has applied the modified retrospective method without restating comparative figures, which are presented in accordance with requirements in IAS 17 and IFRIC 4, by measuring the asset as an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments recognised immediately before the date of initial application.

Furthermore, the Group has decided to use the following practical expedients permitted by the standard:

- A single discount rate is applied to portfolios of leases with reasonable similar characteristics
- Reassessment of whether a contract is or contains a lease at the date of initial application is not made
- Hindsight is applied in determining the lease term if the contract contains options to extend or terminate the lease
- Leases with a remaining lease term of less than 12 months are treated as short-term leases

Lease liabilities are measured at the present value of future payments, using the interest rate implicit in the lease agreement. Lease payments are discounted using the Group's incremental borrowing rate at 1 January 2019 adjusted for the functional currency and length of the lease term. If the interest rate implicit in the lease agreement cannot be determined.

9.1 GROUP ACCOUNTING POLICIES – CONTINUED

The Group has various offices, retail stores, cars and equipment. Lease terms are negotiated on an individual basis and contain a wide range of terms and conditions.

As stated in the Annual Report 2018, Management has analysed the impact of IFRS 16 and concluded that the new standard will impact the balance sheet. The transition has impacted the balance sheet by DKK 2,735 million as of the effective date of the standard.

(DKK million)	31 Dec. 2018	IFRS 16 impact	1 Jan. 2019
Assets			
Leased assets	**-**	**2,735**	**2,735**
Other non-current assets	6,964	2,735	9,699
Non-current assets	28,359	2,735	31,094
Current assets	**8,201**	**-**	**8,201**
Assets	**36,560**	**2,735**	**39,295**
Equity and liabilities			
Equity	19,052	-	19,052
Lease liabilities	-	2,213	2213
Non-current liabilities	5,356	2,213	7,569
Lease liabilities	-	531	531
Other liabilities	1,846	-9	1,837
Current liabilities	**12,152**	**522**	**12,674**
Liabilities	**17,508**	**2,735**	**20,243**
Equity and liabilities	**36,560**	**2,735**	**39,295**

(DKK million)	2019 (reported)	IFRS 16 impact	2019 (prior rules)
Cash flow			
Cash flow from operating profit	3,920	630	3,290
Financial expenses	-453	-76	-377
Cash flow from operating activities (CFFO)	**3,025**	**554**	**2,471**
Cash flow from investing activites (CFFI)	**-2,714**	**-**	**-2,714**
Repayments on lease liabilities	-554	-554	-0
Cash flow from financing activities (CFFF)	**136**	**-554**	**690**
Cash flow for the year	**447**	**-**	**447**
Free cash flow	**1,980**	**554**	**1,426**

The tables above show changes in the balance sheet and cash flow due to the implementation of IFRS 16. In 2019, the impact on EBITDA was DKK 630 million, the impact on EBIT was DKK 44 million and the impact on financial items was DKK -76 million.

(DKK million)	2019
Operating lease commitments as disclosed at 31.12.2018	**2,043**
Discounted lease commitments as of 31 December 2018	1,848
Short-term leases recognised as expenses	-6
Adjustments relating to different treatment of extension and termination options	902
Lease liabilities recognised at 1.1.2019	**2,744**

9.1 GROUP ACCOUNTING POLICIES – CONTINUED

EFFECT OF NEW ACCOUNTING STANDARDS NOT YET IN FORCE

Changes to the accounting standards IFRS 3 Business Combinations and IAS 1 and IAS 8 Definition of Material are endorsed by the EU and effective from 1 January 2020. The changes to these standards are not expected to have any significant impact on 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 recognized 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 non-controlling 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 recognize cost of raw materials, consumables, production staff as well as maintenance of and depreciation, amortization 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 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.

OTHER OPERATING INCOME

Other operating income includes income from all activities not related to the core business activities of the Group, such as income from insurance etc.

PREPAID EXPENSES

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

9.1 GROUP ACCOUNTING POLICIES – CONTINUED

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 realization 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 assets as well as the purchase, development, improvement or sale of intangible assets and property, plant and equipment. Cash flow from financing activities includes 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
3.3 Leases
5.2 Deferred tax
6.1 Acqusition of enterprises and activities
7.1 Provisions
7.2 Other liabilities

OTHER OPERATING INCOME

Other operating income includes other income from all other activities not related to the core business activities of the Group, such as gain from sale of assets and income on insurance etc.

PARENT
FINANCIAL STATEMENTS

PARENT INCOME STATEMENT

(DKK million)	Note	2019	2018
Fee income		1	1
Administrative expenses	10.1/10.2	-25	-37
Operating profit/(loss) (EBIT)		**-24**	**-36**
Financial income	10.3	881	702
Financial expense	10.3	-89	-121
Profit before tax		**768**	**545**
Tax on profit for the year		-	-
Profit for the year		**768**	**545**

PARENT BALANCE SHEET AT 31 DECEMBER

(DKK million)

	Note	2019	2018
Assets			
Investments in subsidiaries		6,433	6,451
Receivables from subsidiaries		919	846
Investments in associates and joint ventures		3,647	3,067
Receivables from joint operations		1,201	1,390
Other investments		1,170	494
Financial assets	10.4	**13,370**	**12,248**
Non-current assets		**13,370**	**12,248**
Receivable joint taxation		55	59
Income tax		46	54
Other recievables		1	-
Receivables		**102**	**113**
Current assets		**102**	**113**
Assets		**13,472**	**12,361**

PARENT BALANCE SHEET AT 31 DECEMBER

(DKK million)

	Note	2019	2018
Equity and liabilities			
Share capital		4	4
Retained earnings		8,856	8,291
Proposed dividend		203	121
Total equity		**9,063**	**8,416**
Debt to William Demant Foundation		2,000	-
Non-current liabilities	10.5	**2,000**	**-**
Debt to credit institutions		2,195	1,808
Debt to William Demant Foundation	10.5	92	2,018
Payable joint taxation		100	113
Other liabilities		22	6
Current liabilities		**2,409**	**3,945**
Liabilities		**4,409**	**3,945**
Equity and liabilities		**13,472**	**12,361**
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 1.1.2018	**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**
Profit for the year	-	565	203	768
Dividend	-	-	-121	-121
Equity at 31.12.2019	**4**	**8,856**	**203**	**9,063**

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 2019, the basic remuneration of a member of the parent's Board of Directors was DKK 200,000 (DKK 200,000 in 2018). 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 2018).

The remuneration of the Management in William Demant Invest A/S 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. For 2019, the total remuneration for the Management of William Demant Invest A/S was DKK 17 million (DKK 10 million in 2018).

The average number of employees in William Demant Invest A/S was 9 (7 in 2018).

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

(DKK million)	2019	2018
Statutory audit	0.5	0.5
Other services	0.0	0.5
Total	**0.5**	**1.0**

10.3 NET FINANCIAL ITEMS

(DKK million)	2019	2018
Dividends from subsidiaries	31	28
Dividends from associates	72	68
Dividends from other investments	5	1
Interest income from joint operations	55	62
Interest income from subsidiaries	88	52
Valuation adjustment of shares	439	30
Other financial income	10	4
Gain on disposal of shares in Demant A/S	181	457
Financial income	**881**	**702**
Valuation adjustment of securities	-	-2
Interest expenses to parent	-70	-70
Impairment of investments in associates	-	-40
Other financial expenses	-19	-9
Financial expenses	**-89**	**-121**
Net financial items	**792**	**581**

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 1.1.2019	6,451	846	3,107	1,390	462
Additions during the year	-	23	540	55	277
Disposals during the year	-18	-	-	-244	-
Cost at 31.12.2019	**6,433**	**869**	**3,647**	**1,201**	**739**
Value adjustments at 1.1.2019	**-**	**-**	**-40**	**-**	**32**
Reversal of impairment of investments in associates	-	-	40	-	-
Value adjustments during the year	-	50	-	-	399
Value adjustments at 31.12.2019	**-**	**50**	**-**	**-**	**431**
Carrying amount 31.12.2019	**6,433**	**919**	**3,647**	**1,201**	**1,170**
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 31.12.2018	**6,451**	**846**	**3,067**	**1,390**	**494**

10.5 DEBT TO WILLIAM DEMANT FOUNDATION

Of the total debt to William Demant Foundation of DKK 2,092 million (DKK 2,018 million in 2018) DKK 2,000 million (DKK 2,000 million in 2018) is in convertible promissory notes, DKK 92 million (DKK 18 million 2018) is unpaid dividend and accrued interest.

10.6 CONTINGENT ASSETS AND LIABILITIES

William Demant Invest A/S is the 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)	2019	2018
Retained earnings	565	424
Dividend	203	121
Total	**768**	**545**

10.8 RELATED PARTIES

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 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 Willian Demant Foundation, provided that the transfer is distributed to non-profit purposes by 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.

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	56.0%
Össur hf., Iceland	52.0%
Boston Holding A/S, Denmark	37.0%
Jeudan A/S, Denmark	42.0%
Vision RT Ltd., UK	89.2%
Vitrolife AB, Sweden	25.9%
Founders A/S, Denmark	33.3%

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%
Aurora Computer Systems LTD	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%
Demant Schweiz AG, Switzerland*	100%
Demant Italia S.r.l., Italy*	100%
Oticon España S.A., Spain	100%
Oticon Polska Sp. z o.o., Poland*	100%
Oticon Portugal, Unipessoal LDA, Portugal*	100%
Oticon Limited, United Kingdom*	100%
Oticon Inc., USA	100%
Oticon Australia Pty. Ltd., Australia*	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%
Demant 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%
Oticon Medical Maroc, Morocco*	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 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%
Akoustica Medica M EPE, Greece*	100%
Amplivox Ltd., United Kingdom	100%
Audika AB, Sweden*	100%

Company	*Interest*
Audika AG, Switzerland*	100%
Audika Groupe S.A.S., France*	100%
Audika New Zealand Limited, New Zealand*	100%
Audio Seleccion S.L., Spain*	100%
BC Implants AB, Sweden*	100%
Centro Auditivo Telex Ltda., Brazil	100%
Danacom Høreapparater A/S, Denmark*	100%
EPOS Group 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%
NexGen Healthcare Management Inc., 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 S.A.S., France*	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%
Diatec A/S, Denmark*	100%
Etymonic Design Inc., Canada*	100%
Medton Ltd., Israel*	100%
The Q Group, LLC, USA	100%
Workplace Integra Inc., USA	100%
FrontRow Calypso LLC, USA	75%
Sennheiser Communications A/S, Denmark*	50%
Dencker A/S, Denmark*	40%
HIMSA A/S, Denmark	25%
Audilab S.A.S., France*	22%
Solaborate Inc., USA	20%

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

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