Demant

Annual Report 2023

Demant A/S
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Denmark
CVR no. 71186911

1 January – 31 December 2023

Louise, Clinical specialist, mountain climber and Oticon hearing aid user

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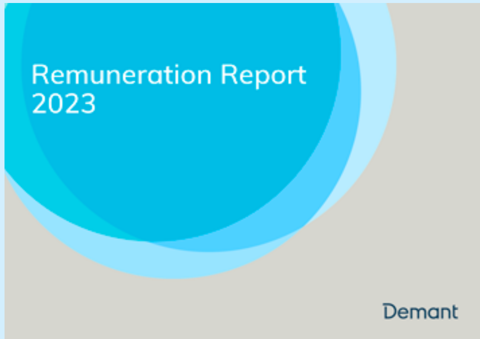


https://www.demant.com/reports-2023/remuneration-report-2023

Key figures and financial ratios – year

(DKK million)	2023	2022	2021	2020	2019
Hearing Healthcare					
Revenue	21,601	18,645	16,722	13,163	14,946
Organic growth	14%	5%	31%	-13%	4%
Gross margin	75.6%	76.1%	77.1%	73.6%	75.8%
Operating profit (EBIT)	4,506	3,443	3,626	1,211	2,085
EBIT margin	20.9%	18.5%	21.7%	9.2%	14.0%
Communications					
Revenue	842	1,060	1,183	1,306	-
Organic growth	-19%	-13%	-9.0%	-	-
Gross margin	26.6%	45.0%	48.3%	50.3%	-
Operating profit (EBIT)[1]	-358	-236	-122	102	66
EBIT margin	-42.5%	-22.3%	-10.3%	7.8%	-
Group					
Income statement					
Revenue	22,443	19,705	17,905	14,469	14,946
Organic growth	12%	4%	27%	-13%	4%
Gross margin	73.7%	74.4%	75.2%	70.4%	75.8%
EBITDA	5,482	4,383	4,730	2,578	3,110
EBITDA margin	24.4%	22.2%	26.4%	17.8%	20.8%
Adjusted EBIT	4,148	3,207	3,504	1,313	2,151
Adjusted EBIT margin	18.5%	16.3%	19.6%	9.1%	14.4%
Operating profit (EBIT)	4,148	3,207	3,663	1,530	2,151
EBIT margin	18.5%	16.3%	20.5%	10.6%	14.4%
Net financial items	-754	-280	-202	-194	-240
Profit after tax - continuing operations	2,555	2,276	2,711	1,134	1,467
Profit after tax - discontinued operations	-757	-192	-183	-	-
Profit for the year	1,798	2,084	2,528	1,134	1,467
Balance sheet					
Total assets	30,546	29,857	24,860	21,927	21,798
Net interest-bearing debt (NIBD)	12,280	12,711	9,150	7,135	8,185
Equity	9,338	8,562	7,981	8,279	7,645

The Hearing Implants business was recognised as a discontinued operation in 2022 and 2023, and comparative figures for 2021 in the income statement and cash flow statement as well as related key figures and financial ratios excluding organic growth were restated.

(DKK million)	2023	2022	2021	2020	2019
Cash flow statement					
Adjusted cash flow from operating activities (CFFO)	4,335	2,622	3,593	2,710	2,149
Cash flow from operating activities (CFFO)	4,335	2,622	3,593	2,621	2,149
Investment in property, plant and equipment, net	633	630	547	493	561
Free cash flow	3,483	1,617	2,838	2,023	1,338
Share buy-backs	846	1,840	3,200	197	946
Other key figures					
Gearing multiple (NIBD/EBITDA)	2.2	2.9	1.9	2.8	2.6
Earnings per share (EPS), DKK – continuing operations	11.44	10.06	11.48	4.68	6.00
Earnings per share (EPS)	8.04	9.21	10.70	4.68	6.00
Free cash flow per share (FCFPS)	15.61	7.15	12.09	8.44	5.49
Share price, end of period	296.00	192.55	335.10	240.60	209.80
Average number of shares outstanding	223.13	226.01	234.82	239.78	243.55
Average number of employees	21,168	19,239	16,866	16,155	15,352
Scope 1 and 2 CO2e emissions (tonnes)[2]	30,469	35,862	31,721	27,335	28,433
Group renewable electricity share (%)	21	-	-	-	-
CEO remuneration ratio	48	39	38	35	34
Gender diversity, Board of Directors (women/men)	40/60%	40/60%	40/60%	40/60%	20/80%
Gender diversity, all managers (women/men)	47/53%	44/56%	43/57%	42/58%	41/59%
Gender diversity, top-level management (women/men)	27/73%	23/77%	22/78%	-	-
Gender diversity, top-level management teams (on/off target)	79/21%	71/29%	63/35%	-	-

[1] EBIT for Communications in 2019 relates to the Group's share of profit after tax from our former joint venture Sennheiser Communications.
[2] 2019-2022 were restated in order to recognise new acquisitions.

We refer to section 9.1 for a description of the accounting policies for key figures and financial ratios.

Key figures and financial ratios – half-year

(DKK million)	H2 2023	H1 2023	H2 2022	H1 2022	H2 2021	H1 2021
Hearing Healthcare						
Revenue	10,907	10,694	9,700	8,945	8,597	8,125
Organic growth	13%	15%	5%	6%	14%	55%
Gross margin	76.1%	75.0%	75.9%	76.4%	77.6%	76.6%
Operating profit (EBIT)	2,344	2,162	1,748	1,695	1,908	1,718
EBIT margin	21.5%	20.2%	18.0%	18.9%	22.2%	21.1%
Communications						
Revenue	381	461	508	552	562	621
Organic growth	-22%	-15%	-13%	-14%	-27%	16%
Gross margin	17.8%	33.8%	43.9%	45.9%	48.2%	48.3%
Operating profit (EBIT)	-210	-148	-129	-107	-78	-44
EBIT margin	-54.9%	-32.1%	-25.4%	-19.3%	-13.9%	-7.1%
Group						
Income statement						
Revenue	11,288	11,155	10,208	9,497	9,159	8,746
Organic growth	11%	13%	3%	4%	10%	51%
Gross margin	74.2%	73.3%	74.3%	74.6%	75.8%	74.5%
EBITDA	2,820	2,662	2,255	2,128	2,543	2,187
EBITDA margin	25.0%	23.9%	22.1%	22.4%	27.8%	25.0%
Adjusted EBIT	2,134	2,014	1,619	1,588	1,830	1,674
Adjusted EBIT margin[1]	18.9%	18.1%	15.9%	16.7%	20.0%	19.1%
Operating profit (EBIT)	2,134	2,014	1,619	1,588	1,989	1,674
EBIT margin	18.9%	18.1%	15.9%	16.7%	21.7%	19.1%
Net financial items	-395	-359	-185	-95	-101	-101
Profit after tax – continuing operations	1,297	1,258	1,118	1,157	1,495	1,216
Profit after tax – discontinued operations	-81	-676	-84	-107	-150	-33
Profit for the period	1,216	582	1,035	1,050	1,345	1,183

[1] 2021-2022 were restated in order to recognise new acquisitions.

	H2 2023	H1 2023	H2 2022	H1 2022	H2 2021	H1 2021
Balance sheet						
Total assets	30,546	29,833	29,857	27,335	24,860	23,579
Net interest-bearing debt (NIBD)	12,280	12,197	12,711	10,986	9,150	8,573
Equity	9,338	8,990	8,562	8,184	7,981	7,796
Cash flow statement						
Cash flow from operating activities (CFFO)	2,472	1,863	1,707	915	2,000	1,593
Investment in property, plant and equipment, net	327	306	329	301	340	207
Free cash flow	1,993	1,490	1,219	398	1,522	1,316
Share buy-backs	829	17	533	1,307	1,387	1,813
Other key figures						
Gearing multiple (NIBD/EBITDA)	2.2	2.5	2.9	2.4	1.9	1.8
Earnings per share (EPS), DKK – continuing operations	5.81	5.63	4.99	5.07	6.40	5.08
Earnings per share (EPS)	5.44	2.60	4.61	4.60	5.76	4.94
Free cash flow per share (FCFPS)	8.93	6.68	5.40	1.75	6.55	5.54
Share price, end of period	296.00	288.50	192.55	266.30	335.10	353.00
Average number of shares outstanding	223.13	223.17	224.06	227.98	232.59	237.66
Average number of employees	21,413	20,922	20,349	18,130	17,161	16,572
Scope 1 and 2 CO2e emissions (tonnes)[1]	14,973	15,496	18,218	17,644	15,454	16,267
Gender diversity, Board of Directors (women/men)	40/60%	40/60%	40/60%	40/60%	-	-
Gender diversity, all managers (women/men)	47/53%	47/53%	44/56%	44/56%	-	-

The Hearing Implants business was recognised as a discontinued operation in 2022 and 2023, and comparative figures for 2021 in the income statement and cash flow statement as well as related key figures and financial ratios, excluding organic growth, were restated.

We refer to section 9.1 for a description of the accounting policies for key figures and financial ratios.

CEO letter

For Demant, 2023 was a year of innovative launches and remarkable growth, cementing our high relevance to users and customers worldwide. While the year started with uncertain market conditions, we saw a quickly improving market, returning to normal growth rates. I am proud to see how we were able to adapt to this normalisation after years of volatility, translating it into high performance and market share gains. The Group delivered significant 12% organic revenue growth and a strong operating profit of more than DKK 4.1 billion, and Hearing Healthcare delivered 14% organic revenue growth. Twice during the year, we lifted our guidance. And just as importantly, we created life-changing differences for more people living with hearing loss than ever before.

The challenges that we address in our industry are chronical, and the people segment we predominantly serve, the elderly, is growing. Therefore, the treatment of hearing loss and the care for people living with hearing loss require our continuous attention and consistent focus on innovative technology and care.

For Real

If anything, 2023 has confirmed that when we work with the core of hearing healthcare innovation and strive for technological advances to make our products respond faster and handle complex listening situations, we produce solutions that provide strong benefits for the users.

This was clearly demonstrated in our broad range of new hearing aids introduced early in 2023 in all brands. Especially Oticon Real swept the table and became a first choice for users and customers and thus helped drive significant market share gains and outstanding organic growth of 21% in Hearing Aids.

For users, the most important aspect of hearing aids remains the ability to hear clearly in all listening environments, and we work tirelessly to solve this challenge. Artificial Intelligence (AI) is an important means of addressing this and improving the user experience. We use AI to train our devices to seek out, balance and deliver the best and most useful sounds to the user. We introduced our first Deep Neural Network a few years ago, and in our very latest chip platform, we have taken this technology further and implemented the next generation of AI, which we expect will truly benefit users in the future.

While we continue to improve rechargeable battery technology and connectivity in our devices, we are especially proud to introduce further audiological advancements with the imminent launch of new hearing aids in all our brands. Based on the introduction of new sensors, which can now detect and support the user's listening intentions, Oticon Intent™ will provide further benefits to users – especially in complex and dynamic listening situations. This is further supported by the introduction of the second generation of our Deep Neural Network technology. These efforts contribute to the impact we strive to achieve with our hearing healthcare solutions: To enable people with hearing loss to enjoy a socially engaging life.

Groundbreaking hearing test

However, before any technological assistance becomes relevant, it is necessary to know how the individual hearing loss should be alleviated. Based on ten years of research performed by our Interacoustics Research Unit, our Diagnostics business area launched a new groundbreaking diagnostic test method in 2023, the Audible Contrast Threshold™, ACT.

The new test method offers the possibility to diagnose how well the user is able to hear speech in noise and enables the hearing care professional to fit the hearing aids even more accurately to individual needs than before.

We believe that in the future, the two-fold diagnosing of hearing loss, the classic audiogram and the new Audible Contrast Threshold™, will provide an added benefit for customers and users. Generally, our Diagnostics business area delivered solid growth in 2023 on top of a very strong previous year, while also launching new products and inaugurating a brand new production site in Poland.

In our view, alleviating hearing loss starts with the hearing care professional, who delivers professional and personalised care. The social and human aspect of hearing must not be neglected, and that is why we always put the individual at the centre of our work. We strive to understand their needs and preferences, while offering the best technology to support this. We continue to welcome more and more people into our clinics, and our Hearing Care business area delivered solid growth in 2023.

When you work with the core of hearing healthcare innovation and strive for technological advances, you also get solutions that provide strong benefits for the users.

A more focused Demant

2023 has also confirmed our belief that when we operate a more focused business, we can increase our positive impact, enhance our performance and exceed our customers' expectations.

On the Hearing Implants side, we proceeded with the divestment of Oticon Medical, which has been amended in scope to only include the cochlear implants part of the business area. Since the bone anchored hearing systems business is no longer part of the transaction, the business will remain with the Group for now, pending a review of our strategic options.

In a difficult market, our Communications business area had a tough year with negative growth and profits, impacting the Group's overall performance. In 2023, we therefore took the decision to focus EPOS' activities on its Enterprise Solutions business, and we have gradually wound down our Gaming business. With this change and other cost reduction measures, the business is now on a path back to profitability. In the light of this, we have decided that now is a good time to explore whether a different owner may be better positioned to accelerate growth for Communications and to allow the business to realise its full potential. We have thus decided to undertake a review of strategic options for the business area and expect this review to be completed by the end of the first half of 2024.

Hand in hand

In 2023, we sharpened our ambition: As *the leading hearing healthcare company to improve as many lives as possible*. Clearly, we do so every day with our solutions, but we also have an obligation to broaden our scope. Caring for people's health and well-being goes hand in hand with caring for society and the planet.

We take part in the world's transition to net zero CO_2 emissions and continue to integrate our climate strategy into our business and operations. Our ambitious targets for CO_2 emissions reductions got the green light from the Science Based Targets initiative in 2023. We can certainly move the needle as far as reducing our own direct and indirect emissions are concerned, but we cannot do it alone in our value chain, and in 2023, we increased collaboration with our suppliers. Nations, companies like Demant and consumers must all take part in fighting climate changes and collaborate on initiatives to urgently reduce global emissions.

Another goal of ours is to increase the diversity of our organisation. I am happy to see us develop in a more diverse direction. It is my experience that a diverse culture strengthens our innovation power and our collaboration. In fact, it is a prerequisite for success in a highly complex and dynamic world.

I would like to extend my thanks to our customers, employees and shareholders. We are very grateful for your trust and loyalty throughout 2023. You have been an integral part of our success, and we are committed to continuing to deliver world-class customer experiences, an engaging work culture and attractive financial returns.

Looking towards 2024, I expect the normalisation we saw in 2023 to continue, and I am confident that Demant will stay on this growth journey and continue to provide life-changing hearing health to even more users in 2024.

Søren Nielsen

This is Demant

Demant is a global hearing healthcare and audio technology company that operates subsidiaries in more than 30 countries and sells products in more than 130 countries.

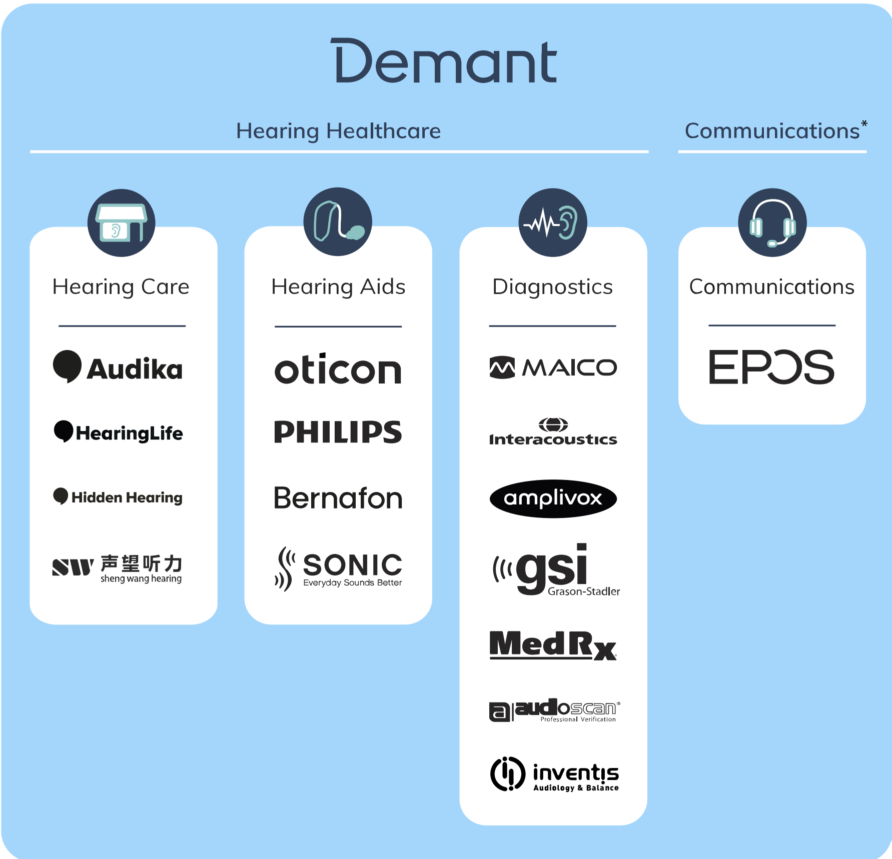
To help people connect and communicate with the world around them, the Group offers solutions and services in four business areas: Hearing Care, Hearing Aids and Diagnostics, which together constitute the Hearing Healthcare segment, and Communications*.

Value chain

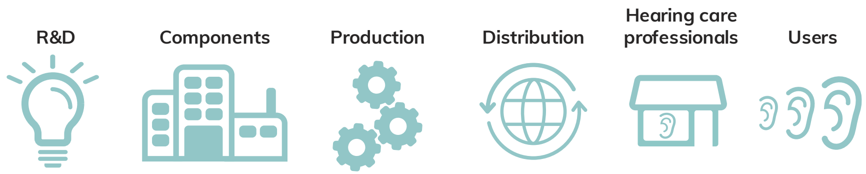
We are active throughout the entire value chain from R&D to the final fitting of users around the world. Also, in our hearing care clinics, we support hearing aid users on their journey from awareness to fitting and adapting to a life with hearing aids. In short, we create life-changing differences through hearing health.

Hearing aid user journey

One in five people live with hearing loss, a number that will increase in the future due to an ageing population. However, there are material barriers to wider adoption of hearing aids, such as lack of awareness and stigma. In our view, alleviating hearing loss starts with the hearing care professional, who delivers personalised care, consisting of diagnosing, fitting and rendering support based on the individual's needs. We believe that people prefer personal counselling to find the best treatment rather than seeking hearing solutions without this assistance.



Demant's value chain



Key steps in the hearing aid user journey

*The Group has decided to undertake a review of strategic options for its Communications business area.

Purpose and strategy

The Demant Group is built on a heritage of care, health and innovation since 1904. Our shared purpose is to create life-changing differences through hearing health.

With our innovative technologies and services, we are let into people's lives and are involved in some of the most important aspects of their lives by offering the possibility to be actively engaged without constraints.

My hearing aids expand my possibilities to engage in the free life with leisure activities, get-togethers, travels and time with family and not least grandchildren.

Steen, pensioner, pilot

Our strategy

Leading hearing healthcare

Demant is a hearing healthcare and audio technology company, and our strategy is based on a deep understanding of the fundamental issues of hearing loss and the people who live with it.

We develop and provide professional hearing healthcare centred on personalised counselling and innovative solutions. Across our Hearing Healthcare segment, we are focused on delivering diagnostic solutions, hearing aids and professional counselling and services with a view to improving people's hearing health. As part of our strategy, we are committed to continuing to invest heavily in R&D and further expanding the distribution of our products in both existing and new markets going forward.

In our Communications segment, we develop high-quality communication solutions for enterprises. We are currently reviewing strategic options for this business area and exploring whether a different owner may be better positioned to accelerate growth.

Our ambition

As a leading hearing healthcare company, our ambition is to improve as many lives as possible. Our ambition goes hand in hand with our purpose to create life-changing differences through hearing health. In doing so, we contribute to building a more sustainable world where more people have the opportunity to enjoy an active life.

Our ambition translates into clear commitments towards our main stakeholders:

Customers: Deliver a world-class customer and user experience that exceeds expectations.

Employees: Pursue an engaging, inclusive and innovative work culture, enabling employees to develop and grow.

Investors: Drive attractive financial returns and growth based on a resilient business model.

We are active in markets – with several major players, intense competition and a high level of innovation – that will continue to grow in the foreseeable future due to the demographic development. In these markets, our strategy is to operate multiple businesses that create value-adding synergies.

To obtain the benefit of economies of scale, our clear goal is to grow faster than the underlying markets with a view to winning market shares over time through both organic and acquisitive growth.

Our operating model

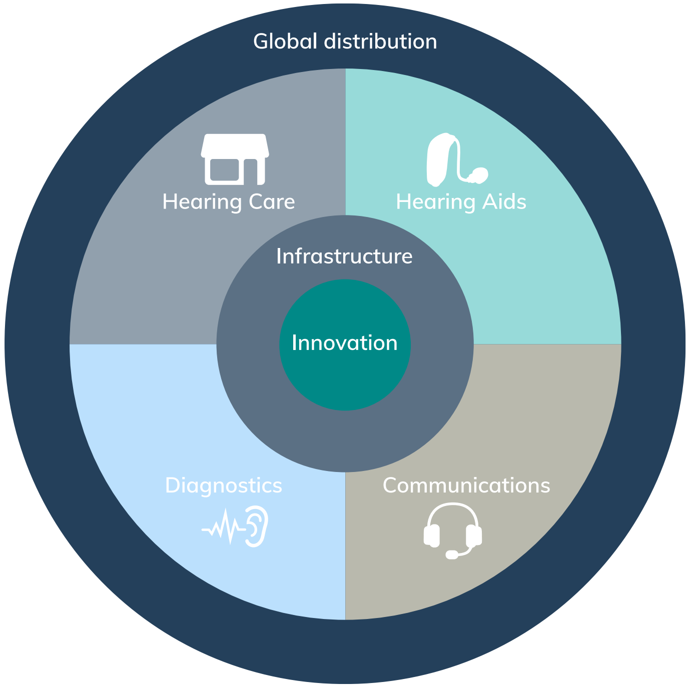
Our operating model ensures that we remain focused on excelling in the different business areas, while – equally important – harvesting synergies across the Group and maintaining a resilient business model.

With our business areas' common understanding of technology, innovation is the core of our operating model, and we will continue to focus on value-adding collaboration between the R&D functions of our individual business areas.

With sales companies and hearing care clinics all over the world, the Group benefits from a strong global distribution setup, which enables us to continuously increase our reach to a variety of countries, markets and customer segments, thereby expanding our business.

Our global shared services support each business area and provide a robust infrastructure within the Group, allowing each business area to benefit from economies of scale.

All our business areas have dedicated organisations to enable them to service their individual markets, ensure a customer-centric approach and execute their specific strategic initiatives. The organisation and operating model combined support a strong collaboration culture across our business areas.



These devices can help me distinguish a baby crying from the crackles that wood makes when it burns – that ability could help me save a life!

Clare, firefighter

Highlights in 2023

Read more at [demant.com/about/latest-news]

Demant sets ambitious 2025 target for renewable electricity

Oticon releases new premium hearing aids Oticon Real™

Philips Hearing Solutions releases the HearLink 40 hearing aids

Audika doubles its presence in Belgium after recent acquisition

Celebrating World Hearing Day

Grand opening of the new Diagnostics production facility in Poland

Increasing the awareness of hearing healthcare in China

Demant's climate targets get the green light

Interacoustics launches new breakthrough Audible Contrast Threshold™ hearing test

EPOS and Lenovo announce partnership to deliver professional audio solutions

2023 in brief

Hearing Healthcare

REVENUE
21,601
DKK MILLION

Hearing Care
Hearing aid retail activities with +3,500 clinics worldwide

REVENUE
9,083
DKK MILLION

Hearing Aids
Development, production and wholesale of hearing aids

REVENUE
10,036
DKK MILLION

Demant Group FY 2023

REVENUE
22,443
DKK MILLION

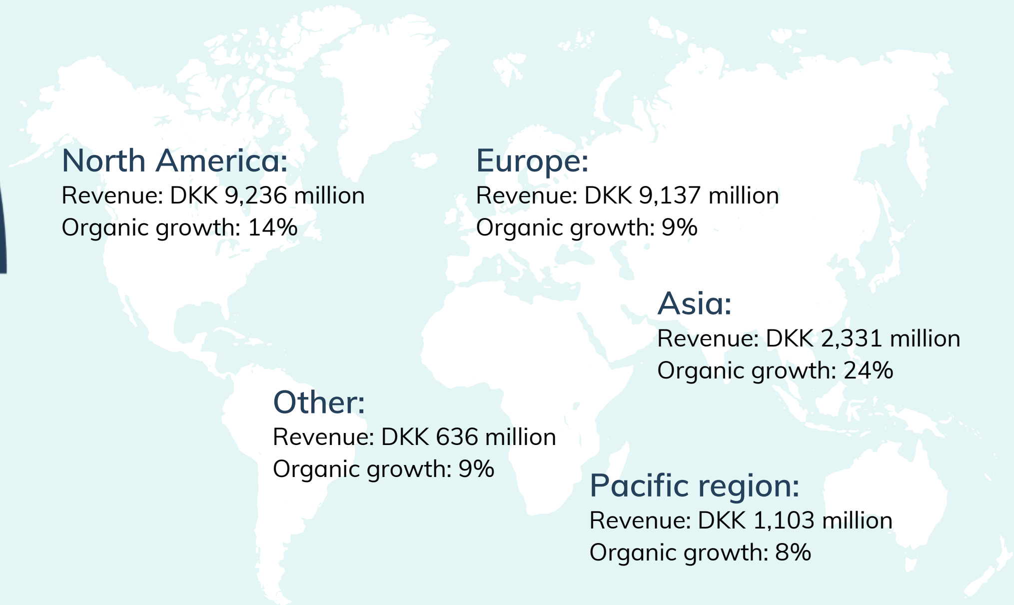
Diagnostics
Diagnostic instruments, services and disposables

REVENUE
2,482
DKK MILLION

Communications
High-end audio and video solutions for enterprises

REVENUE
842
DKK MILLION

Revenue and organic growth by geographic region in 2023



Financial results shown for continuing operations

Hearing Healthcare

GROWTH
17%
IN LOCAL CURRENCIES

EBIT
4,506
DKK MILLION

EBIT MARGIN
20.9%

Communications

GROWTH
-19%
IN LOCAL CURRENCIES

EBIT
-358
DKK MILLION

EBIT MARGIN
-42.5%

Demant Group

GROWTH
15%
IN LOCAL CURRENCIES

EBIT
4,148
DKK MILLION

EBIT MARGIN
18.5%

Outlook in 2024
(continuing operations)

ORGANIC GROWTH
4-8%

EBIT
4,600-5,000
DKK MILLION

SHARE BUY-BACKS
>2,000
DKK MILLION

Group key figures

EMPLOYEES
21,623

1.4
DKK BILLION INVESTED IN R&D

Earnings per share

EPS
11.44
DKK

Cash flow from operating activities

CFFO
4.3
DKK BILLION

Financial results shown for continuing operations

Sustainability

Through life-changing hearing health, we contribute to building a more sustainable world where all people have the opportunity to enjoy an active life.

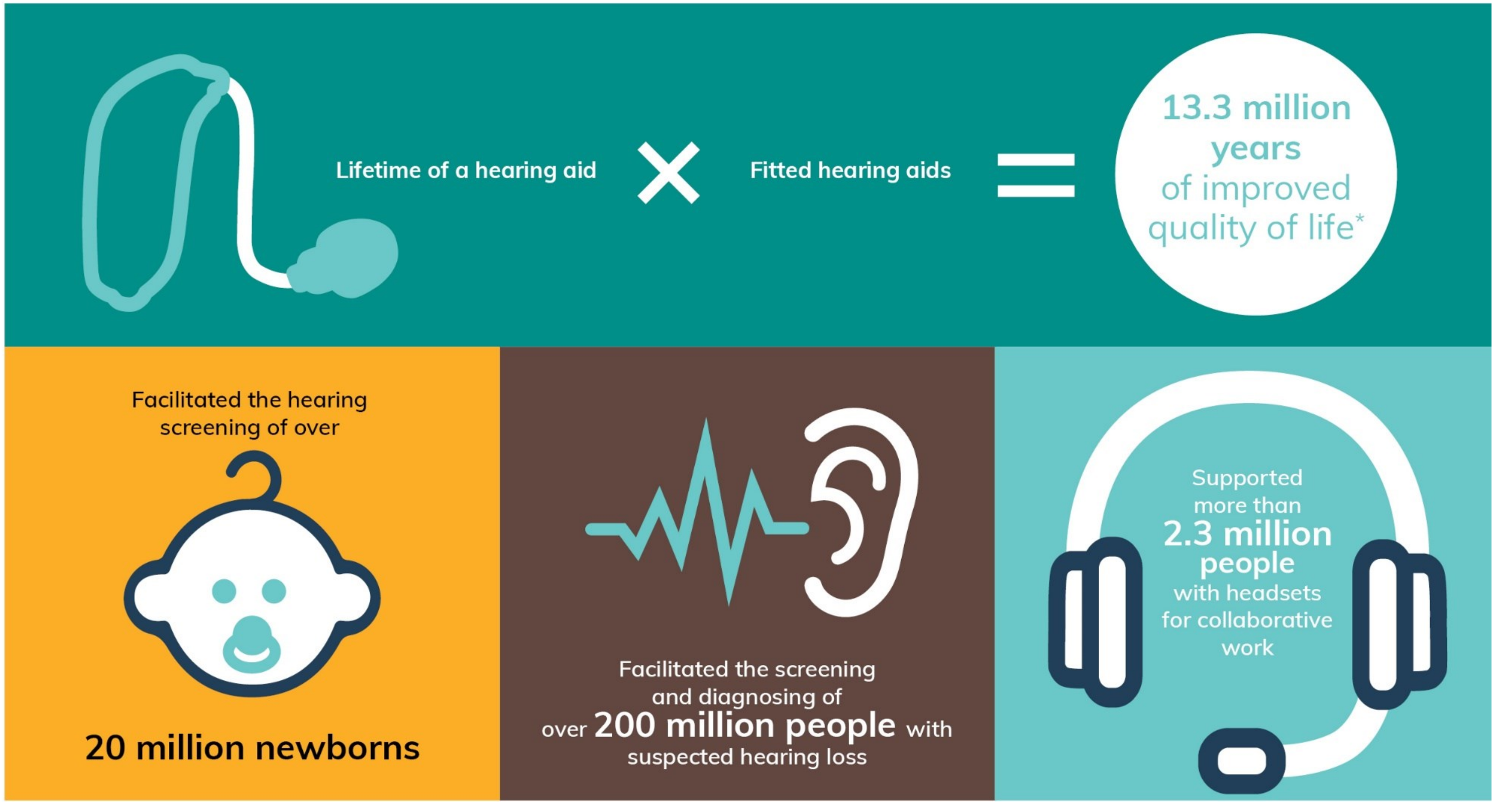
One in five people live with hearing loss and, due to an ageing population, this number is increasing. Testing your hearing is the first step towards better hearing, but many hearing losses go undetected.

If we can enable more people to hear better, we can give them a voice and thus the opportunity to be part of society without constraints. We empower them to tune in to life and take an active part in their community for the good of everyone.

Life-changing impact

In 2023, we continued to increase our positive impact on society, bringing quality of life to people through life-changing hearing health.

The difference we make for people living with hearing loss is our most important contribution to society and to a more sustainable world. The business areas in Demant bring their expertise and innovative solutions within all aspects of hearing health to millions of people around the world and deliver on our ambition to improve as many lives as possible.



*Read more in accounting policies on page 63 in the Sustainability Report 2023.

Material sustainability topics

In 2023, we conducted a double materiality assessment that will guide strategic decisions and reporting going forward.

We identified the material ESG issues and opportunities from an impact and financial perspective. We have looked at our current and potential positive and negative impact on society and at the financial impacts and risks that the topics present to our business in the short, medium and long term.

The assessment confirms our positive impact on society: We bring life-changing differences through hearing health to the global community of people living with hearing loss. The assessment also sheds light on other impacts and opportunities for Demant as well as on areas where we risk having a negative impact on society and nature.

In Demant's Sustainability Report 2023, we describe how we manage our material topics and risks.

Sustainability reporting

Demant publishes a separate Sustainability Report that serves as the statutory report to be presented under sections 99a, 99d and 107d of the Danish Financial Statements Act. It also includes the disclosure requirements of the EU taxonomy for sustainable activities.

The full Sustainability Report is available on our website or via the full link on page 2 of this report.

Material topics

Environment

- Climate action
- Circular economy
- Climate mitigation

Social

- Providing life-changing hearing health
- Positive outcomes of treatment and technology
- Employee engagement, retention and attraction
- Diversity, equity, inclusion and wellbeing
- Product quality
- Sustainable supply chain
- Work creation and optimisation
- Health and safety

Governance

- Business ethics
- Supplier relations
- Advocacy for hearing health
- Data ethics
- Cyber security
- Intellectual property

Sustainability performance and targets

	Performance	Targets		
	2023	**2025**	**2030**	**2050**
Diversity, equity and inclusion				
Share of women in top-level management	27%	30%		
Share of top-level management teams with less than 75% of one gender	79%	75%		
Climate action				
Share of renewable electricity	21%	50%	100%	
Reduction in scope 1 and 2 CO2e emissions	+7%*		-46%	Net-zero emissions

*Compared to 2019 baseline.

Group financial review

FY

(DKK million)	Hearing Healthcare 2023	Communi-cations 2023	Group 2023	Group 2022	Group growth
Revenue	21,601	842	22,443	19,705	14%
Production costs	-5,281	-618	-5,899	-5,036	17%
Gross profit	**16,320**	**224**	**16,544**	**14,669**	**13%**
Gross margin	75.6%	26.6%	73.7%	74.4%	
R&D costs	-1,226	-184	-1,410	-1,314	7%
Distribution costs	-9,554	-363	-9,917	-9,232	7%
Administrative expenses	-1,102	-36	-1,138	-1,038	10%
Share of profit after tax, associates	68	1	69	122	-43%
Operating profit (EBIT)	**4,506**	**-358**	**4,148**	**3,207**	**29%**
EBIT margin	20.9%	-42.5%	18.5%	16.3%	

H1

(DKK million)	Hearing Healthcare 2023	Communi-cations 2023	Group 2023	Group 2022	Group growth
Revenue	10,694	461	11,155	9,497	17%
Production costs	-2,677	-305	-2,982	-2,414	24%
Gross profit	**8,017**	**156**	**8,173**	**7,083**	**15%**
Gross margin	75.0%	33.8%	73.3%	74.6%	
R&D costs	-607	-99	-706	-651	8%
Distribution costs	-4,726	-188	-4,914	-4,394	12%
Administrative expenses	-562	-17	-579	-507	14%
Share of profit after tax, associates	40	-	40	57	-30%
Operating profit (EBIT)	**2,162**	**-148**	**2,014**	**1,588**	**27%**
EBIT margin	20.2%	-32.1%	18.1%	16.7%	

H2

(DKK million)	Hearing Healthcare 2023	Communi-cations 2023	Group 2023	Group 2022	Group growth
Revenue	10,907	381	11,288	10,208	11%
Production costs	-2,604	-313	-2,917	-2,622	11%
Gross profit	**8,303**	**68**	**8,371**	**7,586**	**10%**
Gross margin	76.1%	17.8%	74.2%	74.3%	
R&D costs	-619	-85	-704	-663	6%
Distribution costs	-4,828	-175	-5,003	-4,838	3%
Administrative expenses	-540	-19	-559	-531	5%
Share of profit after tax, associates	28	1	29	65	-55%
Operating profit (EBIT)	**2,344**	**-210**	**2,134**	**1,619**	**32%**
EBIT margin	21.5%	-54.9%	18.9%	15.9%	

HEARING HEALTHCARE
21,601
DKK MILLION
(+16%)

COMMUNICATIONS
842
DKK MILLION
(-21%)

GROUP REVENUE
22,443
DKK MILLION
(+14%)

Introduction

As a result of the decision to discontinue the Hearing Implants business, this former business area is recognised as a discontinued operation. As announced on 5 February 2024, the Group has decided to undertake a review of strategic options for Communications, but for 2023, the business is recognised as a separate business segment and as part of the Group's continuing operations.

For detailed financial reviews of our Hearing Healthcare and Communications segments, please refer to page 27 and 37, respectively.

Revenue

For the full year, Group revenue amounted to DKK 22,443 million, corresponding to a growth rate of 15% in local currencies. Organic growth was 12%, which is above our initial expectations but within the most recent organic growth guidance of 12-13% for 2023. Acquisitive growth was 3%, and exchange rates had an impact on revenue of -1%, which includes the effect of exchange rate hedging. Total reported growth for 2023 was 14%.

Revenue for H2 amounted to DKK 11,288 million, corresponding to a growth rate of 13% in local currencies. Organic growth was 11%, which was entirely driven by Hearing Healthcare, and growth from acquisitions was 2%. Exchange rates negatively impacted revenue by 3%, and total reported growth for H2 was 11%.

In terms of geography, Europe saw good organic growth in H2 driven by the UK and Germany, the latter being supported by acquisitions. Organic growth in France was slightly negative, as the market continued to normalise following the initial boost in demand from the hearing healthcare reform implemented in 2021.

North America saw very strong organic growth thanks to both the US, in part helped by low comparative figures, and Canada, but exchange rate effects were negative.

Growth rates by business segment

	H1 2023	H2 2023	FY 2023
Hearing Healthcare			
Organic	15%	13%	14%
Acquisitions	4%	2%	3%
Local currencies	**19%**	**15%**	**17%**
FX	1%	-3%	-1%
Total	**20%**	**12%**	**16%**
Communications			
Organic	-15%	-22%	-19%
Acquisitions	0%	0%	0%
Local currencies	**-15%**	**-22%**	-19%
FX	-1%	-3%	-2%
Total	**-16%**	**-25%**	**-21%**
Group			
Organic	13%	11%	12%
Acquisitions	4%	2%	3%
Local currencies	**17%**	**13%**	**15%**
FX	1%	-3%	-1%
Total	**18%**	**11%**	**14%**

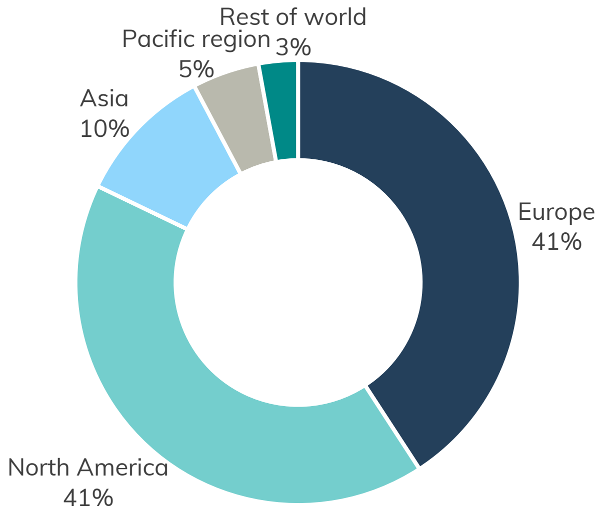
Revenue by geographic region

(DKK million)	H2 2023	H2 2022	Change DKK	Change LCY	Change Org.
Europe	4,609	4,092	13%	12%	8%
North America	4,664	4,203	11%	15%	15%
Asia	1,142	1,063	7%	18%	16%
Pacific region	550	550	0%	7%	7%
Rest of world	323	300	8%	9%	8%
Total	**11,288**	**10,208**	**11%**	**13%**	**11%**

In Asia, several markets saw very strong organic growth in H2 and Japan delivered good contribution to growth. Organic growth in China was particularly strong in Q4, supported by softer comparative figures as a result of the coronavirus situation in 2022. Despite delivering growth, performance in China remained below our original expectations. Revenue growth in the region was negatively impacted by exchange rate effects.

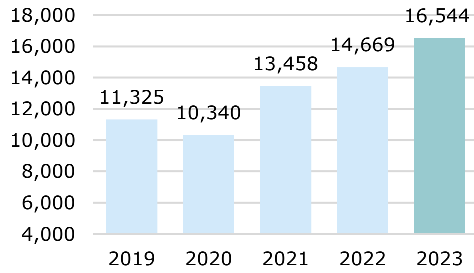
We saw solid organic growth in both the Pacific region and in our Rest of world region, the latter driven primarily by strong performance in several markets in South America.

Revenue by geographic region H2 2023



Five-year gross profit

(DKK million)



2019-2020 figures have not been restated to reflect the discontinuation of Hearing Implants, but have been adjusted for one-offs.

Gross profit

The Group's gross profit increased by 13% to DKK 16,544 million in 2023, corresponding to a gross margin of 73.7%. This is a decrease of 0.7 percentage point compared to 2022, primarily due to exchange rate effects in H1 and a significant decline in the gross margin in Communications.

In H2, the Group's gross profit amounted to DKK 8,371 million, corresponding to an increase of 10% compared to H2 2022 and resulting in a gross margin of 74.2%, a decline of 0.1 percentage point. While the gross margin improved compared to H1, we continued to see a significant dilution in Communications due to promotional activities and, in particular, to our decision to wind down our Gaming activities.

Operating expenses (OPEX)

For the full year, OPEX increased by 10% in local currencies of which 6 percentage points relate to organic growth and 4 percentage points to acquisitive growth.

In H2, OPEX growth was 7% in local currencies. In organic terms, OPEX increased by 3%, reflecting ongoing investments in Hearing Healthcare, as we continued to focus on R&D to drive innovation and ensure continuous technological leadership. In terms of business segments, OPEX growth in Hearing Healthcare was somewhat offset by significant cost cutting measures in Communications following previously announced redundancies.

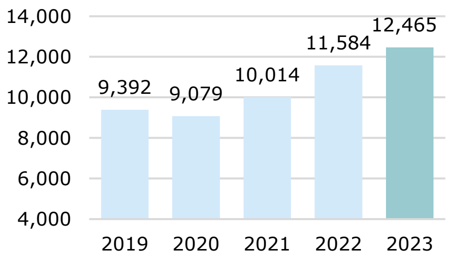
In H2, the Group saw an impact of 4% on OPEX from acquisitions related to Hearing Care and Diagnostics, while exchange rate effects were -3%.

OPEX by function

(DKK million)	H2 2023	H2 2022	Change DKK	Change LCY	Change Org.
R&D costs	704	663	6%	7%	6%
Distribution costs	5,003	4,838	3%	7%	3%
Administrative expenses	559	531	5%	11%	3%
Total	**6,266**	**6,032**	**4%**	**7%**	**3%**

Five-year OPEX

(DKK million)



2019-2020 figures have not been restated to reflect the discontinuation of Hearing Implants, but have been adjusted for one-offs.

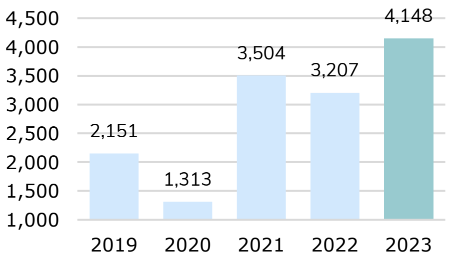
Operating profit (EBIT)

The Group's reported EBIT amounted to DKK 4,148 million in 2023, which corresponds to an EBIT margin of 18.5%.

In H2, EBIT was DKK 2,134 million, an increase of 32%. Hearing Healthcare contributed DKK 2,344 million and Communications DKK -210 million. The resulting EBIT margin for H2 was 18.9%, which is an increase of 3.0 percent-age points. The significant increase in EBIT margin was entirely driven by Hearing Healthcare, particularly due to material operating leverage in Hearing Aids, whereas Communications delivered below expectations and was a drag on the Group's profitability. Exchange rates had a slightly positive impact on EBIT.

Full-year EBIT

(DKK million)



2019-2020 figures have not been restated to reflect the discontinuation of Hearing Implants, but have been adjusted for one-offs.

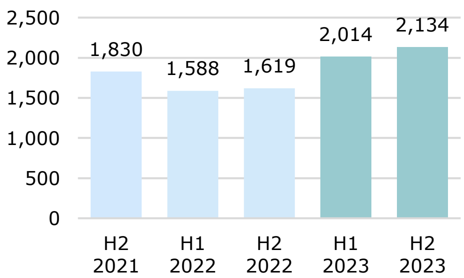
As a consequence of our acquisition strategy, we realised certain fair value adjustments of non-controlling interests in step acquisitions, contingent considerations etc. These totalled a net positive fair value adjustment of DKK 32 million for the full year (DKK 23 million in 2022). Please refer to Note 6.1 for more details.

Financial items

For the full year, net financial items amounted to DKK -754 million, which is a very significant increase of DKK 474 million compared to 2022. The increase primarily relates to higher interest rates paid. In H2, net financial items totalled DKK -395 million, an increase of DKK 210 million versus H2 2022.

Half-year EBIT

(DKK million)



Profit for the year – continuing operations

Reported profit before tax from continuing operations in 2023 amounted to DKK 3,394 million, which is an increase of 16% compared to 2022. Tax amounted to DKK 839 million. The resulting effective tax rate was 24.7%, which is in line with our guidance of 24-25%. For H2, profit before tax from continuing operations was DKK 1,739 million and tax amounted to DKK 442 million.

For the full year, reported net profit for continuing operations was DKK 2,555 million, or an increase of 12%, resulting in earnings per share (EPS) of DKK 11.44. In H2, reported net profit for continuing operations was DKK 1,297 million, which corresponds to an EPS of DKK 5.81.

Discontinued operations

Profit after tax from discontinued operations amounted to DKK -757 million for the full year. Of this amount, DKK -638 million relates to non-cash write-downs of assets related to the cochlear implants business, which was recognised in H1. For H2, profit after tax from discontinued operations was DKK -81 million, which is in line with our expectations.

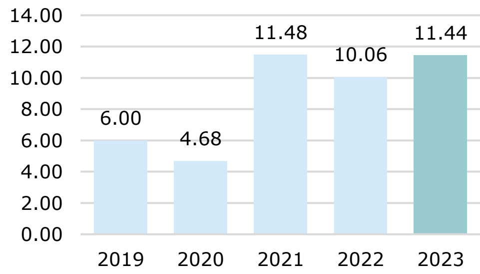
Profit for the year

For the Group as a whole, profit after tax in 2023 amounted to DKK 1,798 million, corresponding to an EPS of DKK 8.04. In H2, net profit after tax was DKK 1,216 million, with an EPS of DKK 5.44.

At the annual general meeting, the Board of Directors will propose that the entire profit for the year be retained and transferred to the company's reserves.

Earnings per share (EPS) for continuing operations

(DKK per share)



2019-2020 figures have not been restated to reflect the discontinuation of Hearing Implants.

Cash flow statement

The Group generated very strong cash flow in 2023, with cash flow from operating activities (CFFO) increasing by 65% to DKK 4,335 million. In H2, CFFO amounted to DKK 2,472 million, up by 45% due to the increased operating profit, but also positively impacted by a slight improvement in net working capital.

In 2023, our net investments in property, plant and equipment and intangible assets (CAPEX) amounted to DKK 825 million, which is a decrease of 9%. CAPEX relative to revenue was 4%, which is equal to our medium- to long-term ambition. In H2, CAPEX was DKK 420 million, down by 16% on the same period in 2022, as we finalised the construction of our new production sites in Poland and Mexico in 2022.

Net investments in other non-current assets, which comprise customer loans and loans to associates, amounted to DKK 27 million, resulting in total net investments of DKK 852 million in 2023. For H2, net investments in other non-current assets amounted to DKK 65 million and total net investments to DKK 479 million.

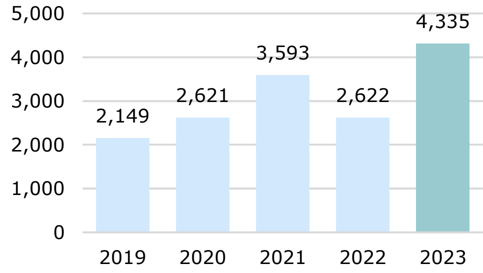
The free cash flow before acquisitions and divestments increased by 115% to DKK 3,483 million for the full year and by 63% to DKK 1,993 million in H2.

Net cash spent on acquisitions and divestments totalled DKK 935 million for the year, a significant decrease, as cash spent on acquisitions was unusually high in 2022 due to the acquisition of Sheng Wang. In H2, net cash spent on acquisitions and divestments amounted to DKK 622 million, reflecting an increased activity level, although it remained below the original plans.

Following the resumption of our share buy-backs in November, we spent a total of DKK 846 million in 2023 of which DKK 829 million was spent in H2.

CFFO

(DKK million)

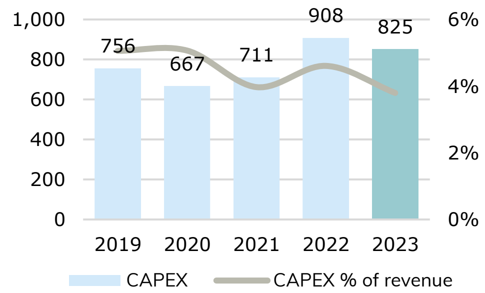


2019-2020 figures have not been restated to reflect the discontinuation of Hearing Implants, but have been adjusted for one-offs.

Mainly relating to the repayment of loans during the year, other financing activities amounted to DKK -1,595 million in 2023, and the net cash flow from continuing operations totalled DKK 107 million. For H2, other financing activities amounted to DKK -504 million, and the net cash flow from continuing operations was DKK 38 million.

CAPEX

(DKK million)



2019-2020 figures have not been restated to reflect the discontinuation of Hearing Implants, but have been adjusted for one-offs.

The net cash flow from discontinued operations was DKK -65 million for the full year and DKK -48 million in H2. Please refer to Note 6.2 for more details.

Cash flow by main items

(DKK million)	FY		H2		H1		Change		
	2023	2022	2023	2022	2023	2022	FY	H2	H1
CFFO	**4,335**	**2,622**	**2,472**	**1,707**	**1,863**	**915**	**65%**	**45%**	**104%**
Net investments	-852	-1,005	-479	-488	-373	-517	-15%	-2%	-28%
Free cash flow before acquisitions and divestments	**3,483**	**1,617**	**1,993**	**1,219**	**1,490**	**398**	**115%**	**63%**	**274%**
Acquisitions and divestments etc.	-935	-2,323	-622	-1,810	-313	-513	-60%	-66%	-39%
Share buy–backs	-846	-1,840	-829	-533	-17	-1,307	-54%	56%	-99%
Other financing activities	-1,595	2,774	-504	1,153	-1,091	1,621	n.a.	n.a.	n.a.
Cash flow for the period	**107**	**228**	**38**	**29**	**69**	**199**	**-53%**	**31%**	**-65%**

Balance sheet

As of 31 December 2023, the Group's total assets amounted to DKK 30,546 million. This is an increase of 2% compared to 31 December 2022, which is primarily driven by additions from acquisitions of 5%, as organic growth in total assets was flat. Exchange rate effects subtracted 1%. In relation to our assets held for sale, the write-down of our cochlear implants business negatively impacted growth by 2%. The increase in total assets is primarily due to an increase in goodwill, mostly related to acquisitions, which is also the case, if we look at the development from 30 June 2023.

Relative to the end of 2022, our net working capital (NWC) remained flat. The Group's NWC was DKK 3,630 million at the end of 2023, down by 5% since 30 June 2023, which is mainly due to a decrease in trade receivables. As a consequence of our strong focus on cash flow, our NWC-to-revenue ratio declined to 16%. Please refer to Note 9.1 for our definition of net working capital.

Balance sheet by main items

(DKK million)	FY 2023	H1 2023	FY 2022	Change H1 2023	Change FY 2022
Lease assets	2,596	2,391	2,304	9%	13%
Other non-current assets	18,566	17,915	17,531	4%	6%
Inventories	2,845	2,739	2,904	4%	-2%
Trade receivables	3,650	3,826	3,626	-5%	1%
Cash	1,138	1,158	1,130	-2%	1%
Other current assets	1,468	1,500	1,398	-2%	5%
Assets held for sale	283	304	964	-7%	-71%
Total assets	**30,546**	**29,833**	**29,857**	**2%**	**2%**
Equity	9,338	8,990	8,562	4%	9%
Lease liabilities	2,686	2,474	2,380	9%	13%
Other non-current liabilities	12,301	9,734	7,960	26%	55%
Trade payables	799	825	865	-3%	-8%
Other current liabilities	5,333	7,753	9,915	-31%	-46%
Liabilities related to assets held for sale	89	57	175	56%	-49%
Total equity and liabilities	**30,546**	**29,833**	**29,857**	**2%**	**2%**

Although our net interest-bearing debt (NIBD) increased by 1% in H2, it decreased by 3% in 2023 as a whole and thus amounted to DKK 12,280 million at 31 December 2023. The decrease for the full year is primarily due to our strong cash flow generation. As a result of the decrease in our NIBD and the higher realised EBITDA, our gearing multiple (NIBD/EBITDA) decreased significantly from 2.9 at the end of 2022 to 2.2 at the end of 2023, which is within our medium- to long-term gearing target of 2.0-2.5.

Positively impacted by profit, but somewhat offset by currency translation and share buy-backs, total equity for the full year increased by 9% to DKK 9,338 million of which DKK 82 million is attributable to non-controlling interests and DKK 9,256 million to the shareholders of Demant A/S. In H2, total equity increased by 4%, mainly because of profit generated by the Group.

Shares acquired under the share buy-back programme recognised on the Group's balance sheet totalled 2,952,703 shares bought at an average price of DKK 286.45, totalling DKK 846 million.

Employees

As of 31 December 2023, the Group had 21,623 employees compared to 21,154 as of 30 June 2023, an increase of 2% driven evenly by acquisitions and organic growth.

The total number of employees increased by 5% for the full year compared to the 20,570 employees at the end of 2022.

Hedging activities

The material forward exchange contracts in place as of 31 December 2023 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	676
JPY	11 months	4.90
AUD	11 months	447
GBP	10 months	844
CAD	10 months	504
PLN	9 months	161

Sustainability

In our Group Policy on Diversity, Equity and Inclusion from 2022, Demant introduced targets for gender diversity in top-level management. The percentage of women in top-level management increased by 4 percentage points from 23% in 2022 to 27% in 2023. We also saw an increase in women managers of 3 percentage points among all people managers in Demant.

Furthermore, we have a target aiming at increasing the number of top-level management teams with a diverse gender composition. The target is defined as follows: Having a maximum of 75% of the same gender on 75% or more of top-level management teams in 2025. In 2023, we exceeded our 2025 target by reaching 79%.

The progress on gender diversity is driven by focused actions, such as training in inclusive leadership and unconscious bias, and inclusive recruitment initiatives and is also driven by leveraging emerging opportunities to secure a more balanced gender diversity.

On the environmental side, our data shows a decrease of 15% in scope 1 and 2 CO2e emissions from 2022 to 2023. This is mainly driven by our renewable electricity share that amounted to 21% in 2023. The Group also saw a small decrease in electricity consumption, whereas the total energy consumption increased slightly, reflecting a higher activity level.

In July 2023, the Science Based Targets initiative validated and approved our targets to reduce the Group's aggregate scope 1 and 2 CO2e emissions by 46% and to reduce our scope 3 CO2e emissions by 46% by 2030 from a 2019 base year.

Please refer to the Sustainability Report for more details on our 2023 performance.

Demant performed well in 2023, which affected the performance-based variable pay to CEO Søren Nielsen positively. The increased variable pay is reflected in an increase in the CEO remuneration ratio to 48. For more details on remuneration, please refer to the Remuneration Report.

Events after the balance sheet date

On 5 February 2024, the Group announced the decision to undertake a review of strategic options for its Communications business. The purpose of the review is to explore whether a different owner may be better positioned to accelerate growth and to allow the business to realise its full potential. The review is expected to be completed by the end of H1 2024. For accounting purposes, the Communications business is recognised as part of the Group's continuing operations for 2023, but for 2024 and going forward, it will be recognised as part of discontinued operations.

There have been no other events that materially change the assessment of this Annual Report 2023 from the balance sheet date and up to today.

Key full-year sustainability figures

	2023	**2022**	**Change**
Scope 1-2 emissions (market-based) (tonnes CO2e)[1]	30,469	35,862	-15%
CEO remuneration ratio	48	39	9
Gender diversity, Board of Directors (women/men)[2]	40/60%	40/60%	-
Gender diversity, all managers (women/men)	47/53%	44/56%	3 p.p.
Gender diversity, top-level management	27/73%	23/77%	4 p.p.
Gender diversity, top-level management teams (on/off target)	79/21%	71/29%	8 p.p.

[1]Figures in 2022 were restated in order recognise new acquisitions.
[2]Shareholder-elected members.

Financial outlook

Outlook for 2024

Our outlook for 2024 for continuing operations (Hearing Healthcare) is summarised in the table below:

Organic growth	4-8%
EBIT	DKK 4,600-5,000 million
Share buy-backs	More than DKK 2,000 million

The outlook is based on a number of key assumptions as described below:

- We expect the unit growth rate in the global hearing aid market in 2024 to be in line with the structural growth rate of 4-6%. We expect a negative impact of ASP declines around the normal level of 1-2% due to mix effects.
- We expect the cash allocated to bolt-on acquisitions in 2024 to be higher than normal due to the postponement of some acquisitions from 2023 and a good pipeline of attractive opportunities.
- Communications will be recognised as part of discontinued operations. We expect profit after tax related to Communications to be negative by DKK 100-150 million. This relates entirely to an expected full-year operating loss and does not include any financial impact related to the review of strategic options.
- The divestment of our cochlear implants business is expected to close in H1 2024. Our bone anchored hearing systems business will remain with the Group for now, pending a review of our strategic options. For the full year 2024, we expect profit after tax related to Hearing Implants to be around DKK 0 million.

For modelling purposes, we provide further assumptions for 2024 below:

Acquisitive growth	1% based on revenue from acquisitions completed as of 4 February 2024
FX growth	-1% based on exchange rates as of 4 February 2024 and including the impact of hedging
Effective tax rate	Around 24%
Profit after tax from discontinued operations	Negative by DKK 100-150 million, entirely related to Communications, with profit after tax for Hearing Implants to be around DKK 0 million

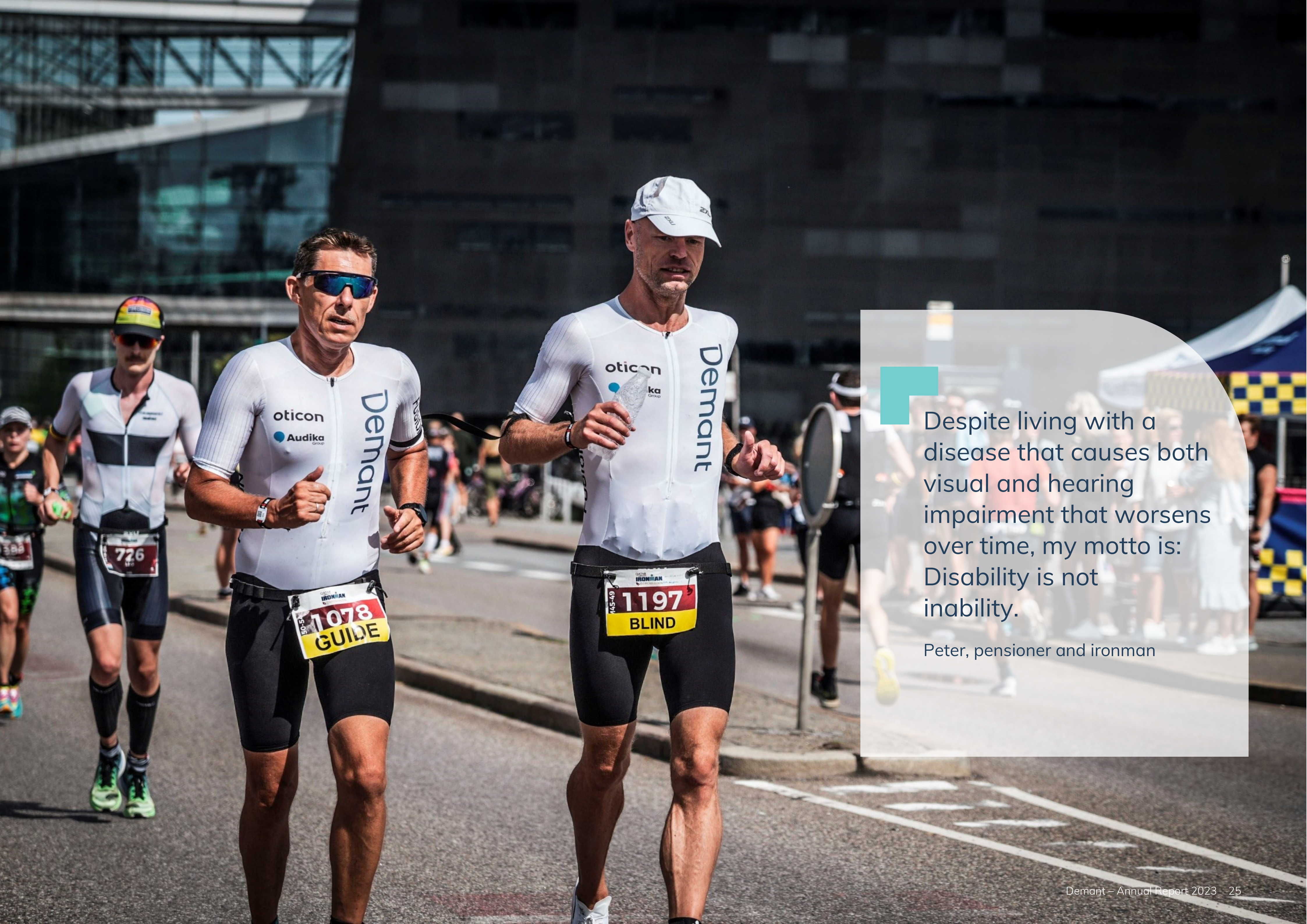
Medium- to long-term outlook

Revenue growth	7-10% p.a. in local currencies with organic growth of 6-8% p.a. and acquisitive growth of 1-2% p.a.
EBIT margin	For Hearing Healthcare, aim for incremental EBIT margin expansion over time, and for Communications*, aim for transformative EBIT margin expansion
CAPEX	Around 4% of the Group's revenue (investments in tangible and intangible assets, excluding customer loans and acquisitions)
Gearing	Gearing multiple (NIBD/EBITDA) of 2.0-2.5
Capital allocation	Subject to our gearing target, we will return any excess free cash flow after acquisitions to our shareholders in the form of share buy-backs

And for our business segments, we have the following medium- to long-term outlook:

Hearing Healthcare	Aim to gain market shares in organic terms in all our business areas, translating into an organic growth rate of at least 5% p.a.
Communications*	Aim to grow revenue in organic terms at least in line with the market growth rate, corresponding to an organic growth rate of at least 12% p.a.

*The Group has decided to undertake a review of strategic options for its Communications business.



> Despite living with a disease that causes both visual and hearing impairment that worsens over time, my motto is: Disability is not inability.

Peter, pensioner and ironman

Our business

Hearing Healthcare

Hearing Aids

Hearing Care

Diagnostics

Communications

EPOS

Hearing Healthcare

Financial review

REVENUE
21,601
DKK MILLION

GROWTH
17%
IN LOCAL CURRENCIES

Income statement

(DKK million)	H1 2023	H1 2022	H1 Growth	H2 2023	H2 2022	H2 Growth	FY 2023	FY 2022	FY Growth
Revenue	10,694	8,945	20%	10,907	9,700	12%	21,601	18,645	16%
Production costs	-2,677	-2,115	27%	-2,604	-2,338	11%	-5,281	-4,453	19%
Gross profit	**8,017**	**6,830**	**17%**	**8,303**	**7,362**	**13%**	**16,320**	**14,192**	**15%**
Gross margin	75.0%	76.4%		76.1%	75.9%		75.6%	76.1%	
R&D costs	-607	-534	14%	-619	-549	13%	-1,226	-1,083	13%
Distribution costs	-4,726	-4,170	13%	-4,828	-4,617	5%	-9,554	-8,787	9%
Administrative expenses	-562	-488	15%	-540	-513	5%	-1,102	-1,001	10%
Share of profit after tax, associates	40	57	-30%	28	65	-57%	68	122	-44%
Operating profit (EBIT)	**2,162**	**1,695**	**28%**	**2,344**	**1,748**	**34%**	**4,506**	**3,443**	**31%**
EBIT margin	20.2%	18.9%		21.5%	18.0%		20.9%	18.5%	

Revenue by business area

(DKK million)	H1 2023	H1 2022	H1 Growth	H2 2023	H2 2022	H2 Growth	FY 2023	FY 2022	FY Growth
Hearing Aids, total sales	6,088	4,842	26%	6,024	5,149	17%	12,112	9,991	21%
Hearing Aids, internal sales	-1,100	-895	23%	-976	-865	13%	-2,076	-1,760	18%
Hearing Aids, external sales	4,988	3,947	26%	5,048	4,284	18%	10,036	8,231	22%
Hearing Care	4,508	3,932	15%	4,575	4,191	9%	9,083	8,123	12%
Diagnostics	1,198	1,066	12%	1,284	1,225	5%	2,482	2,291	8%
Hearing Healthcare	**10,694**	**8,945**	**20%**	**10,907**	**9,700**	**12%**	**21,601**	**18,645**	**16%**

Growth rates

	H1 2023	H2 2023	FY 2023
Hearing Aids, external sales			
Organic	24%	20%	22%
Acquisitions	-1%	-1%	-1%
Local currencies	**23%**	**19%**	**21%**
FX	3%	-1%	**1%**
Total	**26%**	**18%**	**22%**
Hearing Care			
Organic	8%	7%	8%
Acquisitions	8%	6%	7%
Local currencies	**16%**	**13%**	**15%**
FX	-2%	-4%	-3%
Total	**15%**	**9%**	**12%**
Diagnostics			
Organic	6%	7%	7%
Acquisitions	7%	2%	4%
Local currencies	**13%**	**10%**	**11%**
FX	-1%	-5%	-3%
Total	**12%**	**5%**	**8%**
Hearing Healthcare			
Organic	15%	13%	14%
Acquisitions	4%	2%	3%
Local currencies	**19%**	**15%**	**17%**
FX	1%	-3%	-1%
Total	**20%**	**12%**	**16%**

Revenue

In 2023, our Hearing Healthcare segment generated revenue of DKK 21,601 million. This corresponds to a growth rate of 17% in local currencies, with organic growth accounting for 14 percentage points and acquisitive growth for 3 percentage points. Exchange rate effects reduced growth by 1 percentage point, and total reported growth was thus 16%.

In H2, revenue amounted to DKK 10,907 million, corresponding to growth of 15% in local currencies. The organic growth of 13% was driven primarily by excellent performance in Hearing Aids, although both Hearing Care and Diagnostics also saw good performance. Driven by acquisitions in Hearing Care and Diagnostics, acquisitive growth added 2 percentage points to growth in H2, while negative exchange rate effects reduced growth by 3 percentage points. Total reported growth was 12% for the period.

Gross profit

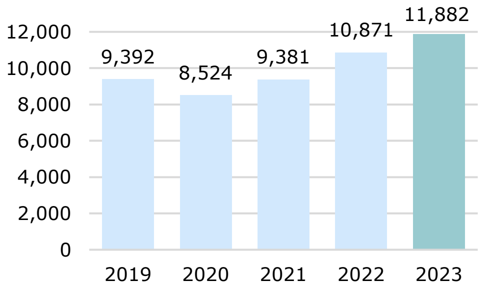
Our gross profit increased by 15% in 2023 to DKK 16,320 million, corresponding to a gross margin of 75.6%. In H2, the gross profit increased by 13%, and the gross margin was 76.1%, an increase of 0.2 percentage point compared to H2 2022. The gross margin was negatively impacted by an increasing share of rechargeable units, but this was more than offset by increasing ASPs, mostly related to geography mix changes. Exchange rate effects had a slightly positive impact on the gross margin.

Operating expenses (OPEX)

For the full year, OPEX amounted to DKK 11,882 million with an increase of 12% in local currencies.

Full-year OPEX

(DKK million)



2019-2020 figures have not been restated to reflect the discontinuation of Hearing Implants, but have been adjusted for one-offs.

In H2, OPEX was DKK 5,988 million with growth of 9% in local currencies, with organic growth accounting for 5 percentage points and acquisitive growth for 4 percentages points. Organic growth was highest in R&D costs, as we continued to fuel further investments to deliver future growth. Organic growth was driven by balanced growth in Hearing Aids and Diagnostics, reflecting higher activity levels. Acquisitive growth was primarily related to Hearing Care, particularly in Germany. Exchange rate effects reduced growth in OPEX by 4 percentage points.

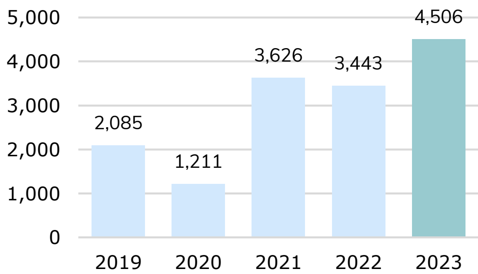
Operating profit (EBIT)

In 2023, EBIT amounted to DKK 4,506 million, corresponding to an EBIT margin of 20.9%.

In H2, EBIT amounted to DKK 2,344 million, corresponding to an EBIT margin of 21.5%. This is an increase of 3.5 percentage points versus H2 2022. The margin increase is primarily due to material operating leverage in Hearing Aids, but was also helped by increased profitability in Hearing Care, which more than offset lower profitability in Diagnostics. Exchange rate effects were slightly positive.

Full-year EBIT

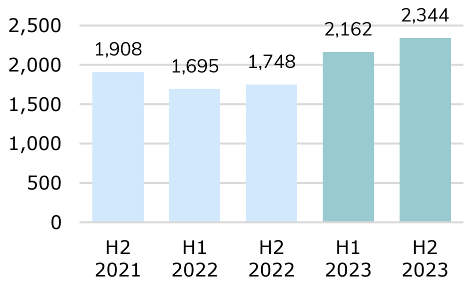
(DKK million)



2019-2020 figures have not been restated to reflect the discontinuation of Hearing Implants, but have been adjusted for one-offs. EBIT for 2019 was negatively impacted by DKK 550 million as a result of the IT incident.

Half-year EBIT

(DKK million)



OPEX by function

(DKK million)	H2 2023	H2 2022	Change DKK	Change LCY	Change Org.
R&D costs	**619**	549	13%	13%	13%
Distribution costs	**4829**	4,617	5%	8%	4%
Administrative expenses	**540**	513	5%	11%	4%
Total	**5,988**	**5,679**	**5%**	**9%**	**5%**

Hearing Aids

REVENUE
12,112
DKK MILLION

GROWTH
21%
IN LOCAL CURRENCIES

Core SDG impact

3 GOOD HEALTH AND WELL-BEING

Based on the estimated lifetime of hearing aids and fittings made by the Group in 2023, we facilitated 13.3 million years of improved quality of life in 2023.

Key 2023 sustainability results

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

New handles for hearing aid filters made from 52% less material with no residue plastic as well as connectivity packaging emitting 78% less CO2e.

Oticon
Intent™

Market developments

Based on available market statistics, covering around two-thirds of the market, and on our own assumptions, we estimate that the global hearing aid market saw unit growth of around 7% in 2023. Although slightly above the structural growth rate of 4-6%, it is primarily due to the softer comparative base in H2 2022, which was affected by the macroeconomic environment, and if we compare to pre-pandemic levels, growth in the global hearing aid market was 5% p.a., which is in line with the structural growth rate. Overall, we consider the hearing aid market to have largely normalised in 2023 after several years of unusual volatility, mostly related to the coronavirus pandemic.

Growth in 2023 was primarily driven by North America, in particular the US commercial market, which had seen significant weakness in H2 2022. We estimate that geography mix changes resulted in slight growth in the market's ASP for the year.

For Q4, we estimate that global market unit growth was 8%. Compared to pre-pandemic levels, growth decelerated slightly, although this was primarily a reflection of lower growth in government channels and phasing in distributor markets.

Compared to the same period last year, we estimate that growth in Europe was 2% in Q4. In France, growth was slightly positive, showing signs of stabilisation following fluctuations related to the hearing healthcare reform in 2021. In the UK, market growth was slightly negative, as growth in the NHS declined following a very strong Q3, but growth in the UK private market was positive. In Germany, growth was solid in Q4, supported by lower comparative figures, although growth for the full year was flat due to negative growth in H1.

Growth in North America accelerated to 16% in Q4. In the US, the commercial part of the market grew by 19%, as the US saw a particularly negative impact of macroeconomic uncertainty in Q4 2022. Despite high unit growth rates in Q4, we continued to see negative mix effects, with managed care and large chains growing more than the independent part of the market. Growth in Veterans Affairs (VA) was 4%, and in Canada, growth was strong throughout the year.

Looking beyond North America and Europe, we estimate that in Q4, unit growth in Australia was slightly negative. Although momentum in China continued to be slower than originally expected, growth was very strong in Q4, as the coronavirus situation significantly impacted the activity level in the same period last year. We estimate that several other emerging markets saw strong growth, however distributor-driven markets declined in the period.

Business update

In 2023, total revenue in Hearing Aids amounted to DKK 12,112 million, corresponding to an organic growth rate of 21% (Q4: 16%). Internal revenue from sales to our Hearing Care business accounted for 17% of total revenue. Our commentary below focuses on total revenue, including revenue from sales through our own retail clinics, and thus covers our total wholesale activities. However, internal revenue is eliminated from the reported revenue for our Hearing Healthcare segment and thus for the Group.

Hearing Aids delivered excellent growth in 2023 as a result of broad-based commercial momentum across geographies and channels and the successful launches of new premium hearing aids in Q1. Furthermore, we saw strong additional sales to a large US customer. With growth in Hearing Aids significantly outpacing the market growth rate, the business area gained important market share in 2023.

Similar to H1, growth in H2 was mainly unit-driven, although the ASP also contributed positively, particularly in Q4. In H2, unit and ASP growth was 11% and 7%, respectively. The very positive ASP development in H2 is due to changes in the channel and geography mix and our success in the premium price segment, which drove positive product mix effects.

In Q4, growth was 16% in local currencies, all of which was organic growth. Growth

Estimated hearing aid market unit growth in 2023 by region

(vs. 2022)	Q1	Q2	Q3	Q4	FY
Europe	4%	-4%	7%	2%	2%
North America	9%	5%	11%	16%	10%
US (commercial)	9%	5%	12%	19%	11%
US (VA)	9%	4%	4%	4%	5%
Rest of world	9%	10%	7%	10%	9%
Global	**7%**	**3%**	**8%**	**8%**	**7%**
CAGR vs. 2019	5%	5%	5%	4%	5%

Hearing Aids

(DKK million)	Q1 2023	Q2 2023	Q3 2023	Q4 2023	FY 2023
Revenue	3,048	3,040	2,924	3,100	12,112
Growth					
Organic	26%	20%	21%	16%	21%
Acquisitions	0%	0%	0%	0%	0%
Local currencies	**26%**	**20%**	**21%**	**16%**	**21%**
FX	4%	2%	-2%	-1%	0%
Total	**30%**	**22%**	**20%**	**15%**	**21%**

Revenue and growth

(DKK million)	FY 2023	FY 2022	Growth Org.	Acq.	LCY	FX	Rep.
Total revenue	12,112	9,991	21%	0%	21%	0%	21%
Internal sales to Hearing Care*	2,076	1,760	14%	6%	20%	-2%	18%
Sales to external customers	10,036	8,231	22%	-1%	21%	1%	22%
(DKK million)	Q4 2023	Q4 2022	Growth Org.	Acq.	LCY	FX	Rep.
Total revenue	3,100	2,703	16%	0%	16%	-1%	15%
Internal sales to Hearing Care*	482	395	18%	6%	24%	-2%	22%
Sales to external customers	2,618	2,308	16%	-1%	15%	-1%	13%

*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.

thus continued at a very high level but decelerated slightly compared to previous quarters, which is primarily due to the annualisation of increased sales to a large US customer, but also to lower growth with certain other large accounts.

In terms of geographies, North America delivered strong growth in Q4 driven by continuously strong momentum across channels in the US. In the important VA channel, our unit market share ended at 20.3%, and throughout the year, we saw strong progress in this channel. Sales in Canada were also very strong in Q4.

In Europe, growth was strong, particularly in France, where the growth rate was well above the market growth rate, but many of our other markets, including Germany also saw good performance in Q4.

Growth in units and ASP

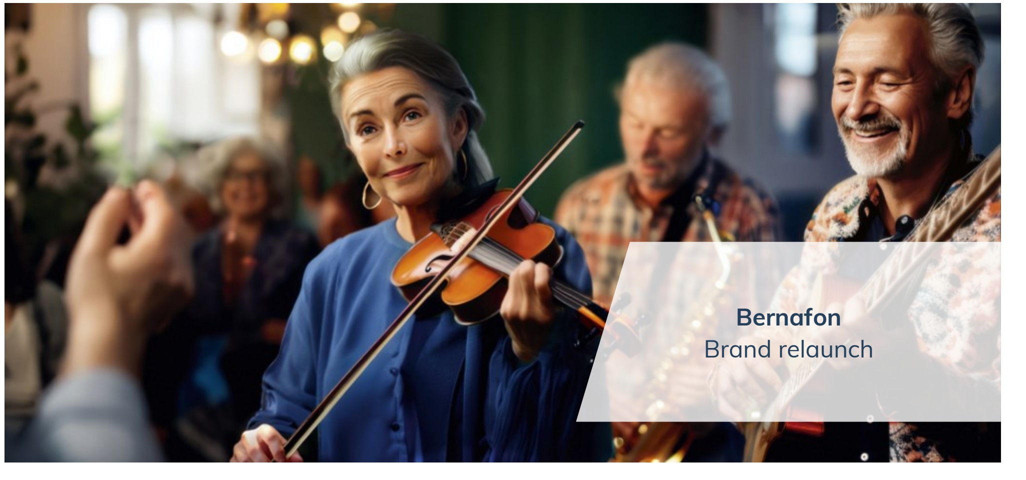
(LCY)	H1 2023	H2 2023	FY 2023
Units	18%	11%	15%
ASP	4%	7%	6%
Total	**23%**	**18%**	**21%**

Sales growth in Asia was very strong in Q4, in part due to low comparative figures. China saw significant growth, but only due to sales in 2022 being negatively impacted by the coronavirus situation. In the Pacific region, growth was strong thanks to Australia, which more than offset weak performance in New Zealand. In our Rest of world region, mostly comprising emerging markets, we saw negative growth due to lower sales in distributor markets.

Product update

During February, we will start the roll-out of new families of premium hearing aids in our Oticon, Bernafon and Philips brands. This includes our flagship hearing aid, Oticon Intent™, which is based on the new Sirius™ platform and is a further advancement of our unique BrainHearing™ philosophy. Oticon Intent™ is the first hearing aid to introduce 4D Sensor technology, enabling the hearing aid to interpret the user's listening intentions and further improve speech understanding in noisy environments. In addition, Oticon Intent™ features our new, second-generation Deep Neural Network (DNN) and supports Bluetooth LE Audio, which will be the future of low-energy connectivity.

The new hearing aids will be available in four price points in a rechargeable miniRITE style and will be launched in Q1 2024.



Bernafon
Brand relaunch

Hearing Care

REVENUE
9,083
DKK MILLION

GROWTH
15%
IN LOCAL CURRENCIES

Core SDG impact

We offer people over 60 years free yearly hearing assessments and increased the number by 5% this year.

Key 2023 sustainability result

As part of the global Campaign for Better Hearing, we donated 466 hearing aids.

Audika
Love your ears campaign

Market developments

Please refer to the Hearing Aids section above for details on developments in the hearing aid market in 2023, but note that our Hearing Care business is not present in many emerging markets or in government channels. As a result, we estimate that the growth rate in the part of the market where Hearing Care is active has been slightly below the global unit market growth rate of around 7%.

Business update

In 2023, revenue in Hearing Care amounted to DKK 9,083 million. Organic growth was 8% (Q4: 8%) and acquisitive growth was 7% (Q4: 6%), driven in particular by the acquisition in 2022 of Sheng Wang in China and by a high level of acquisitions in Germany in line with our expansion strategy there.

Overall for 2023, organic growth was driven by strong growth in most of our medium-sized markets, while our two biggest markets grew at a slower pace (the US) and declined slightly (France).

Helped by a soft comparative base in H2 2022, the US saw accelerating growth in H2 2023 following a slow start to the year. In France, growth momentum was weak throughout the year, even though we grew slightly more than the French market, which was impacted by normalisation effects following the initial demand boost from the 2021 refom.

After seeing activity levels slowing down in H2 2022 due to macroeconomic uncertainties, we generally saw solid activity levels across our clinic network in 2023, reflecting the normalisation of the global hearing aid market after several years of elevated uncertainty. Organic growth was predominantly driven by units, but we also saw a slight tailwind from an increasing ASP in H2 due to a positive product mix, which more than offset negative geography mix changes.

In Q4, organic growth was 8%, reflecting continuing solid business momentum in most medium-sized markets, but we also saw accelerating growth in the US, whereas France remained weak.

Regionally, Europe was the largest absolute growth driver in Q4 with particularly strong performances in Poland, the UK and Spain. France saw slightly negative growth in Q4.

In North America, we saw positive organic growth in both the US and Canada. The US saw solid organic growth, although at a level below the market growth rate, as the market was fuelled by growth in managed care. While we continue to work with some managed care providers, we have reduced the share of units originating from these activities and instead increased our focus on private pay, which has led to higher profitability in the US.

Australia saw strong growth in Q4, and in China, Sheng Wang delivered very strong double-digit organic growth in Q4, driven mostly by low comparative figures, as revenue remained below original expectations due to the weak consumer sentiment.

Hearing Care

(DKK million)	Q1 2023	Q2 2023	Q3 2023	Q4 2023	FY 2023
Revenue	2,218	2,290	2,152	2,423	9,083
Growth					
Organic	9%	7%	6%	8%	8%
Acquisitions	8%	8%	6%	6%	7%
Local currencies	**17%**	**15%**	**12%**	**14%**	**15%**
FX	0%	-3%	-5%	-3%	-3%
Total	**17%**	**13%**	**7%**	**12%**	**12%**


Audika fitting

Diagnostics

REVENUE
2,482
DKK MILLION

GROWTH
11%
IN LOCAL CURRENCIES

Core SDG impact

Every year, our technology helps screen and diagnose over 200 million people with suspected hearing loss and screen over 20 million newborns.

Key 2023 sustainability result

A new, qualitative, diagnostic test will help people with hearing loss hear better in noisy environments, enabling them to engage in conversations.

Interacoustics
VisualEyes™ 505

Market developments

We estimate that the market for diagnostic instruments and services saw growth in 2023 in line with the structural market growth rate of 3-5% per year. Overall, the market has proved resilient in recent years, and compared to pre-pandemic levels in 2019, growth has developed in line with the structural growth rate.

Business update

Diagnostics generated revenue of DKK 2,482 million in 2023 with organic growth of 7% (Q4: 8%) and acquisitive growth of 4% (Q4: 3%), relating mostly to the acquisition in 2022 of Italy-based Inventis Srl.

Despite high comparative figures related to a very strong performance in 2022, organic growth was slightly above the estimated market growth rate in 2023. Our Diagnostics business thus cemented its market-leading position, building on strong innovation, a complete product portfolio in several brands and global distribution. Overall, growth in 2023 was driven by strong performance in Europe, whereas adverse market developments in China, where Diagnostics has an above-Group revenue exposure, were a drag on growth, particularly in H2.

In Q4, organic growth was 8%, a slight acceleration compared to the level in Q3, and growth was driven by solid momentum in our two largest regions, North America and Europe.

In North America, both the US and Canada saw strong organic growth, helped by good momentum in e3 Diagnostics, our leading provider of diagnostic instruments and services in the US.

Driven in particular by the UK and Italy, growth in Europe was strong, but it was somewhat offset by Poland where growth was negative due to very high comparative figures from Q4 2022.

Similar to Q3, momentum in China in Q4 continued to be negatively impacted by general market weakness, and growth remained negative and below our original expectations.

Product update

In October 2023, our Interacoustics brand introduced a completely new hearing test, the Audible Contrast Threshold™ (ACT) test. ACT is designed to go beyond the traditional audiogram and help the hearing care professional in a fast and accurate manner quantify a person's real-world ability to hear in noise. This will allow for more targeted counselling and expectation-setting regarding the outcome of the hearing aid fitting and thus make it possible to offer a new standard of care in hearing aid clinics.

Diagnostics

(DKK million)	Q1 2023	Q2 2023	Q3 2023	Q4 2023	FY 2023
Revenue	566	632	625	659	2,482
Growth					
Organic	4%	9%	6%	8%	7%
Acquisitions	7%	6%	2%	3%	4%
Local currencies	**11%**	**15%**	**8%**	**11%**	**11%**
FX	2%	-3%	-6%	-3%	-3%
Total	**13%**	**12%**	**2%**	**8%**	**8%**

Communications

Core SDG impact

3 GOOD HEALTH AND WELL-BEING

EPOS audio and video solutions help prevent stress and listening fatigue, which can be caused by imperfect audio experiences, and also help improve concentration and the ability to focus for longer.

Key 2023 sustainability result

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

EPOS initiated life cycle assessments of selected products, and EPOS headquarters in Ballerup, Denmark, obtained the ISO14001 certification.

EPOS
IMPACT 1000

EPOS

Financial review

REVENUE
842
DKK MILLION

GROWTH
-19%
IN LOCAL CURRENCIES

Income statement

(DKK million)	H1 2023	H1 2022	H1 Growth	H2 2023	H2 2022	H2 Growth	FY 2023	FY 2022	FY Growth
Revenue	461	552	-16%	381	508	-25%	842	1,060	-21%
Production costs	-305	-299	2%	-313	-284	10%	-618	-583	6%
Gross profit	**156**	**253**	**-38%**	**68**	**224**	**-70%**	**224**	**477**	**-53%**
Gross margin	33.8%	45.9%		17.8%	43.9%		26.6%	45.0%	
R&D costs	-99	-117	-15%	-85	-114	-25%	-184	-231	-20%
Distribution costs	-188	-224	-16%	-175	-221	-21%	-363	-445	-18%
Administrative expenses	-17	-19	-11%	-19	-18	6%	-36	-37	-3%
Share of profit after tax, associates	-	-	n.a.	1	-	n.a.	1	-	n.a.
Operating profit (EBIT)	**-148**	**-107**	**n.a.**	**-210**	**-129**	**n.a.**	**-358**	**-236**	**n.a.**
EBIT margin	-32.1%	-19.4%		-54.9%	-25.4%		-42.5%	-22.3%	

Revenue

In 2023, revenue in Communications amounted to DKK 842 million. This corresponds to -19% growth in local currencies, all of which was organic. The decline in revenue is due to continuously weak markets for both gaming headsets and enterprise solutions, as macroeconomic uncertainty weighed on consumers, and we continued to see buyer hesitation within enterprise solutions. In August, we also took the decision to sharpen our focus on our Enterprise Solutions business and to wind down our Gaming business.

In H2, revenue reached DKK 381 million, corresponding to an organic growth rate of -22%. Growth was negative across all regions, with both Gaming and Enterprise Solutions delivering negative growth, and despite our efforts to improve the business, we saw a challenging end to the year.

Gross profit

For the full year, gross profit was DKK 224 million, and the gross margin was 26.6%, a significant decline of 18.4 percentage points compared to 2022. The decline was particularly steep in H2 where the gross profit was DKK 68 million, resulting in a gross margin of 17.8%. The decline compared to H2 2022 of 26.1 percentage points is the result of our decision to wind down our Gaming activities, where remaining inventories were sold at very low prices, but also the result of weaker-than-expected performance by Enterprise Solutions.

OPEX by function – Communications

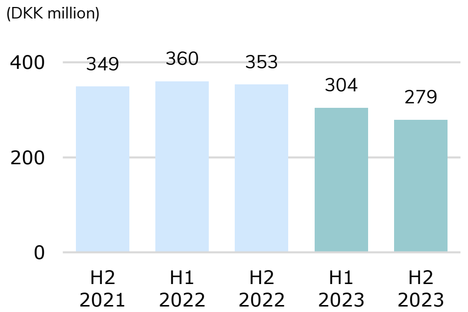
(DKK million)	H2 2023	H2 2022	Change DKK	Change LCY	Change Org.
R&D costs	85	114	-25%	-25%	-25%
Distribution costs	175	221	-21%	-19%	-19%
Administrative expenses	19	18	6%	6%	6%
Total	**279**	**353**	**-21%**	**-20%**	**-20%**

Operating expenses (OPEX)

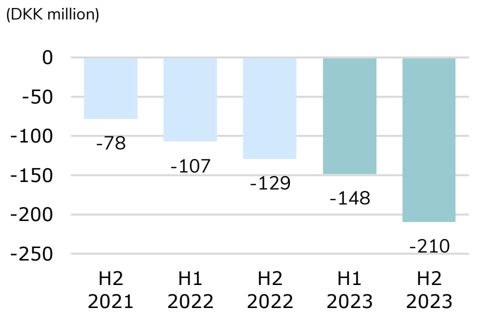
For 2023 as a whole, OPEX amounted to DKK 583 million, which is a decrease of 18% compared to 2022. In response to weak markets, we have implemented significant cost reduction measures, which have lowered our OPEX throughout the year and will also lead to lower costs in 2024 when the workforce reductions take full effect.

For H2 specifically, OPEX amounted to DKK 279 million, corresponding to a decrease of 21%. Savings were primarily realised on distribution costs following the earlier announced redundancies as well as on R&D costs. Administrative expenses increased slightly.

OPEX by half-year



EBIT by half-year



Operating profit (EBIT)

EBIT for the full year amounted to DKK -358 million, corresponding to an EBIT margin of -42.5%, a significant decline compared to 2022 and significantly below our initial plans.

For H2, EBIT amounted to DKK -210 million, corresponding to an EBIT margin of -54.9%. Low revenue negatively impacted the scalability of our business in Enterprise Solutions, but profitability was also impacted by the winding down of our Gaming activities, which negatively impacted EBIT by approx. DKK 60 million.

Market developments

In 2023, growth in the markets for enterprise solutions and gaming headsets was negative. At the beginning of the year, both markets saw tough market conditions and negative growth, and as the year progressed, the gaming market did not improve, and – unexpectedly – we also saw continuously negative growth in enterprise solutions throughout the year and thus a weak end to the year.

From a geographical perspective, we estimate that growth was negative in all regions, but less negative in Asia compared to North America and Europe.

Despite negative market growth in 2023, we still consider the fundamental growth drivers for enterprise solutions to be intact. However, following weak growth for the last couple of years, growth will come from a lower starting point than originally anticipated.

Business update

Revenue in Communications amounted to DKK 842 million in 2023, corresponding to an organic growth rate of -19% (Q4: -25%). This is substantially below the original plans for the year due to lower-than-expected performance by both Gaming and Enterprise Solutions, which also had a challenging end to the year.

On 29 August 2023, Demant announced the decision to gradually wind down its Gaming business following a review of the future growth potential and competitiveness of the business. As a consequence of this decision, we had cleared out most of our inventory of Gaming products at the end of Q4 where organic revenue growth in Gaming declined more than in Enterprise Solutions.

In Q4, Enterprise Solutions accounted for approx. 85% of revenue in Communications and organic growth was -18%. As expected, we continued to see hesitation to buy among end-customers, which negatively impacted growth in our Enterprise Solutions business.

In terms of geographies, we saw negative growth in all the regions where we operate, although it was most pronounced in North America and Europe.

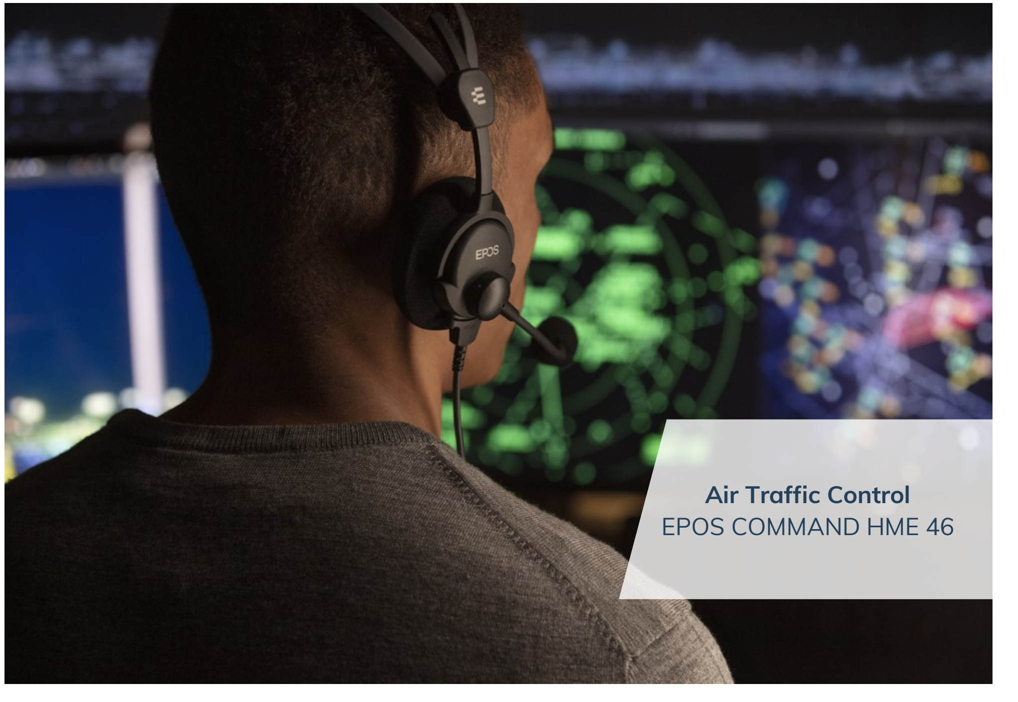
In 2023, we saw continuously negative development in our markets, but following the winding down of our Gaming activities, we have entered 2024 with lower costs and a sharpened focus. The business is now on a path back to profitability, and in the light of this, we have decided to undertake a review of strategic options for the business area and explore whether a different owner may be better positioned to accelerate growth. We expect this review to be completed by the end of H1 2024.

Product update

In Q4, EPOS announced a new strategic agreement with Lenovo to provide high-quality audio solutions for business professionals. Besides inclusion of the EPOS portfolio into Lenovo's third-party reseller programme, the agreement will entail co-development of future professional audio solutions, which we expect will contribute to growth in 2024.

Communications

(DKK million)	Q1 2023	Q2 2023	Q3 2023	Q4 2023	FY 2023
Revenue	246	215	196	185	842
Growth					
Organic	-15%	-16%	-20%	-25%	-19%
Acquisitions	0%	0%	0%	0%	0%
Local currencies	**-15%**	**-16%**	**-20%**	**-25%**	**-19%**
FX	-1%	-2%	-4%	-2%	-2%
Total	**-16%**	**-17%**	**-23%**	**-27%**	**-21%**



Air Traffic Control
EPOS COMMAND HME 46

Corporate information

Board meeting
Headquarters

Shareholder information

Share information

(DKK 1,000)	2023	2022	2021	2020	2019
Share capital at 1 January	46,076	48,025	48,138	49,057	50,474
Capital reduction	-1,288	-1,950	-113	-919	-1,416
Share capital at 31 December	**44,788**	**46,076**	**48,025**	**48,138**	**49,057**
Nominal value per share, DKK	0.2	0.2	0.2	0.2	0.2
Total number of shares, thousand	223,939	230,378	240,127	240,691	245,287
Highest share price, DKK	312.3	339.3	394.7	244.4	237.2
Lowest share price, DKK	190.0	173.1	219.6	132.2	160.5
Share price, year-end, DKK	296.0	192.6	335.1	240.6	209.8
Market capitalisation at 31 December, DKK million*)	65,284	42,977	77,117	57,718	50,470
Average daily trading turnover, DKK million*)	85.6	76.2	111.0	99.8	112.4
Average number of shares, million*)	223.1	226.0	234.8	239.8	243.6
Number of shares at 31 December, million*)	220.5	223.2	230.1	239.9	240.6
Number of treasury shares at 31 December, million	3.4	7.2	10.0	0.8	4.7

*Excluding treasury shares.

Share capital

As of 31 December 2023, Demant's nominal share capital was DKK 44,787,888.00 divided into 223,939,440 shares of DKK 0.20 each.

All shares are the same class and carry one vote each. The change compared to the year before is due to the cancellation of treasury shares amounting to DKK 1,287,859.00, which was approved at the annual general meeting on 8 March 2023.

The Board of Directors is authorised to increase the company's share capital by a total nominal value of up to DKK 4,800,000. This increase may consist of no more than DKK 4,800,000 of the share capital with pre-emptive rights for existing shareholders and of no more than DKK 4,800,000 of the share capital without pre-emptive rights for existing shareholders. The increase in the company's share capital can also be carried out through a combination of share capital with and without pre-emptive rights, but it cannot exceed a total nominal value of DKK 4,800,000.

Furthermore, the Board of Directors is authorised to increase the share capital by an additional nominal value of up to DKK 2,500,000 for shares offered to employees. All authorisations have been decided by the annual general meeting and are valid until 1 March 2026.

Ownership

The William Demant Foundation is the majority shareholder in Demant through its investment company William Demant Invest and has previously communicated its intention to maintain an ownership interest of 55-60% of Demant's share capital. As of 31 December 2023, the William Demant Foundation held – either directly or indirectly – approx. 58% of the share capital, excluding treasury shares.

No other shareholders had flagged an ownership interest of 5% or more as of 31 December 2023.

Demant had 33,324 individual investors as of 31 December 2023. Excluding shares held by the William Demant Foundation, approx. 40% of the share capital is registered in Denmark and 30% is registered in North America. The remaining 30% of the share capital is split between the remaining geographies but is predominantly registered in Europe.

As of 31 December 2023, the company held 3,386,939 treasury shares, corresponding to 1.5% of the share capital.

Share price development

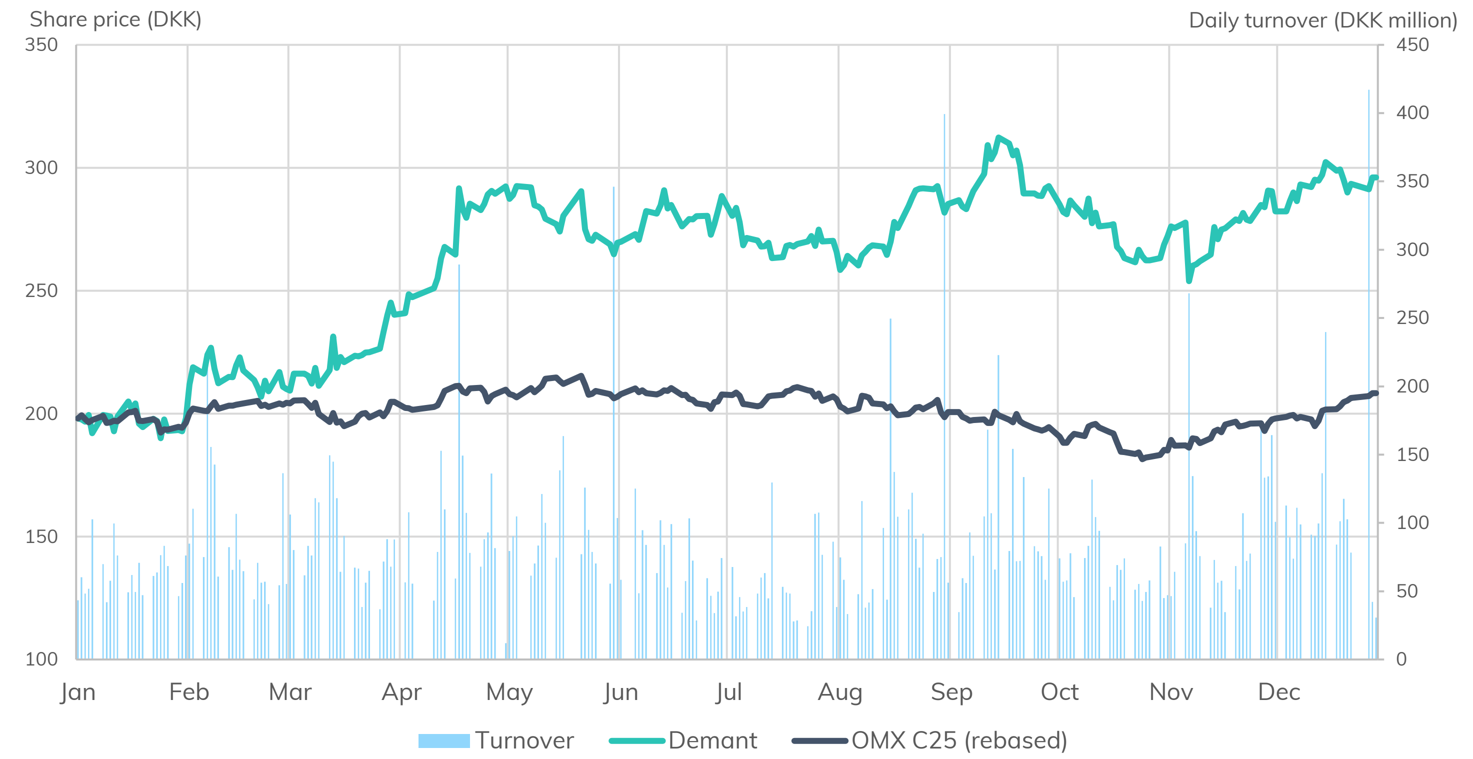
The price of Demant shares increased by 53.7% in 2023, and on 31 December 2023, the share price was DKK 296.00 This corresponds to a market capitalisation of DKK 65.3 billion (excluding treasury shares). The average daily trading turnover in 2023 was DKK 86 million. The company is a constituent of the OMX Copenhagen 25 Index (C25), which covers the 25 largest and most frequently traded shares on Nasdaq Copenhagen. The C25 Index increased by 7% during the year.

Capital allocation

The company follows the principles of its capital allocation policy and uses its cash flow from operating activities for value-adding investments and acquisitions. Subject to Demant's targeted gearing multiple of 2.0-2.5 measured as net interest-bearing debt relative to EBITDA, any excess liquidity is distributed back to shareholders through share buy-backs.

Until the next annual general meeting in March 2024, the Board of Directors has been authorised to let the company buy back shares at a nominal value of up to 10% of the share capital. The purchase price may not deviate by more than 10% from the price quoted on Nasdaq Copenhagen.

Development in share price and daily turnover in 2023



Investor Relations (IR)

Demant strives to ensure a steady and consistent flow of information to IR stakeholders in order to promote the basis for a fair pricing of the company's shares – pricing that will at any time reflect the company's strategies, financial capabilities and outlook for the future. The flow of information will contribute to a reduction of the company-specific risk associated with investing in Demant shares, thereby leading to a reduction of the company's cost of capital.

We aim to reach this goal by continuously providing relevant, correct, adequate and timely information in our company announcements. In the course of the year, we publish an annual report, an interim report as well as interim management statements pertaining to Q1 and Q3, all of which contain updates on the Group and its financial position as well as results in relation to the full-year outlook, including updates on important events and transactions in the period under review.

We strive to maintain an active and open dialogue with analysts and with current and potential investors, which helps the company stay updated on the views, interests and opinions of the company's various stakeholders. At our annual general meeting and through presentations, individual meetings, participation in investor conferences, webcasts, capital markets days etc., we aim to maintain an ongoing dialogue with a broad spectrum of stakeholders. In 2023, we held nearly 500 investor meetings and presentations.

We also use our website, www.demant.com, as a means of communication with our stakeholders.

At the end of 2023, 24 equity analysts were covering Demant. We refer to our website for a full list of analyst coverage.

Demant has a three-week quiet period prior to publication of annual reports, interim reports and interim management statements during which time communication with IR stakeholders on the current market development is restricted.

Annual general meeting 2024

The annual general meeting will be held on Wednesday, 6 March 2024 at 3:00 p.m. Shareholders can attend the meeting physically at the company's headquarters. The meeting will also be webcast live on our website.

Contact information for investors and analysts

Phone: +45 3917 7300
E-mail: info@demant.com

Mathias Holten Møller
Head of Investor Relations
(Leaving the Investor Relations team as of 1 March 2024)

Peter Pudselykke
Investor Relations Officer
(Head of Investor Relations as of 1 March 2024)

Company announcements and investor news in 2023

2 Jan	Managers' transactions
7 Feb	Annual Report 2022
7 Feb	Notice to annual general meeting
8 Mar	Decisions of annual general meeting
17 Apr	Completion of capital reduction
17 Apr	Demant raises financial guidance for 2023
20 Apr	Update on the divestment of Oticon Medical
27 Apr	Changes to the Executive Board
3 May	Interim Management Statement covering Q1 2023
22 Jun	Divestment of Oticon Medical to Cochlear amended in scope
22 Jun	New staff-elected member of Board of Directors
3 Aug	Demant's climate targets get the green light
15 Aug	Pre-announcement of Interim Report 2023 and upgraded outlook
15 Aug	Interim Report 2023
29 Aug	Demant to wind down Gaming activities in Communications segment
7 Nov	Interim Management Statement covering Q3 2023
8 Nov	Demant Capital Markets Day 2024
21 Nov	Demant to resume share buy-backs
11 Dec	Financial calendar 2024

Financial calendar 2024

23 Jan	Deadline for submission of items for the agenda of annual general meeting
6 Feb	Annual Report 2023
6 Mar	Annual general meeting
12 Mar	Capital Markets Day
6 May	Interim Management Statement covering Q1 2024
14 Aug	Interim Report 2024
4 Nov	Interim Management Statement covering Q3 2024

William Demant Foundation

William Demant Foundation, Demant's majority shareholder, was founded in 1957 by William Demant, son of the company's founder Hans Demant. Its primary goal is to safeguard and expand the Demant Group's business and provide support for various commercial and charitable causes with particular focus on audiology and hearing impairment. William Demant Invest, which is a fully owned holding company for all William Demant Foundation's investment activities, holds the Foundation's shares in Demant. Charitable tasks are thus handled by the Foundation itself and the Foundation's investment activities by William Demant Invest. Voting rights and decisions to buy and sell Demant shares are still exercised and made by William Demant Foundation.

In accordance with William Demant Invest's investment strategy, the Foundation's investments – apart from an ownership interest in Demant – also include other assets. William Demant Invest makes active investments in companies whose business model and structure resemble those of the Demant Group. The investments include, among others, majority ownership of Össur and Vision RT. The Foundation has made a management agreement on a commercial arm's length basis with Demant, which governs the exchange of various investment support and administrative services between the Foundation, William Demant Invest and Demant. Please also see Note 8.1.

ASTRA
Natural Science Centre

Risk management activities

Organisation and governance

Risk management activities in the Demant Group include a variety of risk areas, many of which may impact the performance and reputation of the Group. The overall responsibility for risk management lies with the Executive Board, but risk management activities are carried out throughout the organisation on a day-to-day basis.

Risk management is an integral part of the management of the Demant Group. Risks to which business areas, markets and operations are exposed are identified, monitored and mitigated at all management levels. Through frequent and transparent reporting, these measures ensure that key risks are escalated to the business area leadership, to functional boards, to the Executive Board, and if relevant, to the audit committee and ultimately the Board of Directors.

We have established a number of functional boards to ensure focus on development and risk management in key areas globally i.e. IT, Finance, HR, Sustainability and Legal & Compliance. The functional boards are responsible for risk management in their respective areas and ensure that policies, guidelines and processes are established to monitor risks and new legislation. The functional boards are managed by the functional leaders and are composed of main stakeholders and members of the Executive Board.

The audit committee oversees the risk management processes related to financial risks, including sufficient and efficient internal controls. The audit committee has assessed the Group's existing control environment and concluded that it is adequate.

Business ethics are an integral part of conducting business in a global world with many stakeholders. We continuously expand and improve the Group's business ethics programme to reflect our all-important commitment to a high level of business ethics, including the Demant Group Code of Conduct, a global whistleblower scheme as well as global policies and guidelines on business ethics. For more information, please refer to the Sustainability Report on page 34.

- Risk management is an integral part of the management of the Demant Group.
- Risks are identified, monitored and mitigated at all management levels.
- Functional boards exist to ensure focus on development and risk management.
- The audit committee oversees financial risks and internal controls, and the Board of Directors approves and follows up on strategies and business plans.

Innovation and operations

Innovation risks

Both our Hearing Healthcare and Communications segments operate in highly product-driven markets where significant R&D initiatives help underpin our market position. It is vital for us to maintain our innovative edge.

We protect and maintain patents for our own groundbreaking technology, while ensuring that we do not infringe the rights of others.

We must continue to attract the most competent staff in key areas. An important means to this end is maintaining our strong company culture and high employee engagement. Our investment in people development, leadership training and information sharing platforms is a key element to obtain this.

Product requirement risks

As a major player in the hearing healthcare market, the Group is exposed to certain regulatory risks in terms of changes to product requirements. We adhere to external regulatory requirements requirements applying to our products and services to ensure that our products are safe to use and meet the requirements and needs of our users.

We continuously engage with customers, healthcare practitioners and other stakeholders to ensure that we develop groundbreaking products. We incorporate the requirements of international standards and regulations into the design and development of our manufactured devices to ensure compliance with regulations and to ensure product safety.

All processes in our quality management system (QMS) contribute to ensuring that our products are effective and safe for our users. Notified bodies inspect our QMS on a yearly basis. Demant works continuously to improve these systems. As a general principle, our products are designed and marketed under risk management guidelines complying with ISO 14971 to ensure the safety of our users. In case of an unexpected incident, we act fast and decisively and maintain a transparent dialogue with relevant stakeholders.

Supply chain risks

Stability in sourcing and delivering high-quality manufactured goods on time is crucial for us to be able to fulfil the commitments we have made to our customers.

Innovations and operations – continued

Supply disruptions may result in delayed deliveries or inefficient production set-ups. Lockdowns and other restrictions may also affect the global supply chain and thus increase the risk of sudden changes.

We work with business and contingency plans to secure service to our customers in the best possible way in any given situation.

We closely monitor our supply situation and seek to keep adequate safety stocks to counter potential interruptions in our production. Our main production facilities in Poland and Mexico are in close proximity to our largest markets, which is important for us to quickly and efficiently serve our customers despite dynamic changes in the supply chain.

We continuously evaluate our production footprint and dependency on key suppliers to strike a sound balance between flexibility, exposure and costs. We collaborate closely with our highly specialised suppliers.

In our supply chain and throughout our organisation, we actively work to ensure a safe and engaging working environment for all our employees.

Sustainability risks

Demant is a positive-impact business that helps people overcome their hearing loss and thus improve their quality of life. Due to the nature of our business and to our value chain, Demant is not exposed to – nor do we pose – large sustainability-related risks. The most material risks include talent retention, climate impact and bribery and corruption. Please refer to our Sustainability Report for more details on environmental, social and governance risks.

- We attract competent staff through a strong company culture and high employee engagement.
- We protect and maintain patents for our own groundbreaking technology, while ensuring that we do not infringe the rights of others.
- We adhere to standards and regulations in our innovation, production, and supply chain processes.
- We work with business and contingency plans to secure service to our customers.
- We maintain adequate safety stocks to counter potential interruptions in our production.
- We are committed to supplying safe products and ensuring a safe and engaging working environment for our

Market and customer risks

The hearing healthcare market consists of a few, highly specialised players that operate in an extremely competitive market. While navigating in the current market conditions, we monitor potential changes to the competitive situation to ensure that we respond swiftly and effectively to any changes in the market.

Macroeconomic impacts on markets

Historically, the hearing healthcare market has seen stable growth driven by demographic changes.

The current macroeconomic uncertainties, which are still to some extent impacting some regions, may have an adverse effect on the demand for hearing healthcare solutions and audio equipment in those regions. Some countries are also experiencing above-previous-level inflation rates, which impact the economies in some markets. In case of macroeconomic or geopolitical headwinds, we seek to adapt our organisation, activities and costs accordingly to mitigate the financial impacts in the affected markets.

After the coronavirus pandemic, we have seen a general stabilisation of the hearing healthcare market. While the pandemic has largely passed, a new pandemic could limit contact with hearing aid users. Although demand for our hearing healthcare products is not considered cyclical, the demand for hearing aids may suffer if the client contact is limited as a significant part of our sales is based on in-person counselling of individuals with hearing difficulties.

Regulatory risks in the markets

The Group is exposed to certain regulatory risks in terms of changes to reimbursement schemes and public tenders in the markets where we operate. In most markets, the current regulatory landscape is considered stable, so for the time being, we do not expect significant changes in the regulatory environment. There might be an overlap with commercial risks, if the level of reimbursement changes, or if the way of distribution changes in a market from for instance retail to managed care.

While regulatory changes are an intrinsic part of the hearing healthcare market, we feel well positioned to respond to such changes in the commercial environment. We continue to monitor any changes in the regulatory landscape and engage in dialogues with regulators as part of our business planning.

Market and customer risks – continued

The market development over the last years has confirmed our belief in the importance of providing a combination of personal counselling, individual fitting, lifelong service, and highly advanced technology.

In the US, the new over-the-counter category of hearing aids has now been available since 2022, and while this may increase access to hearing aids, we have only seen a limited impact on the hearing aid market in the US. In addition, the US market in general continues to see an increasing part of hearing aid purchases being covered by insurance companies. The emergence of large managed care organisations continues to pose a risk to average selling prices in the hearing aid market, as volumes may to an increasing extent be consolidated on fewer players. Lower fitting fees and lost customer loyalty may also become a result of this consolidation.

The Group sells its products in countries that may be subject to EU or US sanctions. These sanctions include financial sanctions, trade/export controls and sanctions against entities and individuals. To ensure compliance, distributors and other business partners engaging in business in these countries are subject to sanction checks and, where needed, firm and swift actions are taken to ensure that the Group is compliant. Sanctions may increase due to geopolitical risks and create an overall stop to trade in certain cases, as it has been the case for Russia and Belarus.

The Group continues to closely monitor the changing legislation in this area and to further develop systems and processes to ensure that proper controls and documentation are in place to secure compliance.

- We monitor potential changes to the competitive situation to ensure that we respond swiftly.
- We seek to adapt our organisation, activities and costs to mitigate the financial impacts of macroeconomic uncertainties.
- We adapt our operating model when we see changes to reimbursement schemes in markets where we operate.
- We continue to monitor changes in the regulatory landscape and engage in dialogues with regulators.
- We are committed to being in compliance with legislation related to financial sanctions, export controls and other types of sanctions.

Data and IT security

As our Group becomes increasingly digitalised, more devices and control systems are connected online, resulting in a broader interface across our IT infrastructure that could potentially be compromised.

As a large, global organisation, we are dependent on numerous IT systems and the general IT infrastructure to operate efficiently across our value chain. This carries an inherent risk of system errors, human errors, data breaches or other interruptions that may impact the Group financially. In addition, we may be exposed to attempts to access or steal information, computer viruses, denial of service and other digital security breaches.

Our IT security committee continuously follows up on and monitors our IT security set-up to ensure that the Group remains focused on ensuring proper IT security. Once a year, the committee reviews a maturity assessment based on the Cybersecurity Framework of the National Institute of Standards and Technology (NIST), the purpose of which is to ensure that also in future, we continue to focus on relevant parameters. The assessment was done by an external party in 2023.

We train and educate our employees in IT-related topics on an ongoing basis to limit any IT-related incidents caused by human errors. We regularly update policies to ensure that they are up-to-date and reflect the current environment. You can read more about this area on page 38 in the Sustainability Report.

Demant is entrusted with personal data on employees, customers, users and business partners, which must be collected and processed in accordance with applicable laws and regulations. As our business continues to grow, the complexity of managing customers' data increases. We remain committed to protecting personal data, and failure to do so could have serious consequences for the people whose data we possess as well as for the Group. Our Data Ethics Policy can be found here.

- We continuously assess our IT maturity and remain focused on ensuring proper IT security.
- We train and educate our employees in IT-related topics.
- We ensure an adequate response and timely reporting in case of an IT security incident.
- We remain committed to protecting personal data.

Financial risks

Financial risk management concentrates on identifying risks in respect of changes in the financial markets and customers' propensity to pay for products and services.

The Executive Board monitors the financial risks of the company to ensure that these remain well-balanced. Financial risks are managed centrally by Group Treasury, which is responsible for securing attractive funding under the prevailing market conditions and for monitoring and mitigating risks related to liquidity, interest rates and exchange rates. Risks related to counterparties are managed in the individual markets.

Capital structure, funding and liquidity

Demant remains a highly cash-generating Group with a strong balance sheet. The Group continuously adapts its capital structure to the prevailing market conditions in order to secure attractive financing. We secure our funding based on a strong commitment by our banks to provide longer-term bank facilities. To mitigate potential liquidity and refinancing risks, the Group has secured considerable undrawn committed credit facilities.

To minimise financing risks, we aim for more than 50% of our credit facilities to be committed with long-term maturity, and our financial gearing multiple is currently within our desired target range of 2.0-2.5.

Interest rate risks

Due to higher market interest rates, our financial expenses increased in 2023. Furthermore, credit spreads and debt margins increased in the financial markets due to higher capital requirements imposed on the banks.

Currently, around 45% of the Group's debt is funded through facilities with fixed rates or hedged through financial instruments limiting the interest rate risk.

Exchange rate risks

The Group is exposed to exchange rate risks, as the company trades with counterparties in a number of countries, and as the Group has cash flows in different currencies. It is therefore important to adequately balance foreign exchange rate risks to avoid unexpected adverse impacts on the financial performance.

The majority of Group companies transact mainly in local currencies and are therefore exposed to limited exchange rate risks.

The Group does not hedge translation risks resulting from the consolidation of Group accounts into Danish kroner. Most Group companies are invoiced from the Danish production entities. Around two-thirds of the invoicing out of Denmark is invoiced in other currencies than Danish kroner or euros. To reduce our exchange rate exposure, we continuously seek to balance ingoing and outgoing cash flows in our main trading currencies as much as possible. To ensure predictability in terms of net profit, we hedge expected future net cash flows mainly through forward exchange contracts with a horizon of up to 18 months.

In addition, we seek to balance our on-balance net exposure in our main trading currencies and, where relevant, our exposure is hedged. It is the Group's policy to exclusively hedge financial risks arising from our commercial activities and not to undertake any financial transactions of a speculative nature.

Counterpart risks

From a commercial point of view, the Group is exposed to credit risks if our customers fail to pay for products and services provided. Such risks mainly relate to trade receivables and loans to customers or business partners, and failure to adequately manage credit risks can adversely impact the Group.

To minimise the risk of suffering losses on customers, the Group monitors the credit risks on an ongoing basis. The Group generally has a diversified customer base, and in 2023, the accumulated revenue from our ten largest customers accounted for approx. 15% of total consolidated revenue. We regularly adjust our financial accounts to reflect the current credit risks.

When granting loans to business partners, we require that our counterparties provide security in their business. In general, we estimate that the risk relative to our total credit exposure is well-balanced at Group level, and historically, we have only suffered limited credit-related losses.

Please refer to Note 4.1.

- To mitigate potential liquidity and refinancing risks, the Group has secured access to considerable undrawn committed credit facilities.
- We limit interest rate risks by hedging part of our exposure.
- We continuously seek to balance our foreign exchange rate exposures and, where relevant, these are hedged.
- We monitor the credit risks on business partners on an ongoing basis.

Corporate governance

The work on corporate governance is an ongoing process for the Board of Directors and Executive Board. Once a year, the Board of Directors and Executive Board review the company's corporate governance principles. In that context, we consider the corporate governance principles that derive from legislation, recommendations and good practices. We focus on developing and maintaining a transparent corporate governance structure that promotes responsible business behaviour and long-term value creation.

Recommendations issued by the Danish Committee on Corporate Governance and adopted by Nasdaq Copenhagen are best-practice guidelines for the governance of companies admitted to trading on a regulated market in Denmark.

When reporting on corporate governance, we follow the "comply or explain" principle. Demant follows 38 of the 40 recommendations. The few cases (two) where we have chosen to deviate from a recommendation are well-founded, and we explain what we do instead. To further increase transparency, we provide supplementary and relevant information, even when we follow the recommendations.

A complete presentation of the recommendations and how we comply with them, the Statutory report on corporate governance, is available on our website, www.demant.com. The report as well as the financial reporting process and internal control described in *Risk management activities* in this Annual Report 2023 constitute Demant's statement on corporate governance, cf. section 107b of the Danish Financial Statements Act.

Tasks and responsibilities of the Board of Directors

In accordance with Danish legislation, Demant has a two-tier management system, comprising the Board of Directors and the Executive Board. No individual is a member of both Boards. The division of responsibilities between the Board of Directors and the Executive Board is clearly outlined and described in the Rules of Procedure for the Board of Directors and in the Instructions for the Executive Board.

The Board of Directors is responsible for the overall strategic management and for the financial and managerial supervision of the company, the ultimate goal being to ensure long-term value creation. On an ongoing basis, the Board of Directors evaluates the work of the Executive Board as for instance reflected in the annual plan prepared for the Board of Directors.

Composition and organisation

The Board of Directors has eight members: five members elected by the shareholders at the annual general meeting and three members elected by staff in Denmark.

Shareholders elect Board members for a term of one year, and staff elect Board members for a term of four years. Staff-elected members are elected in accordance with the provisions of the Danish Companies Act. In 2023, Charlotte Hedegaard and Heidir Hørby were elected for the first time, and Thomas Duer was re-elected to the Board of Directors.

Although the Board members elected by the annual general meeting are up for election every year, the individual Board members are traditionally re-elected and sit on the Board for an extended number of years. This ensures consistency and maximum insight into the conditions prevailing in the company and the industry. Such consistency and insight are considered important in order for the Board members to bring value to the company.

Three of the five Board members presently elected by the shareholders at the annual general meeting are considered independent.

The Board is composed to ensure the right combination of competencies and experience, with extensive international managerial experience, board experience from major listed companies and diversity traits carrying particular weight.

On our website, www.demant.com/about/management-and-governance, we describe the competencies and qualifications that the Board of Directors deems necessary to have at its overall disposal in order to be able to perform its tasks for the company.

Diversity

The Board of Directors aims to have at least 40% of the underrepresented gender amongst the Board members elected by the shareholders, as this constitutes an even distribution in terms of gender. As of now, there is an even distribution in terms of gender of 40% women and 60% men.

As part of our ambitions to ensure diversity and inclusion in the Group, we launched a Diversity, equity and inclusion policy in 2022, which includes targets to increase diversity and inclusion in the Demant Group.

Demant is present in all parts of the world and employs people with different ethnic background, personality, nationality, age, gender and education. We encourage respect for diversity, and we strive to treat all employees fairly.

Applicable to the legal entity Demant A/S, new Danish legislation on underrepresented gender in management took effect from 2023, cf. section 99b of the Danish Financial Statements Act and section 139c of the Danish Companies Act.

In 2023, fewer people than 50 were employed in the legal entity Demant A/S and an even distribution of gender was achieved for both the Board of Directors and other levels of management. Hence Demant A/S is not required to define a specific target and policy. However, there is a requirement to disclose the distribution of genders for the Board of Directors and other levels of management in the legal entity.

Board of Directors

	2023
Total number of shareholder elected members	5
Women	40%
Men	60%

Other levels of Management*

	2023
Total number of members	7*
Women	43%
Men	57%

*Executive Board incl. direct reports employed in the legal entity Demant A/S.

Evaluation of the performance of the Board of Directors

Once a year, the Board of Directors performs an evaluation of the Board's work. The evaluation is performed either through personal, individual interviews with the Board members or by means of a questionnaire to be filled out by the individual Board members. In both instances, the findings of the evaluation are presented and discussed at the subsequent Board meeting. At least every third year, the evaluation is performed with external assistance.

In 2023, the evaluation was performed with external assistance. Overall, the evaluation confirmed that the Board is satisfied with its governance structures and furthermore confirmed that the interaction between the Board members works well. The Board of Directors is keen to keep focus on and allocate time to the long-term strategic development of the company to continuously ensure that the potential of the company is exploited to the fullest.

In 2023, audit committee meetings have been separated from ordinary Board meetings. This has led not only to more in-depth discussions on audit and financial topics, but also allowed the members of the Board of Directors to focus more on the strategic development of the company.

The collaboration between the Board of Directors and the Executive Board works well, and there is an open and trustful working atmosphere.

The work performed by the Board of Directors takes its starting point in the annual wheel, which is regularly refined and updated and ensures the Board's commitment and immersion into relevant areas.

Annual General Meeting in Smørum Denmark

Board committees

The company's Board of Directors has set up four committees: an audit, a nomination, a remuneration and an IT security committee.

The audit committee has been engaged in setting up updated working practices in the new set-up where audit committee meetings are separated from ordinary Board meetings. This allows the members of the committee to focus more on audit and financial topics. The audit committee is dedicated to a number of topics according to its committee charter, particularly preparations for improved ESG reporting.

The nomination committee has been engaged in activities in relation to its normal tasks pursuant to the committee charter. In April 2023, an Executive Board member left the company. The committee has been engaged in ensuring that a competent business area President is recruited.

The remuneration committee has been engaged in supervising the remuneration structure and Remuneration Policy, which was adopted in March 2022. The committee is satisfied with the Policy, the purpose of which is to direct the Executive Board's focus towards value creation on important parameters.

The IT security committee has focused on following up on and ensuring progress in the plans made. Once a year, the committee performs a maturity assessment based on the Cybersecurity Framework of the National Institute of Standards and Technology (NIST), the purpose of which is to ensure that also in future, we continue to focus on relevant parameters. Again in 2023, we manged to enhance our maturity.

Board of Directors' and Executive Board's remuneration

Demant has a Remuneration Policy and publishes a Remuneration Report. A new Policy was approved at the annual general meeting in March 2022.

The Remuneration Report is available on our website here.

The Report will be submitted for advisory vote at the annual general meeting in March 2024.

Board meetings

Feb Mar Mar Apr Jun Aug Dec

Audit committee meetings

Feb May Nov

Nomination committee meeting

Apr Jun Oct

Remuneration committee meetings

Jan Feb Feb Nov

IT security committee meetings

Feb May Oct

Members of Board committees

	Role	Audit committee	Nomination committee	Remuneration committee	IT security committee
Niels B. Christiansen	Chair		Chair	Chair	Chair
Niels Jacobsen	Vice Chair	Member	Member	Member	Member
Thomas Duer	Member				
Charlotte Hedegaard	Member				
Heidir Hørby	Member				
Anja Madsen	Member				
Sisse Fjelsted Rasmussen	Member	Chair			Member
Kristian Villumsen	Member	Member			
Lars Nørby Johansen	Chair of the Board of Directors of William Demant Foundation		Member		
Søren Nielsen	President & CEO		Member		

Executive Board

Søren Nielsen
(man)
President & CEO
Born 1970
Nationality: Danish
37,037 shares
(+4,946)

Joined the company in 1995

Education: Holds an MSc in Engineering from the Technical University of Denmark

Competences: Broad business and leadership experience from various management positions in the Group, including the commercial area, product innovation, quality and strategic development. International board experience, strong insights into the MedTech industry as well as a wide network in the global hearing healthcare community

Other positions: HIMPP A/S (M), HIMSA A/S (C), HIMSA II A/S (C), EHIMA (M), Vision RT Ltd. (M), Committee on Life Science under the Confederation of Danish Industry (C), Committee on Business Policy under the Confederation of Danish Industry (M), DOVISTA A/S (M) and Central Board of the Confederation of Danish Industry (M)

Area of responsibility: President of Demant's Hearing Aids and Communications business areas

René Schneider
(man)
CFO
Born 1973
Nationality: Danish
21,322 shares
(+3,577)

Joined the company in 2015

Education: Holds an MSc in Economics from Aarhus University

Competences: Broad business and financial leadership experience from various management positions with major listed companies, leading to international experience in such areas as streamlining and re-establishing companies, completing M&A and driving value creation

Areas of responsibility: Finance, HR, IT, Legal & Compliance and Corporate Functions and interim President of Demant's Diagnostics business area

Niels Wagner
(man)
President
Born 1971
Nationality: Danish
27,368 shares
(+2,870)

Joined the company in 2007
(also with the company 1996-2003)

Education: Holds an MSc in Economics from Aarhus University

Competences: Broad business and leadership experience from various management positions in the Group, including M&A, and heading the Group's many hearing aid clinics operating under various brands

Area of responsibility: President of Demant's Hearing Care business area

Abbreviations
C = Chair, VC = Vice Chair, M = Member

Board of Directors

Niels B. Christiansen
(man)
Chair
Born 1966
Nationality: Danish
8,060 shares
(unchanged)

Joined the Board in 2008
Chair since 2017

Chair of the nomination, remuneration and IT security committees

Considered independent: No

Position: CEO & President, LEGO A/S

Other positions: William Demant Foundation (VC), William Demant Invest A/S (M), Tetra Laval S.A. (M) and Committee on Business Policy under the Confederation of Danish Industry (C)

Education: Holds an MSc in Engineering from the Technical University of Denmark and an MBA from INSEAD

Competences: International leadership experience from major, global, industrial, consumer goods and high-tech companies, business management and board experience as well as strong insights into industrial policy and sustainability/ESG

Attendance at Board and committee meetings: No absence

Niels Jacobsen
(man)
Vice Chair
Born 1957
Nationality: Danish
901,340 shares
(unchanged)

Joined the Board in 2017
Vice Chair since 2017

Member of the audit, nomination, remuneration and IT security committees

Considered independent: No

Position: CEO, William Demant Invest A/S

Other positions: Nissens A/S (M), Thomas B. Thrige Foundation (C), ABOUT YOU Holding GmbH (VC), ATP Long Term Danish Capital (member of advisory board) and Central Board of the Confederation of Danish Industry (M). Related to William Demant Invest: Jeudan A/S (C), Össur hf. (C) and Vision RT Ltd. (C)

Education: Holds an MSc in Economics from Aarhus University

Competences: International leadership experience from major, global companies in the global healthcare and MedTech industry, business management and board experience as well as in-depth insights into financial matters, accounting, risk management and M&A

Attendance at Board and committee meetings: No absence

Sisse Fjelsted Rasmussen
(woman)
Born 1967
Nationality: Danish
No shares

Joined the Board in 2021

Chair of the audit committee and member of the IT security committee

Considered independent: Yes

Position: CFO, Stark Group

Other positions: Conscia A/S (M) and AltaPay A/S (C)

Education: Holds an MSc in Business Economics and Auditing from Copenhagen Business School (CBS) and state-authorised public accountant

Competences: International leadership experience within the areas of finance and accounting, including board and CFO experience from listed companies as well as in-depth insights into value creation, change management, M&A and sustainability/ESG

Attendance at Board and committee meetings: No absence

Anja Madsen
(woman)
Born 1976
Nationality: Danish
1,500 shares
(unchanged)

Joined the Board in 2020

Considered independent: Yes

Position: N/A

Other positions: Lemvigh-Müller A/S (M)

Education: Holds a BSc in Economics from London School of Economics and an MBA from INSEAD

Competences: International leadership experience from large companies in the retail segment; extensive management experience from such areas as operations, e-commerce and transformation; background in strategy execution; lived and worked in the UK for many years

Attendance at Board and committee meetings: No absence

Abbreviations
C = Chair, VC = Vice Chair, M = Member

Kristian Villumsen
(man)
Born 1970
Nationality: Danish
4,130 shares
(unchanged)

Joined the Board in 2021

Member of the audit committee

Considered independent: Yes

Position: President & CEO, Coloplast

Other positions: Committee on Life Science under the Confederation of Danish Industry (M)

Education: Holds an MSc in Political Science from Aarhus University and a Master in Public Policy from Harvard University

Competences: International leadership experience from the global MedTech industry, management experience from such areas as innovation, sales, strategy deployment and commercial excellence

Attendance at Board and committee meetings: No absence

Thomas Duer
(man)
Born 1973
Nationality: Danish
1,335 shares
(unchanged)

Staff-elected Board member since 2015. Re-elected in 2023 for a term of four years

Considered independent: N/A

Position: Senior Director, Requirements, Configuration & Test, R&D, Demant

Has been with the Demant Group since 2002

Other positions: Danske Sprogseminarer A/S (M), Oticon A/S (M, staff-elected)

Education: Holds an MSc in Electrical Engineering from the Technical University of Denmark

Attendance at Board and committee meetings: No absence

Charlotte Hedegaard
(woman)
Born 1971
Nationality: Danish
580 shares
(+258)

Staff-elected Board member in 2023 for a term of four years

Considered independent: N/A

Position: Head of Group Compliance in Demant

Has been with the Demant Group since 2019

Education: Holds an MSc in Law from Copenhagen University

Attendance at Board and committee meetings: No absence

Heidir Hørby
(woman)
Born 1974
Nationality: Danish
591 shares
(unchanged)

Staff-elected Board member in 2023 for a term of four years

Considered independent: N/A

Position: Quality Systems Engineer, Demant facility in Ballerup, Denmark

Has been with the Demant Group since 1994

Education: N/A

Attendance at Board and committee meetings: No absence

Abbreviations
C = Chair, VC = Vice Chair, M = Member

Financial pages

Bernafon
Brand relaunch

Management statement

The Board of Directors and Executive Board have today reviewed and approved the Annual Report 2023 of Demant A/S for the financial year 1 January to 31 December 2023.

The consolidated financial statements are prepared and presented in accordance with IFRS Accounting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act. The Parent financial statements are prepared and presented in accordance with the Danish Financial Statements Act. Further, the Annual Report 2023 has been prepared in accordance with Danish disclosure requirements for listed companies.

In our opinion, the consolidated financial statements and the Parent financial statements give a true and fair view of the Group's and the Parent's assets, liabilities and financial position at 31 December 2023, of the results of the Group's and the Parent's operations and of the Group's cash flows for the financial year 1 January to 31 December 2023.

In our opinion, Management's commentary includes a true and fair view of the development in the operations and financial circumstances of the Group and the Parent, of the results for the year and of the financial position of the Group and the Parent as well as a description of the most significant risks and uncertainties facing the Group and the Parent.

Management's Commentary has been prepared in accordance with the Danish Financial Statements Act and Article 8 of Regulation (EU) 2020/852 (EU Taxonomy Regulation).

In our opinion, the Annual Report 2023 for Demant A/S with the file name DEMANT-2023-12-31-en.zip for the financial year 1 January to 31 December 2023 is prepared in compliance with the ESEF regulation.

We recommend that the Annual Report 2023 be adopted at the annual general meeting on 6 March 2024.

Smørum, 6 February 2024

Executive Board

Søren Nielsen, President & CEO

René Schneider, CFO

Niels Wagner, President Hearing Care

Board of Directors

Niels B. Christiansen, Chair

Niels Jacobsen, Vice Chair

Thomas Duer

Charlotte Hedegaard

Heidir Hørby

Anja Madsen

Sisse Fjelsted Rasmussen

Kristian Villumsen

Independent auditor's reports

To the shareholders of Demant A/S

Report on the audit of the Financial Statements

Our opinion

In our opinion, the Consolidated financial statements give a true and fair view of the Group's financial position at 31 December 2023 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2023 in accordance with IFRS Accounting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the Parent financial statements give a true and fair view of the Parent Company's financial position at 31 December 2023 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2023 in accordance with the Danish Financial Statements Act.

Our opinion is consistent with our Auditor's Long-form Report to the Audit Committee and the Board of Directors.

What we have audited

The Consolidated financial statements and the Parent financial statements of Demant A/S for the financial year 1 January to 31 December 2023 comprise income statement, balance sheet, statement of changes in equity and notes, including material accounting policy information for the Group as well as for the Parent Company and statement of comprehensive income and cash flow statement for the Group. Collectively referred to as the "Financial Statements".

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 Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Appointment

We were first appointed auditors of Demant A/S on 10 March 2022 for the financial year 2022. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of two years including the financial year 2023.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for 2023. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Acquisitions Acquisitions are complex transactions, which are subject to significant estimates, including the identification and valuation of assets, liabilities and contingent consideration etc. In order to determine the fair value of the separately identified assets and liabilities in a business combination, the valuation methodologies require input based on assumptions about the future and applied discounted cash flow forecasts, including market development and WACC. We focused on this area because of the significance to the Financial Statements, the inherent complexity and high degree of estimation in the accounting for acquisitions, as well as the potential inherent risk related to the control environment. Our main focus of the area was on the acquisitions of Mr. Optik Group and Flemming & Klingbeil Group, the hearing aid related activities of Goed Hulpmiddelen CV and Virtualis Group. Reference is made to section 6.1 "Acquisition of enterprises and activities" in the Consolidated financial statements.	Our audit procedures included assessing the appropriateness of the accounting policies for acquisitions applied by Management and assessing compliance with IFRS Accounting Standards. We involved our internal specialists in the assessment of the valuation methodologies applied by Management and we challenged Management's significant assumptions used to determine the fair value of the acquired assets and liabilities in the acquisitions, including the fair value of the intangible assets. Finally, we assessed the adequacy of disclosures relating to the acquisitions.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition Recognition of revenue is inherently complex due to the extent of different revenue streams, several performance obligations, trial periods and prepaid discounts, which are subject to interpretation, including the point in time of satisfaction of the performance obligations and recognition of related deferred income in respect of e.g. extended warranties, after sales services, etc. We focused on this area because of the significance to the Financial Statements, as well as the complexity and high degree of estimation related to e.g. prepaid discounts, provision for sales returns and extended warranties and deferred income. In addition, we focused on this area as revenue comprises a substantial number of transactions, with different characteristics depending on the business segment the revenue relates to. Reference is made to section 1.2 "Revenue" in the Consolidated financial statements.	Our audit procedures included considering the appropriateness of the accounting policies for revenue recognition applied by Management and assessing compliance with IFRS Accounting Standards. We performed risk assessment procedures to understand the information processing activities in relation to revenue recognition and evaluated whether the information systems appropriately support revenue recognition and measurement in accordance with the accounting policies. We identified controls addressing risk of material misstatements determined to be significant risk and evaluated the design of the controls and determined whether the controls have been implemented. We discussed the accounting estimates related to the recognition, and classification of revenue with Management. Further, we performed substantive procedures regarding invoicing, significant contracts, cut-off at year-end and provision for e.g. sales returns and extended warranties in order to assess the accounting treatment and principles applied. We applied data analysis in our testing of selected revenue streams in order to identify transactions outside the ordinary transaction flow, including journal entry testing. Finally, we assessed the adequacy of disclosures relating to revenue recognition.

Statement on Management's Commentary

Management is responsible for Management's Commentary.

Our opinion on the Financial Statements does not cover Management's Commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Commentary and, in doing so, consider whether Management's Commentary is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Management's Commentary includes the disclosures required by the Danish Financial Statements Act and Article 8 of Regulation (EU) 2020/852 (EU Taxonomy Regulation).

Based on the work we have performed, in our view, Management's 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 and the disclosure requirements of Article 8 of Regulation (EU) 2020/852 (EU Taxonomy Regulation). We did not identify any material misstatement in Management's Commentary.

Management's responsibilities for the Financial Statements

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

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

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 Financial Statements.

As part of an audit 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 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 Company'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 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 Company'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 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 or the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on compliance with the ESEF Regulation

As part of our audit of the Financial Statements we performed procedures to express an opinion on whether the annual report of Demant A/S for the financial year 1 January to 31 December 2023 with the filename DEMANT-2023-12-31-en.zip is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the Consolidated Financial Statements including notes.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes:

- The preparing of the annual report in XHTML format;
- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for all financial information required to be tagged using judgement where necessary;
- Ensuring consistency between iXBRL tagged data and the Consolidated financial statements presented in human-readable format; and
- For such internal control as Management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

- Testing whether the annual report is prepared in XHTML format;
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;
- Evaluating the completeness of the iXBRL tagging of the Consolidated Financial Statements including notes;
- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited Consolidated financial statements.

In our opinion, the annual report of Demant A/S for the financial year 1 January to 31 December 2023 with the file name DEMANT-2023-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Hellerup, 6 February 2024

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 3377 1231

Mogens Nørgaard Mogensen State-Authorised Public Accountant mne21404	Rasmus Friis Jørgensen State-Authorised Public Accountant mne28705

Consolidated financial statements

Consolidated income statement

(DKK million)	Note	2023	2022
Revenue	1.2	22,443	19,705
Production costs	1.3 / 1.4 / 1.6 / 8.3	-5,899	-5,036
Gross profit		**16,544**	**14,669**
R&D costs	1.3 / 1.4 / 8.3	-1,410	-1,314
Distribution costs	1.3 / 1.4 / 8.3	-9,917	-9,232
Administrative expenses	1.3 / 1.4 / 8.2 / 8.3	-1,138	-1,038
Share of profit after tax, associates	3.4 / 6.1	69	122
Operating profit (EBIT)		**4,148**	**3,207**
Financial income	4.2	101	83
Financial expenses	4.2	-855	-363
Profit before tax		**3,394**	**2,927**
Tax on profit for the year	5.1	-839	-651
Profit after tax - continuing operations		**2,555**	**2,276**
Profit after tax - discontinued operations	6.2	-757	-192
Profit for the year		**1,798**	**2,084**
Profit for the year attributable to:			
Demant A/S' shareholders		1,795	2,082
Non-controlling interests		3	2
		1,798	**2,084**
Earnings per share (EPS), DKK - continuing operations	1.5	11.44	10.06
Diluted earnings per share (DEPS), DKK - continuing operations	1.5	11.44	10.06
Earnings per share (EPS), DKK	1.5	8.04	9.21
Diluted earnings per share (DEPS), DKK	1.5	8.04	9.21

Consolidated statement of comprehensive income

(DKK million)	2023	2022
Profit for the year	**1,798**	**2,084**
Foreign currency translation adjustment, subsidiaries	-177	60
Value adjustments of hedging instruments:		
Value adjustment for the year	41	-40
Value adjustment transferred to revenue	-106	202
Tax on items that have been or may subsequently be reclassified to the income statement	17	-32
Items that have been or may subsequently be reclassified to the income statement	**-225**	**190**
Actuarial gains/losses on defined benefit plans	-19	105
Tax on items that will not subsequently be reclassified to the income statement	4	-27
Items that will not subsequently be reclassified to the income statement	**-15**	**78**
Other comprehensive income	**-240**	**268**
Comprehensive income	**1,558**	**2,352**
Comprehensive income attributable to:		
Demant A/S' shareholders	1,555	2,350
Non-controlling interests	3	2
	1,558	**2,352**
Breakdown of tax on other comprehensive income:		
Foreign currency translation adjustment, foreign enterprises	3	3
Value adjustment of hedging instruments for the year	-9	9
Value adjustment of hedging instruments transferred to revenue	23	-44
Actuarial gains/losses on defined benefit plans	4	-27
Tax on other comprehensive income	**21**	**-59**

Consolidated balance sheet 31 December

(DKK million)	Note	2023	2022
Assets			
Intangible assets	3.1	**13,540**	**12,582**
Property, plant and equipment	3.2	**2,813**	**2,553**
Lease assets	3.3	2,596	2,304
Investments in associates	3.4	728	822
Receivables from associates	3.4 / 4.3 / 4.4	277	371
Other investments	4.3 / 4.5	19	15
Customer loans	1.8 / 3.4 / 4.3 / 4.4	477	566
Other receivables	3.4 / 4.3 / 4.4	170	84
Deferred tax assets	5.2	542	538
Other non-current assets		**4,809**	**4,700**
Non-current assets	3.5	**21,162**	**19,835**
Inventories	1.6	2,845	2,904
Trade receivables	1.7 / 4.3	3,650	3,626
Receivables from associates	4.3	188	170
Income tax		236	126
Customer loans	1.8 / 4.3 / 4.4	191	229
Other receivables	4.3 / 4.4	378	376
Unrealised gains on financial contracts	2.3 / 4.3 / 4.5	60	103
Prepaid expenses		415	394
Cash	4.3 / 4.4	1,138	1,130
Assets held for sale	6.2	283	964
Current assets		**9,384**	**10,022**
Assets		**30,546**	**29,857**

(DKK million)	Note	2023	2022
Equity and liabilities			
Share capital		45	46
Other reserves		9,211	8,515
Equity attributable to Demant A/S' shareholders		**9,256**	**8,561**
Equity attributable to non-controlling interests		82	1
Equity		**9,338**	**8,562**
Borrowings	4.3 / 4.4	10,171	6,098
Lease liabilities	3.3 / 4.3 / 4.4	2,045	1,766
Deferred tax liabilities	5.2	633	620
Provisions	7.1	201	175
Other liabilities	4.3 / 7.2	661	566
Deferred income	7.3	635	501
Non-current liabilities		**14,346**	**9,726**
Borrowings	4.3 / 4.4	1,597	6,598
Lease liabilities	3.3 / 4.3 / 4.4	641	614
Trade payables	4.3	799	865
Payables to associates		1	-
Income tax		578	311
Provisions	7.1	77	33
Other liabilities	4.3 / 7.2	2,497	2,445
Unrealised losses on financial contracts	2.3 / 4.3 / 4.5	35	15
Deferred income	7.3	548	513
Liabilities related to assets held for sale	6.2	89	175
Current liabilities		**6,862**	**11,569**
Liabilities		**21,208**	**21,295**
Equity and liabilities		**30,546**	**29,857**

Consolidated cash flow statement

(DKK million)	Note	2023	2022
Operating profit (EBIT)		4,148	3,207
Non-cash items etc.	1.9	1,323	1,074
Change in receivables etc.		-85	-491
Change in inventories		4	-532
Change in trade payables and other liabilities etc.		36	10
Change in provisions		51	3
Dividends received		85	164
Cash flow from operating profit		**5,562**	**3,435**
Financial income etc. received		85	63
Financial expenses etc. paid		-706	-359
Income tax paid		-606	-517
Cash flow from operating activities (CFFO)		**4,335**	**2,622**
Acquisition of enterprises, participating interests and activities		-935	-2,323
Investments in intangible assets		-192	-277
Investments in property, plant and equipment		-654	-647
Disposal of property, plant and equipment		21	16
Investments in other non-current assets		-273	-356
Disposal of other non-current assets		246	259
Cash flow from investing activities (CFFI)		**-1,787**	**-3,328**

(DKK million)	Note	2023	2022
Repayments of borrowings	4.4	-6,740	-2,737
Proceeds from borrowings	4.4	6,034	8,606
Change in short-term bank facilities	4.4	-188	-2,477
Repayments of lease liabilities	3.3 / 4.4	-698	-614
Transactions with non-controlling interests		-3	-4
Share buy-backs		-846	-1,840
Cash flow from financing activities (CFFF)		**-2,441**	**934**
Cash flow for the period, net – continuing operations		**107**	**228**
Cash flow for the period, net – discontinued operations	6.2	-65	-253
Cash flow for the year, net		**42**	**-25**
Cash and cash equivalents at the beginning of the year		1,130	1,172
Foreign currency translation adjustment of cash and cash equivalents		-34	-17
Cash and cash equivalents at the end of the year		**1,138**	**1,130**
Breakdown of cash and cash equivalents at the end of the year:			
Cash	4.3 / 4.4	1,138	1,130
Cash and cash equivalents at the end of the year		**1,138**	**1,130**

Consolidated statement of changes in equity

(DKK million)	Share capital	Other reserves: Foreign currency translation reserve	Other reserves: Hedging reserve	Other reserves: Retained earnings	Demant A/S' share-holders' share	Non-controlling interests' share	Equity
Equity at 1.1.2023	**46**	**71**	**73**	**8,371**	**8,561**	**1**	**8,562**
Comprehensive income:							
Profit for the year	-	-	-	1,795	1,795	3	1,798
Other comprehensive income:							
Foreign currency translation adjustment, subsidiaries	-	-177	-	-	-177	-	-177
Value adjustments of hedging instruments:							
Value adjustment, year	-	-	41	-	41	-	41
Value adjustment transferred to revenue	-	-	-106	-	-106	-	-106
Actuarial gains/losses on defined benefit plans	-	-	-	-19	-19	-	-19
Tax on other comprehensive income	-	3	14	4	21	-	21
Other comprehensive income	**-**	**-174**	**-51**	**-15**	**-240**	**-**	**-240**
Comprehensive income for the year	**-**	**-174**	**-51**	**1,780**	**1,555**	**3**	**1,558**
Share buy-backs	-	-	-	-846	-846	-	-846
Share-based compensation	-	-	-	63	63	-	63
Capital reduction through cancellation of treasury shares	-1	-	-	1	-	-	-
Transactions with non-controlling interests	-	-	-	-	-	-3	-3
Non-controlling interests on acquisition	-	-	-	-76	-76	80	4
Other changes in equity	-	-	-	-1	-1	1	-
Equity at 31.12.2023	**45**	**-103**	**22**	**9,292**	**9,256**	**82**	**9,338**

Consolidated statement of changes in equity (continued)

(DKK million)		Other reserves					
	Share capital	Foreign currency translation reserve	Hedging reserve	Retained earnings	Demant A/S share-holders' share	Non-controlling interests' share	Equity
Equity at 1.1.2022	**48**	**8**	**-54**	**7,975**	**7,977**	**4**	**7,981**
Comprehensive income:							
Profit for the year	-	-	-	2,082	2,082	2	2,084
Other comprehensive income:							
Foreign currency translation adjustment, subsidiaries	-	60	-	-	60	-	60
Value adjustments of hedging instruments:							
Value adjustment, year	-	-	-40	-	-40	-	-40
Value adjustment transferred to revenue	-	-	202	-	202	-	202
Actuarial gains/losses on defined benefit plans	-	-	-	105	105	-	105
Tax on other comprehensive income	-	3	-35	-27	-59	-	-59
Other comprehensive income	**-**	**63**	**127**	**78**	**268**	**-**	**268**
Comprehensive income for the year	**-**	**63**	**127**	**2,160**	**2,350**	**2**	**2,352**
Share buy-backs	-	-	-	-1,840	-1,840	-	-1,840
Share-based compensation	-	-	-	80	80	-	80
Capital reduction through cancellation of treasury shares	-2	-	-	2	-	-	-
Transactions with non-controlling interests	-	-	-	-3	-3	-8	-11
Other changes in equity	-	-	-	-3	-3	3	-
Equity at 31.12.2022	**46**	**71**	**73**	**8,371**	**8,561**	**1**	**8,562**

Notes to consolidated financial statements

Section 1

Operating activities and cash flow

REVENUE
22,443
DKK MILLION

FREE CASH FLOW
3,483
DKK MILLION

1.1 Segment disclosures

Management has identified Hearing Healthcare and Communications as the reportable segments in the Group, as this reflects Management's approach to the organisation and the management of activities, including the assessment of results and the use of resources.

Hearing Healthcare comprises the business areas: Hearing Aids, Hearing Care and Diagnostics, which provide hearing healthcare solutions, involving manufacturing, servicing and sale of hearing aids, diagnostic products and services.

In 2022, Demant announced the decision to discontinue its Hearing Implants business. Please refer to Note 6.2.

Communications comprises our headset business, which operates under the EPOS brand and provides headsets and other solutions for the professional call centre and office market (Enterprise Solutions) and headsets for the gaming market (Gaming). In August 2023, the decision was taken to wind down our Gaming business.

Accounting policies

Segmentation of income statement

Segment performance is evaluated on EBIT level and is based on the accounting policies for the consolidated income statement.

Consolidated financial income and expenses as well as income taxes are managed on Group level and are not allocated to operating segments.

Segmentation of assets and liabilities

Segment assets and liabilities are based on the accounting policies for the consolidated balance sheet and allocated to operating segments.

The Group's borrowings, derivative financial instruments and income tax-related assets and liabilities are managed on Group level and are not allocated to operating segments.

(DKK million)	2023			2022		
	Hearing Healthcare	Communi-cations	Consoli-dated	Hearing Healthcare	Communi-cations	Consoli-dated
Revenue	21,601	842	22,443	18,645	1,060	19,705
Production costs	-5,281	-618	-5,899	-4,453	-583	-5,036
Gross profit	**16,320**	**224**	**16,544**	**14,192**	**477**	**14,669**
R&D costs	-1,226	-184	-1,410	-1,083	-231	-1,314
Distribution costs	-9,554	-363	-9,917	-8,787	-445	-9,232
Administrative expenses	-1,102	-36	-1,138	-1,001	-37	-1,038
Share of profit after tax, associates	68	1	69	122	-	122
Operating profit (EBIT)	**4,506**	**-358**	**4,148**	**3,443**	**-236**	**3,207**
Other:						
Depreciation	1,128	25	1,153	998	26	1,024
Amortisation	164	17	181	135	17	152
Fair value adjustments of non-controlling interests in step acquisitions	27	-	27	14	-	14

1.1 Segment disclosures (continued)

(DKK million)	2023					2022				
	Hearing Healthcare	**Communi-cations**	**Elimi-nations**	**Not allocated**	**Consoli-dated**	**Hearing Healthcare**	**Communi-cations**	**Elimi-nations**	**Not allocated**	**Consoli-dated**
Intangible assets	13,091	449	-	-	13,540	12,117	465	-	-	12,582
Property, plant and equipment	2,789	24	-	-	2,813	2,523	30	-	-	2,553
Lease assets	2,564	32	-	-	2,596	2,262	42	-	-	2,304
Investments in associates	660	68	-	-	728	755	67	-	-	822
Other non-current assets	863	80	-	542	1,485	959	77	-	538	1,574
Total non-current assets	**19,967**	**653**	**-**	**542**	**21,162**	**18,616**	**681**	**-**	**538**	**19,835**
Inventories	2,422	423	-	-	2,845	2,359	545	-	-	2,904
Trade receivables	3,466	184	-	-	3,650	3,368	258	-	-	3,626
Intra-group receivables	1,478	-	-1,478	-	-	1,298	-	-1,298	-	-
Other current assets	1,358	110	-	-	1,468	1,296	102	-	-	1,398
Cash	1,104	34	-	-	1,138	1,078	52	-	-	1,130
Assets held for sale	283	-	-	-	283	964	-	-	-	964
Total current assets	**10,111**	**751**	**-1,478**	**-**	**9,384**	**10,363**	**957**	**-1,298**	**-**	**10,022**
Total assets	**30,078**	**1,404**	**-1,478**	**542**	**30,546**	**28,979**	**1,638**	**-1,298**	**538**	**29,857**
Equity	**22,024**	**-261**	**-**	**-12,425**	**9,338**	**21,561**	**74**	**-**	**-13,073**	**8,562**
Borrowings	-	-	-	10,171	10,171	-	-	-	6,098	6,098
Lease liabilities	2,023	22	-	-	2,045	1,734	32	-	-	1,766
Other non-current liabilities	1,468	42	-	620	2,130	1,219	37	-	606	1,862
Total non-current liabilities	**3,491**	**64**	**-**	**10,791**	**14,346**	**2,953**	**69**	**-**	**6,704**	**9,726**
Borrowings	-	-	-	1,597	1,597	-	-	-	6,598	6,598
Lease liabilities	629	12	-	-	641	601	13	-	-	614
Intra-group payables	-	1,478	-1,478	-	-	-	1,298	-1,298	-	-
Other current liabilities	3,845	111	-	579	4,535	3,689	184	-	309	4,182
Liabilities related to assets held for sale	89	-	-	-	89	175	-	-	-	175
Total current liabilities	**4,563**	**1,601**	**-1,478**	**2,176**	**6,862**	**4,465**	**1,495**	**-1,298**	**6,907**	**11,569**
Total equity and liabilities	**30,078**	**1,404**	**-1,478**	**542**	**30,546**	**28,979**	**1,638**	**-1,298**	**538**	**29,857**

1.2 Revenue

(DKK million)	2023	2022
Revenue by geographic region:		
Europe	9,137	8,108
North America	9,236	8,078
Asia	2,331	1,887
Pacific region	1,103	1,055
Rest of world	636	577
Revenue	**22,443**	**19,705**
Revenue by country:		
Denmark	261	265
USA	7,653	6,726
France	2,214	2,188
Other countries	12,315	10,526
Revenue	**22,443**	**19,705**

Consolidated revenue mainly derives from the sale of goods and is broken down by the customers' geographic region.

The ten largest single customers together account for around 15% (12% in 2022) of total consolidated revenue.

(DKK million)	2023	2022
Revenue by business area:		
Hearing Aids	10,036	8,231
Hearing Care	9,083	8,123
Diagnostics	2,482	2,291
Communications – EPOS	842	1,060
Revenue	**22,443**	**19,705**

(DKK million)	2023	2022
Liabilities related to contracts with customers:		
Customer prepayments*	62	68
Future performance obligations*	1,121	946
Expected volume discounts and other customer-related items**	389	343
Expected product returns***	197	172
Transferred to liabilities related to assets held for sale	-	-4
Contract liabilities with customers	**1,769**	**1,525**

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

Value adjustments transferred from equity relating to derivatives made for hedging foreign exchange risks on revenue amount to DKK 106 million (DKK -202 million in 2022).

(DKK million)	2023	2022
Changes in contract liabilities with customers:		
Contract liabilities at 1.1.	1,525	1,390
Foreign currency translation adjustment	-15	17
Revenue recognised and included in the contract liability balance at 1.1.	-576	-554
Increases due to cash received, excluding amounts recognised as revenue during the year	614	624
Changes from expected volume discounts and other customer-related items	51	35
Changes from product returns	28	6
Additions from acquisitions	142	11
Transferred to liabilities related to assets held for sale	-	-4
Contract liabilities at 31.12.	**1,769**	**1,525**

1.2 Revenue (continued)

Nature of goods and services

Control is normally transferred to the customer when the goods are shipped to the customer, though delivery terms can vary and control may be transferred at a later point in time. When selling hearing aids to customers, we transfer control and recognise revenue, when the hearing aid is delivered to the customer at a given point in time, and when a hearing aid is initially fitted to the user's specific hearing loss. In some countries, the users are granted a trial period. In such cases, the transfer of control occurs when the trial period expires.

In some countries, customers are given the right to return the hearing aid within a certain period. In such cases, the expected returns are estimated based on an analysis of historical return rates adjusted for any known factors impacting expectations of future return rates. Revenue and cost of goods sold are adjusted accordingly, and contract liabilities (refund liabilities) and rights to the returned goods (included in prepaid expenses) are recognised for the expected returns.

Our activities also involve delivery of various services, such as extended warranties, warranty-related coverages (loss and damage) and after-sales services (e.g. fine-tuning of the hearing aid, additional hearing tests and cleaning). Revenue from these services is recognised on a straight-line basis over the warranty or service period, as the user makes use of the service continuously. Some users purchase a battery package or are given batteries free of charge as part of the purchase of the hearing aid, entitling them to free batteries for a certain period. Revenue is recognised when the user receives the batteries or is given batteries free of charge as part of the purchase of the hearing aid. When available, we use an observable price to determine the stand-alone selling price for the separate performance obligations related to these services, and in countries where observable prices are not available, we use a cost-plus-margin method.

The standard warranty period for hearing aids and diagnostic equipment varies between countries but is typically 12-24 months and for certain products or countries up to 48 months. The extended warranty covers periods beyond the standard warranty period or standard warranty terms. Payment terms vary significantly between countries and depend on whether the customer is a private or public customer.

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

Accounting policies

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

Accounting estimates and judgements

Discounts, returns etc. (estimate)

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

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

After-sales services (estimate)

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

1.3 Employees

(DKK million)	Note	2023	2022
Employee costs:			
Wages and salaries		8,051	7,307
Share-based remuneration		38	32
Defined contribution plans		98	134
Defined benefit plans	7.1	12	15
Social security costs etc.		928	817
Employee costs		**9,127**	**8,305**
Employee costs by function:			
Production costs		1,185	1,130
R&D costs		1,030	839
Distribution costs		5,926	5,465
Administrative expenses		986	871
Employee costs		**9,127**	**8,305**
Average number of full-time employees		21,168	19,239

Remuneration to Executive Board and Board of Directors (included in employee costs)

(DKK million)	2023	2022
Executive Board:		
Wages and salaries	25.6	25.9
Cash bonus	4.4	1.7
Share-based remuneration	11.6	8.7
Remuneration in the notice period*	22.1	-
Total	**63.7**	**36.3**
Board of Directors:		
Fee	5.4	4.8
Total	**5.4**	**4.8**

*As announced on 27 April 2023, Arne Boye Nielsen, former President of Diagnostics and Communications and member of the Executive Board, left his position in Demant.

Remuneration of the Executive Board

The total remuneration of the Executive Board comprises:

- Wages and salaries, which include a base salary and certain other benefits
- A short-term incentive programme (cash bonus) – STIP
- A long-term incentive programme (share-based remuneration) – LTIP

As announced on 27 April 2023, Arne Boye Nielsen, former President of Diagnostics and Communications and member of the Executive Board, left his position in Demant. He was entitled to continued remuneration throughout the notice period, but not entitled to severance pay in accordance with the Remuneration Policy. Arne Boye Nielsen's remuneration covers the period in which he rendered services as member of the Executive Board.

The remuneration of the Executive Board and the Board of Directors is described in detail in our Remuneration Report 2023.

Remuneration of the Board of Directors

The remuneration of the Board of Directors comprises a fixed fee and is not incentive-based.

In 2023, the basic remuneration was DKK 450,000 (DKK 400,000 in 2022). The Chair receives three times the base fee and the Vice Chair twice the base fee.

The members of the audit committee receive a base fee of DKK 100,000 (DKK 50,000 in 2022), and the chair of the audit committee receives twice the base fee.

The individual Board members' fees and their shareholdings can be found in our Remuneration Report 2023.

Accounting policies

Employee costs comprise wages, salaries, social security contributions, annual and sick leave, bonuses and non-monetary benefits and are recognised in the year in which the associated services are rendered by the employees. Where Demant provides long-term employee benefits, the costs are accrued to match the rendering of service by the employee in question.

1.3 Employees (continued)

Share-based remuneration

The Group has two types of share-based remuneration programmes, which consist of the "shadow share" programme and a RSU (restricted stock units) programme. The "shadow share" programme introduced in 2016 is cash-settled, whereas the RSU programme introduced in 2019 is equity-settled. Remuneration under both programmes is granted on a yearly basis and is contingent on the employee still being employed and not under termination when three years have passed from the time of the grant. The fair value of the shares at the time of the grant under both programmes is based on the average share price of the first five trading days after publication of the annual report.

Shadow share programme

In 2023 and 2022, the Group granted no "shadow shares". No new programmes were introduced in 2023. The liability is recognised on a straight-line basis, as the service is rendered, and the liability is remeasured at each reporting date and at the settlement date based on the fair value of the "shadow shares". Fair value adjustments are recognised as financial income or financial expenses. If relevant, the liability is adjusted to reflect the expected risk of non-vesting as a result of resignations.

Any changes to the liability are recognised in the income statement. In 2023, the Group bought back shares to cover the financial risk of share price fluctuations related to the programmes. At 31 December 2023, the remaining average contractual life of cash-settled remuneration programmes was three months (nine months in 2022).

RSU programme

In 2023, RSU shares were granted to 151 employees (149 employees in 2022). The Group recognised costs of DKK 34 million (DKK 24 million in 2022) in the income statement related to the RSU programme. There has been no subsequent remeasurement of the fair value. The costs are recognised on a straight-line basis, as the service is rendered. At 31 December 2023, the remaining average contractual life of equity-settled share programmes was 21 months (21 months in 2022).

Share-based remuneration ("shadow share" programme)

(DKK million)	2023 Executive Board	2023 Other senior members of Management	2022 Executive Board	2022 Other senior members of Management
Liabilities at 1.1.	**11.0**	**1.8**	**14.4**	**13.0**
Transfer due to extension of Executive Board*	-	-	6.1	-6.1
Transfer due to termination of Executive Board member**	-2.1	2.1	-	-
Expensed during the year in wages and salaries	4.5	0.2	6.0	0.6
Fair value adjustments	3.9	0.4	-6.6	-1.4
Settled during the year	-8.0	-2.2	-8.9	-4.3
Liabilities at 31.12.	**9.3**	**2.3**	**11.0**	**1.8**
Granted during the year	-	-	-	-
Unrecognised commitment at 31.12.***	0.8	0.3	3.9	0.5

* Arne Boye Nielsen, former President of Diagnostics and Communications, and Niels Wagner, President of Hearing Care, joined the Executive Board effective 1 April 2022. The liability at the beginning of the year has therefore been transferred to the Executive Board.
** As announced on 27 April 2023, Arne Boye Nielsen left his position in Demant. The liability at the end of the year has therefore been transferred to the Other senior members of Management.
*** Unrecognised commitment is the part of granted "shadow shares" not expensed at 31 December.

Restricted share units (RSU programme)

	Total shares (number)	Total fair value (DKK million)
Outstanding 1.1.2022	109,965	
Granted	166,345	45
Exercised	-18,943	
Forfeited	-8,069	
Outstanding 31.12.2022	**249,298**	
Granted	235,254	52
Exercised	-19,001	
Forfeited	-1,753	
Outstanding 31.12.2023	**463,798**	

Accounting estimates and judgements

Vesting conditions and fair value (estimate)

For the share-based programmes, Management estimates the likelihood of vesting conditions being satisfied. Vesting is entirely dependent on the persons enrolled in the share-based programmes remaining employed until expiry of the vesting period.

Based on such likelihood, the estimate made is used to calculate the fair value of the share-based programmes. Furthermore, the shares must be valued. For this purpose, Management uses the share price quoted on Nasdaq Copenhagen.

1.4 Amortisation, depreciation and impairment losses

(DKK million)	Note	2023	2022
Amortisation of intangible assets	3.1	181	152
Depreciation of property, plant and equipment	3.2	446	405
Depreciation of lease assets	3.3	707	619
Amortisation, depreciation and impairment losses		**1,334**	**1,176**
Amortisation, depreciation and impairment losses by function:			
Production costs		126	109
R&D costs		53	53
Distribution costs		929	812
Administrative expenses		226	202
Amortisation, depreciation and impairment losses		**1,334**	**1,176**

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

There were no impairment losses in 2023 and 2022 except for the impairment losses related to discontinued operations, please refer to Note 6.2.

1.5 Earnings per share

	2023	2022
Demant A/S' shareholders' share of profit for the year, DKK million – continuing operations	2,552	2,274
Demant A/S' shareholders' share of profit for the year, DKK million – discontinued operations	-757	-192
Demant A/S' shareholders' share of profit for the year, DKK million	**1,795**	**2,082**
Average number of shares, million	225.77	233.45
Average number of treasury shares, million	-2.64	-7.44
Average number of shares outstanding, million	**223.13**	**226.01**
Earnings per share (EPS), DKK – continuing operations	11.44	10.06
Diluted earnings per share (DEPS), DKK – continuing operations	11.44	10.06
Earnings per share (EPS), DKK – discontinued operations	-3.39	-0.85
Diluted earnings per share (DEPS), DKK – discontinued operations	-3.39	-0.85
Earnings per share (EPS), DKK	8.04	9.21
Diluted earnings per share (DEPS), DKK	8.04	9.21

1.6 Inventories

(DKK million)	2023	2022
Raw materials and purchased components	1,244	1,249
Work in progress	71	60
Finished goods and goods for resale	1,530	1,595
Inventories	**2,845**	**2,904**
Write-downs, provisions for obsolescence etc. included in the above	149	146
Included in the income statement under production costs:		
Write-downs of inventories for the year, net	54	52
Cost of goods sold for the year	4,343	3,813

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

Accounting policies

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

Group-manufactured finished goods and work in progress are measured at the value of direct costs, direct payroll costs, consumables and a proportionate share of indirect production costs, which are allocated based on the normal capacity of the production facility. Indirect production costs include the proportionate share of capacity costs directly relating to Group-manufactured finished goods and work in progress.

The net realisable value of inventories is determined as the estimated selling price less costs of completion and costs to sell.

Accounting estimates and judgements

Indirect production costs (significant judgement)

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

Obsolescence provision (estimate)

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

1.7 Trade receivables

Credit risk

(DKK million)	Balance not due	0-3 months overdue	3-6 months overdue	6-12 months overdue	More than 12 months overdue	Total carrying amount
2023						
Gross carrying amount	2,583	759	221	140	332	4,035
Specific loss allowance	-19	-62	-41	-28	-197	-347
General loss allowance	-12	-9	-4	-5	-8	-38
Total	**2,552**	**688**	**176**	**107**	**127**	**3,650**
Expected loss rate	1.2%	9.4%	20.4%	23.6%	61.7%	9.5%
2022						
Gross carrying amount	2,564	669	228	212	277	3,950
Specific loss allowance	-15	-42	-48	-62	-123	-290
General loss allowance	-11	-8	-4	-5	-6	-34
Total	**2,538**	**619**	**176**	**145**	**148**	**3,626**
Expected loss rate	1.0%	7.5%	22.8%	31.6%	46.6%	8.2%

The opening balance of trade receivables in 2023 amounted to DKK 3,203 million.

Of the total amount of trade receivables, DKK 267 million (DKK 247 million in 2022) is expected to be collected after 12 months. For information on security and collateral, please refer to Credit risks in Note 4.1.

(DKK million)	2023	2022
Allowance for impairment:		
Allowance for impairment at 1.1.	-324	-334
Foreign currency translation adjustments	3	-11
Realised during the year	67	151
Additions during the year	-147	-186
Reversals during the year	16	38
Transfer to assets held for sale	-	18
Allowance for impairment at 31.12.	**-385**	**-324**

Accounting policies

Trade receivables and contract assets are measured at amortised costs less expected lifetime credit losses.

For trade receivables, the Group has a simplified approach to determining the expected credit loss. The allowance for credit loss is measured through a provision matrix. To measure the expected credit loss, trade receivables are grouped based on shared credit risk and the number of days that have passed after the due date. Allowances are also made for trade receivables not due. For trade receivables that are considered credit-impaired, the expected credit loss is determined on an individual basis.

Accounting estimates and judgements

Impairment of receivables (estimate)

The Group has historically incurred insignificant losses on trade receivables and contract assets.

Allowance for impairment is calculated for trade receivables. The allowance is determined as expected credit losses based on assessments of the debtors' ability to pay. These assessments are made by local management for uniform groups of debtors based on maturity analyses. When indicated by special circumstances, impairments are made for individual trade receivables.

1.8 Customer loans

(DKK million)	2023	2022
Non-current customer loans	477	566
Current customer loans	191	229
Total customer loans	**668**	**795**
Allowance for impairment:		
Allowance for impairment at 1.1.	-33	-17
Realised during the year	-	1
Additions during the year	-32	-26
Reversals during the year	3	9
Allowance for impairment at 31.12.	**-62**	**-33**

Group internal credit rating

(DKK million)

2023		**Expected credit loss rate**	**Gross carrying amount**	**Carrying amount**
Performing	12-month expected credit loss	0.4%	551	549
Underperforming	Expected lifetime credit loss	33.5%	179	119
Total customer loans			**730**	**668**
2022				
Performing	12-month expected credit loss	0.3%	673	671
Underperforming	Expected lifetime credit loss	20.0%	155	124
Total customer loans			**828**	**795**

Accounting policies

Customer loans are initially recognised at fair value less transaction costs and are subsequently measured at amortised costs less loss allowance or impairment losses. Any difference between the nominal value and the fair value of the loans at initial recognition is treated as a prepaid discount on future sales to the customer and is recognised in the income statement as a reduction of revenue when the customer purchases goods from the Group.

The fair value of customer loans at initial recognition is measured as the present value of future repayments on the loan discounted at a market interest rate. The effective interest on customer loans is recognised as financial income in the income statement over the term of the loans.

A loss allowance is recognised on initial recognition and is subsequently based on a 12-month expected credit loss model. If a significant increase in the credit risk has arisen since the initial recognition of the loan, a loss allowance based on the expected lifetime credit loss is provided.

Accounting estimates and judgements

Accounting treatment (judgement) and impairment (estimate) of loans

The Group provides sales-related financing in the form of loans to some of its customers and business partners. These customer loan arrangements are complex, cover several aspects of the customer relationship and may vary from agreement to agreement.

Management assesses the recognition and classification of income and expenses for each of these agreements, including whether the agreement represents a discount on future sales (judgement). Management also assesses whether there is an indication of impairment based on current economic market conditions and changes in the customer's payment behaviour (estimate).

1.9 Specification of non-cash items

(DKK million)	2023	2022
Amortisation and depreciation	1,334	1,176
Share of profit after tax, associates	-69	-122
Gain on sale of intangible assets and property, plant and equipment	11	-1
Provisions	95	-26
Exchange rate adjustments	-50	-51
Employee share salary arrangement	64	80
Step-up gains	-27	-14
Other non-cash items	-35	32
Non-cash items etc.	**1,323**	**1,074**

Section 2

Exchange rates

Interacoustics

2.1 Exchange rate risk policy

The Group has cash flow in foreign currencies due to its international operations, which exposes the Group to fluctuations in exchange rates. Hedging against exchange rate exposures ensures greater predictability in profit. The Group manufactures and distributes most of its products from the production facilities in Poland and Mexico. The products are sold to the Group's regional affiliates and are as a general principle invoiced in the functional currency of the buying entities.

The currencies that mainly contribute to the Group's exchange rate risks are US dollars, British pound, Canadian dollars, Australian dollars, Japanese yen, Polish zloty and Chinese yuan (renminbi). The aim of the Group's hedging policy is to reduce the Group's exposure to exchange rate fluctuations, mainly by entering forward exchange contracts to mitigate the Group's risks related to the impact that exchange rate fluctuations have on consolidated earnings for up to 18 months rolling forward.

The exchange rate risks are managed by Group Treasury. Hedging is done in accordance with the Group's policy to maintain an overall adequate hedging level in 70-100% of the Group's exposure to exchange rate fluctuations. Group Treasury is not allowed to undertake any financial transactions in foreign currencies of a speculative nature. Cash flow hedging is undertaken to the extent possible to mitigate any negative effects of adverse developments in exchange rates on the consolidated operating results.

Due to the fixed exchange rate policy towards the euro in Denmark, the risk associated with exposure to fluctuations is considered to be limited and therefore not hedged.

Furthermore, the Group seeks to balance the on-balance net exposure in our main trading currencies.

The Group does not hedge translation risks associated with the consolidating group accounts.

2.2 Sensitivity analysis in respect of exchange rates

Effect on EBIT, 5% positive change in exchange rates*

(DKK million)	2023	2022
USD	+81	+56
GBP	+35	+30
CAD	+29	+22
AUD	+10	+10
JPY	+6	+5
PLN	-33	-30
CNY	+7	+5

Effect on equity, 5% positive change in exchange rates

(DKK million)	2023	2022
USD	+66	+47
GBP	+34	+29
CAD	+26	+20
AUD	+9	+9
JPY	+5	+5
PLN	-35	-31
CNY	+6	+4

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

The tables show the impact on the year's operating profit (EBIT) and consolidated equity, given a change of 5% in the exchange rates with the highest exposures.

The exchange rate impact on EBIT is calculated based on the Group's EBIT for each currency and does not allow a possible exchange rate impact on balance sheet values in those currencies.

2.3 Hedging and forward exchange contracts

Cash flow hedging

Open forward exchange contracts at the balance sheet date, that is entered to hedge future cash flow, may be specified as shown in the table, with contracts for the sale of currency being shown at negative contract values. The expiry dates reflect the periods in which the hedged cash flows are expected to be realised.

Realised forward exchange contracts, that is entered to hedge future cash flow, are recognised in the income statement together with revenue in foreign currencies that such contracts are designed to hedge cash flow for. In 2023, our forward exchange contracts realised a gain of DKK 106 million (loss of DKK 202 million in 2022), which increased our reported revenue for the year. The Group's forward exchange contracts were effective in 2023 and 2022.

Forward exchange contracts

(DKK million)	Expiry	Hedging period*	Average hedging rate	Contractual value	Fair value	Positive fair value at year-end	Negative fair value at year-end
2023							
USD	2024	10 months	676	-1,216	15	18	3
AUD	2024	11 months	447	-239	-5	-	5
GBP	2024	10 months	844	-523	-4	1	5
CAD	2024	10 months	504	-413	-2	1	3
JPY	2024	11 months	4.90	-95	1	2	1
PLN	2024	9 months	161	711	37	37	-
EUR**	2024	12 months	742	893	1	1	-
				-882	**43**	**60**	**17**
2022							
USD	2023	10 months	701	-1,072	18	30	12
AUD	2023	9 months	487	-263	8	8	-
GBP	2023	9 months	855	-470	13	13	-
CAD	2023	9 months	533	-362	16	16	-
JPY	2023	10 months	5.34	-85	-	1	1
PLN	2023	9 months	150	479	15	15	-
EUR**	2024	24 months	742	891	-2	-	2
				-882	**68**	**83**	**15**

*Hedging periods represent the estimated periods for which the exchange rate exposure of a relative share of our revenue in a currency will be covered by forward exchange contracts.
**Forward exchange contracts in euros hedged a fixed committed financial loan.

Accounting policies

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

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

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

Section 3

Asset base

INTANGIBLE ASSETS
13,540
DKK MILLION

PROPERTY, PLANT AND EQUIPMENT
2,813
DKK MILLION

OTHER NON-CURRENT ASSETS
1,652
DKK MILLION

3.1 Intangible assets

(DKK million)	2023					2022				
	Goodwill	Patents and licences	Other intangible assets	Assets under develop-ment*	Total intangible assets	Goodwill	Patents and licences	Other intangible assets	Assets under develop-ment*	Total intangible assets
Cost at 1.1.	**11,488**	**75**	**1,639**	**260**	**13,462**	**9,471**	**137**	**1,229**	**274**	**11,111**
Foreign currency translation adjustments	-220	-	-8	-6	-234	111	-	15	2	128
Additions during the year	-	1	48	145	194	-	7	75	194	276
Additions relating to acquisitions	1,112	-	58	1	1,171	2,366	1	235	4	2,606
Disposals during the year	-	-5	-54	-	-59	-1	-4	-4	-	-9
Transferred to/from other items	1	-	76	-68	9	-	-	107	-107	-
Transferred to assets held for sale	-	-	18	-	18	-459	-66	-18	-107	-650
Cost at 31.12.	**12,381**	**71**	**1,777**	**332**	**14,561**	**11,488**	**75**	**1,639**	**260**	**13,462**
Amortisation at 1.1.	**-**	**-56**	**-824**	**-**	**-880**	**-**	**-116**	**-678**	**-**	**-794**
Foreign currency translation adjustments	-	-	5	-	5	-	-	-11	-	-11
Amortisation for the year	-	-5	-176	-	-181	-	-5	-147	-	-152
Amortisation transfer	-	-	-9	-	-9	-	-	-	-	-
Disposals during the year	-	5	50	-	55	-	3	1	-	4
Transferred to assets held for sale	-	-	-11	-	-11	-	62	11	-	73
Amortisation at 31.12.	**-**	**-56**	**-965**	**-**	**-1,021**	**-**	**-56**	**-824**	**-**	**-880**
Carrying amount at 31.12.	**12,381**	**15**	**812**	**332**	**13,540**	**11,488**	**19**	**815**	**260**	**12,582**

*Prepayments are included in assets under development.

3.1 Intangible assets (continued)

Accounting policies

On initial recognition, goodwill is recognised and measured as the difference between the acquisition cost – including the value of non-controlling interests in the acquired enterprise and the fair value of any existing investment in the acquired enterprise – and the fair values of the acquired assets, liabilities and contingent liabilities. Please refer to Accounting policies in Note 6.1.

On recognition, goodwill is allocated to corporate activities that generate independent payments (cash-generating units). The definition of a cash-generating unit is in line with the Group's managerial structure as well as the internal financial management reporting.

Goodwill is not amortised but is tested for impairment at least once a year. If the recoverable amount of a cash-generating unit is lower than the carrying amounts of property, plant and equipment and intangible assets, including goodwill, attributable to the particular cash-generating unit, the particular assets will be written down.

Patents and licences acquired from third parties are measured at cost less accumulated amortisation and impairment losses. Patents and licences are amortised on a straight-line basis over their estimated useful lives.

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

Other intangible assets are measured at cost less accumulated amortisation and impairment losses. Other intangible assets are amortised on a straight-line basis over their estimated useful lives, except other rights, which are not amortised, as the residual value of other rights is considered to exceed the cost price and is instead tested annually for impairment. Please refer to Note 3.6.

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

Useful lives of intangible assets:

Patents and licences	5-20 years
Software	3-10 years
Brand value	5-10 years
Customer relationships	5-9 years

Accounting estimates and judgements

Product development (judgement)

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

3.2 Property, plant and equipment

(DKK million)	2023						2022					
	Land and buildings	Plant and machinery	Other plant, fixtures and operating equipment	Leasehold improvements	Assets under construction*	Total property plant and equipment	Land and buildings	Plant and machinery	Other plant, fixtures and operating equipment	Leasehold improvements	Assets under construction*	Total property plant and equipment
Cost at 1.1.	**1,339**	**835**	**1,737**	**1,391**	**220**	**5,522**	**1,308**	**788**	**1,624**	**1,133**	**127**	**4,980**
Foreign currency translation adjustments	6	13	-	-	12	31	10	-2	22	3	-	33
Additions during the year	20	51	188	206	187	652	6	44	185	205	207	647
Additions relating to acquisitions	8	9	22	15	-	54	-	2	24	44	-	70
Disposals during the year	-60	-221	-167	-40	-3	-491	-8	-33	-53	-31	-	-125
Transferred to/from other items	126	39	16	2	-191	-8	23	82	-41	50	-114	-
Transferred to assets held for sale	-	-	-	-	-	-	-	-46	-24	-13	-	-83
Cost at 31.12.	**1,439**	**726**	**1,796**	**1,574**	**225**	**5,760**	**1,339**	**835**	**1,737**	**1,391**	**220**	**5,522**
Depreciation and impairment losses at 1.1.	**-333**	**-598**	**-1,281**	**-757**	**-**	**-2,969**	**-306**	**-576**	**-1,166**	**-655**	**-**	**-2,703**
Foreign currency translation adjustments	-	-6	3	3	-	-	-4	2	-16	-3	-	-21
Depreciation for the year	-29	-87	-172	-158	-	-446	-28	-78	-156	-148	-	-410
Disposals during the year	58	219	160	23	-	460	5	31	44	29	-	109
Transferred to/from other items	-	6	2		-	8	-	-2	-8	10	-	-
Transferred to assets held for sale	-	-	-	-	-	-	-	25	21	10	-	56
Depreciation and impairment losses at 31.12.	**-304**	**-466**	**-1,288**	**-889**	**-**	**-2,947**	**-333**	**-598**	**-1,281**	**-757**	**-**	**-2,969**
Carrying amount at 31.12.	**1,135**	**260**	**508**	**685**	**225**	**2,813**	**1,006**	**237**	**456**	**634**	**220**	**2,553**

*Prepayments are included in assets under construction.

3.2 Property, plant and equipment (continued)

Accounting policies

Property, plant and equipment are recognised at cost less accumulated depreciation and impairment losses. Cost is defined as the acquisition price and costs directly relating to the acquisition until the point in time when the particular asset is ready for use. For assets produced by the Group, cost includes all costs directly attributable to the production of such assets, including materials, components, sub-supplies and payroll. If the acquisition or the use of an asset requires the Group to defray costs for the demolition or restoration of such asset, the calculated costs hereof are recognised as a provision and as part of the cost of the particular asset, respectively.

Assets consisting of various elements will be depreciated separately if their useful lives are not the same.

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

Buildings	30-50 years
Technical installations	10 years
Plant and machinery	3-5 years
Other plant, fixtures and operating equipment	3-5 years
IT hardware	3-5 years
Leasehold improvements	Up to 10 years

Accounting estimates and judgements

Useful life and residual value (estimate)

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

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

3.3 Leases

(DKK million)	2023	2022
Lease assets at 1.1.	**2,304**	**2,079**
Foreign currency translation adjustments	-6	8
Additions during the year	913	760
Additions relating to acquisitions	142	170
Disposals during the year	-50	-71
Depreciations during the year	-707	-624
Transferred to assets held for sale	-	-18
Lease assets at 31.12.	**2,596**	**2,304**
Lease liabilities at 1.1.	**2,380**	**2,121**
Foreign currency translation adjustments	-8	7
Additions during the year	918	763
Additions relating to acquisitions	142	170
Covid-19-related rent concessions	-6	-3
Disposals during the year	-42	-45
Payments	-767	-660
Interest	69	46
Transferred to liabilities related to assets held for sale	-	-19
Lease liabilities at 31.12.	**2,686**	**2,380**
Current lease liabilities	641	614
Non-current lease liabilities	2,045	1,766
Amounts recognised in the income statement:		
Variable lease payments	33	31
Short-term lease expenses	41	45
Low-value assets	6	4

Approx. 95% of the Group's leases consist of property agreements. The lease terms are of various length and may contain extension and termination options.

Management exercises significant judgement in determining whether it is reasonably certain that these extension and termination options will be exercised.

3.3 Leases (continued)

Accounting policies

Lease assets

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

Lease liabilities

Lease liabilities are measured at the present value of future payments, using the implicit interest rate in the lease agreement. Lease payments are discounted, using the Group's incremental borrowing rate adjusted for the functional currencies and length of the lease term, if the implicit interest rate in the lease agreement cannot be determined. Lease payments contain fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate as well as payments of penalties for terminating the lease, if the terms of the lease warrants that the Group exercises that option.

The lease liability is remeasured if or when the future payment or lease term changes. Any net remeasurement of the lease liability is recognised as an adjustment to the lease asset. If the carrying amount of the lease asset is reduced to zero, the adjustment will be recognised in the income statement.

Additional information

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

Please refer to Note 4.4 for a maturity analysis of the lease liabilities.

Accounting estimates and judgements

Lease term (judgement)

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

Extension and termination options (significant judgement)

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

3.4 Other non-current assets

(DKK million)	2023				2022			
	Invest-ments in associates	Receivables from associates	Customer loans	Other	Invest-ments in associates	Receivables from associates	Customer loans	Other
Cost at 1.1.	**816**	**369**	**587**	**108**	**803**	**271**	**501**	**97**
Foreign currency translation adjustments	-11	-1	-17	-2	21	-2	23	1
Additions during the year	-	73	136	58	-	120	303	9
Additions relating to acquisitions	15	-	-	15	7	-	-	9
Disposals related to step acquisitions and disposals of associates	-79	-28	-	-	-15	-20	-	-5
Disposals, repayments etc. during the year	-	-145	-69	-7	-	-	-56	-3
Transferred to current assets	-	-	-111	-	-	-	-184	-
Cost at 31.12.	**741**	**268**	**526**	**172**	**816**	**369**	**587**	**108**
Value adjustments at 1.1.	**6**	**2**	**-21**	**-24**	**55**	**-4**	**-8**	**-22**
Foreign currency translation adjustments	2	-	1	-	-4	-	-	-
Share of profit after tax	69	-	-	-	122	-	-	-
Dividends received	-85	-	-	-	-164	-	-	-
Disposals relating to step-up acquisitions of associates	-3	1	-	-	-	-	-	-
Other adjustments	-2	6	-29	16	-3	6	-14	-2
Disposals during the year	-	-	-	6	-	-	1	-
Value adjustments at 31.12.	**-13**	**9**	**-49**	**-2**	**6**	**2**	**-21**	**-24**
Carrying amount at 31.12.	**728**	**277**	**477**	**170**	**822**	**371**	**566**	**84**

3.4 Other non-current assets (continued)

Transactions with associates

In 2023, the Group recognised revenue from sales to associates of DKK 620 million (DKK 589 million in 2022). Further, the Group received royalties from and paid licence fees to associates amounting to net income of DKK 12 million (DKK 18 million in 2022), purchased materials and received other fees from associates amounting to net expenses of DKK 11 million (DKK 18 million in 2022) and received dividends from associates in the amount of DKK 85 million (DKK 164 million in 2022). In 2023, the Group received interest income from associates in the amount of DKK 24 million (DKK 16 million in 2022).

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

Accounting policies

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

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

	Associates	
(DKK million)	**2023**	**2022**
Financial information from financial statements (Group share):		
Revenue	768	876
Profit for the year	69	122
Comprehensive income	69	122

3.5 Non-current assets by geographies

(DKK million)	**2023**	**2022**
Non-current assets by geographic region:		
Europe	10,296	8,815
North America	7,155	7,243
Asia	2,125	2,223
Pacific region	853	802
Rest of world	191	214
Non-current assets	**20,620**	**19,297**
Non-current assets by country:		
Denmark	2,303	2,307
USA	5,635	5,641
France	3,139	3,136
Other countries	9,543	8,213
Non-current assets	**20,620**	**19,297**

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

3.6 Impairment testing

Impairment testing is carried out for the Group's two cash-generating units, Hearing Healthcare and Communications. Based on the impairment tests performed, a material excess value was identified in each cash-generating unit compared to the carrying amount for which reason no impairment of goodwill was made at 31 December 2023, except for the impairment of goodwill related to discontinued operations, please refer to Note 6.2. This conclusion is supported by the fact that the market capitalisation of the company on Nasdaq Copenhagen by far exceeds the equity value of the company.

At 31 December 2023, goodwill amounted to DKK 11,964 million in Hearing Healthcare (DKK 11,071 million in 2022) and DKK 417 million in Communications (DKK 417 million in 2022).

The impairment tests are performed as a test of the value in use, including a five-year budget/projection period from 2024-2028.

Future cash flows are based on the budget for 2024, on strategy plans and on projections hereof. Projections extending beyond 2024 are based on general parameters, such as expected market growth, selling prices and profitability assumptions. The terminal value for the period after 2028 is determined on the assumption of 2% (2022: 2%) growth for each segment.

The market growth rate in the hearing aid industry and for audio solutions is predominantly determined by the following factors:

Hearing Healthcare:

- Growing demographics and an increasing share of elderly in the population, driving stable unit growth in the hearing aid market.
- Expansion of diagnostic instruments and services across the world.
- Increased penetration rates of hearing healthcare solutions due to education, increased affluence and availability.

Communications:

- Increasing adoption of Unified Communications and Collaboration equipment, especially professional headsets.
- Emergence and establishment of video solutions for enterprises.

The pre-tax discount rate is 8% (2022: 8%) for Hearing Healthcare and 12% (2022: 12%) for Communications. Sensitivity calculations show that even a significant increase in the discount rates or a significant reduction of the growth assumptions will not change the outcome of the impairment tests. Apart from goodwill, all intangible assets have limited useful lives.

Accounting estimates and judgements

Cash-generating units (judgement)

Impairment testing is carried out annually on preparation of the annual report or on indication of impairment in which discounted values of future cash flows are compared with carrying amounts. Group enterprises cooperate closely on R&D, purchasing, production, marketing and sale, as the use of resources in the individual markets is coordinated and monitored by Management in Denmark. Group enterprises are thus highly integrated. Regardless of this, the products and services offered by Hearing Healthcare and Communications address different customer demands and customer groups, which would not be comparable by nature. Management therefore considers it most appropriate to split the activities into two reportable segments, Hearing Healthcare and Communications. The two reportable segments constitute the Group's cash-generating units. Individual impairment testing is therefore carried out for these two cash-generating units.

Accounting policies

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

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

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

Section 4

Capital structure and financial management

NET INTEREST-BEARING DEBT
12,280
DKK MILLION

NET FINANCIAL ITEMS
-754
DKK MILLION

4.1 Financial risk management and capital structure

Policies relating to financial risk management

Financial risk management concentrates on identifying risks in respect of changes in the financial markets and customers' propensity to pay for products and services.

The Executive Board monitors the financial risks of the company to ensure that these remain well-balanced. Financial risks are managed centrally by Group Treasury, which is responsible for securing attractive funding under the prevailing market conditions and for monitoring and mitigating risks related to liquidity, interest rates and exchange rates. Risks related to counterparties are managed in the individual markets.

Capital structure, funding and liquidity risks

Demant remains a highly cash-generating company with a strong balance sheet. The Group continuously adapts its capital structure to the prevailing market conditions in order to secure attractive financing. We secure our funding based on a strong commitment by our banks to provide longer-term bank facilities. To mitigate potential liquidity and refinancing risks, the Group has secured considerable undrawn committed credit facilities.

To minimise financing risks, we aim for more than 50% of our credit facilities to be committed with long-term maturity, and our financial gearing multiple is currently within our desired target range of 2.0-2.5.

Interest rate risks

Due to higher market interest rates, our financial expenses increased in 2023. Furthermore, credit spreads and debt margins increased in the financial markets due to higher capital requirements imposed on the banks.

Currently, around 45% of the Group's debt is funded through facilities with fixed rates or hedged through financial instruments limiting the interest rate risk.

The Group's net interest-bearing debt (NIBD) amounted to DKK 12,280 million as of 31 December 2023, and the gearing multiple (NIBD/EBITDA) was 2.2.

Exchange rate risks

The Group is exposed to exchange rate risks, as the company trades with counterparties in a number of countries, and as the Group has cash flows in different currencies. It is therefore important to adequately balance foreign exchange rate risks to avoid unexpected adverse impacts on the financial performance.

The majority of Group companies transact mainly in local currencies and are therefore exposed to limited exchange rate risks.

The Group does not hedge translation risks resulting from the consolidation of Group accounts into Danish kroner. Most Group companies are invoiced from the Danish production entities. Around two-thirds of the invoicing out of Denmark is invoiced in other currencies than Danish kroner or euros. To reduce our exchange rate exposure, we continuously seek to balance ingoing and outgoing cash flows in our main trading currencies as much as possible. To ensure predictability in terms of net profit, we hedge expected future net cash flows mainly through forward exchange contracts with a horizon of up to 18 months.

In addition, we seek to balance our on-balance net exposure in our main trading currencies and, where relevant, our exposure is hedged. It is the Group's policy to exclusively hedge financial risks arising from our commercial activities and not to undertake any financial transactions of a speculative nature.

Counterpart risks

From a commercial point of view, the Group is exposed to credit risks if our customers fail to pay for products and services provided. Such risks mainly relate to trade receivables and loans to customers or business partners, and failure to adequately manage credit risks can adversely impact the Group.

To minimise the risk of suffering losses on customers, the Group monitors the credit risks on an ongoing basis. The Group generally has a diversified customer base, and in 2023, the accumulated revenue from our ten largest customers accounted for approx. 15% of total consolidated revenue. We regularly adjust our financial accounts to reflect the current credit risks.

When granting loans to business partners, we require that our counterparties provide security in their business. In general, we estimate that the risk relative to our total credit exposure is well-balanced at Group level, and historically, we have only suffered limited credit-related losses.

The maximum credit risk relating to receivables matches the carrying amounts of such receivables. Overall, the Group has limited deposits with financial institutions for which reason the credit risk in respect of deposits is considered to be low.

4.2 Net financial items

(DKK million)	2023	2022
Interest on cash and bank deposits	35	11
Interest on receivables, customer loans etc.	55	45
Other financial income	11	27
Financial income from financial assets measured at amortised cost	**101**	**83**
Interest on bank debt, mortgages etc.	-488	-145
Interest expense on lease liabilities	-71	-46
Financial expenses on financial liabilities measured at amortised cost	**-559**	**-191**
Foreign exchange losses, net	-119	-13
Transaction costs	-177	-159
Financial expenses	**-855**	**-363**
Net financial items	**-754**	**-280**

Accounting policies

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

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

4.3 Categories of financial instruments

(DKK million)	2023	2022
Unrealised gains on financial contracts	60	103
Financial assets used as hedging instruments	**60**	**103**
Receivables from associates	465	541
Customer loans	668	795
Other receivables	548	460
Trade receivables	3,650	3,626
Cash	1,138	1,130
Financial assets at amortised cost	**6,469**	**6,552**
Other investments	19	15
Financial assets at fair value through profit/loss	**19**	**15**
Unrealised losses on financial contracts	-35	-15
Financial liabilities used as hedging instruments	**-35**	**-15**
Debt to credit institutions etc.	-11,238	-11,931
Short-term bank facilities etc.	-530	-765
Lease liabilities	-2,686	-2,380
Trade payables	-799	-865
Other liabilities	-2,615	-2,551
Financial liabilities measured at amortised cost	**-17,868**	**-18,492**

The following non-financial item is included in the balance sheet and represents the difference between the table and the balance sheet: Other liabilities of DKK 543 million (DKK 460 million in 2022).

Accounting policies

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

4.3 Categories of financial instruments (continued)

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

4.4 Net interest-bearing debt, liquidity and interest rate risks

(DKK million)	Contractual cash flows					
	Less than 1 year	1-5 years	More than 5 years	Total	Carrying amount	Weighted average effective interest rate
2023						
Interest-bearing receivables*	269	677	145	1,091	1,036	
Cash	1,172	-	-	1,172	1,138	
Interest-bearing assets	**1,441**	**677**	**145**	**2,263**	**2,174**	**4.1%**
Debt to credit institutions etc.	-1,489	-10,619	-301	-12,409	-11,238	
Short-term bank facilities etc.	-560	-	-	-560	-530	
Borrowings	**-2,049**	**-10,619**	**-301**	**-12,969**	**-11,768**	**3.9%**
Lease liabilities	-688	-1,822	-650	-3,160	-2,686	
Net interest-bearing debt	**-1,296**	**-11,764**	**-806**	**-13,866**	**-12,280**	
2022						
Interest-bearing receivables*	302	790	194	1,286	1,235	
Cash	1,140	-	-	1,140	1,130	
Interest-bearing assets	**1,442**	**790**	**194**	**2,426**	**2,365**	**2.6%**
Debt to credit institutions etc.	-6,027	-5,358	-885	-12,270	-11,931	
Short-term bank facilities etc.	-801	-	-	-801	-765	
Borrowings	**-6,828**	**-5,358**	**-885**	**-13,071**	**-12,696**	**2.2%**
Lease liabilities	-656	-1,531	-462	-2,649	-2,380	
Net interest-bearing debt	**-6,042**	**-6,099**	**-1,153**	**-13,294**	**-12,711**	

*Interest-bearing receivables comprise customer loans, receivables from associates as well as other receivables.

4.4 Net interest-bearing debt, liquidity and interest rate risks (continued)

Trade payables and other liabilities have a contractual maturity of less than one year, with the exception of other liabilities of DKK 661 million (DKK 566 million in 2022), which have a contractual maturity of 1-5 years. The contractual cash flows approximate their carrying amounts.

Borrowings broken down by currency: 59% in Danish kroner (63% in 2022), 26% in euros (23% in 2022), 6% in US dollars (6% in 2022), 2% in Canadian dollars (3% in 2022) and 7% in other currencies (6% in 2022).

Reconciliation of liabilities arising from financing activities

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

The fair value of the interest rate swap outstanding at the balance sheet date is DKK 18 million (DKK 0 million in 2022), and the contractual value of the interest swap is DKK 1,000 million (DKK 0 million in 2022). The interest rate swap matures in 2026.

Sensitivity analysis in respect of interest rates

Based on the Group's net debt at the end of the 2023 financial year, a rise of 1 percentage point in the general interest rate level will cause an increase in consolidated annual interest expenses before tax of approx. DKK 58 million (DKK 57 million in 2022). Around 45% (around 46% in 2022) of the interest-bearing debt is subject to fixed interest rates, partly due to a bought interest rate swap and partly due to loans being raised at fixed interest rates.

Interest rate swap (Interest rate cap in 2022)

(DKK million)

	Expiry	Interest rate/strike	Contractual amount at year-end	Positive fair value at year-end	Negative fair value at year-end
2023					
DKK/DKK	**2026**	3.27%	1,000	-	-18
			1,000	**-**	**-18**
2022					
DKK/DKK	**2023**	0%	650	20	-
			650	**20**	**-**

4.4 Net interest-bearing debt, liquidity and interest rate risks (continued)

			Non-cash changes						
(DKK million)	2022	Cash flow from financing activities	Covid-19 rent conces-sions	Acquisi-tions and divest-ments	Foreign exchange movement	Other additions	Disposals	Transferred to liabilities held for sale	2023
Lease liabilities	2,380	-698	-6	142	-8	918	-42	-	2,686
Debt to credit institutions etc.	11,931	-706	-	15	-2	-	-	-	11,238
Short-term bank facilities	765	-188	-	1	-48	-	-	-	530
Interest-bearing liabilities	**15,076**	**-1,592**	**-6**	**158**	**-58**	**918**	**-42**	**-**	**14,454**
	2021								**2022**
Lease liabilities	2,121	-614	-3	170	7	763	-45	-19	2,380
Debt to credit institutions etc.	6,020	5,869	-	30	12	-	-	-	11,931
Short-term bank facilities	3,197	-2,477	-	-	46	-	-	-1	765
Interest-bearing liabilities	**11,338**	**2,778**	**-3**	**200**	**65**	**763**	**-45**	**-20**	**15,076**

4.5 Fair value hierarchy

Methods and judgements for determining fair values

Other investments

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

Derivatives

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

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

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

Contingent considerations

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

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

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

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

Accounting policies

On initial recognition, other investments are recognised at fair value and subsequently measured at fair value in the income statement. Unrealised value adjustments are recognised in the income statement. On realisation, value adjustments are recognised in net financial items in the income statement. Contingent considerations arising from the acquisition of enterprises and activities are recognised at fair value at the time of acquisition. The obligations are re-evaluated on a recurring basis at fair value.

4.5 Fair value hierarchy (continued)

(DKK million)	Level 1	Level 2	Level 3	Total
2023				
Financial assets used as hedging instruments	-	60	-	60
Other investments	-	-	19	19
Financial liabilities used as hedging instruments	-	-35	-	-35
Contingent considerations	-	-	-380	-380
2022				
Financial assets used as hedging instruments	-	103	-	103
Other investments	-	-	15	15
Financial liabilities used as hedging instruments	-	-15	-	-15
Contingent considerations	-	-	-420	-420

There have been no transfers between level 1 and 2 in the 2023 and 2022 financial years.

(DKK million)	Financial assets		Contingent considerations	
	2023	**2022**	**2023**	**2022**
Assets and liabilities (level 3)				
Carrying amount at 1.1.	15	11	-420	-148
Foreign currency translation adjustment	-	-	-1	-8
Acquisitions	7	4	-156	-478
Disposals, repayments, settlements etc.	-	-	192	193
Other adjustments	-3	-	5	11
Transferred to liabilities related to assets held for sale	-	-	-	10
Carrying amount at 31.12.	**19**	**15**	**-380**	**-420**

Financial assets and contingent considerations are measured at fair value in the balance sheet based on valuation methods, with any significant inputs not being based on observable market data (level 3). Most of the contingent considerations recognised relate to deferred payments, which are not dependent on any performance obligations and will usually be paid out within 1-5 years.

The majority of the contingent considerations are recognised as the maximum consideration to be paid, which Management has assessed to be the most likely outcome.

Section 5

Tax

TAX ON PROFIT

-839

DKK MILLION

EFFECTIVE TAX RATE

24.7%

DKK MILLION

5.1 Tax on profit

(DKK million)	2023	2022
Current tax on profit for the year	-814	-580
Adjustment of current tax, prior years	11	20
Change in deferred tax	-31	-79
Adjustment of deferred tax, prior years	-4	-10
Impact of changes in corporate tax rates	-1	-2
Tax on profit for the year	**-839**	**-651**
Reconciliation of tax rates:		
Danish corporate tax rate	22.0%	22.0%
Differences between tax rates of non-Danish enterprises and Danish corporate tax rate	0.9%	1.0%
Impact of changes in corporate tax rates	-	0.1%
Impact of unrecognised tax assets, net	-	0.3%
Permanent differences	2.3%	-1.6%
Other items including prior-year adjustments	-0.5%	0.4%
Effective tax rate	**24.7%**	**22.2%**

The Group is not expected to be materially impacted by OECD/EU Pillar Two Model rules and local implementation hereof. Most countries where the Group has operations impose taxation in excess of 15%, meaning that most countries are covered by the transitional Safe Harbour rules. Those few countries not covered by the transitional Safe Harbour rules are still expected to show a GloBE ETR in excess of 15%. As such, OECD/EU Pillar Two Model Rules and local implementation hereof are expected to result in neither materially increased tax payments nor changes to the Group's ETR.

The Group has applied the temporary exception, introduced in May 2023, from the accounting requirements for deferred taxes in IAS 12, which means that the Group neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

Accounting policies

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

Foreign currency translation adjustments of deferred tax are recognised as part of the year's adjustments of deferred tax.

Permanent differences primarily include Danish interest limitation, R&D incentives, profit in associates and non-deductible share-based payments.

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

5.2 Deferred tax

(DKK million)	2023	2022
Deferred tax recognised in the balance sheet:		
Deferred tax assets	542	538
Deferred tax liabilities	-633	-620
Deferred tax, net at 31.12.	**-91**	**-82**
Deferred tax, net at 1.1.	**-82**	**126**
Foreign currency translation adjustments	8	-8
Changes in deferred tax	-31	-79
Additions relating to acquisitions	5	-18
Adjustment of deferred tax, prior years	-4	-10
Impact of changes in corporate tax rates	-1	-2
Deferred tax relating to changes in equity, net	14	-59
Transferred to assets held for sale	-	-32
Deferred tax, net at 31.12.	**-91**	**-82**

The tax value of deferred tax assets not recognised is DKK 104 million (DKK 116 million in 2022) and relates mainly to tax losses and tax credits for which there is considerable uncertainty about their future utilisation. Tax losses of DKK 25 million will expire within 5-10 years, whereas other tax losses carried forward have no expiry date.

Accounting policies

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

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

5.2 Deferred tax (continued)

(DKK million)	Temporary differences at 1.1.	Foreign currency translation adjust-ments	Acquisi-tions	Recognised in profit for the year	Recognised in other compre-hensive income	Transferred to assets held for sale	Temporary differences at 31.12.
2023							
Intangible assets	-542	-	5	-28	-	-	-565
Property, plant and equipment	-102	13	-	-70	-	-	-159
Leased assets	13	1	-	7	-	-	21
Inventories	204	-	-	4	-	-	208
Receivables	42	-	-	10	-	-	52
Provisions	67	-2	-	34	-	-	99
Deferred income	161	-1	-	-2	-	-	158
Tax losses	47	-4	-	13	-	-	56
Other	28	1	-	-4	14	-	39
Total	**-82**	**8**	**5**	**-36**	**14**	**-**	**-91**
2022							
Intangible assets	-500	-16	-20	-7	-	1	-542
Property, plant and equipment	-65	-1	-	-50	-	14	-102
Leased assets	12	-	-	1	-	-	13
Inventories	277	4	2	-31	-	-48	204
Receivables	54	2	-	-13	-	-1	42
Provisions	85	-5	-	-12	-	-1	67
Deferred income	152	8	-	1	-	-	161
Tax losses	48	-	-	-1	-	-	47
Other	63	-	-	21	-59	3	28
Total	**126**	**-8**	**-18**	**-91**	**-59**	**-32**	**-82**

Accounting estimates and judgements

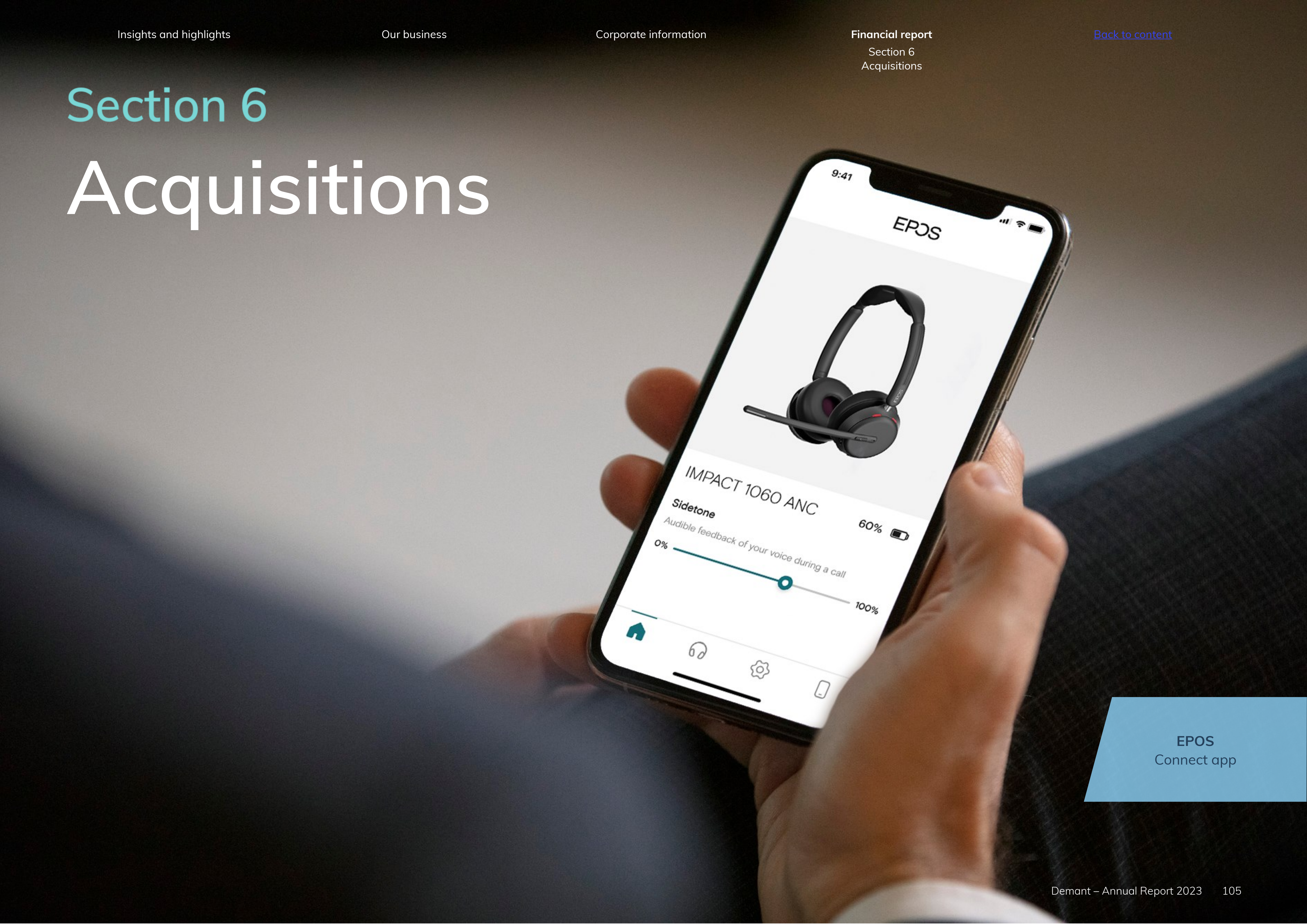
Deferred tax assets (significant estimate)

Deferred tax assets, including the tax value of any tax losses allowed for carryforward, are recognised in the balance sheet at the estimated realisable value of such assets, either by a set-off against a deferred tax liability or by a net asset to be set off against future positive taxable income. At the balance sheet date, an assessment is made as to whether it is probable that sufficient taxable income will be available in the future against which the deferred tax asset can be utilised.

Deferred tax on temporary differences between the carrying amounts and the tax values of investments in subsidiaries and associates is recognised, unless the Parent is able to control the time of realisation of such deferred tax, and it is probable that such deferred tax will not be realised as current tax in the foreseeable future. Deferred tax is recognised in respect of eliminations of intra-group profits and losses.

Section 6

Acquisitions



EPOS
Connect app

6.1 Acquisitions of enterprises and activities

As part of the capital allocation policy, a portion of the cash flow from operating activities is allocated to value-adding acquisitions. In 2023, a total of 31 acquisitions were completed within the Hearing Healthcare segment at an estimated total consideration of DKK 1,074 million. The individual acquisitions are not considered to be material and therefore not disclosed separately, but grouped together with other acquisitions within the geographical region.

Acquisitions in Hearing Healthcare

In 2023, the Group acquired a number of businesses or obtained significant stakes in hearing healthcare businesses, the most significant ones being Mr. Optik and Flemming & Klingbeil both in Germany, the hearing aid-related activities of Goed Hulpmiddelen in Belgium and Virtualis in France.

On 5 January 2023, the Group acquired 55% of the shares in Virtualis, a developer and manufacturer of virtual reality rehabilitation equipment based in France. As part of the agreement, a forward contract was entered into for the remaining 45% of the shares, meaning that Demant agreed to buy and the seller to sell in three tranches based on an agreed revenue multiple. The purchase price for the remaining shares is estimated based on Virtualis' current performance and on expectations of the future. The purchase price is not capped.

On 1 March 2023, the Group acquired the remaining 51% of the shares in Mr. Optik

(DKK million)	2023				2022				
	Hearing Healthcare				Hearing Healthcare				
	Europe	North America	Asia	Total	Europe	North America	Asia	Sheng Wang	Total
Intangible assets	55	4	-	59	149	5	4	82	240
Property, plant and equipment	53	1	-	54	11	3	16	40	70
Other non-current assets	167	21	-	188	22	6	17	139	184
Inventories	47	2	-	49	39	4	2	38	83
Current receivables	105	7	-	112	48	7	1	101	157
Cash and cash equivalents	56	2	-	58	49	4	3	41	97
Non-current liabilities	-413	-5	-	-418	-57	-7	-11	-96	-171
Current liabilities	-131	-9	-	-140	-51	-16	-34	-201	-302
Acquired net assets	**-61**	**23**	**-**	**-38**	**210**	**6**	**-2**	**144**	**358**
Goodwill	1,078	34	-	1,112	299	235	96	1,736	2,366
Acquisition cost	**1,017**	**57**	**-**	**1,074**	**509**	**241**	**94**	**1,880**	**2,724**
Carrying amount of non-controlling interests on obtaining control	-80	-4	-	-84	-	-15	-	-	-15
Fair value adjustment of non-controlling interests on obtaining control	-26	-1	-	-27	-	-14	-	-	-14
Contingent consideration and deferred payments	-151	-5	-	-156	-33	-19	-	-426	-478
Acquired cash and cash equivalents	-56	-2	-	-58	-49	-4	-3	-41	-97
Cash acquisition cost	**704**	**45**	**-**	**749**	**427**	**189**	**91**	**1,413**	**2,120**

Figures are shown at fair value on the acquisition date.

6.1 Acquisition of enterprises and activities (continued)

and now holds 100% of the shares. Mr. Optik operates hearing clinics across Eastern Germany. The step-up resulted in a fair value adjustment of Demant's existing shares of DKK 26 million.

On 31 August 2023, the Group acquired 100% of the shares in Flemming & Klingbeil, which operates hearing clinics across Berlin, Germany.

On 31 August 2023, the Group acquired all the hearing aid-related activities of Goed Hulpmiddelen. The transaction was structured as an asset purchase. The activities in Goed Hulpmiddelen consist of hearing clinics in the northern part of Belgium. The activities were integrated into our existing retail business in Belgium.

In addition, the Group made a number of other minor acquisitions in North America and Europe in 2023.

In 2022, the Group acquired 100% of the shares in Sheng Wang, first 20% as a minority investment on 4 March 2022 and subsequently the remaining 80% of the shares on 1 July 2022.

Accounting treatment

In respect of the acquisitions, the Group paid a total acquisition cost of DKK 1,074 million, which exceeded the fair values of the acquired assets, liabilities and contingent liabilities. Such positive balances in value can be attributed to expected synergies between the activities of the acquired entities and our existing activities, to the future growth opportunities and to the value of staff competencies in the acquired businesses. These synergies are not recognised separately from goodwill, as they are not separately identifiable. Total goodwill recognised in respect of the acquisitions made in 2023 amounted to DKK 1,112 million.

Of the total acquisitions made in 2023, the fair value of the estimated contingent considerations in the form of earn-outs or deferred payments accounted for DKK 156 million (DKK 478 million in 2022). Earn-outs depend on the results of the acquired entities for a period of 1-5 years. The maximum of earn-outs and other contingent considerations related to the acquisitions are estimated to be DKK 158 million (DKK 482 million in 2022), excluding Virtualis where the earn-out that is not capped.

The fair values of acquisitions are not considered final until 12 months after the acquisition date. Adjustments to acquisitions completed more than 12 months prior to the time of the adjustments, including changes in estimated contingent considerations, are recognised in the income statement.

In 2023, adjustments were made to the preliminary recognition of acquisitions recognised in 2022. These adjustments relate to payments made, contingent considerations provided as well as net assets and goodwill acquired. The impact of these adjustments on goodwill was DKK 5 million (DKK 10 million in 2022) and DKK 2 million (DKK 2 million in 2022) on contingent consideration.

In 2023, adjustments were also made to contingent considerations related to acquisitions before 2022. These adjustments amount to DKK 5 million (DKK 9 million in 2022) and are recognised as part of distribution costs for acquisitions.

Step-up acquisitions

At the time of acquisition of non-controlling interests, the shares of the acquisitions are measured at their proportionate share 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, remeasured at fair value with fair value adjustments recognised in the income statement.

The total impact on the income statement of fair value adjustments of non-controlling interests in step acquisitions was DKK 27 million (DKK 14 million in 2022).

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

Transaction costs

Transaction costs in connection with acquisitions made in 2023 amounted to DKK 14 million (DKK 15 million in 2022), which were recognised in distribution costs.

Acquired assets and proforma figures

The acquired assets include contractual receivables amounting to DKK 59 million (DKK 55 million in 2022) of which DKK 1 million (DKK 2 million in 2022) was thought to be uncollectible at the date of the acquisition. Of total goodwill in the amount of DKK 1,112 million (DKK 2,366 million in 2022), DKK 209 million (DKK 193 million in 2022) can be amortised for tax purposes.

Revenue and profit after tax generated by the acquired enterprises since our acquisition in 2023 amount to DKK 311 million (DKK 326 million in 2022) and DKK 13 million (DKK -20 million in 2022), respectively. Had such revenue and profit been consolidated on 1 January 2023, we estimate that consolidated pro forma revenue and profit after tax would have been DKK 22,636 million (DKK 20,070 million in 2022) and DKK 1,805 million (DKK 2,542 million in 2022), respectively. Without taking synergies from our core business into account, we believe that these pro forma figures reflect the level of consolidated earnings after our acquisition of the enterprises.

Acquisitions after balance sheet date

From the balance sheet date and until the date of financial reporting in 2024, we have acquired a number of retail businesses. We are in the process of assessing their fair value. The acquisition cost is expected to relate primarily to goodwill.

6.1 Acquisition of enterprises and activities (continued)

Accounting policies

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

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

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

Accounting estimates and judgements

Identification of assets and liabilities (significant judgement)

On recognition of assets and liabilities from acquisitions, Management judgements may be required for the identification of the following:

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

Contingent consideration (estimate)

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

6.2 Discontinued operations and assets held for sale

(DKK million)	2023	2022
Revenue	509	497
Expenses	-666	-737
Amortisation, depreciation and impairment losses	-632	-10
Profit before tax - discontinued operations	**-789**	**-250**
Tax on profit for the period	32	58
Profit for the period - discontinued operations	**-757**	**-192**
Profit for the period for discontinued operations attributable to:		
Demant A/S shareholders	-757	-192
	-757	**-192**
Earnings per share (EPS), DKK	-3.39	-0.85
Diluted earnings per share (DEPS), DKK	-3.39	-0.85
Cash flow from discontinued operations		
Cash flow from operating activities (CFFO)	-225	-232
Cash flow from investing activities (CFFI)	-23	-4
Cash flow from financing activities (CFFF)	183	-17
Cash flow for the period, net - discontinued operations	**-65**	**-253**

In 2022, Demant announced the decision to discontinue its Hearing Implants business area. In 2023, the transaction with Cochlear was amended to only include the cochlear implants (CI) business. The bone anchored hearing systems (BAHS) business is no longer part of the transaction and will thus remain with Demant for now, pending a review of strategic options. The amended transaction has no impact on the decision to exit Hearing Implants and both the BAHS and CI business are considered discontinued operations. Due to the amended scope, no consideration will be paid as part of the transaction.

In 2023, discontinued operations thus comprise the Hearing Implants business area, which realised a profit after tax of DKK -757 million (2022: DKK -192 million). The negative result can be attributed to non-recurring, non-cash write-downs of assets related to the CI despite slightly higher revenue compared to 2022. The BAHS business delivered slightly positive growth in the year, following growth related to the launch of the Ponto 5 sound processor in 2022. Revenue for Hearing Implants was low following the voluntary field corrective action in 2021.

Accounting policies

Discontinued operations represent a separate line of businesses disposed of or being prepared for sale. The results of discontinued operations are presented separately in the income statement, and comparative figures are restated. Cash flows from discontinued operations are presented separately in the cash flow statement.

6.2 Discontinued operations and assets held for sale (continued)

(DKK million)	2023	2022
Balance sheet items:		
Intangible assets	97	577
Property, plant and equipment	1	27
Lease assets	1	18
Deferred tax assets	44	32
Other non-current assets	1	2
Non-current assets	**144**	**656**
Current assets	**139**	**308**
Assets held for sale	**283**	**964**
Provisions	8	28
Lease liabilities	1	19
Other liabilities	80	128
Liabilities related to assets held for sale	**89**	**175**

Assets classified as held for sale at 31 December 2023 comprise assets in the Hearing Implants business areas. Cochlear will take over the obligations to service existing CI customers. The transaction is subject to regulatory approval and other customary closing conditions, and closing is expected in the first six months of 2024. The amended transaction has no impact on the decision to exit Hearing Implants, and the BAHS business will continue to be disclosed as held for sale.

Accounting policies

Assets and liabilities relating to the discontinued operations are classified as held for sale. Assets held for sale, except financial assets etc., and liabilities related to assets held for sale 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.

Section 7

Provisions, other liabilities etc.

PROVISIONS
278
DKK MILLION

OTHER LIABILITIES
3,158
DKK MILLION

7.1 Provisions

(DKK million)	2023	2022
Staff-related provisions	65	59
Miscellaneous provisions	98	58
Other provisions	**163**	**117**
Defined benefit plan liabilities, net	115	91
Provisions at 31.12.	**278**	**208**
Breakdown of provisions:		
Non-current provisions	201	175
Current provisions	77	33
Provisions at 31.12.	**278**	**208**

Miscellaneous provisions relate to provisions for disputes etc. The majority of these provisions are expected to be realised within the next five years.

	2023			2022		
(DKK million)	Staff-related	Miscellaneous	Total	Staff-related	Miscellaneous	Total
Other provisions at 1.1.	**59**	**58**	**117**	**57**	**99**	**156**
Foreign currency translation adjustments	-	-5	-5	-	1	1
Additions relating to acquisitions	-	17	17	1	4	5
Provisions during the year	6	27	33	-	15	15
Realised during the year	-	-9	-9	-	-37	-37
Reversals during the year	-	-9	-9	1	-2	-1
Transfer to/from liabilities related to assets held for sale	-	19	19	-	-22	-22
Other provisions at 31.12.	**65**	**98**	**163**	**59**	**58**	**117**
Breakdown of provisions:						
Non-current provisions	65	24	89	59	25	84
Current provisions	-	74	74	-	33	33
Other provisions at 31.12.	**65**	**98**	**163**	**59**	**58**	**117**

7.1 Provisions (continued)

(DKK million)	2023	2022
Present value of defined benefit obligations:		
Defined benefit obligations at 1.1.	429	541
Foreign currency translation adjustments	24	22
Current service costs	10	15
Calculated interest on defined benefit obligations	8	2
Actuarial gains/losses	34	-134
Net benefits paid	-57	-21
Contributions from plan participants	8	10
Transfer to liabilities related to assets held for sale	-	-6
Defined benefit obligations at 31.12.	**456**	**429**
Fair value of defined benefit assets:		
Defined benefit assets at 1.1.	338	348
Foreign currency translation adjustments	21	16
Actuarial gains/losses	21	-29
Contributions	18	24
Net benefits paid	-57	-21
Defined benefit assets 31.12.	**341**	**338**
Defined benefit obligations recognised in the balance sheet, net	**115**	**91**
Return on defined benefit assets:		
Actual return on defined benefit assets	21	-29
Actuarial gains/losses on defined benefit assets	**21**	**-29**
Assumptions:		
Discount rate	1.7%	2.3%
Expected return on defined benefit assets	0.0%	0.0%
Future salary increase rate	1.6%	1.4%

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

Defined benefit plan costs recognised in the income statement amount to DKK 12 million (DKK 15 million in 2022), and the accumulated actuarial gain recognised in the statement of comprehensive income amounts to DKK 10 million (gain of DKK 28 million in 2022).

In 2024, the Group expects to pay approx. DKK 24 million (DKK 15 million in 2023) into defined benefit plans. Defined benefit obligations in the amount of DKK 132 million (DKK 130 million in 2022) will mature within 1-5 years and obligations in the amount of DKK 324 million (DKK 299 million in 2022) after five years.

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

Plan assets are recognised as follows:

Equity	28%
Bonds	31%
Property	27%
Other	14%

Accounting policies

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

The Group has defined benefit plans and similar agreements with some of its employees.

When it comes to defined contribution plans, the Group pays regular, fixed contributions to independent pension companies. Contributions are recognised in the income statement for the period in which employees have performed work entitling them to such pension contributions. Contributions due are recognised in the balance sheet as a liability.

When it comes to defined benefit plans, the Group is obliged to pay a certain contribution when an employee covered by such a plan retires, for instance a fixed amount or a percentage of the employee's final salary. An actuarial calculation is prepared periodically of the accrued present value of future benefits to which employees through their past employment with

7.1 Provisions (continued)

the Group are entitled and which are payable under the defined benefit plan. This defined benefit obligation is calculated annually, using the projected unit credit method based on judgements in respect of the future development in for instance wage levels, interest rates, mortality and inflation rates.

The defined benefit obligation less the fair value of any assets relating to the defined benefit plan is recognised in the balance sheet under provisions.

Defined benefit costs are categorised as follows:

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

Remeasurements, comprising actuarial gains and losses, any effects of changes to the asset ceiling as well as returns on defined benefit assets, excluding interest, are reflected immediately in the balance sheet with a charge or credit recognised in other comprehensive income for the period in which it occurs.

Remeasurements recognised in other comprehensive income are reflected immediately in retained earnings and are not reclassified to the income statement. Service costs and net interest expenses or income are included in the income statement as staff costs.

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

Accounting estimates and judgements

Assessment of provisions (estimate)

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

7.2 Other liabilities

(DKK million)	2023	2022
Product-related liabilities	543	460
Staff-related liabilities	1,022	980
Other debt, public authorities	356	277
Contingent considerations	380	420
Other costs payable	857	874
Other liabilities	**3,158**	**3,011**
Due within 1 year	2,497	2,445
Due within 1-5 years	661	566

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

Accounting policies

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

On the sale of products with a right of return, a refund liability and a right to the returned products are recognised as a refund liability and a current asset (included in prepaid expenses), respectively. The refund liability is deducted from revenue, and the right to the returned products is offset in production costs. Warranty commitments include an obligation to remedy faulty or defective products during the warranty period.

Accounting estimates and judgements

Warranty and return liabilities (estimates)

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

7.3 Deferred income

(DKK million)	2023	2022
Prepayments from customers	62	68
Future performance obligations:		
Deferred warranty-related revenue	591	582
Deferred free products revenue	126	98
Deferred service revenue	404	266
Total	**1,183**	**1,014**

Free products, service and some of the warranty-related services mentioned are provided free of charge to the customer. Certain other services and warranty-related services are paid by the customer simultaneously with delivery of the related goods, but delivery of the service takes place 1-4 years after delivery of the goods.

Please refer to Note 1.2 for a description of the nature of the deferred income.

Accounting policies

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

Expected recognition of revenue

(DKK million)	Less than 1 year	1-2 years	2-4 years	More than 4 years	Total
2023					
Prepayments from customers	62	-	-	-	62
Deferred warranty-related revenue	247	232	104	8	591
Deferred free products revenue	75	35	15	1	126
Deferred service revenue	164	116	94	30	404
Total	**548**	**383**	**213**	**39**	**1,183**
2022					
Prepayments from customers	68	-	-	-	68
Deferred warranty-related revenue	267	220	89	6	582
Deferred free products revenue	48	36	8	6	98
Deferred service revenue	130	95	37	4	266
Total	**513**	**351**	**134**	**16**	**1,014**

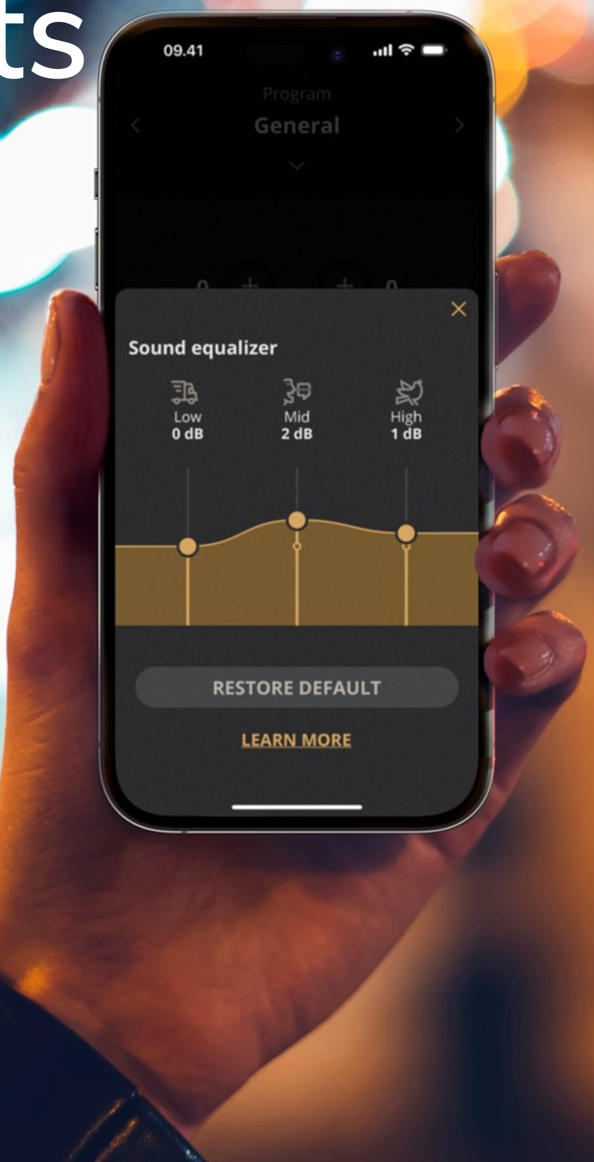
7.4 Contingent liabilities

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

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

Section 8

Other disclosure requirements



Oticon
Companion App

8.1 Related parties

William Demant Foundation, Kongebakken 9, 2765 Smørum, Denmark, is the only related party with a controlling interest. Controlling interest is achieved through a combination of William Demant Foundation's own shareholding and the shareholding of William Demant Invest A/S for which William Demant Foundation exercises the voting rights. Subsidiaries and associated enterprises of William Demant Invest A/S are related parties to the Demant Group.

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

Subsidiaries and associates as well as the Demant Group's ownership interests in these companies appear from Subsidiaries and associates in Section 11. For financial information on transactions with associates, please refer to Note 3.4.

In 2023, William Demant Foundation paid administration fees to the Group of DKK 2 million (DKK 2 million in 2022). The Group paid administration fees to William Demant Invest A/S of DKK 3 million (DKK 2 million in 2022) and received service fees of DKK 6 million (DKK 4 million in 2022) from William Demant Invest A/S.

In 2023, the Group paid service fees to Össur hf., a subsidiary of William Demant Invest A/S, of DKK 4 million (DKK 4 million in 2022) and received service fees of DKK 44 million (DKK 47 million in 2022) from Össur hf.

In 2023, the Group was reimbursed by Vision RT, a subsidiary of William Demant Invest A/S, for pass-through expenses in the amount of DKK 115 million (DKK 113 million in 2022).

At year-end 2023, the Group had receivables of DKK 18 million for services provided to Vision RT and Össur hf. (DKK 18 million in 2022).

In 2023, William Demant Foundation donated DKK 27 million to Eriksholm Research Centre (DKK 0 million in 2022) and DKK 4 million to industrial PhD projects in Oticon A/S (DKK 0 million in 2022). Further, William Demant Foundation acquired diagnostic and Oticon equipment worth DKK 2 million and DKK 6 million (DKK 3 million and DKK 1 million in 2022), respectively, from the Group.

Since 2011, the Group has settled Danish tax on account and residual tax with William Demant Invest A/S, which is the administration company for the joint taxation.

There have been no transactions with the Executive Board and the Board of Directors apart from normal remuneration. Please refer to Note 1.3.

8.2 Fees to auditors

(DKK million)	**2023**	**2022**
Fees to Parent´s auditors appointed at the annual general meeting		
Statutory audit fee	18	14
Other services	1	2
Total	**19**	**16**

Some of the Group's subsidiaries are not subject to auditing by PricewaterhouseCoopers.

In 2023, the fee for non-audit services delivered by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab, Denmark, amounted to DKK 0 million (DKK 2 million in 2022).

8.3 Government grants

(DKK million)	2023	2022
Government grants by function:		
Production costs	-	1
R&D costs	16	17
Distribution costs	3	7
Administrative expenses	1	-
Total	**20**	**25**

In 2023, the Demant Group received government grants in the amount of DKK 20 million (DKK 25 million in 2022) of which DKK 5 million (DKK 12 million in 2022) are Covid-19-related publicly funded compensation schemes. Non-Covid-19 grants are offset against R&D costs.

Accounting policies

Government grants are recognised when there is reasonable certainty that the conditions for such grants are satisfied and that they will be awarded. Grants received as compensation for costs incurred are recognised proportionately in the income statement over the periods in which the related costs are recognised in the income statement and are offset against costs incurred.

Government grants relating to the acquisition of non-current assets are deducted from the cost of such assets.

8.4 Events after the balance sheet date

On 5 February 2024, the Group announced the decision to undertake a review of strategic options for its Communications business. The purpose of the review is to explore whether a different owner may be better positioned to accelerate growth and allow the business to realise its full potential. The review is expected to be completed by the end of the first six months of 2024. As this review of strategic options has been initiated after 31 December 2023, the criteria for Communications to be classified as held for sale and/or discontinued operations are not met on the balance sheet date.

After the balance sheet date for the 2023 financial statements, but before the submission of this Annual Report, Communications meets the criteria for being classified as held for sale and discontinued operations, and will be presented as such in 2024. The results, outcome and financial impact from the strategic review cannot be estimated at this time. All assets and liabilities presented as part of the Communications segment in note 1.1, to which we refer, will be included in the review of strategic options for the Communications business.

No other events have occurred after the reporting date that might affect the consolidated financial statements.

Section 9

Basis for preparation

9.1 Group accounting policies

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

1.1 Segment disclosures
1.2 Revenue
1.3 Employees
1.6 Inventories
1.7 Trade receivables
1.8 Customer loans
2.3 Hedging and forward exchange contracts
3.1 Intangible assets
3.2 Property, plant and equipment
3.3 Leases
3.4 Other non-current assets
3.6 Impairment testing
4.2 Net financial items
4.3 Categories of financial instruments
4.5 Fair value hierarchy
5.1 Tax on profit
5.2 Deferred tax
6.1 Acquisition of enterprises and activities
6.2 Discontinued operations and assets held for sale
7.1 Provisions
7.2 Other liabilities
7.3 Deferred income
8.3 Government grants

General

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

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

The financial statements for the Parent as well as the Parent's accounting policies are presented separately from the consolidated financial statements and are shown on the last pages of this Annual Report 2023.

Effect of new accounting standards

The Group has adopted the new, amended and revised accounting standard and interpretation as published by the IASB and adopted by the EU effective for the accounting period beginning 1 January 2023. The new, updated and amended standard and interpretation did not result in any changes to the accounting policies for the Group nor had it any significant impact on the consolidated financial statements for 2023.

IASB has issued new accounting standards and amendments effective for accounting periods beginning after 1 January 2024, which have been adopted by the EU. The changes to these standards are not expected to have any significant impact on the Group.

The Group has applied the exception to recognize deferred tax on OECD's/EU's Pillar Two Model Rules and local implementation hereof.

Except for the implementation of the new and amended standards, the accounting policies remain unchanged compared to last year.

Consolidated financial statements

The consolidated financial statements comprise Demant A/S (the Parent) and the enterprises in which the Parent can or does exercise control by either directly or indirectly holding more than 50% of the voting rights, or in which the Parent exercises control in some other manner. Enterprises in which the Group holds 20-50% of the voting rights and/or in some other manner can or does exercise significant influence are considered associates or joint ventures and are incorporated proportionately into the consolidated financial statements using the equity method.

Consolidation principles

The consolidated financial statements are prepared based on the financial statements of the Parent and its subsidiaries by aggregating uniform items. Enterprises that, by agreement, are managed jointly with one or more other enterprises are recognised using the equity method.

The consolidated financial statements are prepared in accordance with the Group's accounting policies. Intra-group income, expenses, shareholdings, balances and dividends as well as unrealised intra-group profits on inventories are eliminated.

The accounting items of subsidiaries are recognised 100% in the consolidated financial statements. On initial recognition, non-controlling interests are measured either at fair value or at their proportionate share of the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary. The method is chosen for each individual transaction. Non-controlling interests are subsequently adjusted according to their proportionate share of changes in equity of the subsidiary.

Comprehensive income is allocated to non-controlling interests whether or not, as a result hereof, the value of such interests is negative. The purchase or sale of non-controlling interests in a subsidiary, which does not result in obtaining or discontinuing control of such subsidiary, is treated as an equity transaction in the consolidated financial statements, and any

9.1 Group accounting policies (continued)

difference between the consideration and the carrying amount is allocated to the Parent's share of the equity.

Foreign currency translation

The Group's presentation currency is Danish kroner.

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

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

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

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

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

All foreign currency translation adjustments are recognised in the income statement, except for the following, which are recognised in other comprehensive income:

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

Income statement

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

Production costs

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

R&D costs

Research costs are always recognised in the income statement as such costs incur. Development costs include all costs not satisfying capitalisation criteria but incurred in connection with the development, prototype construction, development of new business concepts and amortisation of capitalised development costs.

Distribution costs

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

Administrative expenses

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

Other operating income

Other operating income includes income from all activities not related to the core business activities of the Group.

Prepaid expenses

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

Equity

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

Treasury shares and dividend

On the buy-back of shares or sale of treasury shares, the purchase price or selling price, respectively, is recognised directly in equity as other reserves (retained

9.1 Group accounting policies (continued)

earnings). A capital reduction through the cancellation of treasury shares will reduce the share capital by an amount corresponding to the nominal value of such shares. Proposed dividends are recognised as a liability at the time of adoption at the annual general meeting.

Cash flow statement

The cash flow statement is prepared according to the indirect method and reflects the consolidated net cash flow broken down into operating, investing and financing activities.

Cash flow from operating activities includes inflows from the year's operations adjusted for non-cash operating items, changes in working capital, financial income received, financial expenses paid, and income tax paid. Cash flow from operating activities also includes short-term lease payments, lease payments of low-value assets and variable lease payments.

Cash flow from investing activities includes payments in respect of the acquisition or divestment of enterprises and financial assets as well as the purchase, development, improvement or sale of intangible assets and property, plant and equipment. In addition to this, cash flow from investing activities also includes movement in receivables from associates as well as customer loans.

Cash flow from financing activities includes payments to and from shareholders and the raising and repayment of non-current and current debt and lease liabilities.

Cash flow in currencies other than the functional currency is recognised at average exchange rates for the months of the year unless they deviate significantly from actual exchange rates on the transaction dates. Repayments of lease liabilities are included as well.

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

iXBRL tagging

The Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) has introduced a single electronic reporting format for the annual financial reports of issuers with securities listed on the EU regulated markets.

The combination of XHTML format and iXBRL tags makes it possible for annual financial reports to be read by both humans and machines, thus enhancing accessibility, analysis and comparability of the information included in the annual financial reports.

The Group's iXBRL tags have been prepared in accordance with the ESEF taxonomy, which is included in the ESEF Regulation and developed based on the IFRS taxonomy published by the IFRS Foundation.

The line items in the consolidated financial statements are tagged to elements in the ESEF taxonomy. For financial line items that are not directly defined in the ESEF taxonomy, an extension to the taxonomy has been created. Extensions are anchored to elements in the ESEF taxonomy, except for extensions that are subtotals.

The annual report submitted to the Danish Financial Supervisory Authority (the Officially Appointed Mechanism) consists of the XHTML document together with the technical files, all of which are included in the ZIP file DEMANT-2023-12-31-en.zip.

Key definitions

XHTML (eXtensible HyperText Markup Language) is a text-based language used to structure and mark up content such as text, images and hyperlinks in documents that are displayed in a web browser.

iXBRL tags (or Inline XBRL tags) are hidden metainformation embedded in the source code of an XHTML document that enables the conversion of XHTML-formatted information into a machine-readable XBRL data record using appropriate software.

A financial reporting taxonomy is an electronic dictionary of business reporting elements used to report business data. A taxonomy element is an element defined in a taxonomy that is used for the machine-readable labelling of information in an XBRL data record.

9.1 Group accounting policies (continued)

Key figures and financial ratios

Organic growth	Organic growth is measured as the year-on-year change excluding impact from acquisitions, divestments and foreign exchange adjustments in percentage
EBITDA	Operating profit before amortisation, depreciation and impairment losses
EBIT	Operating profit
Adjusted EBIT	Operating profit adjusted for non-recurring transactions
Free cash flow	Cash flow from operating activities (CFFO) and investing activities (CFFI) before acquisitions and disposals of enterprises, participating interests and activities
Net interest-bearing debt (NIBD)	Net amount of borrowings and lease liabilities less interest-bearing receivables and cash
Net working capital	Net amount of current assets (excluding tax, financial contracts and cash) less trade payables, the current part of other liabilities and deferred income
EPS	Earnings per share
Per share	Financial ratios per share are calculated per share of nominally DKK 0.20
Average number of shares outstanding	Average number of shares excluding the average number of treasury shares for the year
Gender diversity, all managers	Gender distribution between women and men in percentage among all people managers with one or more reports
Gender diversity, top-level management	Gender distribution between men and women at management levels from Vice Presidents and up
Gender diversity, top-level management teams	The percentage of top-level management teams that are on or off the target of 75% of all teams having a maximum of 75% of one gender
Gender diversity, Board of Directors	Gender distribution between women and men of shareholder-elected members of the Board of Directors

Gross margin	$\frac{\text{Gross profit *100}}{\text{Revenue}}$
EBIT margin	$\frac{\text{Operating profit *100}}{\text{Revenue}}$
Gearing multiple	$\frac{\text{Net interest-bearing debt *100}}{\text{EBITDA}}$
EPS	$\frac{\text{Profit for the year attributable to Demant A/S' shareholders}}{\text{Average number of shares outstanding}}$
EPS - continuing operations	$\frac{\text{Profit for the continuing operations for the year attributable to Demant A/S' shareholders}}{\text{Average number of shares outstanding}}$
EPS - discontinuing operations	$\frac{\text{Profit for the discontinuing operations for the year attributable to Demant A/S' shareholders}}{\text{Average number of shares outstanding}}$
Free cash flow per share	$\frac{\text{Free cash flow}}{\text{Average number of shares outstanding}}$
CEO remuneration ratio	$\frac{\text{Total annual remuneration of the CEO}}{\text{Average remuneration of Demant employees excluding the CEO}}$

9.1 Group accounting policies (continued)

Key figures and financial ratios

Financial ratios are calculated in accordance with "Recommendations and Ratios" from CFA Society Denmark.

Gender diversity

Gender diversity is calculated based on the data from the countries enrolled in our global HR data management system. In 2023, 90% of our employees were registered in the system.

Carbon emissions

Carbon emissions are measured using the carbon dioxide equivalent (CO_2e) to include relevant greenhouse gasses according to the Greenhouse Gas Protocol. The consolidated emissions data comprise entities where Demant has operational control. These include emissions data from leased facilities.

Scope 1 emissions (direct GHG emissions) cover CO_2e emissions from actual and estimated consumed natural gas, liquefied petroleum gas, gasoline and diesel. Department for Environment, Food & Rural Affairs (Defra) emissions factors were used.

Scope 2 emissions (own indirect GHG emissions) cover CO_2e emissions from actual and estimated purchased and consumed electricity and district heating. International Energy Agency (IEA) CO_2 Emissions from Fuel Combustion factors were used for location-based emissions and residual mix for market-based emissions (when available) generated from electricity. Department for Environment, Food & Rural Affairs (Defra) emissions factors were used for district heating.

9.2 Accounting estimates and judgements

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

Significant accounting estimates and judgements are described in the individual notes to the consolidated financial statements as outlined below:

1.2 Revenue
1.6 Inventories
3.3 Leases
3.6 Impairment (identification of CGUs)
5.2 Deferred tax
6.1 Acquisition of enterprises and activities

Specific accounting estimates and judgements are described in each of the individual notes to the consolidated financial statements as outlined below:

1.2 Revenue
1.3 Employees
1.6 Inventories
1.7 Trade receivables
1.8 Customer loans
3.1 Intangible assets
3.2 Property, plant and equipment
3.3 Leases
5.2 Deferred tax
6.1 Acquisition of enterprises and activities
7.1 Provisions
7.2 Other liabilities

Parent financial statements

Philips

Parent income statement

(DKK million)	Note	2023	2022
Revenue		-	-
Administrative expenses	10.1 / 10.2	-116	-73
Operating loss (EBIT)		**-116**	**-73**
Share of profit after tax, subsidiaries	10.8	1,742	1,584
Share of profit after tax, associates	10.8	-2	-3
Financial income	10.3	158	49
Financial expenses	10.3	-413	-147
Profit before tax		**1,369**	**1,410**
Tax on profit for the year	10.4	6	29
Profit for the year	10.5	**1,375**	**1,439**

Parent balance sheet 31 December

(DKK million)	Note	2023	2022
Assets			
Goodwill		20	23
Intangible assets	10.6	**20**	**23**
Land and buildings		24	24
Property, plant and equipment	10.7	**24**	**24**
Lease assets		1	1
Investments in subsidiaries	10.8	16,211	15,028
Loans to subsidiaries	10.8	3,014	1,284
Investments in associates	10.8	30	33
Other investments		2	-
Other receivables		9	8
Other non-current assets		**19,267**	**16,354**
Non-current assets		**19,311**	**16,401**
Receivables from subsidiaries		-	953
Income tax		11	30
Other receivables		2	32
Prepaid expenses		32	18
Cash		7	-
Receivables		**52**	**1,033**
Current assets		**52**	**1,033**
Assets		**19,363**	**17,434**

(DKK million)	Note	2023	2022
Equity and liabilities			
Share capital		45	46
Other reserves		2,312	1,812
Retained earnings		2,426	2,522
Total equity		**4,783**	**4,380**
Provisions		498	124
Deferred tax liabilities	10.4	4	8
Provisions		**502**	**132**
Borrowings		10,137	6,062
Lease liabilities		1	1
Other debt		240	232
Non-current liabilities	10.9	**10,378**	**6,295**
Borrowings	10.9	1,311	6,051
Debt to subsidiaries		2,168	383
Other debt	10.9	221	193
Current liabilities		**3,700**	**6,627**
Liabilities		**14,078**	**12,922**
Equity and liabilities		**19,363**	**17,434**
Contingent liabilities	10.10		
Related parties	10.11		
Events after the balance sheet date	10.12		
Parent accounting policies	10.13		

Parent statement of changes in equity

(DKK million)		Other reserves				
	Share capital	Foreign currency translation reserve	Hedging reserve	Reserve according to equity method	Retained earnings	Total equity
Equity at 1.1.2022	**48**	**-75**	**2**	**1,717**	**2,762**	**4,454**
Profit for the year	-	-	-	1,581	-142	1,439
Dividends received	-	-	-	-1,731	1,731	-
Foreign currency translation adjustment of investments in subsidiaries etc.	-	-1	-	55	-	54
Other changes in equity in subsidiaries	-	-	-	256	-	256
Value adjustment for the year	-	-	16	-	-	16
Tax relating to changes in equity	-	-	-4	-	-	-4
Share buy-backs	-	-	-	-	-1,840	-1,840
Capital reduction through cancellation of treasury shares	-2	-	-	-	2	-
Share-based compensation	-	-	-	-	9	9
Other changes in equity	-	-	-4	-	-	-4
Equity at 31.12.2022	**46**	**-76**	**10**	**1,878**	**2,522**	**4,380**
Profit for the year	-	-	-	1,740	-365	1,375
Dividends received	-	-	-	-1,018	1,018	-
Foreign currency translation adjustment of investments in subsidiaries etc.	-	-7	-	-114	-	-121
Other changes in equity in subsidiaries	-	-	-	-72	-	-72
Value adjustment for the year	-	-	-37	-	-	-37
Tax relating to changes in equity	-	-	8	-	-	8
Share buy-backs	-	-	-	-	-846	-846
Capital reduction through cancellation of treasury shares	-1	-	-	-	1	-
Share-based compensation	-	-	-	-	96	96
Equity at 31.12.2023	**45**	**-83**	**-19**	**2,414**	**2,426**	**4,783**

Parent statement of changes in equity (continued)

	2023		2022	
	Treasury shares	**Percentage of share capital**	**Treasury shares**	**Percentage of share capital**
Treasury shares at 1.1.	**7,217,705**	**3.1%**	**9,997,689**	**4.2%**
Cancellation of treasury shares	-6,783,469	-2.9%	-9,749,098	-4.1%
Share buy-backs	2,952,703	1.3%	6,969,114	3.0%
Treasury shares at 31.12.	**3,386,939**	1.5%	**7,217,705**	**3.1%**

At the balance sheet date in 2023, the share capital was nominally DKK 45 million (DKK 46 million in 2022) divided into the corresponding number of shares of DKK 0.20.

There are no restrictions on the negotiability or voting rights of the shares. At the balance sheet date 2023, the number of shares outstanding was 220,552,501 (230,161,030 in 2022).

As part of the company's share buy-back programme, the company acquired 2,952,703 own shares in 2023 (6,969,114 shares in 2022), amounting to a total of DKK 846 million (DKK 1,840 million in 2022).

Section 10

Notes to Parent financial statements

EPOS
Impact 100

10.1 Employees

(DKK million)	2023	2022
Employee costs		
Wages and salaries	83	59
Share-based remuneration	14	12
Total	**97**	**71**
Average number of full-time employees	44	32

For further details on the remuneration of the Executive Board and the Board of Directors and the share-based remuneration programme, please refer to Note 1.3 in the consolidated financial statements.

Remuneration to Executive Board and Board of Directors (included in employee costs)

(DKK million)	2023	2022
Executive Board*:		
Wages and salaries	25.6	25.9
Cash bonus	4.4	1.7
Share-based remuneration	11.6	8.7
Remuneration in the notice period**	22.1	-
Total	**63.7**	**36.3**
Board of Directors:		
Fee	5.4	4.8
Total	**5.4**	**4.8**

*The amounts are based on the principles set out in Note 1.3.
**As announced on 27 April 2023, Arne Boye Nielsen, former President of Diagnostics and Communications and member of the Executive Board, left his position in Demant.

10.2 Fees to statutory auditors

(DKK million)	2023	2022
Statutory audit	4	2
Total	**4**	**2**

10.3 Net financial items

(DKK million)	2023	2022
Interest from subsidiaries	158	39
Interest income	-	10
Financial income	**158**	**49**
Interest to subsidiaries	-31	-5
Interest expenses	-367	-103
Transaction costs	-7	-2
Foreign exchange losses, net	-8	-37
Financial expenses	**-413**	**-147**
Net financial items	**-255**	**-98**

10.4 Tax on profit for the year and deferred tax

(DKK million)	2023	2022
Current tax on profit for the year	-	30
Adjustment of current tax, prior years	2	-
Change in deferred tax	6	-1
Adjustment of deferred tax, prior years	-2	-
Tax on profit for the year	**6**	**29**
Deferred tax recognised in the balance sheet:		
Deferred tax, net at 1.1.	8	7
Changes in deferred tax	-6	1
Adjustment of deferred tax, prior years	2	-
Deferred tax, net at 31.12.	**4**	**8**

10.5 Proposed distribution of net profit

(DKK million)	2023	2022
Transferred to reserves for net revaluation according to the equity method	1,740	1,581
Retained earnings	-365	-142
Total	**1,375**	**1,439**

10.6 Intangible assets

(DKK million)	Goodwill	Rights and other intangible assets	Total intangible assets
Cost at 1.1.2023	**65**	**11**	**76**
Cost at 31.12.2023	**65**	**11**	**76**
Amortisation at 1.1.2023	**-42**	**-11**	**-53**
Amortisation for the year	-3	-	-3
Amortisation at 31.12.2023	**-45**	**-11**	**-56**
Carrying amount at 31.12.2023	**20**	**-**	**20**
Cost at 1.1.2022	65	11	76
Cost at 31.12.2022	65	11	76
Amortisation at 1.1.2022	-39	-11	-50
Amortisation for the year	-3	-	-3
Amortisation at 31.12.2022	-42	-11	-53
Carrying amount at 31.12.2022	23	-	23

10.7 Property, plant and equipment

(DKK million)	Land and buildings
Cost at 1.1.2023	**31**
Cost at 31.12.2023	**31**
Depreciation and impairment losses at 1.1.2023	**-7**
Depreciation and impairment losses at 31.12.2023	**-7**
Carrying amount at 31.12.2023	**24**
Cost at 1.1.2022	31
Cost at 31.12.2022	31
Depreciation and impairment losses at 1.1.2022	-7
Depreciation and impairment losses at 31.12.2022	-7
Carrying amount at 31.12.2022	24

10.8 Financial assets

(DKK million)	2023			2022		
	Investments in subsidiaries	**Loans to subsidiaries**	**Investments in associates**	**Investments in subsidiaries**	**Loans to subsidiaries**	**Investments in associates**
Cost at 1.1.	**13,009**	**1,284**	**50**	**10,843**	**1,429**	**50**
Foreign currency translation adjustments	-	-7	-	-	18	-
Additions during the year	257	1,801	-	2,166	173	-
Disposals during the year	-	-64	-	-	-336	-
Cost at 31.12.	**13,266**	**3,014**	**50**	**13,009**	**1,284**	**50**
Value adjustments at 1.1.	**1,895**	**-**	**-17**	**1,731**	**-**	**-14**
Foreign currency translation adjustments	-114	-	-	54	-	1
Share of profit after tax	1,742	-	-2	1,584	-	-3
Dividends received	-1,018	-	-1	-1,730	-	-1
Other adjustments	-58	-	-	256	-	-
Value adjustments at 31.12.	**2,447**	**-**	**-20**	**1,895**	**-**	**-17**
Carrying amount at 31.12.	**15,713**	**3,014**	**30**	**14,904**	**1,284**	**33**
Subsidiaries with negative equity reclassified to provisions	498	-	-	124	-	-
Carrying amount after reclassification at 31.12.	**16,211**	**3,014**	**30**	**15,028**	**1,284**	**33**
Non-current financial assets	16,211	3,014	30	15,028	1,284	33

The carrying amount of investments in subsidiaries includes capitalised goodwill in the amount of DKK 8,059 million (DKK 7,819 million in 2022). Amortisation of capitalised goodwill for the year was DKK 627 million (DKK 562 million in 2022). Due to the planned divestment of the CI business to Cochlear with no consideration to be paid, a write-down of investments in subsidiaries of DKK 266 million was recognised in share of profit after tax.

Loans to subsidiaries of DKK 3,014 million (DKK 1,284 million in 2022) are considered additions to the total investments in the particular enterprises and are therefore considered non-current.

Please refer to Section 11 Subsidiaries and associates for further information on subsidiaries and associates.

10.9 Interest-bearing debt

(DKK million)	Contractual cash flows: Less than 1 year	1-5 years	More than 5 years	Total	Carrying amount	Weighted average effective interest rate
2023						
Debt to credit institutions etc.	1,474	10,584	301	**12,359**	11,189	
Short-term bank facilities etc.	271	-	-	**271**	259	
Lease liabilities	1	-	-	**1**	1	
Interest-bearing liabilities	**1,746**	**10,584**	**301**	**12,631**	**11,449**	**3.9%**
2022						
Debt to credit institutions etc.	5,998	5,322	885	**12,205**	11,867	
Short-term bank facilities etc.	254	-	-	**254**	246	
Lease liabilities	1	-	-	**1**	1	
Interest-bearing liabilities	**6,253**	**5,322**	**885**	**12,460**	**12,114**	**2.0%**

Interest rate swap (Interest rate cap in 2022)

(DKK million)	Expiry	Interest rate/strike	Contractual amount at year-end	Positive fair value at year-end	Negative fair value at year-end
2023					
DKK/DKK	**2026**	3.27%	1,000	-	-18
			1,000	**-**	**-18**
2022					
DKK/DKK	**2023**	0%	650	20	-
			650	**20**	**-**

A part of other debt of DKK 222 million (DKK 193 million in 2022) has a contractual maturity of less than one year, and a part of other debt of DKK 240 million (DKK 232 million in 2022) has a contractual maturity of 1-5 years.

Interest-bearing debt broken down by currency: 74% in Danish kroner (74% in 2022), 22% in euros (20% in 2022), 4% in US dollars (4% in 2022), 0% in Canadian dollars (1% in 2022) and 0% in other currencies (1% in 2022).

The fair value of the interest rate swap outstanding at the balance sheet date was DKK 18 million (DKK 0 million in 2022), and the contractual value of the interest swap was DKK 1,000 million (DKK 0 million in 2022). The interest rate swap matures in 2026. In 2022, part of the non-current debt was hedged via an interest rate cap with a contractual value of DKK 650 million.

Sensitivity analysis in respect of interest rates

Based on bank debt facilities at the balance sheet date, a rise of 1 percentage point in the general interest rate level will result in an increase in the Parent's annual interest expenses before tax of approx. DKK 76 million (DKK 75 million in 2022). Around 33% (around 38% in 2022) of the interest-bearing debt is subject to fixed or limited interest rates, partly due to a bought interest rate swap, and partly due to loans being raised at fixed interest rates.

10.10 Contingent liabilities

Demant A/S has provided security in respect of credit facilities established by Danish subsidiaries. These credit facilities totalled DKK 1,140 million in 2023 (DKK 1,517 million in 2022) of which DKK 103 million was utilised (DKK 257 million in 2022).

Demant A/S has provided security in respect of rent as well as guarantees concerning the continuous operation and payment of liabilities in 2023 for some of our subsidiaries.

The Parent is jointly taxed with William Demant Invest A/S, which is the administration company, and with all Danish subsidiaries of both. Under the Danish Corporation Tax Act, Demant A/S is first of all fully liable for corporate tax payments and for withholding tax at source in respect of interest, royalties and dividends in relation to its own subsidiaries and is secondly liable for tax payments due for William Demant Invest A/S and its partly owned subsidiaries.

For the purposes of section 357 of the Republic of Ireland Companies Act 2014, Demant A/S has undertaken to indemnify the creditors of its subsidiaries incorporated in the Republic of Ireland in respect of all losses and liabilities for the financial year ending on 31 December 2023 or any amended financial period incorporating said financial year. No material loss is expected to arise from this guarantee.

10.11 Related parties

William Demant Foundation, Kongebakken 9, 2765 Smørum, Denmark, is the only related party with a controlling interest. Controlling interest is achieved through a combination of William Demant Foundation’s own shareholding and the shareholding of William Demant Invest A/S for which William Demant Foundation exercises the voting rights. Subsidiaries and associated enterprises of William Demant Invest A/S are related parties to Demant A/S.

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

10.12 Events after the balance sheet date

Please refer to Note 8.4 in the consolidated financial statements.

10.13 Parent accounting policies

The financial statements of the Parent, Demant A/S, are presented in accordance with the provisions of the Danish Financial Statements Act for class D entities.

The Parent financial statements are presented in Danish kroner (DKK), which is also the functional currency for the Parent. The accounting policies are the same as last year.

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

The Parent has decided to apply the recognition and measurement in accordance with IFRS 15 and 16. The standards affect the Parent's proportionate share of its subsidiaries' equity value, and IFRS 16 affects the Parent's leases.

Changes to comparative figures

The 2022 comparative figures for investments in subsidiaries and provisions have been changed due to incorrect presentation of investments in subsidiaries with negative equity in the past.

Effect of the changes to the comparative figures for 2022:

- Reclassification from "Carrying amount" in subsidiaries: DKK 124 million
- Reclassification to provisions: DKK 124 million

Income statement

Tax

The Parent is jointly taxed with its Danish subsidiaries and its parent, William Demant Invest A/S. Current income tax is allocated to the jointly taxed Danish companies in proportion to their taxable income.

Balance sheet

Goodwill

Goodwill is amortised on a straight-line basis over 20 years, which is the useful life determined on the basis of Management's experience in respect of the individual business activities. Goodwill is written down to its recoverable amount, if lower than its carrying amount.

Rights

Rights acquired are amortised on a straight-line basis over their estimated useful lives and measured at cost less accumulated amortisation and impairment losses. The amortisation period is five years. Rights acquired are written down to their recoverable value, if lower than their carrying value.

Investments in subsidiaries and associates

Investments in subsidiaries and associates are recognised and measured using the equity method, i.e. interest is measured at the proportionate share of the equity values of such subsidiaries and associates with the addition or deduction of the carrying amount of goodwill and with the addition or deduction of unrealised intra-group profits or losses, respectively.

The Parent's proportionate shares of profits or losses in subsidiaries and associates are recognised in the income statement after elimination of unrealised intra-group profits or losses less any amortisation and impairment of goodwill.

Subsidiaries and associates with negative equity values are measured at DKK 0, and any receivables from such companies are written down with the Parent's share of the negative equity value to the extent that such receivable is considered irrecoverable. If the negative equity value exceeds the value of receivables, if any, such residual amount is recognised under provisions to the extent that the Parent has a legal or constructive obligation to cover liabilities incurred by the particular subsidiary or associate.

On distribution of profit or loss, net revaluation and net impairment losses on investments in subsidiaries and associates are transferred to reserves for net revaluation according to the equity method.

Other investments

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

Provisions

Provisions include liabilities, which are uncertain in respect of the amount or the timing of their settlement. Provisions may include different types of liabilities, such as deferred tax liabilities, pension obligations, investments in subsidiaries with negative equity as well as provisions for disputes etc.

Statement of changes in equity

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

Cash flow statement

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

Section 11

Subsidiaries and associates

Company	Interest
Demant A/S	Parent
Oticon A/S, Denmark*	100%
Oticon AS, Norway*	100%
Oticon Denmark A/S, Denmark*	100%
Oticon GmbH, Germany	100%
Oticon Limited, United Kingdom*	100%
Oticon Medical A/S, Denmark*	100%
Oticon Medical AB, Sweden	100%
Oticon Medical Maroc, Morocco*	100%
Oticon Medical, LLC, United States	100%
Oticon Polska Sp. z o.o., Poland*	100%
Oticon, Inc., United States	100%
Oticon (Shanghai) Hearing Technology Co., Ltd., China*	100%
ACS Audika Sp. z.o.o., Poland	100%
Acustica Sp. z o.o., Poland*	100%
Advanced Hearing Providers, LLC, United States	100%
Akoustica Medica S.A., Greece*	100%
Amplivox Limited, United Kingdom	100%
Audika AB, Sweden*	100%
Audika AG, Switzerland*	100%
Audika ApS, Denmark*	100%
Audika Australia Pty. Ltd., Australia	100%
Audika GmbH, Germany	100%
Audika Groupe S.A.S., France*	100%
Audika Management GmbH, Germany	100%
Audika New Zealand Limited, New Zealand*	100%
Audilab SAS, France* ** ***	100%
Audio Seleccion S.L., Spain*	100%
Audiology Services Company USA, LLC, United States	100%
AudioNet America, Inc., United States	100%
Audmet Australia Pty Ltd., Australia	100%
Audmet Canada Ltd., Canada	100%

Company	Interest
Audmet New Zealand Limited, New Zealand*	100%
Audmet Oy, Finland*	100%
Audmet Srl, Italy*	100%
AudPractice Group, LLC, United States	100%
Beijing Shengwang Yuanbo Commerce and Trade Co., Ltd., China*	100%
Bernafon (UK) Limited, United Kingdom*	100%
Bernafon A/S, Denmark*	100%
Bernafon AB, Sweden*	100%
Bernafon AG, Switzerland*	100%
Bernafon Hörgeräte GmbH, Germany	100%
Bernafon, LLC, United States	100%
Birdsong Hearing Benefits, LLC, United States	100%
Braun Hören GmbH & Co. KG, Germany	100%
Braun Hörgeräte GmbH & Co. KG, Germany	100%
Braun Hörgeräte Offenburg GmbH & Co. KG, Germany	100%
Centro Auditivo Telex Ltda., Brazil	100%
CQ Partners, LLC, United States	100%
Danacom Høreapparater A/S, Denmark*	100%
Demant Australia Pty Ltd, Australia*	100%
Demant Belgium B.V., Belgium*	100%
Demant Business Services Poland Sp. z o.o., Poland*	100%
Demant Iberica, S.A., Spain*	100%
Demant İşitme Cihazları San. Tic. A.Ş, Turkey*	100%
Demant Italia S.r.l., Italy*	100%
Demant Japan K.K., Japan*	100%
Demant Korea Co., ltd., Korea*	100%
Demant Malaysia Sdn. Bhd., Malaysia*	100%
Demant México, S.A. de C.V., Mexico	100%
Demant Nederland B.V., Netherlands*	100%
Demant New Zealand Limited, New Zealand*	100%
Demant Operations Poland Sp. z o.o, Poland	100%
Demant Operations S.A. de C.V., Mexico	100%

***Directly owned by the Parent for 100%.**

The list includes the Group's active companies.

Company	Interest
Demant Sales Strategic Accounts A/S, Denmark*	100%
Demant Schweiz AG, Switzerland*	100%
Demant Singapore Pte Ltd, Singapore*	100%
Demant South Africa (Pty) Ltd., South Africa*	100%
Demant Sweden AB, Sweden*	100%
Demant Technology & Innovation Centre Sdn. Bhd., Malaysia*	100%
Demant Technology Centre Sp. z o.o., Poland*	100%
DGS Diagnostics Sp. z o.o., Poland	100%
Diagnostic Group LLC, United States	100%
Diatec A/S, Denmark*	100%
Diatec AG, Switzerland*	100%
Diatec Canada Ltd., Canada	100%
Diatec Diagnostics GmbH, Germany*	100%
Diatec Diagnostics Ltd, United Kingdom	100%
Diatec Polska Sp. z o.o., Poland*	100%
Diatec Shanghai Medical Technology Co., Ltd., China*	100%
Diatec Spain, S.L.U., Spain*	100%
DSEA A/S, Denmark	100%
e3 Diagnostics, Inc., United States	100%
Entomed Medtech AB, Sweden*	100%
EPOS Audio Australia Pty Ltd, Australia	100%
EPOS Audio India Private Limited, India	100%
EPOS Audio Ireland Limited, Ireland	100%
EPOS Audio Singapore Pte. Ltd., Singapore	100%
EPOS Audio UK Ltd., United Kingdom	100%
EPOS Austria GmbH, Austria	100%
EPOS Belgium BV, Belgium	100%
EPOS Canada Ltd., Canada*	100%
EPOS France S.A.S, France	100%
EPOS Germany GmbH, Germany	100%
EPOS Group A/S, Denmark*	100%
EPOS Hong Kong Limited, Hong Kong	100%

Company	Interest
EPOS Japan Kabushiki Kaisha, Japan	100%
EPOS Netherlands B.V., Netherlands	100%
EPOS Sales A/S, Denmark	100%
EPOS Sweden AB, Sweden	100%
EPOS Switzerland AG, Switzerland	100%
EPOS USA, Inc., United States	100%
Etymonic Design Inc., Canada*	100%
Fluorite Sp. z o.o., Poland	100%
Great Lakes Provider Network, LLC, United States	100%
Guymark UK Limited, United Kingdom	100%
Hearing Screening Associates, LLC, United States	100%
HearingLife Canada Ltd., Canada* ** ***	100%
Hidden Hearing (N.I.) Limited, United Kingdom	100%
Hidden Hearing (Portugal), Unipessoal, Lda., Portugal*	100%
Hidden Hearing International Plc, United Kingdom*	100%
Hidden Hearing Limited, Ireland*	100%
Hidden Hearing Limited, United Kingdom*	100%
Hidden Hearing Properties Ltd, United Kingdom	100%
Hörgeräte-Akustik Flemming & Klingbeil GmbH & Co. KG, Germany	100%
Horgerate-Akustik Flemming & Klingbeil Verwaltungs-GmbH, Germany	100%
IDEA Isitme Sistemleri Sanayi ve Ticaret A.S., Turkey*	100%
Interacoustics A/S, Denmark*	100%
Interacoustics Pty Ltd, Australia	100%
Inventis North America Inc., United States	100%
Inventis S.r.l., Italy*	100%
Kuulopiiri Oy, Finland*	100%
Langer Hörstudio GmbH, Germany	100%
LeDiSo Italia S.r.l., Italy*	100%
Maico Diagnostics GmbH, Germany*	100%
Maico S.r.l., Italy*	100%
Mediszintech Audiologica Kft., Hungary*	100%
MedRx, Inc., United States	100%

*Directly owned by the Parent for 100%.

**Sub-consolidated group of companies, including companies with non-controlling interests.

***Sub-consolidated group of companies, including associated companies.

The list includes the Group's active companies.

Company	Interest
Moser Hörgeräte GmbH, Germany	100%
Mr. Optik GmbH, Germany ***	100%
Neurelec S.A.S, France*	100%
Northeast Hearing Instruments, LLC, United States	100%
Philiear Inc., Philippines*	100%
Phonic Ear Inc., United States	100%
Prodition S.A.S, France*	100%
Ritter Hörgeräte GmbH, Germany	100%
SBO Hearing A/S, Denmark*	100%
SBO Hearing US, Inc., United States	100%
SBO International Sales A/S, Denmark*	100%
Shanghai YinPo Technology Co., Ltd., China	100%
Shin Nihon Hochoki Kabushiki Kaisha, Japan*	100%
Sonic AG (Sonic SA) (Sonic Ltd.), Switzerland*	100%
Sonic Equipment Australia Pty Ltd, Australia	100%
Sonic Innovations, Inc., United States	100%
Synapsys S.A.S, France	100%
Udicare S.r.l., Italy*	100%
Value Hearing (Pty) Ltd., South Africa*	100%
WDH Germany GmbH, Germany*	100%
WDH UK Limited, United Kingdom*	100%
WDH USA, Inc., United States*	100%
Workplace Integra Inc., United States	100%
Van Boxtel Hoorwinkels B.V., Netherlands	100%
Audika NV, Belgium*	100%
Medton Ltd., Israel	90%
Colorado Hearing, LLC, United States	80%
Destin Hearing Associates, LLC, United States	70%
ADB Sarl, France	60%
Audika Alpes Sarl, France	60%
Institut de l'Audition du Var Sarl, France	60%
Conc. Maico - Centro Otoacustico Marchesin S.r.l., Italy	50%

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**Sub-consolidated group of companies, including companies with non-controlling interests.

Company	Interest
Virtualis SAS, France* **	55%
European Hearing Care (Myanmar) Limited, Myanmar	50%
Audiovita S.r.l., Italy	49%
Exclusive Hearing Limited, United Kingdom	49%
Microfon S.r.l., Italy	49%
Otic Hearing Solutions Private Limited, India	49%
Ma.Bi.Ge Bioacustica S.r.l., Italy	49%
Audiology Concepts, LLC, United States	40%
Audition Bahuaud SAS, France	40%
Dencker A/S, Denmark	40%
Vocechiara S.r.l., Italy	40%
Acustica Umbra S.r.l., Italy	35%
Centro Audioprotesico Lombardo S.r.l., Italy	35%
Euro Hearing LLC, Uzbekistan	35%
TruEar LLC, United States	35%
Fonema Italia S.r.l., Italy	30%
HearWell Audiology Clinics Inc., Canada	25%
HIMSA A/S, Denmark	25%
Imperial Hearing Limited, United Kingdom	25%
Acufon S.r.l., Italy	20%
Acustica Marche S.r.l., Italy	20%
Audiovox Preduzece Za Izradu I Promet Ortopedskih Pomagaladoo, Serbia	20%
Bontech Research CO D.o.o., Croatia	20%
HIMSA II A/S, Denmark	20%
Solaborate Inc., United States	20%
The Hearing Doctors of Georgia, LLC, United States	20%
K/S HIMPP, Denmark	18%
HIMSA II K/S, Denmark	15%
HIMPP A/S, Denmark	13%
HearBase Limited, United Kingdom	10%

***Sub-consolidated group of companies, including associated companies.

The list includes the Group's active companies.

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