Annual Report 2018

Falck A/S
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Sydhavnsgade 18
2450 Copenhagen SV
Denmark

General meeting:
22 March 2019
Chairman:
Miguel Buxó

At a glance

Our business in brief

Falck is a market leader in emergency response and healthcare services. Strongholds are in the Nordics, the US and Colombia. Globally, Falck operates across 31 countries and employs more than 32,000 people working by the promise to be there when you need us.

Global Assistance

Falck holds a significant position in the Nordics within medical and security assistance to travellers. Major operations are in Denmark and Sweden followed by Norway.

Assistance

Falck is the market leader in roadside assistance in the Nordics. Major operations are in Denmark followed by Norway and Sweden. Falck is a partner of the European roadside assistance alliance ERA.

Healthcare

Falck leads the market for employee healthcare programmes in Scandinavia. Major operations are in Sweden and Denmark.

Ambulance

Falck is a leading international provider of ambulance and patient transport services. Major operations are in Denmark, Colombia, California, Florida and cities like Barcelona, Hamburg, London and Stockholm.

Fire Services

Falck is a leader in industrial fire and rescue services at high-risk facilities and critical infrastructure. Major operations are in Spain, the UK, the Netherlands and Germany. In Denmark, Falck provides municipality fire and rescue services as well.

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Letter from the Chairman & CEO

We are building a Falck for the future

Falck entered 2018 in a paradoxical situation. On the one hand, we were, as always, there for people in need, offering premium emergency response and healthcare services. This is what we take pride in. This is what gives our employees a strong sense of purpose.

On the other hand, we were in a deeply challenging financial situation. For several years, we had grown through acquisitions that had globalised our business but at the cost of increased debt, deteriorated profitability and significant value destruction for our owners.

In late 2017, the Falck management presented a Board-approved strategy to reverse that trend.

2018 was our first full turnaround year, and our focus has been entirely on restoring profitability while improving our competitive edge.

It has been a change of mindset: From acquisitional to organic growth. From loose capital control to capital discipline. From revenue growth to profitability. From local autonomy to global operating models and a strong focus on governance.

We leave 2018 in a much better place than we were one year ago, but we still have a long way to go. We have improved our profitability and cash collection and have divested several non-core activities. This has allowed us to reduce our debt while focusing our business and building global operating models. These will enable us to further develop our business, improve the services to our customers and enhance our industry leadership now and in the years to come.

Our turnaround is not only about building a financially sustainable Falck. We are building a Falck for the future. We are building a Falck that works in liaison with local communities and customers to deliver reliable and efficient emergency response and healthcare services with care. We are building a Falck that explores new ways of working, new technologies and digitisation. What makes us a partner of choice is our ability to develop solutions to customer needs and, not least, our strong track record of turning those solutions into action.

We explore new concepts and technology to treat COPD (chronic obstructive pulmonary disease) patients in their homes and thereby reduce hospitalisation, increase patient satisfaction, save costs for communities and utilise the expertise of paramedics. We explore how drones may play a role in the future of ambulance services. We explore how ambulances can contribute to a zero-emission society, by adding fuel cells to commercially available technologies that require additional power to reliably run the lifesaving systems of an ambulance. We explore how artificial intelligence can support us in predicting the need for roadside assistance, improving response times and customer satisfaction while also making Falck more cost-efficient.

In our turnaround, we are pushing for an extensive change agenda that in 2018 included more than 2,000 completed cost optimisation and efficiency initiatives. It is a tough journey, but the past year has shown us that it is also a rewarding journey. We have succeeded in turning around our financial situation while building the global operating models that sustain our business and improve our competitive edge.

We are building a Falck that is a trusted business partner and provider of premium emergency response and healthcare services. We are creating a great place to work that gives our employees the opportunity to develop their professional skills and expertise, while also offering a strong sense of purpose.

We are building a Falck for the future!

Peter Schütze
Chairman

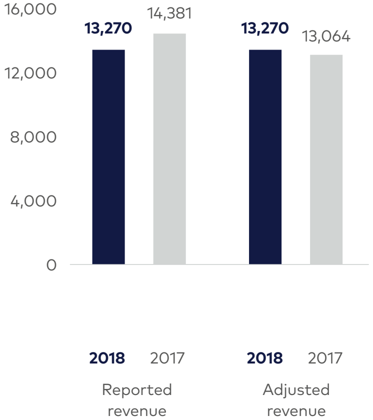
Jakob Riis
President and CEO

Financial highlights

Improved profitability

Adjusted revenue and revenue growth

DKK million

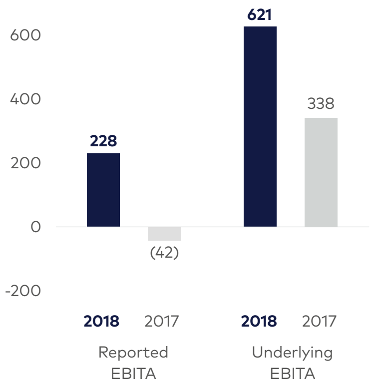


13,270m **1.6%**

Reported revenue was significantly impacted by changes to revenue recognition requirements under the new IFRS standards as well as by changes in exchange rates. Adjusted for IFRS standards and exchange rate changes, revenue growth was 1.6%. Growth was primarily driven by the full-year effect of an ambulance contract in the US, off-set by Falck's focus on discontinuing unprofitable businesses and pruning the contract portfolio.

Underlying EBITA and EBITA margin

DKK million



621m **4.7%**

Reported EBITA (operating profit before other items) was adversely impacted by significant non-recurring costs, including impairments and costs related to implementing global operating models. Underlying EBITA adjusted for non-recurring items increased by DKK 283 million compared to 2017, driven by extensive efficiency and cost optimisation initiatives across business units. Underlying EBITA margin increased by 2.3 percentage points.

Ambulance

7,659 7,550
Adjusted revenue, DKK million

4.5% 1.0%
Underlying EBITA margin, %

Assistance

2,993 3,017
Adjusted revenue, DKK million

13.8% 8.2%
Underlying EBITA margin, %

Healthcare

1,692 1,724
Adjusted revenue, DKK million

(1.8)% 2.8%
Underlying EBITA margin, %

Portfolio Bussinesses

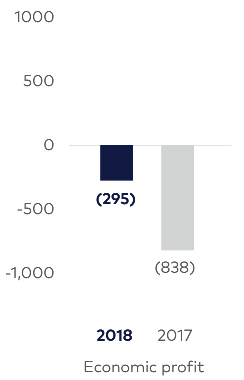
1,162 1,087
Adjusted revenue, DKK million

5.5% 0.6%
Underlying EBITA margin, %

Financial highlights

Strengthened financial position

Economic profit
DKK million

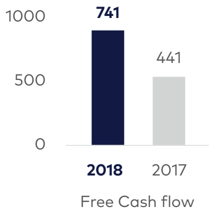


(295)m

Economic profit improved compared to 2017 but was still negative. The improvement of DKK 543 million compared to 2017 was due to the increase in underlying operating profit (EBITA) as well as reduced net operating assets.

Economic profit is calculated based on a simplified wacc at 8%.

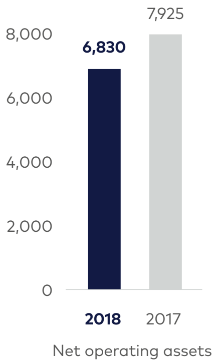
Free cash flow
DKK million



741m

Free cash flow was significantly higher than in 2017, primarily driven by stronger earnings, improved cash collection in Ambulance and lower investments in fixed assets.

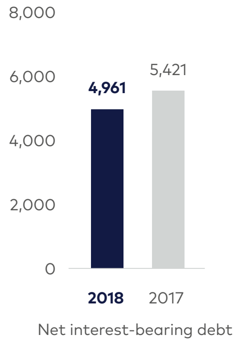
Net operating assets
DKK million



6,830m

Net operating assets were reduced by DKK 1,095 million compared to 31 December 2017, mainly driven by lower intangible assets and lower property, plant and equipment, related to divestments, lower investments in fixed assets and increased depreciation, amortisation and impairments. In addition, increased cash collection reduced trade receivables.

Net interest-bearing debt (NIBD) and NIBD/EBITDA factor
DKK million



4,961m 2.62x

Net interest-bearing debt (NIBD) was reduced by DKK 460 million compared to 31 December 2017. Syndicated loans of DKK 671 million were repaid in 2018 due to improved cash flows from operating activities and divestments.
The repayment was partly offset by interest on shareholder loans of DKK 212 million.

Reduced debt level also reduced the net-interest bearing debt/EBITDA factor from 3.32x in 2017 to 2.62x in 2018.

Events of the year

Jan

Going into 2018, Falck had identified 2,371 **improvement and cost-out initiatives.** More than 2,000 were completed during the year.

Feb

Falck **renewed its emergency services contract** with the Central Denmark Region. Later in the year, contracts were renewed for emergency services in the North Denmark Region, personal assistance services at Copenhagen Airport and patient transport services in the Capital Region of Denmark.

Mar

Implementation of **core ambulance systems** began (dispatch, planning and fleet management).

Apr

A **customer management system** in Assistance was successfully implemented, and the roll-out of Falck's **global HR system** commenced. Falck entered into a three-year **IT infrastructure outsourcing** contract with HCL.

May

Falck renewed its **roadside assistance contract** with Topdanmark and expanded its services to handling emergency calls and satellite surveillance of luxury vehicles.

Jun

Falck announced the **outsourcing of transactional business processes** in Finance to Wipro.

The **Danish Competition and Consumer Authority** issued a preliminary statement that Falck had violated Danish competition rules when handing over an ambulance contract in 2015. Falck and its legal advisers disagree. However, Falck issued an apology for having failed to live up to own standards and society's expectations.

Falck secured the extension of a **senior loan and credit facilities** agreement of DKK 3.9 billion on improved terms.

Jul

Aug

A new **Code of Conduct** was launched, including the whistleblower platform Falck Alert.

Sep

Falck Safety Services and the Danish medical clinics were divested.

More than 14,000 employees participated in Falck's first ever **global engagement survey.**

Oct

In close partnership with the Region of Southern Denmark, Falck initiated a scientific pilot project, concerning the **treatment of chronic COPD patients in their homes.**

Nov

Dec

Falck signed a **healthcare service agreement** with the Volvo Group in Sweden.

Falck won **important ambulance contract** in Alameda, Northern California.

Five-year summary

Five-year summary

DKK million	**2018**	2017 [1]	2016 [1]	2015 [1]	2014 [1]
Income Statement					
Revenue	13,270	14,381	14,296	13,188	11,898
Operating profit before other items (EBITA)	228	(42)	727	936	958
Impairment of goodwill	-	(2,825)	-	-	-
Operating profit (EBIT)	(18)	(3,218)	241	488	528
Net financial items	(437)	(292)	(198)	(148)	(202)
Profit for the year from continuing operations	(551)	(3,603)	116	245	191
Profit for the year from discontinued operations	(364)	(79)	(82)	(829)	27
Balance sheet					
Total assets	12,337	14,295	18,161	18,339	18,693
Net operating assets	6,830	7,925	11,824	12,025	11,399
Total equity	2,207	3,130	5,933	5,933	6,607
Subordinated shareholder loans	2,220	2,008	944	281	-
Net interest-bearing debt	4,961	5,421	6,118	6,365	5,678
Cash flows and investments					
Cash flows from operating activities	723	450	440	824	757
Free cash flow	741	441	439	485	771
Investments in intangible assets, property, plants and equipment	(365)	(410)	(598)	(701)	(508)
Key figures					
Economic profit	(295)	(838)	(687)	(577)	(504)
EBITA margin (%)	1.7	(0.3)	5.1	7.1	8.0
Cash conversion rate (%)	324.7	(1,044.8)	60.4	51.8	80.5
Equity ratio (%)	35.9	35.9	37.9	33.9	35.3
Net interest-bearing debt to EBITDA (factor)	2.62	3.32	3.97	4.05	3.54
FTEs	24,676	26,969	27,575	26,692	23,438

1) Not adjusted for impact from the IFRS 9 and IFRS 15 reporting standards, cf. section 1.3.

Safety Services and Healthcare non-core activities are presented as discontinued operations and assets classified as held for sale. See section 4.3 and section 4.4. In general, the financial and non-financial data are stated excluding discontinued operations. See definitions of Key figures and ratios in section 1.4.

Financial results

Improved profitability in turnaround year

2018 was a turnaround year for Falck and priority was entirely on restoring profitability. Underlying profitability improved significantly on a 1.6% adjusted revenue growth.

Revenue

Reported revenue amounted to DKK 13,270 million (2017: DKK 14,381 million).

Reported revenue growth was significantly impacted by changes to revenue recognition requirements under the new IFRS standards as well as by changes in exchange rates. IFRS standards impacted revenue negatively by DKK 972 million while changes in exchange rates reduced revenue by DKK 345 million.

Adjusted for IFRS standards implemented and changes in exchange rates, revenue growth was 1.6%. The moderate increase was primarily driven by full-year effect of the LA County ambulance contract (2017) which impacted revenue by 0.8%.

Activity levels increased in a number of markets in Ambulance, and weather conditions contributed to increased revenue in Assistance's pay-on-use business.

Falck's focus on exiting unprofitable businesses and pruning the contract portfolio in general accounted for a revenue loss. In Ambulance the revenue loss was primarily related to exiting contracts in Sweden and Finland, in Assistance it was related to discontinuation of damage control and alarm services in Denmark, and in Healthcare to exiting a number of smaller contracts.

Operating profit

Operating profit before other items (EBITA) increased to DKK 228 million (2017: EBITA loss of DKK 42 million). In 2018, EBITA was adversely impacted by restructuring and transformation costs in the form of write-downs of assets and increased costs related to implementing global operating models primarily in IT and Finance, resulting in non-recurring costs of DKK 398 million in total. In 2017, impairments and other non-recurring costs reduced EBITA by DKK 385 million, primarily impairments of software and trade receivables and costs related to design of new strategy.

Adjusted for non-recurring costs, underlying EBITA increased to DKK 621 million (2017: DKK 338 million), yielding an underlying EBITA margin of 4.7% (2017: 2.4%).

EBITA improvement was primarily driven by the comprehensive efficiency and cost optimisation programme, targeting a total of DKK 500 million with full run-rate effect in 2019. In 2018, EBITA was positively impacted by DKK 312 million in total savings from the programme. Ambulance contributed DKK 153 million, driven by renegotiated contracts in Denmark, reduced overhead costs and operational optimisation. Assistance contributed DKK 105 million, driven by increased use of franchise takers and sub-contractors, improved utilisation of call centres and optimisation of the network of Falck stations. In addition, effective price management in the subscription-based business-to-consumer portfolio impacted EBITA positively.

The Healthcare business proved to be more challenged than anticipated. Declining performance and significant impairments of software outweighed the positive impact from efficiency and cost optimisation initiatives of DKK 48 million.

Divestments

Falck divested a number of businesses during 2018. Divestment of discontinued operations (Falck Safety Services and Danish medical clinics) resulted in a total loss of DKK 432 million but had a positive impact of DKK 404 million on cash flows, reducing debt level.

In addition, the divestment of continuing operations (9Lives in Finland, First Ambulance Services in Malaysia, three minor ambulance companies in Switzerland and the Falck Fire Academy in the Netherlands) resulted in a loss of DKK 56 million with no significant impact on cash flows.

Net financial items

Net financial items were negative at DKK 437 million (2017: negative at DKK 292 million) and impacted by 10% interest on shareholder loans of DKK 2,000 million provided in Q4 2017, and by DKK 72 million related to adjustment of TryghedsGruppen's purchase price for acquisition of shares in Falck Health Care Holding in 2014.

Free cash flow

Free cash flow was DKK 741 million (2017: DKK 441 million). In Ambulance, cash flow improved significantly, driven by stronger earnings and improved cash collection in the US. Cash flow in Assistance was impacted by variation in timing of large prepayments in the Danish public firefighting business but supported by increased earnings. Cash flow in Healthcare was negatively impacted by EBITA developments but partly compensated by reduced investments in fixed assets.

Equity and subordinated loans

Equity attributable to shareholders of Falck

Financial results

A/S amounted to DKK 1,876 million at 31 December 2018 compared to DKK 2,702 million at 31 December 2017. At 31 December 2018, subordinated loans from shareholders amounted to DKK 2,220 million compared to DKK 2,008 million at 31 December 2017. Combined, equity attributable to shareholders of Falck A/S and subordinated loans accounted for 33% of total equity and liabilities at 31 December 2018 (31 December 2017: 33%).

In 2019, shareholder loans including accrued interest are expected to be converted to equity.

Net interest-bearing debt

Net interest-bearing debt (NIBD) was reduced by DKK 460 million compared to 31 December 2017. Syndicated loans of DKK 671 million were repaid in 2018 due to improved cash flows from operating activities and divestments. The repayment was partly offset by interest on shareholder loans of DKK 212 million.

Economic profit

Economic profit means the value created in excess of the required return to investors of 8% (see section 1.4). Economic profit improved compared to 2017 but was still negative, at DKK 295 million (2017: negative at DKK 838 million). The improvement was due to the increase in underlying EBITA as well as reduced net operating assets.

Events after the reporting date

From 2016 to May 2018, the Danish Competition and Consumer Authority performed an investigation regarding Falck's alleged abuse of its dominant position on the ambulance market. On 30 January 2019, the Danish Competition Council ruled that Falck had violated Danish competition rules when handing over an ambulance contract in 2015. Falck and its legal advisors disagree with the ruling and Falck will appeal the ruling before the Danish Competition Appeals Tribunal.

With respect to pending litigations and claims to which Falck is a party, it is expected that the rulings in these matters will have no material impact on the Falck's financial position.

Forward-looking statements

Certain statements in this financial review are forward-looking statements. Such statements are based on current expectations and are by their nature subject to a number of uncertainties that could cause actual results and performance to differ materially from expected results or performance, expressed or implied, in the forward-looking statements.

Financial outlook 2019

Falck continues its turnaround activities to sustain its business and to deliver positive economic profit from 2020.

For the full-year 2019, Falck expects to further improve its operating profit (EBITA) on flat revenue developments.

The company will continue to prune its portfolio of unprofitable contracts and services and to ensure effective price management across its business.

Falck expects its current efficiency and cost optimisation programme to contribute significantly to improving profitability as initiatives implemented throughout 2018 will have full run-rate effect in 2019. The efficiency and cost optimisation programme will carry into 2019 with the ambition of reducing Falck's cost base by an additional DKK 500 million compared to 2018 and with full run-rate effect in 2020.

Significant impact is expected from procurement initiatives and reduction of overhead cost related to outsourcing of transactional business services and standardised processes in staff functions. Implementation of fleet, dispatch and planning management is expected to contribute to improved profitability towards the end of 2019.

Costs related to Falck's continued restructuring activities are expected to continue into 2019. These include costs related to divestments, transformation costs and costs related to building global operating models.

Implementation of the IFRS 16 reporting standards will in 2019 impact net operating assets and to a lesser degree results.

Efficiency programme

Efficiency programme reduced cost base by more than DKK 500 million

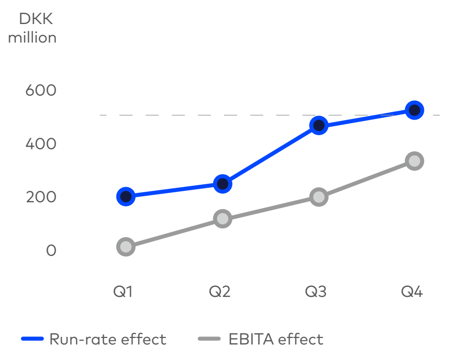
During 2018, Falck carried out more than 2,000 improvement and cost-out initiatives across business units and staff functions.

In 2017, Falck initiated an ambitious, group-wide efficiency and cost optimisation programme. The goal was to reduce the cost base by DKK 500 million with full run-rate effect in 2019, in support of Falck's overall goal of restoring profitability.

In 2018, a total of 2,371 improvement and cost-out initiatives were identified, of which 2,084 were implemented during the year. The remaining 287 initiatives are in progress and expected to be implemented during H1 2019.

In total, the programme increased EBITA by DKK 312 million in 2018, and by the end of the year, the programme had improved Falck's run-rate by more than DKK 500 million with full effect from 2019.

Realised 2018 run-rate and EBITA effect



Falck's efficiency and cost optimisation programme builds on three pillars

Operational optimisation

Approximately 60% of the savings in 2018 derived from optimisation initiatives in operations. Most significant was the optimisation of operations in Assistance and patient transport services, including the reduction of the number of stations, improved manning and route planning, and increased sourcing from external partners.

Better utilisation of call centres and reduced complexity in front-office operations in Healthcare provided significant cost reductions. In Ambulance, the implementation of standardised global core operational processes supported by operational systems in dispatch, planning and fleet management also contributed to optimisation.

Reduction of overhead costs

Approximately 30% of the savings in 2018 derived from reduced overhead costs. Key initiatives were the roll-out of new global operating models for staff functions like finance and IT with transactional finance processes and IT infrastructure being outsourced. Applying a global operating model and standardised solutions will eliminate redundant work and allow for cost optimisation. In addition, Falck reduced its property portfolio, which included consolidating its two Copenhagen headquarters into one, leading to savings.

Procurement initiatives

Approximately 10% of the savings in 2018 derived from implementing global procurement. Key initiatives were the renegotiation of outsourced services and medical services, and optimised procurement related to Falck's fleet management, workwear and facility management. Procurement initiatives will take full effect by 2020.

Performance by business unit

Ambulance

Profitability improved, driven by efficiency and cost optimisation initiatives and an improved contract portfolio. Despite contract pruning, revenue growth was 1.4%.

After a challenging 2017 with declining profitability, performance improved significantly in 2018, driven by three major initiatives: 1) An efficiency and cost optimisation programme, focusing on reducing overhead costs. 2) The implementation of global operating models, primarily within fleet management and dispatch of vehicles. 3) Improved contract management.

Market

The market for emergency medical services (EMS) and patient transport services is growing, driven by a growing and aging population. Contracts are in most cases awarded in public tenders. Costs are largely driven by activity and mainly made up of salaries.

60% of Ambulance revenue is generated by fixed contracts, primarily in Denmark, Sweden, Spain and Slovakia. Contracts run for between five and ten years. Activity-driven pay-on-use contracts account for 30% of the Ambulance business, primarily in the US, the UK and Germany. Colombia-based Grupo EMI offers doctors' visits to private clients via subscription, accounting for 10% of the Ambulance revenue.

Revenue

Reported revenue was DKK 7,659 million (2017: DKK 8,086 million), resulting in a revenue growth of 1.4% compared to 2017, when adjusted for the new IFRS standards and changes in exchange rates. IFRS standards impacted revenue negatively by DKK 315 million, while changes in exchange rates impacted negatively by DKK 221 million.

Revenue development was driven by new contracts, primarily the full effect of an ambulance contract won in LA County in California in 2017. In addition, activity levels increased in the pay-on-use business, and the subscription portfolio in Colombia stabilised. Revenue growth was offset by the exiting of contracts in Sweden and Finland.

Financial performance of the year

DKK million	2018	2017
Revenue	7,659	8,086
EBITA	192	(214)
EBITA margin (%)	2.5	(2.6)
Free cash flow	546	280
Economic profit	(91)	(599)
FTEs	18,511	20,305

Performance by business unit

Operating profit

Operating profit before other items (EBITA) was DKK 192 million (2017: loss of DKK 214 million). In 2018, impairments of trade receivables in the US and other non-recurring costs reduced EBITA by DKK 148 million. In 2017, impairments of trade receivables in the US and other non-recurring costs reduced EBITA by DKK 293 million. Adjusted for impairments and other non-recurring costs, the underlying EBITA margin in 2018 improved to 4.5% (2017: 1.0%).

Profitability increased in all core markets due to efficiency and cost optimisation initiatives, notably in Denmark and the US. In total, cost-saving initiatives had a positive DKK 153 million impact on EBITA. Renegotiation and pruning of contracts and the stabilised subscription portfolio in Colombia also contributed positively to EBITA.

Free cash flow

Free cash flow improved significantly to DKK 546 million (2017: DKK 280 million), primarily driven by stronger cash collection in the US, large prepayments in Denmark and lower investments in fixed assets.

Operational performance

During 2018, Falck won important new contracts for ambulance services, among others from Alameda County in California and King's College Hospital in London. In Stockholm, Falck renewed and expanded its existing ambulance contract.

Furthermore, several major long-term contracts in Denmark were renewed and renegotiated, including contracts with the Central and North Denmark Regions (ambulance services), the Capital Region (patient transport services) and Copenhagen Airport (personal assistance services).

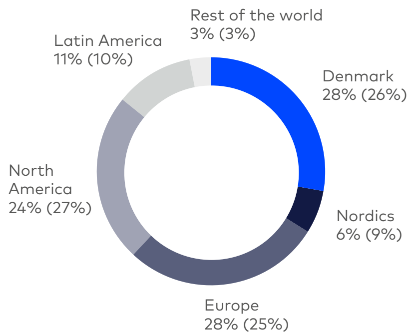
A global operating model was initiated across the main operational disciplines in Ambulance: management of the fleet, dispatch of vehicles and planning of resources. The fleet management system was fully rolled out across Ambulance during 2018, covering the entire fleet of 4,300 operating vehicles, and the first benefits are currently being reaped. The dispatch system had reached 53% of front-end employees by the end of 2018.

Ambulance continued to streamline its business and focus on core markets. As a result, ambulance companies in Finland, Malaysia and Switzerland were divested during 2018.

Aiming to contribute to the development of prehospital services, Falck entered into a partnership with the Region of Southern Denmark concerning the treatment of COPD (chronic obstuctive pulmonary disease) patients in their homes. Ten ambulances and 100 specially-trained paramedics are involved in the six-month pilot project, which aims to reduce the number of hospital admittances through the use of new testing technologies and telecommunication.

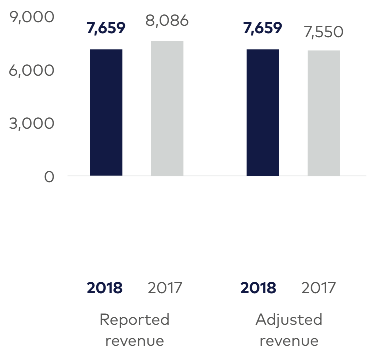
Revenue by geography

2018 (2017)



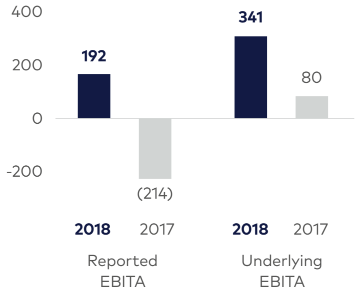
Revenue

DKK million



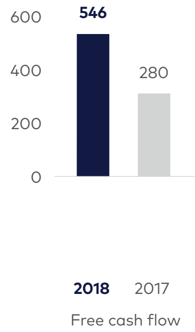
EBITA

DKK million



Free cash flow

DKK million



Performance by business unit

Assistance

Profitability increased significantly due to efficiency and cost optimisation initiatives, contract pruning and the discontinuation of unprofitable business. Revenue was at level with 2017.

Assistance continued the comprehensive efficiency and cost optimisation programme initiated in 2017. Focus was on three major initiatives: 1) A changed operating model with more use of subcontractors, better use of call centres and fewer stations. 2) Implementation of a new customer management system. 3) Discontinuation of damage control and alarm services.

Market

Roadside assistance services to private car-owners are subscription-based and account for 45% of revenue, whereas services to insurance and automotive companies are primarily based on pay-on-use contracts and account for 55% of revenue. The primary market is Denmark, followed by Norway, Sweden, Finland and the Baltic countries. The market for subscription-based roadside assistance is sligthly declining, and the indirect market through automotive and insurance companies.

In Denmark, Assistance also provides family healthcare services on a private subscription basis as well as public firefighting to municipalities on long-term contracts.

Revenue

Reported revenue was DKK 2,993 million (2017: DKK 3,043 million), and at level with 2017 (0.8% decline) when adjusted for changes in exchange rates, which reduced revenue by DKK 26 million.

Revenue development was driven by effective price management in the subscription portfolio and a higher level of activity in the pay-on-use business. The discontinuation of damage control and alarm services in Denmark had a negative impact on revenue.

Operating profit

Operating profit before other items (EBITA) was DKK 415 million (2017: DKK 188 million). In 2017, impairments and other non-recurring costs reduced EBITA by DKK 63 million.

Financial performance of the year

DKK million	2018	2017
Revenue	2,993	3,043
EBITA	415	188
EBITA margin (%)	13.9	6.2
Free cash flow	305	256
Economic profit	37	(88)
FTEs	1,728	2,117

Performance by business unit

Adjusted for impairments and other non-recurring costs, the underlying EBITA margin in 2018 improved to 13.8% (2017: 8.2%).

The significant increase in profitability was driven by efficiency and cost optimisation initiatives with a total EBITA impact of DKK 105 million. Effective price management in the subscription portfolio also contributed positively. In addition, profitability was positively impacted by benign weather in Denmark, which caused activity levels to decrease in the subscription-based portfolio, and by higher activity levels in the pay-on-use business in rest of the Nordics.

Free cash flow

Free cash flow was DKK 305 million (2017: DKK 256 million), driven by the higher EBITA but offset by fewer prepaid contracts in the Danish firefighting business.

Operational performance

In the first half of 2018, Assistance renewed its contract with Topdanmark and expanded its services to handling emergency calls and satellite surveillance of luxury vehicles. A contract with Norwegian insurance company Frende was likewise renewed.

In addition, Danish public firefighting contracts were renewed with Nordjyllands Beredskab, Midt- og Sydsjællands Brand og Redning, Favrskov and Sydvestjysk Brandvæsen.

In order to achieve long-term efficiency improvements, the operating model was changed, allowing for increased use of franchisees and sub-contractors and the optimisation of the network of Falck stations in Denmark. Assistance announced that the roadside assistance centre in Denmark will relocate to new modern facilities in Vejle in 2019, and that the Swedish and Norwegian call centres will be merged from February 2019, with the Swedish call centre operating during normal office hours and the Norwegian during nights and weekdays.

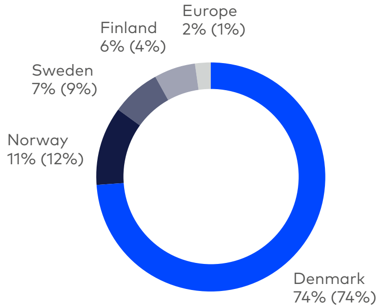
A new customer management system was implemented in Denmark in Q3 2018, enabling improved customer handling as well as more efficient back-office processes. The system handles approximately 500,000 customers.

Furthermore, it was announced that Assistance will invest in 138 new roadside assistance vehicles. With modern, standardised vehicles, all vehicles will in principle be able to handle all tasks for Falck's customers.

Damage control and alarm services and several other unprofitable activities were divested and the contract portfolio was pruned.

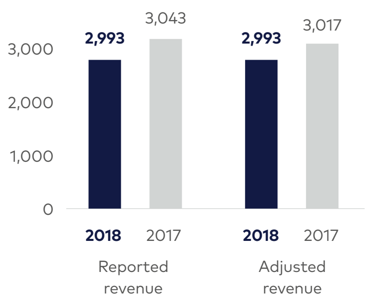
Revenue by geography

2018 (2017)



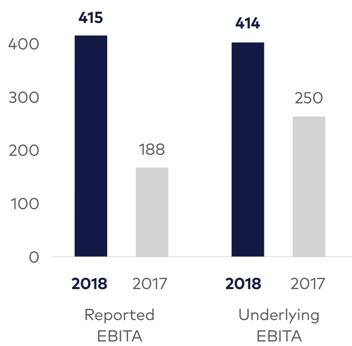
Revenue

DKK million



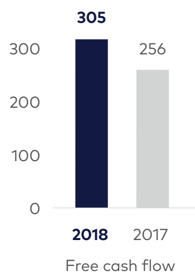
EBITA

DKK million



Free cash flow

DKK million



Performance by business unit

Healthcare

Healthcare incurred an operating loss, mainly due to increased costs and the loss of a large contract in the Danish business. Revenue declined due to lower activity levels and contract loss.

In 2018, Healthcare initiated a turnaround of its business in order to restore profitability. Focus is on renegotiation of contracts as well as efficiency and cost optimisation initiatives, which include digitising the customer journey.

Market

Healthcare is the largest provider of employee healthcare programmes in Scandinavia. Services include consultancy, visitation and guidance as well as physiological and psychological treatments. Customers are insurance companies, pension funds and private companies providing healthcare programmes to their customers and employees. About 80% of revenue is generated by pay-on-use contracts, 20% by subscriptions. Services are partly delivered by Falck's own employees, partly by external healthcare professionals.

The market for employee healthcare programmes is growing as a healthy worklife is becoming a more and more important parameter to attract and retain high-performing employees.

Revenue

Reported revenue was DKK 1,692 million (2017: 1,955 million), resulting in a revenue decline of 1.9% when adjusted for IFRS standards and changes in exchange rates. IFRS standards impacted revenue negatively by DKK 167 million, while changes in exchange rates had a negative impact of DKK 64 million.The decrease in revenue was the result of lower levels of activity in both Sweden and Denmark, most notably due to the loss of a Danish fast-diagnosis contract in 2017.

Operating profit

Healthcare incurred an operating loss before other items (EBITA) of DKK 161 million (2017: positive EBITA of DKK 57 million). In 2018, impairments of software and trade receivables reduced EBITA by DKK 134 mil-

Financial performance of the year

DKK million	2018	2017
Revenue	1,692	1,955
EBITA	(161)	57
EBITA margin (%)	(9.5)	2.9
Free cash flow	(40)	(6)
Economic profit	(120)	(87)
FTEs	1,545	1,661

Performance by business unit

lion. Adjusted for impairments, the underlying EBITA margin in 2018 was negative at 1.8% (2017: positive at 2.8%).

Profitability decreased mainly in the Danish business, due to higher treatment and handling costs and the loss of the fast-diagnosis contract. The Swedish pay-on-use operations saw decreased activity in the first half of the year, putting EBITA margins under pressure, but the situation stabilised towards the end of the year.

Efficiency and cost optimisation initiatives had a positive impact of DKK 48 million on EBITA, but this was not enough to offset the still negative run-rate development.

Free cash flow

Free cash flow was negative at DKK 40 million (2017: negative at DKK 6 million). Cash flow was negatively impacted by developments in EBITA, but was partly compensated by lower investments in fixed assets and stronger cash collection.

Operational performance

In Sweden, where Falck Healthcare operates under the Previa brand, Falck signed a healthcare service agreement with the Volvo Group, which included taking over Volvo's internal occupational healthcare service.

Efficiency and cost optimisation initiatives were launched across Healthcare in the first half of 2018, which was later than in the other Falck business units. Initiatives include contract portfolio pruning, elimination of redundant and non-value creating work and an improved utilisation of call centres.

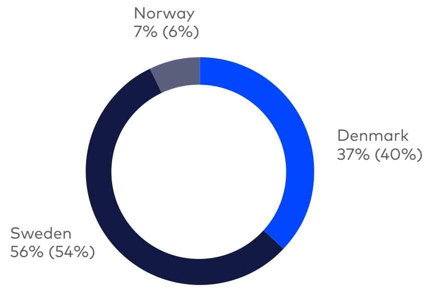
As a result of the deteriorating profitability, further initiatives are being planned. These will include focus on utilisation in the Healthcare network, digitisation of processes and further rightsizing of back-office functions. Standardised contracts and better contract management, especially in the Danish market, will also be key in restoring performance to acceptable levels.

In 2018, Healthcare stepped up its focus on the core business of healthcare for the prevention, rapid examination and remediation of workplace-related illness. Consequently, the Danish medical clinics and associated businesses (Falck Lægehuse, Sirculus and VikTeam) were divested in September 2018 and additional strategic reviews were initiated for two minor staffing businesses.

By the end of 2018, a new Nordic management team was in place with Anette Damgaard appointed new Managing Director of Falck Healthcare in November 2018. Anette Damgaard holds a Master of Laws degree and joined Falck in February 2018 as Head of Healthcare Denmark, coming from a position as director at Mølholm Private Hospital in Denmark.

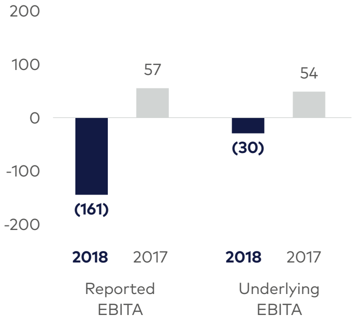
Falck Healthcare is owned jointly by Falck and TryghedsGruppen; Falck owns 59.4% (see section 6.6).

Revenue by geography
2018 (2017)

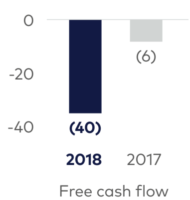


Revenue
DKK million

EBITA
DKK million



Free cash flow
DKK million



Performance by business unit

Portfolio Businesses

Profitability increased as the businesses were streamlined. Revenue was impacted positively by increased activity levels and new contracts.

Portfolio Businesses consist of the two service areas Industrial Fire Services and Global Assistance. Efficiency and cost optimisation initiatives were initiated in both service areas during the year.

Market

Industrial Fire Services is a leading international provider of industrial fire and rescue services for airports and high-risk industries, including petrochemical plants, nuclear power plants, steel plants and automobile manufacturers. Major operations are in Spain, the UK, the Netherlands and Germany. The highly specialised market for industrial fire services is growing due to increased regulatory and safety demands.

Global Assistance provides medical and security assistance to insurance companies and multinational companies, supporting the safety and security of employees and customers travelling or working abroad. Major operations are in Denmark, Sweden and Norway. Global Assistance operates in a growing market due to increased international travel activity.

Revenue

Reported revenue was DKK 1,162 million (2017: DKK 1,611 million), resulting in revenue growth of 6.9% compared to 2017, when adjusted for the new IFRS standards and changes in exchange rates. IFRS standards impacted revenue negatively by DKK 490 million, while changes in exchange rates had a negative impact of DKK 34 million.

Revenue was impacted positively by increased activity levels in Global Assistance and negatively by the sale of a training facility in Industrial Fire Services in the Netherlands.

Financial performance of the year

DKK million	2018	2017
Revenue	1,162	1,611
EBITA	43	(3)
EBITA margin (%)	3.7	(0.2)
Free cash flow	92	(72)
Economic profit	(14)	(32)
FTEs	2,726	2,803

Performance by business unit

Operating profit

Operating profit before other items (EBITA) was DKK 43 million (2017: loss of DKK 3 million). Impairments and other non-recurring costs reduced EBITA by DKK 23 million (2017: non-recurring costs reduced EBITA by DKK 15 million). Adjusted for non-recurring costs, the underlying EBITA margin in 2018 improved to 5.5% (2017: 0.6%).

The increase in underlying profitability was driven by comprehensive efficiency and cost optimisation initiatives in both service areas, most notably reducing costs per case in Global Assistance and restructuring the Industrial Fire Services operations in Spain and Germany.

Free cash flow

Free cash flow improved to DKK 92 million (2017: negative at DKK 72 million), mainly driven by improved cash collection in Global Assistance and partly offset by higher investments in Industrial Fire Services.

Operational performance

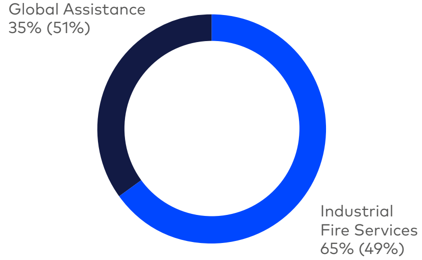
In 2018, Industrial Fire Services won new contracts in Spain and the UK, entailing emergency planning, firefighting and security services.

As part of the divestment of Falck Safety Services in September 2018, the training centre Falck Fire Academy in the Netherlands was also divested from Industrial Fire Services. This meant a slightly smaller but more focused organisation, and a new centre of excellence for training activities was created, ensuring the continued proper training of industrial firefighters.

In 2018, Global Assistance established a partnership with a major health insurance company in the US, and signed contracts with two large private companies in the Nordics regarding the safe travel of their employees.

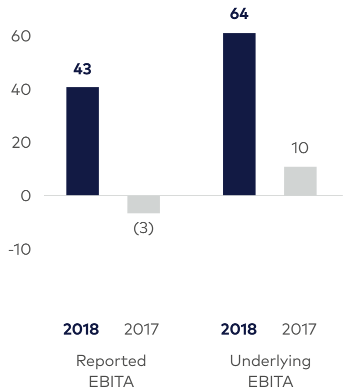
During the year, Global Assistance streamlined its administrative functions, restructured its organisation with a new management team in place and closed down unprofitable service areas in the US. Focus on cash collection processes resulted in significantly improved cash flows.

Revenue by service area
2018 (2017)

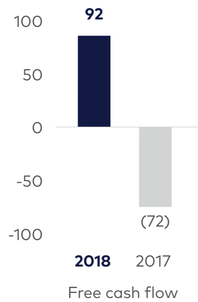


Revenue
DKK million

EBITA
DKK million



Free cash flow
DKK million



Financial results Q4

Key figures Q4

DKK million	Q4 2018	Q4 2017	2018	2017
Income Statement				
Revenue	3,249	3,658	13,270	14,381
Operating profit before other items (EBITA)	(26)	(33)	228	(42)
Impairment of goodwill	-	(2,825)	-	(2,825)
Operating profit (EBIT)	(95)	(2,957)	(18)	(3,218)
Net financial items	(113)	(117)	(437)	(292)
Profit for the year from continuing operations	(317)	(3,324)	(551)	(3,603)
Profit for the year from discontinued operations	54	(77)	(364)	(79)
Balance sheet				
Total assets	12,337	14,295	12,337	14,295
Net operating assets	6,830	7,925	6,830	7,925
Total equity	2,207	3,130	2,207	3,130
Subordinated shareholder loans	2,220	2,008	2,220	2,008
Net interest-bearing debt	4,961	5,421	4,961	5,421
Cash flows and investments				
Cash flows from operating activities	377	245	723	450
Free cash flow	432	315	741	441
Investments in intangible assets, property, plants and equipment	(107)	(106)	(365)	(410)
Key figures				
Economic profit	n/a	n/a	(295)	(838)
EBITA margin (%)	(0.8)	(0.9)	1.7	(0.3)
Cash conversion rate (%)	(1,702.1)	(950.4)	324.7	(1,044.8)
Equity ratio (%)	n/a	n/a	35.9	35.9
Net interest-bearing debt to EBITDA	n/a	n/a	2.62	3.32
FTEs	24,676	26,969	24,676	26,969

Key events in Q4 2018

- Underlying profitability increased significantly to a margin of 5.3% despite decrease in revenue.
- The improvement was led by Ambulance and Assistance. The weak performance in Healthcare continued.
- Contract wins included ambulance services to Alameda County, California and healthcare services to Volvo, Sweden.
- Efficiency and cost optimisation initiatives of DKK 137 million were completed.

Revenue

Reported revenue amounted to DKK 3,249 million (Q4 2017: DKK 3,658 million). Reported revenue growth was significantly impacted by changes to revenue recognition requirements under the new IFRS standards and by changes in exchange rates. IFRS standards had a negative impact of DKK 298 million on revenue, while exchange rate changes reduced revenue by DKK 23 million.

Adjusted for IFRS standards and changes in exchange rates, revenue in Q4 2018 declined by 2.6% compared to Q4 2017. The decrease was mainly due to pruning and exiting of contracts in Ambulance Finland and Assistance (damage control and alarm services) and lower activity levels in Ambulance US.

Operating profit

Operating profit before other items (EBITA) was negative at DKK 26 million (Q4 2017: negative at DKK 33 million). In Q4 2018, EBITA was adversely impacted by impairments and other non-recurring costs related to transformation initiatives of DKK 195 million. In Q4 2017 non-recurring costs had an adverse impact on EBITA of DKK 55 million. Adjusted for non-recurring costs, underlying EBITA improved to DKK 171 million in Q4 2018 (Q4 2017: DKK 20 million) with an underlying EBITA margin of 5.3% (Q4 2017: 0.5%).

The improvements were primarily driven by the implementation of Falck's efficiency and cost optimisation programme, which delivered DKK 137 million in the quarter. However, the positive effect was partially offset by the negative developments in Healthcare. Profitability increased most significantly in Ambulance, as the underlying EBITA margin increased by 6.5 percentage points

Free cash flow

Free cash flow was DKK 432 million (Q4 2017: DKK 316 million). The positive development was mainly attributable to improved cash collection from customers and stronger earnings across business units.

Financial results Q4

Performance by business unit Q4

Ambulance

Profitability increased significantly, on a lower revenue than in Q4 2017.

Revenue
Reported revenue amounted to DKK 1,847 million (Q4 2017: 2,076 million), resulting in a revenue decline of 6.4% when adjusted for the new IFRS standards and changes in exchange rates. IFRS standards impacted revenue negatively by DKK 99 million, while changes in exchange rates reduced revenue by DKK 4 million. The decrease in revenue was mainly due to contracts exited in Finland and lower levels of activity in the US.

Operating profit
Operating profit before other items (EBITA) was DKK 18 million (Q4 2017: EBITA loss of DKK 93 million) with an underlying EBITA margin at 4.0 % (Q4 2017: negative at 2.5%).

In Q4 2018, close-down costs and other non-recurring costs reduced EBITA by DKK 55 million. The significant increase in profitability was mainly driven by efficiency and optimisation initiatives along with renegotiation and pruning of contracts, including exiting of unprofitable contracts in the US and Finland. The efficiency impact was most notable in Denmark, where operational performance increased significantly.

Free cash flow
Free cash flow was DKK 167 million, at level with Q4 2017 (DKK 162 million). Free cash flow in Q4 primarily consists of large prepayments for regional contracts in Denmark.

DKK million	Q4 2018	Q4 2017	2018	2017
Revenue	1,847	2,076	7,659	8,086
EBITA	18	(93)	192	(214)
EBITA margin (%)	1.0	(4.5)	2.5	(2.6)
Free cash flow	167	162	546	280
Economic profit	n/a	n/a	(91)	(599)

Assistance

Profitability remained strong at a 13.4% EBITA margin, on a lower revenue than in Q4 2017.

Revenue
Reported revenue was DKK 723 million (Q4 2017: 749 million), resulting in a revenue decline of 3.2% when adjusted for changes in exchange rates of DKK 2 million. The decrease was primarily due to the closure of damage control and alarm services in Denmark but off-set by effective price management in the subscription business.

Operating profit
Operating profit before other items (EBITA) was DKK 97 million (Q4 2017: DKK 92 million). The underlying EBITA margin was 13.4% (Q4 2017: 12.3%).

The continued strong reported EBITA and underlying EBITA margin were driven by the efficiency and cost optimisation programme initiated in 2017 and encompassing improved utilisation of call centres and optimisation of the network of Falck stations. In Q4 2018, frequency in the Danish subscription portfolio was lower than normally, contributing positively to EBITA, and activity levels in rest of the Nordics were at the same level as in Q4 2017.

Free cash flow
Free cash flow was DKK 94 million (Q4 2017: DKK 47 million), driven by the higher EBITA but offset by fewer prepaid contracts in Danish firefighting business.

DKK million	Q4 2018	Q4 2017	2018	2017
Revenue	723	749	2,993	3,043
EBITA	97	92	415	188
EBITA margin (%)	13.4	12.3	13.9	6.2
Free cash flow	94	47	305	256
Economic profit	n/a	n/a	37	(88)

Financial results Q4

Performance by business unit Q4

Healthcare

Healthcare incurred an operating loss resulting from deteriorating performance in the Danish market and significant impairments. Adjusted revenue increased compared to Q4 2017.

Revenue

Reported revenue amounted to DKK 464 million (Q4 2017: 516 million), resulting in a revenue growth of 3.6% when adjusted for the new IFRS standards and changes in exchange rates. IFRS standards impacted revenue negatively by DKK 52 million, while changes in exchange rates reduced revenue by DKK 16 million. The increase in revenue was primarily due to stabilised activity levels in Sweden.

Operating profit

In Q4 2018, Healthcare incurred an operating loss before other items (EBITA) of DKK 46 million (Q4 2017: positive EBITA of DKK 36 million). Adjusted for impairments of software and trade receivables and other non-recurring costs (DKK 46 million), the underlying EBITA margin was 0.4% (Q4 2017: 6.6%).

The significant decrease of profitability was mainly caused by higher treatment and handling costs in Denmark. Efficiency and cost optimisation initiatives carried out across the business were not enough to offset the negative development.

Free cash flow

Free cash flow was DKK 101 million (Q4 2017: DKK 105 million), negatively impacted by the development in EBITA, but partly compensated by lower investments in fixed assets and improved cash collection.

DKK million	**Q4 2018**	Q4 2017	**2018**	2017
Revenue	464	516	1,692	1,955
EBITA	(46)	36	(161)	57
EBITA margin (%)	(9.8)	7.0	(9.5)	2.9
Free cash flow	101	105	(40)	(6)
Economic profit	n/a	n/a	(120)	(87)

Portfolio Businesses

Underlying profitability increased significantly due to productivity improvements. Adjusted revenue also increased significantly compared to Q4 2017.

Revenue

Reported revenue was DKK 277 million (Q4 2017: 389 million), resulting in a revenue growth of 14.9% when adjusted for the new IFRS standards and changes in exchange rates. IFRS standards impacted revenue negatively by DKK 147 million, and changes in exchange rates by DKK 1 million. Revenue was impacted positively by increased activity levels in Global Assistance and negatively by the sale of the Falck Fire Academy training centre in the Netherlands.

Operating profit

Portfolio Businesses incurred an operating loss before other items (EBITA) of DKK 4 million (Q4 2017: EBITA loss of DKK 17 million). Impairments and other non-recurring costs reduced EBITA by DKK 16 million in the quarter. Adjusted for non-recurring costs, the underlying EBITA margin was 4.3 % (Q4 2017: negative at 4.4%).

The improved profitability was mainly driven by increased productivity in case handling in Global Assistance and improved performance in Industrial Fire Services in Germany.

Free cash flow

Free cash flow improved to DKK 125 million (Q4 2017: negative at DKK 6 million). The positive development was primarily due to improved cash collection in Global Assistance and lower investments in fixed assets.

DKK million	**Q4 2018**	Q4 2017	**2018**	2017
Revenue	277	389	1,162	1,611
EBITA	(4)	(17)	43	(3)
EBITA margin (%)	(1.4)	(4.4)	3.7	(0.2)
Free cash flow	125	(6)	92	(72)
Economic profit	n/a	n/a	(14)	(32)

Our strategy

Unleashing the potential of attractive markets

Falck has a significant market potential. To unleash it, our turnaround plan aims at improving efficiency, building global operating models, generating cash flow and ensuring shareholder value while delivering quality services to our customers.

At Falck, more than 32,000 employees take pride in providing good health and well-being to people when critical and emergency situations occur. This has made Falck an international leader within ambulance and patient transport services and a Nordic leader within roadside assistance and employee healthcare programmes.

Founded in 1906, Falck has met the needs of local communities, delivered shareholder returns and provided an attractive place of employment for more than a century. In recent years, however, the company has globalised its business into new geographies and expanded into new service areas at the expense of generating shareholder value.

In November 2017, Falck announced a turnaround plan to reverse this trend. The plan aims at restoring profitability and generating cash flow to restore shareholder value and to further invest in making Falck a great place to work and a leader in emergency response and healthcare services.

In this process, Falck aims at unleashing the potential of the attractive markets where Falck operates.

Significant market potential

Falck holds its most significant market potential in the growing emergency medical services market. Underlying market growth is driven by demographic changes from a growing and aging population as well as by medical and technological breakthroughs.

Customers are predominantly local and regional authorities, hospitals and insurance companies, and contracts are in most cases awarded in public tenders. In Colombia, Falck has a strong position in the business-to-consumer market, delivering ambulance services and doctors-on-call as a supplement to the public healthcare system.

The global ambulance market is largely unconsolidated with only a few large regional players.

In recent years, Falck has built an international footprint within ambulance and patient transport services through acquisitions. Major operations include Denmark, Colombia, California, Florida and cities like Barcelona, Hamburg, London and Stockholm.

Other strongholds are in the growing market for employee healthcare programmes and the slightly declining market for roadside assistance in the Nordics.

The Falck strategy is focused on unleashing this significant potential while delivering value to the company's shareholders.

Unleashing global potential

The current focus on restoring profitability and generating cash flow will allow Falck to fund the journey to become an undisputed global leader in emergency response and healthcare services. The strategic levers for the coming one to two years are three-fold and aim at:

- Improving efficiency and optimising cost
- Becoming ONE Falck
- Ensuring high employee engagement levels

Efficiency and cost optimisation

Falck holds an efficiency and cost optimisation potential following several years of acquisitional growth while failing to integrate its local business models. By eliminating complexity and unnecessary costs, the company continues to optimise operations, reduce overhead costs and establish robust procurement processes across its business.

ONE Falck

To leverage its scale, Falck is building global operating models for its business units and staff functions. Significant investments are being made in implementing standardised core processes and shared IT systems in the Ambulance, Assistance and Healthcare businesses as well as in Finance, IT and HR.

In 2018, Finance, IT and HR changed its operating models from being local to global functions and initiated the outsourcing of transactional finance processes and IT infrastructure.

In addition, several group-wide policies as well as a revised Code of Conduct have been put in place and organisational alignment is being enforced across Falck.

Employee engagement

People are at the core of our business. Trained employees deliver Falck's services efficiently, reliably and with care for patients.

Our strategy

Falck works diligently to ensure great leadership and access to employees who are trained to meet contractual terms and possess the professional and interpersonal skillset that working for Falck requires. Training of Falck employees is carried out locally to meet customer requirements contract by contract.

High engagement levels benefit the services delivered and, ultimately, Falck's customer satisfaction and financial performance.

In 2018, Falck conducted its first-ever global engagement survey. The response rate was 61%, and the overall engagement score was 69, which is close to global external benchmarks. Based on the results from the global engagement score, local action plans were created to ensure a structured follow-up process that allows Falck to improve its employee engagement further and ensure that Falck is an employer of choice and a great place to work.

Focusing our business and engaging with customers and partners

While building the platform to become the undisputed market leader of emergency response and healthcare and a great place to work, Falck continues to work on focusing its business footprint. Divestments of several non-core business areas, including Falck Safety Services, were carried out in 2018.

A focused business based on global operating models allows for investments in developing the services offered.

Falck is committed to collaborating with customers and partners to enhance market leadership, deliver innovative breakthroughs and introduce new ways of working in the marketplace.

9 must-win battles and 21 strategic initiatives

In 2018, Falck set out to deliver on 9 must-win battles containing 21 initiatives of strategic importance. All projects were identified to make Falck more focused, smarter and stronger.

Must-win battles 1-3 were about focus and defining the core of the business and subsequently strengthening that core. Initiatives in 2018 included the implementation of core operational processes and IT systems in Ambulance and Assistance as well as divesting non-core businesses such as Falck Safety Services.

Must-win battles 4-6 were about working smarter, improving profitability and increasing excellence in staff functions. Initiatives in 2018 included executing on the DKK 500 million efficiency programme and outsourcing of IT infrastructure and transactional finance processes.

Must-win battles 7-9 were about building strength by innovating core services, engaging people and revitalising the Falck brand. Initiatives in 2018 included a pilot project concerning the treatment of COPD patients in their homes, establishing a baseline for employee engagement by conducting Falck's first-ever global engagement survey, and developing a plan for revitalising the Falck brand as well as re-branding more than 50 non-Falck branded entities.

The must-win battles and their respective initiatives have delivered as planned and important milestones have been reached.

All must-win battles are expected to be completed by the end of 2019.

Progress on the 9 must-win battles

Be focused	1. Turnaround Ambulance	50%
	2. Turnaround Healthcare	20%
	3. Optimise Assistance and portfolio	80%
Work smarter	4. Efficiency programme 2018	100%
	5. Simplify & standardise	50%
	6. Best-in-class Finance	40%
Get stronger	7. Innovate core	60%
	8. Engage people	100%
	9. Revitalise the Falck brand	50%

Our strategy

Key resources

People
We rely on our more than 32,000 highly skilled and trained employees

Equipment
We use high quality equipment enabling effective diagnostics and resolution

Partnerships
We partner with local communities to customise our global services to local needs

Innovative culture
We utilise new technology and explore new ways of working

Brand & reputation
We benefit from a strong brand and a solid reputation for being effective, reliable and caring in everything we do

Activities

	Contracts	Management systems & trained employees	Services delivered
Ambulance	• Ambulance and patient transport services on fixed-price or pay-on-use contracts with local and regional authorities, hospitals and insurance companies • In Latin America, doctors-on-call as private subscriptions	• Dispatch, fleet management and planning processes • Quality management • 23,000 employees trained to meet customer requirements	• 1,800,000 emergency services • 4,000,000 patient transport services • 1,400,000 doctors' home visits
Assistance	• Roadside assistance on pay-on-use contracts with insurance and private companies • Roadside assistance and family healthcare as private subscriptions	• Dispatch, fleet management and planning processes • Digital assistance centres and customer relationship management • Quality management • 5,000 employees trained to meet customer requirements	• 800,000 roadside assistances • 275,000 private patient transports
Healthcare	• Employee healthcare programmes on pay-on-use and fixed price basis with insurance and private companies • Prevention, examination, treatment and rehabilitation	• Resource planning and case management • Quality management • 2,000 trained employees and a large network of associated professionals	• 1,500,000 physiological treatments • 230,000 psychological treatments • 850,000 hours of occupational health services

Value created

Safe and caring services
We save lives, treat and transport patients, support healthy workplaces and assist on the roads

Efficient operations
We deliver efficient operations and adapt our global models to meet local customer needs

A great place to work
We offer challenging and purposeful work with opportunities for personal and professional development

Societal impact
We perform life-saving and life-improving care to people around the globe

Shareholder value
Falck's business model and strategy are designed with the ultimate objective of creating shareholder value

Risk management

Mitigating risks to safeguard our business

Falck maintains a robust enterprise risk management process and takes a proactive approach to risk management.

A comprehensive enterprise risk management process is a critical tool for ensuring future profitability and current ability to deliver on promises and safeguard the interests of Falck's stakeholders.

To ensure prioritisation of resources and efforts, focus is limited to near to medium-term risks; i.e. threats which can jeopardise Falck's operations and plans one or two years ahead, or longer-term threats where actions are required in the near-term to mitigate future threat.

Falck defines risk as: "Any threat to current or future business models or the ability to deliver on strategy".

Top five risks with explicit ownership

In 2018, Falck identified its top five risks. This clear focus enables increased controlling and documentation of the top risks. All risks have Executive Management members as owners and responsible persons assigned. Consequently, full ownership and accountability has been assigned for all mitigating measures along with regular follow-up and documentation.

A top-down and bottom-up approach

When updated in 2018, the Falck Risk Policy strengthened the supervisory role of the Board of Directors significantly and introduced a combined top-down and bottom-up process.

The Executive Management team reviews the business unit risk maps twice a year, the Audit Committee reviews governance, infrastructure and policies annually, and the Board of Directors discusses business risks at board meetings at least four times a year.

Every six months, business entities review the salient threats to their particular business model and value chain. Entities also describe and document the mitigating controls in place. Subsequently, business unit management reviews the consolidated reporting to validate risk exposure and mitigation. If the severity of one or more risks in an entity exceeds the ideal risk level, management is required to implement additional mitigation controls.

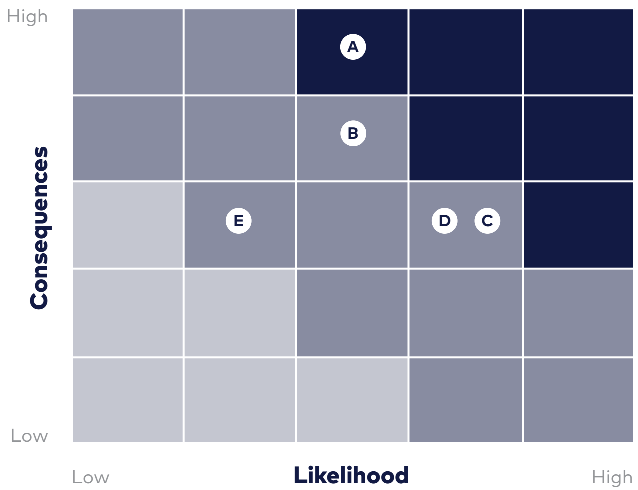
In 2018, Executive Management facilitated an in-depth review together with the Board of Directors of the salient risks facing Falck and its business models, based on the risks identified across all business entities. With the benefit of an outside-in perspective, the top five risks will be tracked and updated rigorously going forward. This hybrid top-down and bottom-up approach combines ownership of risks and mitigation, accountability, transparency and a comprehensive identification of risks and effective mitigation measures.

Ensuring risk-intelligent decisions

Business unit management, supported by the Group Risk Office, ensures that the most effective relevant risk mitigation controls are considered and implemented across all relevant entities. Continued sharing of mitigation best practices reduces net risk and increases the ability to take risk-intelligent decisions across the organisation.

The ongoing monitoring of risk exposure of each entity and the assessment of the adequacy of deployed mitigation controls are strictly enforced in an ISO31000-based enterprise risk management business process.

Key business risk matrix



- (A) Regulatory issues related to GDPR and compliance
- (B) Significant and sudden changes to key business models
- (C) Transformation risk related to Finance and IT
- (D) Inadequate price management mechanisms
- (E) Cyber risk

Risk management

Top five risks

A Regulatory issues related to GDPR and compliance

What is the risk?

The risk implies that Falck inadvertently violates critical legislation or fails to enforce ethical standards, GDPR procedures or adequate quality management. Loss of reputation, fines, customer defections and decline of long-term market share are likely to follow.

What mitigation is in place?

Falck has strengthened its compliance, GDPR and quality management infrastructure significantly by implementing a best practice compliance programme, a GDPR Data Protection Officer role and a global quality certification programme. Compliance initiatives include new online Code of Conduct, updated compliance risk self-assessment and relaunch of whistleblower system.

B Significant and sudden changes to key business models

What is the risk?

Public authorities may decide to insource services provided by private enterprises in key prehospital, fire and healthcare markets. The risk scenario also includes inability to manage churn and customer acquisition in business-to-consumer businesses.

What mitigation is in place?

Falck continues to consistently deliver high-quality and cost-efficient services across all existing business models, positioning itself as the best possible partner. In addition, emerging business models are monitored and churn patterns closely tracked.

C Transformation risk related to Finance and IT

What is the risk?

IT and Finance are business-critical support functions undergoing massive transformation, which if not implemented correctly within agreed timeframes, will have a substantial impact on daily operations and Falck's ability to execute the turnaround strategy. This would reduce or delay the benefits expected from the turnaround.

What mitigation is in place?

New functional organisations have been implemented to enable centralised prioritisation of the project portfolio. Strict monitoring, reporting of key performance indicators and SLAs and rigorous project governance are enforced.

D Inadequate price management mechanisms

What is the risk?

Falck's contracts with public authorities and business customers typically run for several and up to 10 years. Where the contracts do not include mechanisms to accommodate unexpected increases in costs such as salary increases, Falck may end up honouring its contractual obligations at a loss for a prolonged period of time.

What mitigation is in place?

Falck is implementing contract management in the business units, while also developing guidelines for accommodating unexpected factor cost increases in long-term contracts.

E Cyber risk

What is the risk?

As Falck relies on its IT platforms to run its business, the probability of a cyber attack poses a substantial risk to business continuity as well as to information security.

What mitigation is in place?

A dedicated Chief Information Security Officer (CISO) function has been established with the task of determining and testing security procedures across the business, close potential loopholes and strengthen security measures. Business continuity management is being implemented across all critical processes to further strengthen organisational resilience.

Financial risks may also have a significant impact on Falck. They are considered separate from business risks and are described in section 5.7.

Governance

Governance model

Falck's management monitors corporate governance on a regular basis with a view to ensuring that the Group is managed, both internally and externally, in a manner consistent with national and international rules and meeting the expectations of our stakeholders and ourselves.

The ultimate authority over Falck is held by the shareholders who exercise their rights at general meetings. At the annual general meeting, the shareholders elect members to the Board of Directors and the independent auditor. Pursuant to Danish legislation, Falck has a two-tier management system consisting of a Board of Directors and an Executive Committee. The two bodies are independent and do not have overlapping members.

Governance structure

General Meeting

Board of Directors

Audit Committee | **Remuneration Committee**

Executive Committee

Executive Management

The Board of Directors

The Board of Directors is responsible for the overall management and strategic direction of the company and appoints the members of the Executive Committee. The Board of Directors guides and supervises Falck's activities, development, management and organisation. The Board of Directors acts in compliance with applicable legislation and meets at least six times a year and as required by special circumstances. The Board of Directors has established two committees: The Audit Committee and the Remuneration Committee.

The Board of Directors currently has nine members, six of whom are elected by the shareholders at the general meeting and three are elected by the employees in Denmark. There were no changes to the composition of the Board of Directors in 2018.

All members of the Board of Directors hold equal rights and obligations. Members elected at the Annual General Meeting are up for election at the next Annual General Meeting whereas employee-elected members are elected for terms of four years. The most recent election of employee representatives for the Board of Directors was held in April 2017.

The Lundbeck Foundation is represented on the Board of Directors by Peter Schütze (Chairman) and Lene Skole (Vice Chairman) and KIRKBI is represented by Søren Thorup Sørensen. The other three members elected by the general meeting are considered independent while none of the employee-elected members are considered independent as defined by the Danish Corporate Governance Code.

The Audit Committee

On behalf of the Board of Directors, the Audit Committee monitors Falck's financial reporting process, accounting policies, statutory audit of the annual report, the effectiveness of internal control and risk management systems, tax and treasury governance, the whistleblower system, IT security and compliance. In addition, the Audit Committee makes recommendations on these issues to the Board of Directors and follows up, on behalf of the Board of Directors, on the implementation of initiatives taken by the Executive Committee. The Audit Committee receives information from

Main topics of discussion at Board of Directors meetings

Strategy
- Annual strategy seminar
- Ongoing discussions and review of strategy execution and long-term outlook, including updates on progress of must-win battles
- Divestment of Falck Safety Services and other divestments
- Review and approval of Falck's capital structure and funding, i.e. amendment and extension of senior facilities agreement
- Review of re-branding project

Organisation
- Discussions and approval of outsourcing of IT infrastructure
- Discussions and approval of outsourcing of transactional business processes in Finance
- Review of organisational setup
- Review of results of employee engagement survey
- Termination of 2014 warrant-based long-term incentive plan and implementation of new plan

Compliance, governance and risk
- GDPR project discussions and reviews
- Compliance discussions and reviews, including new global Code of Conduct
- Discussions and reviews of enterprise risks, including material litigation
- Cyber risk evaluation
- Approval of financial reports
- Board evaluation and review of outcome

Governance

Members, meetings and remuneration of the Board of Directors

	Board & committees			Meetings		Remuneration	
DKK ´000	Board	Audit	Remuneration	Meetings	Attendance	2018	2017
Peter Schütze[1]	Chairman		Chairman	● ● ● ● ● ● ● ●	100%	1,000	1,860
Lene Skole	Vice Chairman		Member	● ● ● ● ● ● ● ●	100%	625	735
Søren Thorup Sørensen[2]	Member	Chairman	Member	● ● ● ● ○ ● ● ●	88%	500	500
Lars Frederiksen	Member	Member		● ○ ● ● ● ● ● ●	88%	375	375
Dorthe Mikkelsen	Member			● ● ● ● ● ● ● ●	100%	250	250
Niels Smedegaard	Member	Member		● ● ● ● ● ● ● ●	100%	375	265
Vagn Flink Møller Pedersen (E)	Member			● ● ● ● ● ● ● ●	100%	250	250
Allan Rensgaard (E)	Member			○ ○ ● ● ● ● ● ●	75%	250	250
Henrik Villsen Andersen (E)	Member			● ● ● ● ● ● ● ●	100%	250	250
Jan Heine Lauvring[3] (E)						-	104
Morten R. Pedersen[4]						-	119
Total						**3,875**	**4,958**

● Attended ○ Did not attend

(E) Elected by the employees
1) In 2017, Peter Schütze received DKK 860,000 in addition to his regular board fee of DKK 750,000 for undertaking extraordinary operational responsibilities from 20 December 2016, when Allan Søgaard Larsen resigned as President and CEO until 1 May 2017 when Jakob Riis joined Falck as new President and CEO.
2) Remuneration was capped at DKK 500,000 for all members of the Board of Directors, except for the Chairman and the Vice Chairman, for whom the cap was set at DKK 1 million.
3) Jan Heine Lauvring stepped down from the Board of Directors on 31 May 2017.
4) Morten R. Pedersen joined the Board of Directors on 31 May 2017 and stepped down on 21 November 2017.

a number of group functions and from the company's auditors.

Audit Committee members are appointed for a one-year term by the Board of Directors from among its members. One member is designated as Chairman. Also attending the Audit Committee's meetings are the Group CFO, the Head of Business Assurance and the company's auditor. The Audit Committee meets at least four times a year.

The Remuneration Committee

The Remuneration Committee assists the Board of Directors with the oversight of remuneration of members of the Board itself, members of Board committees, the Executive Committee and other senior management employees, including determination of remuneration levels and incentive programmes. In addition, the Remuneration Committee is responsible for the Remuneration Policy, including the general guidelines for incentive programmes for members of the Executive Committee and the Executive Management.

Remuneration Committee members are appointed for a one-year term by the Board of Directors from among its members. One member is designated as Chairman. Also attending the Remuneration Committee's meetings are the Group CEO and the Head of Global HR. The Remuneration Committee meets at least twice a year.

The Executive Committee and Executive Management team

The Executive Committee is responsible for the day-to-day management and operation of Falck, with a primary focus on developing and implementing strategies and significant initiatives approved by the Board of Directors. Moreover, the Executive Committee is responsible for ensuring that the Board of Directors is informed of all material matters.

The Executive Committee has established an Executive Management team which takes part in the daily management of the company. The Executive Committee consists of the Group CEO, the Group CFO and the EVP of Ambulance. In addition to the Executive Committee members, the Executive Management team consists of the EVP of Assistance and the Heads of Legal, Global HR and Global Branding & Communications.

2018 was the first full working year for the Executive Committee which was appointed during 2017 and there were no changes to its composition during the year. Two changes

Governance

were made to the Executive Management team: In June, General Counsel, Miguel Buxó was appointed SVP, representing Legal in the Executive Management and replacing Thomas Hinrichsen, former EVP, Group Legal, Insurance & Compliance; and in April 2018, Jan F. Steenhard, former EVP, Healthcare, stepped down.

Remuneration

Remuneration of the members of the Board of Directors and Executive Committee is governed by Falck's Remuneration Policy which complies with the revised Danish Corporate Governance Code and international best practices.

Remuneration of the Board of Directors

The remuneration policy of the Board of Directors is designed to attract and retain qualified members and reward them for their independent oversight role as the stewards of shareholder assets. The remuneration package for the members of the Board of Directors comprises an annual fixed fee and an annual committee membership fee to reflect individual time commitments and responsibilities. In accordance with good corporate governance, the members of the Board of Directors are not eligible for any variable pay programmes such as annual or long-term incentive plans, or any share-based compensation arrangements such as share or share option programmes. However, employee-elected members of the Board of Directors may, due to their employment, be covered by general incentive schemes applicable to Falck's employees.

The fixed base fee is DKK 250,000 per year. The Chairmanship and committee members receive a multiplier thereof: The Chairman receives 3 times the base fee and the Vice Chairman 2 times the base fee. Committee chairmanship is awarded with additionally 1 time the fixed base fee, and committee membership with 0.5 times the base fee.

Remuneration of the Executive Committee

The remuneration policy for the Executive Committee is designed to meet three key objectives: to support short and long-term shareholder value through sustainable growth, to ensure pay for performance, and to reward demonstrated commitment to Falck's values.

The overall objectives of the remuneration policy for the Executive Committee are to attract and retain people with the required skills and to align their interests with those of the shareholders.

The remuneration of the members of the Executive Committee consists of three key elements: base salary, short-term incentive plan and long-term incentive plan.

The base salary is a fixed cash compensation based on level of responsibility and performance. Level is set at the market median. The base salary is a compensation for contributing to Falck's strategic direction and agenda. Levels are reviewed on an annual basis, and the Remuneration Committee proposes appropriate adjustments to the Board of Directors for approval.

The short-term incentive plan is a variable cash payment based on achievement of annual objectives. Its role is to drive and reward exceptional performance of Falck, and specific focused activities. The short-term incentive is targeted at the median level of the peer group. The Board of Directors reviews performance and approves annual incentive pay-out levels. Maximum level of pay-out is set at 100% of base salary for Jakob Riis, 50% for Tor Magne Lønnum and 75% for Jakob Bomholt.

Remuneration of the Executive Management team

	Executive Committee[1]		Other members of Executive Management[2]		Total	
DKK ´000	**2018**	2017	2018	2017	2018	2017
Base salery	17,808	9,978	9,449	11,697	27,307	21,675
Short-term incentive plan	7,428	3,449	3,180	3,046	10,608	6,495
Long-term incentive plan[3]	7,130	3,448	1,539	1,742	8,669	5,190
Pension	-	-	1,080	926	1,080	926
Social security	18	15	43	46	61	61
Severance payment	-	4,116	316	-	316	4,116
Total	**32,384**	**21,006**	**15,657**	**17,457**	**48,041**	**38,463**

1) The members of the Executive Committee are: Jakob Riis (appointed 1 May 2017), Tor Magne Lønnum (appointed 1 September 2017) and Jakob Bomholt (appointed 1 November 2017). Morten R. Pedersen stepped down 1 May 2017. The total remuneration, excluding long-term incentive plan, of the individual members in 2018 (2017) was: Jakob Riis DKK 12,179,000 (DKK 8,115,000), Tor Magne Lønnum DKK 6,731,000 (DKK 2,221,000) and Jakob Bomholt DKK 6,345,000 (DKK 1,047,000). The total remuneration of Morten R. Pedersen in 2017 was DKK 6,174,000.
2) The other members of the Executive Management are: Lars Vester Pedersen, Miguel Buxó (appointed 1 June 2018), Peter Agergaard and Kaspar Bach Habersaat (appointed 1 September 2017). Jakob Bomholt was member until 1 November 2017, former EVP Jan F. Steenhard stepped down 1 April 2018 and former EVP Thomas Hinrichsen stepped down 1 June 2018.
3) Long-term incentive plan for 2018 is based on an estimate as the programme expires at the end of 2019.

Governance

The long-term incentive plan is a cash-based incentive designed to drive and reward the creation of long-term shareholder value at Falck. The Remuneration Committee evaluates the degree of achievement for each member based on input from the Group CEO. Maximum level of pay-out is set at 100% of base salary for Jakob Riis, 67% for Tor Magne Lønnum and 67% for Jakob Bomholt.

Executive Committee members do not receive pension contributions from Falck but do receive non-monetary benefits such as a company car and insurance.

Upon termination of employment by the company for any reason, including a change of control of the company, the members of the Executive Committee are not entitled to receive any severance payment except ordinary remuneration as per their employment contracts during their respective notice periods.

Compliance

The Compliance function reports directly to the Group CEO with underlying reporting lines to the Audit Committee and the Board of Directors. Global Compliance has the overall responsibility for the Compliance Programme which includes the Falck Alert whistleblower system. Regional compliance officers have been appointed within some business areas and for the US market, and a Compliance Committee has been set up in order to monitor local US compliance. A Compliance and Sustainability Board meets twice a year to discuss sustainability and compliance issues and processes at group level and to decide upon any action to be taken. The Compliance and Sustainability Board is constituted by the Group CEO and the Heads of Ambulance, Global HR, Global Branding & Communications, Business Assurance and Global Compliance.

The Global Compliance function was established in November 2017 and charged with setting the direction and structure of the Falck Compliance Programme and for the purpose of developing a culture of integrity and the highest ethical standards.

Falck's global compliance strategy, "Leading Global Compliance 2020", was approved in April 2018. It supports Falck's global presence, aids the increasing pace of regulatory changes and introduces an innovative and data-driven approach to compliance, which will contribute to Falck's ability to be a trusted business partner. The compliance strategy is integral to the commercial business model.

In August 2018, Falck launched an updated Code of Conduct applicable to all employees of the Falck Group as well as to Falck's business partners. The Code focuses on instructing employees of their rights and responsibilities and on how to make the best decisions. It covers 13 areas, including anti-bribery, competition compliance, facilitation payments, gifts & hospitality and conflicts of interest. The new Code of Conduct was sent out digitally to more than 25,000 employees in eight languages and is also available through an app solution. Prior to the Code of Conduct and policy review, Falck conducted a business ethics e-learning programme with approximately 3,500 employees, which saw a 90% completion rate after four weeks.

In 2018, Falck also increased focus on the development of the whistleblower system, Falck Alert. Falck continuously encourages its employees to raise their concerns about irregularities or improper actions, aiming to create a culture of full transparency. In 2018, 76% of all reports were made anonymously compared to best practice benchmark of 56%. A new Falck Alert solution was launched in December 2018, aiming at reducing the number of anonymous reports.

In order to assess the compliance risk profile of the global business and identify the areas where Falck has the highest risk of making a negative impact, a compliance risk self-assessment was performed in September 2018. Subsequently, actions were defined for how to mitigate these risks in 2019. The top three risks identified were bribery & corruption, competition compliance and whistleblower.

Sustainability

Falck's compliance activities are further elaborated upon in the separately published Sustainability Report 2018. The Sustainability Report serves as the baseline for Falck's annual Communicationon on Progress to the UN Global Compact and as the statutory statement on social responsibility and the underrepresented gender in accordance with sections 99a and 99b of the Danish Financial Statements Act.

Falck's Sustainability Report is availble at www.falck.com/en/company/sustainability/falcks-approach.

Internal controls

The overall responsibility for Falck's internal control environment rests with the Board of Directors and the Audit Committee, who monitor the effectiveness of internal controls. The Executive Management sees to the implementation and application of the appropriate internal control environment.

Falck requires that business procedures and internal controls are laid down and complied with by all entities in the Group. Business procedures and internal controls include standardised requirements with respect to segregation of duties, authorisations and powers, approval procedures and documentation requirements. Falck endeavours to improve the internal control environment on an ongoing basis.

Based on a quarterly assessment of risk, Business Assurance pays routine visits to the companies of the Group to ensure compliance with the requirements set forth in policies and procedures. Reports

Governance

on these visits are submitted to local and Group management. The Audit Committee receives a quarterly update on the visits made and any special focus areas, as well as a risk-based list of companies to which visits are planned during the following period.

In 2018, Business Assurance made 15 visits to business entities throughout the Group in accordance with the Business Assurance plan. Focus of the visits was to assess whether internal financial reporting was in line with the Falck Group Accounting Manual and whether procedures were designed and implemented to prevent or detect material errors. A review of management expenses and local expense approval processes was included in the visits to ensure compliance with global requirements. Additionally, five Ethics & Compliance visits were conducted to assess the general state of the implementation of the Falck Code of Conduct.

Local management is in charge of addressing all findings and Business Assurance performs a formal follow-up in accordance with agreed deadlines. For each quarter, local business finance is required to perform a sign-off on the quality and compliance with global requirements in respect of the financial reporting and the internal control environment. In connection with the on-going improvement and streamlining of processes, a web-based solution to support the quarterly sign-off process was implemented in Q3 2018 in order to improve documentation and enable a more efficient follow-up.

Board of Directors

					
	Peter Schütze, Chairman	**Lene Skole,** Vice Chairman	**Søren Thorup Sørensen**	**Lars Frederiksen**	**Dorthe Mikkelsen**
Board member since	2015	2015	2011	2014	2014
Current term	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019
Considered independent	No	No	No	Yes	Yes
Nationality	Danish	Danish	Danish	Danish	Danish
Born	1948	1959	1965	1958	1967
Profession		• CEO of Lundbeck Foundation and directorships in two subsidiaries	• CEO of KIRKBI A/S		• President Asia Pacific, MSD
Board positions	• DSB SOV (chairman) • Nordea-fonden and Nordea Bank-fonden (chairman) • SimCorp A/S (vice chairman) • The Danish SDG Investment Fund • Lundbeck Foundation and Lundbeckfond Invest A/S • Industrial Board Axcel and Axcel Future • Member of The Systemic Risk Council • Board Leadership Society in Denmark • Gösta Enboms Fond • Dronning Margrethe II's Arkæologiske Fond (chairman)	• H. Lundbeck A/S (vice chairman) • ALK-Abelló A/S (vice chairman) • Ørsted A/S (vice chairman) • Tryg A/S and Tryg Forsikring A/S	• LEGO A/S • Merlin Entertainments PLC • Ole Kirks Fond • Boston Holding A/S (chairman) • Koldingvej 2, Billund A/S • Five wholly-owned subsidiaries of KIRKBI A/S	• Matas A/S (chairman) • Danish Committee on Corporate Governance (chairman) • Hedorf Foundation (chairman) • Atos Medical AB (chairman) • Widex A/S • Augustinus Industri A/S • Hedorf A/S • PAI Partners SA (supervisory board member) • Tate & Lyle PLC	• One wholly-owned subsidiary of MSD

Board of Directors




	Niels Smedegaard	**Vagn Flink Møller Pedersen**	**Allan Rensgaard**	**Henrik Villsen Andersen**
Board member since	2016	2005	2013	2013
Current term	2018-2019	2017-2021	2017-2021	2017-2021
Considered independent	Yes	No	No	No
Nationality	Danish	Danish	Danish	Danish
Born	1962	1957	1978	1969
Profession	• President and CEO of DFDS A/S	• Rescue Officer • Elected by the employees	• Emergency Manager & Fire Station Manager • Elected by the employees	• Rescue Officer • Elected by the employees
Board positions	• The Bikuben Foundation (chairman) • ECSA (European Community Shipowners' Association) • Kollegiefonden Bikuben (chair-man) • Danish Shipping (chairman) • Interferry • TT Club • FrederiksbergFonden • Nikolai og Felix Fonden	• Lundbeck Foundation and Lundbeckfond Invest A/S (elected by the employees)		• Lundbeck Foundation and Lundbeckfond Invest A/S (elected by the employees) • Jøkst ApS

Executive Management

				
	Jakob Riis President and CEO	**Tor Magne Lønnum** CFO	**Jakob Bomholt** EVP, Ambulance	**Lars Vester Pedersen** EVP, Assistance
Joined Falck	2017	2017	2017	1979
Nationality	Danish	Norwegian	Danish	Danish
Born	1966	1967	1974	1957
Education	MSc and PhD, Forestry and Econometrics, The Royal Veterinary and Agricultural University of Denmark	BSc in Accounting & Finance, BI Norwegian School of Management. Diplomas from Norwegian School of Economics (NHH) and École nationale des ponts et chaussées	Graduate Diploma in Business Administration (Finance), Copenhagen Business School. MBA (distinction), INSEAD	Skilled auto mechanic. Various vocational training programmes, business and management diplomas
Background and responsibilities	Prior to joining Falck, Jakob had a 20-year career with Novo Nordisk, i.a. as EVP North America, EVP China, Pacific & Marketing and SVP Global Marketing. At Falck, Jakob represents Falck Healthcare and Global Assistance in Executive Management and is directly in charge of the group functions of Compliance and Business Quality Management. He is a member of Falck's Executive Committee.	Tor joined Falck from a position as CFO at Aimia Inc. Prior to that he was CFO and member of the executive management at Tryg and deputy CEO and CFO at Gjensidige Forsikring ASA. He has also held a number of board positions. As CFO at Falck, Tor's responsibilities also include IT. He is a member of Falck's Executive Committee.	Jakob joined Falck from a position as CCO at APM Terminals and previously served as CEO at Seago Line A/S, Country Manager at Maersk Line Brazil, Managing Director, Scandinavia Division at Norfolkline and since 1995 held various positions with the A.P.Moller - Maersk Group. Apart from Ambulance, his responsibilities also include Falck Industrial Fire Services and he is a member of Falck's Executive Committee.	Lars started his career as a rescue officer with Falck in 1979 and has since held a number of management positions in both Assistance and Ambulance, including as EVP Emergency Nordic, EVP Emergency Denmark and SVP Rescue & Safety Denmark. As EVP of Assistance, he is also in charge of public firefighting in Denmark.
Board positions	ALK-Abelló A/S Copenhagen Institute of Interaction Design Copenhagen Capacity Danish Business Promotion Board (chairman)	TGS-NOPEC Geophysical Company ASA		

Executive Management

			
	Miguel Buxó General Counsel, SVP, Legal	**Peter Agergaard** SVP, Global HR	**Kaspar Bach Habersaat** VP, Global Branding & Communications
Joined Falck	2015	2015	2017
Nationality	Spanish	Danish	Danish
Born	1970	1971	1974
Education	Master of Law, University of Barcelona and Fordham University, New York	Master of Commercial Law and Economics, Copenhagen Business School. Executive MBA, SIMI	MSc, Political Science, University of Copenhagen. Strategic Financial Analysis for Business Evaluation, Harvard Business School
Background and responsibilities	Miguel joined Falck as Head of Legal in 2015 following a position as Head of Legal Wind Power at DONG Energy (Ørsted). Prior to that, he worked as an attorney with Kromann Reumert in Copenhagen, Uria Menendez in Madrid, Skadden Arps in London and Cuatrecasas in Barcelona.	Peter joined Falck as Director of Group Human Relations in 2015. From 2004-15, he worked at G4S, as a Regional HR Director and HR Director. Peter started his career as an HR Consultant with Falck in 1998.	Kaspar joined Falck from a position as Director of Group Communications at Scandinavian Tobacco Group. Prior to that, he served as Communications Director of ISS Facility Services A/S and Head of Communications at ISS A/S. Kaspar has also held communications positions at Radius Kommunikation, the Danish Brewer's Association, TDC and Rostra Kommunikation A/S.

Consolidated financial statements

PRIMARY STATEMENTS

SECTIONS

Income statement

1 January - 31 December

DKK million	Section	2018	2017
Revenue	2.1	13,270	14,381
Other operating income and expenses, net	2.4	85	72
Cost of sales and external assistance		(1,746)	(1,804)
Other external costs		(2,642)	(3,592)
Staff costs	2.2, 2.3	(8,077)	(8,532)
Depreciation, amortisation and impairment	3.1, 3.3	(662)	(567)
Operating profit before other items (EBITA)		**228**	**(42)**
Restructuring costs	2.5	(14)	(100)
Amortisation of customer contracts	3.1	(232)	(251)
Impairment of goodwill	3.1, 3.2	-	(2,825)
Operating profit (EBIT)		**(18)**	**(3,218)**
Gains/losses from divestments of enterprises	4.2	(56)	(13)
Income after tax from associates and joint arrangements		1	(6)
Financial income	5.6	34	95
Financial expenses	5.6	(471)	(387)
Profit before tax		**(510)**	**(3,529)**
Income taxes	2.6	(41)	(74)
Profit for the year from continuing operations		**(551)**	**(3,603)**
Profit for the year from discontinued operations	4.3	**(364)**	**(79)**
Profit for the year		**(915)**	**(3,682)**

Statement of comprehensive income

1 January - 31 December

DKK million	Section	2018	2017
Profit for the year		**(915)**	**(3,682)**
Actuarial adjustment of pension provisions		1	2
Items that will not be reclassified to the income statement		**1**	**2**
Exchange rate adjustment		(24)	(295)
Value adjustment of currency hedging instruments		(3)	11
Value adjustment of interest hedging instruments		25	29
Tax on other comprehensive income	2.6	(17)	45
Items that may be reclassified to the income statement		**(19)**	**(210)**
Other comprehensive income		**(18)**	**(208)**
Total comprehensive income		**(933)**	**(3,890)**
Total comprehensive income for the year is attributable to:			
Shareholders in Falck A/S		(906)	(3,899)
Non-controlling interests		(27)	9
Total	5.1	**(933)**	**(3,890)**

Statement of cash flows

1 January - 31 December

DKK million	Section	**2018**	2017
Operating profit (EBIT)		(18)	**(3,218)**
Depreciation, amortisation and impairment	3.1, 3.3	662	567
Amortisation of customer contracts	3.1	232	251
Impairment of goodwill	3.1, 3.2	-	2,825
Profit before depreciation, amortisation and impairment (EBITDA)		**876**	**425**
Change in net working capital	5.3	115	392
Transactions with associates		23	(9)
Reversal of profit from divestment of non-current assets, net		(34)	(25)
Net interest paid		(120)	(159)
Income tax paid	2.6	(137)	(174)
Cash flows from operating activities		**723**	**450**
Purchase of property, plant and equipment	3.3	(257)	(286)
Sale of property, plant and equipment	3.3	126	68
Purchase of intangible assets	3.1	(108)	(124)
Acquisitions of subsidiaries, non-controlling interests and operations	4.1	(55)	(409)
Divestment of subsidiaries, non-controlling interests and operations	4.2	-	7
Investments in associates		(8)	-
Cash flows from hedging of net investments		33	28
Change in securities, net		(5)	73
Cash flows from investing activities		**(274)**	**(643)**

DKK million	Section	**2018**	2017
Transactions with shareholders	6.3	-	2,026
Transactions with non-controlling interests	5.4	(15)	(31)
Interest-bearing debt raised		27	108
Repayment of interest-bearing debt	5.5	(746)	(1,636)
Cash flows from financing activities		**(734)**	**467**
Cash flows from continuing operations		**(285)**	**274**
Cash flows from discontinued operations	4.3	216	(4)
Change in cash and cash equivalents		**(69)**	**270**
Cash and cash equivalents at 1 January		1,009	900
Exchange rate adjustment		(8)	(30)
Change in cash and cash equialents		(69)	270
Cash and cash equivalents related to assets classified as held for sale		126	(131)
Cash and cash equivalents at 31 December	5.2	**1,058**	**1,009**

Balance sheet

as at 31 December

DKK million	Section	2018	2017
Assets			
Goodwill		6,029	6,486
Other intangible assets		1,007	1,363
Total intangible assets	3.1	**7,036**	**7,849**
Land and buildings		342	401
Leasehold improvements		98	140
Fixtures and fittings, tools and equipment		654	904
Total property, plant and equipment	3.3	**1,094**	**1,445**
Investments in associates and joint ventures		64	56
Deferred tax assets	2.7	170	178
Other receivables	3.7	50	43
Total financial assets		**284**	**277**
Total non-current assets		**8,414**	**9,571**
Inventories		24	82
Contract assets	3.4	471	-
Trade receivables	3.6	1,401	2,111
Income tax receivable		29	20
Other receivables	3.7	190	176
Prepayments		170	159
Securities	5.2	73	68
Cash and cash equivalents	5.2	1,058	1,009
Total current assets		**3,416**	**3,625**
Assets classified as held for sale	4.4	**507**	**1,099**
Total assets		**12,337**	**14,295**

DKK million	Section	2018	2017
Equity and liabilities			
Share capital		81	81
Hedging reserve		(10)	(27)
Currency translation reserve		(377)	(443)
Retained earnings		2,182	3,091
Equity attributable to Falck A/S		**1,876**	**2,702**
Non-controlling interests		331	428
Total equity	5.1	**2,207**	**3,130**
Subordinated shareholder loans	5.5	2,220	2,008
Loans	5.5	3,756	4,336
Deferred tax	2.7	230	266
Provisions	3.9	99	117
Contract liabilities	3.5	49	-
Other payables	3.8	10	29
Total non-current liabilities		**6,364**	**6,756**
Loans	5.5	123	257
Trade payables		803	731
Income taxes		88	135
Provisions	3.9	244	260
Contract liabilities	3.5	1,154	-
Other payables	3.8	1,258	2,699
Total current liabilities		**3,670**	**4,082**
Total liabilities		**10,034**	**10,838**
Liabilities relating to assets classified as held for sale	4.4	**96**	**327**
Total equity and liabilities		**12,337**	**14,295**

Equity statement

1 January - 31 December

2018 DKK million	Share capital	Hedging reserve	Currency translation reserve	Retained earnings	Total	Non-controlling interests	Equity
Equity at 1 January 2018	**81**	**(27)**	**(443)**	**3,091**	**2,702**	**428**	**3,130**
Change in accounting policies	-	-	-	(47)	(47)	-	(47)
Adjusted equity at 1 January 2018	**81**	**(27)**	**(443)**	**3,044**	**2,655**	**428**	**3,083**
Exchange rate adjustment	-	-	(24)	-	(24)	-	(24)
Value adjustment of currency hedging instruments	-	(3)	-	-	(3)	-	(3)
Value adjustment of interest hedging instruments	-	25	-	-	25	-	25
Acturial adjustment of pension provisions	-	-	-	1	1	-	1
Tax on other comprehensive income	-	(5)	(12)	-	(17)	-	(17)
Other comprehensive income	-	17	(36)	1	(18)	-	(18)
Profit for the year	-	-	-	(888)	(888)	(27)	(915)
Total comprehensive income	**-**	**17**	**(36)**	**(887)**	**(906)**	**(27)**	**(933)**
Dividend	-	-	-	-	-	(12)	(12)
Reclassification of exchange rate adjustment from divestment of discontinued operations	-	-	102	-	102	-	102
Change in non-controlling interests' ownership share	-	-	-	10	10	(58)	(48)
Purchase and sale of treasury shares, warrants, ect.	-	-	-	(2)	(2)	-	(2)
Adjustment of provision for acquisition of non-controlling interests relating to acquisitions after 1 January 2010	-	-	-	17	17	-	17
Total transactions with owners	**-**	**-**	**102**	**25**	**127**	**(70)**	**57**
Total equity movements in 2018	**-**	**17**	**66**	**(862)**	**(779)**	**(97)**	**(876)**
Total equity at 31 December 2018	**81**	**(10)**	**(377)**	**2,182**	**1,876**	**331**	**2,207**

Equity statement

1 January - 31 December

2017 DKK million	Share capital	Hedging reserve	Currency translation reserve	Retained earnings	Total	Non-controlling interests	Equity
Equity at 1 January 2017	**67**	**(58)**	**(202)**	**5,720**	**5,527**	**406**	**5,933**
Exchange rate adjustment	-	-	(295)	-	(295)	-	(295)
Value adjustment of currency hedging instruments	-	11	-	-	11	-	11
Value adjustment of interest hedging instruments	-	29	-	-	29	-	29
Actuarial adjustment of pension provisions	-	-	-	2	2	-	2
Tax on other comprehensive income	-	(9)	54	-	45	-	45
Other comprehensive income	-	31	(241)	2	(208)	-	(208)
Profit for the year	-	-	-	(3,691)	(3,691)	9	(3,682)
Total comprehensive income	**-**	**31**	**(241)**	**(3,689)**	**(3,899)**	**9**	**(3,890)**
Dividend	-	-	-	-	-	(17)	(17)
Change in non-controlling interests' ownership share	-	-	-	(4)	(4)	30	26
Purchase and sale of treasury shares, warrants, etc.	-	-	-	(2)	(2)	-	(2)
Capital increase	14	-	-	995	1,009	-	1,009
Adjustment of provision for acquisition of non-controlling interests relating to acquisitions after 1 January 2010	-	-	-	71	71	-	71
Total transactions with owners	**14**	**-**	**-**	**1,060**	**1,074**	**13**	**1,087**
Total equity movements in 2017	**14**	**31**	**(241)**	**(2,629)**	**(2,825)**	**22**	**(2,803)**
Total equity at 31 December 2017	**81**	**(27)**	**(443)**	**3,091**	**2,702**	**428**	**3,130**

Sections

Section 1:
Basis of reporting

Section 1.1
Accounting policies

This note sets out the accounting policies applied to the consolidated financial statements as a whole. Where an accounting policy is specific to a financial statement item, the policy is described in the related note.

Falck A/S is a public limited liability company incorporated in Denmark. The annual report for 2018 includes both the consolidated financial statements of Falck A/S and its subsidiaries (Falck) and separate financial statements of the parent company.

Falck Safety Services and Healthcare non-core activities are presented as discontinued operations. The profit for the year and cash flows from discontinued operations are disclosed separately in the consolidated income statement and in the statement of cash flows. The comparative figures for 2017 have been restated in both statements. The classification as discontinued operations entails that assets and liabilities are disclosed separately from other assets and liabilities in the balance sheet. The balance sheet for Healthcare discontinued operations for 2017 has not been restated.

The annual report of Falck is presented in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for the annual reports of large reporting class C entities.

On 31 January 2019, the Board of Directors and the Executive Management Board considered and approved the annual report 2018 for Falck. The annual report will be submitted to the shareholders of Falck A/S for adoption at the annual general meeting to be held on 15 March 2019.

The annual report has been prepared under the historical cost convention, except derivatives and financial instruments which are measured at fair value. The accounting policies have been applied consistently to the financial year and for the comparative figures except for the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue. Further, accounting estimates and judgement for fixed assets and inventory have been changed in 2018 (please refer to section 1.2).

The annual report is presented in Danish kroner (DKK) rounded to the nearest million. Danish kroner is the presentation currency of the Group's activities and the functional currency of the parent company.

Basis of consolidation
The consolidated financial statements include the parent company, Falck A/S, and its subsidiaries. Subsidiaries are entities controlled by Falck. Control means that Falck controls the company, i.e. that Falck is exposed or has rights to variable returns from the company and has the ability to affect the size of those returns through its power over the company. Control is usually achieved by directly or indirectly holding or controlling more than 50% of the voting rights or other rights such as agreements on management control. The consolidated financial statements are prepared on the basis of the financial statements of Falck A/S and subsidiaries by adding items of a like nature.

The financial statements used for consolidation are prepared in accordance with Falck's accounting policies. On consolidation, investments in subsidiaries, intra-group income and expenses, intra-group balances and dividends and realised and unrealised gains and losses on transactions between Falck entities are eliminated. The line items of the financial statements of subsidiaries are fully consolidated in the consolidated financial statements. Profit for the year and equity attributable to non-controlling interests in subsidiaries that are not wholly-owned are included in the consolidated profit and equity, respectively, but as separate line items.

Materiality in presentation
In connection with the preparation of the annual report, Management provides the disclosures required by IFRS unless the information is considered irrelevant or immaterial to the users of the annual report.

Foreign currency translation
A functional currency is determined for each of the reporting entities of Falck. The functional currency is the currency used in the primary economic environment in which the reporting entity operates. Transactions in currencies other than the functional currency are transactions in foreign currencies. On initial recognition, transactions denominated in foreign currencies are translated to the functional currency at the exchange rates at the transaction date. Exchange differences arising between the exchange rate at the transaction date and at the date of payment are recognised in the income statement as financial income or expenses.

Receivables, payables and other monetary items in foreign currencies are translated

Section 1.1
Accounting policies (continued)

into the functional currency at the exchange rate at the balance sheet date. The difference between the exchange rate at the balance sheet date and at the date of which the receivable or payable arose or the exchange rate applied in the most recent financial statements is recognised in the income statement under financial income or financial expenses.

On recognition in the consolidated financial statements in other subsidiaries with another functional currency than DKK, the income statement is translated at the exchange rates at the transaction date and the balance sheet is translated at the exchange rates at the balance sheet date. Average exchange rates for the month are used as the exchange rate at the transaction date to the extent that this does not significantly change the presentation of the underlying transactions. Exchange rate differences arising on the translation of the equity of these subsidiaries at the beginning of the year to the exchange rates at the balance sheet date; and on the translation of the income statement from the exchange rate at the transaction date to the exchange rate at the balance sheet date are recognised directly in other comprehensive income and classified in equity in a separate currency translation reserve. Exchange rate differences are allocated between the parent company's and the non-controlling interests' shares of equity.

On full or partial divestment of foreign subsidiaries, where Falck ceases to have control, foreign exchange adjustments accumulated in equity through other comprehensive income and which can be attributed to entities are reclassified proportionately from the "Currency translation reserve" to the income statement together with any gain or loss from the divestment.

Section 1.2
Significant accounting estimates and management judgements

Preparing Falck's consolidated financial statements, Management makes a number of accounting estimates and judgements to complex areas of accounting. The assessments are based on assumptions concerning future developments and may have a significant effect on recognised assets and liabilities as well as income and costs. As a consequence of the complex nature and the effect to the consolidated financial statements, the assessments have high attention from Management thoughout the year. Thus, all estimates and judgemental assumptions are regularly reassessed as more detailed information based on historical data, experience, financial situation, market situation and other external factors becomes available.

The level of impact in Falck from a combination of estimates, judgements and assumptions is described in the following table.

Section 1.2
Significant accounting estimates and management judgements (continued)

Section	Accounting policies	Accounting estimates and judgements in Falck	Estimate/ judgement	Impact from estimates and management judgements
3.1, 3.2	Intangible assets	Estimates are applied in assessment of the carrying amount and the expected useful life of intangible assets. The expected useful lives of assets are determined based on historical experience and expectations concerning the future use.	Estimate	●●●●
3.3	Property, plant and equipment	Estimates are applied in assessment of the carrying amount and the expected useful life of assets. The expected useful lives of assets are determined based on historical experience and expectations concerning the future use.	Estimate	●●○○
3.4, 3.6	Contract assets / Trade receivables	Estimates are applied when assessing input to the expected credit loss model. Management evaluates the expected losses and the nature of the receivables. Judgements are applied in determining credit risk characteristics of the customer category.	Estimate/ judgement	●●●○
2.7	Deferred tax	Estimates are applied in valuation of deferred tax assets and liabilities. Management evaluates the tax treatment of transactions and balances including future use of deferred tax assets based on estimated future taxable income.	Estimate	●●●○
3.9	Provisions	Estimates and management assumptions are made in determining provision related to put options and the obligation to buy back shares held by non-controlling interests (expected exercise price) included in outstanding consideration and earn-outs.	Estimate	●●○○
2.1	Revenue	Future collectability of revenue in Ambulance in the US (other than cash accounting) is estimated using actual collection percentage to revenue from the most recent months as a proxy for what is expected to be collected in the future.	Estimate	●●○○
2.5	Restructuring costs	Restructuring costs imply management judgement in the separation from other items in the income statement to ensure correct distinction from operating activities.	Judgement	●○○○

Definition	
●●●●	Impact from estimates / management judgement
●●●○	Partially impact from estimates / management judgement
●●○○	Limited impact from estimates / management judgement
●○○○	Very limited impact from estimates / management judgement

Section 1.3
New accounting standards, amendments and interpretations

The following accounting standards and amendments (IAS and IFRS) and interpretations as adopted by the EU and applicable for the 2018 financial year have been implemented effective from 1 January 2018:

- IFRS 9 "Financial Instruments"
- IFRS 15 "Revenue from Contracts with Customers" including amendments and clarifications
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration"
- Amendments to IFRS 2 "Share-based payment"
- Amendments to IAS 28 "Investments in associates and joint ventures"
- Amendments to IAS 40 "Transfers of Investment Property"
- Annual improvements to IFRS's 2014-2016 cycle.

Apart from the impact from IFRS 9 and IFRS 15, the implementation has not had a significant impact on recognition, measurement or disclosures in the annual report 2018 and is not expected to have significant impact on the financial reporting for future periods.

Further, the following accounting standard is endorsed by the EU and will be implemented effective from 1 January 2019:

- IFRS 16 "Leases"

Description of amendment	Impact on accounts
IFRS 9 – Financial Instruments	**The impact of IFRS 9**
IFRS 9 has been implemented in the consolidated financial statements effective from 1 January 2018. Except for hedge accounting, which does not affect Group's financial statements, Falck has applied the standard's modified retrospective approach and comparative figures are thus not restated. IFRS 9 has impacted recognition of loss allowance of receivables and decreased the number of categories of financial assets from four to three.	The adoption of IFRS 9 has fundamentally changed Falck's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires Falck to recognise an allowance for ECLs for all financial asset not held at fair value through profit or loss. The implementation of the expected credit loss model better reflects Falck's credit risk exposure and risk management procedures regarding trade receivables and contract assets. Upon adoption of IFRS 9, Falck has recognised an additional impairment of DKK 28 million before tax related to trade receivables and contract assets as at 1 January 2018 in the opening balance of retained earnings. With the implementation of the new expected credit loss model comes a more timely (earlier point in time) recognition of impairment at recognition and subsequently. Furthermore, the implementation of IFRS 15, cf. separate section has indirectly had a decreasing effect on impairment of trade receivables, as revenue from patients without insurance or aid from Federal/State programmes in Ambulance in the United States is recognised when the customer pays for a service ('cash accounting'), in accordance with IFRS 15. No financial instruments have changed categories as a concequense of IFRS 9. Changes in policy due to IFRS 9 do not affect the cash flows or results over time.

Section 1.3
New accounting standards, amendments and interpretations (continued)

Description of amendment	Impact on accounts
IFRS 15 – Revenue from Contracts with Customers IFRS 15 has been implemented in the consolidated financial statements effective from 1 January 2018. Falck has applied the standard's modified retrospective approach and comparative figures are thus not restated. Due to implementation of IFRS 15, revenue recognition is based on the transfer of control of goods or services to the customer. Thus, revenue recognition over time and revenue related to the agent-principal assessment is impacted.	**The impact of IFRS 15** The adoption of IFRS 15 has a significant impact on Falck's recognition of revenue as Falck acts as agent on behalf of the customers in multiple contracts. The agent-principal assessment impacts recognition of revenue in the Healthcare and Portfolio Businesses. Consequently, in 2018 revenue and cost of sales have decreased by approximately DKK 657 million mainly related to agent-principal assessment. EBITA is not affected. The Ambulance business has contracts with predetermined price reductions. The transaction price has been recalculated to an average price covering the total contract period. As the contracts were assigned before 1 January 2018, a negative adjustment of DKK 32 million before tax is recognised in the opening balance of retained earnings. The adoption of the policy has affected revenue and EBITA negatively by DKK 16 million in 2018. Due to the probability that Falck will collect the consideration Falck is entitled to, the accounting policy related to patients without insurance or aid from Federal/State programmes in the Ambulance US Business is changed to "cash accounting". Revenue from cash accounting is recognised when the customer pays for a service. The adoption of the policy has affected revenue in 2018 negatively with DKK 299 million and EBITA in 2018 negatively with DKK 5 million. Changes in policy due to IFRS 15 do not affect the cash flows or results over the contracts periods. However, the timing of when income and costs are recognised in the consolidated financial statements is affected, as are results for individual years under a contract. Further, the adoption of IFRS 15 has resulted in changes of presentation in the balance sheet in relation to contract assets and contract liabilities. Contract assets mainly relate to Falck's right to consideration for the completed services which have not been invoiced at the reporting date. Contract assets are transferred to trade receivables when the rights become unconditional. Contract liabilities show the recalculated transaction price from predetermined price reductions, where the service is transferred over time, and are recognised at the same average consideration over the term of the contract. Contract liabilities also show prepayments related to consideration from customers who have paid in advance for the subsequent period.
IFRS 16 – Leasing IFRS 16 will be implemented in the consolidated financial statement effective from 1 January 2019. Falck expects to implement the standard by using the modified retrospective method where comparative figures will not be restated. As of 1 January 2019, Falck as a lessee must recognise all types of leases as right-of-use assets and a related lease liability in the balance sheet with a few exceptions (low-valued assets and leases of less than 12 months). In the income statement, lease overhead costs will be replaced by depreciations and interest expenses.	**The impact of IFRS 16** IFRS 16 will replace IAS 17 and significantly change the accounting treatment of leases. Falck's asset management is based on leasing rather than owning property, vehicles and other equipment. Falck has entered into a significant number of lease agreements across the group; more than 2,000 vehicles and 500 premises and buildings have been leased. Based on an analysis Falck expects an impact on property, plant and equipment that will increase total assets in the range of approximately DKK 2,200 - 2,700 million, corresponding to 18% - 22% of total assets. Impact on income statement is expected to be in the range of DKK 5-45 million. At initial recognition, total leased assets and liabilities are expected to be at the same level, thus equity is not expected to be materially affected by the implementation at 1 January 2019. In 2019, lease payments according to IFRS 16 will in the statement of cash flows be presented as part of financing activities instead of operating activities.

Section 1.3
New accounting standards, amendments and interpretations (continued)

DKK million	1 January 2018 Previous accounting policies	IFRS 15 adjustment	IFRS 9 adjustment	New accounting policies	31 December 2018 Previous accounting policies	IFRS 15 adjustment	IFRS 9 adjustment[1]	New accounting policies
Income statement								
Revenue	-	-	-	-	14,242	(972)	-	13,270
Other external cost	-	-	-	-	(3,593)	951	-	(2,642)
Operating profit before other items (EBITA)	**-**	**-**	**-**	**-**	**249**	**(21)**	**-**	**228**
Assets								
Deferred tax	178	7	6	191	157	7	6	170
Contract assets	-	484	-	484	-	471	-	471
Trade receivables	2,111	(484)	(28)	1,599	1,904	(475)	(28)	1,401
Total Assets	**14,295**	**7**	**(22)**	**14,280**	**12,356**	**3**	**(22)**	**12,337**
Equity								
Retained earnings	3,091	-	-	3,044	2,250	(21)	-	2,182
- Change of accounting policies	-	(32)	(28)	-	-	(32)	(28)	-
- Change of accounting policies, tax effect	-	7	6	-	-	7	6	-
Equity attributable to Falck A/S	**2,702**	**(25)**	**(22)**	**2,655**	**1,944**	**(46)**	**(22)**	**1,876**
Liabilities								
Contract liabilities, non-current	-	32	-	32	-	49	-	49
Contract liabilities, current	-	1,356	-	1,356	-	1,154	-	1,154
Other payables, current	2,699	(1,356)	-	1,343	2,412	(1,154)	-	1,258
Total current and non-current liabilities	**10,838**	**32**	**-**	**10,870**	**9,985**	**49**	**-**	**10,034**
Total equity and liabilities	**14,295**	**7**	**(22)**	**14,280**	**12,356**	**3**	**(22)**	**12,337**

1) In 2018, impairment of contract assets and trade receivables has been performed according to IFRS 9. A potential impact versus previous method has not been estimated.

Section 1.4
Definitions of key figures and ratios

Falck calculates several key figures and financial ratios to provide useful information to stakeholders. The definitions of the ratios are stated below.

Economic profit	Means the value created in excess of the required return to investors. Economic profit is calculated as follows: NOPAT - (NOA x WACC) The required return to investors (WACC) is set at a simplified rate of 8% (2017: 8%).
EBITA margin (%)	$\frac{\text{EBITA x 100}}{\text{Revenue}}$
Cash conversion rate (%)	$\frac{\text{Free cash flow x 100}}{\text{EBITA}}$
Equity ratio (%)	$\frac{\text{(Total equity + subordinated shareholder loans) x 100}}{\text{Total assets}}$ In 2018, equity ratio has been revised to include subordinated shareholder loans.
Net interest-bearing debt to EBITDA (factor)	$\frac{\text{Net interest-bearing debt - subordinated shareholder loans}}{\text{EBITDA normalised for non-recurring costs}}$ Net interest-bearing debt comprise cash and cash equivalents, interest-bearing debt and earn-outs related to acquisitions.
Net Operating Profit After Tax (NOPAT)	EBIT adjusted for non-recurring items and tax. Tax rate is set at 22% (2017: 28%). In 2018, NOPAT has been revised and are adjusted for non-recurring items, e.g. impairment of goodwill, restructuring costs and other non-recurring income and expenses.
Net operating assets (NOA)	Include intangible assets, property, plant and equipment, working capital, operating provisions, receivables from associates and taxes, net. In 2018, NOA has been revised to include total goodwill, receivables from associates and deferred tax.
Free cash flow	Cash flow from operating activities + net interest paid + income tax paid - purchase of property - plant and equipment - sale of property, plant and equipment + purchase of intangible assets. In 2018, free cash flow has been revised to include transactions with associates.
Working capital	Include inventories + contract assets + trade receivables + other operating assets - provisions - contract liabilities - trade payables - other operating liabilities.
FTEs	Average number of employees (FTEs) is calculated as total hours worked divided by full time working hours per person for the year (in local terms).
EBITDA	EBITA + depreciation, amortisation and impairment.
Adjusted Revenue	Reported revenue adjusted for changes in exchange rates and new IFRS standards implemented.
Underlying EBITDA	Reported EBITA adjusted for changes in exchange rates and non-recurring items.

Section 2:
Operating profit and tax

Section 2.1
Segment and revenue information

2018 Business units	Ambulance	Assistance	Healthcare	Portfolio Businesses	Group and other activities/eliminations	Total
Income statement						
Revenue	7,659	2,993	1,692	1,162	(236)	13,270
Depreciation, amortisation and impairment	(344)	(114)	(153)	(30)	(21)	(662)
Operating profit before other items (EBITA)	**192**	**415**	**(161)**	**43**	**(261)**	**228**
Balance sheet						
Total assets	4,765	3,948	1,770	1,153	701	12,337
Investments in intangible assets, property, plant and equipment	178	16	35	60	76	365
Key ratios						
EBITA margin (%)	2.5%	13.9%	(9.5%)	3.7%		1.7%

2017 Business units	Ambulance	Assistance	Healthcare	Portfolio Businesses	Group and other activities/eliminations	Total
Income statement						
Revenue	8,086	3,043	1,955	1,611	(314)	14,381
Depreciation, amortisation and impairment	(290)	(194)	(41)	(42)	-	(567)
Operating profit before other items (EBITA)	**(214)**	**188**	**57**	**(3)**	**(70)**	**(42)**
Balance sheet						
Total assets	5,168	4,427	2,129	1,177	1,394	14,295
Investments in intangible assets, property, plant and equipment	255	44	61	50	-	410
Key ratios						
EBITA margin (%)	(2.6%)	6.2%	2.9%	(0,2%)		(0.3%)

Comments

Management has defined Falck's business segments based on the reporting presented to the Group Executive Management, and which forms the basis for the Management's strategic decisions.

The performance of the business segments is evaluated on the basis of operating profit before other items (EBITA).

Falck's business segments are Ambulance, Assistance, Healthcare and Portfolio Businesses.

Group and other activities include Group staff functions neither directly or indirectly attributable to the business segments and eliminations.

Revenue comprises rendering of services DKK 13,002 million (2017: DKK 14,113 million) and sale of goods DKK 268 million (2017: DKK 268 million).

Section 2.1
Segment and revenue information (continued)

Revenue, assets and non-current assets are presented by geographical region. The geographical breakdown of revenue is based on the location of the activity or the location where the service is delivered.

No single customer accounts for 10% or more of revenue and more than 98% of Falck's revenue is recognised over time as the customer receive benefits of the service Falck delivers.

Falck is entitled to consideration that corresponds to work performed, if a customer terminates a contract before original contract expiry. Therefore, Falck has used the permitted clause in IFRS 15 and does not disclose the transaction price allocated to unsatisfied performance obligations.

Accounting policies

Revenue includes services and goods delivered together with invoiced subscriptions attributable to the financial period. Revenue is recognised in the income statement if the control of the services or goods are transferred to the customer. Services are recognised over time when the customer receives and consumes the benefits as the service is delivered by Falck.

For contracts with predetermined price reductions, the transaction price will be recalculated to an average price covering the total contract period.

For contracts where Falck acts as an agent (mainly claims handling), the revenue is recognised as the net amount that Falck is entitled to retain in return for its services as agent. For contracts where Falck acts as a principal, the revenue is recognised as the gross amount to which Falck expects to be entitled.

Revenue is measured at the fair value of the agreed consideration excluding VAT and other taxes collected on behalf of third parties. All discounts granted are recognised in revenue.

Contracts with variable consideration is measured using the most likely amount and remeasured at a monthly basis.

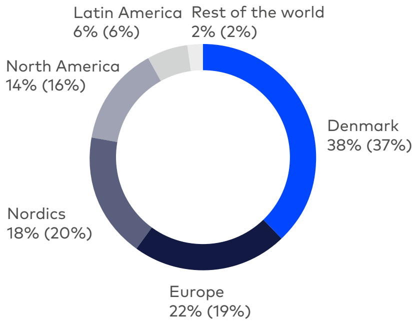
Segment income, expenses and assets comprise items that can be directly attributed to individual segments and items that can be allocated to the individual segments on a reasonable basis.

Non-current assets in a segment comprise non-current assets used directly in the operation of the segment, including intangible assets, property, plant and equipment and investments in associates.

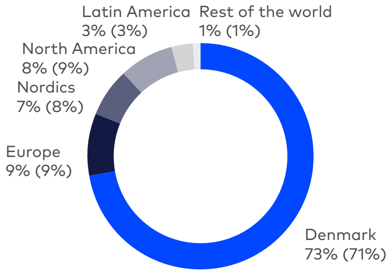
Current assets in a segment comprise current assets used directly in the operation of the segment, including inventories, trade receivables, other receivables, prepaid expenses and cash.

Transactions between segments are made on an arm's length basis

Revenue
%



Non-current assets excluding deferred tax assets
%



Section 2.2
Staff costs

DKK million	2018	2017
Wages, salaries and remuneration	**(6,457)**	(6,908)
Defined-contribution pension plans	(373)	(405)
Other social security costs	(811)	(835)
Other staff costs	(447)	(465)
Total staff costs before transfer to other items	**(8,088)**	**(8,613)**
Transferred to restructuring costs	11	81
Total staff costs	**(8,077)**	**(8,532)**
Number of employees at 31 December	32,307	36,153
FTEs	24,676	26,969

Comments
Please refer to section 2.3 for remuneration of the Board of Directors and the Executive Management.

Pension plans
The Group contributes to pension plans which cover employees in various companies of the Group. The pension plans are typically defined-contribution plans.

Average number of employees
Average number of employees (full-time equivalents) decreased by 2.293 due to the continued implementation of the new Group strategy with focus on restoring profitability by closing down certain unprofitable business activities as well as initiating restructuring of the current business setup in all Business Units. The close down of unprofitable business activities involved a number of redundancies.

Section 2.3
Remuneration of the Board of Directors and the Executive Management

	Executive Committee 1)		Other members of Executive Management 2)		Board of Directors 3)		Total	
DKK million	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Base salary	17,808	9,978	9,499	11,697	3,875	4,958	31,182	26,633
Short-term incentive plan	7,428	3,449	3,180	3,046	-	-	10,608	6,495
Long-term incentive plan 4)	7,130	3,448	1,539	1,742	-	-	8,669	5,190
Pension	-	-	1,080	926	-	-	1,080	926
Social security	18	15	43	46	-	-	61	61
Severance payment	-	4,116	316	-	-	-	316	4,116
Total	**32,384**	21,006	**15,657**	17,457	**3,875**	4,958	**51,916**	43,421

1) The members of the Executive Committee are: Jakob Riis (appointed 1 May 2017), Tor Magne Lønnum (appointed 1 September 2017) and Jakob Bomholt (appointed 1 November 2017). Morten R. Pedersen stepped down 1 May 2017. The total remuneration, excluding long-term encentive plan, of the individual members in 2018 (2017) was: Jakob Riis DKK 12,179,000 (DKK 8,115,000), Tor Magne Lønnum DKK 6,731,000 (DKK 2,221,000 million) and Jakob Bomholt DKK 6,345,000 (DKK 1,047,000). The total remuneration of Morten R. Pedersen in 2017 was DKK 6,174,000.
2) The other members of the Executive Management are: Lars Vester Pedersen, Miguel Buxó (appointed 1 June 2018), Peter Agergaard and Kaspar Bach Habersaat (appointed 1 September 2017). Jakob Bomholt was member until 1 November 2017, former EVP Jan F. Steenhard stepped down 1 April 2018 and former EVP Thomas Hinrichsen stepped down 1 June 2018.
3) In 2017, Peter Schütze received DKK 860,000 in addition to his regular board fee of DKK 750,000 for undertaking extraordinary operational responsibilities from 20 December 2016, when Allan Søgaard Larsen resigned as President and CEO until 1 May 2017 when Jakob Riis joined Falck as new President and CEO.
4) Long-term incentive plan for 2018 is based on an estimate as the programme expires at the end of 2019.

Comments
Remuneration of the Board of Directors and Executive Committee is governed by Falck's Remuneration Policy, which complies with the revised Danish Corporate Governance Code and international best practices.

Remuneration of the Board of Directors
The remuneration package for the members of the Board of Directors comprises an annual fixed fee and an annual committee membership fee. Members of the Board of Directors are not eligible for any variable pay programmes. However, employee-elected members of the Board of Directors may be covered by general incentive schemes applicable to the Group's employees.

The fixed base fee is DKK 250,000 per year. The Chairman receives 3 times the base fee and the Vice Chairman 2 times the base fee. Committee chairmanship is awarded with additionally 1 time the fixed base fee, and committee membership with 0.5 times the base fee.

Remuneration of the Executive Committee
The remuneration of the members of the Executive Committee consists of three key elements: base salary, short-term incentive plan and long-term incentive plan.

The base salary is a fixed cash compensation based on level of responsibility and performance. Level is set at the market median. The base salary is a compensation for contributing to Falck's strategic direction and agenda.

Levels are reviewed on an annual basis, and the Remuneration Committee proposes appropriate adjustments to the Board of Directors for approval.

The short-term incentive plan is a variable cash payment based on achievement of annual objectives. Its role is to drive and reward exceptional performance of Falck, and specific focused activities. The short-term incentive is targeted at the median level of the peer group. The Board of Directors reviews performance and approves annual incentive pay-out levels. Maximum level of pay-out is set at 100% of base salary for Jakob Riis, 50% for Tor Magne Lønnum and 75% for Jakob Bomholt.

The long-term incentive plan is a cash-based incentive designed to drive and reward the creation of long-term shareholder value at Falck. The Remuneration Committee evaluates the degree of achievement for each member based on input from the Group CEO. Maximum level of pay-out is set at 100% of base salary for Jakob Riis, 67% for Tor Magne Lønnum and 67% for Jakob Bomholt.

Executive Committee members do not receive pension contributions from Falck but do receive non-monetary benefits such as a company car and insurance.

Upon termination of employment by the company for any reason, including a change of control of the company, the members of the Executive Committee are not entitled to receive any severance payment except ordinary remuneration as per their employment contracts during their respective notice periods.

Section 2.4
Other operating income and expenses, net

DKK million	2018	2017
Gain from sales of assets	37	26
Other operating income	53	47
Loss from sales of assets	(3)	(1)
Other operating expenses	(2)	-
Other operating income and expenses, net	**85**	**72**

Comments
Other operating income consists of compensations received, income from sublease of premises and other non-primary income.

Section 2.5
Restructuring costs

DKK million	2018	2017
Close-down of activities	-	(18)
Redundancy and restructuring costs, etc.	(14)	(82)
Restructuring costs	**(14)**	**(100)**

Accounting policies
Restructuring costs consist of non-recurring income and expenses that the Group does not consider to be part of its ordinary operations such as restructuring projects. The use of restructuring costs entails Management judgement in the separation from the ordinary operations of the Group. When using restructuring costs, it is essential that these constitute items that cannot be attributed directly to the Group's ordinary operating activities.

Section 2.6
Income taxes

DKK million	2018	2017
Current tax	(56)	(89)
Change in deferred tax	126	280
Prior-year adjustments	(111)	(171)
Change in tax rate	-	(94)
Total income taxes	**(41)**	**(74)**
Tax on other comprehensive income	**(17)**	**45**
Total tax	**(58)**	**(29)**
Income tax paid	(137)	(174)
Breakdown of tax rate		
Total income taxes	(41)	(74)
Profit before tax	(510)	(3,529)
Impairment of goodwill	-	2,825
Income after tax from associates	-	6
Tax base for effective tax rate	**(510)**	**(698)**
Total income taxes as a percentage of profit before tax	**(8.0%)**	**(2.1%)**
Effective tax rate	**(8.0%)**	**(10.6%)**
Danish tax rate	22.0%	22.0%
Differences in foreign tax rates relative to Danish rate	(0.5%)	8.6%
Non-deductible costs	(8.0%)	(1.0%)
Non-capitalised tax losses etc.	(1.0%)	(0.6%)
Payroll tax on profit	(2.5%)	(1.5%)
Derecognition of tax assets	(23.0%)	(25.3%)
Prior-year adjustments	5.0%	(12.8%)
Effective tax rate	**(8.0%)**	**(10.6%)**

DKK million	2018	2017
Tax on other comprehensive income		
Tax on exchange rate adjustments	(12)	54
Tax on value adjustments relating to currency hedging instruments	1	(3)
Tax on value adjustments of interest hedging instruments	(6)	(6)
Total tax on other comprehensive income	**(17)**	**45**

Accounting policies
Falck A/S and the Group's Danish subsidiaries are included in national joint taxation with Lundbeckfonden (Lundbeckfond Invest A/S) and its Danish subsidiaries.

Current Danish corporation tax is allocated among the jointly taxed companies according to the taxable income of these companies.

Income tax for the year comprises current tax for the year, adjustment to previous years and changes in deferred tax. Tax is recognised in the income statement except for tax related to items recognised in other comprehensive income or directly to equity.

Tax payable and tax receivable recognised in the balance sheet include expected tax on the taxable income for the year together with prior-year adjustments.

Section 2.7
Deferred tax

DKK million	2018	2017
Deferred tax at 1 January	88	171
Exchange rate adjustment	(1)	22
Transferred to assets classified as held for sale	28	29
Net addition on acquisitions and divestments	1	1
Change in deferred tax	(126)	(382)
Change in deferred tax	(48)	(24)
Derecognition of tax assets	118	177
Change in tax rate	-	94
Deferred tax at 31 December	**60**	**88**
Deferred tax assets	(170)	(178)
Deferred tax provision	230	266
Deferred tax at 31 December	**60**	**88**
Breakdown of deferred tax		
Intangible assets	223	250
Property, plant and equipment	58	63
Current assets	(25)	(4)
Non-current liabilities and provisions	(15)	(5)
Current liabilities	(12)	(11)
Tax losses carried forward	(132)	(212)
Exchange rate adjustments recognised in equity	1	(4)
Other	(38)	11
Deferred tax at 31 December	**60**	**88**

Comments
At 31 December 2018, Falck has recognised deferred tax liabilities of DKK 60 million (2017: DKK 88 million) primarily related to the net of deferred tax on intangible assets (liabilities) and tax losses carried forward (assets).

Unrecognised deferred tax assets comprising tax losses carried forward and other deductible temporary differences, increased with DKK 118 million during the year mainly from derecognition of taxable losses in the US. Unrecognised deferred tax assets at 31 December 2018 was DKK 300 million (2017: DKK 228 million) mainly relating to the US. These deferred tax assets have not been recognised as it is not deemed probable that taxable profit will be available in the fore-seeable future against which the Group can utilise the tax losses.

Unrecognised tax losses may in the majority of cases be carried forward indefinitely in the individual countries.

The Group does not have a material liability for withholding taxes in connection with potential dividend payments from subsidiaries.

Accounting policies
Deferred tax arises from all timing differences between the accounting and the taxable value of assets and liabilities and from realisable tax loss carried forward.

The tax value of tax losses carried forward are included in deferred tax assets to the extent that these are expected to be utilised in future taxable income.

When alternative tax rules can be applied, deferred tax is measured based on planned use of the asset or settlement of the liability, respectively.

Deferred tax assets are recognised under other non-current assets at the expected value of their utilisation, either as a set-off against tax on future income or as a set-off against deferred tax liabilities within the same legal tax entity and jurisdiction. Deferred tax assets and liabilities are offset within the same legal tax entity or jurisdiction.

The deferred income taxes are measured according to current tax rules and at the tax rates assumed in the year the assets are expected to be utilised. Deferred tax assets are measured at the value at which they are expected to be realised.

Deferred tax is measured using the tax rate expected to apply when timing differences are reversed. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement.

Section 3:
Net operating assets

Section 3.1
Intangible assets

2018 DKK million	Goodwill	Customer contracts	Brands	Software and other intangible assets	Total
Cost at 1 January 2018	9,311	3,044	514	720	13,589
Exchange rate adjustment	3	5	-	(3)	5
Additions on acquisitions	-	6	-	-	6
Additions	-	-	-	108	108
Disposals on divestments	(98)	(45)	-	(1)	(144)
Disposals and reclassifications	(30)	(9)	-	(29)	(68)
Transferred to assets classified as held for sale	(397)	(29)	-	(4)	(430)
Cost at 31 December 2018	**8,789**	**2,972**	**514**	**791**	**13,066**
Impairment and amortisation at 1 January 2018	(2,825)	(2,555)	-	(360)	(5,740)
Exchange rate adjustment	(10)	(2)	-	1	(11)
Disposals on divestments	45	39	-	-	84
Disposals and reclassifications	30	9	-	21	60
Impairment and amortisation	-	(232)	-	(219)	(451)
Transferred to assets classified as held for sale	-	26	-	2	28
Impairment and amortisation at 31 December 2018	**(2,760)**	**(2,715)**	**-**	**(555)**	**(6,030)**
Carrying amount at 31 December 2018	**6,029**	**257**	**514**	**236**	**7,036**

Comments

The acquisitions of goodwill and customer contracts have primarily been made to achie-ve synergies with existing business units, to further develop existing markets and to establish a presence on new markets. Except for goodwill and the value of brands in the amount of DKK 514 million, all intangible assets are deemed to have a definite life.

The Falck brand is considered to have an indefinite useful life since there is no foreseeable limit to the period over which the brand is expected to generate net cash inflows.

Software and other intangible assets are mainly related to operational systems in Assistance and implementation of new dispatch systems in Ambulance.

Impairment and amortisation of software include impairment of DKK 120 million mainly related to a new customer handling system within Healthcare.

Section 3.1
Intangible assets (continued)

2017 DKK million	Goodwill	Customer contracts	Brands	Software and other intangible assets	Total
Cost at 1 January 2017	10,617	3,410	514	717	15,258
Exchange rate adjustment	(216)	(92)	-	(16)	(324)
Additions	14	10	-	139	163
Revaluation of put options and earn-outs relating to acquisitions made before 1 January 2010	4	-	-	-	4
Disposals and reclassification	(13)	(19)	-	(90)	(122)
Transferred to assets classified as held for sale	(1,095)	(265)	-	(30)	(1,389)
Cost at 31 December 2017	**9,311**	**3,044**	**514**	**720**	**13,589**
Impairment and amortisation at 1 January 2017	(715)	(2,626)	-	(266)	(3,607)
Exchange rate adjustment	26	75	-	11	112
Disposals and reclassification	2	19	-	72	93
Impairment and amortisation	(2,825)	(270)	-	(201)	(3,296)
Transferred to assets classified as held for sale	687	247	-	24	958
Impairment and amortisation at 31 December 2017	**(2,825)**	**(2,555)**	**-**	**(360)**	**(5,740)**
Carrying amount at 31 December 2017	**6,486**	**489**	**514**	**360**	**7,849**

Section 3.1
Intangible assets (continued)

Accounting policies
Intangible assets
Goodwill is recognised in the balance sheet at cost on initial recognition as described in section 4.1. Goodwill is subsequently measured at cost less accumulated impairment losses. Goodwill is not amortised.

Intangible assets acquired on acquisition are measured at cost less accumulated amortisation and impairment losses. Intangible assets acquired on acquisitions are amortised over the expected economic life, estimated to be 3 to 10 years.

Other intangible assets are measured at costs less accumulated impairment, amortisation and depreciation.

Costs include the purchase price and costs directly or indirectly attributable to bringing the asset to its intended use.

Other intangible assets mainly include software. Software is amortised on a straightline basis over the expected economic life, estimated to be 3 to 5 years.

Goodwill and other intangible assets with indefinite lives are tested for impairment annually or whenever there is an indication of impairment while intangible assets with finite lives are tested when there is an indication of impairment.

If a write-down is required, the carrying amount is written down to the higher of net selling price and value in use. The value in use is calculated based on the estimated future cash flows, discounted by using a pre-tax discount rate.

Section 3.2
Impairment tests

Comments
Goodwill
The impairment test for 2018 did not result in recognition of any impairment losses on goodwill and other intangible assets.

In 2017, an impairment loss on goodwill of DKK 2,825 million was recognised related to Ambulance. The impairment loss within Ambulance was primarily related to significant challenges in North America and Germany as well as declining EBITA margins in several markets.

Falck's cash-generating units (CGUs)
Impairment tests are generally carried out per business segment which is the lowest level of cash-generating units (CGUs) to which the carrying amount of intangibles, i.e. goodwill, customer contracts and brands, can be allocated and monitored with any reasonable certainty.

Impairment tests are carried out on the business segments Ambulance, Assistance and Healthcare, and on the CGUs within the Portfolio Business segment, Global Assistance and Industrial Fire Services.

Discontinued operations
In 2018, goodwill of DKK 397 million related to Healthcare non-core activities was allocated to discontinued operations using a relative value approach within the total Healthcare segment. Healthcare non-core activities are valued at fair value less costs to sell, as the Board of Directors has initiated a process to divest the activities. The valuation is based on the expected fair value less costs to sell exceed the carrying amount of assets and liabilities classified as held for sale. Please see section 4.4 for information on assets classified as held for sale.

Key assumptions in the impairment test
Goodwill is tested for impairment at least once a year, and more frequently if there are indications of impairment. The recoverable amounts for the CGUs are determined on the basis of the value-in-use. In the impairment tests, the discounted values of the future net cash flows of each of the CGUs value-in-use are compared with their carrying amounts.

As a result of the nature of Falck's business, expected cash flows must be estimated over a period of a number of years, which inherently results in some degree of uncertainty.

Value-in-use cash flow projections for Ambulance, Assistance, Healthcare, Global Assistance and Industrial Fire Services are based on financial forecasts for 2019 approved by the Executive Committee.

The value-in-use is established using certain key assumptions described below. The key assumptions are revenue growth, EBITA margin, discount rates and terminal growth rates.

Section 3.2
Impairment tests (continued)

Revenue growth
Revenue growth projections in the financial forecast for 2019 are estimated on the basis of the current operations and the expected market development for the individual CGUs.

For Ambulance and Portfolio Businesses the current development supports revenue growth in the forecasting period (2019 to 2023) in line with the terminal growth expectations.

Assistance is affected by the changes taking place in the automobile market towards fewer private roadside assistance subscriptions, and increase in roadside assistance programmes offered by car manufacturers. Revenue is expected to decrease from 2019 to 2023.

Healthcare is affected by the current transformation including pruning and renegotiation of large contracts. Consequently, revenue is expected to decrease from 2019 to 2020, and increase from 2021 to 2023.

EBITA margin
When estimating the CGU's EBITA margin in the financial forecast for 2019, past experience and improvements from Falck's efficiency and cost optimisation programme are taken into consideration. In total, Falck expects the efficiency and cost optimisation programme to improve EBITA by more than DKK 500 million from 2017 to 2019.

EBITA in Ambulance has improved significantly in 2018, primarily due to cost optimisation initiatives and contract pruning. Improvements are expected to continue in 2019, where the initiatives will have full run-rate effect combined with the effect of new operating models.

Current performance in Healthcare is impacted by the large transformation, i.e. non-recurring costs, transition costs etc. Forecast in 2019 is based on significant improvement in underlying performance, driven by large cost-out initiatives and renegotiation of contracts. Further structural initiatives regarding operations and contract portfolio are initiated impacting 2019 to 2020.

Discount rates and terminal growth
The discount rates applied are generally based on the cost of capital applicable for Falck, but interest premiums have been added to reflect different market risks within the countries and markets in which the CGUs operate. The market risk premium is based on observed market data and is calculated as the average of the equity risk premiums and country risk premiums and the global split of revenue within the CGUs.

Terminal growth rates do not exceed the expected long-term rate for inflation based on a weighted average for the countries in which the CGU operates.

Software and other intangible assets
Impairment of software and other intangible assets of DKK 120 million is mainly related to a customer handling system in Healthcare.

Section 3.2
Impairment tests (continued)

Carrying amounts and key assumptions

The carrying amount of goodwill, customer contracts and brands, and the key assumptions used in the impairment testing as per 31 December are presented below for each CGU:

	Carrying amount				Forecasting period		Terminal period		Applied discount rate	
2018 DKK million	Goodwill	Customer contracts	Brands	Total	Total Growth (avg.)	Margin (avg.)	Growth	EBITA margin	After tax	Pre-tax
Ambulance	2,032	136	514	2,682	1.8%	5.0%	1.8%	5.0%	7.2%	10.4%
Assistance	2,723	119	-	2,842	(5.0%)	15.2%	0.5%	15.2%	6.4%	8.6%
Healthcare	782	1	-	783	1.6%	4.1%	1.6%	5.0%	6.5%	8.4%
Portfolio Businesses										
Industrial Fire Services	389	1	-	390	1.8%	5.6%	1.8%	6.0%	8.5%	11.3%
Global Assistance	103	-	-	103	1.8%	5.2%	1.8%	5.2%	7.0%	9.5%
Total	**6,029**	**257**	**514**	**6,800**						

	Carrying amount				Forecasting period		Terminal period		Applied discount rate	
2017 DKK million	Goodwill	Customer contracts	Brands	Total	Total Growth (avg.)	Margin (avg.)	Growth	EBITA margin	After tax	Pre-tax
Ambulance	2,057	226	514	2,797	2.2%	3.3%	2.2%	3.5%	7.8%	11.1%
Assistance	2,730	239	-	2,969	(1.1%)	9.4%	0.5%	7.9%	6.9%	9.0%
Healthcare	1,188	23	-	1,211	1.8%	4.3%	1.8%	4.3%	6.9%	9.0%
Portfolio Businesses										
Industrial Fire Services	409	1	-	410	2.2%	6.7%	2.2%	6.7%	8.5%	11.3%
Global Assistance	102	-	-	102	2.1%	4.2%	2.1%	4.2%	7.1%	9.5%
Total	**6,486**	**489**	**514**	**7,489**						

Impairment of goodwill

DKK million	**2018**	2017
Impairment losses identified in impairment tests, Ambulance	-	2,825
Impairment of goodwill	**-**	**2,825**

Section 3.2
Impairment tests (continued)

Sensitivity test

	Forecasting period				Terminal period				Discount rate (after tax)	
	Growth		Margin		Growth		Margin			
2018 DKK million	Applied avg. rate	Allowed decrease	Applied avg. rate	Allowed decrease	Applied long-term rate	Allowed decrease	Applied long-term	Allowed decrease	Applied rate	Allowed increase
Ambulance	1.8%	12.1%	5.0%	1.9%	1.8%	4.7%	5.0%	2.3%	7.2%	3.2%
Assistance	(5.0%)	13.6%	15.2%	6.1%	0.5%	7.5%	15.2%	7.9%	6.4%	4.7%
Healthcare	1.6%	8.3%	4.1%	0.8%	1.6%	1.6%	5.0%	1.2%	6.5%	1.3%
Portfolio Businesses										
Industrial Fire Services	1.8%	3.8%	5.6%	0.5%	1.8%	0.9%	6.0%	0.8%	8.5%	0.7%
Global Assistance	1.8%	13.8%	5.2%	2.3%	1.8%	4.4%	5.2%	2.6%	7.0%	3.1%

	Forecasting period				Terminal period				Discount rate (after tax)	
	Growth		Margin		Growth		Margin			
2017 DKK million	Applied avg. rate	Allowed decrease	Applied avg. rate	Allowed decrease	Applied long-term rate	Allowed decrease	Applied long-term	Allowed decrease	Applied rate	Allowed increase
Ambulance	2.2%	0.0%	3.5%	0.0%	2.2%	0.0%	3.5%	0.0%	7.8%	0.0%
Assistance	(1.1%)	1.8%	9.4%	0.9%	0.5%	0.9%	7.9%	1.0%	6.9%	0.9%
Healthcare	1.8%	1.6%	4.3%	1.0%	1.8%	1.6%	4.3%	1.0%	6.9%	1.7%
Portfolio Businesses										
Industrial Fire Services	2.2%	1.2%	6.7%	1.1%	2.2%	1.2%	6.7%	1.1%	8.5%	1.2%
Global Assistance	2.1%	0.8%	4.2%	0.6%	2.1%	0.8%	4.2%	0.6%	7.1%	0.9%

Comments

A sensitivity analysis on the key assumptions in the impairment testing is presented in the table.

The allowed change represents the percentage points by which the value assigned to the key assumption may change, all other things being equal, before the CGUs recoverable amount equals its carrying amount.

Due to the relative size of cash flows within Healthcare, Global Assistance and Industrial Fire Services, they are sensitive to changes.

Section 3.3
Property, plant and equipment

2018 DKK million	Land and buildings	Leasehold improve-ments	Fixtures, fittings, tools and equipment	Total
Cost at 1 January 2018	464	191	1,157	1,812
Exchange rate adjustment	-	(2)	19	17
Additions	121	11	125	257
Disposals on divestments	(66)	(3)	(48)	(117)
Disposals and reclassification	(126)	(30)	(331)	(487)
Transferred to assets classified as held for sale	-	(2)	(15)	(17)
Cost at 31 December 2018	**393**	**165**	**907**	**1,465**
Impairment and depreciation at 1 January 2018	(63)	(51)	(253)	(367)
Exchange rate adjustment	-	1	(6)	(5)
Disposals on divestments	1	3	27	31
Disposals and reclassification	54	29	320	403
Impairment and depreciation	(43)	(50)	(350)	(443)
Transferred to assets classified as held for sale	-	1	9	10
Impairment and depreciation at 31 December 2018	**(51)**	**(67)**	**(253)**	**(371)**
Carrying amount at 31 December 2018	**342**	**98**	**654**	**1,094**
of which assets under construction	-	-	2	2
of which assets held under finance leases	-	-	198	198

Comments
In 2018, depreciations increased by DKK 35 million compared to last year as a result of change in accounting estimates related to useful lives.

Accounting policies
Property, plant and equipment
Land and buildings are measured at cost less accumulated depreciation and impairment of buildings. Cost includes direct costs related to the asset and the initial estimate of the costs related to dismantling and removing the item and restoring the site on which it is located, if the costs meet the definition of a liability. Where an item of property, plant and equipment have different useful lives, they are accounted for as separate items.

Property, plant and equipment is tested when there is an indication of impairment. If a write-down is required, the carrying amount is written down to the higher of net selling price and value-in-use. The value-in-use is calculated based on estimated future cash flows, discounted by using a pre-tax discount rate.

Depreciation of buildings is calculated on a straight-line basis over the expected useful lives of the assets, estimated to be between 25 and 33 years. Certain installations are depreciated over 10 years.

Section 3.3
Property, plant and equipment (continued)

2017 DKK million	Land and buildings	Leasehold improve-ments	Fixtures, fittings, tools and equipment	Total
Cost at 1 January 2017	671	239	1,987	2,897
Exchange rate adjustment	(22)	(12)	(162)	(196)
Additions	43	42	249	334
Disposals on divestments	(1)	-	(1)	(2)
Disposals and reclassification	(22)	(12)	(343)	(377)
Transferred to assets classified as held for sale	(205)	(66)	(573)	(844)
Cost at 31 December 2017	**464**	**191**	**1,157**	**1,812**
Impairment and depreciation at 1 January 2017	(119)	(65)	(753)	(937)
Exchange rate adjustment	10	6	100	116
Disposals and reclassification	-	7	308	315
Impairment and depreciation	(37)	(29)	(349)	(415)
Transferred to assets classified as held for sale	83	30	441	554
Impairment and amortisation at 31 December 2017	**(63)**	**(51)**	**(253)**	**(367)**
Carrying amount at 31 December 2017	**401**	**140**	**904**	**1,445**
of which assets under construction	42	-	13	55
of which assets held under finance leases	12	-	260	272

Leasehold improvements are depreciated on a straight-line basis over the term of the lease.

Other fixtures and fittings, tools and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets.

The expected useful lives in years are:

Vehicles	5-12
Medical equipment	3-10
IT equipment	3-5
Fire extinguishers and similar equipment installed at customer locations	3-5

Assets held under finance leases are recognised under property, plant and equipment and measured at the lower of the fair value and value-in-use of the future lease payments at the inception of the lease. Assets held under finance leases are depreciated over the estimated useful lives of the assets.

Gains and losses on the disposal or scrapping of property, plant and equipment are determined as the difference between the sales price less dismantling, selling and re-establishing costs and the carrying amount. Gains and losses are recognised in the income statement as other operating income and external expenses, respectively

Section 3.4
Contract assets

DKK million	2018	2017
Contract assets (not invoiced)	488	-
Contract assets impairments	(17)	-
Total contract assets	**471**	**-**
Expected loss rate	4%	-

Comments
The implementation of IFRS 15 has resulted in changed presentation of contract assets.

Contract assets relate to Falck's right to consideration for the completed services which have not been invoiced at the reporting date. Contract assets are transferred to trade receivables when the rights become unconditional.

Accounting policies
Contract assets are recognised at amortised cost.

Impairments for lifetime expected credit losses (ECL), are recognised in the income statement upon initial recognition of the receivable. The expected credit losses are calculated on the portfolio of receivables grouped by credit risk characteristics. A provision matrix is established based on historical development in contract assets and the historical credit losses, adjusted for forward-looking factors specific to the debtors and the economic environment.

The expected credit losses are recognised in other external costs.

Section 3.5
Contract liabilities

DKK million	2018	2017
Stepped-pricing contracts	49	-
Prepayments	1,154	-
Total contract liabilities	**1,203**	**-**
Classification of contract liabilities by expected maturity		
Within 1 year	1,154	-
More than 1 year	49	-
Total contract liabilities	**1,203**	**-**
Revenue recognised in the period from amounts included in contract liabilities at the beginning of the period	1,356	-
Revenue recognised in the year from performance obligations satisfied in previous years	(16)	-

Comments
The implementation of IFRS 15 has resulted in changed presentation of contract liabilities.

Accounting policies
Stepped-pricing contracts
Predetermined price reductions are recalculated in the transaction price, where the service is transferred over time, and are recognised at the same average consideration over the term of the contract.

Prepayments
When a customer pays consideration in advance before transferring of the services, the amount received is recognised as prepayments in contract liabilities. The prepayments mainly include accrued subscriptions and prepayment according to contracts.

Section 3.6
Trade receivables

DKK million	Expected loss rate % (2018)	Trade receivables (2018)	Expected loss (2018)	Total (2018)	Total (2017)
Not due	2%	807	(17)	790	-
Overdue 1 to 30 days	12%	296	(35)	261	-
Overdue 31 to 90 days	27%	218	(58)	160	-
Overdue 91 to 180 days	32%	165	(53)	112	-
More than 181 days	42%	135	(57)	78	-
Total trade receivables		**1,621**	**(220)**	**1,401**	**2,111**

DKK million	2018	2017
Impairments at 1 Januar	418	455
Change in accounting policies (IFRS 9)	28	-
Adjusted impairments at 1 January	446	455
Exchange rate adjustments	17	(51)
Impairments added	713	719
Impairments used	(956)	(694)
Transferred to assets classified as held for sale	-	(11)
Total impairments at 31 December	**220**	**418**

Comments
The implementation of IFRS 15 has resulted in changed presentation of trade receivables as contract assets is presented seperately.

Falck has significant trade receivables related to government, insurance and private payers.

In 2018, trade receivables are affected by the implementation of the expected credit loss (ECL) model whereby an allowance is recog-nised at initial recognition of the receivable.

Accounting policies for Ambulance in the United States have been changed with the adoption of IFRS 15 to "cash accounting" for patients without insurance or aid from Federal/State programmes, as they often do not pay for the services provided. In cash accounting revenue is recognised when the customer pays for a service. Consequently, gross trade receivables and impairments were impacted negatively by DKK 299 million and DKK 294 million respectively, and EBITA was impacted negatively by DKK 5 million.

Accounting policies
Trade receivables are recognised at amortised cost.

Impairments for lifetime expected credit losses (ECL), are recognised in the income statement upon initial recognition of the receivable. The expected credit losses are calculated on the portfolio of receivables grouped by shared credit risk characteristics. A provision matrix is established based on historical development in trade receivables and the historical credit losses, adjusted for forward-looking factors specific to the debtors and the economic environment.

The expected credit losses are recognised in other external costs.

Section 3.7
Other receivables

DKK million	**2018**	2017
Receivables from associates	31	38
Rent deposits	23	25
Receivables from sale of companies	83	11
Employee-related receivables	15	14
Reimbursement costs	20	51
Other receivables	68	80
Total other receivables	**240**	**219**
Classification of other receivables by expected maturity		
Within 1 year	190	176
More than 1 year	50	43
Total other receivables	**240**	**219**

Comments
Other receivables increased by DKK 21 million from DKK 219 million at 31 December 2017, primarily due to sale of companies.

Section 3.8
Other payables

DKK million	**2018**	2017
Holiday pay, wages, etc.	717	789
Employee income taxes, etc.	109	132
VAT	97	122
Derivative financial instruments	12	33
Payables to associates	31	15
Prepayments from customers	-	1,356
Deposits from customers	198	188
Other	104	93
Total other payables	**1,268**	**2,728**
Classification of other payables by expected maturity		
Within 1 year	1,258	2,699
More than 1 year	10	29
Total other payables	**1,268**	**2,728**

Comments
Other payables decreased by DKK 1,460 million from DKK 2,728 million at 31 December 2017. The main reason is a reclassification of prepayments from customers to be presented as contract liabilities.

Section 3.9
Provisions

2018 DKK million	Put options	Outstanding considerations and earn-outs	Occupational injuries	Pension obligations	Other	Total
Provisions at 1 January 2018	219	34	28	11	85	377
Exchange rate adjustment	2	-	1	-	-	3
Provisions added	-	81	27	-	57	165
Additions on acquisitions	-	1	-	-	-	1
Disposals on divestments	(42)	-	-	-	-	(42)
Provisions used	(25)	(33)	(16)	(1)	(55)	(130)
Unused provisions, reversed	-	-	(16)	-	(15)	(31)
Dividends paid and other adjustments	(3)	-	-	-	-	(3)
Adjustments and interest recognised in equity relating to business combinations	(16)	-	-	-	-	(16)
Reclassified to and from other balance sheet acounts	-	-	-	1	18	19
Provisions at 31 December 2018	**135**	**83**	**24**	**11**	**90**	**343**
Classification of provisions by expected maturity						
Within 1 year	135	73	7	1	28	244
Between 1 and 5 years	-	10	17	3	49	79
More than 5 years	-	-	-	7	13	20
Provisions at 31 December 2018	**135**	**83**	**24**	**11**	**90**	**343**

Comments
In 2014, Healthcare was merged with Previa and Quick Care owned by TryghedsGruppen. The purchase price for TryghedsGruppen's acquisition of shares in Falck Health Care Holding is subject to an adjustment based on performance in 2018 at the latest.

The adjustment is expected to be settled in transfer of shares in Falck Health Care Holding in 2019. The expected adjustment of DKK 72 million is recognised in Outstanding considerations and earn-outs.

Section 3.9
Provisions (continued)

2017 DKK million	Put options	Outstanding considerations and earn-outs	Occupational injuries	Pension obligations	Other	Total
Provisions at 1 January 2017	821	64	46	21	57	1,009
Exchange rate adjustment	(52)	-	(5)	(1)	(3)	(61)
Provisions added	-	-	51	-	85	136
Additions on acquisitions	-	5	-	-	-	5
Provisions used	(355)	(35)	(64)	(7)	(50)	(511)
Interest element on discounted liabilities	7	-	-	-	-	7
Dividends paid and other adjustments	(22)	-	-	-	-	(22)
Adjustments recognised in goodwill relating to business combinations	4	-	-	-	-	4
Adjustments and interest recognised in equity relating to business combinations	(71)	-	-	-	-	(71)
Transferred to assets classified as held for sale	(113)	-	-	(2)	(4)	(119)
Provisions at 31 December 2017	**219**	**34**	**28**	**11**	**85**	**377**
Classification of provisions by expected maturity						
Within 1 year	144	34	11	3	68	260
Between 1 and 5 years	75	-	16	1	15	107
More than 5 years	-	-	1	7	2	10
Provisions at 31 December 2017	**219**	**34**	**28**	**11**	**85**	**377**

Section 3.9
Provisions (continued)

Accounting policies
Put options and outstanding considerations and earn-outs
In connection with Falck assuming an obligation to acquire non-controlling interests, a concurrent right was obtained for Falck to acquire the same non-controlling interests in the agreed period.

The consideration for obligations and rights to acquire non-controlling interests is determined on the basis of profit before exercise multiplied by an already agreed multiple, typically less net debt in the relevant companies. On recognition in the balance sheet, this liability is made up on the basis of earnings and net debt at the time when the non-controlling interests are expected to exercise their right to sell their shares to Falck.

The calculated liability typically assumes an increase in earnings and a decrease in net debt in the relevant companies as compared with the value recognised in the financial statements.

Occupational injuries
Provisions for retained risks related to occupational injuries are recognised at the time of the claim and include an estimate of claims incurred but not reported based on actuarial calculations.

Provisions
Provisions are recognised when, as a consequence of an event occurring before or on the balance sheet date, the Group has a legal or constructive obligation and it is probable that an outflow of resources will be required to settle the obligation. The amount recognised as a provision is Management's best estimate of the present value of expenses required to settle the obligation.

Provisions for restructuring are recognised when a detailed, formal plan for the restructuring has been made before or on the balance sheet date and has been announced to the parties involved.

A provision for onerous contracts is made when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Section 4:
Acquisitions and divestments

Section 4.1
Acquisitions

DKK million	**2018**	2017
Assets		
Intangible assets	6	6
Cash	-	6
Equity and liabilities		
Current liabilities, provisions, etc.	-	(5)
Deferred tax	(1)	-
Non-controlling interests	-	(3)
Net assets acquired	**5**	**4**
Goodwill	-	5
Purchase price	**5**	**9**
Adjustment for cash and cash equivalents acquired	-	(6)
Consideration relating to prior-year acquisitions	50	395
Transaction costs related to acquisitions	-	11
Cash consideration for acquisitions	**55**	**409**

Comments
No significant acquisitions have been made during 2018 and 2017.

In 2017, consideration related to proir year include acquisition of the remaining 36.9% of the shares in Grupo Emi from the partner in Latin America, Tribeca Homecare Fund.

Section 4.1
Acquisitions (continued)

Accounting policies
Business combinations
Companies acquired or established are included in the period in which Falck has control of the company. Comparative figures are not adjusted to reflect acquisitions. Acquisitions of subsidiaries or associates are accounted for applying the acquisition method, according to which assets, liabilities and contingent liabilities of companies acquired are measured at their fair value at the date of acquisition. The acquisition date is the date on which Falck obtains control in the acquired company. Identifiable intangible assets are recognised if they are separable or derive from a contractual right. Deferred tax on revaluations is recognised.

Goodwill on acquisition of subsidiaries or associates is calculated as the difference between the fair value of the consideration and the fair value of the group companies' proportionate share of the identifiable assets less liabilities and contingent liabilities at the date of acquisition.

If part of the consideration is contingent on future events, that part is recognised at its fair value at the date of acquisition. In cases where the fair value of acquired identifiable assets, liabilities or contingent liabilities subsequently turns out to differ from the values calculated at the date of acquisition, the calculation, including goodwill, is adjusted until up to 12 months after the date of acquisition. The effect of the adjustments is recognised in the opening equity, and the comparative figures are restated accordingly. Goodwill is not adjusted subsequently except in the event of material errors.

Put options issued to minority shareholders in connection with acquisitions for them to sell their remaining shares to Falck, at a value contingent on future events, will be recognised as part of the consideration at the date of acquisition. The put options issued are subsequently measured at the present value of the expected exercise price. Any changes in the value of the issued put options after initial recognition are recognised in equity.

Acquisition costs and the interest element of discounting are recognised in the income statement.

Goodwill is not amortised but is tested for impairment at least once a year. On acquisition, goodwill is allocated to the cash generating units which will subsequently form the basis for future impairment tests. Any changes in the fair value of the contingent consideration after initial recognition is recognised in the income statement.

In connection with acquisitions, an assessment is made of the value of the customer agreements, framework agreements and customer portfolios taken over. The valuation thereof is based on the Multi-Period Excess Earnings Method (MEEM method) in which the value is calculated on the basis of an expected future cash flow. The principal assumptions are expected lives of the existing agreements and portfolios, earnings and contribution for using associated assets and employees.

Section 4.2
Divestments

Gains/losses from divestments of enterprises

DKK million	**2018**	2017
Assets		
Goodwill	53	11
Other intangible assets	7	1
Property, plant and equipment	86	2
Current assets	39	2
Cash and cash equivalents	38	-
Equity and liabilities		
Deferred tax	(2)	-
Provisions	(42)	(7)
Current liabilities	(56)	-
Net assets divested	**123**	**9**
Gain from divestment of business, net	(44)	5
Sales price	**79**	**14**
Adjustment for cash and cash equivalents divested	(38)	(2)
Sales price receivable	(29)	(5)
Transaction costs	(12)	-
Cash flow from divestment of subsidiaries and operations	**-**	**7**

Comments

In 2018, Falck divested its shares in 9Lives in Finland, First Ambulances in Malaysia, Falck Fire Academy in the Netherlands, and three minor ambulance companies in Switzerland.

A total loss on divestment of enterprises including transaction costs of DKK 56 million was recognised in the income statement.

In 2017, no significant divestments were made.

Accounting policies
Business combinations

Companies divested or discontinued are recognised in the income statement until the date of divestment or discontinuation. Divested activities are shown separately as discontinued operations.

Gains or losses on divestment or winding up of subsidiaries and associates are stated as the difference between the sales or disposal amount and the carrying amount of the net assets, including goodwill at the time of sale, accumulated foreign exchange adjustments recognised in other comprehensive income and anticipated disposal costs. The disposal amount is measured as the fair value of the consideration received. In addition, any retained non-controlling interests are measured at fair value. Gains or losses on the disposal and the effect of renewed measurement of any retained non-controlling interests are recognised in the income statement.

Section 4.3
Discontinued operations

Profit for the year from discontinued operations

DKK million	2018	2017
Revenue	1,422	1,630
Other operating income and expenses, net	2	14
Cost of sales and external assistance	(167)	(178)
Other external costs	(238)	(358)
Staff costs	(912)	(991)
Depreciation, amortisation and impairment	(2)	(64)
Operating profit before other items (EBITA)	**105**	**53**
Restructuring costs	-	(43)
Amortisation of customer contracts	(1)	(19)
Operating profit (EBIT)	**104**	**(9)**
Financial income and expenses, net	(5)	(58)
Profit before tax	**99**	**(67)**
Income taxes	(31)	(12)
Profit for the year	**68**	**(79)**
Loss on divestment of discontinued operations	(432)	-
Profit for the year from discontinued operations	**(364)**	**(79)**

Cash flows from discontinued operations

DKK million	2018	2017
Cash flows from operating activities	62	70
Cash flows from investing activities	(144)	(28)
Cash flows from financing activities	(106)	-
Cash consideration from divestment of discontinued operations	404	(46)
Cash flows from discontinued operations	**216**	**(4)**

Gains/losses from divestments of discontinued operations

DKK million	2018	2017
Consideration received	537	-
Deferred payment	50	-
Sales price for discontinued operations	587	-
Net assets divested	(902)	-
Reclassification of exchange rate adjustment from divestment of discontinued operations	(102)	-
Transaction costs	(15)	-
Loss on divestments of discontinued operations	**(432)**	**-**
Net assets divested		
Assets		
Goodwill	415	-
Other intangible assets	30	-
Property, plant and equipment	335	-
Deferred tax assets	41	-
Current assets	246	-
Cash and cash equivalents	118	-
Liabilities		
Non-controlling interests	(49)	-
Deferred tax	(8)	-
Provisions	(28)	-
Current liabilities	(198)	-
Net assets divested	**902**	**-**
Loss on divestment of discontinued operations	(330)	-
Sales price receivable	(50)	-
Adjustment for cash and cash equivalents divested	(118)	-
Cash consideration from divestment of discontinued operations	**404**	**-**

Section 4.3
Discontinued operations (continued)

Comments
Falck Safety Services and Healthcare non-core activities are presented as discontinued operations.

The profit for the period and cash flows from discontinued operations are disclosed separately in the income statement and in the statement of cash flows. The comparative figures for 2017 have been restated in both statements. The classification as discontinued operations entails that assets and liabilities are disclosed separately from other assets and liabilities in the balance sheet. See section 4.4.

Divestment of Falck Safety Services
On 20 September 2018, Falck divested Falck Safety Services to the Danish private equity company - Polaris.

The consideration paid consists of a cash payment of DKK 534 million and an interest-bearing deferred payment of DKK 50 million falling due in 2019. A loss on the divestment of DKK 408 was recognised in profit for the period from discontinued operations.

Cash flows from investing activities comprise considerations related to prior-year acquisitions in Malaysia and Thailand for a net amount of DKK 94 million.

Divestment of Danish medical clinics
On 25 September 2018, Falck divested its Danish medical clinics and associated businesses (Falck Lægehuse, Sirculus and Vikteam).

The consideration consists of a cash payment of DKK 3 million. A loss on the divestment of DKK 24 million was recognised in profit for the year from discontinued operations.

Section 4.4
Assets classified as held for sale

Assets classified as held for sale

(DKK million)	**2018**	2017
Intangible assets	397	433
Property, plant and equipment	3	292
Deferred tax assets	-	61
Inventories	-	2
Contract assets	8	-
Trade receivables	88	130
Other receivables	2	27
Income tax receivable	-	11
Prepayments	2	12
Cash and cash equivalents	7	131
Assets classified as held for sale	**507**	**1,099**
Deferred tax	-	(32)
Loans	-	(29)
Trade payables	(17)	(57)
Income taxes	(9)	(10)
Provisions	-	(119)
Contract liabilities	-	-
Other payables	(70)	(80)
Liabilities relating to assets classified as held for sale	**(96)**	**(327)**
Net assets classified as held for sale	**411**	**772**

Comments
Assets and liabilities classified as held for sale relate to Falck Safety Services and Healthcare non-core activities, which are disclosed as discontinued operations.

In 2018, Falck divested Falck Safety Services and its Danish medical clinics and associated businesses (Falck Lægehuse, Sirculus and Vikteam). See section 4.3.

Accounting policies
Assets classified as held for sale comprise assets and liabilities for which it is highly probable that the value will be recovered through a sale within 12 months rather than through continued use.

Assets and liabilities classified as held for sale are measured at the lower of the carrying amount and fair value less cost to sell at the classification date as "held for sale". Assets held for sale are not depreciated. Impairment losses arising on first classification as "held for sale" and gains and losses from the subsequent measurement is recognised in the income statement under the items they concern.

Section 5:
Capital structure, cash flows and financial items

Section 5.1
Equity

Treasury shares	Number of shares 2018	Number of shares 2017	Nominal value DKK (thousand) 2018	Nominal value DKK (thousand) 2017	% of share capital 2018	% of share capital 2017
Treasury shares at 1 January	13,352	13,352	13	13	0.02	0.02
Additions	-	-	-	-	-	-
Treasury shares at 31 December	**13,352**	**13,352**	**13**	**13**	**0.02**	**0.02**

Profit for the year is attributable to DKK million	**2018**	2017
Shareholders in Falck A/S	(906)	(3,899)
Non-controlling interests	(27)	9
Total	**(933)**	**(3,890)**

Comments
Share capital
The share capital is divided into 81,445,955 shares (2017: 81,445,955 shares) with a nominal value of DKK 1.00 each. In 2017, the share capital increased by DKK 14,493,610 where subordinated shareholder loans were converted to equity in May 2017 and capital injection in June 2017.

No shares are subject to special rights or restrictions on voting rights. The shares are fully paid up and are not divided into classes. Falck is generally not subject to any capital requirements other than usual statutory requirements.

Falck monitors and manages its capital structure with a view to ensuring that it can meet its financing obligations. No changes have been made to Falck's management of capital as compared with 2017.

Treasury shares
The portfolio of treasury shares was acquired in connection with purchase of shares from minority shareholders.

Capital management
At 31 December 2018 the Group is mainly funded by equity totalling DKK 2,207 million (2017: DKK 3,130 million), shareholder loans of DKK 2,220 million (2017: DKK 2,008 million) and syndicated loans of DKK 3,344 million. (2017: DKK 4,016 million).

In 2019, the subordinated shareholder loans including interest are expected to be converted to equity.

Falck's objective is to maintain sufficient headroom to the covenant ratios and to reduce the leverage ratio during 2019.

In order to obtain this objective, no dividends (2017: DKK 0 million) will be paid for 2018 by Falck A/S.

Section 5.2
Cash and cash equivalents and securities

DKK million	**2018**	2017
Cash, available	1,061	1,050
Bank overdrafts that are part of the ongoing cash management	(3)	(41)
Cash and cash equivalents at 31 December	**1,058**	**1,009**
Cash can be specified as follows:		
Cash, available	1,058	1,009
Cash at 31 December	**1,058**	**1,009**
Securities can be specified as follows:		
Securities, not available for use, other	73	68
Securities at 31 December	**73**	**68**

Comments
DKK 73 million (2017: DKK 68 million) of the Group's securities are held in a Swedish subsidiary which is subject to Swedish insurance regulations and therefore subject to solvency requirements.

Accounting policies
The cash flow statement is presented according to the indirect method and shows how income and changes in balance sheet items affect cash and cash equivalents. The cash flow statement includes cash flows from companies acquired as from the date of acquisition and cash flows from companies divested until the date of divestment.

Cash flows from operating activities convert income statement items from accounting basis to cash basis. Further the change in working capital is stated as it shows the development in cash tied up in the balance sheet. Cash flows from investing activities include cash flows related to purchase and sale of Falck's long-term investments. This includes acquisitions and divestments of companies, non-controlling interests and operations together with purchase and sale of intangible assets, property, plant and equipment and other non-current assets and the purchase and sale of securities not included in cash and cash equivalents. Cash flows from financing activities include cash flows from changes in share capital and related costs, purchases and sales of treasury shares together with cash flows from dividends and interest-bearing debt raised and repayment thereof.

Cash and cash equivalents comprise cash offset by short-term bank loans together with marketable securities with a term of three months or less at the time of acquisition. Cash flows in currencies other than the functional currency are translated at average exchange rates unless these differ materially from the exchange rate at the transaction date.

Listed and unlisted securities managed and reported to management at fair value in accordance with internal policies are recognised and measured at fair value.

Subsequent changes in fair value are recognised in the income statement within financial items.

Section 5.3
Change in net working capital

DKK million	2018	2017
Change in inventories	59	5
Change in contract assets	(4)	-
Change in trade receivables	94	168
Change in other receivables	19	25
Change in provisions	(21)	(29)
Change in contract liabilities	(173)	-
Change in trade payables	115	78
Change in other payables	26	145
Change in net working capital	**115**	**392**

Comments
Change in trade receivables of DKK 94 million was mainly related to improved cash collection in Ambulance in the US, while change in trade payables of DKK 115 million mainly was due to different timing.
Negative change in contract liabilities of DKK 173 million was mainly caused by lower prepayments in Assistance.

Section 5.4
Non-controlling interests

Subsidiaries with significant non-controlling interests	Primary place of business	Segment	Non-controlling interests' ownership interest
Falck Health Care Holding A/S - sub-group	Denmark	Healthcare	39.6%

Financial information summed up for the Falck Health Care Holding group.

DKK million	2018	2017
Revenue	2,038	2,330
Profit before financial items	(203)	8
Profit for the year	(171)	(7)
Non-controlling interests' share of profit before financial items	**(81)**	**3**
Non-controlling interests' share of profit for the year	**(68)**	**(3)**
Non-current assets	1,148	1,373
Current assets	1,034	761
Non-current liabilities	(824)	(565)
Current liabilities	(600)	(637)
Net assets	**757**	**932**
Non-controlling interests' share of net assets	**303**	**373**
Cash flows from operating activities	(21)	61
Cash flows from investing activities	(44)	(43)
Cash flows from financing activities	410	34
Change in cash and cash equivalents	**345**	**52**
Dividend paid to non-controlling interests during the year	-	-

Comments
In legal terms, non-controlling interests hold 39.6% of Falck Health Care Holding A/S. As Falck Health Care Holding A/S holds treasury shares (1%), the ownership interest of non-controlling interests in Falck Health Care Holding A/S for accounting purposes is 40.0%.

Section 5.4
Non-controlling interests (continued)

DKK million	2018	2017
Dividend to non-controlling interests recognised in equity	(12)	(14)
Dividend to non-controlling interests recognised in provisions for acquisition of non-controlling interests	(3)	(17)
Total transactions with non-controlling interests	**(15)**	**(31)**

Accounting policies
Non-controlling interests
The proportionate shares of the profits and equity of subsidiaries attributable to non-controlling interests are recognised as a separate item under equity.

On initial recognition, non-controlling interests are measured either at fair value (including the fair value of goodwill related to non-controlling interests in the acquiree) or as non-controlling interests' proportionate share of the acquiree's identifiable assets, liabilities and contingent liabilities measured at fair value (excluding the fair value of goodwill related to non-controlling interests' share of the acquiree). The measurement basis for non-controlling interests is selected for each individual transaction.

Acquisition and divestment of non-controlling interests
Increases and reductions of non-controlling interests are accounted for as transactions with shareholders, in their capacity as shareholders. As a result, any differences between adjustment to the carrying amount of non-controlling interests and the fair value of the consideration received or paid are recognised directly in equity.

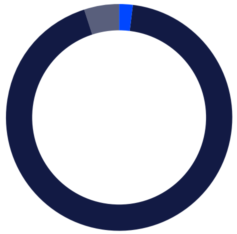
When put options are issued as part of the consideration for business combinations, the non-controlling interests receiving put options are considered to have been redeemed on the acquisition date. The non-controlling interests are eliminated and a debt obligation is recognised. The liability is determined as the present value of the expected exercise price of the option.

Any subsequent dividend payments to the option holders reduce the liability, as the option price is adjusted for dividend payments.

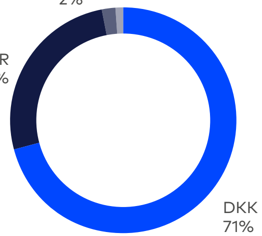
Section 5.5
Loans

DKK million	2018	2017
Non-current liabilities		
Subordinated shareholder loans	2,220	2,008
Syndicated loans	3,344	3,887
Mortgage loans	298	301
Finance leases	94	146
Other non-current loans	20	2
Total	**5,976**	**6,344**
Current liabilities		
Syndicated loans	-	129
Finance leases	57	60
Other current loans	66	68
Total	**123**	**257**
Total loans	**6,099**	**6,601**
Interest reset periods		
Within 3 months	3,417	4,051
Between 3 and 12 months	52	56
After 12 months	2,630	2,494
Total	**6,099**	**6,601**

Breakdown by maturity
%



Breakdown by currency
%



Falck is mainly funded by syndicated loans of DKK 3,344 million (2017: DKK 4,016 million) and subordinated shareholder loans of DKK 2,220 million (2017: 2,008 million).

The syndicated loans were refinanced in 2018 and include covenants requiring certain financial performance indicators to be met (Net interest-bearing debt to EBITDA and EBITDA to interests). Following, DKK 20 million capitalised loan costs has been recognised in the income statement.

In 2019, the subordinated shareholder loans including interest are expected to be converted to equity.

Non-current loans decreased by DK K 316 million from DKK 6,198 million at 31 December 2017 due to repaid loans. All loan terms were honoured in 2018.

Total non-current loans includes mortgage loans of DKK 298 million (2017: DKK 301 million).

Falck's effective interest rate, including the effect of interest rate swaps, has been determined at 5.8% (2017: 4.5%). The interest rates set out below have been determined without the effect of interest rate swaps.

For debt with an interest reset period within 3 months, regular assessments are made of how long the interest period should be. As at the balance sheet date, the interest rate of the primary part of the debt in DKK and EUR was fixed for one month and averaged approximately 2.1% (2017: 2.4%) and 2.5% (2017: 2.4%).

For debt with an interest reset period beyond 12 months (in DKK), the effective interest rate is currently approximately 8.9% (2017: 8.6%).

DKK 8 million (2017: DKK 29 million) of capitalised loan costs have been deducted from the carrying amount of debt.

Accounting policies
Debt to credit institutions, etc. is recognised at the time of obtaining the loan at fair value less transaction costs. In subsequent periods, financial liabilities are measured at amortised cost.

Residual lease commitments from finance leases and other financial liabilities are recognised at amortised cost.

Section 5.5
Loans (continued)

Breakdown of liabilities concerning finance leases

2018 DKK million	Present value of lease payments	Interest	Minimum lease payments
Due within 1 year	57	3	60
Due between 1 and 5 years	94	11	105
Due after 5 years	-	-	-
Total at 31 December 2018	**151**	**14**	**165**

2017 DKK million	Present value of lease payments	Interest	Minimum lease payments
Due within 1 year	60	2	62
Due between 1 and 5 years	146	15	161
Due after 5 years	-	-	-
Total at 31 December 2017	**206**	**17**	**223**

Breakdown of liabilities from financing activities

				Non-cash changes		
DKK million	2017	Cash flows	Transferred to liabilities held for sale	Foreign exchange movement	Other transaction	**2018**
Long-term borrowings	6,198	(552)	-	7	232	5,885
Short-term borrowings	197	(133)	(2)	-	-	62
Lease liabilities	206	(61)	-	7	-	152
Total liabilities from financing activities	**6,601**	**(746)**	**(2)**	**14**	**232**	**6,099**

Assets held under finance leases

Assets held under finance leases comprise leased vehicles and buildings. The lease contracts do not include any contingent lease payments.

Financing activities

In 2018, net repayments DKK 671 million was made on syndicated loan facilities due to divestments and strong cash flows.

Section 5.6
Financial income and expenses

DKK million	2018	2017
Financial income		
Interest on deposits	13	10
Foreign exchange gains	4	43
Other financial income	17	41
Total financial income	**34**	**95**
Financial expenses		
Interest on loans	(141)	(191)
Interest element on discounted liabilities	(8)	(8)
Interest on shareholder loans	(212)	(47)
Other financial expenses	(100)	(97)
Foreign exchange losses	(10)	(43)
Total financial expenses	**(471)**	**(387)**

Comments
Interest on subordinated shareholder loans increased by DKK 165 million. The loans were established in November and December 2017.

In 2018, other financial expenses include DKK 72 million related to adjustment of Trygheds-Gruppen's purchase price for acquisition of shares in Falck Health Care Holding in 2014.

In 2017, other financial expenses include write-offs on financial receivables from associates of DKK 80 million.

Accounting policies
Financial income and expenses
Financial income and expenses represent interest income and interest expense, realised and unrealised capital gains and losses and amortisation related to financial assets and liabilities. Dividends to capital holders who have received put options in connection with business combinations are recognised as a financial expense in the cases where the option price is independent of dividend payments. Financials are recognised at the amounts related to the year. Furthermore, realised and unrealised gains and losses on derivative financial instruments which cannot be classified as hedging arrangements are included.

Section 5.7
Financial instruments

Comments
Financial risks
As a consequence of its operations, investments and financing, Falck is exposed to a number of financial risks, including market risk (foreign exchange and interest rate risk), credit risk and liquidity risk.

Falck policy is to not to speculate in financial risks. Accordingly, Falck's financial management exclusively involves the management and mitigation of financial risks that arise as a direct consequence of Falcks' operations, investments and financing.

Falck's risk exposure is subject to continuous changes as a result of changes in the level of debt, inflation risk in emerging markets, foreign exchange risk and interest rate risk. Falck monitors these risks in an ongoing process and hedges them, if necessary. There are no material changes in Falck's financial risk management as compared to 2017.

Foreign exchange risk
Falck's foreign subsidiaries are not severely exposed to exchange rate fluctuation, as both revenue and most costs of the individual subsidiaries are denominated in the same currencies. The main exchange rate exposure faced by Falck relates to the translation into Danish kroner of the financial results and equity of foreign subsidiaries.

The income statement is affected to a minor extent by changes in exchange rates, as the profit of foreign subsidiaries is translated into Danish kroner using average exchange rates. 38% of Falck's revenue is denominated in Danish kroner (DKK) (2017: 39%). Other currencies that account for more than 5% of revenue or earnings are US dollars (USD), Euros (EUR) Swedish kronor (SEK) and Norwegian kroner (NOK).

Falck regularly assesses its foreign exchange risk in order to determine whether its exposure should be hedged by same currency loans or forward exchange contracts.

Interest rate risk
Falck's interest rate risk is mainly affected by loans raised by Falck. Falck's syndicated loans carry variable interest. The interest rate risk is hedged with interest rate swaps and consequently approximately 74% of the syndicated loans carry a fixed rate of interest.

During the hedging period, the interest rate on the part of the debt denominated in DKK and EUR cannot exceed 1.7% (2017: 2.8%) including the current interest rate margin. Falck is therefore only to a minor extent sensitive to fluctuations in market interest rates, and a fluctuation of 1% would change the interest expense for the year by DKK 9 million (2017: DKK 8 million) as a large part of the interest rate risk is hedged by interest rate swaps.

Section 5.7
Financial instruments (continued)

Without these hedges, a fluctuation of 1% would change Falck's interest expense by DKK 34 million (2017: DKK 40 million).

Negative market interest rates affect Falck's interest expenses as Falck pays these rates on interest rate swaps concluded, while it is only partly compensated for negative interest rates on loans. Following the refinancing in 2018 the interest rate hedges of the syndicated loans have been adjusted accordingly.

Credit risk
Falck is exposed to credit risk from its operating activities (mainly contract assets and trade receivables) and from its financing activities with respect to deposits with banks and financial institutions.

Banks and other trading partners are closely monitored and regulated under standard agreements to an extent that the credit risk is considered acceptable.

The credit risk against Falck's main banking partners are closely monitored and mitigated by only using counterparties with a solid credit rating. The credit risk originated through subsidiaries around smaller local banks are mitigated by actively optimising liquidity and cash management, thus seeking to have low cash positions and deposits in subsidiaries.

Falck is not exposed to significant credit risks concerning material customers or business partners. When entering into significant contracts, the Group makes a credit assessment of the customer in order to reduce the potential credit risk. Falck's credit exposure is generally considered low as Falck's large customers are mainly public authorities in contries with stable economies.

Further, due to the probability that Falck will collect the consideration Falck is entitled to, Ambulance US uses cash accounting for patients without insurance or aid from Federal/ State programmes, as they often do not pay for the services provided.

Subscription sales to private and corporate customers are not deemed to involve material risks to Falck as the amounts are small for the individual subscriptions.

Impairment of receivables has changed methodology as a result of the implementation of IFRS 9, however internal controls and processes related to credit risk assessments and credit limits for customers are unchanged.

Maturity analysis of financial liabilities
The maturity analysis of financial liabilities is based on undiscounted cash flows, including estimated interest payments. Interest payments are estimated based on current market conditions.

The undiscounted cash flows from derivative financial instruments are presented net.

Section 5.7
Financial instruments (continued)

2018 DKK million	Contractual cash flows Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total	Total carrying amount	Market value
Financial liabilities						
Loans and subordinated shareholder loans	415	6,198	368	6,981	6,099	6,112
Put options	135	-	-	135	135	135
Trade payables	803	-	-	803	803	803
Other payables	1,225	-	-	1,225	1,225	1,225
Financial liabilities measured at amortised cost	**2,578**	**6,198**	**368**	**9,144**	**8,262**	**8,275**
Derivative financial instruments to hedge future cash flows	9	-	-	9	9	9
Derivative financial instruments to hedge net investments in foreign companies	3	-	-	3	3	3
Financial liabilities used as hedging instruments	**12**	**-**	**-**	**12**	**12**	**12**
Total financial liabilities	**2,590**	**6,198**	**368**	**9,156**	**8,274**	**8,287**

2017 DKK million						
Financial liabilities						
Loans and subordinated shareholder loans	346	6,787	372	7,505	6,601	6,629
Put options	229	131	-	360	253	253
Trade payables	731	-	-	731	731	731
Other payables	1,136	-	-	1,136	1,136	1,136
Financial liabilities measured at amortised cost	**2,442**	**6,918**	**372**	**9,732**	**8,721**	**8,749**
Derivative financial instruments to hedge future cash flows	24	10	-	34	34	34
Derivative financial instruments to hedge net investments in foreign companies	(1)	-	-	(1)	(1)	(1)
Financial liabilities used as hedging instruments	**23**	**10**	**-**	**33**	**33**	**33**
Total financial liabilities	**2,465**	**6,928**	**372**	**9,765**	**8,754**	**8,782**

Section 5.7
Financial instruments (continued)

DKK million	2018		2017	
Foreign currency sold/(bought) on forward contracts	Contract value	Market value	Contract value	Market value
USD (expire in 2019)	248	1	-	-
SEK (expire in 2019)	436	(4)	511	1
Total	**684**	**(3)**	**511**	**1**
Of which recognised in income statement		-		-
For future recognition		**(3)**		**1**

DKK million	2018		2017	
Interest rate swaps	Hedged value	Market value	Hedged value	Market value
DKK interest rate swap (fixed rate 0.54%), runs from September 2017 to June 2019	1,000	(4)	1,700	(21)
EUR interest rate swap (fixed rate 0.25%), runs from September 2017 to June 2019	1,493	(5)	1,489	(13)
Total		**(9)**		**(34)**
Of which recognised in income statement		-		-
For future recognition		**(9)**		**(34)**

Hedging and derivative financial instruments

Falck uses forward exchange contracts to hedge its risks related to exchange rates.

Forward exchange contracts are used to hedge investments in subsidiaries with a functional currency other than DKK.

The market value of the effective part of the outstanding foreign exchange contracts as at 31 December 2018 used as hedging instruments and qualifying for hedge accounting in respect of future transactions has been recognised directly in equity through other comprehensive income until the hedged transactions are recognised in the income statement. All contracts expire in 2019 and as they hedge net investments abroad, they do not affect the income statement.

The market value is recognised in other payables.

Interest on interest rate swaps is recognised in the income statement until expiry.

Section 5.7
Financial instruments (continued)

Accounting policies
Derivative financial instruments
Derivative financial instruments are recognised at the date a derivative contract is entered into and measured in the balance sheet at fair value.

The fair value of derivative financial instruments is recognised as separate assets or liabilities in other receivables or other payables, respectively.

The fair value of derivative financial instruments is determined on the basis of market data and generally accepted pricing models.

Hedges of net investment
Derivative financial instruments entered into in order to effectively hedge investments in foreign subsidiaries are recognised in the consolidated balance sheet through comprehensive income at the time they are entered into and are measured at fair value at the balance sheet date. Exchange gains and losses are recognised in equity through other comprehensive income as a separate currency translation reserve.

Fair value hedges
Derivative financial instruments entered into in order to effectively hedge other assets and liabilities denominated in foreign currency are recognised in the balance sheet at the time they are entered into and are stated at fair value at the balance sheet date.

Any market value adjustments of derivative financial instruments entered into to hedge other assets and liabilities are recognised in the statement of comprehensive income together with changes in the value of the hedged assets and liabilities.

Cash flow hedges
Changes in the part of the fair value of derivative financial instruments designated as and qualifying for hedging of future cash flows, and which effectively hedge changes in the value of the hedged item, are recognised in other comprehensive income in a separate hedging reserve in equity. When the hedged transaction is realised, any gains or losses regarding such hedging transactions are transferred from equity and recognised in the same financial item as the hedged item. When proceeds from future borrowings are hedged, any gains or losses regarding hedging transactions are, however, transferred from equity over the maturity period of the borrowings.

Forward premiums or forward discounts on forward exchange transactions are recognised in the income statement during their terms.

Other derivative financial instruments
For derivative financial instruments that do not meet the criteria for hedge accounting, changes in the fair value are recognised directly in the income statement under financial income and expenses.

Fair value measurement
Falck uses the fair value convention for certain disclosure requirements and for the recognition of financial instruments. Fair value is defined as the amount that would be received to sell an asset or paid to transfer a liability, respectively, in an orderly transaction between market participants.

Fair value is based on the primary market. If no primary market exists, fair value will be based on the most advantageous market, defined as the market that maximises the price of the asset or liability less transaction and transport costs.

In the determination of fair value, Falck uses, to the widest possible extent, observable prices in active markets for identical instruments (level 1). Alternatively, other observable inputs are used, such as similar instruments in active markets or identical instruments in markets that are not active, or a valuation model based on other observable market data (level 2).

To the extent that observable information is not available or cannot be used without material modifications, Falck uses generally accepted valuation methods based on all other inputs.

Accounting estimates
Methods and assumptions for the determination of market values
The portfolio of listed securities is measured at officially quoted prices or price quotes. The market value of mortgage debt is measured on the basis of the market value of the underlying bonds. The market value of credit institutions is measured by discounting based on market expectations.

Forward exchange contracts and interest rate swaps are measured using generally accepted valuation techniques based on relevant observable swap curves and exchange rates.

Measurement of the fair value of financial instruments is categorised as Level 2 in the fair value hierarchy, as measurement is based on observable input.

Categories of financial instruments
Securities and derivatives are measured at fair value through the income statement, whereas the rest of Falck's financial assets are measured at amortised cost, including trade receivables, other receivables, cash etc.

Falck's financial liabilities, including debt portfolio, trade payables and other payables, are measured at amortised cost.

Section 6:
Other disclosures

Section 6.1
Contingent liabilities and collateral securities

Comments
In 2016, the Danish Competition and Consumer Authority (DCCA) issued a Notice of Concern to Falck Danmark A/S, a Danish subsidiary of the Group, regarding the DCCA's investigation into Falck Danmark A/S' alleged abuse of its dominant position on the ambulance and patient transportation market in Denmark in connection with the award and transfer of the ambulance operation in the Southern Denmark Region to a new provider in 2015.

A supplementary Notice of Concern was issued by the DCCA in 2017, and in May 2018, the DCCA issued a Statement of Objections against Falck formally closing the investigation and concluding that Falck had violated Danish competition rules. Falck does not agree with the DCCA's allegations and filed a formal response to the Statement of Objections. The matter was subsequently heard by the Danish Competition Council, and on 30 January 2019, the Competition Council ruled that Falck had violated Danish competition rules when handing over an ambulance contract in 2015. Falck and its legal advisors disagree with the ruling and Falck will appeal the ruling before the Danish Competition Appeals Tribunal.

With respect to pending litigations and claims to which Falck is a party, it is still expected that the rulings in these matters will have no material impact on Falck's financial position.

Falck has issued performance bonds to a certain extent in connection with a number of contracts, including performance guarantees in connection with ambulance contracts for a total of DKK 343 million in 2018 (2017: DKK 240 million).

As part of Falck's activities, usual supplier agreements have been entered into. Usual representations and warranties are made in connection with the divestment of companies and operations. There are currently no significant outstanding claims that are not sufficiently recognised in the balance sheet.

Joint taxation
Falck A/S and the Group's Danish subsidiaries are included in national joint taxation with Lundbeckfonden (Lundbeckfond Invest A/S) as the administration company. Pursuant to the Danish Corporation Tax Act, the company is liable from and including the financial year 2013 for income taxes etc. for the jointly taxed companies and, from and including 1 July 2012, also for any obligations to withhold tax at source on interest, royalties and dividends from the jointly-taxed companies.

DKK million	**2018**	2017
Collateral security[1]		
The shares in the subsidiaries Falck Danmark A/S, Falck Global A/S, Falck Assistance A/S, Falck Global Assistance A/S and Falck Health Care Holding A/S have been provided as collateral for Falck's debt.		
Carrying amount of Falck's properties that have been mortgaged in security of loans	320	360
Bearer mortgages issued and used as collateral for credits	300	302
Unused bearer mortgages	7	7

1) See section 5.7 on liquidity risks for the conditions applicable to mortgaged assets.

Section 6.2
Lease obligations

DKK million	2018	2017
Contractual obligations		
Minimum lease payments for operating lease commitments:		
Due within 1 year	315	425
Due between 1 and 5 years	779	939
Due after 5 years	767	1,018
Operating lease commitments at 31 December	**1,861**	**2,382**
Net present value of lease commitments	1,583	2,031
Lease payments recognised in the income statement	450	492

Comments
None of the leases include material contingent lease payments, but Falck has a right of first refusal to buy a number of buildings at present value.

Accounting policies
For financial reporting purposes, lease liabilities are classified as either finance or operating lease liabilities.

Leases are classified as finance leases when substantially all risks and rewards of ownership of the leased asset are transferred to Falck. Other leases are classified as operating leases.

The accounting treatment of assets held under finance leases and the related liability is described in the sections on property, plant and equipment and financial liabilities, respectively.

Assets held under operating leases are not recognised in the balance sheet. Lease liabilities under operating leases are disclosed as contingent liabilities.

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

The operating lease commitments concern leases for vehicles and buildings. The lease term for cars is typically between 4 and 9 years. The lease term for buildings is up to 20 years.

The present value has been calculated on the basis of current market interest rates in the individual countries.

Section 6.3
Related parties

As of 31 January 2019, the following investors have reported holdings of more than 5% of Falck A/S' share capital	**2018**	2017
Lundbeckfond Invest A/S, Copenhagen	57.4%	57.4%
KIRKBI Invest A/S, Billund	27.8%	27.8%
TryghedsGruppen smba, Virum	14.3%	7.6%
Liberatio A/S, Copenhagen	-	6.7%
Transactions with shareholders were as follows (DKK million):		
Loans received	-	2,000
Capital injection	-	26
Interest on loan	212	47
Paid tax to Lundbeckfonden (Lundbeckfond Invest A/S)	19	59

Comments
Parties exercising control are Falck A/S' principal shareholder, Lundbeckfonden, Scherfigsvej 7, DK-2100 Copenhagen Ø, Denmark.

Falck A/S is 57.4% owned by Lundbeckfond Invest A/S and is included in the consolidated Annual Report of Lundbeckfonden. Lundbeckfonden is the ultimate parent company.

In 2017, subordinated shareholder loans of DKK 983 million were converted into equity. Futher in 2017, an additional subordinated shareholder loan of DKK 2,000 million was raised.

The balance at 31 December 2018 is DKK 2,220 million, including accrued interest (2017: DKK 2,008 million). In 2019, the subordinated shareholder loans, including interest are expected converted to equity.

Besides transactions related to the joint taxation with Lundbeckfonden (Lundbeckfond Invest A/S), as described in section 2.6, no transactions other than those stated above were completed with these related parties during the year.

Related parties that have control over the Group comprises Lundbeckfonden in Denmark. Related parties with a significant influence include KIRKBI Invest A/S.

Management
Other related parties comprise Falck's Executive Committee and Executive Management, the Board of Directors, companies in which the principal shareholder exercises control, and such companies' subsidiaries, in this case H. Lundbeck A/S and ALK-Abelló A/S and their subsidiaries.

Transactions with key management personnel consist of remuneration; please see section 2.3.

Apart from the remuneration paid to the key management personnel, Falck had no transactions with the Executive Committee and Executive Management, Board of Directors, major shareholders or other related parties.

DKK million	**2018**	2017
Trading with associates was as follows		
Sale of property, plant and equipment	-	-
Purchase of goods and services	(1)	(1)
Lease costs	(27)	(26)

Associates
The related parties of Falck A/S also include associates in which the company has significant influence. Please refer to section 6.6 for an overview of Group companies.

There were no other related-party transactions during the period. Receivables from and payables to associates are shown in section 3.7 and section 3.8. No interest income was recognised in 2018 (2017:DKK 4 million).

Other related parties are the Group's associates and joint ventures. Please refer to section 6.6 for an overview of the joint ventures and associates.

Related-party transactions are made on arm's length terms. Intra-group transactions have been eliminated in the consolidated financial statements.

Section 6.4
Fees to auditors

DKK million	2018	2017
Statutory audit	(8)	(13)
Other assurance engagements	(1)	-
Tax advisory services	(1)	(3)
Other services	(2)	(4)
Total fees to Deloitte	**(12)**	**(20)**

Comments
Deloitte is Falck's auditor appointed by the general meeting. Deloitte audits the consolidated financial statements of Falck and for a majority of the subsidiaries' financial statements. In addition, Deloitte provides consultancy services and performs other audit-related tasks.

Section 6.5
Events after the reporting date

From 2016 to May 2018, the Danish Competition and Consumer Authority performed an investigation regarding Falck's alleged abuse of its dominant position on the ambulance market. On 30 January 2019, the Danish Competition Council ruled that Falck had violated Danish competition rules when handing over an ambulance contract in 2015. Falck and its legal advisors disagree with the ruling and Falck will appeal the ruling before the Danish Competition Appeals Tribunal.

With respect to pending litigations and claims to which Falck is a party, it is expected that the rulings in these matters will have no material impact on the Falck's financial position.

No other events have occurred after the balance sheet date affecting Falck's financial position at 31 December 2018.

Section 6.6
Group companies

The list below shows the Group's significant subsidiaries and associates by business unit.

Ambulance	**Country**	**Equity interest**
Falck Pty. Ltd.	Australia	55.0%
Falck (Victoria) Pty. Ltd.	Australia	55.0%
Falck Benelux NV	Belgium	49.0%
Falck Investments NV	Belgium	87.5%
Falck Brasil AVD Participações Ltda.	Brazil	100.0%
Falck Brasil 747 Participações Ltda.	Brazil	100.0%
Falck Chile Holding S.A.	Chile	100.0%
Falck Safety Services Limitada	Chile	100.0%
Falck Capacitacion Limitada	Chile	100.0%
BHM Solutions Integrales de Logistica en Salud S.A.S.	Colombia	100.0%
Haces Inversiones y Servicio S.A.S.	Colombia	100.0%
Empresa de Medicina Integral EMI S.A. Servicio de Ambulancia Prepagada - Grupo EMI S.A.	Colombia	100.0%
Falck CZ a.s.	Czech Republic	100.0%
Falck Emergency a.s.	Czech Republic	100.0%
Falck Global A/S	Denmark	100.0%
Falck Fire Services A/S	Denmark	100.0%
Falck Danmark A/S	Denmark	100.0%
Falck Luftambulance A/S	Denmark	100.0%
Falck Air Ambulance A/S	Denmark	50.0%
Traffilog Nordic ApS [1)]	Denmark	49.0%
Global Life Care A/S [1)]	Denmark	100.0%
Life Care One A/S	Denmark	100.0%
KPC Ejendomme af 6. juni 2002 A/S [1)]	Denmark	25.0%
Responce A/S	Denmark	100.0%
EMI Ecuador S.A. - Emergencia Medica Integral	Ecuador	100.0%
EMI El Salvador S.A. de C.V.	El Salvador	80.0%
Falck Rettungsdienst GmbH	Germany	96.7%
G.A.R.D. Verwaltungsgesellschaft für Ambulanz und Rettungsdienst GmbH	Germany	96.7%
G.A.R.D. Gesellschaft für Ambulanz und Rettungsdienst Cuxhaven GmbH	Germany	96.7%
GUARD Hospital Service GmbH	Germany	96.7%
G.A.R.D. Gesellschaft für Ambulanz und Rettungsdienst Bremen mbH	Germany	96.7%

Ambulance (continued)	**Country**	**Equity interest**
G.A.R.D. Gesellschaft für Ambulanz und Rettungsdienst Hamburg-Ost GmbH	Germany	96.7%
G.A.R.D ArGe Rettungsdienst Dresden GmbH & Co. oHG	Germany	96.7%
G.A.R.D. Gemeinnützige Ambulanz und Rettungsdienst GmbH	Germany	96.7%
GUARD Gesellschaft für unabhängige ambulante Rettungsdienstleistungen GmbH	Germany	96.7%
K&G Taxi-Krankentransporte undDienstleitungs GmbH	Germany	77.3%
G.A.R.D. Beteiligungsgesellschaft für Ambulanz und Rettungsdienst GmbH	Germany	96.7%
Ostsee-Ambulanz-Kiel GmbH	Germany	96.7%
promedica Rettungsdienst GmbH	Germany	96.7%
ASG Ambulanz Leipzig GmbH	Germany	96.7%
Falck Arbeitsgemeinschaft Rettungsdienst Plauen GmbH & Co. oHG	Germany	96.7%
promedica Rettungsdienst Bremehaven/Bremen GmbH	Germany	96.7%
promedica Rettungsdienst Waldeck-Frankenberg GmbH & Co. KG	Germany	67.7%
Falck Notfallrettung und Krankentransport GmbH	Germany	96.7%
KS-Medi-Service GmbH	Germany	96.7%
Brava Holding GmbH	Germany	100.0%
Falck Services Ltd.	Mauritius	100.0%
Falck Holding B.V.	Netherlands	100.0%
Inprevo B.V.	Netherlands	49.0%
Falck Eurasia B.V.	Netherlands	100.0%
Falck Russia Holding B.V.[1)]	Netherlands	49.0%
Falck Emergency Norway AS	Norway	100.0%
Falck Brann og Redningstjeneste A	Norway	100.0%
EMI Holdings Management S.A.	Panama	100.0%
EMI Foreign Holdings 1 S.A.	Panama	100.0%
EMI Foreign Holdings 2 S.A.	Panama	100.0%
EMI Foreign Holdings 3 S.A.	Panama	100.0%
EMI Foreign Holdings 4 S.A.	Panama	100.0%
EMI Central America Holding S.A.	Panama	80.0%

Section 6.6
Group companies (continued)

Ambulance (continued)	**Country**	**Equity interest**
EMI Panama S.A.	Panama	80.0%
Falck Centra Medyczne Sp. z o.o.	Poland	100.0%
Falck Medycyna Sp. z.o.o.	Poland	100.0%
Starowka Sp. z.o.o.	Poland	76.0%
Falck SCI Portugal - Segurança Contra Incêndios S.A	Portugal	65.0%
Falck Medical Vladivostok LLC	Russia	49.0%
Falck SK a.s.	Slovakia	100.0%
Falck Emergency AS	Slovakia	50.9%
Falck Záchranná a.s.	Slovakia	50.9%
Falck Academy s.r.o	Slovakia	50.9%
Falck Healthcare a.s.	Slovakia	50.9%
Falck South Africa Holding (PTY) Ltd.	South Africa	100.0%
Falck VL Servicios Sanitarios S.L.	Spain	48.8%
Sauper S.A.	Spain	48.8%
Falck Lanka (Pvt) Ltd. (1)	Sri Lanka	50.0%
Falck Sverige Holding AB	Sweden	100.0%
Falck Ambulans AB	Sweden	100.0%
Falck Services AB	Sweden	100.0%
Svensk Sjöambulans AB	Sweden	50.0%
Falck Medical Services LLC	UAE	42.9%
Falck UK Ltd.	UK	100.0%
Falck EMS UK Ltd.	UK	100.0%
Falck UK Ambulance Service Ltd.	UK	100.0%
Hospital & Healthcare Cars Ltd.	UK	100.0%
Falck India Ltd.	UK	100.0%
Luvtel S.A.	Uruguay	100.0%
UCM Uruguay S.A.	Uruguay	100.0%
Portovenus S.A.	Uruguay	15.5%
Falck USA Inc.	USA	100.0%
FCA Corp.	USA	88.6%
Care Ambulance Service, Inc.	USA	88.6%
Falck EMS Corp.	USA	99.3%
Lifestar Response Corporation	USA	99.3%
Lifestar Response of Alabama, Inc.	USA	99.3%

Ambulance (continued)	**Country**	**Equity interest**
Lifestar Response of Maryland, Inc.	USA	99.3%
Falck Southeast Corp.	USA	99.2%
Falck Southeast II Corp.	USA	99.4%
Cape Cod Medical Enterprises, Inc.	USA	99.2%
American Ambulance, Inc.	USA	99.2%
Transitional Health Solutions, Inc.	USA	99.4%
Falck Northern California Corp.	USA	100.0%
Falck Northwest Corp.	USA	100.0%
Falck Rocky Mountain, Inc.	USA	100.0%
Rapid Response Emergency Services, LLC	USA	100.0%
Pulse EMS, LLC [1)]	USA	50.0%
Emergencia Medica Integral EMI Centro S.A.	Venezuela	100.0%
Centro Medico Intergal CEMICA S.A.	Venezuela	100.0%

Assistance	**Country**	**Equity interest**
Falck Assistance A/S	Denmark	100.0%
Falck Autoabi OÜ	Estonia	100.0%
Falck Investments Finland Oy Ab	Finland	100.0%
Falck Oy	Finland	100.0%
UAB Falck Lietuva	Lithuania	100.0%
Falck Redning AS	Norway	100.0%
Falck Investment Sverige AB	Sweden	100.0%
S Reg AB	Sweden	100.0%
Falck Secure AB	Sweden	100.0%
Falck Räddningskår AB	Sweden	100.0%
Falck Försäkringsaktiebolag	Sweden	100.0%

Section 6.6
Group companies (continued)

Healthcare[2]	Country	Equity interest
Falck Health Care Holding A/S	Denmark	59.4%
Falck Healthcare A/S	Denmark	59.4%
ActivCare Privat A/S	Denmark	59.4%
ActivCare A/S	Denmark	100.0%
Falck Helse AS	Norway	59.4%
Falck Health Care Holding AB	Sweden	59.4%
Falck Aktiv Arbetsmedicin AB	Sweden	59.4%
Falck Healthcare AB	Sweden	59.4%
Skandinavisk Hälsovård AB	Sweden	59.4%
Svensk Närsjukvård AB	Sweden	59.4%
Doc Care AB	Sweden	59.4%
Ofelia Vård AB	Sweden	59.4%
AB Previa	Sweden	59.4%
Silverhälsan AB	Sweden	59.4%
Inlandshälsan AB	Sweden	59.4%
Previa Sjukvård AB	Sweden	59.4%
Galleriva Husläkarmottagning AB	Sweden	59.4%
Falck Hälsopartner AB	Sweden	59.4%

Global Assistance	Country	Equity interest
Falck Global Assistance (China) Ltd.	China	100.0%
Falck Global Assistance A/S	Denmark	100.0%
Falck Global Assistance Oy	Finland	100.0%
Falck India Pvt. Ltd. (India)	India	100.0%
Falck Services Pvt. ltd. (India)	India	100.0%
Falck Global Assistance Norway AS	Norway	100.0%
Falck Global Assistance Singapore Pte. Ltd.	Singapore	100.0%
Falck Global Assistance Spain S.L.	Spain	100.0%
Falck Global Assistance AB	Sweden	100.0%
Falck Global Assistance (Thailand) Ltd.	Thailand	49.0%
Falck Global Assistance Ltd.	Thailand	49.0%

Global Assistance (continued)	Country	Equity interest
Falck Saglik AS	Turkey	100.0%
Access Transport Services Holding, Inc.	USA	99.3%
Falck Global Assistance, LLC	USA	99.3%
Falck Risk Solutions, LLC	USA	59.6%
AccessOnTime Language Services, LLC	USA	99.3%

Industrial Fire Services	Country	Equity interest
Falck Fire Services BE NV	Belgium	100.0%
Falck Fire & Safety do Brasil S.A.	Brazil	65.0%
Falck France SAS	France	65.0%
Falck Fire Services DE GmbH	Germany	100.0%
Falck Operations Services DE GmbH	Germany	100.0%
Falck Servizi Industriali di Emergenza S.r.l.	Italy	65.0%
Falck Consulting & Technology B.V.	Netherlands	100.0%
Falck Fire Services NL B.V.	Netherlands	100.0%
Falck Fire Services Polska Sp. z.o.o.	Poland	100.0%
Falck Fire Services S.R.L.	Romania	100.0%
Falck Fire Services a.s.	Slovakia	50.9%
Falck Security Services s.r.o.	Slovakia	50.9%
Falck Emergency Spain, S.L.	Spain	65.0%
Falck SCI, S.A.	Spain	65.0%
Falck Räddningstjänst AB	Sweden	100.0%
Falck Fire Consulting Ltd.	UK	92.6%
Falck Fire Services UK Ltd.	UK	100.0%

Group	Country	Equity interest
Falck A/S	Denmark	
Falck Treasury A/S	Denmark	100.0%

[1] Associates and joint ventures
[2] Including discontinued operations

Parent company financial statements

Primary Statements

Sections

Income statement

1 January - 31 December

DKK million	Section	2018	2017
Other operating income	1	9	9
Other external costs	2	(4)	(15)
Staff costs	3	(24)	(22)
Operating profit		**(19)**	**(28)**
Loss on divestments of subsidiaries		(725)	-
Financial income	4	110	119
Financial expenses	5	(862)	(3,054)
Profit before tax		**(1,496)**	**(2,963)**
Income taxes	6	59	35
Profit for the year	9	**(1,437)**	**(2,928)**

Balance sheet

As at 31 December

DKK million	Section	2018	2017
Assets			
Investments in subsidiaries	7	3,108	4,341
Receivables from Group companies		3,998	4,639
Deferred tax assets	8	62	58
Total non-current assets		**7,168**	**9,038**
Other receivables		50	-
Cash and cash equivalents		1	13
Total current assets		**51**	**13**
Total assets		**7,219**	**9,051**
Equity and liabilities			
Share capital	9	81	81
Hedging reserve		26	9
Retained earnings		1,434	2,873
Total equity		**1,541**	**2,963**
Loans and subordinated shareholder loans	10	5,564	5,867
Provisions		10	-
Total non-current liabilities		**5,574**	**5,867**
Loans and subordinated shareholder loans	10	-	130
Trade payables		7	1
Income taxes		14	42
Provisions		72	-
Other payables		11	48
Total current liabilities		**104**	**221**
Total equity and liabilities		**7,219**	**9,051**

Equity statement

1 January - 31 December

2018 DKK million	Share capital	Hedging reserve	Proposed dividend	Retained earnings	Total
Equity at 1 January 2018	**81**	**9**	**-**	**2,873**	**2,963**
Equity movements in 2018					
Value adjustment of currency hedging instruments	-	(3)	-	-	(3)
Value adjustment of interest hedging instruments	-	25	-	-	25
Tax on equity movements	-	(5)	-	-	(5)
Profit for the year	-	-	-	(1,437)	(1,437)
Purchase and sale of treasury shares, warrants, etc.	-	-	-	(2)	(2)
Total equity movements in 2018	**-**	**17**	**-**	**(1,439)**	**(1,422)**
Total equity at 31 december 2018	**81**	**26**	**-**	**1,434**	**1,541**

2017 DKK million	Share capital	Hedging reserve	Proposed dividend	Retained earnings	Total
Equity at 1 January 2017	**67**	**(46)**	**-**	**4,809**	**4,830**
Equity movements in 2017					
Value adjustment of currency hedging instruments	-	41	-	-	41
Value adjustment of interest hedging instruments	-	29	-	-	29
Tax on equity movements	-	(15)	-	-	(15)
Profit for the year	-	-	-	(2,928)	(2,928)
Capital increase	14	-	-	995	1,009
Purchase and sale of treasury shares, warrants, etc.	-	-	-	(3)	(3)
Total equity movements in 2017	**14**	**55**	**-**	**(1,936)**	**(1,867)**
Total equity at 31 december 2017	**81**	**9**	**-**	**2,873**	**2,963**

Section 1
Other operating income

DKK million	2018	2017
Management fee from Group companies	9	9
Total other operating income	**9**	**9**

Section 2
Fees to auditors

DKK million	2018	2017
Statutory audit	(1)	(1)
Total fees to Deloitte	**(1)**	**(1)**

Section 3
Staff costs

DKK million	2018	2017
Wages, salaries and remuneration	(23)	(22)
Defined-contribution pension plans	-	-
Other social security costs	-	-
Other staff costs	(1)	-
Total staff costs	**(24)**	**(22)**
Remuneration to the Executive Management Committee	(19)	(19)
Remuneration to the Board of Directors	(4)	(3)
FTEs	2	2

Section 3
Staff costs (continued)

Comments

Remuneration to the Executive Committee includes both a fixed salary and variable remuneration. The variable remuneration is fixed on the basis of the Group's performance. The members of the Executive Committee and the Board of Directors do not receive contributions to pension plans.

The contract with Morten R. Pedersen, former member of the Executive Management and member of the Board of Directors expired 31 December 2018. Salary during the notice period of DKK 6 million was expensed in 2017.

Section 4
Financial income

DKK million	2018	2017
Foreign exchange gains	3	30
Interest from Group companies	107	89
Total financial income	**110**	**119**

Section 5
Financial expenses

DKK million	2018	2017
Interest on loans	(110)	(171)
Foreign exchange losses	(5)	(10)
Interest on shareholder loans	(212)	(48)
Other financial expenses	(78)	(20)
Impairment of investments in subsidiaries	(457)	(2,805)
Total financial expenses	**(862)**	**(3,054)**

Section 6
Income taxes

DKK million	**2018**	2017
Current tax	54	35
Change in deferred tax for the year	5	-
Total income taxes	**59**	**35**
Tax on other comprehensive income	(5)	(15)
Total tax	**54**	**20**
Income taxes received	21	45
Breakdown of tax rate		
Total income taxes	59	35
Profit before tax	(1,496)	(2,963)
Impairment of investments in subsidiaries	457	2,805
Tax base for the year	**(1,039)**	**(158)**
Effective tax rate	**5.6%**	**21.9%**
Danish tax rate	22.0%	22.0%
Non-deductible costs and tax-exempt income	(7.2%)	-
Other adjustments including adjustments relating to prior years	(9.2%)	(0.1%)
Effective tax rate	**5.6%**	**21.9%**
Tax on other comprehensive income		
Tax on value adjustments of interest hedging instruments	1	(6)
Tax on value adjustments of currency hedging instruments	(6)	(9)
Total tax on other comprehensive income	**(5)**	**(15)**

Section 7
Investments in subsidiaries

DKK million	**2018**	2017
Cost at 1 January	7,146	6,751
Additions	458	395
Disposals	(1,234)	-
Cost at 31 December	**6,370**	**7,146**
Value adjustments at 1 January	(2,805)	-
Impairment losses	(457)	(2,805)
Value adjustments at 31 December	**(3,262)**	**(2,805)**
Carrying amount at 31 December	**3,108**	**4,341**

Comments

Investments in subsidiaries represent 100% of the share capital of Falck Danmark A/S, Falck Global A/S and Falck Global Assistance A/S and 59.4% of the share capital of Falck Health Care Holding A/S.

In 2018, Falck A/S divested the shares in Falck Safety Services Holding A/S and recognised a loss of DKK 725 million.

Management has tested investments in subsidiaries for impairment by comparing the expected future income in the individual subsidiary with the carrying value of the individual subsidiary.

In 2018, the test resulted in an impairment of investments in subsidiaries of DKK 457 million related to the investment in Falck Health Care Holding A/S. In 2017, an impairment of DKK 2,805 million was recognised related to the investment in Falck Danmark A/S.

Section 8
Deferred tax

DKK million	**2018**	2017
Deferred tax at 1 January	(58)	(19)
Change in deferred tax	(4)	(39)
Deferred tax at 31 December	**(62)**	**(58)**
Deferred tax assets at 31 December	**(62)**	**(58)**
Breakdown of deferred tax		
Non-current liabilities and provisions	-	3
Tax losses carried forward	(62)	(61)
Deferred tax at 31 December	**(62)**	**(58)**

Section 9
Equity

Comments
The share capital is divided into 81,445,955 shares (2017: 81,445,955 shares) with a nominal value of DKK 1.00 each. No shares are subject to special rights or restrictions on voting rights. The shares are fully paid up and are not divided into classes.

In 2017, the share capital increased by DKK 14 million from conversion of major shareholder loans to equity in May 2017 and capital injection in June 2017.

DKK million	**2018**	2017
Profit for the year	**(1,437)**	**(2,928)**
Attributable to:		
Retained earnings	(1,437)	(2,928)

Section 10
Loans and subordinated shareholder loans

DKK million	**2018**	2017
Non-current loans	5,564	5,867
Current loans	-	130
Total loans	**5,564**	**5,997**
Attributable to:		
Subordinated shareholder loans	2,220	2,008
Loans	3,344	3,989
Total loans	**5,564**	**5,997**

Section 11
Contingent liabilities, lease obligations and collateral security

DKK million	**2018**	2017
Warranty and guarantee commitments	43	55

Comments
Falck A/S has issued guarantees for rental obligations of certain subsidiares.

Joint taxation
Falck A/S is included in national joint taxation with Lundbeckfonden (Lundbeckfond Invest A/S) as administration company. Pursuant to the Danish Corporation Tax Act, the company is liable for income taxes etc. for the jointly taxed companies and for any obligations to withhold tax at source on interest, royalties and dividends from the jointly taxed companies.

Collateral security
The shares in the subsidiaries Falck Danmark A/S, Falck Global A/S, Falck Assistance A/S, Falck Global Assistance A/S and Falck Health Care Holding A/S have been provided as collateral for Falck A/S' debt.

Section 12
Related parties

Comments
For a description of related parties, reference is made to section 6.3 of the consolidated financial statements. Remuneration of the Board of Directors and the Executive Management is disclosed in section 2.3. Our related-party transactions are made on arm's length terms.

DKK million	**2018**	2017
Transactions with other Group companies were as follows:		
Management fee paid	2	2
Management fee received	9	9
Interest paid	212	10
Interest received	107	89
Received tax from subsidiaries	38	102

Section 13
Events after the balance sheet date

From 2016 to May 2018, the Danish Competition and Consumer Authority performed an investigation regarding Falck's alleged abuse of its dominant position on the ambulance market. On 30 January 2019, the Danish Competition Council ruled that Falck had violated Danish competition rules when handing over an ambulance contract in 2015. Falck and its legal advisors disagree with the ruling and Falck will appeal the ruling before the Danish Competition Appeals Tribunal.

With respect to pending litigations and claims to which Falck is a party, it is expected that the rulings in these matters will have no material impact on the Falck's financial position.

No other events have occurred after the balance sheet date affecting the financial position of the company at 31 December 2018.

Section 14
Accounting policies

The financial statements for the parent company are presented in accordance with the Danish Financial Statement Act of large reporting class C companies.

The parent company basically applies the same accounting policies for recognition and measurement as the Group.

The accounting policies applied by the parent company deviate from the accounting policies to the consolidated financial statements in the following respects:

Other operating income
Other operating income include management fee from Group companies, and is recognised concurrently with the supply of those services.

Dividend from group companies
Distributions of retained earnings in subsidiaries are recognised as financial income in the income statement of the parent company in the year in which the dividend is declared. An impairment test is made if more than the comprehensive income of a subsidiary is distributed.

Investments in subsidiaries
Investments in subsidiaries are measured at cost in the parent company financial statements. Cost includes the consideration at fair value plus direct acquisition costs.

If there is an indication of impairment, an impairment test is performed as described in the accounting policies applying to the consolidated financial statements. Where the carrying amount exceeds the recoverable amount, the investments are written down to this lower value.

In the event of distribution of reserves other than retained earnings in a subsidiary, such distribution will be deducted from the acquisition price, if the distribution is in the nature of repayment of the parent company's investment.

Statement of cash flows
A separate statement of cash flows for the parent company has not been prepared. Reference is made to the consolidated statement of cash flows.

Management's statement

The Board of Directors and the Executive Management Board today considered and approved the annual report of Falck A/S for 2018.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards which have been adopted by the EU.

The parent company financial statements have been prepared in accordance with the Danish Financial Statements Act.

Further, the consolidated financial statements and the parent company financial statements have been prepared in accordance with additional requirements under the Danish Financial Statements Act.

In our opinion, the accounting policies applied are appropriate, and the Group's and the parent company's financial statements give a true and fair view of the Group's and the parent company's assets, liabilities and financial position as at 31 December 2018, and of the results of the Group's and the parent company's activities and of the Group's cash flows for the financial period 1 January 2018 to 31 December 2018.

Furthermore, in our opinion, the Management's review includes a fair review of developments in the operations and financial position of the Group and the parent company, the financial results for the year and the Group's and the parent company's financial position.

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

Copenhagen, 31 January 2019

Executive Committee:

Jakob Riis
President and CEO

Tor Magne Lønnum
CFO

Jakob Bomholt
EVP, Ambulance

Board of Directors:

Peter Schütze
Chairman

Lene Skole
Deputy Chairman

Lars Frederiksen

Niels Smedegaard

Dorthe Mikkelsen

Søren Thorup Sørensen

Employee representatives:

Vagn Flink Møller Pedersen

Henrik Villsen Andersen

Allan Rensgaard

Independent auditor's report

To the shareholders of Falck A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Falck A/S for the financial year 1 January 2018 to 31 December 2018, which comprise the income statement, balance sheet, statement of changes in equity and sections, 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 December 2018, and of the results of its operations and cash flows for the financial year 1 January 2018 to 31 December 2018 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements under the Danish Financial Statements Act.

Further, in our opinion, the parent financial statements give a true and fair view of the Parent's financial position at 31 December 2018, and of the results of its operations for the financial year 1 January 2018 to 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Statement on the management commentary

Management is responsible for the management commentary.

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from mate-rial misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and these parent financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the sections, 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, 31 January 2019

Deloitte
Statsautoriseret Revisionspartnerselskab
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