

Interim Report 2022



Demant

Key figures and financial ratios

(DKK million)	H1 2022	H1 2021	Full year 2021
Hearing Healthcare			
Revenue	8,945	8,125	16,722
Organic growth	6%	55%	31%
Gross margin	76.4%	76.6%	77.1%
Operating profit (EBIT)	1,695	1,718	3,625
EBIT margin	18.9%	21.1%	21.7%
Communications			
Revenue	552	621	1,183
Organic growth	-14%	16%	-9%
Gross margin	45.9%	48.3%	48.3%
Operating profit (EBIT)	-107	-44	-122
EBIT margin	-19.3%	-7.1%	-10.3%
Group			
Income statement			
Revenue	9,497	8,746	17,905
Organic growth	4%	51%	27%
Gross margin	74.6%	74.5%	75.2%
EBITDA	2,128	2,187	4,730
EBITDA margin	22.4%	25.0%	26.4%
Adjusted EBIT*	1,588	1,674	3,503
Adjusted EBIT margin*	16.7%	19.1%	19.6%
Operating profit (EBIT)	1,588	1,674	3,663
EBIT margin	16.7%	19.1%	20.5%
Net financial items	-95	-101	-202
Profit after tax - continuing operations	1,157	1,216	2,711
Profit after tax - discontinued operations	-107	-33	-183
Profit for the period	1,050	1,183	2,528

*Adjusted for one-offs in 2021. **No available data for the period. ***Shareholder-elected members.

(DKK million)	H1 2022	H1 2021	Full year 2021
Balance sheet			
Total assets	27,335	23,579	24,860
Net interest-bearing debt (NIBD)	10,986	8,573	9,150
Equity	8,184	7,796	7,981
Cash flow statement			
Cash flow from operating activities (CFFO)	915	1,593	3,593
Investments in property, plant and equipment, net	301	207	547
Free cash flow	398	1,316	2,838
Share buy-backs	1,307	1,813	3,200
Other key figures			
Return on equity	25.8%	28.3%	30.7%
Equity ratio	29.9%	33.1%	32.1%
Gearing multiple (NIBD/EBITDA)	2.4	1.8	1.9
Earnings per share (EPS), DKK - continuing operations	5.07	5.08	11.48
Earnings per share (EPS)	4.60	4.94	10.70
Free cash flow per share (FCFPS)	1.75	5.54	12.09
Price/earnings (P/E) ratio	57.9	71.5	31.3
Share price, end of period	266.30	353.00	335.10
Average number of shares outstanding	227.98	237.66	234.82
Market capitalisation	60,053	82,569	77,117
Average number of employees	18,130	16,572	16,866
Scope 1 & 2 CO ₂ e emissions (tonnes)	15,405	**	30,588
CEO remuneration ratio	**	**	35
Gender diversity, all employees (women/men)	63/37%	61/39%	62/38%
Gender diversity, management (women/men)	44/56%	43/57%	43/57%
Gender diversity, Board of Directors (women/men)***	40/60%	40/60%	40/60%

As a consequence of the planned divestment of the Hearing Implant business, comparative figures for 2021 in the income statement and cash flow statement as well as related key figures and financial ratios excluding organic growth have been restated.

Group financial review

Income statement H1 2022

(DKK million)	Hearing Healthcare H1 2022	Communications H1 2022	Group H1 2022	Group H1 2021	Group growth
Revenue	8,945	552	9,497	8,746	9%
Production costs	-2,115	-299	-2,414	-2,226	8%
Gross profit	6,830	253	7,083	6,520	9%
Gross margin	76.4%	45.8%	74.6%	74.5%	
R&D costs	-534	-117	-651	-557	17%
Distribution costs	-4,170	-224	-4,394	-3,921	12%
Administrative expenses	-488	-19	-507	-425	19%
Share of profit after tax, associates and joint ventures	57	-	57	57	-
Operating profit (EBIT)	1,695	-107	1,588	1,674	-5%
EBIT margin	18.9%	-19.4%	16.7%	19.1%	

The Group reports revenue and growth rates on a quarterly basis, whereas full income statements, balance sheets and cash flow statements are only reported on a half-yearly basis. Unless otherwise indicated, the commentary below relates to H1 2022.

As a result of the announced decision to discontinue the Hearing Implants business, this business area is now recognised as a discontinued operation, and comparative figures have been restated to reflect this.

For financial reviews of our Hearing Healthcare and Communications

segments, please refer to page 9 and 13, respectively.

Revenue

In H1, Group revenue amounted to DKK 9,497 million, corresponding to a growth rate of 5% in local currencies compared to a strong comparative base in H1 2021. Organic growth was 4% driven by Hearing Healthcare, whereas Communications saw negative organic growth. In Q2, the Group's organic growth decelerated to 3% from 6% in Q1 due to a deceleration in Hearing Healthcare and to a lower-than-expected, albeit positive, contribution by Communications.

Revenue and growth by business area

(DKK million)	Q2 2022	Q2 2021	Growth				
			Org.	Acq.	LCY	FX	Rep.
Hearing Healthcare	4,634	4,292	3%	1%	3%	5%	8%
Communications	260	240	5%	-	5%	4%	8%
Group	4,894	4,532	3%	1%	3%	5%	8%
(DKK million)	H1 2022	H1 2021	Growth				
			Org.	Acq.	LCY	FX	Rep.
Hearing Healthcare	8,945	8,125	6%	1%	6%	4%	10%
Communications	552	621	-14%	-	-14%	3%	-11%
Group	9,497	8,746	4%	1%	5%	4%	9%

Revenue by geographic region

(DKK million)	H1 2022	H1 2021	Change		
			DKK	LCY	Org.
Europe	4,016	3,823	5%	4%	3%
North America	3,875	3,434	13%	5%	5%
Pacific	505	558	-9%	-10%	-10%
Asia	824	741	11%	11%	11%
Other countries	277	190	46%	37%	36%
Total	9,497	8,746	9%	5%	4%

Growth from acquisitions was 1% for the Group, including the effect from the divestment of FrontRow Calypso LLC in H2 2021. Exchange rate effects impacted revenue positively by 4%, mainly due to the appreciation of the US dollar against the Danish krone.

In terms of geography, Asia and our Other countries region saw the highest growth rates in H1 driven by recovery from a low comparative base, although coronavirus had a negative impact on growth in China, particularly in Q2, and to a lesser extent on growth in Japan and South Korea.

Europe and North America also contributed positively to growth despite high comparative numbers for H1 2021. Growth in the US was lower than expected, in part due to slowing momentum in the hearing aid market in Q2.

The Pacific region delivered negative growth, as it continued to be significantly impacted by coronavirus restrictions and floodings in H1.

Gross profit

The Group's gross profit was DKK 7,083 million in H1, an increase of 9% compared to H1 2021. The gross margin was 74.6%, which is a minor increase of 0.1 percentage point compared to H1 2021, as mix changes between business segments and exchange rate effects more than offset negative mix changes in Hearing Healthcare, which were more pronounced than anticipated.

The dynamic supply chain situation continued to negatively impact the Group's gross margin by around 0.5 percentage point, primarily due to higher freight charges.

Operating expenses (OPEX)

In H1, total OPEX amounted to DKK 5,552 million, corresponding to 9% growth in local currencies compared to H1 2021. This was slightly below our original plans, in part due to lower sales in our Hearing Care business.

OPEX saw organic growth of 8% of which around half is attributable to the previously flagged temporary cost savings of DKK

OPEX by function

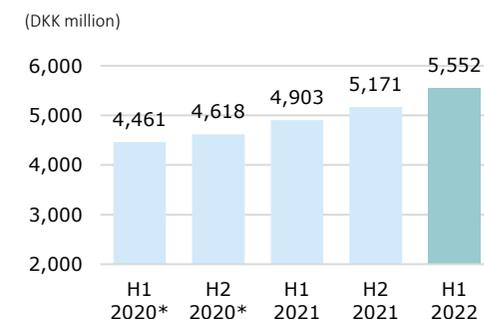
(DKK million)	H1 2022	H1 2021	Change		
			DKK	LCY	Org.
R&D costs	651	557	17%	17%	16%
Distribution costs	4,394	3,921	12%	8%	6%
Adm. Expenses	507	425	19%	15%	15%
Total	5,552	4,903	13%	9%	8%

150-200 million in the comparative period. At this stage, we see no inflationary pressures beyond initial expectations.

In organic terms, R&D costs increased by 16% driven by a normalisation of the cost base and by an increase in the number of employees, primarily in Hearing Aids. Distribution costs saw more modest organic growth of 6% but also grew as a result of exchange rate effects. Administrative expenses saw 15% organic growth driven by Hearing Healthcare.

Acquisitions added slightly more than 1% to the Group's OPEX, while exchange rate effects were 4%.

Half-year OPEX

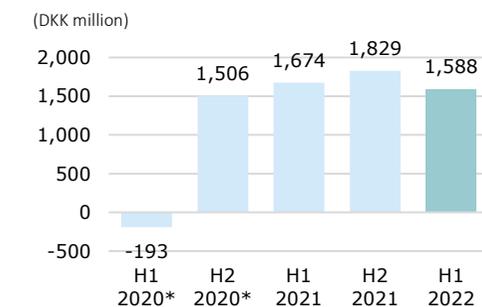


*2020 figures have not been restated for the discontinuation of Hearing Implants but are adjusted for one-offs.

Operating profit (EBIT)

The Group's EBIT amounted to DKK 1,588 million in H1 to which Hearing Healthcare contributed DKK 1,695 million, and Communications realised an EBIT of DKK -107 million. Group EBIT was slightly below expectations due to the deceleration in organic growth in Q2 and to adverse mix effects, impacting the gross margin. The resulting EBIT margin was 16.7%, which is a decrease of 2.4 percentage points compared to H1 2021.

Half-year EBIT



*2020 figures have not been restated for the discontinuation of Hearing Implants but are adjusted for one-offs.

The Group's EBIT growth was -5%, but it was around 13%, adjusted for temporary cost savings in the comparative period of

DKK 150-200 million and for the extraordinary impact of around DKK 100 million of the French reform. This EBIT growth was driven by strong performances in Hearing Aids and Diagnostics and by positive exchange rate effects, but was partly offset by negative developments in Hearing Care and Communications as well as by the negative impact of the previously announced halt of sales to Russia and the related write-down of receivables.

No one-off items were recognised in the comparative period, as all one-off items in 2021 related to H2.

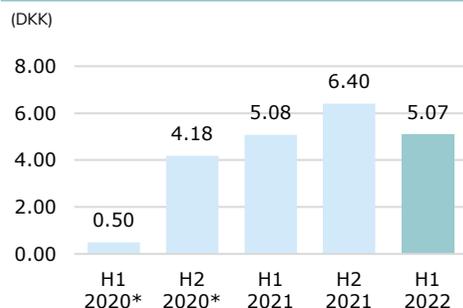
Financial items

Reported net financial items amounted to an expense of DKK 95 million in H1, which is a minor decrease of DKK 6 million compared to last year.

Profit for the period

Reported profit before tax for continuing operations amounted to DKK 1,493 million in H1, a decrease of 5% driven by the pre-

EPS for continuing operations by half-year



*2020 figures have not been restated for the discontinuation of Hearing Implants.

viously mentioned extraordinary factors impacting profit in the comparative period. Tax for the period amounted to DKK 336 million, corresponding to an effective tax rate of 22.5%. This resulted in profit after tax generated by the Group's continuing operations of DKK 1,157 million, which is a decrease of 5%, corresponding to earnings per share (EPS) of DKK 5.07.

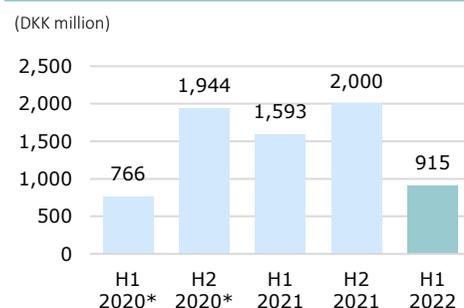
Profit after tax generated by discontinued operations amounted to DKK -107 million due to an operating loss in Hearing Implants, which is roughly in line with our expectations. Please refer to Note 2 for more details.

For the Group as a whole, profit after tax was DKK 1,050 million, corresponding to EPS of DKK 4.60, a decrease of 7% compared to H1 2021.

Cash flow statement

For the Group's continuing operations, cash flow from operating activities (CFFO) was DKK 915 million in H1, which is a 43%

Cash flow from operating activities (CFFO)



*2020 figures have not been restated for the discontinuation of Hearing Implants are but adjusted for one-offs.

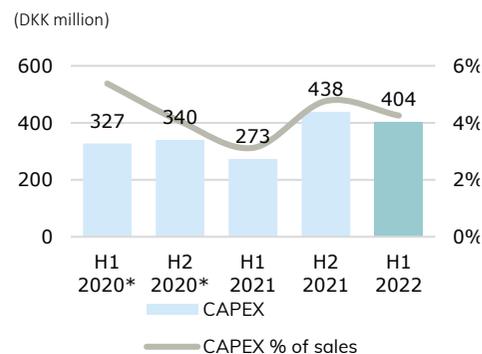
Cash flow by main items

(DKK million)	H1 2022	H1 2021	Change
CFFO	915	1,593	-43%
Net investments	-517	-277	87%
Free cash flow before acquisitions and divestments	398	1,316	-70%
Acquisitions and divestments etc.	-513	-406	26%
Share buy-backs	-1,307	-1,813	-28%
Other financing activities	1,621	1,242	31%
Cash flow for the period	199	339	-41%

decrease compared to last year. Aside from the slightly lower EBIT, this is driven by an increase in net working capital due to the normalisation of trade receivables following the below-normal levels seen in 2020 and 2021.

Net investments resulted in a cash flow of DKK -517 million in H1 of which DKK -404 million, or 4% of Group revenue, relates to net investments in property, plant and equipment and in intangible assets (CAPEX). Compared to last year, CAPEX increased by DKK 131 million or 48%

CAPEX by half-year



*2020 figures have not been restated for the discontinuation of Hearing Implants.

driven mostly by leasehold improvements in Hearing Care. Net investments in other non-current assets, which mostly comprise loans to customers and associates, amounted to DKK -113 million compared to DKK -4 million in H1 2021.

As a result of the lower CFFO and higher investments, free cash flow before acquisitions and divestments decreased by 70% to DKK 398 million. Cash spent on acquisitions totalled DKK 513 million in H1. This mainly relates to acquisitions made by Hearing Care, including the acquisition of the initial 20% of the shares in ShengWang in China. The purchase price for the remaining 80% was paid in early H2, except for RMB 300 million, which falls due over the coming three years. Acquisitions in H1 also include the acquisition by Diagnostics of Inventis Srl. in Italy, which was closed in June 2022.

Share buy-backs in the reporting period amounted to DKK 1,307 million, as the Group bought back 4,621,114 shares at an average price of DKK 282.90.

After other financing activities of DKK 1,621 million, which primarily relate to an increase in short-term bank facilities, net cash flow from continuing operations amounted to DKK 199 million in H1.

Net cash flow from discontinued operations was DKK -108 million. Please refer to Note 2 for more details.

Balance sheet

As of 30 June 2022, total assets amounted to DKK 27,335 million, which is an increase of 10% compared to the end of 2021 and includes exchange rate effects of 3%. The amount includes DKK 1,006 million relating to Hearing Implants, which is now recognised as assets held for sale.

Balance sheet by main items

(DKK million)	H1 2022	FY 2021	Change
Lease assets	2,104	2,079	1%
Other non-current assets	15,305	14,895	3%
Inventories	2,445	2,366	3%
Trade receivables	3,609	3,203	13%
Cash	1,245	1,172	6%
Other current assets	1,621	1,145	42%
Assets held for sale	1,006	-	n.a.
Total assets	27,335	24,860	10%
Equity	8,184	7,981	3%
Lease liabilities	2,171	2,121	2%
Other non-current liabilities	4,784	4,296	11%
Trade payables	810	808	0%
Other current liabilities	11,165	9,654	16%
Liabilities related to assets held for sale	221	-	n.a.
Total equity and liabilities	27,335	24,860	10%

The increase in total assets is driven by increases in other non-current assets, primarily related to goodwill in respect of acquisitions, trade receivables and other current assets, the latter due to higher prepaid expenses.

In H1, the Group's net working capital increased by 35% to DKK 4,089 million due to a normalisation of trade receivables and to higher inventories. The increase was also impacted by prepaid expenses related to the acquisition of the initial 20% of ShengWang.

Net interest-bearing debt (NIBD) amounted to DKK 10,986 million as of 30 June 2022, an increase of DKK 1,836 million compared

to 31 December 2021. Relative to a 12-month rolling EBITDA, this corresponds to a gearing multiple of 2.4 at the end of H1, which is within our medium- to long-term target of 2.0-2.5. Due to payments in H2 relating to the acquisition of ShengWang, the gearing multiple is expected to increase in H2 and to slightly exceed our medium- to long-term target at the end of 2022.

At 30 June 2022, the Group's equity had increased by DKK 203 million, or 3%, to DKK 8,184 million as a result of the Group's profit for the period and foreign currency translation adjustments in subsidiaries, which more than offset share buy-backs for the period.

Employees

At the end of H1, Demant had 18,548 employees compared to 17,448 at the beginning of the year and 17,556 at the end of H1 2021. The increase in H1 was mainly driven by increased headcounts in operations and R&D in Hearing Aids and Diagnostics as well as by acquisitions and opening of new hearing aid clinics in Hearing Care.

Hedging activities

The material forward exchange contracts in place as at 30 June 2022 to hedge against the Group's exposure to movements in exchange rates are shown in the table below.

Hedging activities

Currency	Hedging period	Average hedging rate
USD	10 months	657
JPY	9 months	5.58
AUD	9 months	478
GBP	9 months	868
CAD	11 months	520
PLN	10 months	155

Sustainability

For the first time, the Group presents sustainability performance data in the Interim Report. The data shows a slight improvement in gender diversity at management level compared to the same period last year with a 1 percentage point increase in women in management positions. The gender distribution among all Demant employees also changed slightly to 63/37% (women/men) in H1 from 61/39% in H1 2021.

Thanks to a newly implemented energy data management system, the Group is now able to collect and report robust energy and emissions data on a regular basis. In H1, we saw total CO2e emissions amounting to 15,405 tonnes, which we estimate is no significant change compared to last year, as the group's current emission reduction projects are not reflected in the data yet. At the end of 2022, we expect to see small reductions, which will gradually increase in the coming years. We continue to work diligently towards our target of minimum 50% reduction of scope 1 & 2 emissions in 2030 compared to 2019 and net-zero emissions in scope 1, 2 and 3 before 2050.

Events after the balance sheet date

After the balance sheet date, the Group has finalised the acquisition of the remaining 80% of the shares in ShengWang, thereby taking full ownership. This follows the 20% minority investment announced on 4 March 2022. The transaction was closed on 1 July 2022 from which date ShengWang will be fully consolidated into Demant. Please refer to Note 1 for more details.

There have been no other events that materially change the assessment of this Interim Report 2022 from the balance sheet date and up to today.

Key half-year sustainability figures

	H1 2022	H1 2021	Change
Scope 1 & 2 CO2e emissions (tonnes)	15,405	n.a.	n.a.
Gender diversity, all employees (women/men)	63/37%	61/39%	2 p.p.
Gender diversity, Management (women/men)	44/56%	43/57%	1 p.p.
Gender diversity, Board of Directors (women/men)*	40/60%	40/60%	-

*Shareholder-elected members.

Outlook for 2022

Outlook for 2022

Metric	Outlook for 2022
Organic growth	4-6% (previously 5-9%)
Acquisitive growth	2% based on revenue from acquisitions completed as of 15 August 2022
FX growth	5% based on exchange rates as of 15 August 2022 and including the impact of hedging
EBIT	DKK 3,500-3,800 million (previously DKK 3,600-3,900 million)
Effective tax rate	22-23%
Gearing multiple	Gearing multiple (NIBD relative to EBITDA) at the end of 2022 to slightly exceed medium- to long-term target of 2.0-2.5
Share buy-backs	At least DKK 2.5 billion
Profit after tax from discontinued operations	Negative by DKK 150-200 million

Our outlook for 2022, which is summarised in the table above, is adjusted to reflect that we now expect our markets to grow less in H2 than originally anticipated due to negative impacts of consumer uncertainty, which will more than offset positive exchange rate effects.

Assumptions

The outlook continues to be based on a number of key assumptions as described below (changes in bold):

- **In H1, value growth in the hearing aid market was below expectations due to developments in Q2. Relative to Q2, we still expect market conditions to improve in H2, particularly in the important US market, but we now only**

expect total market unit growth in 2022 in line with the structural level of 4-6%. We now only expect limited excess growth, as headwinds from consumer uncertainty are expected to outweigh any tailwinds from the release of pent-up demand. We expect ASP growth in the market in H2 to be less negative than in H1.

- Growth in the French hearing aid market to be negative in 2022 following the extraordinary demand in 2021, which we estimate benefitted the Group's revenue by DKK 300 million and EBIT by DKK 150 million. We do not expect this benefit to recur. **Developments in H1 were at least in line with expectations.**

- The market for enterprise and gaming headsets and video solutions to grow below the estimated structural growth level of around 12% due to the current supply chain situation. **The weakening of the gaming market in H1 is now also expected to carry over into H2, however we expect the supply chain situation to gradually improve.**
- **In H2, we expect to see market share gains in Hearing Healthcare. For Communications, we expect to see double-digit organic growth in H2.**
- Supply chain situation to remain dynamic throughout the year and to result in higher-than-normal component costs and freight charges with an impact that is roughly similar to the impact in 2021, but with no material disruption to sales activities.
- The Group's OPEX base to see no benefit from temporary cost savings in 2022, which we estimate amounted to DKK 150-200 million in H1 2021.
- **For Communications, we now expect EBIT of around DKK -150 million in 2022 due to negative market trends. In the medium to long term, we still consider the fundamental growth drivers of the market to be fully intact.**
- The planned divestment of Hearing Implants to close at the end of 2022.

Hearing Healthcare

Income statement

(DKK million)	H1 2022	H1 2021	Growth
Revenue	8,945	8,125	10%
Production costs	-2,115	-1,905	11%
Gross profit	6,830	6,220	10%
Gross margin	76.4%	76.6%	
R&D costs	-534	-466	15%
Distribution costs	-4,170	-3,688	13%
Administrative expenses	-488	-405	20%
Share of profit after tax, associates and joint ventures	57	57	0%
Operating profit (EBIT)	1,695	1,718	-1%
EBIT margin	18.9%	21.1%	

Revenue

Revenue in our Hearing Healthcare segment amounted to DKK 8,945 million in H1, corresponding to a growth rate of 6% (Q2: 3%) in local currencies with organic growth of 6% (Q2: 3%). This was driven by Hearing Aids and Diagnostics, whereas Hearing Care saw negative growth. Acquisitive growth was 1% (Q2: 1%) and exchange rate effects were 4% (Q2: 5%).

After a strong Q1, all three business areas saw slowing organic growth in Q2, particularly due to a weaker hearing aid market. Hearing Aids was able to offset this by gaining market share thanks to the expansion of our product portfolio with new form factors and price points, and Diagnostics also saw growth well ahead of the underlying market growth rate and exited H1 with a strong order book. Hearing Care,

on the other hand, saw negative growth in Q2 due to a tough comparative base following the introduction of the French hearing healthcare reform in H1 2021 and due to lower-than-expected revenue in the US, resulting from the decision to exit selected managed care plans and from the lower-than-expected market growth.

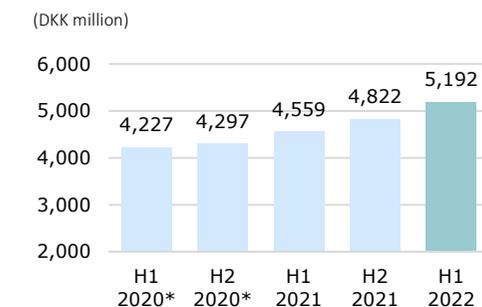
Gross profit

Gross profit increased by 10% on H1 2021 to DKK 6,830 million, resulting in a gross margin of 76.4%. The gross margin was 0.2 percentage point below the margin in H1 2021 due to the negative impact of the continuing dynamic supply situation and also due to negative geography and channel mix effects in Hearing Aids. The gross margin was, however, positively impacted by solid development in Diagnostics and by exchange rate developments.

Operating expenses (OPEX)

OPEX totalled DKK 5,192 million in H1, which is an increase of 12% in local currencies compared to H1 last year. In organic terms, OPEX increased by 8%. Around half of the organic increase in OPEX can be attributed to temporary cost savings in the comparative period as described above and the other half to increased activity levels, including investments in R&D. Acquisitions impacted OPEX by slightly less than 2% compared to H1 2021, while exchange rate effects were 4%.

OPEX by half-year



*2020 figures have not been restated for the discontinuation of Hearing Implants.

Revenue by business area

(DKK million)	Q2 2022	Q2 2021	Growth				
			Org.	Acq.	LCY	FX	Rep.
Hearing Aids	2,491	2,257	8%	-2%	6%	4%	10%
Hereof sales to Hearing Care	-454	-412	1%	4%	6%	5%	10%
Hearing Care	2,034	2,006	-7%	4%	-3%	5%	1%
Diagnostics	563	441	16%	3%	18%	10%	28%
Hearing Healthcare	4,634	4,292	3%	1%	3%	5%	8%

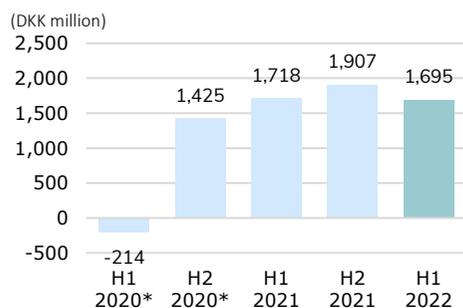
(DKK million)	H1 2022	H1 2021	Growth				
			Org.	Acq.	LCY	FX	Rep.
Hearing Aids	4,842	4,416	9%	-2%	7%	3%	10%
Hereof sales to Hearing Care	-895	-871	-5%	4%	-1%	4%	3%
Hearing Care	3,932	3,737	-3%	4%	1%	4%	5%
Diagnostics	1,066	843	17%	2%	19%	8%	27%
Hearing Healthcare	8,945	8,125	6%	1%	6%	4%	10%

Operating profit (EBIT)

EBIT in H1 amounted to DKK 1,695 million, which compares to an EBIT of DKK 1,718 million in H1 2021, corresponding to a 1% decline. The resulting EBIT margin is 18.9%, which is a decrease of 2.2 percentage points compared to H1 2021. Adjusted for the temporary cost savings and the estimated extraordinary impact of the French reform, the EBIT margin increased by around 1 percentage point compared to H1 2021, in part supported by positive exchange rate effects.

Share of profit after tax in associates and joint ventures amounted to DKK 57 million in H1, which is unchanged compared to last year and reflects continued good performance by associates in our Hearing Care business.

EBIT by half-year



*2020 figures have not been restated for the discontinuation of Hearing Implants.

Management commentary

Market trends

Overall, the hearing healthcare market, which comprises the markets for hearing aids and diagnostic instruments and services, developed in line with historical growth rates in H1 compared to pre-pandemic levels, albeit with differences between individual market segments and regions.

Hearing aid market

Based on available market statistics, covering slightly less than two-thirds of the market, and on our own assumptions, we estimate that the global hearing aid market saw unit growth of around 8% in H1, with 12% in Q1 and 5% in Q2 compared to the same periods in 2021. In H1, the market continued to see significant growth in some government channels that have been lagging, such as the NHS and VA, although these had not yet fully normalised compared to pre-pandemic levels. Emerging markets saw particularly strong growth in the period. In Q2, however, the market saw slowing growth due to coronavirus impacts in Asia and the Pacific region and to general consumer uncertainty, not least in markets dominated by private pay, such as the US. These headwinds outweighed any tailwinds from the release of pent-up demand.

Compared to pre-pandemic levels in H1 2019, we estimate that unit growth in H1 for the total market was in line with the structural growth rate of 4-6% per year. However, geography and channel mix

Estimated hearing aid market unit growth in 2022 by region

(vs. 2021)	Q1	Q2	H1
Europe	20%	9%	14%
North America	8%	1%	4%
US (commercial)	6%	-1%	2%
US (VA)	19%	2%	9%
Rest of world	4%	4%	4%
Global	12%	5%	8%
CAGR vs. 2019	4%	6%	5%

changes led to a larger-than-expected ASP decline in the period. Consequently, value growth in the hearing aid market was below expectations.

Relative to the same period in 2021, growth in Europe in H1 2022 was driven by significant recovery in the NHS, particularly in Q1. Several other European markets also developed well in the period. Germany saw double-digit growth in H1, which to some extent reflects slower growth in the comparative period. In France, growth was roughly flat in H1 but, as expected, negative in Q2 due to the boost last year from the hearing healthcare reform.

Unit growth in North America was predominantly driven by VA, which saw strong growth in Q1. The commercial channel also delivered positive unit growth in H1, but growth was slightly negative in Q2 and lower than expected. Compared to pre-pandemic levels, the US market developed in line with the structural growth rate, as did Canada, which saw solid growth throughout H1.

Looking beyond Europe and North America, we estimate that market unit growth in China was negative in H1, significantly impacted by coronavirus lockdowns during most of Q2, although the situation improved materially towards the end of the period. Also, growth in Australia was negative in H1 due to coronavirus-related restrictions and floodings during the period. Japan delivered growth with sequential improvement between Q1 and Q2, but the market growth rate remains below the structural growth rate.

While a few emerging markets are still impacted by coronavirus, most emerging markets have recovered strongly and saw very strong growth in H1.

Diagnostic instruments market

The market for diagnostic instruments and services remains resilient. We estimate that compared to last year, growth in H1 was above the estimated structural market growth rate of 3-5% per year.

Revenue and growth

(DKK million)	Q2 2022	Q2 2021	Growth				
			Org.	Acq.	LCY	FX	Rep.
Hearing Aids	2,491	2,257	8%	-2%	6%	4%	10%
Hereof sales to external customers	2,037	1,845	10%	-3%	7%	4%	10%
Hereof sales to Hearing Care*	454	412	1%	4%	6%	5%	10%

(DKK million)	H1 2022	H1 2021	Growth				
			Org.	Acq.	LCY	FX	Rep.
Hearing Aids	4,842	4,416	9%	-2%	7%	3%	10%
Hereof sales to external customers	3,947	3,545	12%	-3%	9%	3%	11%
Hereof sales to Hearing Care*	895	871	-5%	4%	-1%	4%	3%

*Revenue from internal sales to Hearing Care is eliminated from the reported revenue for Hearing Healthcare and for the Group, i.e. we only include revenue from external customers. The pricing used in internal transactions is determined on an arm's length basis and thus reflects normal commercial terms.

Hearing Aids

In H1 2022, total revenue in Hearing Aids grew by 7% (Q2: 6%) in local currencies driven by 9% organic growth (Q2: 8%). Growth from acquisitions was -2% (Q2: -2%) following the divestment of FrontRow Calypso LLC in H2 2021, and exchange rate effects added 3% (Q2: 4%) to growth.

Hearing Aids

(DKK million)	H1 2022	H1 2021
Revenue	4,842	4,416
Growth		
Organic	9%	
Acquisitions	-2%	
Local currencies	7%	
FX	3%	
Total	10%	

Internal revenue from sales to our Hearing Care business area accounted for 18% of total revenue and external sales for the

remaining 82%. Our commentary below focuses on total revenue, including revenue from sales through our own retail clinics, and thus pertains to our total wholesale activities.

In H1, Hearing Aids continued to see good traction for our latest product families, which were recently expanded with more form factors and price points, and we continued to gain market share, albeit in a market that grew less than expected in H1 due to developments in Q2.

Growth in units and ASP

(local currencies)	H1 2022	H2 2021	H1 2021
Units	16%	17%	50%
ASP	-8%	1%	4%
Total	7%	18%	55%

Unit growth and ASP growth in H1 were 16% and -8%, respectively, compared

to the same period last year. The unit growth rate was thus around twice the market growth rate in H1. The negative ASP development is driven by changes in the sales mix in relation to geographies, channels and products, including very strong growth in the NHS and in emerging markets.

Compared to 2021, growth in Europe was strong in both Q1 and Q2. The UK was the primary positive contributor in Q1, driven by strong development in the NHS, but we also saw good growth in a number of other markets, including Italy, Poland and Spain. After a slow Q1, Germany saw accelerating growth in Q2, as did France, despite strong development in the comparative period. Mainly related to Q2, the impact of the current halt in sales to Russia, Belarus and the provinces of Donetsk and Luhansk had a slightly negative impact on growth.

North America delivered solid organic growth and market share gains in both Q1 and Q2, albeit in a market that grew less than anticipated. We continue to see solid traction with Oticon More and Philips HearLink and have gained market share with VA. In Canada, where the market is back to normal growth compared to pre-pandemic levels, we performed well in Q2.

Growth in Asia continued to be impacted by coronavirus restrictions in H1, especially in China where lockdowns had a very profound impact on sales, particularly in Q2. In the Pacific region, we also saw negative impacts of coronavirus and periods of floodings in Australia, which resulted in negative growth in H1.

Our Other countries region, which mostly comprises emerging markets, continued to see very strong growth from Q1, driven by good commercial momentum and strong tender activities in several countries during the period.

Looking ahead, we recently announced the continued expansion of our portfolio of industry-leading hearing aids with new custom form factors built on our groundbreaking Polaris technology. In addition, we are introducing new products in the Essential category in all four hearing aid brands. Both portfolio expansions will be rolled out in H2 2022.

Hearing Care

In H1 2022, revenue in Hearing Care grew by 1% (Q2: -3%) in local currencies with -3% (Q2: -7%) organic growth and 4% (Q2: 4%) acquisitive growth.

Hearing Care

(DKK million)	H1 2022	H1 2021
Revenue	3,932	3,737
Growth		
Organic	-3%	
Acquisitions	4%	
Local currencies	1%	
FX	4%	
Total	5%	

Sales in Hearing Care were lower than expected in H1, mainly attributable to developments in the US where sales were impacted by the decision to exit selected managed care plans. This impact was exacerbated by lower-than-expected market growth in Q2. Growth was also negatively impacted by weak markets in the Pacific region and by high comparative figures in France.

In H1, growth was predominantly driven by unit growth, as the ASP declined slightly.

In Europe, we saw positive development in several markets, particularly in Poland and Spain, but as expected, the growth rate was negatively impacted by very high comparative figures in France due to the hearing healthcare reform implemented last year. This impact was most pronounced in Q2.

Revenue in North America was below expectations, mainly due to slowing momentum in the US in Q2. Our strategic decision to reduce our share of sales related to managed care continues to have a negative impact on growth. This has been exacerbated by the market slowdown in Q2, which has made it more difficult than anticipated to generate new leads to replace the leads from managed care partners. We are currently working on initiatives to further boost non-managed care lead generation in the coming period. Canada delivered positive organic growth, and acquisitions contributed to growth in both markets.

In Australia, revenue was negatively impacted by lockdowns and coronavirus-related restrictions in the first part of H1, but performance remained subdued in the latter part of H1, in part caused by floods in some areas.

Diagnostics

In Diagnostics, revenue increased by 19% (Q2: 18%) in local currencies in H1 driven by 17% (Q2: 16%) organic growth. Exchange rate effects contributed with 8% (Q2: 10%).

Diagnostics

(DKK million)	H1 2022	H1 2021
Revenue	1,066	843
Growth		
Organic	17%	
Acquisitions	2%	
Local currencies	19%	
FX	8%	
Total	27%	

Following a very strong 2021, we continued to perform extremely well throughout H1, which underlines the good momentum in our business. We continue to gain market share both in instrument sales and in services in many markets. We have a strong order book, and the outlook for our Diagnostics business remains positive.

In terms of geographies, we saw strong performance in most markets in H1, with the US market as the most significant growth contributor. In Europe, growth was broad-based in both Q1 and Q2 with high growth rates in the UK, Germany and Poland. In addition, we also saw strong performance in South America, driven by Brazil, and Asia continues to perform well despite lockdowns in China, which have limited growth, particularly in Q2.

In terms of product categories, growth was broad-based with particularly strong performance in the Fitting, Balance and Impedance product categories.

In line with our strategic priorities, we acquired the Italian company, Inventis Srl., in Q2. Inventis is a strong player that focuses on software for audiometers and balance solutions. Following the acquisition and going forward, Inventis will remain a separate brand under our Diagnostics business area.

Communications

Income statement

(DKK million)	H1 2022	H1 2021	Growth
Revenue	552	621	-11%
Production costs	-299	-321	-7%
Gross profit	253	300	-16%
Gross margin	45.8%	48.3%	
R&D costs	-117	-91	29%
Distribution costs	-224	-233	-4%
Administrative expenses	-19	-20	-5%
Operating profit (EBIT)	-107	-44	n.a
EBIT margin	-19.4%	-7.1%	

Revenue

In H1, revenue in Communications was DKK 552 million, corresponding to -14% (Q2: 5%) growth in local currencies, all of which was organic growth. Exchange rate effects were 3% (Q2: 4%). The negative growth is due to very high comparative figures in Q1, but growth was positive in Q2 due to a softer comparative base. Overall, growth was below our original expectations, particularly in Q2 that saw a further weakening of the market for gaming headsets as well as continued supply chain challenges that had a negative impact on the sale of specific product families.

Please refer to Management commentary on page 14 for more details.

Communications

(DKK million)	Q2 2022	Q2 2021
Revenue	260	240
Growth		
Organic	5%	
Acquisitions	0%	
Local currencies	5%	
FX	4%	
Total	8%	

(DKK million)	H1 2022	H1 2021
Revenue	552	621
Growth		
Organic	-14%	
Acquisitions	0%	
Local currencies	-14%	
FX	3%	
Total	-11%	

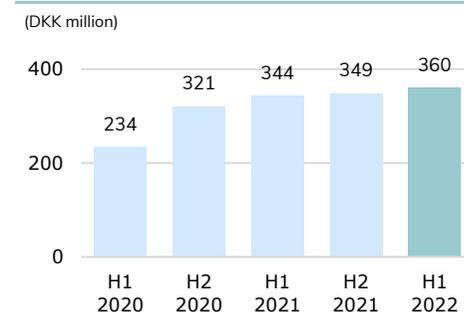
Gross profit

The gross profit amounted to DKK 253 million in H1, resulting in a gross margin of 45.8%. This is a decrease of 2.5 percentage points compared to H1 2021 due to mix effects and to negative exchange rate effects, as most production costs are denominated in US dollars, a currency that has appreciated significantly against the Danish krone. Supply chain costs remain above normal levels.

Operating expenses (OPEX)

OPEX amounted to DKK 360 million in H1, corresponding to 5% growth compared to H1 2021. Organic growth was 3% driven by increased R&D spending whereas both distribution costs and administrative expenses were below last year's amounts. Foreign exchange rate effects were 2%.

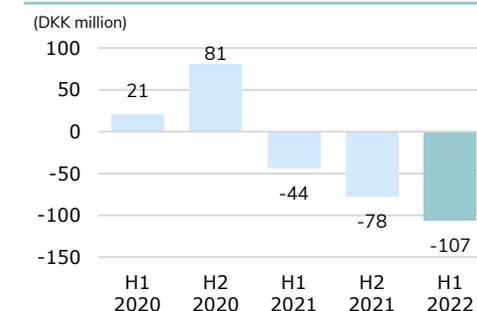
OPEX by half-year



Operating profit (EBIT)

As a result of the decline in revenue and of the gross margin headwinds due to higher supply chain costs and exchange rate effects, EBIT amounted to DKK -107 million, which was below expectations.

EBIT by half-year



Management commentary

Market trends

Growth rates in the markets for gaming and enterprise solutions were mixed in H1. We estimate that both markets saw negative growth in Q1 due to high comparative figures and a challenging supply chain situation, particularly within wireless products. In Q2, growth in the market for enterprise solutions improved thanks to lower comparative figures, as demand remained solid, but the gaming market has weakened as a result of lower consumer confidence and spending.

In H2, the gaming market is likely to continue to face challenges because of lower consumer confidence, however we expect the enterprise solutions market to remain more resilient. We also expect supply chain impacts to gradually ease, but overall, the market for enterprise and gaming headsets and video solutions is expected to see growth in 2022 below the estimated structural growth level of around 12%. However, we still view the fundamental growth drivers of the market as fully intact in the medium to long term.

Communications (EPOS)

As outlined above, revenue in H1 saw growth of -14% (Q2: 5%) in local currencies, which is entirely attributable to organic growth. The sequential improvement in organic growth from -25% in Q1 to 5% in Q2 was driven entirely by lower comparative figures, and absolute revenue levels were below expectations in Q2.

This was most predominantly the case in Gaming due to the general weakening of the market, and growth in Gaming remained negative throughout H1.

In Enterprise Solutions, performance was more solid during H1, and growth was slightly positive. However, revenue continued to be negatively impacted by supply chain challenges for specific product families, particularly for Digital Enhanced Cordless Telecommunications (DECT) products.

In terms of geographies, negative organic growth was most pronounced in Europe, which accounts for most of the revenue generated by Communications. In North America, organic growth was slightly negative, but reported growth was positive due to positive exchange rate effects. Asia saw strong organic growth, with India as the key growth driver.

We continue to follow an ambitious product roadmap and will soon be launching new video solutions, the EPOS EXPAND Vision 1 and 5. These launches are important next steps on our journey towards becoming a full-suite supplier of state-of-the-art unified collaboration and communication solutions for professionals, and we expect these products to contribute slightly to growth in the latter part of H2.

Management statement

We have today discussed and approved this Interim Report 2022 for Demant A/S.

Interim Report 2022 has been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU and further Danish disclosure requirements in respect of interim reports for listed companies. Interim Report 2022 has not been audited or reviewed by our auditors.

In our opinion, Interim Report 2022 gives a true and fair view of the Group's assets, liabilities and financial position at 30 June 2022 as well as of the results of our activities and cash flows for the first six months of 2022.

We also believe that the financial review and management commentary contain a fair review of the development in the Group's business and financial position, the results for the period and the Group's financial position as a whole as well as a description of the principal risks and uncertainties facing Demant A/S.

Smørum, 16 August 2022

Executive Board

Søren Nielsen, President & CEO

René Schneider, CFO

Arne Boye Nielsen, President Diagnostics and Communications

Niels Wagner, President Hearing Care

Board of Directors

Niels B. Christiansen, Chairman

Niels Jacobsen, Deputy Chairman

Thomas Duer

Casper Jensen

Anja Madsen

Jørgen Møller Nielsen

Sisse Fjelsted Rasmussen

Kristian Villumsen

Consolidated income statement

(DKK million)	H1 2022	H1 2021	Full year 2021
Revenue	9,497	8,746	17,905
Production costs	-2,414	-2,226	-4,447
Gross profit	7,083	6,520	13,458
R&D costs	-651	-557	-1,139
Distribution costs	-4,394	-3,921	-7,983
Administrative expenses	-507	-425	-892
Share of profit after tax, associates and joint ventures	57	57	120
Other operating income	-	-	99
Operating profit (EBIT)	1,588	1,674	3,663
Financial income	36	20	42
Financial expenses	-131	-121	-244
Profit before tax	1,493	1,573	3,461
Tax on profit for the period	-336	-357	-750
Profit after tax - continuing operations	1,157	1,216	2,711
Profit after tax - discontinued operations	-107	-33	-183
Profit for the period	1,050	1,183	2,528
Profit for the period attributable to:			
Demant A/S' shareholders	1,049	1,174	2,513
Non-controlling interests	1	9	15
	1,050	1,183	2,528
Earnings per share (EPS), DKK - continuing operations	5.07	5.08	11.48
Diluted earnings per share (DEPS), DKK - continuing operations	5.07	5.08	11.48
Earnings per share (EPS), DKK	4.60	4.94	10.70
Diluted earnings per share (DEPS), DKK	4.60	4.94	10.70

Discontinued operations

The Hearing Implants business is presented as discontinued operations. Comparative figures have been restated.

Consolidated statement of comprehensive income

(DKK million)	H1 2022	H1 2021	Full year 2021
Profit for the year	1,050	1,183	2,528
Foreign currency translation adjustment, subsidiaries	438	204	425
Value adjustments of hedging instruments:			
Value adjustment for the period	-118	-91	-177
Value adjustment transferred to revenue	104	-1	36
Tax on items that have been or may subsequently be reclassified to the income statement	-2	21	29
Items that have been or may subsequently be reclassified to the income statement	422	133	313
Actuarial gains/losses on defined benefit plans	-	-	62
Tax on items that will not subsequently be reclassified to the income statement	-	-	-12
Items that will not subsequently be reclassified to the income statement	-	-	50
Other comprehensive income/loss	422	133	363
Comprehensive income	1,472	1,316	2,891
Comprehensive income attributable to:			
Demant A/S' shareholders	1,471	1,307	2,876
Non-controlling interests	1	9	15
	1,472	1,316	2,891
Breakdown of tax on other comprehensive income:			
Foreign currency translation adjustment, foreign enterprises	-5	-1	-3
Value adjustment of hedging instruments for the period	3	22	40
Value adjustment of hedging instruments transferred to revenue	-	-	-8
Actuarial gains/losses on defined benefit plans	-	-	-12
Tax on other comprehensive income	-2	21	17

Consolidated balance sheet 31 December

(DKK million)	H1 2022	H1 2021	Full year 2021
Assets			
Goodwill	9,736	8,902	9,471
Patents and licences	13	11	21
Other intangible assets	628	540	551
Prepayments and assets under development	158	256	274
Intangible assets	10,535	9,709	10,317
Land and buildings	1,020	1,003	1,002
Plant and machinery	221	219	212
Other plant, fixtures and operating equipment	421	357	458
Leasehold improvements	577	413	478
Prepayments and assets under construction	133	176	127
Property, plant and equipment	2,372	2,168	2,277
Lease assets	2,104	2,024	2,079
Investments in associates and joint ventures	852	853	858
Receivables from associates and joint ventures	333	273	267
Other investments	14	11	11
Other receivables	637	506	569
Deferred tax assets	562	544	596
Other non-current assets	4,502	4,211	4,380
Non-current assets	17,409	16,088	16,974

(DKK million)	H1 2022	H1 2021	Full year 2021
Inventories	2,445	2,088	2,366
Trade receivables	3,609	3,140	3,203
Receivables from associates and joint ventures	188	95	147
Income tax	149	72	68
Other receivables	666	542	616
Unrealised gains on financial contracts	27	26	6
Prepaid expenses	591	307	308
Cash	1,245	1,221	1,172
Assets held for sale	1,006	-	-
Current assets	9,926	7,491	7,886
Assets	27,335	23,579	24,860

Assets held for sale

The assets in the Hearing Implants business are presented as assets held for sale. Comparative figures have not been restated.

Consolidated balance sheet 31 December

(DKK million)	H1 2022	H1 2021	Full year 2021
Equity and liabilities			
Share capital	46	48	48
Other reserves	8,133	7,716	7,929
Equity attributable to Demant A/S' shareholders	8,179	7,764	7,977
Equity attributable to non-controlling interests	5	32	4
Equity	8,184	7,796	7,981
Non-current liabilities	6,427	6,314	5,906
Borrowings	3,232	3,376	2,795
Lease liabilities	1,643	1,586	1,610
Deferred tax liabilities	453	307	470
Provisions	277	316	268
Other liabilities	349	319	340
Deferred income	473	410	423
Current liabilities	12,724	9,469	10,973
Borrowings	8,018	5,284	6,422
Lease liabilities	528	491	511
Trade payables	810	753	808
Payables to associates and joint ventures	1	-	-
Income tax	391	308	267
Provisions	42	34	81
Other liabilities	2,078	2,011	2,302
Unrealised losses on financial contracts	115	52	81
Deferred income	520	536	501
Liabilities related to assets held for sale	221	-	-
Liabilities	19,151	15,783	16,879
Equity and liabilities	27,335	23,579	24,860

Liabilities related to assets held for sale

The liabilities in the Hearing Implants business are presented as liabilities related to assets held for sale. Comparative figures have not been restated.

Consolidated cash flow statement

(DKK million)	H1 2022	H1 2021	Full year 2021
Operating profit (EBIT)	1,588	1,674	3,663
Non-cash items etc.	463	505	869
Change in receivables etc.	-563	-400	-474
Change in inventories	-107	-49	-335
Change in trade payables and other liabilities etc.	-252	56	365
Change in provisions	-1	53	94
Dividends received	87	42	106
Cash flow from operating profit	1,215	1,881	4,288
Financial income etc. received	22	14	27
Financial expenses etc. paid	-131	-123	-245
Income tax paid	-191	-179	-477
Cash flow from operating activities (CFFO)	915	1,593	3,593
Acquisition of enterprises, participating interests and activities	-513	-406	-708
Divestment of enterprises, participating interests and activities	-	-	161
Investments in and disposal of intangible assets	-103	-66	-164
Investments in property, plant and equipment	-311	-215	-562
Disposal of property, plant and equipment	10	8	15
Investments in other non-current assets	-269	-152	-434
Disposal of other non-current assets	156	148	390
Cash flow from investing activities (CFFI)	-1,030	-683	-1,302

Discontinued operations

The Hearing Implants business is presented as discontinued operations. Comparative figures have been restated.

(DKK million)	H1 2022	H1 2021	Full year 2021
Repayments of borrowings	-2,168	-2,268	-2,409
Proceeds from borrowings	2,527	2,500	2,506
Change in short-term bank facilities	1,553	1,270	1,889
Repayments of lease liabilities	-290	-255	-530
Transactions with non-controlling interests	-1	-5	-34
Share buy-backs	-1,307	-1,813	-3,200
Cash flow from financing activities (CFFF)	314	-571	-1,778
Cash flow for the period, net - continuing operations	199	339	513
Cash flow for the period, net - discontinued operations	-108	-82	-314
Cash flow for the year, net	91	257	199
Cash and cash equivalents at the beginning of the year	1,172	952	952
Foreign currency translation adjustment of cash and cash equivalents	-18	12	21
Cash and cash equivalents at the end of the year	1,245	1,221	1,172
Breakdown of cash and cash equivalents at the end of the year:			
Cash	1,245	1,221	1,172
Cash and cash equivalents at the end of the year	1,245	1,221	1,172

Consolidated statement of changes in equity

(DKK million)

	Share capital	Other reserves			Demant A/S' share-holders' share	Non-controlling interests' share	Equity
		Foreign currency translation reserve	Hedging reserve	Retained earnings			
Equity at 1.1.2022	48	8	-54	7,975	7,977	4	7,981
Comprehensive income:							
Profit for the period	-	-	-	1,049	1,049	1	1,050
Other comprehensive income:							
Foreign currency translation adjustment, subsidiaries	-	438	-	-	438	-	438
Value adjustments of hedging instruments:							
Value adjustment, for the period	-	-	-118	-	-118	-	-118
Value adjustment transferred to revenue	-	-	104	-	104	-	104
Tax on other comprehensive income	-	-5	3	-	-2	-	-2
Other comprehensive income/loss	-	433	-11	-	422	-	422
Comprehensive income/loss for the period	-	433	-11	1,049	1,471	1	1,472
Share buy-backs	-	-	-	-1,307	-1,307	-	-1,307
Share-based compensation	-	-	-	38	38	-	38
Capital reduction through cancellation of treasury shares	-2	-	-	2	-	-	-
Equity at 30.06.2022	46	441	-65	7,757	8,179	5	8,184

Consolidated statement of changes in equity

(DKK million)

	Share capital	Other reserves			Demant A/S' share-holders' share	Non-controlling interests' share	Equity
		Foreign currency translation reserve	Hedging reserve	Retained earnings			
Equity at 1.1.2021	48	-414	55	8,561	8,250	29	8,279
Comprehensive income:							
Profit for the period	-	-	-	1,174	1,174	9	1,183
Other comprehensive income:							
Foreign currency translation adjustment, subsidiaries	-	204	-	-	204	-	204
Value adjustments of hedging instruments:							
Value adjustment, for the period	-	-	-91	-	-91	-	-91
Value adjustment transferred to revenue	-	-	-1	-	-1	-	-1
Tax on other comprehensive income	-	-1	22	-	21	-	21
Other comprehensive income/loss	-	203	-70	-	133	-	133
Comprehensive income/loss for the period	-	203	-70	1,174	1,307	9	1,316
Share buy-backs	-	-	-	-1,813	-1,813	-	-1,813
Share-based compensation	-	-	-	27	27	-	27
Transactions with non-controlling interests	-	-	-	-	-	-5	-5
Non-controlling interests on acquisition	-	-	-	-7	-7	-1	-8
Equity at 30.06.2021	48	-211	-15	7,942	7,764	32	7,796

Note 1 – Acquisition of enterprises and activities

(DKK million)

	H1 2022			H1 2021
	Hearing Healthcare		Total	Total
	North America	Europe		
Intangible assets	2	25	27	5
Property, plant and equipment	2	11	13	4
Other non-current assets	3	16	19	73
Inventories	4	26	30	3
Current receivables	6	46	52	7
Cash and cash equivalents	3	26	29	13
Non-current liabilities	-4	-57	-61	-67
Current liabilities	-15	-39	-54	-25
Acquired net assets	1	54	55	13
Goodwill	58	264	322	437
Acquisition cost	59	318	377	450
Carrying amount of non-controlling interests on obtaining control	-	-	-	-11
Fair value adjustment of non-controlling interests on obtaining control	-	-	-	1
Contingent consideration and deferred payments	-6	-65	-71	-73
Acquired cash and cash equivalents	-3	-26	-29	-13
Cash acquisition cost	50	227	277	354

Figures are shown at fair value on the acquisition date.

In H1 2022, the Group acquired Inventis Srl., a developer and manufacturer of audiological and balance equipment based in Italy.

Furthermore, the Group acquired a number of minor retail entities in North America and Europe for which we paid acquisition costs exceeding the fair values of the acquired

assets, liabilities and contingent liabilities. Such positive balances in value can be attributed to expected synergies between the activities of the acquired entities and our existing activities, to future growth opportunities and to the value of staff competencies in the acquired entities. These synergies are not recognised

separately from goodwill, as they are not separately identifiable.

At the time of acquisition, non-controlling interests' shares of acquisitions were measured at their proportionate shares of the total fair value of the acquired entities, including goodwill. On obtaining a controlling interest through step acquisitions,

previously held non-controlling interests are at the time of obtaining control included in the income statement at their fair value with fair value adjustments.

In H1 2022, a few adjustments were made to the preliminary recognition of acquisitions made in 2021. These adjustments were made in respect of payments made, contingent considerations provided and net assets and goodwill acquired. The impact of these adjustments on goodwill was DKK 9 million (DKK 5 million in H1 2021), and the impact on contingent considerations was DKK 2 million (DKK 7 million in H1 2021). In relation to acquisitions with final recognition in 2014-2021, adjustments were made in 2022 in respect of estimated contingent considerations. Such adjustments are recognised in the income statement.

Note 1 – Acquisition of enterprises and activities – continued

The total impact on the income statement of fair value adjustments of non-controlling interests in step acquisitions amounted to DKK 0 million (DKK 1 million in H1 2021). For acquisitions, adjustments of contingent considerations made via the income statement in the amount of DKK 7 million (DKK 3 million in H1 2021) are recognised under Distribution costs.

Of total acquisition costs in the reporting period, the fair value of estimated contingent considerations in the form of earnouts or deferred payments accounted for DKK 71 million (DKK 73 million in H1 2021). Earnouts depend on the results of the acquired entities for a period of 1-5 years after takeover and can total a maximum of DKK 71 million (DKK 73 million in H1 2021) for acquisitions.

The acquired assets include contractual receivables amounting to DKK 33 million (DKK 3 million in H1 2021) of which DKK 1 million (DKK 0 million in H1 2021) was thought to be uncollectible at the date of the acquisition. Of total goodwill in the amount of DKK 322 million (DKK 437 million in H1 2021), DKK 21 million (DKK 354 million in H1 2021) can be amortised for tax purposes.

Transaction costs in connection with acquisitions made in 2022 amounted to DKK 0 million (DKK 4 million in H1 2021) and are recognised under Distribution costs.

Revenue and profit generated by the acquired enterprises since our acquisition in 2022 amount to DKK 35 million (DKK 65 million in H1 2021) and DKK 2 million (DKK 5 million in H1 2021), respectively. Had such revenue and profit been consolidated on 1 January 2022, we estimate that consolidated pro forma revenue and profit would have been DKK 9,572 million (DKK 9,042 million in H1 2021) and DKK 1,070 million (DKK 1,184 million in H1 2021), respectively. Without taking synergies with our core business into account, we believe that these pro forma figures reflect the level of consolidated earnings after our acquisition of the enterprises.

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

Acquisitions after balance sheet date

On 14 June 2022, we announced the acquisition of the remaining 80% of the shares in ShengWang, thereby taking full ownership of the business. This follows the 20% minority investment announced on 4 March 2022.

Including the consideration paid for the initial 20% minority investment, the purchase price amounts to RMB 1,750 million (DKK 1,863 million) on a cash- and debt-free basis for 100% ownership of which RMB 300 million (DKK 319 million) will be payable over the coming three years. The acquisition will be financed through exist-

ing cash reserves and already established credit facilities.

The payment was transferred on 1 July 2022 from which date Demant took ownership and achieved control of ShengWang.

As approval and publication of this Interim Report 2022 is close to the closing date of the acquisition of ShengWang, the purchase price allocation in accordance with IFRS 3 is being prepared but has not been finalised yet. Therefore, opening balances, total consideration, acquired assets and liabilities and goodwill effects have not been disclosed in this Interim Report 2022.

Apart from the acquisition of ShengWang, Demant has acquired additional minor distribution enterprises from the balance sheet date and until the date of publication of this Interim Report 2022. We are in the process of estimating their fair values. The acquisition costs are expected to relate primarily to goodwill.

Note 2 – Discontinued operations and assets held for sale

Note 2.1 - Discontinued operations

(DKK million)	H1 2022	H1 2021	Full year 2021
Revenue	221	266	482
Expenses	-346	-293	-678
Amortisation and depreciation	-10	-10	-21
Profit before tax - discontinued operations	-135	-37	-217
Tax on profit for the period	28	4	34
Profit for the period - discontinued operations	-107	-33	-183
Profit for the period for discontinued operations attributable to:			
Demant A/S' shareholders	-107	-33	-183
	-107	-33	-183
Earnings per share (EPS), DKK	-0.47	-0.14	-0.78
Diluted earnings per share (DEPS), DKK	-0.47	-0.14	-0.78
Cash flow from discontinued operations			
Cash flow from operating activities (CFFO)	-100	-82	-318
Cash flow from investing activities (CFFI)	-10	-	4
Cash flow from financing activities (CFFF)	2	-	-
Cash flow for the period, net - discontinued operations	-108	-82	-314

Discontinued operations

On 27 April 2022, Demant announced the decision to discontinue its Hearing Implants business. In H1, discontinued operations thus comprise the Hearing Implants business, which realised a profit after tax of DKK -107 million. The negative result can be attributed to a decline in

revenue due to the halt in sales of cochlear implants following the voluntary field corrective action announced on 14 October 2021 as well as to a lower gross margin. These effects more than offset growth in the bone anchored hearing systems business following the launch of the Ponto 5 sound processors.

Following the verification and validation of a solution to the issue resulting in the voluntary field corrective action, Hearing Implants is now again able to meet a number of contractual obligations and to offer support in special user cases, which is in line with the plans made for the discontinuation of the business.

Assets held for sale

On 27 April 2022, Demant entered into an agreement with the intention to divest the Hearing Implants business to Cochlear Limited for a conditional payment of DKK 850 million on a cash- and debt-free basis. Assets classified as held for sale at 30 June 2022 thus comprise the Hearing Implants business. Cochlear will take over the obligations to service existing customers. The divestment is subject to regulatory approval and other customary closing conditions with closing expected in H2 2022.

Accounting policies

Discontinued operations represent a separate line of business disposed of or in preparation for sale. The results of discontinued operations are presented separately in the income statement and comparative figures are restated. Assets and liabilities from discontinued operations are presented as separate items in the balance sheet, and cash flows from discontinued operations are presented separately in the cash flow statement.

Assets and liabilities from discontinued operations and assets held for sale, except

financial assets etc., are measured at the lower of their carrying amount and their fair value less costs to sell. Non-current assets held for sale are not depreciated.

Key accounting estimates and judgements

No key estimates were identified.

Note 2.2 - Assets held for sale and liabilities related to assets held for sale

(DKK million)	H1 2022
Balance sheet items	
Intangible assets	579
Property, plant and equipment	28
Lease assets	23
Deferred tax assets	42
Other non-current assets	1
Non-current assets	673
Current assets	333
Assets held for sale	1,006
Provisions	30
Deferred tax liabilities	21
Lease liabilities	23
Other liabilities	147
Liabilities related to assets held for sale	221

Note 3 – Accounting policies and estimates

This Interim Report 2022 is presented in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU and further Danish disclosure requirements in respect of interim reports for listed companies. We have not prepared a separate interim report for the Parent. The report is presented in Danish kroner (DKK), which is the functional currency of the Parent.

The accounting policies used for this Interim Report 2022 are the same as the accounting policies used for our Annual Report 2021 to which we refer for a full description. The Group has adopted all new, amended and revised accounting standards and interpretations as published by the IASB and adopted by the EU, effective for the accounting period beginning on 1 January 2022. The amendments, revised standards and interpretations have not had a significant effect.