Annual Report 2019

Falck A/S
CVR no 33 59 70 45
Sydhavnsgade 18
2450 Copenhagen SV
Denmark

General meeting:
23 March 2020
Chairman:
Miguel Buxó

FALCK

Falck at a glance

Falck is an international market leader in emergency response and healthcare. We help people in urgent need, bringing peace of mind to our customers. Our strongholds are in the Nordics, the US and Colombia. We operate in 30 countries.

We take pride in turning care into action by delivering emergency response and healthcare services **24-7** – whenever urgent help is needed.

We are a reliable partner to the local communities where we operate and we are committed to exploring new ways of working with our customers.

We have been in emergency response since

1906

Every year, Falck responders drive 195 million kilometres. That corresponds to

250 times

the distance to the moon and back.

We provide emergency response within ambulance, fire services and roadside assistance. Within healthcare services, we provide doctor's consultations, physiological and psychological treatments. And we prevent accidents from happening.

Ambulance

Roadside Assistance

Healthcare

Portfolio Businesses

We are more than

30,000

professionals working to help people in urgent need.

We love what we do. United in the belief that every life is precious and that we make a difference for people in urgent need, we enjoy careers with real-life impact.

That is why we can always promise that we are:

There when you need us

Contents

Letter from the Chairman & CEO

We are stabilising our business and positioning Falck for future growth

In late 2019, we completed Falck's turnaround. After six consecutive quarters of improved performance, we had completed two years of diligent work to get our company out of a deeply challenging situation.

We were in a paradoxical situation when we commenced the immense task. On the one hand, we were always there for people in urgent need, offering premium emergency response and healthcare services. On the other hand, Falck was in financial trouble.

We had grown our business through acquisitions that had globalised our company at the cost of increased debt, deteriorated profitability and significant value destruction for our owners. The past two years have been all about reversing this trend.

Our financial and strategic turnaround has been about changing a mindset: from acquisitional to organic growth. From revenue growth to profitability. From local autonomy to global operating models and a strong focus on governance.

A ruling from the Danish Competition Council in January accentuated the need for ensuring strong governance and business ethics. Many initiatives have been taken since 2016 to secure that Falck never again violates the competition law as it happened in 2014-15. In the recent years, these initiatives were reinforced.

A formalised self-cleaning programme was initiated and carried out over the year. We compensated parties that had suffered a loss and paid a total of DKK 182.5 million to cover a fine and a settlement agreement. We carried out an internal review of the years 2004-19 and went through 3.8 million documents with the assistance of external parties. We adopted a zero-tolerance approach and trained our organisation.

In the year, we re-introduced our Code of Conduct and whistleblower system as part of our trainings. We also introduced three new Winning Behaviours for Falck:

- We are committed to care
- We build trust
- Together, we create more value

The Winning Behaviours make our values and our approach to ethics actionable and engage our employees in conversations about how we act and the kind of behaviour stakeholders can expect from Falck.

Leaving 2019, we take pride in having completed a comprehensive financial, strategic and cultural turnaround. An EBITA of DKK 729 million and a net debt to EBITDA of 2.5x confirm a successful completion. We will continue our drive for efficiency, but customers and employees will take centre stage. Now is about reinforcing our market leadership by winning new contracts, being a great place to work and enhancing the way we operate. We are stabilising our business and positioning Falck for future growth.

We have learned from past events. We have come a long way during the past two years, and we will go even further in the years to come.

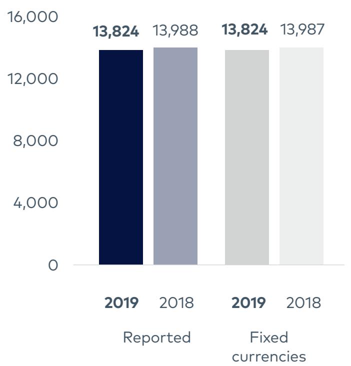
Peter Schütze
Chairman

Jakob Riis
President and CEO

We will continue our efficiency drive, but customers and employees take centre stage.

Financial highlights

REVENUE
DKK million

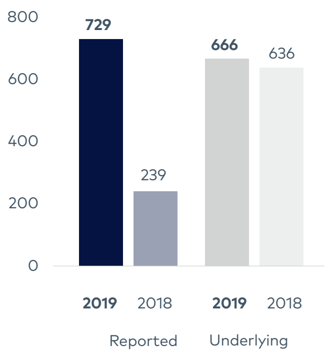


13,824 Revenue DKKm

(1.2%) Growth

Revenue was negatively impacted by DKK 423 million from divestment of non-core businesses. Contract wins and price management more than offset losses of contracts and subscribers.

EBITA
DKK million

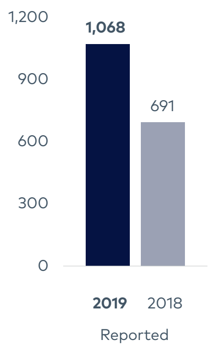


729 EBITA DKKm

5.3% Margin

Reported EBITA improved by DKK 490 million. The improvement was primarily driven by the efficiency programme. The underlying EBITA margin improved by 0.2 percentage point to 4.8%.

FREE CASH FLOW
DKK million

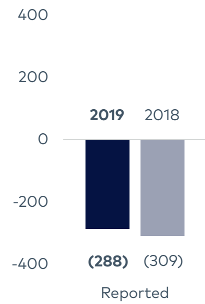


1,068 Free cash flow DKKm

146.5% Cash conversion

Improved EBITA and lower investment levels were partly offset by the build-up of working capital related to new contracts. Free cash flow was positively impacted by non-recurring items of DKK 156 million.

ECONOMIC PROFIT
DKK million

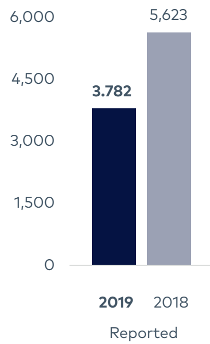


(288) Economic profit DKKm

21 Improvement DKKm

Economic profit improved for the third consecutive year. The improvement was driven by increased EBITA and decreased net operating assets.

NET INTEREST-BEARING DEBT
DKK million



3,782 NIBD DKKm

2.46 Factor

Net interest-bearing debt was reduced by one-third. Debt was positively impacted by the conversion of subordinated shareholder loans to equity and the down payment on the syndicated loan facility. Impact from the IFRS 16 reporting standard was DKK 1,149 million.

Key events of the year

Q1

Falck became a signatory to the UN Global Compact

Patient transport contract initiated with the Capital Region of Denmark

Roadside assistance contract extended with OP Insurance in Finland

Industrial fire services contract initiated with emmtec Industry & Businesspark in the Netherlands

Falck accepted ruling in competition case from 2014-15

Ambulance contract initiated in Stockholm

Q2

Patient transport contract initiated with Imperial College Healthcare in London

Healthcare services contract with Volvo initiated in Sweden, contract with Tryg expired

Medical clinics divested and ambulance contract expired in Poland

Falck paid damages after reaching a settlement agreement in its competition case from 2014-15

Strategic suppliers selected for ambulance and roadside assistance vehicles

Q3

Ambulance contract initiated with Alameda County, California

The ramp-down of an ambulance contract in Slovakia was initiated. The contract expires in 2020

Danish Defence chose Falck Technical Services to deliver firefighting equipment

Stockholm City Council chose Falck for healthcare services

Electric patient transport vehicles introduced in Copenhagen

Falck closed internal review of potential breaches of the Code of Conduct

Michala Fischer-Hansen, Anette Damgaard and Elisabeth Milton joined Executive Management

Q4

Ambulance contract extended with the Capital Region of Denmark

Falck Ambulance in the UK, Spain and Denmark ISO 9001 certified

Outsourcing of infrastructure and IT services finalised

Falck received a fine from SØIK and closed its competition case from 2014-15

Five-year summary

DKK million	2019	2018	2017	2016	2015
Income statement					
Revenue	13,824	13,988	15,071	14,942	13,881
Operating profit before special items (EBITA[1])	729	239	14	776	966
Impairment of goodwill	(450)	-	(2,825)	-	-
Operating profit (EBIT)	(129)	(8)	(3,177)	366	497
Net financial items	(158)	(445)	(306)	(213)	(166)
Profit for the period from continuing operations	(546)	(550)	(3,621)	71	217
Profit for the period from discontinued operations	-	(398)	(55)	(28)	(801)
Balance sheet					
Total assets	12,776	12,991	14,561	18,441	18,595
Net operating assets	7,655	7,774	8,032	11,401	11,579
Total equity	3,882	2,198	3,154	5,952	5,943
Subordinated shareholder loans	-	2,220	2,008	944	281
Net interest-bearing debt, including lease liabilities	3,782[2]	5,623	5,404	5,045	5,366
Cash flows and investments					
Cash flows from operating activities	764	784	512	580	888
Free cash flow	1,068	691	317	300	436
Investments in intangible assets, property, plants and equipment	(191)	(365)	(428)	(648)	(728)
Key figures					
Economic profit	(288)	(309)	(418)	(599)	(491)
EBITA margin (%)	5.3	1.7	0.1	5.2	7.0
Cost of services (OPEX) ratio (%)	79.7	81.4	80.4	77.7	76.0
Sales and administrative expenses (SG&A) ratio (%)	16.0	17.5	19.6	17.7	17.8
Cash conversion rate (%)	146.5	289.1	2,264.3	38.7	45.1
Equity ratio	30.4	34.0	35.5	37.4	33.5
Net interest-bearing debt to EBITDA (factor)	2.46[3]	3.33	3.45	4.08	4.15
EBITDA	1,369	909	588	1,258	1,422
FTEs	23,920	26,789	27,883	28,366	27,645

1) EBITA is defined as operating profit before special items, amortisation of customer contract and impairment of goodwill
2) Including lease liabilities of DKK 1,149 million from IFRS 16 implementation
3) Excluding lease liabilities

RESTATEMENT OF PREVIOUS YEARS

In connection with the preparation of the consolidated financial statements, three accounting issues have been identified and corrected retrospectively and comparison figures have been adjusted accordingly. See section 1.1 of the consolidated financial statements for further details.

In general, the financial and non-financial data are stated excluding discontinued operations.

Discontinued operations are specified in section 4.3 of the consolidated financial statements.

See definitions of key figures and ratios in section 1.4 of the consolidated financial statements.

Financial results

Improved profitability on flat revenue

Efficiency measures more than offset higher costs related to the start-up of new contracts and the enhancement of Falck's global operating models.

REVENUE

Reported revenue was DKK 13,824 million (DKK 13,988 million). In fixed currencies, revenue decreased by 1.2%.

Divestment of business activities in Ambulance and Portfolio businesses had a negative impact on revenue of DKK 423 million for the year.

Several new contracts in Ambulance and price management across the business more than offset the effects of contract losses, a continued loss of customers in the subscription portfolio in Roadside Assistance and lower activity levels in Healthcare, Roadside Assistance and Ambulance in the US.

Significant new contract wins were the ambulance agreements with Alameda County in California and the Municipality of Stockholm in Sweden. A significant contract expiry was an ambulance contract in Poland, where the government has insourced EMS ambulance services.

COST OF SERVICES

Cost of services (OPEX) was DKK 11,023 million (DKK 11,388 million).

Efficiency measures across business units, divestment of loss-making, non-core businesses in Ambulance and contract pruning all contributed positively. In total, these factors more than offset the effects of customer losses in the subscription business and higher costs related to the start-up of new contracts.

In the previous year, OPEX was negatively impacted by DKK 148 million from impaired trade receivables in the US and other non-recurring costs in Ambulance.

The underlying OPEX ratio was 79.7% (80.4%).

SALES AND ADMINISTRATIVE EXPENSES

Sales and administrative (SG&A) expenses amounted to DKK 2,207 million (DKK 2,446 million).

Efficiency improvements in staff functions across the business offset increased investments in new technology and processes enhancing Falck's global operating models, however they could not offset the decline in revenue.

In the previous year, an impairment of software and trade receivables in Healthcare had a negative impact of DKK 134 million on SG&A expenses.

The underlying SG&A ratio was 16.0% (15.9%).

OPERATING PROFIT

Reported operating profit before special items (EBITA) improved by 205% to DKK 729 million (DKK 239 million).

EBITA improved by DKK 29 million from the efficiency programme and by DKK 63 million in one-off gains from the sale of office buildings in Denmark. In the previous year, EBITA was negatively impacted by DKK 398 million from one-off costs. These related to 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.

The underlying EBITA margin improved by 0.2 percentage point to 4.8% (4.6%).

DIVESTMENTS

Falck divested its medical clinics in Poland and several minor non-core businesses which led to a loss of DKK 30 million. The divestments had a positive impact of DKK 106 million on cash flow from investing activities.

PROFIT FOR THE PERIOD

Profit for the year improved by DKK 402 million to negative DKK 546 million (negative DKK 948 million).

Improved EBITA and lower financial expenses increased profit by DKK 490 million and DKK 266 million, respectively. These improvements offset the negative impact from impairment on goodwill in Healthcare of DKK 450 million related to the expiry of bigger-sized contracts in Denmark and Norway as well as settlement costs, legal fees, a fine related to the competition case in Denmark of DKK 223 million and higher income tax of DKK 188 million.

In the previous year, profit for the period was negatively impacted by DKK 398 million from the divestment of Falck Safety Services and the Danish medical clinics.

Financial results

FREE CASH FLOW

Free cash flow increased by DKK 377 million to DKK 1,068 million (DKK 691 million).

The build-up of working capital related to new ambulance and industrial firefighting contracts was offset by the positive impact of improved EBITA across the entire business, lower investment levels in Ambulance, Healthcare and Roadside Assistance, as well as payments for services rendered in the previous year in Ambulance and Healthcare.

The sale of office buildings in Denmark impacted free cash flow positively by DKK 349 million, while free cash flow was negatively impacted by DKK 193 million from settlement costs and legal fees related to the competition case in Denmark.

Implementation of the IFRS 16 reporting standard impacted free cash flow positively by DKK 293 million in the year.

EQUITY AND LOANS

Equity increased by DKK 1,684 million to DKK 3,882 million (DKK 2,198 million). The increase was mainly due to the conversion of subordinated shareholder loans to equity in March 2019. The equity ratio was 30.4 (34.0 including shareholder loans).

NET INTEREST-BEARING DEBT

Net interest-bearing debt (NIBD) was reduced by DKK 1,841 million to DKK 3,782 million (DKK 5,623 million).

NIBD was positively impacted by the conversion of shareholder loans to equity (DKK 2,270 million) and down payment on the syndicated loan facilities of DKK 450 million. This was, however, offset by an increase in lease liabilities of DKK 1,149 million due to the implementation of the IFRS 16 reporting standard regarding leases.

ECONOMIC PROFIT

Economic profit improved by DKK 21 million to negative DKK 288 million (negative DKK 309 million).

Improved net operating profit after tax (NOPAT) increased by DKK 59 million to DKK 375 million (DKK 316 million) and was offset by increased net operating assets.

EVENTS AFTER REPORTING DATE

No events have occurred after the reporting date that have a material impact on the financial position of the Group.

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 2020

Having completed its financial turnaround in 2019, Falck expects to continue to the improvement of profitability while stabilising the revenue and positioning the company for future growth. For the full-year 2020, the expectation is to further improve Falck's operating profit (EBITA) from DKK 729 million. Revenue is expected to be in the range of DKK 13.2 - 13.8 billion in fixed currencies.

Focus is on re-winning significant contracts in Ambulance and Fire services that are out for tender in 2020-21, on winning new contracts across the business and on stabilising the subscription portfolio value.

In 2020, Falck is scheduled to complete the DKK 1 billion cost optimisation and efficiency programme that was initiated in late 2017. Many initiatives undertaken in 2018-19 will take full-year effect in 2020.

To further improve competitiveness and shareholder value, the implementation of efficiency measures will continue.

In addition, investments in technology and processes are expected to enhance the operating models, and thus further improve profitability and the quality of services.

Competition case and self-cleaning programme

Ruling from the Danish Competition Authorities

On 30 January 2019, Falck received a ruling from the Danish Competition Council for having violated the Danish competition rules in 2014-15 in connection with the award and transfer of the ambulance operation contract in the Region of Southern Denmark to a new provider (BIOS). Falck decided to accept the ruling.

SELF-CLEANING PROGRAMME

Following the ruling, Falck initiated a comprehensive "self-cleaning programme" to ensure transparency and a zero-tolerance and speak-up culture on ethics. The self-cleaning programme aimed to:

1. Compensate parties that had suffered losses resulting from the conduct by Falck that led to the ruling of the Competition Council.
2. Carry out an internal review to identify and deal with past or present violations of Falck's Code of Conduct.
3. Apply a zero-tolerance approach to ensure that quality and ethics always take priority at Falck.

The self-cleaning programme was built on initiatives taken from 2016 onwards and aimed at building a stronger, transparent and compliant Falck. Initiatives included establishing a new executive management team and a top 30 executives group as well as a global compliance function, reintroducing the Code of Conduct and whistleblower system, an integrated operating model supported by global functions and clearer processes as well as taking full ownership of entities in Latin America, Slovakia and Australia and making a number of divestments.

1. SETTLEMENT AGREEMENT WITH ALL PARTIES

On 24 June 2019, Falck reached a settlement agreement regarding the payment of compensation for losses resulting from the acts which had led to the ruling of the Danish Competition Council. The settlement was made between Falck, the Region of Southern Denmark, the Dutch owners of BIOS and the bankruptcy estate of BIOS in Denmark. Falck agreed to compensate the parties with a total amount of DKK 152.5 million. With the settlement agreement, the parties waived any further claims, and all litigations between the parties were withdrawn.

In December 2019, Falck received a fine from SØIK (the State Prosecutor for Serious Economic and International Crime) of DKK 30 million. When setting the size of the fine, SØIK emphasised that Falck has collaborated with the authorities in the investigation and that Falck has compensated for losses related to the case. The fine was paid in early January 2020.

2. INTERNAL REVIEW CONCLUDED

In the spring and summer of 2019, Falck conducted an internal review of its business with the assistance of external experts. The review covered the years 2004-19 and aimed at identifying any past and present violations of Falck's Code of Conduct that Falck's management was not aware of.

Based on reporting from Falck's whistleblower system, business assurance visits, risk reporting, ethics and compliance reporting as well as input from Falck's new management and other stakeholders, potential topics of concern were identified. This led to a fact-finding exercise that included going through 3.8 million documents from e-mail accounts and network drives of current and former employees as well as interviews with employees and other stakeholders.

The review uncovered issues related to partnerships, conflicts of interest and instances of local management not acting in the best interest of the company, giving Falck a finite list of issues to address and actions to be completed. Most issues had already been dealt with, while others were dealt with after the review. Actions taken included re-training, reprimands and dismissal of employees as well as changes in the ownership structure and governance of entities.

3. ZERO-TOLERANCE APPROACH ADOPTED

In the spring of 2019, Falck launched the We build trust campaign with increased focus on and global online training in the Code of Conduct, increased awareness about the whistleblower system and the adoption of a zero-tolerance approach towards breaches of the Code of Conduct. A zero-tolerance statement was published, reiterating that violations of the Code of Conduct would not be tolerated and that all reports or suspicions of violations would be swiftly and objectively investigated.

Strategy

A leader in emergency response and healthcare

Falck cares for the well-being of people and excel in saving and improving the lives of people in urgent need. This commitment has made the Group an international leader in emergency response and healthcare.

Falck has strong market positions in attractive markets. The Group wants to unleash the potential of these markets and to push the boundaries for saving and improving lives. To do that, all efforts are directed to building a market-leading and financially sound emergency response and healthcare provider that delivers quality care with high levels of management control, transparency and compliance.

This transformation will make Falck a strong brand, preferred and trusted by customers, employees, investors and society at large.

LEADING MARKETS, PUSHING BOUNDARIES

Historically, Falck has operated as individual, stand-alone entities. In 2017, a turnaround plan was launched with financial, strategic and cultural implications. The result has been a change of mindset: from acquisitional to organic growth. From revenue growth to profitability. From local autonomy to global processes and technologies and a strong focus on governance.

In late 2019, Falck completed the turnaround that has made the organisation more profitable, less complex and with significant governance improvements. The drive for efficiency, reduction of complexity and enhancement of the way the business operates will continue. Honing the offering for customers and patients, Falck works to set new industry standards for high quality services, quality management, transparency and compliance.

The Group sets high standards for being a partner to local communities and relying on trust from people in urgent need. These high standards are an asset and an integral part of what gives Falck a competitive edge.

Four levers are pivotal to reaching the goal of building a market-leading emergency response and healthcare provider that pushes the boundaries for saving and improving lives:

- Falck wants to be its customers' preferred partner
- Falck wants to be a great place to work
- Falck wants to be a financially sound company
- Falck wants to enhance the way it operates

PREFERRED PARTNER FOR OUR CUSTOMERS

Falck is organised into five business units that each hold responsibility for developing their markets, sales and operations. Markets and customer portfolios vary significantly across units. The ambulance, fire services and healthcare businesses are primarily contract businesses with governments, insurance companies and businesses. The roadside assistance and community healthcare businesses have their strength in significant subscription portfolios with consumers.

Aiming for organic growth, Falck is building commercial capabilities business locally with central support from the individual business units. Operational efficiency has played an essential role in the recent turnaround and is being embedded in Falck's DNA.

Each business unit works diligently to build a Falck with satisfied users and customers who recognise the Group for:

- offering relevant and attractive products that stand out from the competition
- delivering quality care with high levels of management control, transparency and compliance
- thought leadership within the services where we operate

STRONG MARKET POSITIONS IN SEVERAL ATTRACTIVE MARKETS

In the market for emergency medical services, Falck is an international leader in the large European and US markets that are characterised by mature public sectors and high-quality healthcare systems.

In fire services, Falck is the leading private supplier to high-risk facilities in Europe.

In healthcare, Falck is a leader in community healthcare in Colombia.

In the Nordics, Falck leads the markets for occupational healthcare and roadside assistance.

Strategy

A GREAT PLACE TO WORK

A strong sense of purpose and meaningfulness in our daily work, is a key driver for high employee engagement levels at Falck.

Each business unit works to ensure that its people deliver Falck's services efficiently, reliably and with care to patients and customers. High engagement levels, training and leadership are key to ensuring that the business units manage employee turnover, absence and lost time injuries (LTI), that Falck meets its contractual obligations and that employees possess the professional and interpersonal skill sets that working for Falck requires.

IMPROVED ENGAGEMENT SCORE

Engagement levels increased in the engagement survey for 2019.

Approximately 63% of employees responded to the survey. Entity by entity and team by team, engagement levels have been assessed and local action plans are being developed.

Learn more about people, health and safety in Falck's Sustainability Report 2019.

Training of employees is carried out locally to meet customer requirements contract by contract while training in Falck's global standards, policies and guidelines is developed centrally and implemented locally.

Falck initiated a global leadership programme with the scope of enhancing the leadership capacity with more than 500 frontline leaders across our businesses. Over the past year, the focus on health and safety has increased and a global approach to monitor, learn from and bring down fatalities to zero is being implemented to strengthen and ensure high health and safety standards.

Across the Group, Falck works to ensure that its employees:

- work with a clear purpose and high engagement levels
- are being treated with care, fairness and high health and safety standards
- are led by a winning leadership culture
- develop and grow professionally

A FINANCIALLY SOUND COMPANY

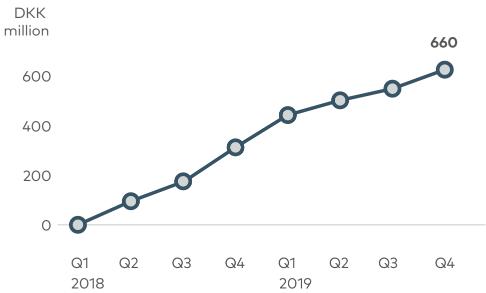
Building market leadership requires access to capital. The company's recently completed turnaround has brought the Group from a challenging financial situation to a state where delivering value in excess of the required return to investors is within reach.

A comprehensive efficiency programme has delivered DKK 1 billion in cost out with full-year effect in 2020. The programme was built on three pillars:

- Operational optimisation
- Reduction of overhead costs
- Procurement initiatives

The cost out and efficiency programme is being completed in early 2020, however, measures to ensure continuous cost optimisation are being implemented.

ANNUALISED EBITA EFFECT OF EFFICIENCY PROGRAMME



The programme has brought the Group closer to honouring past investments in our business while investing in new business, processes and technology that enhance the way it operates.

ENHANCE THE WAY FALCK OPERATES

The Group's size potentially offers scale benefits that allow it to deliver a market-leading offering and competitive pricing as the business grows.

Falck aims to simplify and optimise its cost structure and asset base while defining and implementing a more global approach to business processes and technologies.

Business unit by business unit, Falck has invested in enhancing the way it operates. New global dispatch and fleet management IT systems have been implemented in the ambulance business. In the roadside assistance business, a new customer management system has been implemented and the operating model has been changed with greater use of subcontractors, fewer stations and improved utilisation of call centres.

In Finance and IT, the operating model has been centralised and transactional finance processes and IT infrastructure are being outsourced. Significant investments are also being made to install a standardised, groupwide quality and risk management system, in which ISO certifications and other standardised approaches take a prominent role.

Business model

Key resources

PEOPLE
We rely on our more than 30,000 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

Business units

Ambulance
- Emergency medical services
- Patient transport services
- Special event coverage
- Community healthcare

Roadside Assistance
- Towing
- Car service subscriptions

Healthcare
- Occupational healthcare
- Private healthcare subscriptions

Portfolio Businesses
- Fire services
- Global assistance

Value created

CARE AND SAFETY
We save lives, treat and transport patients, support healthy workplaces and communities, save valuables and assist on the roads

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

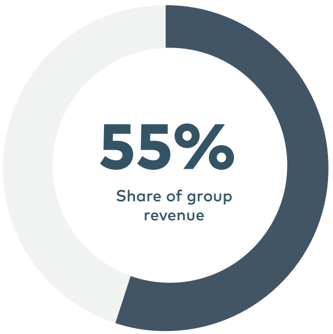
A GREAT PLACE TO WORK
We offer challenging and purposeful work with opportunities for personal and professional development

SOCIETAL IMPACT
We perform life-saving and life-improving care to people around the globe

SHAREHOLDER VALUE
We deliver value to shareholders

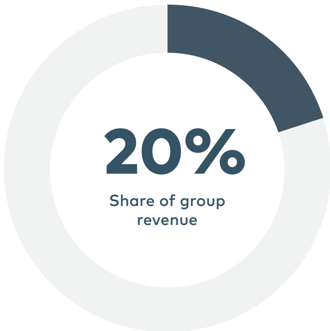
Business unit highlights

Ambulance



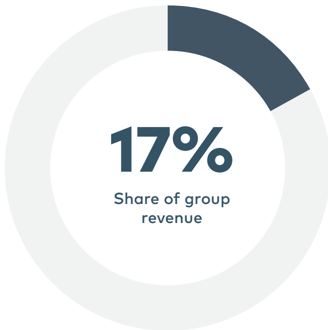
Revenue DKK million	7,766
EBITA DKK million	396
EBITA margin %	5.1
Free cash flow DKK million	357

Roadside Assistance



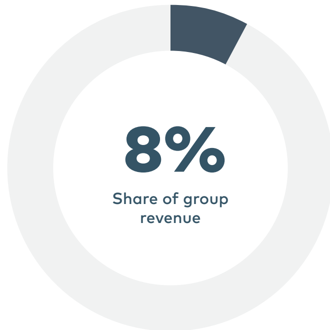
Revenue DKK million	2,808
EBITA DKK million	459
EBITA margin %	16.3
Free cash flow DKK million	382

Healthcare



Revenue DKK million	2,355
EBITA DKK million	72
EBITA margin %	3.1
Free cash flow DKK million	96

Portfolio Businesses



Revenue DKK million	1,160
EBITA DKK million	86
EBITA margin %	7.4
Free cash flow DKK million	152

Financial results by business unit

Ambulance

EBITA margin improved on increased revenue. Efficiency measures, price management and contract pruning more than offset costs related to several contract start-ups and closedowns. Free cash flow was negatively impacted by the build-up of working capital for new contracts.

REVENUE

Reported revenue was DKK 7,766 million (DKK 7,659 million). In fixed currencies, revenue increased by 0.8%.

New fixed-price and pay-on-use contracts were initiated with Alameda County in California, the Municipality of Stockholm in Sweden, the NHS for the Imperial district in London and several municipalities in Germany. In particular, the introduction of a quality assurance fee programme in California contributed positively to revenue in Ambulance.

The positive impact of new contracts and price management more than offset the effects of the divestments of ambulance business in non-core markets such as Finland and Switzerland and medical clinics in Poland. Also, government insourcing of ambulance services in Poland and renewed contracts with reduced scope in Australia impacted revenue negatively.

In the US, the pruning of contracts continued with the aim of improving profitability. This led to lower activity levels in our pay-on-use portfolio and impacted revenue negatively.

COST OF SERVICES

Cost of services (OPEX) was DKK 6,514 million (DKK 6,467 million).

The divestment of loss-making business in non-core markets and the expiry of contracts during the year contributed positively but did not offset an impairment related to a planning IT system and increased costs related to start-ups in the US, Sweden, the UK and Germany.

In the previous year, OPEX performance was negatively impacted by impaired trade receivables in the US and other non-recurring cost of DKK 148 million.

The underlying OPEX ratio was 83.9% (82.5%).

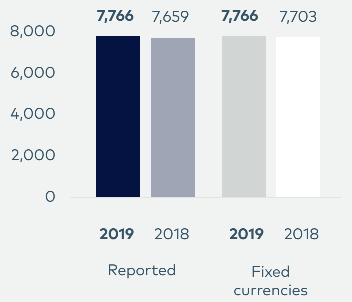
SALES AND ADMINISTRATIVE EXPENSES

Sales and administrative expenses were DKK 884 million (DKK 1,078 million), leaving the underlying SG&A ratio at 11.4% (14.1%). Efficiency improvements in staff functions contributed positively to the improved SG&A ratio.

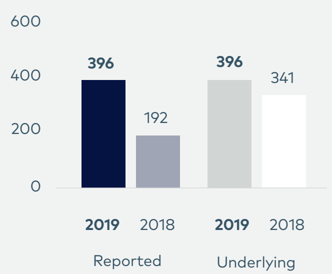
FINANCIAL PERFORMANCE

DKK million	**2019**	2018
Revenue	7,766	7,659
EBITA	396	192
EBITA margin (%)	5.1	2.5
Free cash flow	357	505
Economic profit	45	(61)
FTEs	17,239	19,490

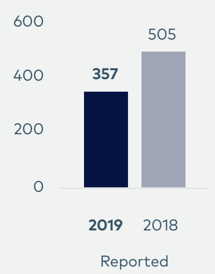
REVENUE
DKK million



EBITA
DKK million



FREE CASH FLOW
DKK million



Financial results by business unit

OPERATING PROFIT
Reported operating profit before special items (EBITA) increased by 106% to DKK 396 million (DKK 192 million), primarily driven by lower sales and administrative expenses.

In the previous year, EBITA was negatively impacted by DKK 148 million from impaired trade receivables in the US and other non-recurring costs.

The underlying EBITA margin improved by 0.7 percentage point to 5.1% (4.4%).

FREE CASH FLOW
Free cash flow decreased by DKK 148 million to DKK 357 million (DKK 505 million).

Free cash flow was positively impacted by improved EBITA and lower investment levels. The positive impact did not offset the adverse impact from the build-up of working capital related to new contracts and slower cash collection in the US as well as the closedown of operations in Poland.

Market characteristics

- Growing market characterised by ageing population and limited public healthcare budgets
- Leading market positions in Denmark, California, Stockholm, Barcelona, Hamburg and London

Three main service areas:
- EMS (emergency medical services)
- PTS (patient transport services)
- Doctors on call

Customers:
- Long-term contracts awarded in open public tenders on fixed or pay-on-use terms
- Unconsolidated market with many local operators. 75% of EMS market in-sourced by healthcare authorities or awarded to NGOs

Key events of the year

Q1

Contracts initiated
- EMS, Stockholm
- PTS, the Capital Region of Denmark

Contracts won
- EMS, the Capital Region of Denmark extended to January 2023

Q2

Contracts initiated
- Imperial College Healthcare, London

Contracts expired
- Polish medical clinics divested and EMS services insourced by the Polish government

Q3

Contracts initiated
- Alameda, California

Contracts expired
- The ramp-down of an ambulance contract in Slovakia was initiated. The contract expires in 2020

Q4

Contracts expired
- Slovakian PTS business divested

Other milestones

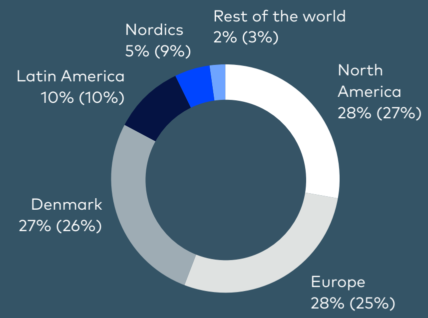
Q1: Roll-out of global fleet management system, covering 4,000 vehicles

Q3: Electric PTS vehicles introduced in Copenhagen

Q4: ISO 9001 certification of Ambulance in the UK, Spain and Denmark

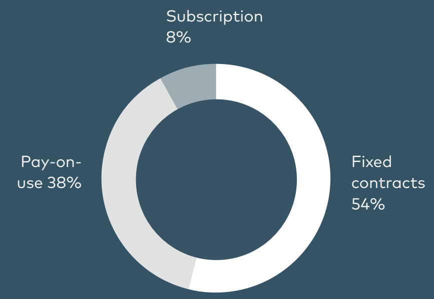
Revenue by geography

2019 (2018)



Revenue by contract type

2019



Financial results by business unit

Roadside Assistance

EBITA improved on declining revenue. Efficiency measures and impact from price management more than offset the declining revenue from the subscription business and expired fire services contracts. Benign winter weather reduced revenue but supported operating profit.

REVENUE

Reported revenue was DKK 2,808 million (DKK 2,937 million). In fixed currencies, revenue declined by 4.0%.

Price management contributed positively to the revenue development but did not fully offset the continuing loss of customers in the subscription portfolio and the loss of public fire service contacts in Denmark. Mild winter weather in Sweden and Norway led to lower activity levels in the pay-on-use portfolio compared to the previous year, where activity levels were extraordinarily high.

COST OF SERVICES

Cost of services (OPEX) was DKK 1,857 million (DKK 2,042 million), leaving the underlying OPEX ratio at 66.1% (69.5%).

Efficiency measures more than offset the declining revenue from the subscription business and fire services contracts. Efficiency measures included the change of operating model with an increased use of franchise takers and sub-contractors, better utilisation of call centres and optimisation of the station network in Denmark.

Benign winter weather improved profitability in the Danish subscription business. The positive impact on profitability from this part of the business more than offset the negative impact from the lower activity levels in the pay-on-use portfolio in Sweden and Norway, where the operating model relies more on franchising and subcontracting.

SALES AND ADMINISTRATIVE EXPENSES

Sales and administrative expenses were DKK 513 million (DKK 624 million), leaving the underlying SG&A ratio at 18.3% (21.2%).

Efficiency improvements in staff functions and transfer of costs related to building centralised global operating models contributed positively to the improved SG&A ratio.

OPERATING PROFIT

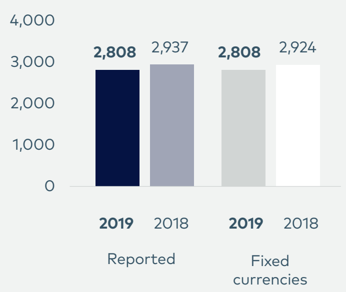
Reported operating profit before special items (EBITA) increased by 28% to DKK 459 million

FINANCIAL PERFORMANCE

DKK million	2019	2018
Revenue	2,808	2,937
EBITA	459	359
EBITA margin (%)	16.3	12.2
Free cash flow	382	282
Economic profit	102	(5)
FTEs	1,474	1,859

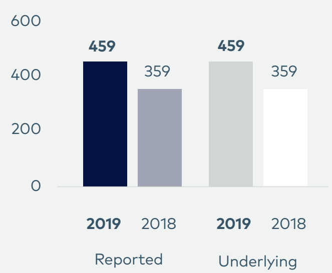
REVENUE

DKK million



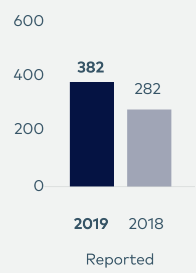
EBITA

DKK million



FREE CASH FLOW

DKK million



Financial results by business unit

(DKK 359 million), driven by lower operating costs and lower sales and administrative expenses.

Reported and underlying EBITA margin improved by 4.1 percentage points to 16.3% (12.2%).

FREE CASH FLOW
Free cash flow increased by DKK 100 million to DKK 382 million (DKK 282 million).

Improved EBITA, higher levels of pre-payments and lower investments levels more than compensated for the lower levels of prepayments from expired fire services contracts.

Key events of the year

Q1

Contracts initiated
- Roadside assistance contract extended with OP Insurance in Finland

Contracts won
- Six municipalities chose Falck for public fire services in Eastern Zealand in Denmark

Q2

Contracts initiated
- Beredskab Øst in Denmark extended public fire services contracts to year-end 2020

Offering
- New portfolio of private healthcare and patient transport services launched in Denmark

Q3

Contracts initiated
- Danish Defence chose Falck Technical Services to deliver fire fighting equipment

Q4

Transfer of customers
- Transfer of customers to Falck following the termination of a contract with Alka Insurance in Denmark

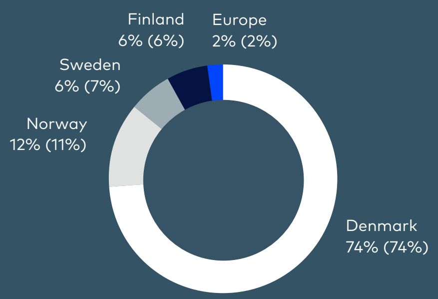
Market characteristics

- Mature market in roadside assistance
- Growing market in healthcare characterised by ageing population
- Falck has a leading market position in roadside assistance and an attractive subscription portfolio of private customers

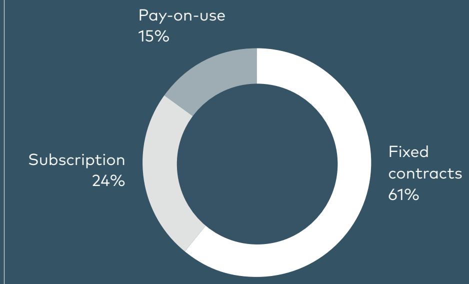
One main service area in the Nordics and a broad service portfolio in Denmark:
- Roadside assistance in Denmark, Norway, Sweden, Finland and the Baltics
- Fire, safety and first aid services in Denmark
- Long-term contracts for public fire services in Denmark

Customers:
- Subscription portfolio of more than 1 million consumers in the Nordics
- Long-term contracts with insurance companies and public authorities awarded in tenders
- Contracts for public fire services with Danish municipalities

Revenue by geography
2019 (2018)



Revenue by contract type
2019



Financial results by business unit

Healthcare

EBITA improved on lower revenue. Efficiency measures and continuing contract pruning across the business more than offset the contract expiries of three bigger-sized contracts.

REVENUE

Reported revenue was DKK 2,355 million (DKK 2,466 million). In fixed currencies revenue decreased by 3.0%.

The revenue decrease derived partly from contract losses and partly from lower activity levels in Denmark and Sweden.

A new contract with the Volvo Group and several medium-sized wins in the second half of the year did not offset the expiry of bigger-sized contracts with Tryg in Denmark, Gjensidige in Norway and staffing contracts with two municipalities in Denmark.

In Denmark and Sweden, the activity levels in the pay-on-use contract portfolio were lower compared to the previous year. The lower activity levels were partly due to contract pruning intended to improve profitability.

COST OF SERVICES

Cost of services (OPEX) was DKK 2,016 million (DKK 2,165 million), reducing the underlying OPEX ratio to 85.6% (87.8%).

Efficiency measures and continuing contract pruning across the business more than offset the contract expiries of the bigger-sized contracts. Being the most significant contributor, efficiency measures include standardisation of contracts, elimination of redundant work and digitisation as well as the improved utilisation of call centres and the healthcare network.

SALES AND ADMINISTRATIVE EXPENSES

Sales and administrative expenses were DKK 268 million (DKK 410 million).

Efficiency improvements across staff functions compensated for contract losses and lower activity levels.

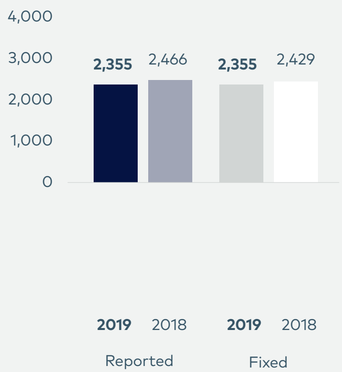
In the previous year, impairments of software and trade receivables had a negative impact of DKK 134 million on SG&A.

The underlying SG&A ratio was 11.4% (11.4%).

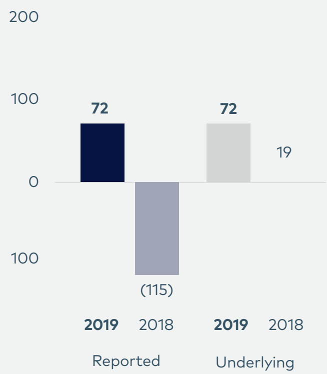
FINANCIAL PERFORMANCE

DKK million	2019	2018
Revenue	2,355	2,466
EBITA	72	(115)
EBITA margin (%)	3.1	(4.7)
Free cash flow	96	16
Economic profit	(37)	(101)
FTEs	2,297	2,552

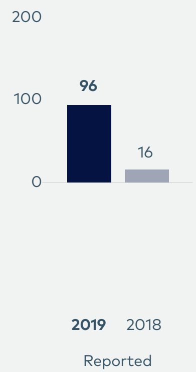
REVENUE
DKK million



EBITA
DKK million



FREE CASH FLOW
DKK million



Financial results by business unit

OPERATING PROFIT

Reported operating profit before special items (EBITA) increased by DKK 187 million to DKK 72 million (negative DKK 115 million), primarily driven by lower sales and administrative expenses.

In the previous year, EBITA was negatively impacted by DKK 134 million from the impairment of software and trade receivables.

The underlying EBITA margin for 2019 improved by 2.3 percentage points to 3.1% (0.8%).

FREE CASH FLOW

Free cash flow improved by DKK 80 million to DKK 96 million (DKK 16 million).

Free cash flow was positively impacted by improved EBITA and lower investment levels. This was partly offset by the negative impact from a down payment of deposits related to an expiring contract.

Key events of the year

Q1

Q2

Contracts initiated
- Contract for healthcare services initiated with Volvo Group, Sweden

Contracts expired
- Healthcare service contract with Tryg expired

Q3

Contracts initiated
- Stockholm City Council chose Falck-owned Previa for healthcare services

Q4

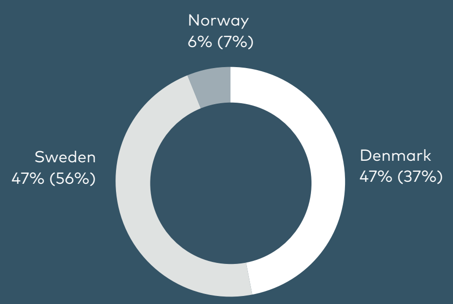
Market characteristics

- Growing market in healthcare characterised by high-cost labour cost and an aging population
- Falck has leading market positions in healthcare services in Denmark and Sweden

Three main service areas delivered in the Nordics with staffing services provided in Denmark only:
- 1.5 million physiological treatments
- 0.23 million psychological treatments
- 0.9 million hours of occupational healthcare services
- 1.5 million hours of temporary assistance (staffing)

Customers:
- Contracts with companies won in tenders and on the open market
- Long-term contracts with insurance companies and public authorities awarded in tenders

REVENUE BY GEOGRAPHY
2019 (2018)



Financial results by business unit

Portfolio Businesses

EBITA improved on flat revenue. Improved profitability came from efficiency measures implemented across Industrial Fire Services and Falck Global Assistance.

REVENUE

Reported revenue was DKK 1,160 million (DKK 1,162 million). In fixed currencies, revenue decreased by 0.6%.

Higher activity levels and new contracts in Industrial Fire Services offset the divestment of Falck Fire Academy in the Netherlands.

Industrial Fire Services initiated two new contracts in Aberdeen and Glasgow in the UK, a contract with emmtec Industry & Businesspark in the Netherlands and rescue operations for Red Bull Air Race events. Falck Global Assistance initiated new contracts with several new customers for security and medical travel services.

Activity levels in Industrial Fire Services' pay-on-use business increased significantly. These include short-term fire service contracts, training activities and consultancy.

OPERATING PROFIT

Reported operating profit before special items (EBITA) increased by DKK 43 million to DKK 86 million (DKK 43 million). Improved profitability came from efficiency measures implemented across the Portfolio business.

In the previous year, EBITA was negatively impacted by DKK 23 million from impairments and other non-recurring costs.

The underlying EBITA margin improved by 1.7 percentage points to 7.4% (5.7%).

FREE CASH FLOW

Free cash flow increased by DKK 64 million to DKK 152 million (DKK 88 million).

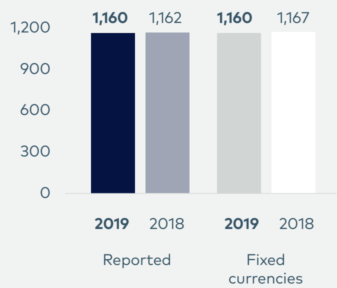
Free cash flow was positively impacted by lower investment levels compared to last year, when Falck Fire Academy built a new training facility in the Netherlands. An improved collection of cash by Falck Global Assistance did not fully offset the adverse impact from the build-up of working capital related to new contracts, termination of contracts and higher pay-on-use activity towards the end of the year.

FINANCIAL PERFORMANCE

DKK million	**2019**	2018
Revenue	1,160	1,162
EBITA	86	43
EBITA margin (%)	7.4	3.7
Free cash flow	152	88
Economic profit	16	(12)
FTEs	2,603	2,733

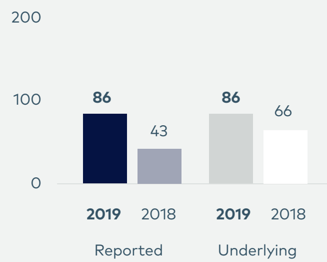
REVENUE

DKK million



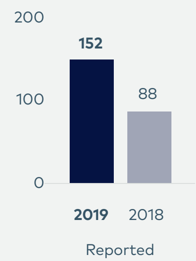
EBITA

DKK million



FREE CASH FLOW

DKK million



Q4 financial results

Key figures Q4

DKK million	Q4 2019	Q4 2018	2019	2018
Income statement				
Revenue	3,448	3,382	13,824	13,988
Operating profit before special items (EBITA[1])	34	(66)	729	239
Impairment of goodwill	(450)	-	(450)	-
Operating profit (EBIT)	(488)	(136)	(129)	(8)
Net financial items	(23)	(116)	(158)	(445)
Profit for the quarter/year from cont. operations	(600)	(304)	(546)	(550)
Profit for the quarter/year from discont. operations	-	-	-	(398)
Balance sheet				
Total assets	12,776	12,991	12,776	12,991
Net operating assets	7,655	7,774	7,655	7,774
Total equity	3,882	2,198	3,882	2,198
Subordinated shareholder loans	-	2,220	-	2,220
Net interest-bearing debt, including lease liabilities	3,782	5,623	3,782[2]	5,623
Cash flows and investments				
Cash flows from operating activities	333	382	764	784
Free cash flow	330	396	1,068	691
Investments in intangible assets, property, plants and equipment	(34)	(106)	(191)	(365)
Key figures				
Economic profit	n/a	n/a	(288)	(309)
EBITA margin (%)	1.0	(2.0)	5.3	1.7
Cost of service ratio	82.5	84.3	79.7	81.4
Sales and administrative expenses ratio	17.3	18.7	16.0	17.5
Cash conversion rate (%)	970.6	(600.0)	146.5	289.1
Equity ratio (%)	30.4	34.0	30.4	34.0
Net interest-bearing debt to EBITDA (factor)	n/a	n/a	2.46[3]	3.33
EBITDA	218	163	1,369	909
FTEs	23,251	25,593	23,920	26,789

1) EBITA is defined as operating profit before special items, amortisation of customer contract and impairment of goodwill
2) Including lease liabilities of DKK 1,149 million from IFRS 16 implementation
3) Excluding lease liabilities

REVENUE

Reported revenue was DKK 3,448 million (DKK 3,382 million). In fixed currencies, revenue increased by 2.4%.

Divestment of business activities in Ambulance and Portfolio businesses impacted revenue negatively by DKK 90 million in the quarter. Several new contracts in Ambulance, higher volumes in the pay-on-use business in the US and impact from price management more than offset the continued loss of Roadside Assistance subscriptions as well as contract pruning and expiries across the business.

COST OF SERVICES

Cost of services (OPEX) was DKK 2,845 million (DKK 2,853 million).

Efficiency measures offset an impairment related to a planning IT system and increased costs related to the start-up of contracts in the US and the UK.

OPEX performance was negatively impacted by non-recurring costs of DKK 59 million in the comparable quarter of the previous year.

The underlying OPEX ratio was 82.5% (82.9%).

SALES AND ADMINSTRATIVE EXPENSES

Sales and administrative expenses were DKK 595 million (DKK 631 million).

In the same quarter of the previous year, SG&A was impacted by non-recurring costs of DKK 126 million for restructuring and transformation related to implementing global operating models primarily in IT and Finance as well as an impairment of software in Healthcare.

The underlying SG&A ratio increased to 17.3% (14.9%).

OPERATING PROFIT

Reported operating profit before special items (EBITA) increased to DKK 34 million (negative DKK 66 million), driven by lower sales and administrative expenses. The underlying EBITA margin was 1.0% (3.8%).

FREE CASH FLOW

Free cash flow decreased to DKK 330 million (DKK 396 million).

Free cash flow was positively impacted by improved EBITA offset by the build-up of working capital related to new contracts, slower cash collection in the US and higher income taxes.

PROFIT FOR THE PERIOD

Profit for the period was negative DKK 600 million (negative DKK 304 million).

Improved EBITA and lower financial expenses did not fully offset the impairment of goodwill of DKK 450 million in Healthcare.

Q4 financial results

Performance by business unit

Ambulance

REVENUE
Reported revenue was DKK 1,977 million (DKK 1,847 million). In fixed currencies, revenue increased by 7%. The increase in revenue was driven by new, fixed-price and pay-on-use contracts, higher volumes in the pay-on-use business in the US and price management impact. These more than offset the divestments of ambulance business in non-core markets and the consequences of Poland in-sourcing its ambulance business.

COST OF SERVICES
Cost of services (OPEX) was DKK 1,723 million (DKK 1,654 million).

Efficiency measures offset an impairment of DKK 29 million related to a planning IT system and increased costs related to start-ups in the US and the UK. OPEX performance was negatively impacted by non-recurring costs of DKK 55 million in the same quarter of the previous year. The underlying OPEX ratio was 87.2% (86.6%).

SALES AND ADMINISTRATIVE EXPENSES
Sales and administrative expenses were DKK 231 million (DKK 220 million), leaving the underlying SG&A ratio at 11.7% (11.9%).

OPERATING PROFIT
Reported operating profit before special items (EBITA) increased to DKK 42 million (DKK 18 million), driven by lower operating costs and sales and administrative expenses.

In the comparable quarter of the previous year, EBITA was negatively impacted by non-recurring cost of DKK 55 million. The underlying EBITA margin was 2.1% (1.0%).

FREE CASH FLOW
Free cash flow decreased to DKK 55 million (DKK 274 million). Free cash flow was impacted by the build-up of working capital related to the start-up of new contracts and slower cash collection in the US as well as higher income taxes paid.

DKK million	Q4 2019	Q4 2018	2019	2018
Revenue	1,977	1,847	7,766	7,659
EBITA	42	18	396	192
EBITA margin (%)	2.1	1.0	5.1	2.5
Free cash flow	55	274	357	505
Economic profit	n/a	n/a	45	(61)

Roadside Assistance

REVENUE
Reported revenue was DKK 664 million (DKK 667 million). In fixed currencies, revenue increased by 0.3%.

Impact from price management did not fully offset the loss of customers in the subscription business and the loss of public fire contracts in Denmark.

COST OF SERVICES
Cost of services (OPEX) was DKK 448 million (DKK 480 million), leaving the underlying OPEX ratio at 67.4% (72.0%).

SALES AND ADMINISTRATIVE EXPENSES
Sales and administrative expenses were DKK 149 million (DKK 165 million), leaving the underlying SG&A ratio at 22.5% (24.8%).

OPERATING PROFIT
Reported operating profit before special items (EBITA) was DKK 67 million (DKK 41 million). Operating profit improved thanks to lower operating costs as well as lower sales and administrative expenses.

EBITA margin improved to 10.1% (6.2%).

FREE CASH FLOW
Free cash flow decreased to negative DKK 14 million (DKK 82 million) and was negatively impacted by higher income taxes.

DKK million	Q4 2019	Q4 2018	2019	2018
Revenue	664	667	2,808	2,937
EBITA	67	41	459	359
EBITA margin (%)	10.1	6.2	16.3	12.2
Free cash flow	(14)	82	382	282
Economic profit	n/a	n/a	102	(5)

Q4 financial results

Performance by business unit

Healthcare

REVENUE
Reported revenue was DKK 591 million (DKK 652 million). In fixed currencies, revenue decreased by 8.5%. Revenue was negatively impacted by the loss of contracts and lower activity levels in the pay-on-use business. Lower activity levels were partly due to contract pruning with the aim of improving profitability at the expense of revenue.

COST OF SERVICES
Cost of services (OPEX) was DKK 500 million (DKK 519 million), increasing the underlying OPEX margin to 84.6% (79.6%).

Efficiency measures offset the impact from lost contracts and lower activity levels.

SALES AND ADMINISTRATIVE EXPENSES
Sales and administrative expenses were DKK 75 million (DKK 170 million). Efficiency improvements in staff functions contributed positively to an improved SG&A.

Last year, an impairment relating to software impacted SG&A negatively by DKK 46 million.

The underlying SG&A ratio was 12.7% (19.0%).

OPERATING PROFIT
Reported operating profit before special items (EBITA) was DKK 16 million (negative DKK 37 million).

The improvement in operating profit was driven by lower sales and administrative expenses.

FREE CASH FLOW
Free cash flow was DKK 123 million (DKK 117 million).

DKK million	Q4 2019	Q4 2018	2019	2018
Revenue	591	652	2,355	2,466
EBITA	16	(37)	72	(115)
EBITA margin (%)	2.7	(5.6)	3.1	(4.7)
Free cash flow	123	117	96	16
Economic profit	n/a	n/a	(37)	(101)

Portfolio Businesses

REVENUE
Reported revenue was DKK 280 million (DKK 278 million). In fixed currencies, revenue increased by 0.7%.

Higher activity levels and new contracts in Industrial Fire Services offset the divestment of the Falck Fire Academy in the Netherlands.

COST OF SERVICES
Cost of services (OPEX) was DKK 230 million (DKK 234 million), leaving the underlying OPEX margin at 82.2% (86.6%).

SALES AND ADMINISTRATIVE EXPENSES
Sales and administrative expenses were DKK 39 million (DKK 53 million), leaving the underlying SG&A ratio at 14.1 % (18.4%).

Improved performance was the result of efficiency measures in Falck Global Assistance.

OPERATING PROFIT
Reported operating profit before special items (EBITA) was DKK 11 million (negative DKK 4 million).

This improvement was driven by lower sales and administrative expenses.

FREE CASH FLOW
Free cash flow was DKK 71 million (DKK 129 million).

Cash flow decreased by DKK 58 million compared to the fourth quarter of the previous year, when cash flow was extraordinarily high.

DKK million	Q4 2019	Q4 2018	2019	2018
Revenue	280	278	1,160	1,162
EBITA	11	(4)	86	43
EBITA margin (%)	3.8	(1.4)	7.4	3.7
Free cash flow	71	129	152	88
Economic profit	n/a	n/a	16	(12)

Risk management

Mitigating risks to safeguard our business

Falck maintains a comprehensive enterprise risk management system which entails clear ownership and digital registration of risks and mitigations.

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

Falck defines risk as: "Any threat to current or future business models or the ability to deliver on strategy". Risk management is focused on near to medium-term risks, i.e. threats that may jeopardise Falck's operations and profitability on a 12 to 24-month horizon, or longer-term threats where actions are required in the near-term to mitigate future threats.

REGISTRATION OF RISKS IN BUSINESS ENTITIES

Falck introduced a new risk assessment programme in which risks and mitigations are documented digitally, ensuring stronger and more consistent input from all business entities across the Group, as well as clearly defining ownership of specific risks and mitigations.

Together with risk training and a new Risk Management Policy, this has reinforced risk awareness throughout Falck and helped build a risk-aware culture, in which risk management has become integral to day-to-day tasks and processes, increasing control and safeguarding Falck's business.

The responsibility for the risk management programme was consolidated in the Business Quality & Risk Management team, which assists business entities in facilitating risk assessment and ensures reporting. Business Quality & Risk Management also monitors and follows up on registered risks and mitigating actions.

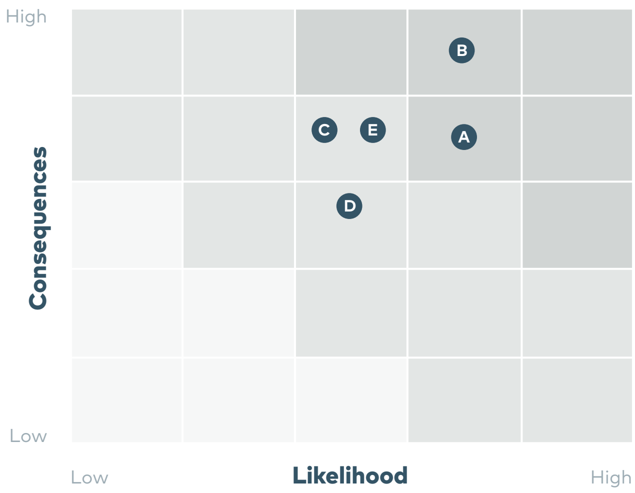
DEFINITION OF TOP FIVE RISKS AT MANAGEMENT LEVEL

The bottom-up input from the organisation provides detailed insights into the potential risks for each business unit. These risks are consolidated and discussed by the Executive Management for the purpose of identifying the top five risks that Falck faces in the near future. Subsequently, risks are further described and reviewed against the existing aggregated risks. Responsible risk owners are assigned, and key mitigating actions defined, ensuring full ownership and accountability for all mitigating measures along with regular follow-up and documentation.

The top five risks and mitigating actions are presented to the Audit Committee and the Board of Directors and reviewed at least three times annually along with any progress on the mitigating actions.

In 2020, further mitigations of the top five and additional risks will be in focus along with continuous risk assessment throughout the organisation.

KEY BUSINESS RISK MATRIX



- A GDPR compliance
- B Failure to implement IT operating model, including cyber risk
- C Loss of contract volume
- D Failure to retain key employees and develop competencies
- E Regulatory compliance

Risk management

Top five risks

	A	B	C	D	E
	GDPR COMPLIANCE	**FAILURE TO IMPLEMENT IT OPERATING MODEL, INCLUDING CYBER-RISK**	**LOSS OF CONTRACT VOLUME**	**FAILURE TO RETAIN KEY EMPLOYEES AND DEVELOP COMPETENCIES**	**REGULATORY COMPLIANCE**
What is the risk?	The risk implies that Falck fails to enforce GDPR procedures and to make GDPR operational in all parts of the organisation, thereby not being ready for audits by the data protection authorities in the EU, potentially resulting in fines for GDPR non-compliance.	Falck's IT landscape is complex and the transformation to a global IT operating model is not yet complete. Business unit strategies depend on IT solutions and may become challenged due to a lack of IT resources. The increasing number of cyberattacks targeting global companies underlines the risk of cyber-attacks.	Falck's contracts with public authorities and business customers typically run for terms of 5 to 10 years. There is a risk that Falck might not win such contracts when they are re-tendered on expiry, might fail to win a substantial number of new contracts or might not meet agreed key profitability on existing contracts.	The risk implies that Falck may lose key employees and thereby valuable knowledge and skills, jeopardising stable business operations. The risk also includes the inability to develop the competencies needed, especially among managers.	The risk implies that Falck might inadvertently fail to comply with local laws or regulatory requirements. This may result in major fines and could jeopardise Falck's licence to operate.
What mitigation is in place?	Falck has strengthened its GDPR organisation, establishing a global framework and setup. The GDPR life cycle is brought into action through training, internal audits and support at all levels of Falck. The possibility of obtaining a global GDPR certification is being investigated.	A cyber security programme has been implemented to protect against cyber security attacks. New IT projects will be carried out through new processes focused on benefits and demands from business units.	Organisational governance and processes are being established to manage tenders and supervise the profitability and costs of existing contracts. In addition, Falck works with customers to re-win contracts and secure new ones.	Falck is establishing a global HR operating model covering both succession management and training. In addition, a global leadership development programme for frontline managers has also been initiated.	Existing organisational bodies train local employees to identify and monitor laws and regulatory requirements and to alert the organisation to any changes, ensuring that Falck is compliant at all times.

Governance

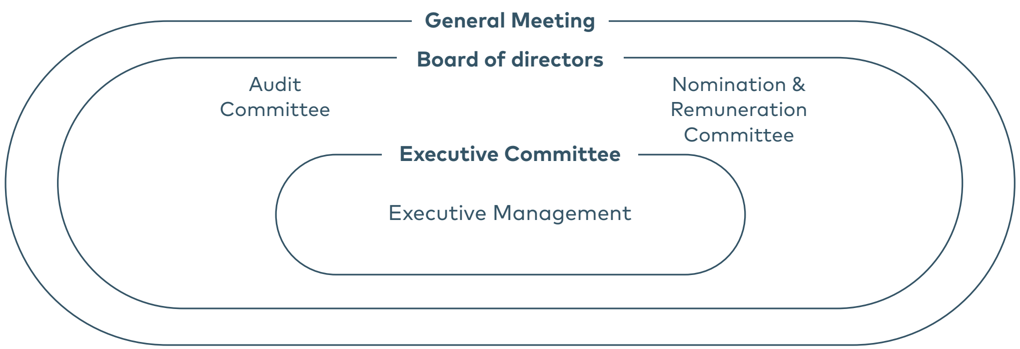
Governance model

Falck's management consistently monitors corporate governance with a view to ensuring that the Group is managed in a manner compliant with national and international rules, and that it meets the expectations of its stakeholders and applies high levels of transparency and compliance.

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 auditors. Falck has a two-tier management system consisting of a Board of Directors and an Executive Committee. The two bodies do not have overlapping members.

The Board of Directors and the Executive Committee strive to ensure transparency and accountability by building trusting relationships with shareholders, customers, suppliers, employees and the local communities in which Falck operates.

Governance structure



The Audit Committee and the Nomination and Remuneration Committee are established by the Board of Directors and are charged with preparing decisions and recommendations for consideration and approval by the Board of Directors. The Executive Committee has established an Executive Management team which takes part in the day-to-day management of the company.

Main topics of discussion at Board of Directors meetings

Strategy

- Annual strategy seminar
- Ongoing discussions and review of execution of priorities and financial, strategic and cultural transformation
- Review of individual performance and commercial initiatives for each business unit
- Transactions involving businesses, subsidiaries or assets that are not of strategic importance

Organisation

- Review of transformation of global functions such as Finance, IT and HR
- Review of results of employee engagement survey
- Setting objectives and targets for the short and long-term incentive programmes
- Establishment of a Business Quality Management function
- Considerations regarding the succession plan for senior positions

Compliance

- Discussions and decisions regarding the competition case
- GDPR project discussions and reviews
- Review and decisions regarding Falck's internal review and compliance with the Code of Conduct

Governance and risk

- Review and approval of corporate governance documentation
- Review of key enterprise risks and mitigation actions
- Review of insurance covering directors and officers
- Board evaluation and review of outcomes

Finance

- Approval of the annual report and quarterly financial reports
- Conversion of shareholder loans into equity
- Review of Falck's capital structure and preparation of refinancing of senior facilities agreement
- Review of financial targets

Governance

MEMBERS, MEETINGS AND REMUNERATION OF THE BOARD OF DIRECTORS

	Board & committees			Meetings		Remuneration[1]	
DKK ´000	Board	Audit	Nomination & Remuneration	Board Meetings	Attendance	**2019**	2018
Peter Schütze	Chairman		Chairman	● ● ● ● ● ● ● ● ● ●	100%	1,100	1,000
Lene Skole	Vice Chairman		Member	● ● ● ● ● ● ● ● ● ●	100%	688	625
Søren Thorup Sørensen	Member	Chairman	Member	● ● ● ● ● ● ● ● ● ●	100%	688	500
Lars Frederiksen	Member	Member		● ● ● ● ● ● ● ● ● ●	100%	412	375
Dorthe Mikkelsen	Member			● ● ● ● ● ● ● ● ● ●	100%	275	250
Niels Smedegaard	Member	Member		● ● ● ● ● ● ● ● ● ●	100%	412	375
Vagn Flink Møller Pedersen (E)	Member			● ● ● ● ● ● ● ● ● ●	100%	275	250
Allan Rensgaard (E)	Member			○ ● ● ● ● ● ● ● ● ●	90%	275	250
Henrik Villsen Andersen (E)	Member			● ● ● ● ● ● ● ● ● ●	100%	275	250
Total						4,400	3,875

● Attended ○ Did not attend

(E) Elected by the employees
1) In 2018, remuneration was capped at DKK 500,000 for all members of the Board of Directors (DKK 1 million for the Chairman and Vice Chairman). The cap was removed in 2019.

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 or as required by special circumstances.

The Board of Directors currently has nine members. Six members 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 2019.

All members of the Board of Directors hold equal rights and obligations. The Board of Directors believes that members should be chosen for their overall competencies and recognises the importance and beneficial effect of board diversity in respect to experience, cultural and educational backgrounds, gender etc. Shareholder-elected Board members serve for terms of one year and are up for election at the following 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.

Lundbeckfonden 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 shareholder-elected members are considered independent while none of the employee-elected members are considered independent as defined by the Danish Recommendations for Corporate Governance.

THE BOARD COMMITTEES

The Board of Directors has established two committees to support the Board of Directors in its decision making: An Audit Committee and a Nomination and Remuneration Committee. These committees are charged with preparing decisions and recommendations for consideration and approval by the Board of Directors.

The Audit Committee

The Audit Committee assists the Board of Directors in monitoring Falck's financial reporting process, accounting policies, statutory audit of the annual report, assessment of quarterly reports, effectiveness of internal control and risk management systems, tax and treasury governance, compliance and whistleblower systems, IT security and independence of the company's auditors. The Audit Committee makes recommendations on these topics to the Board of Directors and, on behalf of the Board of Directors, follows up on the implementation of initiatives taken by the Executive Committee.

Governance

The Board of Directors appoints Audit Committee members from among its members for one-year terms. One member is designated as committee 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 Committee's work and responsibilities are established in a charter.

The Nomination and Remuneration Committee

The Nomination and Remuneration Committee assists the Board of Directors in overseeing the remuneration of members of the Board of Directors, members of board committees and members of the Executive Committee, including the determination of remuneration levels and incentive programmes. In addition, the Nomination and Remuneration Committee is responsible for the Remuneration Report and Remuneration Policy, including the general guidelines for incentive programmes for members of the Executive Committee.

The Nomination and Remuneration Committee is charged with assisting the Board of Directors in performing its duties in terms of ensuring that the Board of Directors and the Executive Committee always have the necessary professional competencies and experience, and that they both have an appropriate number of members, nominating members of the Board of Directors and the Executive Committee, and regularly reviewing the performance of the Board of Directors and the Executive Committee.

Nomination and Remuneration Committee members are appointed by the Board of Directors from among its members for one-year terms. One member is designated as committee chairman. Also attending the Committee's meetings are the Group CEO and the Head of Global HR. The Nomination and Remuneration Committee meets at least twice a year. The Committee's work and responsibilities are established in a charter.

THE EXECUTIVE COMMITTEE AND EXECUTIVE MANAGEMENT TEAM

The Executive Committee is responsible for the day-to-day management and operation of Falck in accordance with the guidelines and recommendations as set out by the Board of Directors with a primary focus on developing and implementing strategies and significant initiatives. Moreover, the Executive Committee is responsible for ensuring that the Board of Directors is informed of all material matters and that proposals and recommendations concerning the company's overall strategy and objectives are submitted to the Board of Directors.

The Executive Committee has established an Executive Management team which takes part in the day-to-day 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 Roadside Assistance, the SVP of Healthcare and the Heads of Global Legal, Global HR and Global Branding & Communications.

There were no changes to the composition of the Executive Committee in 2019. Three new members joined the Executive Management team: SVP of Healthcare, Anette Damgaard became a member of the Executive Management in August 2019. In August, Elisabeth Milton joined Falck as SVP of Global HR and member of the Executive Management team, replacing Peter Agergaard. In September, Michala Fischer-Hansen joined the company as EVP of Roadside Assistance and member of the Executive Management team, replacing Lars Vester Pedersen who had stepped down as EVP of Roadside Assistance in March 2019. SVP of Community Healthcare, Yann Hedoux joined the Executive Management team on 1 January 2020.

REMUNERATION OF THE EXECUTIVE MANAGEMENT TEAM

	Executive Committee[1, 2]		Other members of Executive Management[3]		Total	
DKK ´000	**2019**	2018	**2019**	2018	**2019**	2018
Base salary	17,891	17,808	8,173	9,499	26,064	27,307
Short-term incentive plan	9,609	7,428	2,601	3,180	12,210	10,608
Long-term incentive plan[4]	11,983	7,130	4,470	1,539	16,453	8,669
Pension	-	-	935	1,080	935	1,080
Social security	23	18	31	43	54	61
Severence payment	-	-	5,072	316	5,072	316
Total	**39,506**	**32,384**	**21,282**	**15,657**	**60,788**	**48,041**

1) The members of the Executive Committee are: Jakob Riis, Tor Magne Lønnum and Jakob Bomholt. Based on the accounting approach utilised in the table above, the total remuneration of the individual members in 2019 (2018) was: Jakob Riis DKK 20,177,000 (DKK 16,178,000), Tor Magne Lønnum DKK 10,107,000 (DKK 8,466,000) and Jakob Bomholt DKK 9,222,000 (DKK 7,740,000). The accounting approach includes the target value of the short- and long-term incentive in the given year and the difference between the target and actual pay-out from the previous year.
2) Based on a fair-value approach the total remuneration of the individual members of the Executive Committee in 2019 was: Jakob Riis DKK 14,565,000, Tor Magne Lønnum DKK 7,929,000 and Jakob Bomholt DKK 6,768,000. The fair-value is based on the base salary, the short-term incentive based on the 2019 performance and the long-term incentive based on the 2019 performance.
3) The other members of the Executive Management are: Michala Fischer-Hansen (appointed 1 September 2019), Anette Damgaard (appointed 5 August 2019), Miguel Buxó, Elisabeth Milton (appointed 19 August 2019) and Kaspar Bach Habersaat. Former EVP Lars Vester Pedersen stepped down 11 March 2019 and former SVP Peter Agergaard stepped down 16 August 2019.
4) Long-term incentive plan for 2019 is based on an estimate as the programme expires at the end of 2020.

Governance

REMUNERATION

Remuneration of the members of the Board of Directors and Executive Committee is governed by Falck's Remuneration Policy which complies with the Danish Recommendations on Corporate Governance.

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 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 short or long-term incentive plans, or any share-based compensation arrangements such as share or stock option programmes. However, employee-elected members of the Board of Directors may, by virtue of their employment, be eligible for general incentive schemes applicable to Falck's employees. The Chairman receives an annual fee of DKK 825,000, the Vice Chairman receives DKK 550,000 and each remaining member receives DKK 275,000. In addition, a chairman of a board committee receives an annual fee of DKK 275,000 while other committee members receive DKK 137,500.

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 winning behaviours.

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 components: base salary, a short-term incentive plan and a long-term incentive plan.

	Short-term		Long-term	
2019 Incentive plan	Target	Max	Target	Max
Jakob Riis	50%	100%	50%	100%
Tor Magne Lønnum	25%	50%	33%	67%
Jakob Bomholt	50%	75%	33%	67%

The base salary is a fixed, cash compensation based on level of responsibility and performance. The base salary is compensation for contributing to Falck's strategic direction and agenda. Levels of base salary 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 subject to the achievement of annual targets. Its role is to drive and reward exceptional performance of Falck, and specific focused activities. The Board of Directors reviews performance and approves annual incentive pay-out levels.

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.

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 in 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.

INTERNAL CONTROLS

The overall responsibility for Falck's internal control environment rests with the Board of Directors and the Audit Committee, which monitor the effectiveness of internal controls. The Executive Management team is in charge of implementing and monitoring the appropriate internal control environment.

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

Based on a quarterly risk assessment, Business Assurance pays routine visits to the entities of the Group to ensure compliance with the requirements set forth in policies and procedures. Reports on these visits are submitted to local and Group management. The Audit Committee receives a quarterly update on the visits performed and any special focus areas, as well as a risk-based list of entities to which visits are planned during the following period.

In the year, Business Assurance made ten visits to business entities throughout the Group, in accordance with the Business Assurance plan. The purpose of those visits was to assess whether internal financial reporting was consistent with the Falck Group Account-

Governance

ing Manual and whether procedures were in place to detect and prevent material errors. A review of management expenses and local expense approval processes formed part of the visits to ensure compliance with global requirements.

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.

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 Code of Conduct, underlying policies and the Falck Alert whistleblower system.

Falck's Code of Conduct applies to all employees as well as to Falck's business partners. It informs employees of their rights and responsibilities and on how to make the best decisions, covering 13 areas, including anti-bribery, competition compliance, facilitation payments, gifts & hospitality and conflicts of interest.

A campaign was launched to build trust among employees, create an open speak-up culture without fear of retaliation, and to train all employees globally on the Code of Conduct and the Falck Alert whistleblower system. In 2019, 257 reports were received through Falck Alert, of which 53% were anonymous.

Falck published a zero-tolerance statement, which identifies ethical conduct as a non-negotiable priority and dictates strict compliance. Any suspected violation of the Code of Conduct or its underlying policies will be subject to a structured and independent investigation process followed by appropriate remedial actions.

Following the ruling by the Danish Competition Council in January, Falck initiated a comprehensive self-cleaning programme, which included an internal review to identify and deal with past or present violations of the Code of Conduct.

Falck also conducted its second Compliance Risk Assessment in order to assess the compliance risk profile in the global business, identify the areas with the highest risk of negative impact and subsequently define actions for how to mitigate such risks. The top three risks identified were bribery & corruption, competition compliance and misconduct reported through the whistleblower system.

SUSTAINABILITY

Falck's compliance and sustainability activities are further elaborated upon in the separately published Sustainability Report 2019. The Sustainability Report serves as the baseline for Falck's annual Communication on Progress to the UN Global Compact, to which it became a signatory in January, 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 available at www.falck.com/en/company/sustainability/falcks-approach.

The Board of Directors approved Falck's Corporate Sustainability and Stakeholder Policies. Falck is mindful of how the business impacts socially, environmentally and economically sustainable developments in general. It also places particular focus on the access to health for its customers and its impact on the communities in which it operates, the people it employs, climate and the environment, and the trust of employees, customers and other stakeholders. Falck mitigates adverse impact and aims to go beyond its own operations in order to add shared value to the business of Falck and its partners and to society at large.

Board of Directors

	Peter Schütze, Chairman	**Lene Skole**, Deputy Chairman	**Søren Thorup Sørensen**
Board member since	2015	2015	2011
Current term	2018-2019	2018-2019	2018-2019
Considered independent	No	No	No
Nationality	Danish	Danish	Danish
Born	1948	1959	1965
Profession	Professional board member	CEO of Lundbeckfonden and Lundbeckfond Invest A/S. Directorships in two subsidiaries	CEO of KIRKBI A/S
Competencies	Executive management, financial and economic expertise, IT and risk management, strategy, M&A, organisational development and communication in international companies	Executive management, financial and economic expertise, risk management, strategy, M&A, organisational development and communication in international companies	Executive management, financial, audit and economic expertise, risk management, strategy and M&A
Board positions	• SimCorp A/S (chairman) • Nordea-fonden and Nordea Bank-fonden (chairman) • DSB SOV (chairman) • The Danish SDG Investment Fund (chairman) • Lundbeckfonden and Lundbeckfond Invest A/S • Industrial Board Axcel and Axcel Future • Member of The Systemic Risk Council • 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 Ltd. • Ole Kirks Fond • Boston Holding A/S (chairman) • Koldingvej 2, Billund A/S • Landis + Gyr AG • ATTA Fonden • Five wholly-owned subsidiaries of KIRKBI A/S

Board of Directors



	Lars Frederiksen	**Dorthe Mikkelsen**	**Niels Smedegaard**
Board member since	2014	2014	2016
Current term	2018-2019	2018-2019	2018-2019
Considered independent	Yes	Yes	Yes
Nationality	Danish	Danish	Danish
Born	1958	1967	1962
Profession	Professional board member	President Asia Pacific, MSD	Professional board member
Competencies	Executive management, financial and economic expertise, risk management, strategy, organisational development and communication in international companies	Executive management, financial and economic expertise, risk management, strategy, organisational development, sales and marketing and communication in international companies	Executive management, financial and economic expertise, IT and risk management, strategy, organisational development and communication in international companies
Board positions	• Matas A/S (chairman) • Danish Committee on Corporate Governance (chairman) • Hedorf Foundation (chairman) • Atos Medical AB (chairman) • Augustinus Industri A/S • Hedorf A/S • PAI Partners SA (supervisory board member) • Tate & Lyle PLC	• One wholly-owned subsidiary of MSD (chairman) • US-ASEAN Business Council	• Norwegian (chairman) • The Bikuben Foundation (chairman) • Royal Greenland • Kollegiefonden Bikuben (chairman) • UK P&I • TT Club • Gothenburg RORO Terminal • Frederiksberg Fonden • Nikolai og Felix Fonden • Board Leadership Society

Board of Directors

			
	Vagn Flink Møller Pedersen	**Allan Rensgaard**	**Henrik Villsen Andersen**
Board member since Current term Considered independent	2005 2017-2021 No, Elected by the employees	2013 2017-2021 No, Elected by the employees	2013 2017-2021 No , Elected by the employees
Nationality Born	Danish 1957	Danish 1978	Danish 1969
Profession	Rescue Officer, Falck Danmark A/S	Emergency Manager & Fire Station Manager, Falck Danmark A/S	Rescue Officer, Falck Danmark A/S
Competencies	General management, business development and customer relations management. Experience and broad knowledge of how the company works, ability to balance employee and business perspective and ability to advise on appropriate forms of communication between the company and employees	General management, business development and customer relations management. Experience and broad knowledge of how the company works, ability to balance employee and business perspective and ability to advise on appropriate forms of communication between the company and employees	General management, business development and customer relations management. Experience and broad knowledge of how the company works, ability to balance employee and business perspective and ability to advise on appropriate forms of communication between the company and employees
Board positions	• Lundbeckfonden and Lundbeckfond Invest A/S (elected by the employees) • Falck Danmark A/S (elected by the employees)		• Lundbeckfonden and Lundbeckfond Invest A/S (elected by the employees) • Falck Danmark A/S (elected by the employees) • Jøkst ApS

Executive Management

			
	Jakob Riis President and CEO	**Tor Magne Lønnum** CFO	**Jakob Bomholt** EVP, Ambulance and Fire
Joined Falck	2017	2017	2017
Nationality	Danish	Norwegian	Danish
Born	1966	1967	1974
Education	MSc and PhD, Forestry and Econometrics, Faculty of Science, University of Copenhagen	BSc in Accounting & Finance, BI Norwegian School of Management. Master in Accounting, Norwegian School of Economics. Diploma from École nationale des ponts et chaussées	Graduate Diploma in Business Administration (Finance), Copenhagen Business School. MBA (distinction), INSEAD
Career	Prior to joining Falck, Jakob had a 20-year career with Novo Nordisk in commercial roles, i.a. as Executive Vice President North America, Executive Vice President China, Pacific & Marketing and Senior Vice President Global Marketing. 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. Tor has also held a number of board positions. 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. He is a member of Falck's Executive Committee
Board positions	• ALK-Abelló A/S • Copenhagen Institute of Interaction Design Copenhagen Capacity • Danish Business Promotion Board (chairman) • Subsidiaries of Falck Group	• TGS-NOPEC Geophysical Company ASA • Subsidiaries of Falck Group	• Danish Business Association • Investment Advisory Committee of Dee4 • Subsidiaries of Falck Group

Executive Management

	Michala Fischer-Hansen EVP, Assistance	**Anette Damgaard** SVP, Healthcare	**Yann Hedoux** SVP Community Healthcare
Joined Falck	2019	2018	2011
Nationality	Danish	Danish	French
Born	1974	1968	1974
Education	MSc in International Business, Copenhagen Business School. Executive Programme at Wharton Business School, University of Pennsylvania. Novo Nordisk Strategy Execution Programme, Harvard Business School	Master of Law, University of Copenhagen	International commercial executive, Fim France
Career	Michala joined Falck following a 19-year commercial career at Novo Nordisk, i.a. as VP and General Manager Novo Nordisk Australia and New Zealand, Corporate Vice President HQ Marketing and Senior Director Commercial Effectiveness at Novo Nordisk Inc. in the US	Anette joined Falck from a position as Chief Development Officer at Private Hospital Mølholm. Prior to that she was Managing Director at Private Hospital Heart Centre Varde and Head of Health Policy at The Danish Chamber of Commerce. She has also held management positions at the insurance companies Skandia, PFA and Pension Danmark	Prior to joining Falck, Yann held directive positions within marketing, organisation, operational excellence and core operations at Carrefour in France and Spain. In 2007, he joined the private equity fund Tribeca to become president of Grupo emi. Since 2011, he has led Falck Latam as CEO and was awarded Falck Manager of the Year 2018
Board positions	• Subsidiaries of Falck Group	• Subsidiaries of Falck Group	• Subsidiaries of Grupo emi

Executive Management

			
	Miguel Buxó General Counsel, SVP, Legal	**Elisabeth Milton** SVP, Global HR	**Kaspar Bach Habersaat** VP, Global Branding & Communications
Joined Falck	2015	2019	2017
Nationality	Spanish	Swedish	Danish
Born	1970	1967	1974
Education	Law degree, University of Barcelona and Master of Law Fordham University, New York	Master of Business Administration and Economics, International Business Program, Uppsala University. Executive Board Program, Copenhagen Business School	MSc, Political Science, University of Copenhagen. Strategic Financial Analysis for Business Evaluation, Harvard Business School
Career	Miguel joined Falck as Head of Legal in 2015 following a position as Head of Legal Wind Power at DONG Energy (now 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. Miguel became General Counsel of Falck in 2018	Elisabeth joined Falck from a position as Vice President Sales & Distribution, Air Italy. Prior to that, she was Chief Commercial Officer, Tivoli A/S, following a 20-year executive career with SAS, both in head office positions and 10 years abroad in the international organisation	Kaspar joined Falck from a position as Director of Group Communications at Scandinavian Tobacco Group. Prior to that, he served as Communications Director and Head of Communications at ISS. Kaspar has also held communications positions at Radius Kommunikation, the Danish Brewer's Association, TDC and Rostra Kommunikation
Board positions	Subsidiaries of Falck Group	Sport Event Denmark	

Consolidated financial statements

Primary statements

Sections

Income statement

1 January - 31 December

DKK million	Section	2019	2018[1]
Revenue	2.1	13,824	13,988
Cost of services	2.2, 3.1, 3.3, 3.4	(11,023)	(11,388)
Gross profit		**2,801**	**2,600**
Sales and administrative expenses	2.2, 3.1, 3.3, 3.4	(2,207)	(2,446)
Other operating income and expenses	2.4	135	85
Operating profit before special items (EBITA[2])		**729**	**239**
Special items	2.5	(223)	(14)
Amortisation of customer contracts	3.1	(185)	(233)
Impairment of goodwill	3.1, 3.2	(450)	-
Operating profit (EBIT)		**(129)**	**(8)**
Gains/losses from divestments of enterprises	4.2	(30)	(56)
Income after tax from associates and joint arrangements		1	1
Financial income	5.3	55	34
Financial expenses	5.3	(213)	(479)
Profit before tax		**(316)**	**(508)**
Income taxes	2.6	(230)	(42)
Profit for the period from continuing operations		**(546)**	**(550)**
Profit for the period from discontinued operations	4.3	**-**	**(398)**
Profit for the period		**(546)**	**(948)**
Profit for the period attributable to:			
Shareholders in Falck A/S		(370)	(928)
Non-controlling interests		(176)	(20)
Total		**(546)**	**(948)**

1) 2018 figures have been corrected, cf. section 1.1
2) EBITA is defined as operating profit before special items, amortisation of customer contract and impairment of goodwill

Statement of comprehensive income

1 January - 31 December

DKK million	Section	2019	2018[1]
Profit for the period		**(546)**	**(948)**
Actuarial adjustment of pension provisions		1	1
Items that will not be reclassified to the income statement		**1**	**1**
Exchange rate adjustment		25	(24)
Value adjustment of currency hedging instruments		4	(3)
Value adjustment of interest hedging instruments		9	25
Tax on other comprehensive income	2.6	(12)	(17)
Items that may be reclassified to the income statement		**26**	**(19)**
Other comprehensive income		**27**	**(18)**
Total comprehensive income		**(519)**	**(966)**
Total comprehensive income attributable to:			
Shareholders in Falck A/S		(343)	(946)
Non-controlling interests		(176)	(20)
Total		**(519)**	**(966)**

Statement of cash flows

1 January - 31 December

DKK million	Section	2019	2018[1)]
Operating profit (EBIT)		**(129)**	**(8)**
Depreciation, amortisation and impairment	3.1, 3.3, 3.4	640	670
Amortisation of customer contracts	3.1	185	233
Impairment of goodwill	3.1, 3.2	450	-
Change in net working capital	5.6	77	173
Transactions with associates		(18)	23
Reclassification of gain on non-current assets, net		(97)	(34)
Net interest paid		(111)	(127)
Income tax paid	2.6	(233)	(146)
Cash flows from operating activities		**764**	**784**
Purchase of property, plant and equipment	3.3	(142)	(257)
Sale of property, plant and equipment		384	145
Purchase of intangible assets	3.1	(49)	(108)
Acquisition of subsidiaries and operations	4.1	-	(38)
Divestment of subsidiaries and operations	4.2	106	-
Investments in associates		-	(8)
Cash flows from hedging of net investments		8	33
Cash flows from investing activities		**307**	**(233)**

1) 2018 figures have been corrected, cf. section 1.1

DKK million	Section	2019	2018[1)]
Transactions with shareholders	6.2	1	-
Transactions with non-controlling interests	5.7	(59)	(31)
Interest-bearing debt raised	5.2	150	16
Repayment of interest-bearing debt, including lease liabilities	5.2	(1,279)	(982)
Cash flows from financing activities		**(1,187)**	**(997)**
Cash flows from continuing operations		**(116)**	**(446)**
Cash flows from discontinued operations	4.3	47	382
Change in cash and cash equivalents		**(69)**	**(64)**
Cash and cash equivalents at 1 January		1,142	1,082
Exchange rate adjustment		(2)	(9)
Change in cash and cash equivalents, including cash classified as assets held for sale		(69)	(64)
Less change in cash and cash equivalents related to assets classified as held for sale		-	133
Cash and cash equivalents at 31 December	5.5	**1,071**	**1,142**

Balance sheet

as at 31 December

DKK million	Section	2019	2018[1)]
Assets			
Goodwill	3.1, 3.2	5,923	6,424
Other intangible assets	3.1	773	1,008
Property, plant and equipment	3.3	1,088	1,847
Right-of-use assets	3.4	1,515	-
Investments in associates and joint ventures		9	47
Deferred tax assets	3.5	78	170
Other receivables	3.9	39	50
Total non-current assets		**9,425**	**9,546**
Inventories		26	24
Contract assets	3.6	396	479
Trade receivables	3.8	1,534	1,433
Income tax receivable		57	29
Other receivables	3.9	267	338
Cash and cash equivalents	5.5	1,071	1,142
Total current assets		**3,351**	**3,445**
Total assets		**12,776**	**12,991**

1) 2018 figures have been corrected, cf. section 1.1

DKK million	Section	2019	2018[1)]
Equity and liabilities			
Share capital		133	81
Other reserves		(361)	(387)
Retained earnings		3,858	2,115
Equity attributable to Falck A/S		**3,630**	**1,809**
Non-controlling interests		252	389
Total equity	5.1	**3,882**	**2,198**
Subordinated shareholder loans	5.2	-	2,220
Loans	5.2	3,352	3,849
Lease liabilities	5.2	1,085	279
Deferred tax	3.5	70	246
Provisions	3.11	88	99
Contract liabilities	3.7	72	49
Other payables	3.10	108	10
Total non-current liabilities		**4,775**	**6,752**
Loans	5.2	48	87
Lease liabilities	5.2	368	330
Trade payables		685	820
Income taxes		210	85
Provisions	3.11	298	244
Contract liabilities	3.7	1,191	1,154
Other payables	3.10	1,319	1,321
Total current liabilities		**4,119**	**4,041**
Total liabilities		**8,894**	**10,793**
Total equity and liabilities		**12,776**	**12,991**

Equity statement

1 January - 31 December

2019 DKK million	Share capital	Hedging reserve	Currency translation reserve	Retained earnings	Total	Non controlling interests	Equity
Equity at 31 December 2018 as disclosed in the annual report	**81**	**(10)**	**(377)**	**2,182**	**1,876**	**331**	**2,207**
Correction of previous years, cf. section 1.1	-	-	-	(67)	(67)	58	(9)
Equity at 31 December 2018	**81**	**(10)**	**(377)**	**2,115**	**1,809**	**389**	**2,198**
Exchange rate adjustment	-	-	25	-	25	-	25
Value adjustment of currency hedging instruments	-	4	-	-	4	-	4
Value adjustment of interest hedging instruments	-	9	-	-	9	-	9
Acturial adjustment of pension provisions	-	-	-	1	1	-	1
Tax on other comprehensive income	-	(3)	(9)	-	(12)	-	(12)
Other comprehensive income	-	10	16	1	27	-	27
Profit for the year	-	-	-	(370)	(370)	(176)	(546)
Total comprehensive income	**-**	**10**	**16**	**(369)**	**(343)**	**(176)**	**(519)**
Capital increase	52	-	-	2,219	2,271	-	2,271
Dividend	-	-	-	-	-	(8)	(8)
Change in non-controlling interests' ownership share	-	-	-	(12)	(12)	47	35
Adjustment of provision for acquisition of non-controlling interests relating to acquisitions after 1 January 2010	-	-	-	(95)	(95)	-	(95)
Total transactions with owners	**52**	**-**	**-**	**2,112**	**2,164**	**39**	**2,203**
Total equity movements in 2019	**52**	**10**	**16**	**1,743**	**1,821**	**(137)**	**1,684**
Total equity at 31 December 2019	**133**	**-**	**(361)**	**3,858**	**3,630**	**252**	**3,882**

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 31 December 2017 as disclosed in the annual report	**81**	**(27)**	**(443)**	**3,091**	**2,702**	**428**	**3,130**
Correction of previous years, cf. section 1.1	-	-	-	(27)	(27)	51	24
Equity at 31 December 2017	**81**	**(27)**	**(443)**	**3,064**	**2,675**	**479**	**3,154**
Change in accounting policies (IFRS 9 and 15)	-	-	-	(47)	(47)	-	(47)
Equity at 1 January 2018	**81**	**(27)**	**(443)**	**3,017**	**2,628**	**479**	**3,107**
Exchange rate adjustment	-	-	(24)	-	(24)	-	(24)
Value adjustment of currency hedging instruments	-	(3)	-	-	(3)	-	(3)
Value adjustment of interest hedging instruments	-	25	-	-	25	-	25
Actuarial 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	-	-	-	(928)	(928)	(20)	(948)
Total comprehensive income	**-**	**17**	**(36)**	**(927)**	**(946)**	**(20)**	**(966)**
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, etc.	-	-	-	(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**	**(902)**	**(819)**	**(90)**	**(909)**
Total equity at 31 December 2018	**81**	**(10)**	**(377)**	**2,115**	**1,809**	**389**	**2,198**

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 limited liability company domiciled in Denmark. The annual report for 2019 includes both the consolidated financial statements of Falck A/S and its subsidiaries (Falck) and separate financial statements of the parent company.

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.

Restatement of previous years

Reclassification

In 2019, Falck decided to keep the Healthcare staffing business and as a result, it is no longer presented as discontinued operations and comparative figures have been restated. See section 4.3.

Corrections

In connection with the preparation of the consolidated financial statements, the following three issues related to prior years have been identified and corrected in prior years financial information:

i) At the end of 2018, Falck entered into a framework agreement that changed the related leased buildings from operational leasing to financial leasing with effect from the end of December 2018.

ii) A 25% ownership share in KPC Ejendomme af 6. juni 2002 A/S previously classified as an investment in associates have been classified as an investment in subsidiaries, as Falck has an exercisable option to purchase the remaining 75% of the shares. The reclassification of the investment means that KPC Ejendomme af 6. juni 2002 A/S is now fully consolidated in the financial statement with effect from 2007 when the option became exercisable.

iii) In 2018, a new system for subscription revenue in Denmark was commissioned. In the transition between the old system and the new system, revenue and EBITA was overstated by DKK 55 million in 2018.

The above have been corrected by adjusting each of the affected financial statement line items for the financial year 2018 as presented below.

Furthermore, the five-year summary has been corrected by adjusting each of the line items affected in the five-year summary for the financial years 2018, 2017, 2016 and 2015.

The corrections resulted in a decrease in profit for the year 2018 of DKK 33 million, as well as an increase in total assets of DKK 654 million and a decrease in equity of DKK 9 million as at 31 December 2018.

i) Leased buildings

The change of leased buildings from operational leasing to financial leasing with effect from the end of December 2018 had no impact on profit for the year and the statement of cash flow for 2018.

Property, plant and equipment as at 31 December 2018 were impacted by an increase of DKK 458 million with a corresponding increase in lease liabilities of DKK 458 million. The lease liabilities are split between an increase of non-current lease liabilities of DKK 185 million and an increase in current lease liabilities of DKK 273 million.

ii) KPC Ejendomme af 6. juni 2002 A/S

The entity has been fully consolidated in the financial statement resulting in an increase in EBIT for 2018 of DKK 19 million and an increase in profit for the year 2018 of DKK 10 million, of which DKK 7 million is attributable to non-controlling interests.

The main balance sheet items impacted by the correction are an increase of property, plant and equipment of DKK 292 million, a decrease of investment in associates of DKK 17 million, and a decrease in other assets of DKK 28 million. Furthermore, the interest-bearing debt increased by DKK 208 million, deferred tax liability increased by DKK 16 million and total equity increased by DKK 34 million.

The entity is fully consolidated in the statement of cash flow resulting in an increase in free cash flow of DKK 28 million for 2018.

iii) Subscription revenue

During the transition to the new subscription system and migration of data, errors in the recognised revenue occurred and trade receivables were overstated. The correction has resulted in a decrease in EBIT for 2018 of DKK 55 million and a decrease in profit for the year 2018 of DKK 43 million. The trade receivables decreased by DKK 55 million and income tax liability decreased by DKK 12 million.

Restatement

Income statement 1 January - 31 December 2018

DKK million	Annual Report 2018	Reclassified assets held for sale	Correction	Restated 2018
Revenue	13,270	773	(55)	13,988
Cost of services	(10,672)	(708)	(8)	(11,388)
Gross profit	**2,598**	**65**	**(63)**	**2,600**
Sales and administrative expenses	(2,455)	(18)	27	(2,446)
Other operating income and expenses, net	85	-	-	85
Operating profit before special items (EBITA[1])	**228**	**47**	**(36)**	**239**
Special items	(14)	-	-	(14)
Amortisation of customer contracts	(232)	(1)	-	(233)
Operating profit (EBIT)	**(18)**	**46**	**(36)**	**(8)**
Gains/losses from divestments of enterprises	(56)	-	-	(56)
Income after tax from associates and joint arrangements	1	-	-	1
Financial income	34	-	-	34
Financial expenses	(471)	(2)	(6)	(479)
Profit before tax	**(510)**	**44**	**(42)**	**(508)**
Income taxes	(41)	(10)	9	(42)
Profit for the period from continuing operations	**(551)**	**34**	**(33)**	**(550)**
Profit for the period from discontinued operations	(364)	**(34)**	**-**	**(398)**
Profit for the period	**(915)**	**-**	**(33)**	**(948)**
Profit for the period attributable to:				
Shareholders in Falck A/S	(888)	-	(40)	(928)
Non-controlling interests	(27)	-	7	(20)
Total	**(915)**	**-**	**(33)**	**(948)**

1) EBITA is defined as operating profit before special items, amortisation of customer contract and impairment of goodwill

Section 1.1
Accounting policies (continued)

Balance sheet as at 31 December 2018

DKK million	Annual Report 2018	Reclassified assets held for sale	Correction	Restated 2018
Assets				
Goodwill	6,029	395	-	6,424
Other intangible assets	1,007	1	-	1,008
Property, plant and equipment	1,094	3	750	1,847
Investments in associates and joint ventures	64	-	(17)	47
Deferred tax assets	170	-	-	170
Other receivables	50	-	-	50
Total non-current assets	**8,414**	**399**	**733**	**9,546**
Inventories	24	-	-	24
Contract assets	471	8	-	479
Trade receivables	1,401	87	(55)	1,433
Income tax receivable	29	-	-	29
Other receivables	360	6	(28)	338
Cash and cash equivalents	1,131	7	4	1,142
Total current assets	**3,416**	**108**	**(79)**	**3,445**
Assets classified as held for sale	**507**	**(507)**	**-**	**-**
Total assets	**12,337**	**-**	**654**	**12,991**

DKK million	Annual Report 2018	Reclassified assets held for sale	Correction	Restated 2018
Equity and liabilities				
Share capital	81	-	-	81
Other reserves	(387)	-	-	(387)
Retained earnings	2,182	-	(67)	2,115
Equity attributable to Falck A/S	**1,876**	**-**	**(67)**	**1,809**
Non-controlling interests	331	-	58	389
Total equity	**2,207**	**-**	**(9)**	**2,198**
Subordinated shareholder loans	2,220	-	-	2,220
Loans	3,662	-	187	3,849
Lease liabilities	94	-	185	279
Deferred tax	230	-	16	246
Provisions	99	-	-	99
Contract liabilities	49	-	-	49
Other payables	10	-	-	10
Total non-current liabilities	**6,364**	**-**	**388**	**6,752**
Loans	66	-	21	87
Lease liabilities	57	-	273	330
Trade payables	803	17	-	820
Income taxes	88	9	(12)	85
Provisions	244	-	-	244
Contract liabilities	1,154	-	-	1,154
Other payables	1,258	70	(7)	1,321
Total current liabilities	**3,670**	**96**	**275**	**4,041**
Total liabilities	**10,034**	**96**	**663**	**10,793**
Liabilities relating to assets classified as held for sale	**96**	**(96)**	**-**	**-**
Total equity and liabilities	**12,337**	**-**	**654**	**12,991**

Section 1.1
Accounting policies (continued)

Balance sheet as at 31 December 2017

DKK million	Annual Report 2017	Correction	Restated 2017
Assets			
Goodwill	6,486	-	6,486
Other intangible assets	1,363	-	1,363
Property, plant and equipment	1,445	303	1,748
Investments in associates and joint ventures	56	(17)	39
Deferred tax assets	178	-	178
Other receivables	43	-	43
Total non-current assets	**9,571**	**286**	**9,857**
Inventories	82	-	82
Trade receivables	2,111	-	2,111
Income tax receivable	20	-	20
Other receivables	335	(25)	310
Cash and cash equivalents	1,077	5	1,082
Total current assets	**3,625**	**(20)**	**3,605**
Assets classified as held for sale	**1,099**	**-**	**1,099**
Total assets	**14,295**	**266**	**14,561**

DKK million	Annual Report 2017	Correction	Restated 2017
Equity and liabilities			
Share capital	81	-	81
Other reserves	(470)	-	(470)
Retained earnings	3,091	(27)	3,064
Equity attributable to Falck A/S	**2,702**	**(27)**	**2,675**
Non-controlling interests	428	51	479
Total equity	**3,130**	**24**	**3,154**
Subordinated shareholder loans	2,008	-	2,008
Loans	4,336	206	4,542
Deferred tax	266	13	279
Provisions	117	-	117
Other payables	29	-	29
Total non-current liabilities	**6,756**	**219**	**6,975**
Loans	257	28	285
Trade payables	731	-	731
Income taxes	135	-	135
Provisions	260	-	260
Other payables	2,699	(5)	2,694
Total current liabilities	**4,082**	**23**	**4,105**
Total liabilities	**10,838**	**242**	**11,080**
Liabilities relating to assets classified as held for sale	**327**	**-**	**327**
Total equity and liabilities	**14,295**	**266**	**14,561**

Section 1.1
Accounting policies (continued)

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 16 (please refer to section 1.3).

Further, the definitions of free cash flow, net operating assets and calculation of economic profit have been revised (please refer to section 1.4).

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.

Change in presentation of the income statement

The classification in the income statement have been changed from a presentation by the "nature of expense" to a presentation by the "function of expense". Furthermore, Falck has ceased using the income statement item "Restructuring costs" and introduced "Special items" instead (please refer to section 2.5). Falck has changed this classification to better reflect and support the way Falck is managed. Comparative figures have been changed accordingly.

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 to, 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 have been prepared in accordance with Falck's accounting policies. On consolidation, investments in subsidiaries, intra-group income and expenses, intragroup 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 have been 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 have been included in the consolidated profit and equity, respectively, but as separate line items.

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 have been recognised in the income statement as financial income or expenses.

Receivables, payables and other monetary items in foreign currencies are translated 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 has been recognised in the income statement under financial income or financial expenses.

On recognition in the consolidated financial statements in 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 have been recognised directly in other comprehensive income and classified in equity in a separate currency translation reserve. Exchange rate differences have been 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 gains or losses from the divestments.

Section 1.2
Significant accounting estimates and management judgements

In preparing Falck's consolidated financial statements, Management makes a number of accounting estimates and judgements on 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 expenses. As a consequence of their complex nature and their effect on the consolidated financial statements, these assessments receive close attention from Management thoughout the year. Thus, all estimates and judgemental assumptions are regularly reassessed as more detailed information based on historical data, experience, the financial situation, market situation and other external factors become available.

The level of impact on Falck from this 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 by Falck	Estimate/ judgement	Impact from estimates and management judgements
2.1	Revenue	Future collectability of revenue by 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	Special items	Special items imply management judgement in the separation from other items in the income statement to ensure correct distinction from operating activities.	Judgement	●○○○
3.1, 3.2	Intangible assets / Impair-ment tests	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	●●●●
3.4	Right-of-use assets	Management determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend if this is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if this is reasonably certain not to be exercised. Judgements are applied at initial recognition. After the commencement date, management reassesses the lease term if there is a significant event or change that affects Falck's ability to exercise the options.	Judgement	●●●○
3.5	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	●●●○
3.6, 3.8	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	●●●○
3.11	Provisions	Estimates and management assumptions are made in determining provisions related to put options and the obligation to buy back shares held by non-con-trolling interests (expected exercise price) included in outstanding consideration and earn-outs.	Estimate	●●○○

Definition	
●●●●	Impact from estimates / management judgement
●●●○	Partial 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

Implementation of new accounting standards, amendments and interpretations

The following accounting standards, amendments (IAS and IFRS) and interpretations were implemented from 1 January 2019:

- IFRS 16 "Leases"
- IFRIC 23 "Uncertainty over income tax treatments"
- Amendment to IFRS 9 "Financial instruments"
- Amendment to IAS 28 "Investments in Associates and Joint Ventures"

Apart from the impact from IFRS 16, the implementation has not had a significant impact on recognition, measurement or disclosures in the annual report 2019 and is not expected to have significant impact on the financial reporting for future periods.

New standards and interpretations not yet adopted

IASB has issued new or amended accounting standards and interpretations that have not yet become effective and have consequently not been implemented in the consolidated financial statements for 2019. Falck expects to adopt the accounting standards and interpretations when they become mandatory. None of the new or amended standards or interpretations are expected to have an impact on the consolidated financial statements.

IFRS 16 Leases

As of 1 January 2019, Falck has adopted IFRS 16 "Leases" which replaces IAS 17 "Leases". The adoption of IFRS 16 has resulted in leased buildings and fixtures, fittings, tools and equipment being recognised in the balance sheet as right-of-use assets with corresponding lease liabilities. Right-of-use assets are depreciated over the term of the lease and payments are allocated between amortisations on the lease liabilities and interest expenses. The term of the lease is determined based on the non-cancellable period of the lease and management judgement.

Falck has applied the modified retrospective approach and comparative figures for 2018 and prior years have not been restated. At the date of initial application, lease liabilities were measured at the present value of the remaining lease payments using the incremental borrowing rate. Right-of-use assets were measured at an amount equal to the lease liabilities plus prepayments made to the lessor before the commencement date less lease incentives received. The selected implementation approach has no impact on retained earnings at 1 January 2019. Please refer to section 3.4 Right-of-use assets and section 5.2 Loans for further disclosures on IFRS 16.

In implementing IFRS 16, Falck has applied the following reliefs and expedients:

The following is a reconciliation of total operating lease commitments as at 31 December 2018 for the lease liabilities recognised at 1 January 2019. Total operating lease commitments at 31 December 2018 have been adjusted due to the corrections listed in section 1.1.

(DKK million)	
Total operating lease commitments at 31 December 2018	**899**
Recognition exemptions:	
• Leases of low value assets	(60)
• Leases with remaining lease term of 12 months or less	(131)
Operating lease liabilities before discounting	708
Discounted using incremental borrowing rate	(60)
Operating lease liability	648
Reasonably certain extension and purchase options	627
Finance lease obligations at 31 December 2018	609
Total lease liabilities recognised under IFRS 16 at 1 January 2019	**1,884**

- Relied on the definition under IAS 17 and IFRIC 4 to determine whether contracts at the date of initial application contain a lease
- Not recognised right-of-use assets and lease liabilities related to low value and short-term leases. Short-term leases are defined as leases with a remaining contract period of 12 months or less at the date of initial application
- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics
- Excluded initial direct costs from the recognition of right-of-use assets at the date of initial application
- Relied on the assessment of whether a contract is onerous under IAS 37 at the date of initial application instead of performing an impairment review under IAS 36
- For leases held under finance lease as at 31 December 2018 the carrying amount continues under IFRS 16

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

DKK million	1 January 2019 Previous accounting policy	1 January 2019 IFRS 16 adjustment	1 January 2019 New accounting policy	31 December 2019 Previous accounting policy	31 December 2019 IFRS 16 adjustment	31 December 2019 New accounting policy
Income statement						
Cost of services	-	-	-	(11,043)	20	(11,023)
Gross profit	**-**	**-**	**-**	**2,781**	**20**	**2,801**
Sales and administrative expenses	-	-	-	(2,209)	2	(2,207)
Operating profit before special items (EBITA)	**-**	**-**	**-**	**707**	**22**	**729**
Net financial items	-	-	-	(132)	(26)	(158)
Profit before tax	**-**	**-**	**-**	**(312)**	**(4)**	**(316)**
Income taxes	-	-	-	(231)	1	(230)
Profit for the period from continuing operations	**-**	**-**	**-**	**(543)**	**(3)**	**(546)**
Assets						
Right-of-use assets	656	1,281	1,937	365	1,150	1,515
Deferred tax assets	170	-	170	77	1	78
Other receivables, current	338	(6)	332	272	(5)	267
Total assets	**12,991**	**1,275**	**14,266**	**11.630**	**1,146**	**12,776**
Equity and liabilities						
Equity	2,198	-	2,198	3,885	(3)	3,882
Lease liabilities, non-current	279	1,009	1,288	239	846	1,085
Lease liabilities, current	330	266	596	65	303	368
Total equity and liabilities	**12,991**	**1,275**	**14,266**	**11,630**	**1,146**	**12,776**

The impact of IFRS 16

As at 1 January 2019, Falck recognised lease assets as right-of-use assets of DKK 1,937 million, of which, DKK 656 million was reclassified from finance leased assets under IAS 17. DKK 6 million was reclassified from pre-payments to right-of-use assets as part of the transition to IFRS 16. A corresponding lease liability of DKK 1,884 million was recognised, of which DKK 609 million was reclassified from lease liabilities under IAS 17.

The impact on EBITA in 2019 was positive by DKK 22 million due to a reduction in operating costs of DKK 288 million being offset by depreciations of DKK 266 million. The impact from IFRS 16 on profit before tax was negative by DKK 4 million in 2019. Deferred tax assets increased by DKK 1 million in 2019 related to IFRS 16.

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% (2018: 8%).

EBITA margin (%)

$$\frac{\text{EBITA x 100}}{\text{Revenue}}$$

Cash conversion rate (%)

$$\frac{\text{Free cash flow x 100}}{\text{EBITA}}$$

Equity ratio (%)

$$\frac{\text{(Total equity + subordinated shareholder loans) x 100}}{\text{Total assets}}$$

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 of cash and cash equivalents, interest-bearing debt and earn-outs related to acquisitions.

Cost of services ratio

$$\frac{\text{Cost of services x 100}}{\text{Revenue}}$$

Cost of services includes direct costs for staff, external assistance and vehicles and indirect costs for staff, facilities and vehicles.

Sales and administrative expenses ratio

$$\frac{\text{Sales and administrative expenses x 100}}{\text{Revenue}}$$

Sales and administrative expenses include costs for administrative staff, facilities, depreciation and other administrative items.

EBITA

Operating profit before special items, amortisation of customer contracts and impairment of goodwill.

EBITDA

EBITA adjusted for depreciation, amortisation and impairment.

Underlying

Reported key figure adjusted for changes in exchange rates and non-recurring items.

Net Operating Profit After Tax (NOPAT)

EBIT adjusted for non-recurring items and tax.

Tax rate is set at 22% (2018: 22%).

Net operating assets (NOA)

Include intangible assets, property, plant and equipment, working capital, operating provisions, receivables from associates and taxes, net.

Working capital

Include inventories + contract assets + trade receivables + other operating assets - provisions - contract liabilities - trade payables - other operating liabilities.

Free cash flow

Cash flow from operating activities + net interest paid - purchase of property, plant and equipment + sale of property, plant and equipment - purchase of intangible assets.

FTEs

Average number of employees (FTEs) is calculated as total hours worked divided by full time working hours per person for the year.

Section 1.5
Income statement by function

DKK million	2019	2018[1]
Revenue	13,824	13,988
Cost of services	(11,208)	(11,621)
Gross profit	**2,616**	**2,367**
Sales and administrative expenses	(2,207)	(2,446)
Other operating income and expenses	135	85
Operating profit before special items (EBITA)	**544**	**6**
Special items	(223)	(14)
Impairment of goodwill	(450)	-
Operating profit (EBIT)	**(129)**	**(8)**
In above income statement amortisation of customer contracts has been allocated to the following function:		
Cost of services	(185)	(233)
Total	**(185)**	**(233)**

1) 2018 figures have been corrected, cf. section 1.1

Falck classifies the income statement by the function of expense. As management uses "Operating profit before special items" (EBITA) as a measure of profit for internal purposes, special items, the amortisation of customer contracts and impairment of goodwill are separated from the individual functions and presented separately. As a result, special items and impairment of goodwill cannot be allocated to individual function of expenses. However, when amortisation of customer contracts is allocated to cost of services, the income statement is presented as disclosed in this note.

Section 2
Operating profit and tax

Section 2.1
Segment and revenue information

2019 Business units	Ambulance	Roadside Assistance	Healthcare	Portfolio Businesses	Group and other activities/eliminations	Total
Income statement						
Revenue	7,766	2,808	2,355	1,160	(265)	13,824
Depreciation, amortisation and impairment	(249)	(61)	(12)	(16)	(302)	(640)
Operating profit before special items (EBITA)	**396**	**459**	**72**	**86**	**(284)**	**729**
Balance sheet						
Total assets	4,681	3,320	1,532	1,130	2,113	12,776
Investments in intangible assets, property, plant and equipment	157	20	2	6	6	191
Key ratios						
EBITA margin (%)	5.1%	16.3%	3.1%	7.4%		5.3%

2018 Business units	Ambulance	Roadside Assistance	Healthcare	Portfolio Businesses	Group and other activities/eliminations	Total
Income statement						
Revenue	7,659	2,937	2,466	1,162	(236)	13,988
Depreciation, amortisation and impairment	(344)	(114)	(154)	(30)	(29)	(671)
Operating profit before special items (EBITA)	**192**	**359**	**(115)**	**43**	**(240)**	**239**
Balance sheet						
Total assets	4,676	3,892	2,278	1,153	992	12,991
Investments in intangible assets, property, plant and equipment	178	16	35	60	76	365
Key ratios						
EBITA margin (%)	2.5%	12.2%	(4.7%)	3.7%		1.7%

Comments

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

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

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

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

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 customers receive the benefits of the service Falck delivers.

Falck is entitled to a consideration that corresponds to the work performed, if a customer terminates a contract before the 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 considerations are measured using the most likely amount and re-measured on 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.

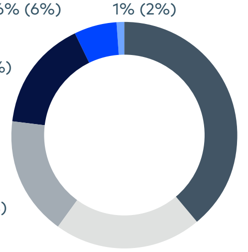
Non-current assets in a segment comprise non-current assets used directly in the operation of the segment, including intangible assets, property, plant and equipment and investments in associates.

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 or entities are made on an arm's length basis.

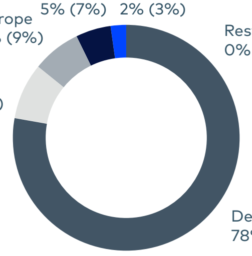
Revenue

2019 (2018)



Non-current assets excluding deferred tax assets

2019 (2018)



Section 2.2
Staff costs

DKK million	2019	2018
Wages, salaries and remuneration	(6,860)	(6,985)
Defined-contribution pension plans	(367)	(391)
Other social security costs	(866)	(838)
Other staff costs	(493)	(457)
Total staff costs	**(8,586)**	**(8,671)**
Number of employees at 31 December	33,306	36,602
FTEs	23,920	26,789

Staff costs are included in the following line items in the income statement.

	2019	2018
Cost of services	(7,334)	(7,401)
Sales and administrative expenses	(1,252)	(1,259)
Special items	-	(11)
Total	**(8,586)**	**(8,671)**

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 2,869 due to the continued implementation of the new Group strategy with a focus on restoring profitability by closing down certain unprofitable business activities, as well as initiating the restructuring of the current business setup in all Business Units and the Group. 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

DKK ´000	Executive Committee 1) 2)		Other members of Executive Management 3)		Board of Directors		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
Base salary	17,891	17,808	8,173	9,499	4,400	3,875	30,464	31,182
Short-term incentive plan	9,609	7,428	2,601	3,180	-	-	12,210	10,608
Long-term incentive plan 4)	11,983	7,130	4,470	1,539	-	-	16,453	8,669
Pension	-	-	935	1,080	-	-	935	1,080
Social security	23	18	31	43	-	-	54	61
Severance payment	-	-	5,072	316	-	-	5,072	316
Total	39,506	32,384	21,282	15,657	4,400	3,875	65,188	51,916

1) The members of the Executive Committee are: Jakob Riis, Tor Magne Lønnum and Jakob Bomholt. Based on the accounting approach, utilised in the table above, the total remuneration of the individual members in 2019 (2018) was: Jakob Riis DKK 20,177,000 (DKK 16,178,000), Tor Magne Lønnum DKK 10,107,000 (DKK 8,466,000) and Jakob Bomholt DKK 9,222,000 (DKK 7,740,000). The accounting approach includes the target value of the short- and long-term incentive in the given year and the difference between the target and actual pay-out from the previous year.
2) Based on a fair-value approach the total remuneration of the individual members of the Executive Committee in 2019 was: Jakob Riis DKK 14,565,000, Tor Magne Lønnum DKK 7,929,000 and Jakob Bomholt DKK 6,768,000. The fair-value is based on the base salary, the short-term incentive based on the 2019 performance and the long-term incentive based on the 2019 performance.
3) The other members of the Executive Management are: Michala Fischer-Hansen (appointed 1 September 2019), Anette Damgaard (appointed 5 August 2019), Miguel Buxó, Elisabeth Milton (appointed 19 August 2019) and Kaspar Bach Habersaat. Former EVP Lars Vester Pedersen stepped down 11 March 2019 and former SVP Peter Agergaard stepped down 16 August 2019.
4) Long-term incentive plan for 2019 is based on an estimate as the programme expires at the end of 2020.

Comments
Remuneration of the Board of Directors and Executive Committee is governed by Falck's Remuneration Policy, which complies with the Danish Recommendations on Corporate Governance.

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 eligible for general incentive schemes applicable to Falck's employees.

The Chairman receives an annual fee of DKK 825,000, the Vice Chairman receives DKK 550,000 and each remaining member receives DKK 275,000. In addition, a chairman of a board committee receives an annual fee of DKK 275,000 while other committee members receive DKK 137,500.

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

The base salary is a fixed cash compensation based on the level of responsibility and performance. The base salary is compensation for contributing to Falck's strategic direction and agenda. Levels of base salary 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 subject to the achievement of annual targets. Its role is to drive and reward exceptional performance of Falck, and specific, focused activities. 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.

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 in 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.

2019 Incentive plan	Short-term		Long-term	
	Target	Max	Target	Max
Jakob Riis	50%	100%	50%	100%
Tor Magne Lønnum	25%	50%	33%	67%
Jakob Bomholt	50%	75%	33%	67%

Section 2.4

Other operating income and expenses, net

DKK million	2019	2018
Gain from sale of assets	99	37
Other operating income	51	53
Loss from sale of assets	(2)	(3)
Other operating expenses	(13)	(2)
Other operating income and expenses, net	**135**	**85**

Comments

Other operating income consists of compensation received, income from the sub-leasing of premises and other non-primary income.

Section 2.5

Special items

DKK million	2019	2018
Settlement cost, legal fees and fine	(223)	-
Redundancy and restructuring costs, etc.	-	(14)
Special items	**(223)**	**(14)**

Comments

Special items of DKK 223 million are recognised in the income statement below EBITA, covering settlement costs, legal fees and the fine following the ruling by the Danish Competition Council and Falck's self-cleaning programme.

In 2018 special items of DKK 14 million related to redundancy and restructuring costs, etc.

Accounting policies

Special items consist of exceptional income and expenses that the Group does not consider to be part of its ordinary operations. The use of special items entails Management judgement in their separation from the ordinary operations of the Group.

Section 2.6
Income taxes

DKK million	**2019**	2018
Current tax	(177)	(56)
Change in deferred tax for the year	9	7
Prior year adjustments	(45)	26
Change in tax rate and other	(17)	(19)
Total income taxes	(230)	(42)
Tax on comprehensive income	(12)	(17)
Total tax	**(242)**	**(59)**
Income tax paid during the year	**(233)**	**(146)**
Explanation of total tax expense		
Total income taxes	(230)	(42)
Profit before tax	**(316)**	**(508)**

	2019		2018	
	Tax	Effective Tax rate	Tax	Effective Tax rate
Danish tax rate	(70)	22.0%	(112)	22.0%
Differences in foreign tax rates relative to Danish rate	28	(8.7%)	3	(0.6%)
Non-deductible costs	10	(3.2%)	41	(8.0%)
Non-deductible settlement cost, legal fees and fines	50	(15.8%)	-	-
Non-deductible goodwill impairment	98	(31.0%)	-	-
Impairment of tax assets	53	(16.8%)	123	(24.2%)
Other	16	(5,1%)	13	(2.6%)
Prior year adjustments	45	(14.2%)	(26)	5.1%
Total tax for the year and effective tax rate	**230**	**(72.8%)**	**42**	**(8.3%)**

DKK million	**2019**	2018
Tax on other comprehensive income		
Tax on exchange rate adjustments	(10)	(12)
Tax on value adjustment relating to currency hedging instruments	-	1
Tax on value adjustment of interest hedging instruments	(2)	(6)
Total tax on other comprehensive income	**(12)**	**(17)**

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, any adjustments to previous years' tax 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 unsettled tax payments for prior years.

Section 3
Net operating assets

Section 3.1
Intangible assets

2019 DKK million	Goodwill	Customer contracts	Brands	Software and other intangible assets	Total
Cost at 1 January 2019	9,184	2,989	514	997	13,684
Exchange rate adjustment	22	11	-	(1)	32
Additions on acquisitions	-	1	-	-	1
Additions	-	-	-	49	49
Disposals on divestments	(62)	(2)	-	(3)	(67)
Disposals and reclassifications	-	(4)	-	(29)	(33)
Cost at 31 December 2019	**9,144**	**2.995**	**514**	**1,013**	**13,666**
Impairment and amortisation at 1 January 2019	(2,760)	(2,731)	-	(761)	(6,252)
Exchange rate adjustment	(13)	(10)	-	1	(22)
Disposals on divestments	2	2	-	3	7
Disposals and reclassifications	-	4	-	29	33
Impairment and amortisation	(450)	(185)	-	(101)	(736)
Impairment and amortisation at 31 December 2019	**(3,221)**	**(2,920)**	**-**	**(829)**	**(6,970)**
Carrying amount at 31 December 2019	**5,923**	**75**	**514**	**184**	**6,696**

Comments
The acquisitions of goodwill and customer contracts have primarily been made to achieve 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 Roadside Assistance and dispatch, planning and vehicle maintenance systems in Ambulance.

In 2019, impairment and amortisation of software include impairment of DKK 29 million related to a planning system within Ambulance.

Section 3.1

Intangible assets (continued)

2018 DKK million	Goodwill	Customer contracts	Brands	Software and other intangible assets	Total
Cost at 1 January 2018	9,311	3,037	514	925	13,787
Exchange rate adjustment	2	4	-	(3)	3
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	(1)	(4)	-	(3)	(8)
Cost at 31 December 2018	**9,184**	**2,989**	**514**	**997**	**13,684**
Impairment and amortisation at 1 January 2018	(2,825)	(2,547)	-	(565)	(5,937)
Exchange rate adjustment	(10)	(2)	-	1	(11)
Disposals on divestments	45	39	-	-	84
Disposals and reclassifications	30	9	-	21	60
Impairment and amortisation	-	(233)	-	(219)	(452)
Transferred to assets classified as held for sale	-	3	-	1	4
Impairment and amortisation at 31 December 2018	**(2,760)**	**(2,731)**	**-**	**(761)**	**(6,252)**
Carrying amount at 31 December 2018	**6,424**	**258**	**514**	**236**	**7,432**

Impairment and amortisation are included in the following line items in the income statement.

	2019	2018
Cost of services	(50)	(34)
Sales and administrative costs	(51)	(185)
Amortisation of customer contracts	(185)	(233)
Impairment of goodwill	(450)	-
Total	**(736)**	**(452)**

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 are measured upon acquisition at cost less accumulated amortisation and impairment losses. Acquired intangible assets are amortised over the expected economic life, estimated to be 3 to 10 years.

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

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

Customer contracts are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line based on their estimated useful lives.

Other intangible assets mainly relate to software. Software is amortised on a straight line 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 the net selling price and the 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 2019 identified a need for impairment on goodwill of DKK 450 million related to Healthcare. The impairment loss within Healthcare was primarily related to top-line pressure due to the loss of large clients in Denmark and Norway.

The impairment test for 2018 did not result in recognition of any impairment losses on goodwill.

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, Roadside Assistance and Healthcare, and on the CGUs within the Portfolio Business segment, Global Assistance and Industrial Fire Services.

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 number of years, which inherently results in some degree of uncertainty.

Value-in-use cash flow projections are based on financial forecasts for 2020 and business plans for the following 4 years 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 2020 are estimated on the basis of 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 (2020 to 2024) in line with the terminal growth expectations.

Roadside Assistance is affected by the changes taking place in the automobile market towards fewer private roadside assistance subscriptions, and the increase in roadside assistance programmes offered by car manufacturers. Revenue is expected to decrease from 2020 to 2024.

Healthcare is affected by the current transformation including pruning and renegotiation of large contracts. Consequently, revenue is expected to increase from 2020 to 2021, decrease from 2021 to 2022 and increase from 2022 to 2024.

EBITA margin
When estimating the CGU's EBITA margin in the financial forecast for 2020, 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 1,000 million from 2017 to 2020.

EBITA in Ambulance improved in 2019, primarily due to cost optimisation initiatives and contract pruning. Improvements are expected to continue in 2020, when new contracts will have a full run-rate effect combined with the effect of new operating models.

Current performance in Healthcare continues to be impacted by the wider business transformation, i.e., transition costs and loss of larger contracts. The forecast for 2020 is based on continued improvement in underlying performance, driven by this transformation.

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 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.

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 at 31 December are presented below for each CGU:

	Carrying amount				Forecasting period		Terminal period		Applied discount rate	
2019 DKK million	Goodwill	Customer contracts	Brands	Total	Total Growth (avg.)	Margin (avg.)	Growth	EBITA margin	After tax	Pre-tax
Ambulance	1,993	74	514	2,581	1.8%	4.8%	1.8%	4,8%	7.7%	10.6%
Roadside Assistance	2,721	-	-	2,721	(5.0%)	17.7%	0.5%	17.7%	7.0%	9.3%
Healthcare	724	1	-	725	0.2%	2.5%	1.9%	3.2%	7.2%	9.2%
Portfolio Businesses										
Industrial Fire Services	382	-	-	382	1.9%	7.1%	1.9%	7.8%	8.2%	10.8%
Global Assistance	103	-	-	103	2.1%	5.4%	2.1%	5.4%	7.5%	9.6%
Total	**5,923**	**75**	**514**	**6,512**						

	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%
Roadside Assistance	2,723	119	-	2,842	(5.0%)	15.2%	0.5%	15.2%	6.4%	8.6%
Healthcare	1,177	2	-	1,179	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	**6,424**	**258**	**514**	**7,196**						

Impairment of goodwill

DKK million	**2019**	2018
Impairment losses identified in impairment tests, Healthcare	450	-
Impairment of goodwill	**450**	**-**

Section 3.2
Impairment tests (continued)

Sensitivity test

	Forecasting period				Terminal period					
	Growth		Margin		Growth		Margin		Discount rate (after tax)	
2019 DKK million	Applied avg. rate	Allowed decrease	Applied avg. rate	Allowed decrease	Applied long-term rate	Allowed decrease	Applied long-term rate	Allowed decrease	Applied rate	Allowed increase
Ambulance	1.8%	8.0%	4.8%	1.9%	1.8%	4.7%	4.8%	2.3%	7.7%	3.1%
Roadside Assistance	(5.0%)	11.5%	17.7%	8.5%	0.5%	14.8%	17.7%	12.0%	7.0%	7.3%
Healthcare	0.2%	0.0%	2.5%	0.0%	1.9%	0.0%	3.2%	0.0%	7.2%	0.0%
Portfolio Businesses										
Industrial Fire Services	1.9%	0.3%	7.1%	2.1%	1.9%	3.0%	7.8%	2.6%	8.2%	2.2%
Global Assistance	2.1%	10.6%	5.4%	4.0%	2.1%	27.0%	5.4%	4.8%	7.5%	10.8%

	Forecasting period				Terminal period					
	Growth		Margin		Growth		Margin		Discount rate (after tax)	
2018 DKK million	Applied avg. rate	Allowed decrease	Applied avg. rate	Allowed decrease	Applied long-term rate	Allowed decrease	Applied long-term rate	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%
Roadside 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%

Comments

A sensitivity analysis covering 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.

Section 3.3

Property, plant and equipment

2019 DKK million	Land and buildings	Leasehold improve-ments	Fixtures, fittings, tools and equipment	Total
Cost at 1 January 2019	1,241	269	2,736	4,246
Exchange rate adjustment	-	(1)	13	12
Additions on acquisitions	-	4	-	4
Additions	6	7	129	142
Disposals on divestments	-	(19)	(46)	(65)
Disposals and reclassifications	(13)	(14)	(169)	(196)
Transferred to right-of-use assets	(458)	-	(400)	(858)
Cost at 31 December 2019	**776**	**246**	**2,263**	**3,285**
Impairment and depreciation at 1 January 2019	(149)	(170)	(2,080)	(2,399)
Exchange rate adjustment	-	1	(8)	(7)
Disposals on divestments	-	11	41	52
Disposals and reclassifications	11	13	153	177
Impairment and depreciation	(27)	(19)	(176)	(222)
Transferred to right-of-use assets	-	-	202	202
Impairment and depreciation at 31 December 2019	**(165)**	**(164)**	**(1,868)**	**(2,197)**
Carrying amount at 31 December 2019	**611**	**82**	**395**	**1,088**
of which assets under construction	1	-	1	2

Comments

In 2019, impairment and depreciations for land and buildings and leasehold improvements decreased by DKK 55 million, compared to last year mainly due to the sale of buildings in Skovlunde, Aarhus and Copenhagen.

Impairment and depreciations for fixtures, fittings, tools and equipment decreased mainly due to the reclassification of assets held under finance lease to the right-of-use assets (please refer to the accounting policies and section 3.4) and due to higher depreciations in 2018 as a result of a change in estimates of 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 items of property, plant and equipment have different useful lives, they are accounted for as separate items.

Property, plant and equipment 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 the net selling price and the value-in-use. The value-in-use is calculated based on estimated future cash flows, discounted by using a pre-tax discount rate.

Section 3.3

Property, plant and equipment (continued)

2018 DKK million	Land and buildings	Leasehold improve-ments	Fixtures, fittings, tools and equipment	Total
Cost at 1 January 2018	833	293	2,976	4,102
Exchange rate adjustment	-	(2)	19	17
Additions	579	11	125	715
Disposals on divestments	(66)	(3)	(48)	(117)
Disposals and reclassification	(105)	(30)	(331)	(466)
Transferred to assets classified as held for sale	-	-	(5)	(5)
Cost at 31 December 2018	**1,241**	**269**	**2,736**	**4,246**
Impairment and depreciation at 1 January 2018	(128)	(153)	(2,072)	(2,353)
Exchange rate adjustment	-	1	(7)	(6)
Disposals on divestments	1	3	27	31
Disposals and reclassification	29	29	320	378
Impairment and depreciation	(51)	(50)	(350)	(451)
Transferred to assets classified as held for sale	-	-	2	2
Impairment and depreciation at 31 December 2018	**(149)**	**(170)**	**(2,080)**	**(2,399)**
Carrying amount at 31 December 2018	**1,092**	**99**	**656**	**1,847**
of which assets under construction	-	-	2	2
of which assets held under finance leases	458	-	198	656

Impairment and depreciation are included in the following line items in the income statement.

	2019	2018
Cost of services	(204)	(382)
Sales and administrative costs	(18)	(69)
Total	(222)	(451)

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

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

The addition of DKK 579 million in 2018 includes the correction of DKK 458 million as mentioned in section 1.1. The change of leased buildings from operational leasing to financial leasing was a non-cash addition with no impact on the statement of cash flow for 2018.

In 2018, according to IAS 17, 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. In 2019, IFRS 16 replaced IAS 17 with effect from 1 January 2019, when Falck as a lessee had to 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). The change in accounting treatment resulted in the reclassification of a carrying amount of DKK 656 million in the opening balance to right-of-use 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 other operating expenses, respectively.

Section 3.4

Right-of-use assets

2019 DKK million	Land and buildings	Fixtures, fittings, tools and equipment	Total
Value at 1 January 2019 previously disclosed under property, plant and equipment	458	198	656
Addition on transition to IFRS 16 at 1 January 2019	1,065	216	1,281
Adjusted value at 1 January 2019	1,523	414	1,937
Exchange rate adjustments	-	5	5
Additions	116	142	258
Disposals and reclassifications	(266)	(11)	(277)
Remeasurement of lease obligation	(90)	-	(90)
Depreciation	(202)	(116)	(318)
Carrying amount at 31 December 2019	**1,081**	**434**	**1,515**

Depreciation and impairment losses are included in the following line items in the income statement.

DKK million	**2019**	2018
Cost of services	(298)	-
Sales and administrative costs	(20)	-
Total	**(318)**	**-**

Lease expenses recognised in the income statement.

DKK million	**2019**	2018
Interest expenses related to lease liabilities	(36)	-
Expenses related to short term leases (12 months or less)	(59)	-
Expenses related to low value leases	(35)	-
Total	**(130)**	**-**

Comments

Right-of-use assets were impacted by DKK 266 million which was transferred out of leased buildings into owned buildings when a purchase option for office buildings in Denmark was exercised in 2019.

Accounting policies

Right-of-use assets

A right-of-use asset is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for a consideration.

The right-of-use assets are initially measured at the amortised cost which equals the lease liability plus prepayments made to the lessor before the commencement date, and the initial direct cost incurred by Falck less lease incentives received.

Subsequently, the right-of-use assets are depreciated on a straight-line basis over the lease term. If it is reasonably certain that a purchase option will be exercised at the end of the lease term, the right-of-use assets are depreciated over the full, expected useful life.

The right-of-use assets are re-measured when the lease liability is impacted following reassessment of lease terms, modifications to lease agreements and when applying indexation or a rate.

The right-of-use assets in Falck are depreciated as follows:

Buildings	5-35
Vehicles	5-7
Medical equipment	3-10

Leases with a contract period of 12 months or less or which are of low-value, are recognised in the income statement on a straight-line basis over the lease term. Low value assets mainly comprise office and medical equipment.

Please refer to section 5.2 Loans for further information related to lease liabilities.

Section 3.5
Deferred tax

DKK million	2019	2018
Deferred tax liabilities at 1 January	76	101
Exchange rate adjustment	(1)	(1)
Net addition on acquisitions and divestments	5	1
Change in deferred tax for the year	(9)	(7)
Change in deferred tax for prior years	(9)	(16)
Change in other[1)]	(70)	(2)
Deferred tax (assets)/liabilities at 31 December	**(8)**	**76**
Deferred tax assets	(78)	(170)
Deferred tax liabilities	70	246
Net deferred tax (assets)/liabilities at 31 December	**(8)**	**76**

DKK million	Deferred tax 1 January 2019	Exchange difference	Net addition on acquisitions and divest-ments	Prior year adjust-ments	Change in other[1)]	Move-ment during the year	Deferred tax 31 December 2019
Intangible assets	223	-	-	1	-	(36)	188
Property, plant and equipment	74	-	-	(1)	-	(34)	39
Current assets	(25)	-	-	14	-	6	(5)
Non-current liabilities and provisions	(15)	-	-	(33)	-	34	(14)
Current liabilities	(13)	-	-	1	-	-	(12)
Tax losses carried forward	(132)		5	(44)	(70)	40	(201)
Other	(36)	(1)	-	53	-	(19)	(3)
Net deferred tax at 31 December	76	(1)	5	(9)	(70)	(9)	**(8)**

1) The significant part of the amount is included in corporation tax payables in relation to the joint taxation arrangement with Lundbeckfonden.

Comments
As at 31 December 2019, Falck recognised deferred tax assets of DKK 8 million (deferred tax liabilities DKK 76 million), primarily related to the net of deferred tax on intangible assets (liabilities) and tax losses carried forward (assets).

Unrecognised deferred tax assets from tax losses and other timing differences were DKK 449 million, with DKK 358 million of this related to the US. The deferred tax assets have not been capitalised, if not probable that taxable profits will be available within the coming 3 years against which the group can utilise the tax losses and other timing differences. Unrecognised tax losses may, in the majority of cases, be carried forward indefinitely in the relevant individual countries.

Accounting policies
Deferred tax arises from timing differences between the accounting and the taxable value of assets and liabilities, and from realisable tax losses 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 the 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 at the point of their utilisation, either as an offset against tax on future income or as an offset against deferred tax liabilities. Deferred tax assets and liabilities are offset within the same legal tax entity or jurisdiction.

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.

The group operates in a multinational tax environment. Complying with tax rules can be complex, as the interpretation of legislation and case law may not always be clear or may change over time. In addition, transfer pricing disputes with tax authorities may occur. Uncertain tax positions are recognised under corporation tax payable and corporation tax receivable. The actual obligation may differ from the provision made and depends on the outcome of litigation and settlements with the relevant tax authorities.

Section 3.6
Contract assets

DKK million	2019	2018
Contract assets (not invoiced)	415	496
Impairment of contract assets	(19)	(17)
Total contract assets	**396**	**479**
Expected loss rate	5%	3%

Comments
Contract assets relate to Falck's right to considerations for completed services which have not been invoiced at the balance sheet 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 according to the portfolio of receivables and are grouped by credit risk characteristics. A provision matrix is established based on the historical development in contract assets and historical credit losses, and adjusted for forward-looking factors specific to the debtors and the economic environment.

The expected credit losses are recognised in sales and administrative expenses.

Section 3.7
Contract liabilities

DKK million	2019	2018
Stepped-pricing contracts	72	49
Prepayments	1,191	1,154
Total contract liabilities	**1,263**	**1,203**
Classification of contract liabilities by expected maturity		
Within 1 year	1,191	1,154
More than 1 year	72	49
Total contract liabilities	**1,263**	**1,203**
Revenue recognised in the period from amounts included in contract liabilities at the beginning of the period	966	1,356
Revenue recognised in the year from performance obligations satisfied in previous years	(31)	(16)

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

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

Section 3.8
Trade receivables

	2019				2018
DKK million	Expected loss rate %	Trade receivables	Expected loss	Total	Total
Not due	2%	790	(12)	778	812
Overdue 1 to 30 days	18%	375	(66)	309	271
Overdue 31 to 90 days	21%	320	(68)	252	160
Overdue 91 to 180 days	27%	187	(50)	137	112
Overdue more than 181 days	52%	122	(64)	58	78
Total trade receivables	**14%**	**1,794**	**(260)**	**1,534**	**1,433**

DKK million	2019	2018
Impairments at 1 January	220	429
Change in accounting policies (IFRS 9)	-	28
Adjusted impairments at 1 January	220	457
Exchange rate adjustments	5	17
Impairments added	164	141
Impairments used	(129)	(395)
Total impairments at 31 December	**260**	**220**

Comments

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

Falck has significant trade receivables mainly within the Ambulance and Healthcare businesses.

Write-downs on trade receivables are significantly affected by ambulance companies in the United States.

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 according to the portfolio of receivables and are grouped by shared credit risk characteristics. A provision matrix is established based on the historical development in trade receivables and historical credit losses, and adjusted for forward-looking factors specific to the debtors and the economic environment.

The expected credit losses are recognised in sales and administrative expenses.

Section 3.9
Other receivables

DKK million	2019	2018
Prepaid expenses	143	172
Receivables from associates	-	4
Rent deposits	35	23
Receivables from sale of companies	29	83
Employee-related receivables	13	15
Reimbursement costs	43	20
Other receivables	43	71
Total other receivables	**306**	**388**
Classification of other receivables by expected maturity		
Within 1 year	267	338
More than 1 year	39	50
Total other receivables	**306**	**388**

Comments
Other receivables decreased by DKK 82 million from DKK 388 million at 31 December 2018, primarily due to payments received related to the sale of Falck Safety Services in 2018.

Section 3.10
Other payables

DKK million	2019	2018
Holiday pay, wages, etc.	889	771
Employee taxes, etc.	156	116
VAT	127	108
Derivative financial instruments	-	12
Payables to associates	-	31
Deposits from customers	172	198
Other	83	95
Total other payables	**1,427**	**1,331**
Classification of other payables by expected maturity		
Within 1 year	1,319	1,321
More than 1 year	108	10
Total other payables	**1,427**	**1,331**

Comments
Other payables increased by DKK 96 million from DKK 1,331 million at 31 December 2018. The main reason was an increase in employee liabilities in Denmark.

Section 3.11
Provisions

2019 DKK million	Put options	Outstanding considerations and earn-outs	Occupational injuries	Pension obligations	Other	Total
Provisions at 1 January 2019	135	83	24	11	90	343
Exchange rate adjustment	1	1	1	-	2	5
Provisions added	-	14	6	-	69	89
Provisions used	(16)	(76)	(3)	(2)	(18)	(115)
Unused provisions, reversed	-	-	(12)	(1)	(25)	(38)
Dividends paid and other adjustments	-	-	-	(1)	-	(1)
Adjustments and interest recognised in equity	95	-	-	-	-	95
Reclassified to and from other balance sheet accounts	-	-	-	-	8	8
Provisions at 31 December 2019	**215**	**22**	**16**	**7**	**126**	**386**
Classification of provisions by expected maturity						
Within 1 year	215	15	5	-	63	298
Between 1 and 5 years	-	7	11	-	53	71
More than 5 years	-	-	-	7	10	17
Provisions at 31 December 2019	**215**	**22**	**16**	**7**	**126**	**386**

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 was subject to an adjustment based on performance in 2018 at the latest. The adjustment of DKK 76 million recognised in outstanding considerations and earn-outs was settled by the transfer of shares in Falck Health Care Holding in 2019.

Section 3.11
Provisions (continued)

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	3	-	1	-	-	4
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	(17)	-	-	-	-	(17)
Reclassified to and from other balance sheet accounts	-	-	-	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**

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 proir to the right beeing exercised, multiplied by an already agreed multiple, typically less net debt in the relevant companies. When recognised 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 benefits expected 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	**2019**	2018
Assets		
Intangible assets	1	6
Cash	9	-
Equity and liabilities		
Current liabilities, provisions, etc.	(1)	-
Deferred tax	-	(1)
Net assets acquired	**9**	**5**
Goodwill	-	-
Purchase price	**9**	**5**
Adjustment for cash and cash equivalents acquired	(9)	-
Consideration relating to prior-year acquisitions	-	33
Cash consideration for acquisitions	**-**	**38**

Comments

No significant acquisitions were made during 2019 or 2018.

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 the 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 upon 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 are recognised as part of the consideration at the date of acquisition. The put options issued are, on the day of acquisition, recognised at a value contingent on future events. 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 to the fair value of the contingent consideration after initial recognition are 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) by which the value is calculated on the basis of an expected future cash flow. The main assumptions in the valuation are expected economic lifetime of the existing agreements and portfolios, and the earnings and contribution for using associated assets and employees.

Section 4.2
Divestments

Gains/losses from divestments of enterprises

DKK million	2019	2018
Assets		
Goodwill	60	53
Other intangible assets	-	7
Property, plant and equipment	12	86
Other non-current assets	30	-
Deferred tax	8	-
Current assets	44	39
Cash and cash equivalents	20	38
Equity and liabilities		
Deferred tax	-	(2)
Provisions	-	(42)
Current liabilities	(23)	(56)
Net assets divested	**151**	**123**
Gain/(loss) from divestment of business, net	(15)	(44)
Sales price	**136**	**79**
Adjustment for cash and cash equivalents divested	(20)	(38)
Sales price received related to prior years	5	(29)
Transaction costs	(15)	(12)
Cash flow from divestment of subsidiaries and operations	**106**	**-**

Comments

In 2019, Falck divested its shares in Falck Centra Medyczne SP Z.O.O, Falck Consulting & Technology B.V., Falck Emergency Norway A/S and Falck Chile Holding S.A.

A total loss on the divestment of enterprises, including transaction costs of DKK 30 million was recognised in the income statement.

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 the divestment of enterprises, including transaction costs of DKK 56 million, was recognised in the income statement.

Accounting policies
Business combinations

Companies that are 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 divestments or the winding up of subsidiaries and associates are stated as the difference between the sales price and the carrying amount of the net assets, including goodwill at the time of sale, and accumulated foreign exchange adjustments are 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 period from discontinued operations

DKK million	2019	2018
Revenue	-	646
Cost of services	-	(427)
Gross Profit	**-**	**219**
Sales and administrative expenses	-	(163)
Other operating income and expenses, net	-	2
Operating profit before special items (EBITA)	**-**	**58**
Net financial items	-	(3)
Profit before tax	**-**	**55**
Income taxes	-	(21)
Profit for the period	**-**	**34**
Loss on divestment of discontinued operations	-	(432)
Profit for the period from discontinued operations	**-**	**(398)**

Cash flows from discontinued operations

DKK million	2019	2018
Cash flows from operating activities	-	20
Cash flows from investing activities	-	(47)
Cash flows from financing activities	-	5
Cash consideration from divestment of discontinued operations	47	404
Cash flows from discontinued operations	**47**	**382**

Gains/losses from divestments of discontinued operations

DKK million	2019	2018
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

As at 31 December 2019, there were no activities presented as discontinued operations.

In Q1 2019, Falck decided to keep the Healthcare staffing business as a part of the Healthcare business unit. As a result, the staffing business is no longer presented as discontinued operations and comparative figures have been restated.

Divestment of Falck Safety Services

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

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

In 2018 cash flows from investing activities comprised primarily considerations related to prior-year acquisitions in Malaysia and Thailand for a net amount of DKK 94 million.

Divestment of Danish medical clinics

Furthermore, on 25 September 2018, Falck divested its Danish medical clinics and associated businesses (Falck Lægehuse, Sirculus and Vikteam).

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

In the comparative figures for 2018, Falck Safety Services and Healthcare non-core activities have been presented as discontinued operations. The profit for the period and cash flows from discontinued operations have been disclosed separately in the income statement and in the statement of cash flows.

Section 5
Capital structure, financial items and cash flows

Section 5.1
Equity

Comments
Share capital
The share capital is divided into 133,292,060 shares (81,445,955 shares) with a nominal value of DKK 1.00 each. In March 2019, the share capital increased by DKK 51,846,105 when subordinated shareholder loans were converted to equity.

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 the usual statutory requirements.

Falck monitors and manages its capital structure with a view ensuring that it can meet its financing obligations. No changes have been made to Falck's management of capital compared with 2018.

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

Capital management
As at 31 December 2019, Falck was mainly funded by equity totalling DKK 3,882 million (DKK 2,198 million) and syndicated loans of DKK 2,898 million (DKK 3,344 million).

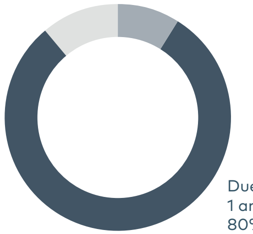
In 2019, the subordinated shareholder loans, including interest, were converted to equity.

	Number of shares		Nominal value DKK (thousand)		% of share capital	
Treasury shares	**2019**	2018	**2019**	2018	**2019**	2018
Treasury shares at 1 January	13,352	13,352	13	13	0.010	0.010
Additions	1,764	-	2	-	0.001	-
Treasury shares at 31 December	**15,116**	**13,352**	**15**	**13**	**0.011**	**0.010**

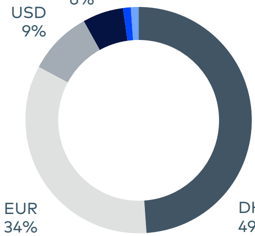
Section 5.2
Loans

DKK million	**2019**	2018
Non-current liabilities		
Subordinated shareholder loans	-	2,220
Syndicated loans	2,898	3,344
Mortgage loans	440	475
Lease liabilities	1,085	279
Other non-current loans	14	30
Total	**4,437**	**6,348**
Current liabilities		
Mortgage loans	15	15
Lease liabilities	368	330
Other current loans	33	72
Total	**416**	**417**
Total loans	**4,853**	**6,765**
Interest reset periods		
Within 3 months	2,952	3,423
Between 3 and 12 months	60	52
After 12 months	1,841	3,290
Total	**4,853**	**6,765**

Breakdown by maturity
2019



Breakdown by currency
2019



Comments
Falck's primary debt financing is a syndicated bank loan of DKK 2,898 million (DKK 3,344 million) which expires in June 2021. The syndicated loan was refinanced in 2018 and includes covenants requiring certain financial performance indicators to be met (net interest-bearing debt to EBITDA and EBITDA to interest expense). The syndicated loan is expected to be refinanced before July 2020.

Falck's effective interest rate, including the effect of interest rate swaps, has been determined at 3.6% (5.8%).

Accounting policies
Loans
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.

Lease liabilities
Falck recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The following is included in the lease payments:

- Fixed payments
- Variable payments that depend on index or a rate
- The exercise price of purchase options reasonably certain to be exercised
- Payments related to periods covered by an extension option reasonably certain to be exercised
- Penalty payments in connection with termination options reasonably certain to be exercised

Falck has chosen to exclude any service component from lease payments. Falck determines the lease term based on the non-cancellable lease period identified in the contract together with any periods covered by an extension option reasonably certain to be exercised or any periods covered by a termination option reasonably certain not to be exercised. After the commencement date, Falck reassesses the lease term if there is a significant event or change in circumstances that is within Falck's control and affects its ability to exercise (or not to exercise) the options.

Section 5.2

Loans (continued)

Breakdown of liabilities from financing activities

DKK million	2018	Cash flows	Non-cash changes: New leases and remea-surement	Non-cash changes: Foreign exchange movement	Non-cash changes: Other transactions*	**2019**
Long-term borrowings	6,069	(487)	-	-	(2,230)	3,352
Short-term borrowings	87	(39)	-	-	-	48
Lease liabilities	609	(603)	1,443	4	-	1,453
Total liabilities from financing activities	**6,765**	**(1,129)**	**1,443**	**4**	**(2,230)**	**4,853**

* Includes the conversion of subordinated shareholder loans of DKK 2,220 million.

When discounting the lease payments to present value, Falck uses the incremental borrowing rate. Falck estimates the incremental borrowing rate by using a market interest rate that reflects the currency and average term of the leases per asset category plus a credit margin. The weighted average incremental borrowing rate applied to lease liabilities at 1 January 2019 for buildings is between 1.57% and 3.48% and for fixtures, fittings, tools and equipment the rate is between 1.31% and 1.47%.

Lease liabilities

New leases and remeasurement of DKK 1,443 million includes the lease liability related to the right-of-use assets according to IFRS 16 implemented from 1 January 2019.

In 2019, Falck paid DKK 638 million for lease agreements, of which, interest expenses amounted to DKK 35 million.

Financing activities

In 2019, net repayments of DKK 450 million were made on the syndicated loan facility due to divestments and high cash balances. Other transactions included the conversion of subordinated shareholder loans including interests of DKK 2,270 million into equity.

Section 5.3
Financial income and expenses

DKK million	2019	2018
Financial income		
Interest on deposits measured at amortised cost	22	13
Foreign exchange gains	16	4
Other financial income	17	17
Total financial income	**55**	**34**
Financial expenses		
Interest on loans measured at amortised cost	(104)	(145)
Interest element on discounted liabilities	(36)	(8)
Interest on shareholder loans measured at amortised cost	(50)	(212)
Other financial expenses	(8)	(104)
Foreign exchange losses	(15)	(10)
Total financial expenses	**(213)**	**(479)**

Comments

Interest on subordinated shareholder loans decreased by DKK 162 million. The loans were converted to equity in March 2019.

In 2018, other financial expenses included DKK 72 million related to the adjustment of TryghedsGruppen's purchase price for the acquisition of shares in Falck Health Care Holding in 2014.

Accounting policies
Financial income and expenses

Financial income and expenses represent interest income and interest expenses, 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 cases where the option price is independent of dividend payments. Financial income and expenses 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 5.4
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's policy is 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 Falck's operations, investments and financing.

Falck's risk exposure is subject to continuous changes as a result of change in the level of debt, inflation risk in emerging markets, foreign exchange risk and interest rate risk. Falck monitors these risks on an ongoing basis and hedges them, if deemed necessary.

Foreign exchange risk

Falck's foreign subsidiaries are not severely exposed to exchange rate fluctuations, as both the revenue and most of the 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 the 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. 35% of Falck's revenue was denominated in Danish kroner (DKK) (2018: 38%). 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).

Interest rate risk

Falck's interest rate risk is composed of interest on Falck's corporate debt. Falck's syndicated loan carry variable interest. The interest rate risk was hedged with interest rate swaps that expired in 2019 and were not renewed due to the expected refinancing in 2020.

Negative market interest rates have a minimal impact on Falck's interest expenses as Falck's syndicated loan facility has a floor on interest rates.

Section 5.4
Financial instruments (continued)

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 monitored regularly to assess that the credit risk is considered acceptable.

The credit risk against Falck's main banking partners is monitored regularly and mitigated by only using counterparties with a solid credit rating. The credit risk originated through subsidiaries around smaller local banks is partly mitigated by 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, Falck 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 countries with stable economies.

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 5.4
Financial instruments (continued)

2019 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	90	2,996	403	3,489	3,400	3,400
Lease liabilities	391	973	154	1,518	1,453	1,453
Put options	215	-	-	215	215	215
Trade payables	685	-	-	685	685	685
Other payables	1,319	108	-	1,427	1,427	1,427
Financial liabilities measured at amortised cost	**2,700**	**4,077**	**557**	**7,334**	**7,180**	**7,180**
Total financial liabilities	**2,700**	**4,077**	**557**	**7,334**	**7,180**	**7,180**

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	382	6,170	513	7,065	6,156	6,169
Lease liabilities	336	300	-	636	609	609
Put options	135	-	-	135	135	135
Trade payables	820	-	-	820	820	820
Other payables	1,321	10	-	1,331	1,331	1,331
Financial liabilities measured at amortised cost	**2,994**	**6,480**	**513**	**9,987**	**9,051**	**9,064**
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	**3,006**	**6,480**	**513**	**9,999**	**9,063**	**9,076**

Section 5.4
Financial instruments (continued)

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

DKK million	2019		2018	
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)
EUR interest rate swap (fixed rate 0.25%), runs from September 2017 to June 2019	-	-	1,493	(5)
Total	**-**	**-**	**2,493**	**(9)**
Of which recognised in income statement	-	-	-	-
For future recognition	**-**	**-**	**2,493**	**(9)**

Section 5.4

Financial instruments (continued)

Accounting policies

Derivative financial instruments

Derivative financial instruments are recognised at the date a derivative contract is entered into and is 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 by selling an asset or would be 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.

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 5.5
Cash and cash equivalents and securities

DKK million	2019	2018
Cash can be specified as follows:		
Cash, available	1,080	1,072
Bank overdrafts that are part of the ongoing cash management	(9)	(3)
Cash at 31 December	**1,071**	**1,069**
Securities can be specified as follows:		
Securities, not available for use	-	73
Securities at 31 December	**-**	**73**
Cash and cash equivalents at 31 December	**1,071**	**1,142**

Comments
There are no securities end of 2019.

In 2018, the Group's securities of DKK 73 million were held in a Swedish subsidiary which were 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 an accounting basis to a 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 the 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 5.6
Change in net working capital

DKK million	2019	2018
Change in inventories	(7)	59
Change in contract assets	80	(12)
Change in trade receivables	(113)	152
Change in other receivables	19	16
Change in provisions	22	(21)
Change in contract liabilities	66	(173)
Change in trade payables	(132)	119
Change in other payables	142	33
Change in net working capital	**77**	**173**

Comments
Change in trade receivables of DKK (113) million was mainly related to the start up of a new ambulance contract in the US, while change in trade payables of DKK (132) million was mainly due to timing. The positive change in other payables of DKK 142 million was mainly caused by increase in employee liabilities including holiday pay.

Section 5.7
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	46.8% (39.6%)

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

DKK million	2019	2018
Revenue	1,860	2,038
Profit before financial items	(388)	(203)
Profit for the year	(421)	(171)
Non-controlling interests' share of profit before financial items	**(183)**	**(81)**
Non-controlling interests' share of profit for the year	**(198)**	**(68)**
Non-current assets	729	1,148
Current assets	707	1,034
Non-current liabilities	(515)	(824)
Current liabilities	(583)	(600)
Net assets	**338**	**758**
Non-controlling interests' share of net assets	**159**	**303**
Cash flows from operating activities	51	(21)
Cash flows from investing activities	(2)	(44)
Cash flows from financing activities	(251)	410
Change in cash and cash equivalents	**(202)**	**345**
Dividend paid to non-controlling interests during the year	-	-

Comments
In legal terms, non-controlling interests hold 46.8% of Falck Health Care Holding A/S. As Falck Health Care Holding A/S holds treasury shares (1%), for accounting purposes the ownership interest of non-controlling interests in Falck Health Care Holding A/S is 47.0%.

Section 5.7
Non-controlling interests (continued)

DKK million	2019	2018
Dividend to non-controlling interests recognised in equity	(8)	(12)
Dividend to non-controlling interests recognised in provisions for acquisition of non-controlling interests	-	(3)
Acquisition of non-controlling interests	(51)	(16)
Total transactions with non-controlling interests	**(59)**	**(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 the non-controlling interests' proportionate share of the acquiree's identifiable assets, liabilities and contingent liabilities as 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 6
Other disclosures

Section 6.1
Contingent liabilities and collateral securities

Comments
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 guarantees in place in relation to a number of contracts, including performance guarantees in connection with ambulance contracts. Outstanding guarantees at 31 December 2019 totalled DKK 625 million (DKK 343 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	**2019**	2018
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 pledged as collateral for Falck's debt to the syndicated loan facility lenders.		
Carrying amount of Falck's properties that have been mortgaged in security of loans	582	612
Bearer mortgages issued and used as collateral for credits	456	491
Unused bearer mortgages	7	7

Section 6.2
Related parties

The following investors have reported holdings of more than 5% of Falck A/S' share capital	2019	2018[1]
Lundbeckfond Invest A/S, Copenhagen	59.2%	57.4%
KIRKBI Invest A/S, Billund	28.6%	27.8%
TryghedsGruppen smba, Virum	11.9%	14.3%
Transactions with shareholders were as follows (DKK million):		
Capital injection	1	-
Interest on loan	50	212
Paid tax to Lundbeckfond Invest A/S	123	19
Conversion of subordinated shareholder loan	2,270	-

1) The numbers are based on 31 January 2019 to reflect the change in ownership composition of Falck with effect from that date

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

Falck A/S is 59.2 % owned by Lundbeckfond Invest A/S and is included in the consolidated Annual Report of Lundbeckfonden, which is the ultimate parent company of Falck A/S.

In March 2019, subordinated shareholder loans of DKK 2,270 million were converted into equity.

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

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

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

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 consisted 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.

Associates
The related parties of Falck A/S also include associates and joint ventures in which the company has significant influence. Please refer to section 6.5 for an overview of Group companies. Receivables from and payables to associates are shown in section 3.9 and 3.10. Trading activities with associates and joint ventures are insignificant.

Section 6.3
Fees to auditors

DKK million	2019	2018
Statutory audit	(8)	(8)
Other assurance engagements	(1)	(1)
Tax advisory services	(1)	(1)
Other services	(3)	(2)
Total fees to Deloitte	**(13)**	**(12)**

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

Section 6.4
Events after the reporting date

No events have occurred after the balance sheet date affecting Falck's financial position at 31 December 2019.

Section 6.5
Group companies

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

Ambulance	Country	Equity interest
Falck (Victoria) Pty. Ltd.	Australia	100.0%
Falck Pty. Ltd.	Australia	100.0%
Falck Investments NV	Belgium	87.5%
Falck Brasil 747 Participações Ltda.	Brazil	100.0%
BHM Solutions Integrales de Logistica en Salud S.A.S.	Colombia	100.0%
Empresa de Medicina Integral EMI S.A. Servicio de Ambulancia Prepagada - Grupo EMI S.A.	Colombia	100.0%
Haces Inversiones y Servicio S.A.S.	Colombia	100.0%
Falck Emergency a.s.	Czech Republic	100.0%
Falck Danmark A/S	Denmark	100.0%
Falck Fire Services A/S	Denmark	100.0%
Falck Global A/S	Denmark	100.0%
Global Life Care A/S	Denmark	100.0%
KPC Ejendomme af 6. juni 2002 A/S [2)]	Denmark	25.0%
Life Care One A/S	Denmark	100.0%
Response A/S	Denmark	100.0%
Traffilog Nordic ApS [1)]	Denmark	49.0%
EMI Ecuador S.A. - Emergencia Medica Integral	Ecuador	100.0%
EMI El Salvador S.A. de C.V.	El Salvador	80.0%
ASG Ambulanz Leipzig GmbH	Germany	100.0%
Falck Arbeitsgemeinschaft Rettungsdienst Plauen GmbH & Co. oHG	Germany	100.0%
Falck Notfallrettung und Krankentransport GmbH	Germany	100.0%
Falck Rettungsdienst GmbH	Germany	100.0%
G.A.R.D. Gemeinnützige Ambulanz und Rettungsdienst GmbH	Germany	100.0%
G.A.R.D. Gesellschaft für Ambulanz und Rettungsdienst Bremen mbH	Germany	100.0%
G.A.R.D. Gesellschaft für Ambulanz und Rettungsdienst Cuxhaven GmbH	Germany	100.0%
G.A.R.D. Gesellschaft für Ambulanz und Rettungsdienst Hamburg-Ost GmbH	Germany	100.0%
G.A.R.D. Verwaltungsgesellschaft für Ambulanz und Rettungsdienst mbH	Germany	100.0%
K&G Taxi-Krankentransporte und Dienstleitungs GmbH	Germany	100.0%

Ambulance (continued)	Country	Equity interest
Promedica Rettungsdienst Bremehaven/Bremen GmbH	Germany	100.0%
Promedica Rettungsdienst GmbH	Germany	100.0%
Promedica Rettungsdienst Waldeck-Frankenberg GmbH & Co. KG	Germany	70.0%
Falck Services Ltd.	Mauritius	100.0%
Falck Eurasia B.V.	Netherlands	100.0%
Falck Holding B.V.	Netherlands	100.0%
Falck Russia Holding B.V. [1)]	Netherlands	49.0%
Inprevo B.V. [1)]	Netherlands	49.0%
Falck Brann og Redningstjeneste AS	Norway	100.0%
EMI Central America Holding S.A.	Panama	80.0%
EMI Holdings Management S.A.	Panama	100.0%
EMI Panama S.A.	Panama	80.0%
Falck Medycyna Sp. z.o.o.	Poland	100.0%
Falck SCI Portugal - Segurança Contra Incêndios S.A	Portugal	65.0%
Falck Medical Vladivostok LLC [1)]	Russia	49.0%
Falck Emergency AS	Slovakia	100.0%
Falck Healthcare a.s.	Slovakia	100.0%
Falck SK a.s.	Slovakia	100.0%
Falck Záchranná a.s.	Slovakia	100.0%
Falck VL Servicios Sanitarios S.L. [1)]	Spain	48.8%
Falck Lanka (Pvt) Ltd. [1)]	Sri Lanka	50.0%
Falck Ambulans AB	Sweden	100.0%
Falck Services AB	Sweden	100.0%
Falck Sverige Holding AB	Sweden	100.0%
Svensk Sjöambulans AB [1)]	Sweden	50.0%
Falck EMS UK Ltd.	UK	100.0%
Falck India Ltd.	UK	100.0%
Falck UK Ambulance Service Ltd.	UK	100.0%
Falck UK Ltd.	UK	100.0%
Hospital & Healthcare Cars Ltd.	UK	100.0%
Luvtel S.A.	Uruguay	100.0%
Portovenus S.A.	Uruguay	15.5%
UCM Uruguay S.A.	Uruguay	100.0%

Section 6.5

Group companies (continued)

Ambulance (continued)	Country	Equity interest
Care Ambulance Service, Inc.	USA	88.6%
Falck Northern California Corp.	USA	100.0%
Falck Northwest Corp.	USA	100.0%
Falck Rocky Mountain, Inc.	USA	100.0%
Falck Southeast Corp.	USA	100.0%
Falck Southeast II Corp.	USA	100.0%
Falck USA Inc.	USA	100.0%
FCA Corp.	USA	88.6%
Lifestar Response Corporation	USA	100.0%
Lifestar Response of Alabama, Inc.	USA	100.0%
Lifestar Response of Maryland, Inc.	USA	100.0%
Pulse EMS, LLC [1)]	USA	50.0%
Rapid Response Emergency Services, LLC	USA	100.0%
Transitional Health Solutions, Inc.	USA	100.0%
Centro Medico Integral CEMICA S.A.	Venezuela	100.0%
Emergencia Medica Integral EMI Centro S.A.	Venezuela	100.0%

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

Healthcare	Country	Equity interest
ActivCare A/S	Denmark	100.0%
ActivCare Privat A/S	Denmark	52.2%
Falck Health Care Holding A/S	Denmark	52.2%
Falck Healthcare A/S	Denmark	52.2%
Falck Helse AS	Norway	52.2%
AB Previa	Sweden	52.2%
Alviva AB	Sweden	52.2%
Doc Care AB	Sweden	52.2%
Falck Hälsopartner AB	Sweden	52.2%
Falck Health Care Holding AB	Sweden	52.2%
Falck Healthcare AB	Sweden	52.2%
Ofelia Vård AB	Sweden	52.2%
Skandinavisk Hälsovård AB	Sweden	52.2%
Svensk Närsjukvård AB	Sweden	52.2%

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. [1)]	Thailand	49.0%
Falck Global Assistance Ltd. [1)]	Thailand	49.0%
Falck Saglik AS	Turkey	100.0%
Access Transport Services Holding, Inc.	USA	100.0%
Access OnTime Language Services, LLC	USA	100.0%
Falck Global Assistance, LLC	USA	100.0%

Section 6.5
Group companies (continued)

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 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	100.0%
Falck Security Services s.r.o.	Slovakia	100.0%
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) Fully consolidated

Parent company financial statements

Primary statements

Sections

Income statement

1 January - 31 December

DKK million	Section	2019	2018
Other operating income	1	8	9
Other external costs		(2)	(4)
Staff costs	3	(44)	(44)
Operating profit		**(38)**	**(39)**
Loss on divestments of subsidiaries		-	(725)
Financial income	4	2,893	110
Financial expenses	5	(178)	(862)
Profit before tax		**2,677**	**(1,516)**
Income taxes	6	14	63
Profit for the year	9	**2,691**	**(1,453)**

Balance sheet

As at 31 December

DKK million	Section	2019	2018
Assets			
Investments in subsidiaries	7	5,778	3,108
Receivables from Group companies		3,609	3,998
Deferred tax assets	8	103	66
Total non-current assets		**9,490**	**7,172**
Other receivables		8	50
Cash and cash equivalents		28	1
Total current assets		**36**	**51**
Total assets		**9,526**	**7,223**
Equity and liabilities			
Share capital	9	133	81
Hedging reserve		33	26
Retained earnings		6,328	1,418
Total equity		**6,494**	**1,525**
Loans and subordinated shareholder loans	10	2,898	5,564
Provisions		7	10
Total non-current liabilities		**2,905**	**5,574**
Trade payables		1	7
Income taxes		80	14
Provisions		-	72
Other payables		46	31
Total current liabilities		**127**	**124**
Total equity and liabilities		**9,526**	**7,223**

Equity statement

1 January - 31 December

2019 DKK million	Share capital	Hedging reserve	Retained earnings	Total
Equity at 1 January 2019	**81**	**26**	**1,418**	**1,525**
Equity movements in 2019				
Capital increase	52	-	2,219	2,271
Value adjustment of interest hedging instruments	-	9	-	9
Tax on equity movements	-	(2)	-	(2)
Profit for the year	-	-	2,691	2,691
Total equity movements in 2019	**52**	**7**	**4,910**	**4,969**
Total equity at 31 December 2019	**133**	**33**	**6,328**	**6,494**

2018 DKK million	Share capital	Hedging reserve	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	-	-	(1,453)	(1,453)
Purchase and sale of treasury shares, warrants, etc.	-	-	(2)	(2)
Total equity movements in 2018	**-**	**17**	**(1,455)**	**(1,438)**
Total equity at 31 December 2018	**81**	**26**	**1,418**	**1,525**

Section 1
Other operating income

DKK million	2019	2018
Management fee from Group companies	8	9
Total other operating income	**8**	**9**

Section 2
Fees to auditors

DKK million	2019	2018
Statutory audit	(1)	(1)
Total fees to Deloitte	**(1)**	**(1)**

Section 3
Staff costs

DKK million	2019	2018
Wages, salaries and remuneration	(43)	(43)
Other staff costs	(1)	(1)
Total staff costs	**(44)**	**(44)**
Remuneration to the Executive Management Committee	(17)	(19)
Global LTI Bonus	(22)	(20)
Remuneration to the Board of Directors	(4)	(4)
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. Please refer to section 2.3 in the consolidated financial statements.

Section 4
Financial income

DKK million	2019	2018
Foreign exchange gains	-	3
Interest from Group companies	88	107
Reversal of impairment of investments in subsidiaries	2,805	-
Total financial income	**2,893**	**110**

Section 5
Financial expenses

DKK million	2019	2018
Interest on loans	(54)	(110)
Foreign exchange losses	(1)	(5)
Interest on shareholder loans	(50)	(212)
Other financial expenses	-	(78)
Impairment of investments in subsidiaries	(73)	(457)
Total financial expenses	**(178)**	**(862)**

Section 6
Income taxes

DKK million	2019	2018
Current tax	16	54
Change in deferred tax for the year	(4)	9
Prior year taxes	2	-
Total income taxes	**14**	**63**
Tax on other comprehensive income	(2)	(5)
Total tax	**12**	**58**
Income taxes received	42	21
Breakdown of tax rate		
Total income taxes	14	63
Profit before tax	2,677	(1,516)
Tax base for the year	**2,677**	**(1,516)**
Effective tax rate	**(0.5%)**	**4.2%**
Danish tax rate	22.0%	22.0%
Non-deductible costs and tax-exempt income	(22.4%)	(11.6%)
Other adjustments including adjustments relating to prior years	(0.1%)	(6.2%)
Effective tax rate	**(0.5%)**	**4.2%**
Tax on other comprehensive income		
Tax on value adjustment of interest hedging instruments	(2)	1
Tax on value adjustment of currency hedging instruments	-	(6)
Total tax on other comprehensive income	**(2)**	**(5)**

Section 7
Investments in subsidiaries

DKK million	2019	2018
Cost at 1 January	6,370	7,146
Additions	10	458
Disposals	(72)	(1,234)
Cost at 31 December	**6,308**	**6,370**
Value adjustments at 1 January	(3,262)	(2,805)
Impairment losses	(73)	(457)
Reversal of impairment losses	2,805	-
Value adjustments at 31 December	**(530)**	**(3,262)**
Carrying amount at 31 December	**5,778**	**3,108**

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 52.2% of the share capital of Falck Health Care Holding A/S.

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.

The impairment test for 2019 identified a need for an impairment of investments in subsidiaries of DKK 73 million related to Falck Health Care Holding A/S.

Additionally, the impairment test showed that there was no longer a need for impairment of the investment in Falck Danmark A/S, and therefore the impairment of DKK 2,805 million made in 2017 on this investment has been reversed.

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

In 2018, an impairment of DKK 457 million was recognised related to the investment in Falck Health Care Holding A/S.

Section 8
Deferred tax

DKK million	2019	2018
Deferred tax at 1 January	66	58
Change in tax losses for the year[1)]	41	(1)
Change in deferred tax	(4)	9
Deferred tax at 31 December	**103**	**66**
Deferred tax assets at 31 December	**103**	**66**
Breakdown of deferred tax		
Non-current liabilities and provisions	-	4
Tax losses carried forward	103	62
Deferred tax at 31 December	**103**	**66**

1) The amount is included in corporation tax payables in relation to the joint taxation arrangement with Lundbeckfonden.

Section 9
Equity

Comments
The share capital is divided into 133,292,060 shares (81,445,955 shares) with a nominal value of DKK 1.00 each. In March 2019, the share capital increased by DKK 51,846,105 when subordinated shareholder loans were converted to equity.

DKK million	2019	2018
Profit for the year	**2,691**	**(1,453)**
Attributable to:		
Retained earnings	2,691	(1,453)

Section 10
Loans and subordinated shareholder loans

DKK million	2019	2018
Non-current loans	2,898	5,564
Total loans	**2,898**	**5,564**
Attributable to:		
Subordinated shareholder loans	-	2,220
Loans	2,898	3,344
Total loans	**2,898**	**5,564**

Comments
Subordinated shareholder loans were converted into equity in 2019.

Section 11
Contingent liabilities, lease obligations and collateral security

DKK million	2019	2018
Warranty and guarantee commitments	32	43

Comments
Falck A/S has issued guarantees covering the rental obligations of certain subsidiaries.

Joint taxation
Falck A/S is 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 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 6.2 of the consolidated financial statements. Remuneration for the Board of Directors and the Executive Management is disclosed in section 2.3 of the consolidated financial statements. Related party transactions are made on arm's length basis.

DKK million	**2019**	2018
Transactions with other Group companies were as follows:		
Management fee paid	-	2
Management fee received	8	9
Interest paid	50	212
Interest received	88	107
Received tax from subsidiaries	164	38
Paid tax to Lundbeckfond Invest A/S	123	19
Conversion of subordinated shareholder loan	2,270	-

Section 13
Events after the balance sheet date

No events have occurred after the balance sheet date affecting Falck's financial position as at 31 December 2019.

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 includes management fees from Group companies, which 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 Committee have today considered and approved the annual report of Falck A/S for 2019.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards which have been adopted by the EU and additional requirements under the Danish Financial Statements Act.

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

In our opinion, the consolidated financial statements 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 2019, and of the results of the Group's operations, and the parent company's operations and the Group's cash flows, for the financial period 1 January – 31 December 2019.

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, as well as a description of the most significant risks and elements of uncertainty facing the Group and the parent company.

We recommend that the annual report is approved at the Annual General Meeting.

Copenhagen, 20 February 2020

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 2019 to 31 December 2019, which comprise the income statement, balance sheet, statement of changes in equity, and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and statement of comprehensive income and cash flow statement of the Group. The consolidated financial statements and the parent financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act, and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's financial position at 31 December 2019, and of the results of their operations and cash flows for the financial year 1 January 2019 to 31 December 2019 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of 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 2019, and of the results of its operations for the financial year 1 January 2019 to 31 December 2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Statement on the management commentary

Management is responsible for the management commentary.

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

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

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

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

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

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

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

Independent auditor's report (continued)

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists.
Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and these parent financial statements.

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

We also:

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

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

Copenhagen, 20 February 2020

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

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