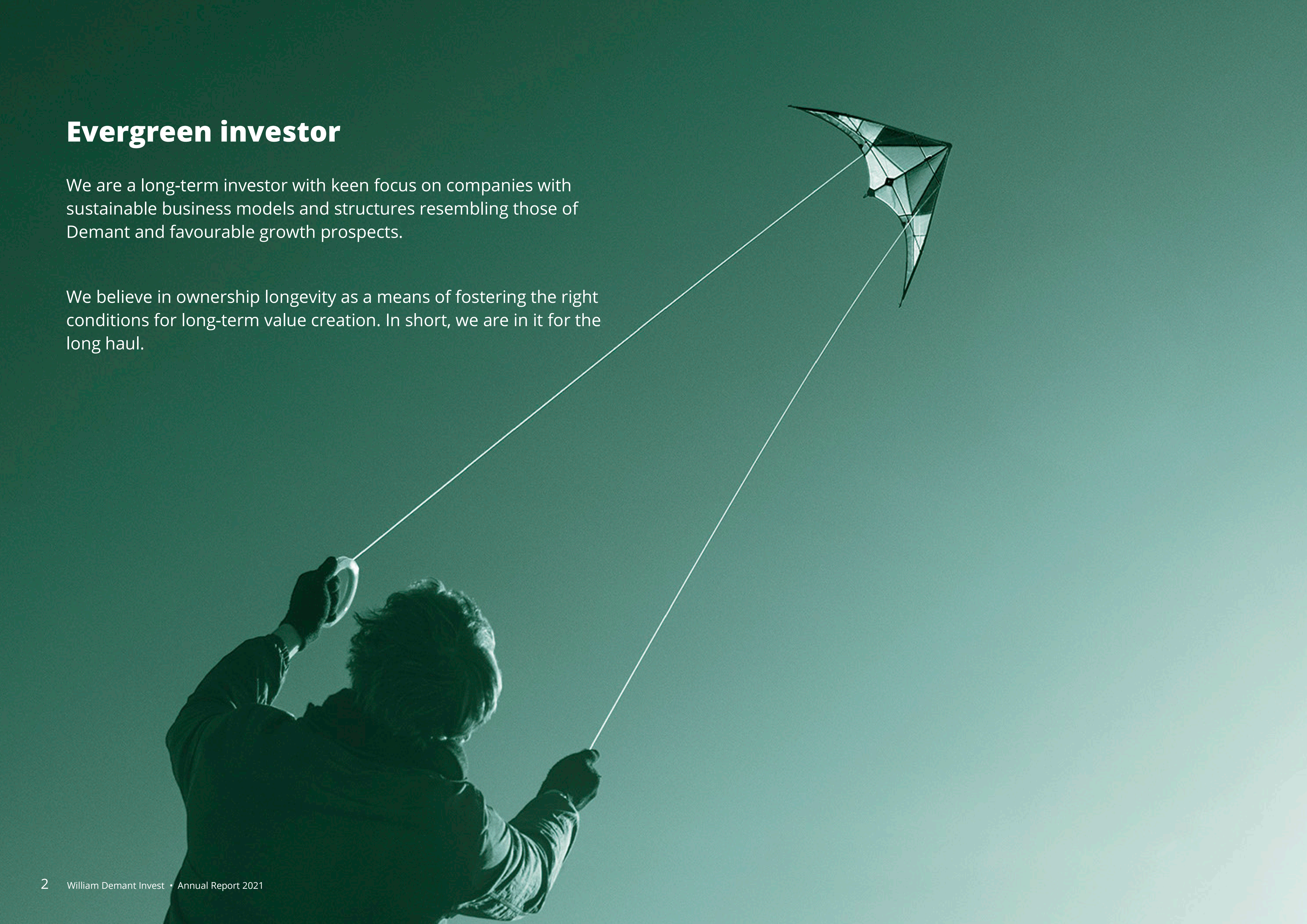
Annual Report
2021

William Demant Invest



Evergreen investor

We are a long-term investor with keen focus on companies with sustainable business models and structures resembling those of Demant and favourable growth prospects.

We believe in ownership longevity as a means of fostering the right conditions for long-term value creation. In short, we are in it for the long haul.

Content

Insights and highlights

Active ownership

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

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

Letter from the CEO

2021 was a year of many positive events – new investments, increase in value, acceleration of growth and further strategic clarity. The companies in William Demant Invest's portfolio delivered very strong results, and the portfolio altogether saw extremely good development, increasing its value by 39% during 2021, corresponding to DKK 23 billion.

The coronavirus turbulence inflicted a momentary set-back on some of our companies during 2020 but coming into 2021, we saw the situation turn around as we expected. There was no longer substantial impact from society restrictions in the markets, and some pent-up demand – although far from everything – started sequentially to materialise. Thus, the seniors of our portfolio significantly accelerated their growth in 2021: Hearing healthcare group Demant, non-invasive orthopaedics company Össur, real estate and service provider Jeudan, fertility company Vitrolife, radiation therapy company Vision RT, and Revenio, active in eye diagnostics, all delivered double digit growth rates and high operating profits.

Being back on the fine growth trajectory, our portfolio came out of 2021 in very good shape. We saw a 39% increase of our market capitalisation to DKK 81 billion and we increased our earnings before interest, taxes, depreciation and amortisation (EBITDA) by 85% to DKK 6.8 billion. I am very pleased with the performance of the companies and especially their ability to take part in, and even drive, the upturn after the corona crisis. I see this as a sign of solid and healthy operations and leadership in the companies.

"Creating more clarity around our investment strategy has been a key topic for us in 2021

In 2021, we stepped up our investments in a number of our companies. Included now in our annual report is INVISIO, the market leader in mission critical communication and hearing protection. Furthermore, the startup studio and company builder Founders is now also a part of our annual report. Through our engagement in Founders, we contributed to Pleo's Series C funding round in July and December last year, which pivoted Pleo – active within expense management and technology for smart company card payments – into one of the most successful Danish startups to date.

Another significant growth event in 2021 was Vitrolife's acquisition of the genetic testing company Igenomix, hereby creating a world leader in reproductive health. Our contribution through facilitating and participating with DKK 2 billion in the capital increase, with an ambition to accelerate the growth journey ahead of our companies, is a textbook example of how we in William Demant Invest wish to manage and develop our ownership role.

Creating more clarity around our investment strategy has been a key topic for us in 2021. William Demant Invest ensures a long-term, evergreen approach to all investments in the portfolio and in terms of new investments, we mainly look for innovation-driven companies in niche markets with a growth and globalisation journey ahead of them. Historically, several investments have been within the MedTech industry, but we also have ownership in companies from other industries such as Jeudan and INVISIO.

During the year, we decided to divest our 19% share in the German wind farm Borkum Riffgrund 1. The deal was signed in April 2022 and closing of the transaction is subject to regulatory approvals and expected to take place in Q2, 2022. When we made the investment back in 2012, it was a good opportunity for both taking our first important steps into green sustainability and getting a stable return, and the rationale behind our investment was directly linked to balancing the CO2 footprint of the companies in our portfolio. Since then, the companies have dedicated their own work to green sustainability strategies and consequently our ownership obligation no longer bears the same relevance and strategic value. In light of the latter, we have sharpened our investment strategy to focus more on our core investment activities.

The companies in our portfolio have entered 2022 with very good momentum, and we are expecting a year with further growth exceeding normal levels. In the first quarter of 2022, we have seen a substantial decline in global stock markets, resulting from primarily higher inflation rates and geopolitical instability with Russia invading Ukraine. This has naturally also affected the value of our portfolio. However, we see no fundamental changes to the long-term growth expectations to our portfolio and attribute the current market turmoil to wider macro-economic factors causing the global stock markets to plummet.

We thank the employees and customers of the companies in the William Demant Invest Group for the progress made in 2021 and look forward to taking new steps together in 2022.

Niels Jacobsen

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

Niels Jacobsen, CEO

About William Demant Invest

History and purpose

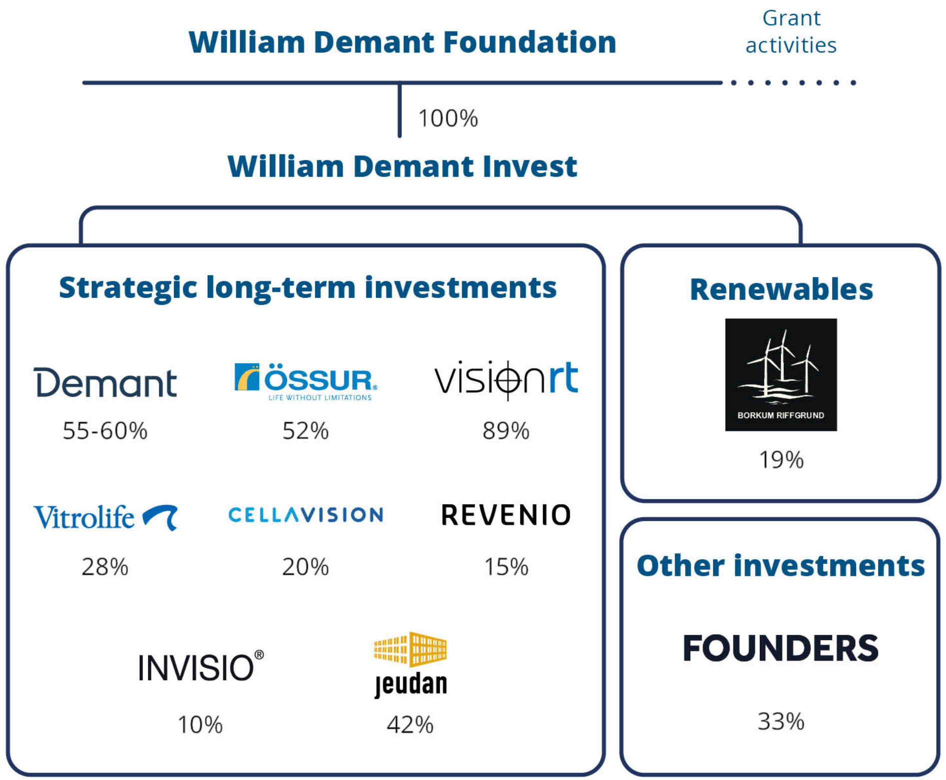
William Demant Invest was founded in 2004 as a wholly owned holding company for all William Demant Foundation's investment activities. Today, William Demant Invest secures liquidity from capital returns from subsidiaries and associated companies.

The main purpose of William Demant Foundation is to secure and expand Demant and to donate a share of its net income to charter-defined causes. This long-term perspective recurs in the majority of William Demant Invest's other investments where William Demant Invest seeks a substantial and active participation in the further development of subsidiaries and associated companies.

Group structure and governance

William Demant Invest is the holding company for William Demant Foundation's investment activities. The wholly owned relationship between William Demant Foundation and William Demant Invest as well as the identical Boards of Directors ensure that investments are carried out in respect of the charter of William Demant Foundation along with the investment strategy outlined in William Demant Invest.

The investment strategy is undertaken by William Demant Invest, however, voting rights and decisions to buy or sell Demant shares are exercised and made by William Demant Foundation. William Demant Foundation has communicated a 55-60% ownership interval in Demant.



The Group structure illustrated above reflects ownership figures as of 21 March 2022. Ownership in INVISIO represents the combined ownership of William Demant Foundation and William Demant Invest. During the year, we decided to divest our 19% share in Borkum Riffgrund 1. The deal was signed in April 2022 and closing of the transaction is subject to regulatory approvals and expected to take place in Q2, 2022.

Investment strategy

Through the many years of engagement in Demant, William Demant Invest has built up extensive knowledge of developing and managing a company of this kind – a knowledge and expertise permeating the investment strategy of William Demant Invest.

Because of the success of Demant, it is natural to search for similarities in new investments and thereby reuse the expertise gained over the years.

Therefore, William Demant Invest mainly looks for innovation-driven companies in niche markets, with a strong, unified product program and a global distribution model, with local sales activities and a growth and globalisation journey ahead of them.

Historically, several investments have been within the MedTech industry. William Demant Invest also takes up ownerships within other industries besides MedTech, however, normally in companies with a business model similar to Demant's.

Criteria for ownership

The investment strategy of William Demant Invest is summarised through the following criteria for ownership

Stable cash flow generation

Competent management

Preferably listed companies

Strong underlying market factors

Revenue around DKK 250m and strong profitability

William Demant Invest at a glance

Key figures

Total for all William Demant Invest companies (100% level)

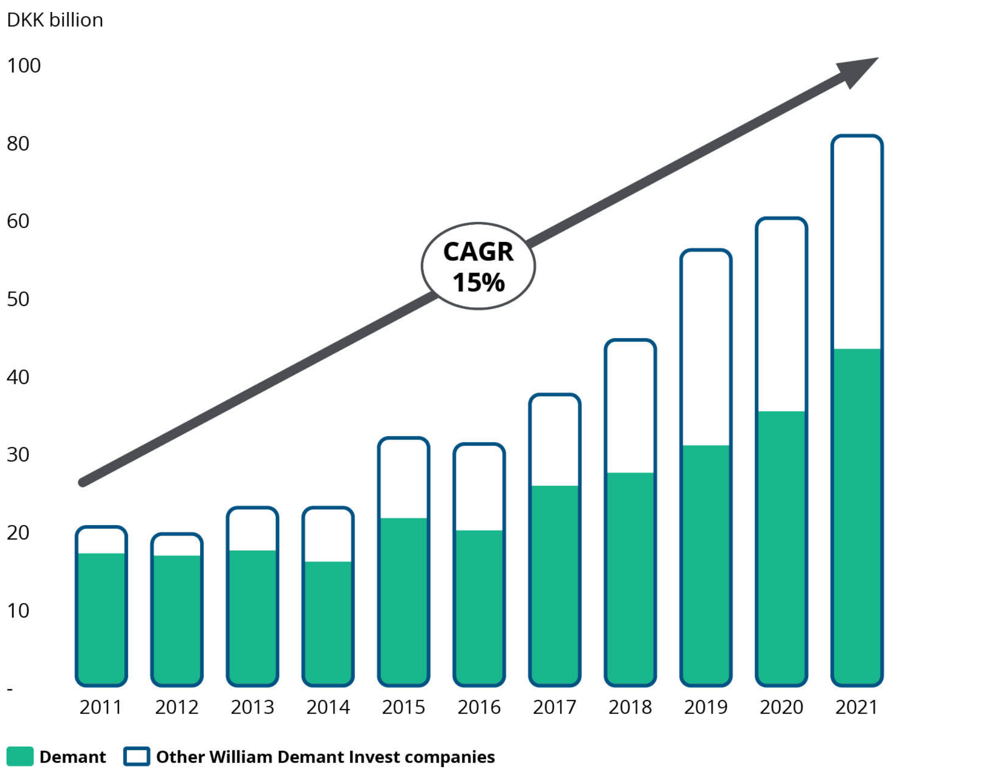
Revenue (DKK million)
28,546
Growth
22%
2020: DKK 23,471 million

EBITDA (DKK million)
7,749
Growth
45%
2020: DKK 5,331 million

Average # of employees
23,178
Growth
9%
2020: 21,360

Mkt. cap EoY (DKK billion)
201
Growth
43%
EoY 2020: DKK 141 billion

William Demant Invest's share of total market capitalisation (proportional share)



Calculated as William Demant Invest's proportional share of market capitalisation of all portfolio companies net of William Demant Invest's interest-bearing debt. Please see pro forma consolidation on page 11 for a specification.

Pro forma consolidation

(DKK million)	Individual entities - 100% 2021	Individual entities - 100% 2020	William Demant Invest A/S proportional share 2021	William Demant Invest A/S proportional share 2020
Revenue				
Demant A/S	18,388	14,469	10,450	8,473
Össur hf.	4,524	4,102	2,344	2,115
Jeudan A/S	1,814	1,534	761	644
Vitrolife AB	1,211	904	305	237
CellaVision AB	407	342	79	51
Revenio Group Oyj	586	455	67	44
INVISIO AB	427	389	18	-
Borkum Riffgrund 1 (Boston Holding A/S)	727	857	269	317
Other	462	419	412	374
Total	**28,546**	**23,471**	**14,705**	**12,255**
EBITDA				
Demant A/S	4,536	2,578	2,580	1,511
Össur hf.	944	606	490	313
Jeudan A/S	896	853	376	358
Vitrolife AB	392	330	99	86
CellaVision AB	141	104	27	15
Revenio Group Oyj	191	127	22	12
INVISIO AB	50	79	2	-
Borkum Riffgrund 1 (Boston Holding A/S)	579	697	214	258
Other	20	-43	27	-18
Total	**7,749**	**5,331**	**3,837**	**2,535**

The pro forma consolidation is prepared on the basis of average share of ownership in the reported years (adjusted for treasury shares). The market capitalisation is prepared on the basis of share of ownership end of period. In the market capitalisation figures, William Demant Invest's debt to William Demant Foundation is eliminated.

The "Other" category includes Vision RT, our co-investment in the Danish startup studio, Founders A/S, and administration costs. The numbers for Borkum Riffgrund 1 represent Boston Holding's proportional share of the wind farm (50%) and William Demant Invest's share of ownership in Borkum Riffgrund 1 amounts to 19%.

	Individual entities - 100% 2021	Individual entities - 100% 2020	William Demant Invest A/S proportional share 2021	William Demant Invest A/S proportional share 2020
Employees, average				
Demant A/S	17,500	16,155	9,954	9,469
Össur hf.	3,761	3,505	1,953	1,812
Vision RT Ltd.	256	255	228	227
Jeudan A/S	598	577	251	242
Vitrolife AB	478	405	121	106
CellaVision AB	211	182	41	27
Revenio Group Oyj	167	135	19	13
INVISIO AB	187	125	8	-
Other	20	21	13	13
Total	**23,178**	**21,360**	**12,588**	**11,909**
Market capitalisation (DKK million)				
Demant A/S (DKK 335.1/240.6)*	77,117	57,718	44,604	33,813
Össur hf. (DKK 42.3/48.5)	17,862	20,494	9,276	10,624
Jeudan A/S (DKK 275.0/248.0)	15,244	13,747	6,396	5,768
Vitrolife AB (SEK 560.0/215.8)	55,046	17,328	14,719	4,573
CellaVision AB (SEK 325.2/307.0)	5,631	5,416	1,122	856
Revenio Group Oyj (EUR 55.6/50.3)	11,032	9,976	1,451	1,085
INVISIO AB (SEK 163.8/250.0)	5,297	8,155	413	46
Other**	14,213	7,858	3,294	1,625
Total	**201,442**	**140,692**	**81,275**	**58,390**

Parentheses show year end share prices.
*Including the ownership of William Demant Foundation.
**Other includes, besides Vision RT and Founders, Borkum Riffgrund 1.

The William Demant Invest companies

Demant
Össur – Life without limitations
Vision RT
Vitrolife
CellaVision
Revenio
INVISIO®
Jeudan
Borkum Riffgrund
Founders

Diversified portfolio

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

We have a deep understanding of the business' where we are involved, and we see how people benefit from the products and services we help come to life. In addition to significant holdings in various quality MedTech companies, we are also proud owners of companies in such diverse areas as personal communication equipment, real estate, renewable energy and the startup environment.

Demant

Revenue (DKK million)	EBITDA (DKK million)	
18,388	**4,536**	
Growth (reported) **27%**	EBITDA margin **25%**	
2020: DKK 14,469 million	2020: DKK 2,578 million	

Average # of employees	Mkt. cap EoY (DKK million)	WDI ownership EoY*
17,500	**77,117**	**58%**
Growth **8%**	End of 2020 **57,718**	End of 2020 **59%**
2020: 16,155		

*Incl. William Demant Foundation ownership

Demant

About Demant A/S

Demant is a leading international hearing healthcare company, which develops, manufactures and sells products and equipment designed to aid people with hearing loss in their individual communication. Focus areas are: Hearing Aids, Hearing Care, Hearing Implants, Diagnostics and Communications. Demant is listed on Nasdaq Copenhagen.

2021 at a glance

Sales in Demant increased by 27% in 2021 to DKK 18,388 million. Growth in local currency was 28% of which 27% was organic growth. The revenue growth was primarily a function of strong performance in Hearing Healthcare rebounding from the negative impact of Covid-19 in 2020 but negatively impacted by the Communications business, which saw negative growth in 2021.

Demant's Hearing Healthcare business performed very well and grew 31% organically driven by strong performance in Hearing Aids and Hearing Care as well as in Diagnostics all of which gained market share in 2021. The performance was broadly based and positively impacted by strong performance in France, a strong product portfolio and temporary savings, which materialised during the second half of the year. Hearing Implants delivered negative organic growth due to continued slow end markets and a voluntary field corrective action effectively halting sales of new implants at the end of the year. Communications had a very strong start to 2021 but growth slowed significantly during 2021 and organic growth ended at -9% for the full year.

Demant's end markets continued to normalise through 2021 following Covid-19 and the company remains committed to deliver solutions for life-changing hearing health through ground-breaking product development and sales activities around the world.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to DKK 4,536 million, which is an increase of 76% from 2020 and corresponds to an EBITDA margin of 25%.

Read more at www.demant.com.

Board of Directors

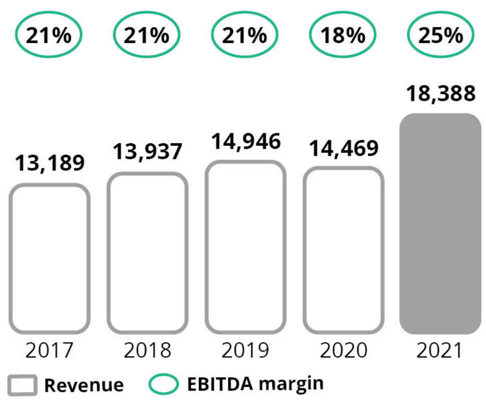
Niels B. Christiansen	Chairman
Niels Jacobsen	Deputy Chairman
Anja Madsen	
Sisse F. Rasmussen	
Kristian Villumsen	
Thomas Duer	Staff-elected
Casper Jensen	Staff-elected
Jørgen Møller Nielsen	Staff-elected

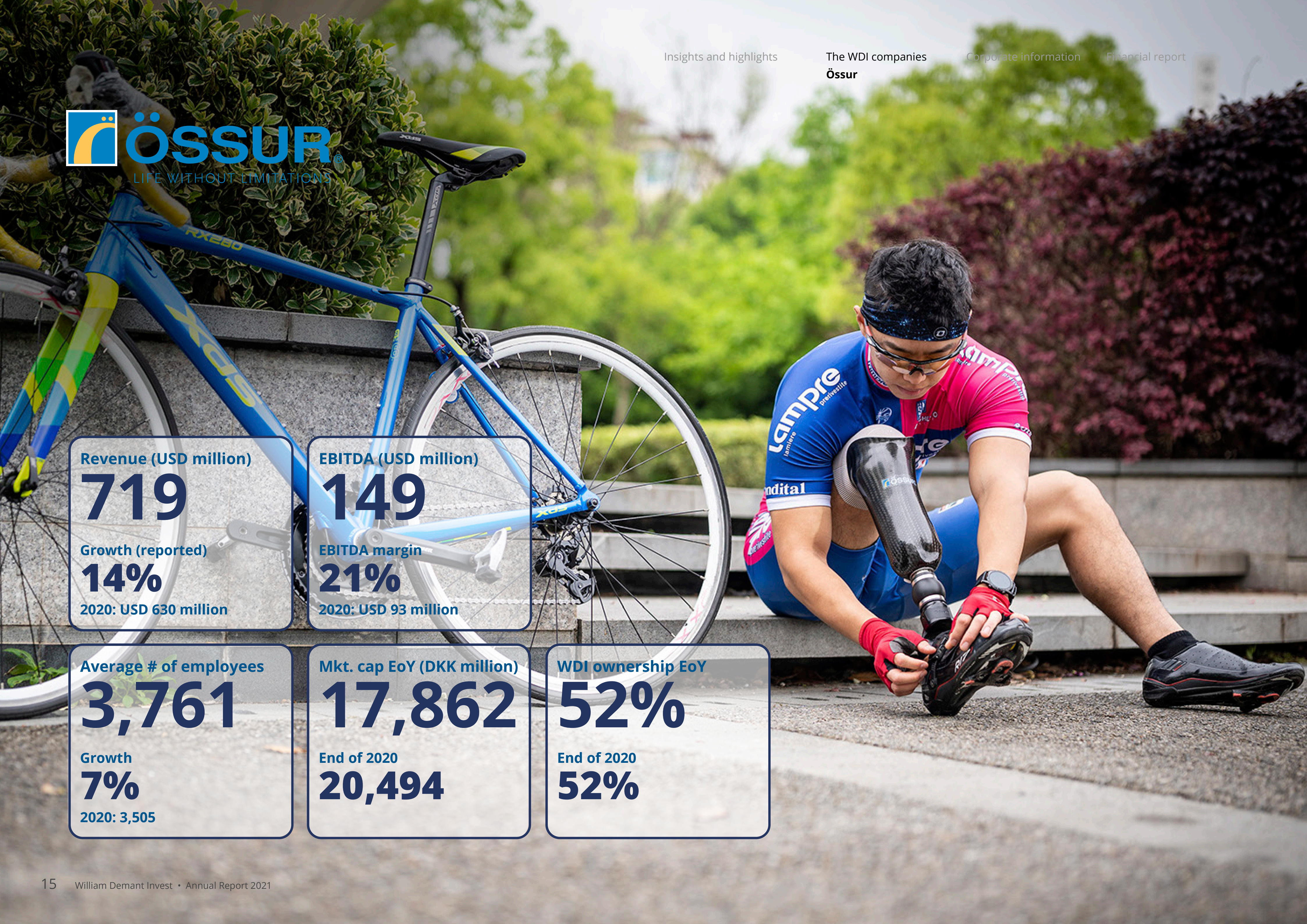
Executive Management

Søren Nielsen	President & CEO
René Schneider	CFO

Key financial figures

DKK million





ÖSSUR®
LIFE WITHOUT LIMITATIONS

Revenue (USD million)
719
Growth (reported)
14%
2020: USD 630 million

EBITDA (USD million)
149
EBITDA margin
21%
2020: USD 93 million

Average # of employees
3,761
Growth
7%
2020: 3,505

Mkt. cap EoY (DKK million)
17,862
End of 2020
20,494

WDI ownership EoY
52%
End of 2020
52%

About Össur hf.
Össur is a global leader in non-invasive orthopaedics, focused on delivering innovative solutions in the prosthetics and bracing and supports market. The company was founded in 1971, is headquartered in Iceland and has been listed on the Icelandic Stock Exchange from 1999 to 2017 and on Nasdaq Copenhagen since 2009.

William Demant Invest started investing in Össur in 2004 and has continually bought up Össur shares. Today, William Demant Invest is the majority shareholder, holding around 52% of the share capital.

2021 at a glance
In 2021, Össur realised total revenue of USD 719 million, which was an increase of 11% in local currency compared to 2020. Organic growth was 10%.

The Prosthetics business segment increased organically by 11% and comprised 63% of revenue in 2021. Sale of bionic products, which has seen a heavier impact from Covid-19, comprised 23% of Prosthetics component sales in the fourth quarter, which is in line with pre-pandemic levels and hence indicates that sale of bionic products is gradually back on track.

Sales in the Bracing & Supports business segment increased organically by 8%. Covid-19 impacted sales in the Bracing & Supports business segment differently than the Prosthetics business segment which is primarily driven by servicing the existing amputee population through maintenance, renewals and upgrades and hence proved to be more resilient to Covid-19. In contrast, Covid-19 had a significant impact on amateur sports and activity levels, resulting in fewer injuries and surgeries, which drives demand for bracing and supports products.

Earnings before interest, taxes, and amortisation (EBITDA) before special items amounted to USD 149 million in 2021, corresponding to an EBITDA margin of 21%.

Read more at www.ossur.com.

Board of Directors

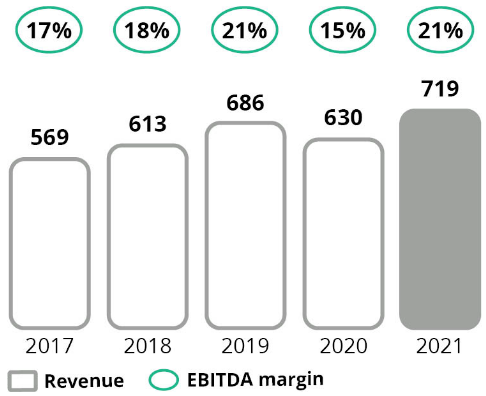
Niels Jacobsen	Chairman
Svafa Grönfeldt	Deputy Chairman
Arne Boye Nielsen	
Dr. Alberto Esquenazi	
Guðbjörg Edda Eggertsdóttir	

Executive Management

Jón Sigurðsson	President & CEO

Key financial figures

USD million



visionrt

About Vision RT Ltd.
Vision RT is a UK-based pioneer and leading manufacturer of surface-guided radiation therapy (SGRT). The company, which was founded in 2001, develops and manufactures camera systems that improve the efficiency, efficacy, and patient comfort during radiation therapy cancer treatment.

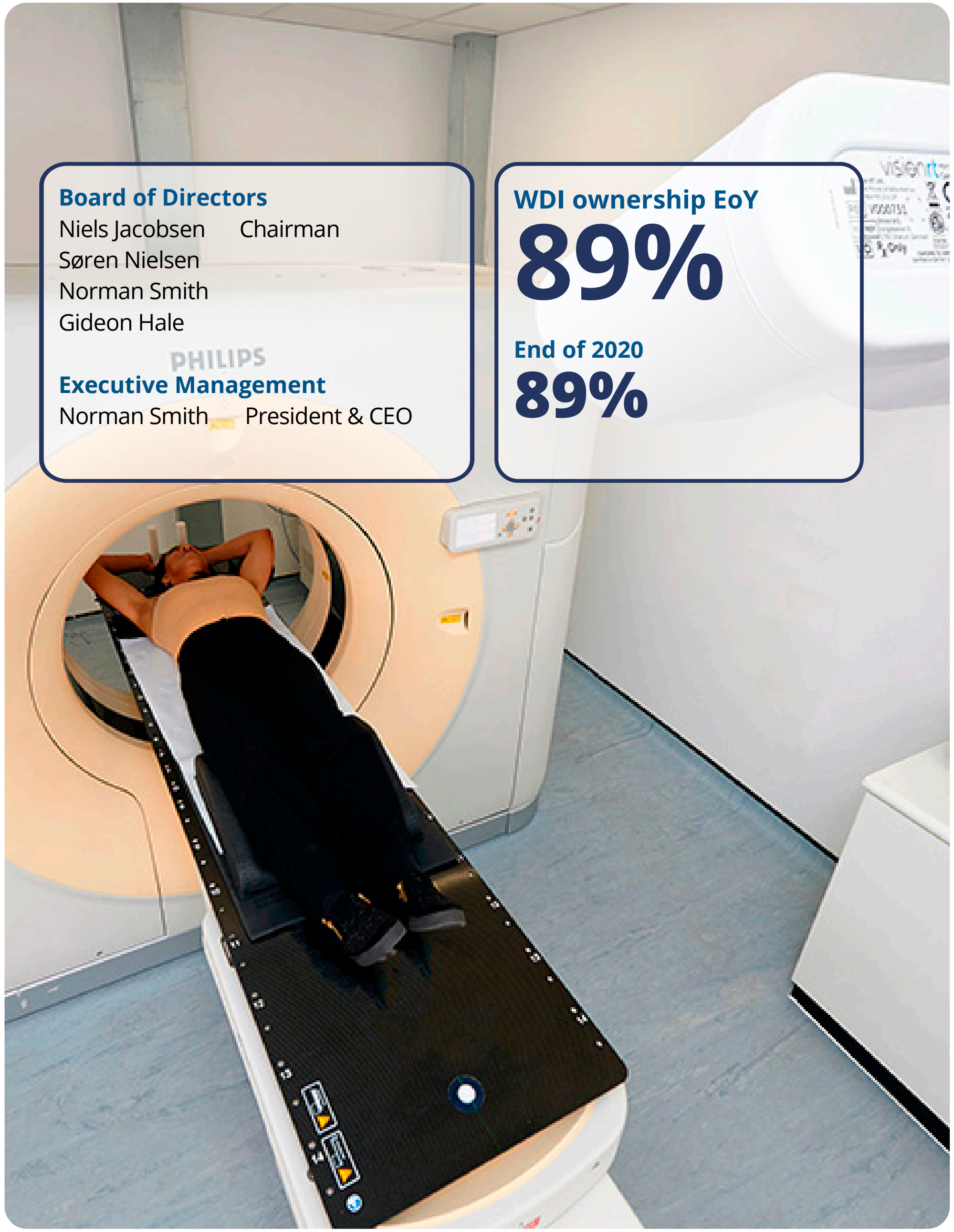
William Demant Invest acquired approx. 89% of the shares in Vision RT in 2018 – thus becoming the majority shareholder alongside the company's original founders. As opposed to William Demant Invest's other investments, except Borkum Riffgrund 1 and Founders A/S, Vision RT is not a listed company.

2021 at a glance
Despite continued challenges from Covid-19, especially in the first half of the year, Vision RT finished the year with strong double-digit growth fuelled by very encouraging sales in the US – a trajectory that has continued into 2022. The US is a very important market for Vision RT and represents the largest single market for radiation therapy treatments and services, constituting around 40-50% of the addressable market for SGRT. Consequently, Vision RT has over the years invested significantly in building up a competent sales organisation in the US, which – besides a strong and market leading product portfolio – is the main driver for the current success in the US.

Also, the more mature markets in Europe and Asia have seen good growth in 2021, albeit with some degree of variance between countries, which to a large extent can be explained by country-specific Covid-19 measures, impacting business activity levels negatively. By way of example, it is still nearly impossible to travel between countries in Asia, which obviously dents the current order intake.

We firmly believe Vision RT, being the pioneer and market-leading manufacturer of the most innovative and clinically proven SGRT solutions, is set to manifest its market position even further in 2022 leading to continued market share gains. The main strategic levers are a superior technological product portfolio, a mature and skilled sales organisation with a successful and proven track-record as well as a strong foothold in key markets such as the US and various European and Asian countries.

Read more at www.visionrt.com.



Board of Directors
Niels Jacobsen Chairman
Søren Nielsen
Norman Smith
Gideon Hale

Executive Management
Norman Smith President & CEO

WDI ownership EoY
89%

End of 2020
89%

Vitrolife

Revenue (SEK million)
1,681
Growth (reported)
35%
2020: SEK 1,246 million

EBITDA (SEK million)
544
EBITDA margin
32%
2020: SEK 454 million

Average # of employees
478
Growth
18%
2020: 405

Mkt. cap EoY (SEK million)
75,850
End of 2020
23,425

WDI ownership EoY
27%
End of 2020
26%

Vitrolife

About Vitrolife AB
Vitrolife is an international medical device Group specialising in production and development of products for assisted reproduction. The company was founded in 1994 and was one of the first companies to provide IVF laboratories with high quality ready-to-use culture media. The company is headquartered in Gothenburg, Sweden, and is listed on Nasdaq Stockholm.

In 2014, William Demant Invest divested its 31% share in Unisense FertiliTech A/S to Vitrolife in exchange for shares in the company and has continually bought up shares in Vitrolife. William Demant Invest has since 2017 been the largest shareholder in Vitrolife and today holds around 28% of the shares.

2021 at a glance
Vitrolife realised total revenue of SEK 1,681 million in 2021, corresponding to an increase of 39% in local currency. Organic growth was 30%, while acquired growth from the acquisition of Igenomix was 9%.

Demand for Vitrolife's products is driven by the underlying activity level within IVF treatment, which had resumed to pre-pandemic levels at the beginning of 2021, however, with some markets still heavily impacted by continued negative effects of Covid-19. As most IVF clinics, in the wake of societies reversing Covid-19 measures, prioritised a return to normal operations and to rebuild inventories over investments in capital equipment, sales of media and single-use products saw a faster rebound than capital equipment such as Time Lapse systems, which resumed to pre-pandemic levels during the second half of the year.

In the second half of the year, Vitrolife announced the acquisition of Igenomix which is a global leader in the field of tests for reproductive genetics for IVF clinics. Igenomix, which is headquartered in Spain, today has 26 laboratories globally and offers a broad product portfolio consisting of clinically validated genetic tests and services. The acquisition of Igenomix and the collaboration with Illumina around genetic test kits enable Vitrolife to offer several alternatives to the genetic testing of embryos.

Earnings before interest, taxes, depreciation, and amortisation (EBITDA) amounted to SEK 544 million, resulting in an EBITDA margin of 32% which is 4 percentage points lower than in 2020.

Read more at www.vitrolife.com.

Board of Directors

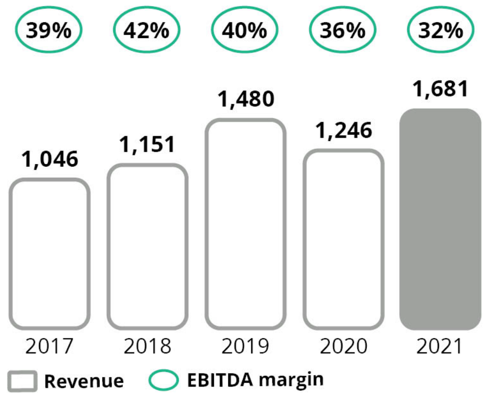
Jón Sigurðsson	Chairman
Henrik Blomquist	
Lars Holmqvist	
Pia Marions	
Karen Lykke Sørensen	
Vesa Koskinen	

Executive Management

Thomas Axelsson	CEO

Key financial figures

SEK million



CELLAVISION

Revenue (SEK million)
566
Growth (reported)
20%
2020: SEK 471 million

EBITDA (SEK million)
196
EBITDA margin
35%
2020: SEK 143 million

Average # of employees
211
Growth
16%
2020: 182

Mkt. cap EoY (SEK million)
7,757
End of 2020
7,322

WDI ownership EoY
20%
End of 2020
16%

CELLAVISION

About CellaVision AB
CellaVision is a global leader of digital solutions for medical microscopy in the field of hematology, replacing conventional microscopes with innovative digital and automated solutions. The company develops analysers, software and applications that make it easier, faster, and more efficient to carry out blood cell analysis, ranging from among others pre-classification of white-blood cell types to morphological characteristics of red-blood cells. The company is headquartered in Lund, Sweden, and has since 2011 been listed on Nasdaq Stockholm.

William Demant Invest started investing in CellaVision in 2017 and with an ownership of 20%, William Demant Invest is the largest shareholder in the company.

2021 at a glance
CellaVision increased its total revenue by 24% in local currency to SEK 566 million in a year, where CellaVision's market conditions improved significantly.

Capital equipment, which is CellaVision's primary revenue source, increased by 16%, especially driven by a strong finish to the year in the Americas region. Sale of reagents showed solid growth, especially in the EMEA region and after a challenging market environment in 2020, CellaVision experienced increasing interest for the DC-1 developed for small and medium-sized laboratories during 2021.

In the second half of the year, CellaVision presented an updated 5-year business strategy named "CellaVision 2026". The updated strategy is focused on achieving the maximum potential of CellaVision's strong position within capital equipment and software for large laboratories, accelerating growth in small and medium-sized laboratories and sale of reagents, introduce new applications for more advanced blood cell analyses and finally explore potential new areas where CellaVision's core competencies can be utilised.

Earnings before interest, taxes, depreciation, and amortisation (EBITDA) was SEK 196 million in 2021, corresponding to an EBITDA margin of 35%. This is an improvement by 5 percentage points compared to 2020 primarily driven by sales mix effects and economy of scale.

Read more at www.cellavision.com.

Board of Directors

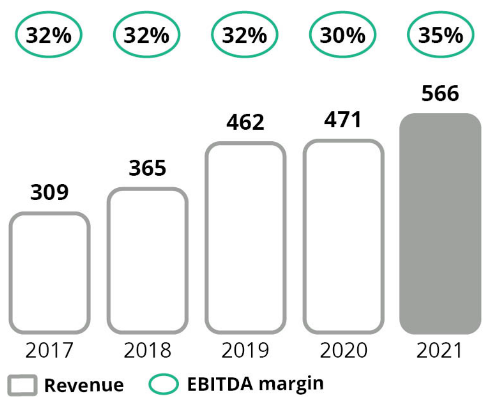
Mikael Worning	Chairman
Christer Fåhraeus	
Jurgen Riedl	
Anna Malm Bernsten	
Niklas Prager	
Åsa Hedin	
Stefan Wolf	
Gunnar B. Hansen	Staff-elected
Markus J. Kristoffersson	Staff-elected

Executive Management

Simon Østergaard CEO

Key financial figures

SEK million



REVENIO

Revenue (EUR million)
79
Growth (reported)
29%
2020: EUR 61 million

EBITDA (EUR million)
26
EBITDA margin
33%
2020: EUR 22 million

Average # of employees
167
Growth
24%
2020: 135

Mkt. cap EoY (EUR million)
1,482
End of 2020
1,341

WDI ownership EoY
13%
End of 2020
11%

REVENIO

About Revenio Group Oyj
Revenio operates within development and manufacturing of diagnostic screening devices for eye diseases. The company focuses on developing efficient and easily adopted methods for the early-stage detection of globally prevailing eye diseases, including glaucoma, diabetic retinopathy, age-related macular degeneration (AMD) and cataract as well as the monitoring of these during the treatment process. In addition, Revenio also, albeit at an early stage of commercialisation, develops systems that support the diagnosis of skin cancer and asthma in small children and planning their treatment. Revenio is headquartered in Helsinki, Finland, and is listed on Nasdaq OMX Helsinki.

William Demant Invest started investing in Revenio in 2018 and is today the largest shareholder with approx. 15% ownership.

2021 at a glance
2021 was yet another strong year for Revenio where revenue for the year grew by 28% in local currency to EUR 79 million.

In particular, the Imaging Devices business segment developed very positively with revenue growth surpassing the Tonometer business segment. Following a year with very high demand for Icare tonometers and probes in 2020 supported by Covid-19-related hygienic requirements, sales growth continued to be strong in 2021, although it is expected to return to pre-pandemic levels in 2022.

Revenio announced in the first half of the year the acquisition of Oculo, which is an Australian-based software company offering a SaaS-based eye care platform that enhances the clinical collaboration between health care professionals through communication, telehealth, remote patient monitoring and data analytics. The acquisition was well in line with Revenio's updated strategy towards becoming a key player in comprehensive clinical eye diagnostics solutions and software which was announced shortly before.

Earnings before interest, taxes, depreciation, and amortisation (EBITDA) was EUR 26 million corresponding to an EBITDA margin of 33%. Adjusted for extraordinary items the adjusted EBITDA margin was 34%, which is unchanged from 2020.

Read more at www.reveniogroup.com.

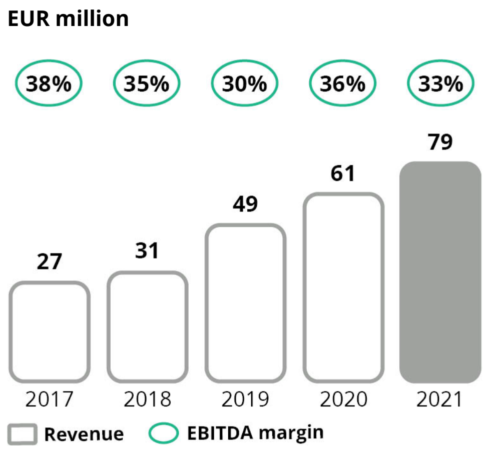
Board of Directors

Pekka Rönkä	Chairman
Ann-Christine Sundell	
Pekka Tammela	
Arne Boye Nielsen	
Bill Östman	

Executive Management

Jouni Toijala	CEO

Key financial figures



INVISIO®

Revenue (SEK million)
593
Growth (reported)
11%
2020: SEK 532 million

EBITDA (SEK million)
70
EBITDA margin
12%
2020: SEK 108 million

Average # of employees
187
Growth
50%
2020: 125

Mkt. cap EoY (DKK million)
5,297
End of 2020
8,155

WDI ownership EoY
8%
End of 2020
1%

INVISIO®

About INVISIO
INVISIO is a Danish-based company operating within advanced communication systems that help professionals in noisy and mission-critical environments to work more safely and effectively while protecting their hearing.

The company offers personal communication equipment and hearing protection as well as an intercom system for primarily defence and security customers. The product portfolio includes headsets, control units and cables. The intercom system enables users of personal equipment to communicate within a group in a vehicle as well as with individuals in the field while being on the move. INVISIO is listed on Nasdaq OMX Stockholm and headquartered in Copenhagen, Denmark.

William Demant Invest started investing in INVISIO in 2020 and today owns approx. 10% of the company (including the ownership William Demant Foundation)

2021 at a glance
INVISIO realised a total revenue of SEK 593 million, which was an increase of 15% in local currency. Revenue from Racal Acoustics which was acquired in December 2020 was SEK 149 million.

In 2021, INVISIO remained highly impacted by Covid-19 due to longer customer purchasing processes than before as well as challenges with carrying out product tests during the pandemic. Towards the end of the year the market activity increased considerably, which bodes well for 2022. Products sold under the Racal Acoustics brand experienced high demand and the first supplementary orders from early Intercom customers are now received. In addition, INVISIO saw a growing number of law enforcement and security customers which has been a strategic focus segment in 2021.

Earnings before interest, taxes, depreciation, and amortisation (EBITDA) amounted to SEK 70 million, corresponding to an EBITDA margin of 12% which is 8 percentage points lower than in 2020. The reduced profitability is a result of delayed sales of products under the INVISIO brand, higher component costs and increased investments in the R&D and sales organisation.

Read more at www.invisio.com.

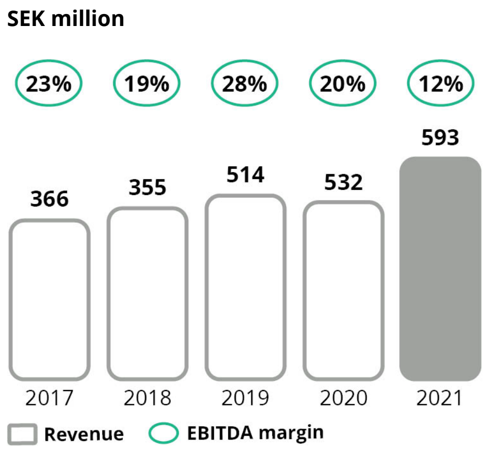
Board of Directors

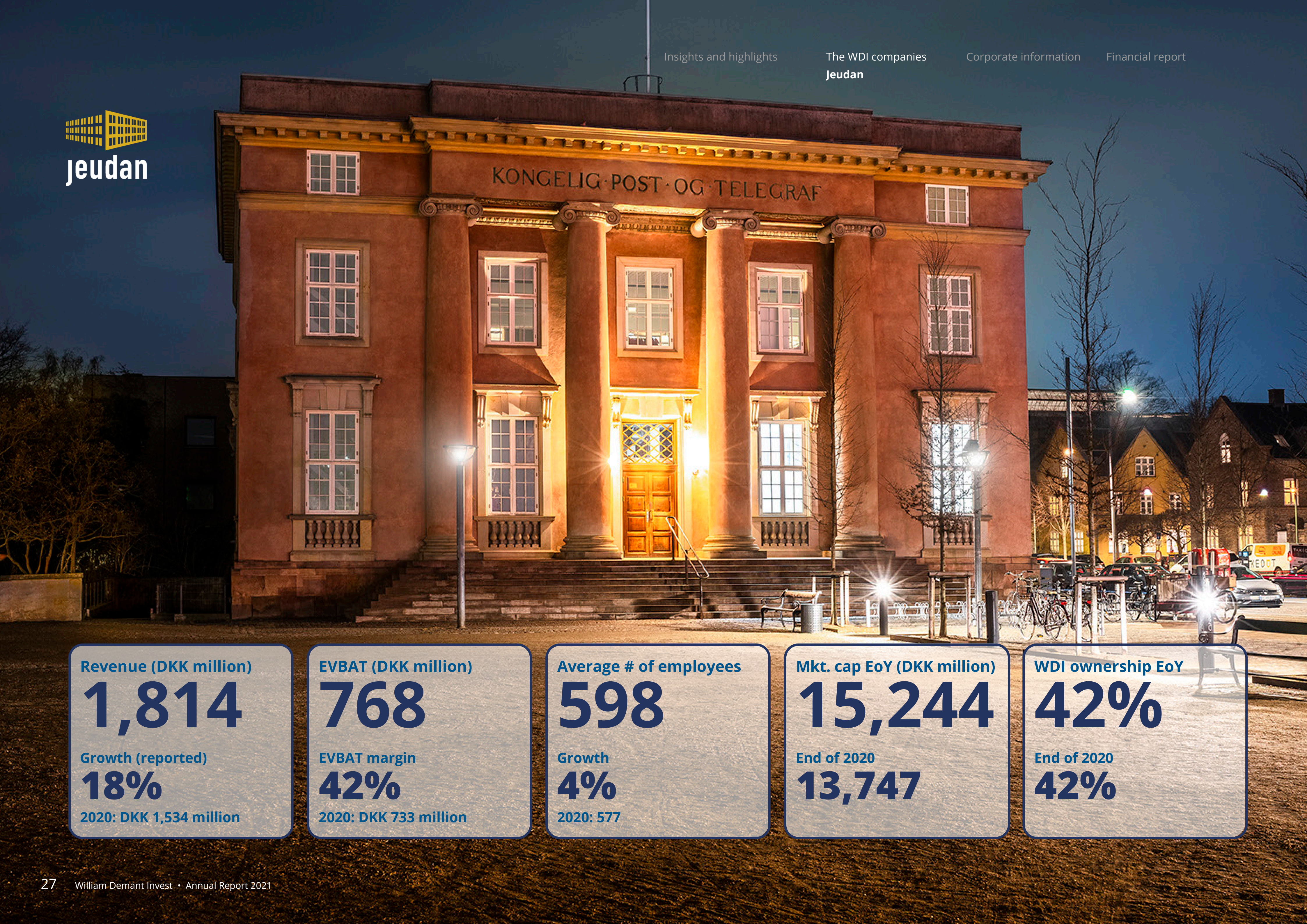
Annika Andersson	Chairman
Charlotta Falvin	
Lage Jonason	
Ulrika Hagdahl	
Martin Krupicka	
Charlott Samuelsson	

Executive Management

Lars Højgård Hansen	CEO

Key financial figures





jeudan

Revenue (DKK million)
1,814
Growth (reported)
18%
2020: DKK 1,534 million

EVBAT (DKK million)
768
EVBAT margin
42%
2020: DKK 733 million

Average # of employees
598
Growth
4%
2020: 577

Mkt. cap EoY (DKK million)
15,244
End of 2020
13,747

WDI ownership EoY
42%
End of 2020
42%

About Jeudan A/S

Jeudan is Denmark's largest publicly listed real estate and service company. Jeudan's activities consist of investment in and operation of commercial and residential properties, mainly in Copenhagen, and a complete offering of advisory services within real estate – through Jeudan Servicepartner.

William Demant Invest started investing in Jeudan in 2004 and today holds around 42% of the shares. The development of Copenhagen as a city and the unique atmosphere were always close to the heart of William Demant, so while also being a sound financial investment, William Demant Invest's ownership of Jeudan has ties to the history of William Demant.

2021 at a glance

Jeudan ended the year on very solid ground growing the revenue to the tune of 18% to DKK 1,814 million due to higher-than-expected revenue in their service business, which rose 40% in 2021. Revenue in the property business saw a smaller increase of 2%.

The strong growth in 2021 has resulted in a record-high occupancy rate standing at 98.6 at year end. The latter is to a great extent a testament to Jeudan's business model and strong brand recognition among both current and potential new customers. The strengths of Jeudan's business model are the breath of inhouse competencies, ranging from asset management, investment, administration, customer contact, service, refurbishment of unique and historic properties in Copenhagen, flexible rental terms, and an attractive portfolio of well-located commercial and residential properties in the city centre of Copenhagen. The latter makes up almost 1 million square metres and counting more than 200 properties. These qualities and attributes are not matched by any other commercial real estate company in Denmark.

Earnings after interest expense, but before value adjustments and tax (EBVAT) arrived at DKK 768 million, up 5% compared to last year, while net result increased by DKK 2,438 million to DKK 3,016 million, mainly due to higher positive value adjustments of the property portfolio compared to last year. During 2021, Jeudan invested more than DKK 600 million in new properties, resulting in a book value of more than DKK 30 billion by year end.

Read more at www.jeudan.dk.

Board of Directors

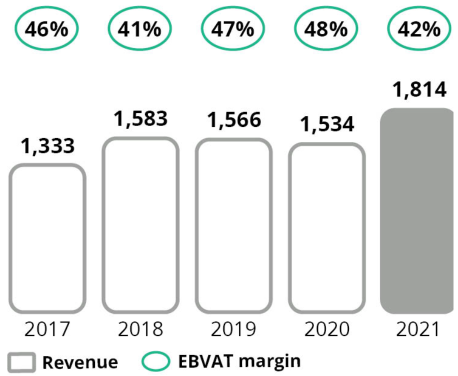
Niels Jacobsen	Chairman
Claus Gregersen	Deputy Chairman
Tommy Pedersen	
Helle Okholm	
Nicklas Hansen	

Executive Management

Per Wetke Hallgren	CEO

Key financial figures

DKK million



EBVAT = Earnings before value adjustments and tax

Borkum Riffgrund 1

Revenue (DKK million)*
727
Growth
-15%
2020: DKK 857 million

EBITDA (DKK million)*
579
EBITDA margin
80%
2020: DKK 697 million

Electricity prod. (GWh)
848
2020
1,083

*Revenue and EBITDA numbers represent Boston Holding's proportional share of Borkum Riffgrund 1 and thus only account for 50% of the total electricity production.

Borkum Riffgrund 1

About Borkum Riffgrund 1
In 2012, William Demant Invest entered into a joint arrangement with KIRKBI and Ørsted to construct 77 wind turbines each of 3.6 MW in the North Sea at the German coast. In 2013, it was decided to upgrade the wind turbines to 4.0 MW to boost the annual power production. Furthermore, the partnership decided to construct an additional wind turbine in 2014, so now the wind farm consists of 78 wind turbines each of 4.0 MW with a total capacity of 312 MW.

The 50% ownership in Borkum Riffgrund 1 is held by Boston Holding A/S where William Demant Invest owns 37% and KIRKBI the remaining 63%. Ørsted owns the other 50% of Borkum Riffgrund 1. The ownership structure of Borkum Riffgrund 1 is outlined to the right.

2021 at a glance
Boston Holding's share of the revenue generated from the wind farm amounted to DKK 727 million, which corresponds to a decrease of 15% compared to 2020 as a result of lower wind speeds. Operating profit (EBITDA) arrived at DKK 579 million.

During the year, we decided to divest our 19% share in Borkum Riffgrund 1. The deal was signed in April 2022 and closing of the transaction is subject to regulatory approvals and expected to take place in Q2, 2022.

Read more at www.orsted.dk.

Board of Directors

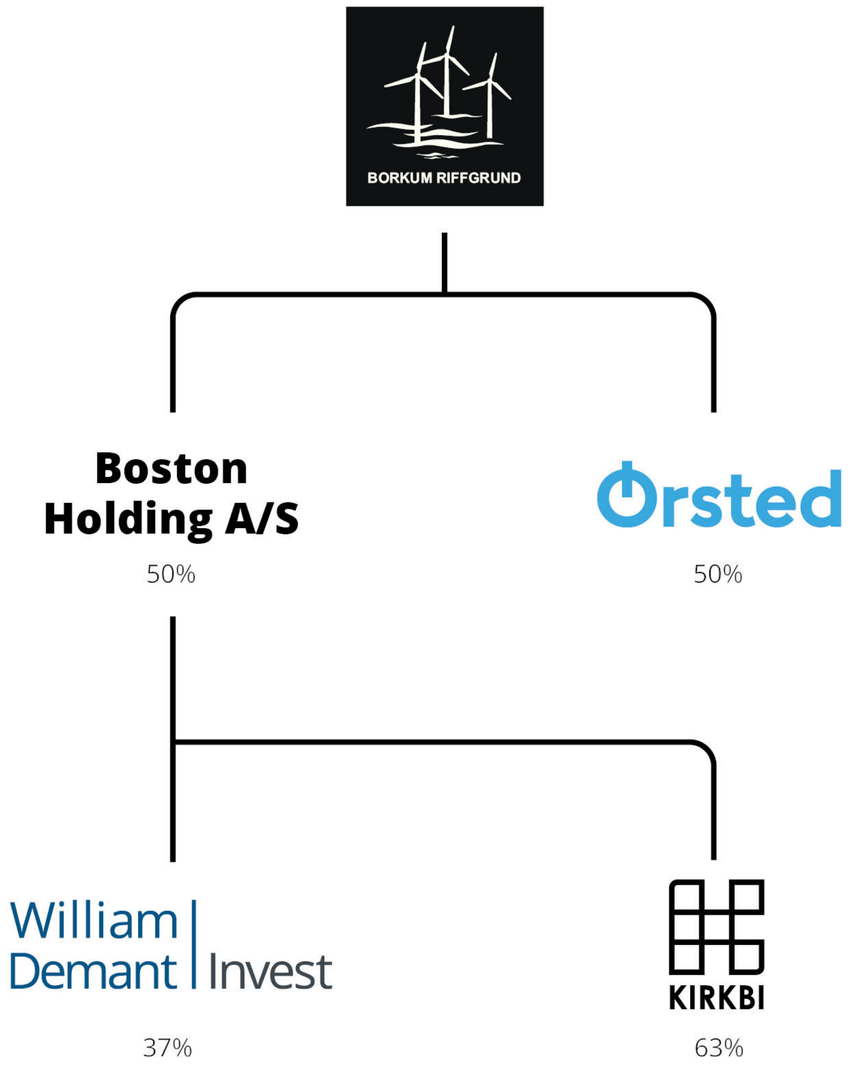
Søren Thorup	Chairman
Niels Jacobsen	
Thomas Schleicher	
Casper Lorenzen	

Executive Management

Kasper Trebbien	Managing Director

No. of turbines
78

Total production capacity
312 MW



FOUNDERS

# of companies EoY*
17

New companies in 2021
2
2020: 15

# of employees EoY*
629

Growth
32%
2020: 475

WDI ownership EoY
33%

End of 2020
33%

*Represents active companies and employees in all companies.

FOUNDERS

About Founders A/S
Founders is a Danish-based startup studio specialised in building disruptive tech companies from scratch. The company aims at being the best possible co-founder for ambitious entrepreneurs on the journey from "zero to traction".

Founders was founded in 2012, is headquartered in Copenhagen, Denmark, and currently has a portfolio of around 17 companies, including Pleo, Kontist, SnappCar and LifeX.

Since it was founded, Founders has been equally owned by William Demant Invest, KIRKBI and Heartland.

2021 at a glance
During 2021, Founders has continued to create new companies while at the same being an active and responsible owner of the more mature companies in Founders' portfolio. At year end, 17 companies were active in Founders' portfolio which has led to the creation of around 630 jobs.

Among the highlights in 2021 is Pleo's (intelligent company payments) Series C funding round in July and December to the tune of DKK 2,3 billion, which is the highest ever Series C funding round for a Danish start-up, valuing Pleo at more than DKK 30 billion. Pleo is one of the most promising European fintech companies and with a financial war chest of more than DKK 2,3 billion, Pleo is set to continue the very impressive growth trajectory in the years to come.

Also during 2021, Founders added a new focus area in their creation process – *future of health* – which among others led to the investment in the Danish-based fertility community platform company, Wawa Fertility.

Read more at www.founders.as.

Board of Directors

Niels Jacobsen Chairman
Rasmus Bjerngaard
Paul Østergaard
Christoffer Galbo

Executive Management

Simon Sylvest
Stefano Zorzi
Sebastian Stockmarr
Joshua Karjala-Svendsen

Corporate information

Competent management

Respect and trust are keywords in William Demant Invest.

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

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

Board of Directors

Lars Nørby Johansen
Chairman
Born 1949
Joined the Board in 2017
(up for election in 2022)

Considered independent: Yes

Other directorships: Codan A/S and Codan Forsikring (chairman), Dansk Vækstkapital I (chairman), Copenhagen Airports A/S (chairman), Montana Møbler A/S (chairman), Arp-Hansen Hotel Group A/S (deputy chairman), Kadeau ApS (board member), William Demant Foundation (chairman)

Education: Master of Social Sciences from the University of Odense

Competences: Extensive international experience as a corporate executive, including vast board experience from listed companies, and profound knowledge of the challenges resulting from globalisation and not least industrial policy

Total fee in William Demant Foundation and William Demant Invest A/S in 2021: DKK 1,200,000

Jesper Brandgaard
Deputy chairman
Born 1963
Joined the Board in 2019
(up for election in 2022)

Considered independent: Yes

Other directorships: LEO Pharma A/S (chairman), Chr. Hansen Holding A/S (deputy chairman), Vækst Partner Kapital (member of advisory board), William Demant Foundation (board member)

Education: Master of Science in Economics and Auditing and an MBA from CBS

Competences: Special qualifications within the area of group management in a multinational pharmaceutical company, including responsibility for strategy development and implementation, information technology, as well as financial and accounting experience

Total fee in William Demant Foundation and William Demant Invest A/S in 2021: DKK 525,000

Niels B. Christiansen
Board member
Born 1966
Joined the Board in 2019
(up for election in 2022)

Considered independent: Yes

Other directorships: LEGO A/S (President & CEO), Demant A/S (chairman), William Demant Foundation (deputy chairman))

Education: Master of Science in Engineering from the Technical University of Denmark (DTU), MBA from INSEAD (France)

Competences: Special qualifications within international business management of major, global, industrial hi-tech corporations, including extensive board experience from listed companies as well as comprehensive insight into industrial policy

Total fee in William Demant Foundation and William Demant Invest A/S in 2021: DKK 475,000

Board of Directors

Anna Cecilia Frellsen
Board member
Born 1973
Joined the Board in 2020
(up for election in 2022)

Considered independent: Yes

Other directorships: Maternity Foundation (CEO), Center for Ledelse (board member), Ovacure (board member), William Demant Foundation (board member)

Education: Bachelor of Science in Business Administration from CBS, MBA from IESE (Barcelona, Spain)

Competences: Special qualifications within global health, growth strategy, digital health and philanthropy

Total fee in William Demant Foundation and William Demant Invest A/S in 2021: DKK 400,000

Tine Roed
Board member
Born 1964
Joined the Board in 2021
(up for election in 2022)

Considered independent: Yes

Other directorships: Nykredit Alternatives Core AIF-SIKAV (chairman), Multimanager Invest (chairman), Nykredit Alpha (chairman), Investin (board member), Nykredit Invest, Nykredit Almen Bolig and Private Banking Elite (board member), Nykredit Alpha SICAV-RAIF (board member), William Demant Foundation (board member)

Education: Master of Law from the University of Copenhagen

Competences: Special qualifications within regulation of companies and funds as well as deep insight into politics and social as well as economic conditions. Furthermore, strong skills and experience in strategic management and communication

Total fee in William Demant Foundation and William Demant Invest A/S in 2021: DKK 400,000

Management

Niels Jacobsen
CEO
Born 1957

Education
Niels Jacobsen holds a Master of Science degree in Economics from Aarhus University.

Group-related directorships
Demant A/S, deputy chairman
Össur hf., chairman
Vision RT Ltd., chairman
Jeudan A/S, chairman
Boston Holding A/S, board member
Founders A/S, chairman

Other directorships
KIRKBI A/S, deputy chairman
Nissens A/S, chairman
Thomas B. Thrige Foundation, chairman
ABOUT YOU Holding GmbH, deputy chairman
EKF Danmarks Eksportkredit, board member
ATP Langsigtet Dansk Kapital, member of advisory board

Nicklas Hansen
Investment Director
Born 1986

Education
Nicklas Hansen holds a Master of Science degree in Finance and Accounting from Copenhagen Business School.

Group-related directorships
Jeudan A/S, board member
Vision RT Ltd., board observer
Founders A/S, board observer

Environmental, Social and Governance policy

Since William Demant Invest was founded, we have invested in several companies within the healthcare industry that have a positive impact on global health. Both when evaluating new investment opportunities and in our dialogue with current investments, we pay attention to good governance on a list of sustainability parameters.

Our Environmental, Social and Governance (ESG) policy
Our ESG policy mirrors the original purpose and desired impact of our investments and specifies the ESG areas that we as an investment company focus on in our interactions with current and potential companies in our portfolio.

Since William Demant Invest was established in 2004, we have invested in several companies within the healthcare industry. Thus, the majority of our investment activities contributes to a healthy society both in terms of research and innovation, offering treatment and new possibilities for people suffering from diseases, and paying back to society in the form of generating good jobs and contributing to economic development. In this core area "health and well-being", our listed portfolio companies have reported individually on their progress, and we refer to their 2021 ESG reporting for details.

Aside from our contribution to global health and well-being, we pay attention to a list of ESG parameters and policies, such as ethical business practices, environment and climate, diversity and talent retainment and attraction, both when evaluating new potential investment opportunities and as part of our active ownership strategy through among other our Board representation.

The methodology was developed to reduce ESG risks in new potential investments and with our active ownership we manage ESG risks of our existing portfolio.

Considering the nature of our business as an investment company, we do not have separate policies on human rights, social and employee matters, environmental and climate issues or anti-corruption and likewise we do not report on these areas.

In 2021, we went over our data ethics practices with our legal advisors to ensure our processes live up to the legal requirements and expectations on the subject. Due to the size and nature of our organization, we have decided not to develop a policy on data ethics.

From policy to action
The companies in William Demant Invest's portfolio pay attention to and work with ESG topics, including the mandatory topics mentioned above, and we continuously monitor and follow up on the ESG performance through our Board representation and other interactions with the companies over the year.

In 2021, we were pleased to see progress across the companies in our portfolio. For reports on their progress, we refer to their individual ESG reporting. We are continuing our ESG dialogue with the companies in 2022.

When evaluating potential new investments, we use different ESG parameters in our due diligence process to make sure companies are committed to responsible practices and continuous improvement. We do not expect perfection when we invest in new companies but consider it imperative to use our role as investor to drive progress on these important topics.

Our contribution to the Sustainable Development Goals
Being an investment company, it is the impact of our investments that represents the largest contribution to the sustainable development goals. In 2021, we primarily contributed to the following two goals through our investments.

Good health and well-being
The majority of the companies in our portfolio contributes directly to global health and well-being through their innovative products and services.

Affordable and clean energy
Our investment in the German offshore wind farm, Borkum Riffgrund 1, in 2012 was an active choice to contribute to a cleaner world in the form of green electricity production.

Gender diversity in the Board of Directors
At the end of 2021, the Board of Directors of William Demant Invest had five members. In the general assembly of March 2021, an additional woman was elected as Board Member, meaning the Board of Directors now consists of two women and three men. In continuation of the rules on the underrepresented gender in boards and under section 139c(1)(i) of the Danish Companies Act, the Board of Directors now has the target of maintaining the even gender distribution. As the total number of employees in William Demant Invest is less than 50, no specific targets with regard to the share of the underrepresented gender have been set in other management levels.

Financial report

Cash flow-positive

We invest in strong, cash flow-positive, quality companies that hold leading positions in their industry niche.

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

Financial review

Revenue (DKK million)
23,643
Growth
22%
2020: DKK 19,307 million

EBITDA (DKK million)
6,812
EBITDA margin
29%
2020: DKK 3,680 million

Average # of employees
21,527
Growth
8%
2020: 19,924

Financial review

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

Income statement
William Demant Invest' consolidated revenue amounted to DKK 23,643 million in 2021 compared to DKK 19,307 million in 2020. Earnings before interest, taxes, depreciation and amortisation (EBITDA) arrived at DKK 6,812 million compared to DKK 3,680 million in 2020. Operating profit (EBIT) ended at DKK 4,834 million compared to DKK 2,035 million in 2020, whereas profit before tax ended at DKK 4,459 million compared to DKK 2,181 million in 2020.

In 2021, William Demant Invest's share of the aggregate net result was DKK 2,320 million. Profit for the year is deemed satisfactory.

Equity and capital structure
Total assets amounted to DKK 52,207 million at year-end 2021 compared to DKK 44,683 million in 2020. Consolidated equity in 2021 amounted to DKK 25,734 million compared to DKK 21,816 million in 2020. No dividends have been paid out to William Demant Foundation in 2021 compared to DKK 203 million in 2020.

Cash flows
Cash flow from operating activities amounted to DKK 4,373 million in 2021 compared to DKK 3,388 million in 2020, whereas cash flow from investing activities amounted to DKK -4,433 million in 2021 compared to DKK -2,050 million in 2020. Finally, cash flow from financing activities amounted to DKK 271 million in 2021 compared to DKK -809 million in 2020.

Tax
William Demant Invest is the administration company for the joint taxation of Demant and other Danish subsidiaries. Total corporate tax expensed in 2021 aggregated DKK 815 million compared to DKK 230 million in 2020. Tax in associated companies is paid in the respective companies.

Knowledge resources
William Demant Invest has 10 employees but does to a great extent rely on the development and retention of knowledge resources in subsidiaries and associated companies. Further elaboration of knowledge resources can be found in subsidiaries and associated companies' annual reports and webpages.

Risks
William Demant Invest's risks primarily relate to developments in our subsidiaries and associated companies, global health-care and Danish commercial occupancy rates and the financial markets. For a further review of financial risks, see note 4.1. Further elaboration on business-related risks can be found in subsidiaries' and associates' annual reports and webpages.

Research and development activities
William Demant Invest's research and development activities are placed in subsidiaries and associates. Further elaboration on research and development activities can be found in subsidiaries' and associates' annual reports and webpages.

Key figures and financial ratios

DKK million	2021	2020	2019	2018	2017
Income statement					
Revenue	23,643	19,307	20,272	18,410	13,509
Gross profit	16,818	13,206	14,793	13,626	10,211
R&D costs	-1,644	-1,519	-1,385	-1,233	-919
Share of profit after tax, associates and joint ventures	1,196	748	568	3,549	561
EBITDA	6,812	3,680	4,746	7,286	3,492
Amortisation and depreciation etc.	1,978	1,645	1,389	730	485
Operating profit (EBIT)	4,834	2,035	3,357	6,556	3,007
Net financial items	-375	146	18	-242	-178
Profit before tax	4,459	2,181	3,375	6,314	2,829
Profit for the year	3,644	1,951	2,841	5,688	2,354
Balance sheet					
Net interest-bearing debt	16,152	14,050	14,474	10,604	5,134
Assets	52,207	44,683	43,470	36,560	25,171
Equity	25,734	21,816	20,825	19,052	14,635
Other key figures					
Investment in property, plant and equipment, net	664	587	714	569	296
Cash flow from operating activities (CFFO)	4,373	3,388	3,025	2,353	2,093
Free cash flow	3,451	2,589	1,980	1,629	1,600
Average number of full-time employees	21,527	19,924	19,052	17,221	13,285
Financial ratios					
Gross profit margin	71.1%	68.4%	73.0%	74.0%	75.6%
EBITDA margin	28.8%	19.1%	23.4%	39.6%	25.8%
Profit margin (EBIT margin)	20.4%	10.5%	16.6%	35.6%	22.3%
Return on equity	10.8%	8.0%	12.3%	35.5%	15.9%
Equity ratio	49.3%	48.8%	47.9%	51.9%	58.1%

Management statement

The Board of Directors and the Executive Board have today considered and approved the Annual Report 2021 of William Demant Invest A/S for the financial year 1 January – 31 December 2021.

The consolidated financial statements have been prepared and presented in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements in accordance with the Danish Financial Statements Act. The parent financial statements are prepared and presented in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the Parent financial statements give a true and fair view of the Group's and the Parent's assets, liabilities and financial position at 31 December 2021, of the results of the Groups and the Parent's operations and of the Group's consolidated cash flows for the financial year 1 January – 31 December 2021.

In our opinion, Management's commentary includes a true and fair review 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.

We recommend the Annual Report 2021 for adoption at the annual general meeting.

Smørum, 4 April 2022

Executive Board

Niels Jacobsen
CEO

Board of Directors

Lars Nørby Johansen
Chairman

Jesper Brandgaard
Deputy Chairman

Niels B. Christiansen

Anna Cecilia Frellsen

Tine Roed

Independent auditor's report

To the shareholder of William Demant Invest A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of William Demant Invest A/S for the financial year 01.01.2021 - 31.12.2021, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the statement of comprehensive income and the cash flow statement of the Group. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act, and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at 31.12.2021, and of the results of its operations and cash flows for the financial year 01.01.2021 - 31.12.2021 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Furthermore, in our opinion, the parent financial statements give a true and fair view of the Parent's financial position at 31.12.2021, and of the results of its operations for the financial year 01.01.2021 - 31.12.2021 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Statement on the management commentary

Management is responsible for the management commentary.

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

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

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

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

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

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

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

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

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

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

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

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

Copenhagen, 4 April 2022

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33963556

Anders Vad Dons
State-Authorised
Public Accountant
MNE no 25299

Consolidated income statement

(DKK million)	Note	2021	2020
Revenue	1.1	23,643	19,307
Production costs	1.2 / 1.3 / 1.5 / 8.3	-6,825	-6,101
Gross profit		**16,818**	**13,206**
R&D costs	1.2 / 1.3 / 8.3	-1,644	-1,519
Distribution costs	1.2 / 1.3 / 8.3	-9,941	-8,716
Administrative expenses	1.2 / 1.3 / 8.2 / 8.3	-1,694	-1,684
Share of profit after tax, associates and joint ventures	3.4	1,196	748
Other operating income		99	-
Operating profit (EBIT)		**4,834**	**2,035**
Financial income	4.2	56	567
Financial expenses	4.2	-431	-421
Profit before tax		**4,459**	**2,181**
Tax on profit for the year	5.1	-815	-230
Profit for the year		**3,644**	**1,951**
Profit for the year attributable to:			
William Demant Invest A/S' shareholder		2,320	1,415
Non-controlling interests		1,324	536
		3,644	**1,951**

Consolidated statement of comprehensive income

(DKK million)	2021	2020
Profit for the year	**3,644**	**1,951**
Items that have been or may subsequently be reclassified to the income statement:		
Foreign currency translation adjustment, subsidiaries	675	-742
Foreign currency translation adjustment reclassified to the income statement	-	29
Other comprehensive income adjustments and associates	531	55
Value adjustment of hedging instruments:		
Value adjustment for the year	-178	108
Value adjustment transferred to revenue	36	-12
Tax on items that have been or may subsequently be reclassified to the income statement	29	-3
Items that have been or may subsequently be reclassified to the income statement	**1,093**	**-565**
Items that will not subsequently be reclassified to the income statement:		
Actuarial gains/losses on defined benefit plans	62	-2
Tax on items that will not subsequently be reclassified to the income statement	-12	10
Items that will not subsequently be reclassified to the income statement	**50**	**8**
Other comprehensive income/loss	**1,143**	**-557**
Comprehensive income	**4,787**	**1,394**
Comprehensive income attributable to:		
William Demant Invest A/S' shareholder	3,281	1,062
Non-controlling interests	1,506	332
	4,787	**1,394**
Breakdown of tax on other comprehensive income:		
Foreign currency translation adjustment, foreign enterprises	-3	19
Value adjustment of hedging instruments for the year	40	-25
Value adjustment of hedging instruments transferred to revenue	-8	3
Actuarial gains/losses on defined benefit plans	-12	10
Tax on other comprehensive income	**17**	**7**

Consolidated balance sheet 31 December

(DKK million)	Note	2021	2020
Assets			
Intangible assets	3.1	**20,991**	**19,245**
Property, plant and equipment	3.2	**3,709**	**3,993**
Lease assets	3.3	2,961	2,636
Investments in associates and joint ventures	3.4	12,321	7,112
Receivables from associates and joint ventures	3.4 / 4.3 / 4.4	267	247
Other investments	3.4 / 4.3 / 4.5	115	1,099
Other receivables	1.6 / 3.4 / 4.3 / 4.4	589	528
Deferred tax assets	5.2	819	771
Other non-current assets		**17,072**	**12,393**
Non-current assets		**41,772**	**35,631**
Inventories	1.5	3,089	2,569
Trade receivables	1.6 / 4.3	4,020	3,578
Receivables from associates and joint ventures	4.3	147	112
Income tax		105	71
Other receivables	1.6 / 4.3 / 4.4	697	563
Unrealised gains on financial contracts	2.3 / 4.3 / 4.5	6	81
Prepaid expenses		431	380
Cash	4.3 / 4.4	1,940	1,698
Current assets		**10,435**	**9,052**
Assets		**52,207**	**44,683**

(DKK million)	Note	2021	2020
Equity and liabilities			
Share capital		4	4
Other reserves		21,348	17,510
Equity attributable to William Demant Invest A/S' shareholder		21,352	17,514
Equity attributable to non-controlling interests		4,382	4,302
Equity		**25,734**	**21,816**
Borrowings	4.3 / 4.4	4,518	7,554
Lease liabilities	3.3	2,432	2,126
Deferred tax liabilities	5.2	690	554
Provisions	7.1	374	412
Other liabilities	4.3 / 7.2	783	692
Deferred income	7.3	464	422
Non-current liabilities		**9,261**	**11,760**
Borrowings	4.3 / 4.4	11,499	6,416
Lease liabilities	3.3	659	569
Trade payables	4.3	993	936
Payables to associates and joint ventures		-	5
Income tax		343	177
Provisions	7.1	116	40
Other liabilities	4.3 / 7.2	2,898	2,341
Unrealised losses on financial contracts	2.3 / 4.3 / 4.4 / 4.5	81	14
Deferred income	7.3	623	609
Current liabilities		**17,212**	**11,107**
Liabilities		**26,473**	**22,867**
Equity and liabilities		**52,207**	**44,683**

Consolidated cash flow statement

(DKK million)	Note	2021	2020
Operating profit (EBIT)		4,834	2,035
Non-cash items etc.	1.7	691	1,228
Change in receivables etc.		-500	351
Change in inventories		-525	14
Change in trade payables and other liabilities etc.		471	200
Change in provisions		91	41
Dividends received		258	47
Cash flow from operating profit		**5,320**	**3,916**
Financial income etc. received		45	27
Financial expenses etc. paid		-405	-393
Income tax paid		-587	-162
Cash flow from operating activities (CFFO)		**4,373**	**3,388**
Acquisition of enterprises, participating interests and activities	6.1	-3,672	-1,251
Disposal of enterprises, participating interests and activities		161	-
Investments in and disposal of intangible assets		-222	-241
Investments in property, plant and equipment		-680	-601
Disposal of property, plant and equipment		16	14
Investments in other non-current assets		-426	-259
Disposal of other non-current assets		390	288
Cash flow from investing activities (CFFI)		**-4,433**	**-2,050**

Acquisitions of enterprises, participating interest and activities includes loans of DKK 63 million (DKK 167 million in 2020) classified as other non-current assets, which have been settled as part of acquisitions without cash payments.

(DKK million)	Note	2021	2020
Repayments of borrowings	4.4	-2,523	-170
Proceeds from borrowings	4.4	2,516	2,100
Change in short-term bank facilities	4.4	2,067	-1,831
Repayments of lease liabilities	3.3/4.4	-667	-558
Dividends paid		-198	-80
Transactions with non-controlling interest		-924	-270
Cash flow from financing activities (CFFF)		**271**	**-809**
Cash flow for the year, net		**211**	**529**
Cash and cash equivalents at the beginning of the year		1,698	1,236
Foreign currency translation adjustment of cash and cash equivalents		31	-67
Cash and cash equivalents at the end of the year		**1,940**	**1,698**
Breakdown of cash and cash equivalents at the end of the year:			
Cash	4.3/4.4	1,940	1,698
Cash and cash equivalents at the end of the year		**1,940**	**1,698**

Consolidated statement of changes in equity

(DKK million)		Other reserves						
	Share capital	Foreign currency translation reserve	Hedging reserve	Retained earnings	Dividend	William Demant Invest A/S' shareholder's share	Non-controlling interests' share	Equity
Equity at 1.1.2021	**4**	**-266**	**31**	**17,745**	**-**	**17,514**	**4,302**	**21,816**
Comprehensive income in 2021:								
Profit for the year	-	-	-	2,320	-	2,320	1,324	3,644
Other comprehensive income:								
Foreign currency translation adjustment, subsidiaries	-	464	-	-	-	464	211	675
Other comprehensive income adjustments and associates	-	-	-	531	-	531	-	531
Value adjustment of hedging instruments:								
Value adjustment, year	-	-	-97	-	-	-97	-81	-178
Value adjustment transferred to revenue	-	-	20	-	-	20	16	36
Actuarial gains/losses on defined benefit plans	-	-	-	34	-	34	28	62
Tax on other comprehensive income	-	-2	18	-7	-	9	8	17
Other comprehensive income/loss	**-**	**462**	**-59**	**558**	**-**	**961**	**182**	**1,143**
Comprehensive income/loss, year	**-**	**462**	**-59**	**2,878**	**-**	**3,281**	**1,506**	**4,787**
Transactions with non-controlling interest	-	-	-	553	-	553	-1,430	-877
Other changes in equity	-	-	-	4	-	4	4	8
Equity at 31.12.2021	**4**	**196**	**-28**	**21,180**	**-**	**21,352**	**4,382**	**25,734**

Consolidated statement of changes in equity – continued

(DKK million)	Share capital	Other reserves: Foreign currency translation reserve	Other reserves: Hedging reserve	Other reserves: Retained earnings	Other reserves: Dividend	William Demant Invest A/S' shareholder's share	Non-controlling interests' share	Equity
Equity at 1.1.2020	**4**	**189**	**-11**	**16,352**	**203**	**16,737**	**4,088**	**20,825**
Comprehensive income in 2020:								
Profit for the year	-	-	-	1,415	-	1,415	536	1,951
Other comprehensive income:								
Foreign currency translation adjustment, subsidiaries	-	-480	-	-	-	-480	-262	-742
Foreign currency translation adjustment reclassified to income statement	-	15	-	-	-	15	14	29
Other comprehensive income adjustments and associates	-	-	-	55	-	55	-	55
Value adjustment of hedging instruments:								
Value adjustment, year	-	-	61	-	-	61	47	108
Value adjustment transferred to revenue	-	-	-7	-	-	-7	-5	-12
Actuarial gains/losses on defined benefit plans	-	-	-	-1	-	-1	-1	-2
Tax on other comprehensive income	-	10	-12	6	-	4	3	7
Other comprehensive income/loss	**-**	**-455**	**42**	**60**	**-**	**-353**	**-204**	**-557**
Comprehensive income/loss, year	**-**	**-455**	**42**	**1,475**	**-**	**1,062**	**332**	**1,394**
Transactions with non-controlling interest	-	-	-	-86	-	-86	-118	-204
Dividends	-	-	-	-	-203	-203	-	-203
Other changes in equity	-	-	-	4	-	4	-	4
Equity at 31.12.2020	**4**	**-266**	**31**	**17,745**	**-**	**17,514**	**4,302**	**21,816**

Notes to consolidated financial statements

Section 1

Operating activities and cash flow

1.1 Revenue from contracts with customers

(DKK million)

Revenue by geographic region:	2021	2020
Denmark	353	347
Other Europe	10,113	8,469
North America	9,523	7,421
Oceania	1,347	1,137
Asia	1,762	1,487
Other countries	545	446
Revenue from contracts with customers	**23,643**	**19,307**

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

Value adjustments transferred from equity relating to derivatives made for hedging foreign exchange risks on revenue amount to DKK -36 million (DKK 12 million in 2020).

(DKK million)

Revenue by business activity:	2021	2020
Hearing Care	7,553	5,464
Hearing Aids	7,347	5,701
Prosthetics, Bracing & supports	4,524	4,103
Diagnostics	1,823	1,475
Communications – EPOS	1,183	1,306
Hearing Implants	512	523
Other	731	735
Group one-offs*	-30	-
Revenue from contracts with customers	**23,643**	**19,307**

*The Group one-off in 2021 relates to the voluntary field corrective action where the Group recalled a number of products in October. The one-off is recognised as a negative adjustment of DKK 30 million in revenue. There were no Group one-offs related to revenue in 2020.

(DKK million)

Liabilities related to contracts with customers:	2021	2020
Customer prepayments*	172	93
Future performance obligations*	915	938
Expected volume discounts and other customer-related items**	357	261
Expected product returns***	162	116
Contract liabilities with customers	**1,606**	**1,408**

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

(DKK million)

Changes in contract liabilities with customers:	2021	2020
Contract liabilities at 1.1.	1,408	1,524
Foreign currency translation adjustment	56	-58
Revenue recognised that was included in the contract liability balance 1.1.	-593	-591
Increases due to cash received, excluding amounts recognised as revenue during the year	597	500
Changes from expected volume discounts and other customer related items	86	28
Changes from product returns	41	-13
Business combinations	11	18
Contract liabilities at 31.12.	**1,606**	**1,408**

1.1 Revenue from contracts with customers - continued

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

Nature of goods and services
Control is normally transferred to the customer when the goods are shipped to the customer, though delivery terms can vary, and control may be transferred at a later point. In some countries, customers are given the right to return our products for a certain period. In such cases, the expected returns are estimated based on an analysis of historical experience adjusted for any known factors impacting expectations for future return rates. Revenue and cost of goods sold are adjusted accordingly, and contract liabilities (refund liabilities) and rights to the returned goods (included in prepaid expenses) are recognised for the expected returns.

Our activities also involve delivery of various services, such as extended warranties, warranty-related coverages (loss and damage) and after-sales services (e.g. fine-tuning of products, additional test, cleaning and service checks). Revenue from these services is recognised on a straight-line basis over the warranty or service period as the customer makes use of the services continuously. Some customers purchase a battery package or are provided with batteries free of charge as part of the purchase of some products, entitling them to free batteries for a certain period.

Revenue is recognised when the customer receives the batteries or is provided with batteries free of charge as part of the purchase of product. When available, we use an observable price to determine the stand-alone selling price for the separate performance obligations related to these services, and in countries where observable prices are not available, we use a cost-plus-margin method.

The standard warranty period for our products varies between countries but is typically 12 and 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 across countries and depend on whether the customer is a private or public customer.

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

Accounting estimates and 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 utilization of loyalty programmes. Sales discounts, rebates and loyalty programmes are adjusted, as we gain better information on the likelihood that they will be realised and the value at which they are expected to be realised. Sales discounts and rebates are recognised under other cost payables in other liabilities, and loyalty programmes are recognised in deferred income.

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

After-sales services (estimate)
After-sales services are provided to end-users of our products and are based on estimates as not all end-users make use of these services. The estimate is a matter of judgement and is based on the number of visits, the duration of the visits for an average customer and the expected number of end-users that make use of the after-sales services.

1.2 Employees

(DKK million)	Note	2021	2020
Employee costs:			
Wages and salaries		8,576	7,628
Share-based remuneration		18	12
Defined contribution plans		207	179
Defined benefit plans	7.1	19	28
Social security costs etc.		967	849
Employee costs		**9,787**	**8,696**
Employee costs by function:			
Production costs		1,408	1,332
R&D costs		1,083	1,025
Distribution costs		6,029	5,229
Administrative expenses		1,267	1,110
Employee costs		**9,787**	**8,696**
Average number of full-time employees		21,527	19,924

In 2021, the basic remuneration of a member of the Parent's Board of Directors was DKK 250,000 (DKK 200,000 in 2020). The Chairman of the Board of Directors receives three times the basic remuneration and the Deputy Chairman one and a half time the basic remuneration. The total remuneration for the Board of Directors was DKK 2 million (DKK 2 million in 2020).

The remuneration of the Executive Board in William Demant Invest A/S includes cash remuneration, short-term benefits and social security. Short-term benefits include a bonus scheme based on the development in the fair value of the net assets within William Demant Invest A/S and William Demant Foundation. For 2021, the total remuneration for the Executive Board of William Demant Invest A/S was DKK 29 million (DKK 10 million in 2020).

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 William Demant Invest A/S provides long-term employee benefits, the costs are accrued to match the rendering of the service by the employees concerned.

1.3 Amortisation, depreciation and impairment losses

(DKK million)	Note	2021	2020
Amortisation of intangible assets	3.1	239	344
Depreciation on property, plant and equipment	3.2	939	646
Depreciation on leased assets	3.3	744	619
Amortisation, depreciation and impairment losses		**1,922**	**1,609**
Amortisation, depreciation and impairment losses by function			
Production costs		637	367
Research and development costs		90	101
Distribution costs		847	766
Administrative expenses		348	375
Amortisation, depreciation and impairment losses		**1,922**	**1,609**
Net gains from sale of assets		-6	1
Net gains from sale of assets		**-6**	**1**
Net gains from sale of assets by function:			
Administrative expenses		-6	1
Net gains from sale of assets		**-6**	**1**

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

1.4 Proposed dividend

The Board of Directors will at the annual general meeting propose not to distribute dividend for 2021.

1.5 Inventories

(DKK million)	2021	2020
Raw materials and purchased components	1,142	832
Work in progress	151	181
Finished goods and goods for resale	1,796	1,556
Inventories	**3,089**	**2,569**
Write-downs, provisions for obsolescence etc. included in the above	210	158
Included in the income statement under production costs:		
Write-downs of inventories for the year, net	106	90
Cost of goods sold for the year	5,276	4,995

Inventories of DKK 54 million (DKK 83 million in 2020) are expected to be sold or used in production after more than twelve months.

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

Accounting policies

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

Group-manufactured products and work in progress are measured at the value of direct cost, direct payroll costs, consumables and a proportionate share of indirect production costs, which are allocated on the basis of the normal capacity of the production facility. Indirect production costs include the proportionate share of capacity costs directly relating to Group-manufactured products and work in progress. The net realisable value of inventories is calculated as the estimated selling price less costs of completion and costs to sell.

Accounting estimates and judgements

Indirect production cost (judgement)
Indirect production cost allocations to inventory are based on relevant judgements related to capacity utilisation at the production facility, production time and 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 forecast for the individual types of hearing devices, diagnostic equipment, hearing implants, communication devices and prosthetics equipment. Sales forecasts are based on Management's expectations of market conditions and trends, and the obsolescence provision is subject to changes in these judgements.

1.6 Receivables

(DKK million)	2021	2020
Trade receivables	4,020	3,578
Customer loans	690	610
Other current receivables	596	481
Receivables	**5,306**	**4,669**
Allowance for impairment:		
Allowance for impairment at 1.1.	-458	-366
Foreign currency translation adjustments	-12	27
Realised during the year	96	149
Additions during the year	-152	-279
Reversals during the year	133	11
Allowance for impairment at 31.12.	**-393**	**-458**

The opening balance of trade receivables in 2020 amounted to DKK 4,135 million.

Of the total amount of trade receivables, DKK 284 million (DKK 275 million in 2020) is expected to be collected after 12 months. For information on security and collateral, please refer to Credit risks in note 4.1.

In 2020, an additional provision for bad debt of DKK 100 million was made to cover uncertainties caused by the COVID-19 pandemic. The provision was recognised in loss allowance for trade receivables, which were more than 12 months overdue.

In 2021, the Group reversed the provision for additional bad debt of DKK 60 million, while DKK 40 million has been realised during the year. As of 31 December 2021, no additional provision to cover uncertainties caused by the Covid-19 pandemic exists.

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
2021						
Gross carrying amount						
Trade receivables	2,839	720	251	237	349	4,396
Customer loans	697	-	-	-	10	707
Other receivables	596	-	-	-	-	596
Total	**4,132**	**720**	**251**	**237**	**359**	**5,699**
Loss allowance						
Trade receivables	32	48	54	56	186	376
Customer loans	11	-	-	-	6	17
Other receivables	-	-	-	-	-	-
Total	**43**	**48**	**54**	**56**	**192**	**393**
Expected loss rate*	0.5%	1.5%	3.0%	5.0%	10.0%	
2020						
Gross carrying amount						
Trade receivables	2,527	652	228	265	344	4,016
Customer loans	619	3	1	-	7	630
Other receivables	481	-	-	-	-	481
Total	**3,627**	**655**	**229**	**265**	**351**	**5,127**
Loss allowance						
Trade receivables	31	23	21	58	305	438
Customer loans	12	1	1	-	6	20
Other receivables	-	-	-	-	-	-
Total	**43**	**24**	**22**	**58**	**311**	**458**
Expected loss rate*	0.5%	1.5%	3.0%	5.0%	10.0%	

*Trade receivables (provision matrix)

1.6 Receivables - continued

Accounting policies
Receivables include trade receivables, customer loans and other receivables. Receivables are financial assets with fixed or determinable payments, which are not listed on an active market and are not derivatives.

On initial recognition, receivables are measured at fair value with the addition of transaction costs. Receivables with a definite maturity date are measured at amortised cost.

Receivables without a definite maturity date are measured at cost. Current receivables arisen as a result of the Group's ordinary activities are measured at nominal value.

For trade receivables, the Group has a simplified approach to providing the expected credit loss prescribed by IFRS 9. The provision for credit loss is measured through a provision matrix. To measure the expected credit loss, trade receivables have been grouped based on shared credit risk and the number of days that have passed after the due date. In accordance with IFRS 9, provisions have also been made for trade receivables not due. For trade receivables that are considered credit-impaired, the expected credit loss is determined on an individual basis.

At initial recognition, a loss allowance is recognised for customer loans based on 12 months' expected credit loss. For customer loans that are considered credit-impaired, the expected credit loss is determined on an individual basis.

Accounting estimates and judgements
Impairment of receivables (estimate)
Allowance for impairment is calculated for both trade receivables and other receivables. For trade receivables, the allowance is calculated for expected credit losses based on an assessment of the debtor's ability to pay. This assessment is made by local management and is made for uniform groups of debtors based on a maturity analysis. When indicated by special circumstances, impairments are made for individual debtors. Other receivables, including customer loans, are assessed on an individual basis based on expected credit loss.

1.7 Specification of non-cash items etc.

(DKK million)	2021	2020
Amortisation and depreciation etc.	1,978	1,645
Share of profit after tax, associates and joint ventures	-1,196	-748
Gain on sale of intangible assets and property, plant and equipment	-4	-
Provisions including one-offs	-23	117
Exchange rate adjustments	-45	157
Employee salary share programme	65	50
Covid-19 rent concessions	-2	-12
Divestment of enterprises	-100	-
Other non-cash items	18	19
Non-cash items etc.	**691**	**1,228**

Section 2

Exchange rates and hedging

2.1 Exchange rate risk policy

The Group seeks to hedge against exchange rate risks, first and foremost through forward exchange contracts.

In relation to exchange rate fluctuations, hedging ensures predictability in the profit and gives Management the opportunity – and necessary time – to redirect business arrangements in the event of persistent changes in foreign exchange rates.

The Group aims to hedge such changes in foreign exchange rates by seeking to match positive and negative cash flows in the main currencies as much as possible and by entering into forward exchange contracts. The Group predominantly hedges estimated cash flows with a horizon of up to 18 months.

2.2 Sensitivity analysis in respect of exchange rates

William Demant Invest A/S Group's currency is in DKK and currency risk primarily relates to USD and GBP. The related expenses are incurred in USD, GBP, DKK and a wide range of other currencies such as CAD, AUD, JPY, ISK and PLN. Income and expenses from other activities, are mainly denominated in local currencies, thus reducing the Group's exposure to these currencies. The main purpose of hedging the Group's currency risk is to hedge the Group's net cash flow and reduce fluctuations in the profit. The Group uses various financial securities and exchange contracts to hedge these risks.

An increase in USD and GBP exchange rate of 5% against DKK to which the Group is primarily exposed to is estimated to have a positive impact on the Group's profit before tax by DKK 132 million (DKK 46 million in 2020) and to affect the Group's equity, excluding tax, positively by DKK 341 million (DKK 297 million in 2020). The exchange rate impact on EBIT has been calculated based on the Group's EBIT for both currencies and does not take into account a possible exchange rate impact on balance sheet values in those currencies.

2.3 Hedging and forward exchange contracts

Forward exchange contracts

2021

	Expiry	Hedging period*	Average hedging rate	Contractual value	Fair value	Positive fair value at year-end	Negative fair value at year-end
				(DKK million)			
USD	2022	11 months	632	-1,124	-38	1	39
AUD	2022	10 months	464	-334	-8	-	8
GBP	2022	11 months	863	-552	-12	-	12
CAD	2022	11 months	495	-441	-16	-	16
JPY	2022	11 months	5.69	-120	-	1	1
PLN	2022	10 months	160	432	-4	1	5
EUR	2024	36 months	741	895	3	3	-
				-1,244	**-75**	**6**	**81**

*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.

2020

	Expiry	Hedging period	Average hedging rate	Contractual value	Fair value	Positive fair value at year-end	Negative fair value at year-end
				(DKK million)			
USD	2021	11 months	638	-1,193	65	65	-
AUD	2021	10 months	457	-281	-4	-	4
GBP	2021	9 months	825	-384	2	3	1
CAD	2021	9 months	484	-372	7	7	-
JPY	2021	9 months	6.00	-120	3	3	-
PLN	2021	10 months	166	402	-6	1	7
EUR	2024	48 months	741	895	2	2	-
				-1,053	**69**	**81**	**12**

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

Realised forward exchange contracts are recognised in the income statement together with the items, typically the revenue in foreign currency, that such contracts are designed to hedge. In 2021, our forward exchange contracts realised a loss of DKK 36 million (gain of DKK 12 million in 2020), which decreased reported revenue for the year. There have been no ineffectiveness in 2021 or 2020.

For Össur, other financial liabilities consist of fair value of hedge contracts and fair value of a purchase option of minority shares amounting to DKK 8 million (DKK 7 million in 2020).

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 as Unrealised gains/losses on financial contracts in the balance sheet.

Forward exchange contracts and interest swaps are measured based on current market data and by use of commonly recognised valuation methods. Please refer to Note 4.5.

Any changes in fair values of derivatives classified as hedging instruments and satisfying the criteria for hedging the fair value of a recognised asset or a recognised liability, are recognised in the income statement together with any changes in the fair value of the hedged asset or hedged liability.

Any changes in fair values of derivatives classified as hedging instruments and satisfying the criteria for effective hedging of future transactions are recognised in other comprehensive income.

The ineffective portion is recognised directly in the income statement. On realisation of the hedged transactions, the accumulated changes are recognised together with the related transactions.

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

2.4 Exchange rates

The Group's presentation currency is Danish kroner.

The following table shows the exchange rates for our key currencies, according to the central bank of Denmark.

Depending on the phasing of revenue, EBIT and payments, the exchange rate impact on the consolidated income statement can vary from the averages in the table.

Average exchange rate DKK per 100

	2021	2020	Change
EUR	744	745	-0.1%
USD	629	654	-3.8%
AUD	472	451	4.7%
GBP	865	839	3.1%
CAD	502	488	2.9%
JPY	6	6	-6.5%
PLN	163	168	-3.0%

Year-End exchange rate DKK per 100

	2021	2020	Change
EUR	744	744	0.0%
USD	656	606	8.3%
AUD	477	464	2.8%
GBP	886	824	7.5%
CAD	514	474	8.4%
JPY	6	6	-3.1%
PLN	162	163	-0.6%

Accounting policies

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

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

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

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

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

All foreign currency translation adjustments are recognised in the income statement, with the exception of the following, which are recognised in other comprehensive income:

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

Section 3

Assets base

3.1 Intangible assets

(DKK million)	2021 Goodwill	2021 Patents and licences	2021 Other intangible assets	2021 Assets under develop-ment*	2021 Total intangible assets	2020 Goodwill	2020 Patents and licences	2020 Other intangible assets	2020 Assets under develop-ment*	2020 Total intangible assets
Cost at 1.1.	**17,841**	**221**	**1,607**	**283**	**19,952**	**17,091**	**217**	**1,640**	**221**	**19,169**
Foreign currency translation adjustments	586	8	49	5	648	-631	-8	-57	-5	-701
Additions during the year	-	11	82	136	229	-	4	105	133	242
Additions relating to acquisitions	1,118	2	27	-	1,147	1,381	11	74	-	1,466
Disposals relating to divestment of enterprises	-	-	-4	-	-4	-	-1	-19	-	-20
Disposals during the year	-	-5	-62	-	-67	-	-2	-235	-	-237
Transfer to/from other items	-	12	138	-150	-	-	-	99	-66	33
Cost at 31.12.	**19,545**	**249**	**1,837**	**274**	**21,905**	**17,841**	**221**	**1,607**	**283**	**19,952**
Amortisation at 1.1.	**-**	**-124**	**-583**	**-**	**-707**	**-**	**-110**	**-498**	**-**	**-608**
Foreign currency translation adjustments	-	-3	-25	-	-28	-	3	32	-	35
Amortisation for the year	-	-12	-227	-	-239	-	-19	-325	-	-344
Disposals relating to divestments	-	-	-	-	-	-	-	10	-	10
Amortisation transfer	-	-1	-1	-	-2	-	-	-30	-	-30
Disposals during the year	-	1	61	-	62	-	2	228	-	230
Amortisation at 31.12.	**-**	**-139**	**-775**	**-**	**-914**	**-**	**-124**	**-583**	**-**	**-707**
Carrying amount at 31.12.	**19,545**	**110**	**1,062**	**274**	**20,991**	**17,841**	**97**	**1,024**	**283**	**19,245**

*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 and the fair values of the acquired assets, liabilities and contingent liabilities. Please refer to Accounting policies in Note 6.1.

On recognition, goodwill is allocated to corporate activities that generate independent payments (cash-generating units). The definition of a cash-generating unit is in line with the Group's managerial structure as well as the internal financial management reporting. Goodwill is not amortised but is tested for impairment at least once a year. If the recoverable amount of a cash-generating unit is lower than the carrying amounts of property, plant and equipment and intangible assets, including goodwill, attributable to the particular cash-generating unit, the particular assets will be written down.

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

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

Other intangible assets are measured at cost less accumulated amortisation and impairment losses. Other intangible assets are amortised on a straight-line basis over their estimated useful lives, except for other rights which are not amortised, due to the residual value of other rights are considered to exceed the cost price and are instead tested for impairment annually. Please refer to Note 3.5.

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

Accounting estimates and judgements
Reportable segments and cash-generating units (judgements)
Impairment testing is carried out annually on preparation of the annual report or on indication of impairment in which discounted values of future cash flows are compared with carrying amounts. Group enterprises cooperate closely on R&D, purchasing, production, marketing and sale, as the use of resources in the individual markets is coordinated and monitored by Management in Denmark. Group enterprises are thus highly integrated. Consequently, Management considers the overall business as four cash-generating units. Any business activity that largely acts with autonomy in relation to the Group and whose profitability can be measured independently of the other activities constitutes a separate cash-generating unit. Management therefore considers it most appropriate to separate the activities into four reportable cash-generating units, Prosthetics, Bracing & supports, Radiotherapy, Hearing Healthcare and Communications. Impairment testing is therefore carried out for the Group´s four cash-generating units, Prosthetics, Bracing & supports, Radiotherapy, Hearing Healthcare and Communications. Please refer to Note 3.5.

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.

Patents and licenses	5-50 years
Software	2-10 years
Brand value	5-10 years
Customer relationships	4-10 years
Non-compete agreements	For the duration of the agreement

3.2 Property, plant and equipment

(DKK million)	2021 Land and buildings	2021 Plant and machinery	2021 Other plant, fixtures and operating equipment	2021 Leasehold improve-ments	2021 Assets under construc-tion	2021 Total property, plant and equipment	2020 Land and buildings	2020 Plant and machinery	2020 Other plant, fixtures and operating equipment	2020 Leasehold improve-ments	2020 Assets under construc-tion	2020 Total property, plant and equipment
Cost at 1.1.	**1,209**	**2,746**	**1,465**	**1,073**	**181**	**6,674**	**1,171**	**2,895**	**1,549**	**1,058**	**135**	**6,808**
Foreign currency translation adjustments	15	32	57	36	3	143	-35	-73	-88	-33	-2	-231
Additions during the year	7	92	254	169	80	602	61	89	126	138	150	564
Additions relating to acquisitions	3	4	6	7	-	20	17	18	40	5	5	85
Disposals relating to divestments	-	-3	-13	-1	-	-17	-82	-86	-22	-1	-	-191
Disposals during the year	-2	-52	-59	-57	-4	-174	-	-108	-133	-86	-1	-328
Transferred to/from other items	28	26	91	19	-133	31	77	11	-7	-8	-106	-33
Cost at 31.12.	**1,260**	**2,845**	**1,801**	**1,246**	**127**	**7,279**	**1,209**	**2,746**	**1,465**	**1,073**	**181**	**6,674**
Depreciation and impairment losses at 1.1.	**-217**	**-880**	**-1,016**	**-568**	**-**	**-2,681**	**-265**	**-796**	**-1,046**	**-543**	**-**	**-2,650**
Foreign currency translation adjustments	-6	-21	-41	-21	-	-89	10	42	59	24	-	135
Depreciation for the year	-28	-558	-216	-137	-	-939	-25	-302	-188	-131	-	-646
Disposals relating to divestments	-	2	12	1	-	15	63	62	16	-	-	141
Disposals during the year	-	47	57	51	-	155	-	103	124	82	-	309
Transferred to/from other items	1	7	-36	-3	-	-31	-	11	19	-	-	30
Depreciation and impairment losses at 31.12.	**-250**	**-1,403**	**-1,240**	**-677**	**-**	**-3,570**	**-217**	**-880**	**-1,016**	**-568**	**-**	**-2,681**
Carrying amount at 31.12.	**1,010**	**1,442**	**561**	**569**	**127**	**3,709**	**992**	**1,866**	**449**	**505**	**181**	**3,993**

*Prepayments are included in assets under construction.

After the balance sheet date, Borkum Riffgrund 1 has been divested. Please refer to note 8.4 events after the reporting period.

3.2 Property, plant and equipment – continued

Accounting policies
Property, plant and equipment are recognised at cost less accumulated depreciation and impairment losses. Cost is defined as the acquisition price and costs directly relating to the acquisition until such time as the particular asset is ready for use. For assets produced by the Group, cost includes all costs directly attributable to the production of such assets, including materials, components, sub-supplies and payroll. In respect of finance leased assets, cost is calculated as the fair value or the present value of future lease payments, whichever is lower.

Interest expenses on loans for financing of the construction of property, plant and equipment are recognised in the cost of the assets if such expenses pertain to the manufacturing period. Other borrowing costs are recognised in the income statement.

If the acquisition or the use of an asset requires the Group to defray costs for the demolition or restoration of such asset, the calculated costs hereof are recognised as a provision and as part of the cost of the particular asset, respectively.

The cost of a total asset is divided into various elements, which will be depreciated separately if their useful lives are not the same. Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Land is not depreciated.

Accounting estimates and judgements
Useful lives (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.

Buildings	25-50 years
Technical installations	2-10 years
Plant and machinery	3-10 years
Plant and machinery, wind farm	20-25 years
Other plant, fixtures and operating equipment	3-10 years
IT hardware and software	2-5 years
Leasehold improvements	Up to 10 years

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

3.3 Leases

(DKK million)	2021	2020
Lease assets at 1.1.	**2,636**	**2,701**
Foreign currency translation adjustments	84	-99
Additions during the year	937	600
Additions relating to acquisitions	99	122
Disposals during the year	-51	-69
Depreciations during the year	-744	-619
Lease assets at 31.12.	**2,961**	**2,636**

(DKK million)	2021	2020
Lease liabilities at 1.1.	**2,695**	**2,739**
Foreign currency translation adjustments	91	-114
Additions during the year	924	597
Additions relating to acquisitions	99	119
Covid-19-related rent concessions	-2	-12
Disposals during the year	-49	-76
Payments	-667	-558
Lease liabilities at 31.12.	**3,091**	**2,695**
Current lease liabilities	659	569
Non-current lease liabilities	2,432	2,126
Amounts recognised in the income statement:		
Variable lease payments	32	20
Short-term lease expenses	31	21
Low-value assets	5	6

Approx. 97% 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.

Accounting policies

Lease assets

Lease assets and liabilities are recognised in the balance sheet at the commencement date of the contract, if it is or contains a lease. Lease assets are recognised at cost less accumulated depreciation and impairment.

Cost is defined as the lease liability adjusted for any lease payments made at or before the commencement date. Lease assets are depreciated on a straight-line basis over the lease term.

Lease liabilities

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

Lease payments contain fixed payments less any lease incentives receivable, variable lease payment that depend on an index or a rate as well as payments of penalties for terminating the lease, if the terms of the lease warrants that the Group exercises that option.

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

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.

3.3 Leases – continued

Accounting estimates and judgements

Lease term (estimate)

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

Extension and termination options (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.

Covid-19-related Rent Concessions (Amendment to IFRS 16)

IFRS 16 is amended to exempt lessees, who have received rent concessions as a direct consequence of the Covid-19 pandemic, from the requirement to assess whether the concession is a lease modification. The Group has decided to apply the practical expedient to all rent concessions that meet the conditions as outlined in paragraph 46B of IFRS 16. This resulted in accounting for the concession as a variable lease payment. The rent concessions recognised in the income statement for 2021 amount to DKK 2 million (DKK 12 million in 2020).

3.4 Other non-current assets

(DKK million)	2021					2020				
				Other receivables					Other receivables	
	Investments in associates and joint ventures	Receivables from associates and joint ventures	Other investments	Customer loans	Other	Investments in associates and joint ventures	Receivables from associates and joint ventures	Other investments	Customer loans	Other
Cost at 1.1.	**5,311**	**247**	**478**	**446**	**145**	**4,614**	**182**	**765**	**531**	**143**
Foreign currency translation adjustments	30	15	1	34	4	-38	-11	-2	-43	-5
Additions during the year	2,721	106	113	282	1	259	92	155	131	9
Additions relating to acquisitions	-	-	-	-	-	132	7	-	-	5
Disposals related to step-up acquisition of associates	-26	-98	-	-	4	-165	-	-	-	-
Disposals, repayments etc. during the year	-82	-	-4	-117	-1	-231	-23	-	-83	-3
Movement to current	-	1	-	-144	-2	-	-	-	-90	-4
Transfers	1,085	-	-454	-	-	740	-	-440	-	-
Cost at 31.12.	**9,039**	**271**	**134**	**501**	**151**	**5,311**	**247**	**478**	**446**	**145**
Value adjustments at 1.1.	**1,801**	**-**	**621**	**-9**	**-54**	**1,344**	**-**	**421**	**-8**	**-49**
Foreign currency translation adjustments	1	-	-	-1	-1	1	-	-	1	2
Share of profit after tax (IS)	1,196	-	-	-	-	290	-	-	-	-
Dividends received	-259	-	-	-	-	-41	-	-	-	-
Disposals relating to step-up acquisitions of associates	-2	-1	-	-	-	-74	-	-	-	-
Fair value adjustments	-	-	-9	-	-	-	-	500	-	-
Other adjustments	545	-3	-	-2	-	281	-	-	-2	-6
Disposals during the year	-	-	-	4	-	-	-	-	-	-1
Transfers	-	-	-631	-	-	-	-	-300	-	-
Value adjustments at 31.12.	**3,282**	**-4**	**-19**	**-8**	**-55**	**1,801**	**-**	**621**	**-9**	**-54**
Carrying amount at 31.12.	**12,321**	**267**	**115**	**493**	**96**	**7,112**	**247**	**1,099**	**437**	**91**

3.4 Other non-current assets - continued

Transactions with associates and joint ventures
In 2021, the Group recognised revenue from associates and joint ventures of DKK 566 million (DKK 299 million in 2020), received royalties from and paid licence fees of net DKK 0 million (DKK 1 million in 2020) and received dividends of DKK 259 (DKK 41 million in 2020).

In 2021, the Group received interest income of DKK 11 million (DKK 4 million in 2020). The transactions with related parties were made on arm's length basis.

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

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

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

	Associates	
(DKK million)	2021	2020
Financial information from financial statements (Group share)		
Revenue	2,052	1,449
Net profit for the year	1,196	293
Comprehensive income	1,196	293

3.5 Impairment testing

(DKK million)	Terminal growth rate	WACC	2021	2020
Prosthetics, Bracing & Supports	2.5%	7.8% - 8.7%	7,163	6,815
Radiotherapy	2.0%	9.0%	2,911	2,706
Hearing Healthcare	2.0%	6.5%	9,054	7,903
Communications	2.0%	12.0%	417	417
			19,545	**17,841**

Impairment testing is carried out for the Group's four cash-generating units: Prosthetics, Bracing & Supports, Radiotherapy, 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 on 31 December 2021. Future cash flows are based on the budget for 2022, on strategy plans and on projections hereof. Projections extending beyond 2022 are based on general parameters, such as expected market growth, selling prices and profitability assumptions. Sensitivity calculations show that even a significant increase in the discount rate or a significant reduction of the growth assumptions will not change the outcome of the impairment test. Apart from goodwill, all intangible assets have limited useful lives.

The market capitalisations of Demant A/S and Össur hf. on Nasdaq Copenhagen by far exceed the equity values of the companies, lending further support to the conclusion that we had no need for impairment in 2021.

The goodwill allocation per cash-generating unit is presented in the table. The terminal values for the period after 2026 and the discount rates used in the impairment tests for the four cash-generating units are based on the growth assumptions in the table.

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

The recoverable amount is estimated for the smallest cash-generating unit of which the asset is part. The recoverable amount is determined as the higher of the fair value of the asset or cash-generating unit less costs to sell and the value in use of such asset or unit. On determination of the value in use, estimated future cash flows will be discounted to their present values using a discount rate that reflects partly current market valuations of the time value of money, and partly the special risks attached to the particular asset or 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 assumptions on which the calculation of the recoverable amount is based, the carrying amount of an asset or cash-generating unit is increased to the adjusted estimate of the recoverable amount, however not exceeding the carrying amount of the asset or cash-generating unit, had the particular asset or cash-generating unit not been written down. Impairment of goodwill is not reversed.

Section 4

Capital structure and financial management

4.1 Financial risk management and capital structure

Policies relating to financial risk management and capital structure
Financial risk management concentrates on identifying risks in respect of exchange rates, interest rates, credit and liquidity with a view to protecting the Group against potential losses and ensuring that Management's forecasts for the current year are only to a limited extent affected by changes or events in the surrounding world – be they changes in exchange rates or in interest rates. It is Group policy to exclusively hedge commercial risks and not to undertake any financial transactions of a speculative nature.

Interest rate risks
In previous years, we only hedged interest rate risks on Group loans to a limited extent, as the Group only had limited debt compared to its volume of activities. Because of the Group's high level of cash generation and relatively low financial gearing, the majority of our loans are raised on floating terms and predominantly as short-term commitments, resulting in a low level of interest expenses. In order to secure relatively low interest rates for the Group on the long term and as a consequence of our attractive funding possibilities in the financial market, the Group now partly funds its debt through medium-term committed facilities with fixed rates and through financial instruments, which limits the interest rate risk.

The Group's net interest bearing debt amounted to DKK 16,152 million as of 31 December 2021 (DKK 14,050 million in 2020).

Credit risks
The Group's credit risks relate primarily to trade receivables and loans to customers or business partners. Our customer base is fragmented, so credit risks in general only involve minor losses on individual customers. For Demant, the ten largest customers account for less than 10% of total consolidated revenue.

Furthermore, when granting loans, we require that our counterparts provide security in their business. Overall, we therefore estimate that we have no major credit exposure on Group level.

The maximum credit risk relating to receivables matches the carrying amounts of such receivables. The Group has no major deposits with financial institutions for which reason the credit risk of such deposits is considered to be low.

Liquidity risks
The Group aims to have sufficient cash resources to be able to take appropriate steps in case of unforeseen fluctuations in cash outflows. We have access to considerable undrawn credit facilities, and the liquidity risk is therefore considered to be low. We are of the opinion that the Group has strong cash flows and a satisfactory credit rating to secure the current inflow of working capital and funds for potential acquisitions. Neither in previous years nor in the financial year 2021 has the Group defaulted on any loan agreements.

4.2 Net financial items

(DKK million)	2021	2020
Interest on cash and bank deposits	5	4
Interest on receivables, customer loans etc.	34	32
Other financial income	17	31
Financial income from financial assets measured at amortised cost	**56**	**67**
Fair value adjustment on other investments	-	500
Financial income from financial assets measured at fair value	**-**	**500**
Foreign exchange gains, net	-	-
Financial income	**56**	**567**
Interest on bank debt, mortgages etc.	-202	-210
Financial expenses on financial liabilities measured at amortised cost	**-202**	**-210**
Fair value adjustment on other investments	-9	-
Financial expenses on financial assets measured at fair value	**-9**	**-**
Interest expenses on lease liabilities	-71	-78
Foreign exchange losses, net	-13	-19
Transaction costs	-136	-114
Financial expenses	**-431**	**-421**
Net financial items	**-375**	**146**

In addition to the foreign exchange items, the consolidated income statement is also affected by foreign exchange hedging instruments as described in Note 2.3, as well as by foreign exchange effects of balance sheet items affecting production costs with a gain of DKK 33 million in 2021 (a loss of DKK 95 million in 2020).

Accounting policies

Net financial items mainly consist of interest income and interest expenses, credit card fees and bank fees and also include interest on lease liabilities, unwinding of discounts on financial assets and liabilities, fair value adjustments of “shadow shares” under share-based remuneration programmes as well as certain realised and unrealised foreign exchange gains and losses. Interest income and interest expenses are accrued based on the principal amount and the effective interest rate. The effective interest rate is the discount rate used for discounting expected future payments attaching to the financial asset or financial liability in order for the present value to match the carrying amount of such asset or liability.

4.3 Categories of financial instruments

(DKK million)	2021	2020
Unrealised gains on financial contracts	6	81
Financial assets used as hedging instruments	**6**	**81**
Receivables from associates and joint ventures	414	359
Customer loans	690	610
Other receivables	596	481
Trade receivables	4,020	3,578
Cash	1,940	1,698
Financial assets at amortised cost	**7,660**	**6,726**
Other investments	115	1,099
Financial assets at fair value through profit/loss	**115**	**1,099**
Unrealised losses on financial contracts	-81	-14
Financial liabilities used as hedging instruments	**-81**	**-14**
Debt to credit institutions etc.	-8,045	-8,091
Short-term bank facilities etc.	-5,954	-3,663
Lease liabilities	-3,091	-2,695
Debt to parent	-2,018	-2,216
Trade payables	-993	-936
Other liabilities	-2,870	-2,333
Financial liabilities measured at amortised cost	**-22,971**	**-19,934**
Other liabilities	-330	-307
Financial liabilities measured at fair value through profit/loss	**-330**	**-307**

As regards financial assets and liabilities, their carrying amounts approximate their fair values. The following non-financial items are included in the balance sheet and represent the difference between the table and the balance sheet: other liabilities DKK 481 million (DKK 393 million in 2020).

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

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

On initial recognition, securities classified as current assets are recognised at their fair values adjusted for any directly related costs from the purchase of the securities. The securities are subsequently measured at fair value based on listed prices in an active market for the same type of instrument. Unrealised value adjustments are recognised in other comprehensive income, except for impairment losses which are included in the income statement as part of net financial items. When securities are disposed or sold, the accumulated value adjustments are reclassified to the net financial items in the income statement.

The component parts of compound instruments (convertible promissory notes) are classified separately as financial liabilities and equity if fair value at initial recognition can be allocated to the conversion option. Fair value of the conversion option is calculated as the residual value between fair value of the liability component, using prevailing market interest rates for similar non-convertible instruments, and fair value of the entire instrument. The liability component is subsequently measured at amortised cost.

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

(DKK million)	Contractual cash flows: Less than 1 year	1-5 years	More than 5 years	Total	Carrying amount	Weighted average effective interest rate
2021						
Interest-bearing receivables	256	748	47	1,051	1,016	
Cash	1,944	-	-	1,944	1,940	
Interest-bearing assets	**2,200**	**748**	**47**	**2,995**	**2,956**	**1.8%**
Debt to credit institutions etc.	-3,578	-4,615	-	-8,193	-8,045	
Debt to parent	-2,047	-	-	-2,047	-2,018	
Short-term bank facilities etc.	-5,977	-	-	-5,977	-5,954	
Borrowings	**-11,602**	**-4,615**	**-**	**-16,217**	**-16,017**	**0.9%**
Lease liabilities	-688	-1,825	-960	-3,473	-3,091	
Net interest bearing debt	**-10,090**	**-5,692**	**-913**	**-16,695**	**-16,152**	
2020						
Interest-bearing receivables	241	491	218	950	917	
Cash	1,701	-	-	1,701	1,698	
Interest-bearing assets	**1,942**	**491**	**218**	**2,651**	**2,615**	**1.6%**
Debt to credit institutions etc.	-2,586	-5,724	-1	-8,311	-8,091	
Debt to parent	-286	-2,047	-	-2,333	-2,216	
Short-term bank facilities etc.	-3,683	-	-	-3,683	-3,663	
Borrowings	**-6,555**	**-7,771**	**-1**	**-14,327**	**-13,970**	**1.1%**
Lease liabilities	-551	-1,685	-684	-2,920	-2,695	
Net interest bearing debt	**-5,164**	**-8,965**	**-467**	**-14,596**	**-14,050**	

Trade payables and other liabilities have a contractual maturity of less than one year, with the exception of other liabilities of DKK 783 million (DKK 692 million in 2020) which have a contractual maturity of 1-5 years. The contractual cash flows approximate their carrying amounts.

Interest-bearing borrowings broken down by currency: 11% in US dollars (13% in 2020), 62% in Danish kroner (54% in 2020), 21% in euros (27% in 2020), 1% in CHF (0% in 2020), 1% in AUD (0% in 2020), 0% in GBP (1% in 2020), 2% in Canadian dollars (1% in 2020) and 1% in other currencies (4% in 2020).

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

(DKK million)	2020	Cash flows from financing activities	Net cash flow from overdraft	Acquisition	Foreign exchange movement	Other additions	Disposals	2021
Lease liabilities	-2,695	667	-	-99	-91	-924	51	-3,091
Debt to parent	-2,216	-	-	-	-	-	198	-2,018
Debt to credit institutions etc.	-8,091	7	-	30	12	-3	-	-8,045
Short-term bank facilities	-3,663	-2,067	-	-3	-214	-	-7	-5,954
Liabilities from financing activities	**-16,665**	**-1,393**	**-**	**-72**	**-293**	**-927**	**242**	**-19,108**
Interest-bearing liabilities	**-16,665**	**-1,393**	**-**	**-72**	**-293**	**-927**	**242**	**-19,108**

(DKK million)	2019	Cash flows from financing activities	Net cash flow from overdraft	Acquisition	Foreign exchange movement	Other additions	Disposals	2020
Lease liabilities	-2,739	557	-	-119	115	-597	88	-2,695
Debt to parent	-2,092	-	-	-	-	-204	80	-2,216
Debt to credit institutions etc.	-6,679	-1,930	470	-76	119	5	-	-8,091
Short-term bank facilities	-5,321	1,831	-365	-	192	-	-	-3,663
Liabilities from financing activities	**-16,831**	**458**	**105**	**-195**	**426**	**-796**	**168**	**-16,665**
Interest-bearing liabilities	**-16,831**	**458**	**105**	**-195**	**426**	**-796**	**168**	**-16,665**

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

(DKK million)	2021					2020				
	Expiry	Interest rate / strike	Contractual amount at year end	Positive fair value at year-end	Negative fair value at year-end	Expiry	Interest rate / strike	Contractual amount at year end	Positive fair value at year-end	Negative fair value at year-end
DKK/DKK	2023	0%	650	-	-	2023	0%	650	-	2
			650	**-**	**-**			**650**	**-**	**2**

The fair value of interest cap (a strip of call options) outstanding at the balance sheet date is DKK 0 million (DKK -2 million in 2020), and the contractual value of interest cap is DKK 650 million (DKK 650 million in 2020). The cap will run until 2023.

Sensitivity analysis in respect of interest rates

Based on the Group's net debt at the end of the 2021 financial year, a rise of 1 percentage point in the general interest rate level will cause an increase in consolidated annual interest expenses before tax of approximately DKK 46 million (DKK 29 million in 2020). About 50% of the interest-bearing debt is subject to fixed or limited interest rates, partly due to a bought cap (a strip of call options) and partly due to loans being raised at fixed interest rates.

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

4.5 Fair value hierarchy

Methods and judgements for calculation of fair values

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

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

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

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

Fair value hierarchy for assets and liabilities measured at fair value in the balance sheet
Financial instruments measured at fair value are broken down according to the fair value hierarchy:

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

4.5 Fair value hierarchy - continued

(DKK million)	2021				2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets used as hedging instruments	-	6	-	6	-	81	-	81
Other investments	104	-	11	115	1,085	-	14	1,099
Financial liabilities used as hedging instruments	-	-81	-	-81	-	-14	-	-14
Financial liabilities at fair value through income statement	-	-	-330	-330	-	-	-307	-307
Contingent considerations	-	-	-260	-260	-	-	-185	-185

	Financial assets		Other financial liabilities		Contingent considerations	
(DKK million)	2021	2020	2021	2020	2021	2020
Carrying amount at 1.1.	**1,099**	**1,186**	**-307**	**-332**	**-185**	**-178**
Foreign currency translation adjustment	1	-2	-23	21	-6	7
Acquisitions	113	155	-	-	-175	-90
Disposals, repayments, settlements etc.	-1,089	-740	-	-	77	56
Other adjustments	-9	500	-	4	29	20
Carrying amount at 31.12.	**115**	**1,099**	**-330**	**-307**	**-260**	**-185**

There are no transfers between levels 1 and 2 in the 2021 and 2020 financial years.

Financial instruments measured at fair value in the balance sheet based on valuation methods, with any significant inputs not being based on observable market data (level 3):

Accounting policies
On initial recognition, other investments are classified as assets available for sale, recognised at fair value and subsequently measured at fair value. Unrealised value adjustments are recognised the income statement. On realisation, value adjustments are transferred to net financial items in the income statement. The determination of fair values is based on equity values.

Contingent considerations arising from the acquisition of enterprises and activities are recognised at fair value at the time of acquisition. The obligations are re-evaluated on a recurring basis at fair value.

Section 5

Tax

5.1 Tax on profit

(DKK million)	2021	2020
Current tax on profit for the year	-738	-312
Adjustment of current tax, prior years	12	73
Change in deferred tax	-113	33
Adjustment of deferred tax, prior years	13	-29
Impact of changes in corporate tax rates	11	5
Tax on profit for the year	**-815**	**-230**
Reconciliation of tax rates:		
Danish corporate tax rate	22.0%	22.0%
Differences between tax rates of non-Danish enterprises and Danish corporate tax rate	1.2%	0.5%
Impact of changes in corporate tax rates	-0.2%	-0.2%
Impact of unrecognised tax assets	-0.2%	2.1%
Permanent differences	-5.6%	-13.9%
Other items, including prior-year adjustments	1.1%	0.1%
Effective tax rate	**18.3%**	**10.5%**

Accounting policies
Tax on the year's profit includes current tax and any changes in deferred tax. Current tax includes taxes payable determined on the basis of the estimated taxable income for the year and any prior-year tax adjustments. Tax on changes in equity and other comprehensive income is recognised directly in equity and in other comprehensive income, respectively. Foreign currency translation adjustments of deferred tax are recognised as part of the year's adjustments of deferred tax.

Current tax liabilities or tax receivables are recognised in the balance sheet and determined as tax calculated on the year's taxable income adjusted for any tax paid 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)	2021	2020
Deferred tax recognised in the balance sheet:		
Deferred tax assets	819	771
Deferred tax liabilities	-690	-554
Deferred tax, net at 31.12.	**129**	**217**
Deferred tax, net at 1.1.	**217**	**207**
Foreign currency translation adjustments	-2	-6
Changes in deferred tax	-113	33
Additions relating to acquisitions	-1	-11
Adjustment of deferred tax, prior years	13	-29
Impact of changes in corporate tax rates	11	5
Deferred tax relating to changes in equity, net	4	18
Deferred tax, net at 31.12	**129**	**217**

5.2 Deferred tax - continued

Breakdown of the Group's temporary differences and changes:	Temporary differences at 1.1.2021	Foreign currency translation adjustments	Acquisitions	Recognised in profit for the year	Recognised in other comprehen-sive income	Temporary differences at 31.12.2021
Intangible assets	-511	-24	-	-84	-	-619
Property, plant and equipment	-90	1	-	-20	-	-109
Leased assets	12	-	-	21	-	33
Inventories	276	4	-	25	-	305
Receivables	77	3	-1	-18	-1	60
Provisions	106	4	-	-6	-	104
Deferred income	159	6	-	-13	-	152
Tax losses	163	6	-	-64	-	105
Other	25	-2	-	70	5	98
Total	**217**	**-2**	**-1**	**-89**	**4**	**129**

Breakdown of the Group's temporary differences and changes:	Temporary differences at 1.1.2020	Foreign currency translation adjustments	Acquisitions	Recognised in profit for the year	Recognised in other comprehen-sive income	Temporary differences at 31.12.2020
Intangible assets	-499	21	-8	-25	-	-511
Property, plant and equipment	-88	-	3	-5	-	-90
Leased assets	8	-1	-	5	-	12
Inventories	280	-2	-	-2	-	276
Receivables	68	-5	1	13	-	77
Provisions	94	-4	-1	17	-	106
Deferred income	183	-8	-	-16	-	159
Tax losses	130	-6	-6	45	-	163
Other	31	-1	-	-23	18	25
Total	**207**	**-6**	**-11**	**9**	**18**	**217**

The tax value of deferred tax assets not recognised is DKK 189 million (DKK 183 million in 2020) and relates mainly to tax losses and tax credits for which there is considerable uncertainty about their future utilisation.

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

5.2 Deferred tax – continued

Accounting policies

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

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

Accounting estimates and judgements

Deferred tax assets (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, associates and joint ventures is recognised, unless the parent is able to control the time of realisation of such deferred tax, and it is probable that such deferred tax will not be realised as current tax in the foreseeable future.

Section 6

Acquisitions and divestments

6.1 Acquisition of enterprises and activities

(DKK million)	2021 Össur	2021 Other	2021 Total	2020 Össur	2020 Other	2020 Total
Intangible assets	17	12	29	62	23	85
Property, plant and equipment	7	13	20	35	50	85
Other non-current assets	-	98	98	4	265	269
Inventories	9	9	18	58	91	149
Current receivables	13	18	31	63	250	313
Cash and cash equivalents	9	30	39	75	69	144
Non-current liabilities	-3	-97	-100	-101	-126	-227
Current liabilities	-28	-48	-76	-95	-324	-419
Acquired net assets	**24**	**35**	**59**	**101**	**298**	**399**
Goodwill	305	813	1,118	514	867	1,381
Acquisition cost	**329**	**848**	**1,177**	**615**	**1,165**	**1,780**
Carrying amount of non-controlling interests on obtaining control	-	-18	-18	-	-235	-235
Fair value adjustment of non-controlling interests on obtaining control	-	-48	-48	-	-454	-454
Contingent considerations and deferred payments	-62	-113	-175	-14	-76	-90
Acquired cash and cash equivalents	-9	-30	-39	-75	-69	-144
Cash acquisition cost	**258**	**639**	**897**	**526**	**331**	**857**

6.1 Acquisition of enterprises and activities – continued

The Group acquired a number of minor retail acquisitions in North America and Europe in 2021. In respect of these acquisitions, we paid acquisition costs exceeding the fair values of the acquired assets, liabilities and contingent liabilities. Such positive balances in value can be attributed to expected synergies between the activities of the acquired entities and our existing activities, to the future growth opportunities and to the value of staff competencies in the acquired entities. These synergies are not recognised separately from goodwill, as they are not separately identifiable.

At the time of acquisition, non-controlling interests' shares of acquisitions were measured at their proportionate shares of the total fair value of the acquired entities, including goodwill. On obtaining a controlling interest through step acquisitions, previously held non-controlling interests are at the time of obtaining control included at fair value with fair value adjustments in the income statement.

In 2020, the Group obtained full control of the Gaming and Enterprise Solutions segments in Sennheiser Communications for a purchase price of DKK 477 million. Furthermore, the Group acquired an additional interest in Audilab SAS and is now the direct owner of 95% of the shares. The fair value of the shares on the acquisition date was DKK 381 million.

In 2021, a few adjustments were made to the preliminary recognition of acquisitions made in 2020. These adjustments were made in respect of payments made, contingent considerations provided, and net assets and goodwill acquired.

The impact of these adjustments on payments made was DKK 6 million (DKK 10 million in 2020), the impact on goodwill was DKK 14 million (DKK 17 million in 2020), the impact on contingent considerations was DKK 8 million (DKK 0 million in 2020). In relation to acquisitions with final recognition in 2014-2020, adjustments were made in 2021 in respect of estimated contingent considerations. Such adjustments are recognised in the income statement.

The total impact on the income statement of fair value adjustments of non-controlling interests in step acquisitions amounted to DKK 48 million (DKK 454 million in 2020), and adjustments of contingent considerations made via the income statement of DKK 30 million (DKK 16 million in 2020) are recognised under Distribution costs for acquisitions and DKK 0 million (DKK 5 million in 2020) are recognised in Share of profit after tax, associates and joint ventures for associates and joint ventures.

Of the total acquisition entries in 2021, the fair value of estimated contingent considerations in the form of earn-outs or deferred payments accounted for DKK 183 million (DKK 90 million in 2020). Such payments depend on the results of the acquired entities for a period of 1-5 years after takeover and can total a maximum of DKK 183 million (DKK 98 million in 2020) for acquisitions.

The acquired assets include contractual receivables amounting to DKK 27 million (DKK 181 million in 2020) of which DKK 3 million (DKK 1 million in 2020) was thought to be uncollectible at the date of the acquisition. Of total goodwill in the amount of DKK 1,118 million (DKK 1,381 million in 2020), DKK 567 million (DKK 324 million in 2020) can be amortised for tax purposes.

Transaction costs in connection with acquisitions made in 2021 amounted to DKK 5 million (DKK 7 million in 2020), which has been recognised under Distribution costs.

Revenue and profit generated by the acquired enterprises since our acquisition in 2021 amount to DKK 278 million (DKK 1,512 million in 2020) and DKK 25 million, (DKK 147 million in 2020), respectively. Had such revenue and profit been consolidated on 1 January 2021, we estimate that consolidated pro forma revenue and profit would have been DKK 23,916 million (DKK 18,911 million in 2020) and DKK 3,658 million (DKK 1,194 million in 2020), respectively. Without taking synergies from our core business into account, we believe that these pro forma figures reflect the level of consolidated earnings after our acquisition of the enterprises.

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

From the balance sheet date and until the date of financial reporting in 2021, we have acquired additional distribution enterprises. 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 consolidated financial statements in Note 9.1. In respect of newly acquired enterprises, comparative figures and key figures will not be restated. On acquiring new enterprises of which the Group obtains control, the purchase method is applied according to which their identified assets, liabilities and contingent liabilities are measured at their fair values on the acquisition date. Any non-current assets acquired for the purpose of resale are, however, measured at their fair values less expected costs to sell. Restructuring costs are solely recognised in the pre-acquisition balance sheet if they are a liability for the acquired enterprise. Any tax effect of revaluations will be taken into account.

The acquisition cost of an enterprise consists of the fair value of the consideration paid for the enterprise. If the final consideration is conditional upon one or more future events, the consideration will be recognised at the fair value on acquisition. Any subsequent adjustment of contingent consideration is recognised directly in the income statement, unless the adjustment is the result of new information about conditions prevailing on the acquisition date, and this information becomes available up to 12 months after the acquisition date. Transaction costs are recognised directly in the income statement when incurred. If costs exceed the fair values of the assets, liabilities and contingent liabilities identified on acquisition, any remaining positive differences (goodwill) are recognised in the balance sheet under intangible assets and tested for impairment at least annually.

If the carrying amount of an asset exceeds its re-coverable amount, it will be written down to such lower recoverable amount.

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

Accounting estimates and judgements
Identification of assets and liabilities (judgement)
On recognition of assets and liabilities from business combinations, Management judgements may be required for the following areas:
- Intangible assets resulting from technology, customer relationships, client lists or brand names
- Contingent consideration arrangements

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

6.2 Divestment of enterprises and activities

(DKK million)	2021 Össur	Other	Total
Non-current assets	-	8	8
Current assets	-	84	84
Non-current liabilities		-3	-3
Current liabilities	-	-7	-7
Carrying amount of net assets divested	**-**	**82**	**82**
Non-controlling interests	-	-20	-20
Carrying amount of net assets divested attributable to William Demant Invest A/S' shareholder	**-**	**62**	**62**
Recycling of cumulative exchange differences	-	-3	-3
Gain on divestment	-	102	102
Cash consideration received	**-**	**161**	**161**

Figures are shown at fair value on the divestment date.

In 2021, the Group divested FrontRow Calypso LLC, a 75%-owned subsidiary focused specifically on audio systems for classrooms and schools. The divestment resulted in a gain, including recycling of cumulative exchange differences of DKK 99 million, which is recognised as other income in the income statement.

In 2020, Össur divested subsidiaries to sharpen the focus and align with Bracing & Supports go-to market strategy. The total consideration of the divestment was DKK 170 million and the cash effect of the consideration amounted to DKK 41 million.

Section 7

Provisions, other liabilities etc.

7.1 Provisions

(DKK million)	2021	2020
Provisions for restructuring costs	1	2
Staff-related provisions	67	59
Miscellaneous provisions	229	148
Other provisions	**297**	**209**
Defined benefit plan liabilities, net	193	243
Provisions at 31.12.	**490**	**452**
Breakdown of provisions:		
Non-current provisions	374	412
Current provisions	116	40
Provisions at 31.12.	**490**	**452**

	2021				2020			
(DKK million)	Restruc-turing costs	Staff-related	Miscellan-eous	Total	Restruc-turing costs	Staff-related	Miscellan-eous	Total
Other provisions at 1.1.	**2**	**59**	**148**	**209**	**15**	**55**	**170**	**240**
Foreign currency translation adjustments	-	-	4	4	-	-	-4	-4
Additions relating to acquisitions	-	1	4	5	-	-	1	1
Provisions during the year	-	1	104	105	-	-	21	21
Applied during the year	-1	-	-28	-29	-13	-	-14	-27
Reversals during the year	-	6	-3	3	-	4	-26	-22
Other provisions at 31.12.	**1**	**67**	**229**	**297**	**2**	**59**	**148**	**209**
Breakdown of provisions:								
Non-current provisions	-	63	118	181	-	55	113	168
Current provisions	1	4	111	116	2	4	35	41
Other provisions at 31.12.	**1**	**67**	**229**	**297**	**2**	**59**	**148**	**209**

7.1 Provision – continued

(DKK million)	2021	2020
Present value of defined benefit obligations:		
Defined benefit obligations at 1.1.	564	519
Foreign currency translation adjustments	21	-2
Additions relating to acquisitions	-	-
Current service cost	19	28
Calculated interest on defined benefit obligations	-	1
Actuarial gains/losses	-53	11
Net benefits paid	-19	-1
Contribution from plan participants	9	8
Defined benefit obligations at 31.12	**541**	**564**
Fair value of defined benefit assets:		
Defined benefit assets at 1.1.	321	291
Foreign currency translation adjustments	15	-
Expected return on defined benefit assets	-1	-
Actuarial gains/losses	9	9
Contributions	23	22
Net benefits paid	-19	-1
Defined benefit assets 31.12.	**348**	**321**
Defined benefit obligations recognised in the balance sheet, net	**193**	**243**
Return on defined benefit assets:		
Actual return on defined benefit assets	8	9
Expected return on defined benefit assets	-1	-
Actuarial gains/losses on defined benefit assets	**9**	**9**
Assumptions:		
Discount rate	0.3%	0.1%
Expected return on defined benefit assets	0%	0%
Future salary increase rate	1.2%	1.2%

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 19 million (DKK 28 million in 2020), accumulated actuarial loss recognised in the statement of comprehensive income amount to DKK 73 million (DKK 129 million in 2020).

The Group expects to pay approximately DKK 18 million in 2022 (DKK 23 million in 2021) into defined benefit plans. Defined benefit obligations in the amount of DKK 137 million (DKK 117 million in 2020) will mature within 1-5 years and obligations in the amount of DKK 401 million (DKK 447 million in 2020) after five years. If the discount rate is 0,5% higher (lower), the defined benefit obligation would decrease by 7% (increase by 10%). If the expected salary growth rate is 0,5% higher (lower) the defined benefit obligation would increase by 1% (decrease by 1%).

Accounting policies

Provisions are recognised if, as a result of an earlier event, the Group has a legal or constructive obligation, and if the settlement of such an obligation is expected to draw on corporate financial resources, but there is uncertainty about the timing or amount of the obligation.

Provisions are measured on a discounted basis based on Management's best estimate of the amount at which a particular liability may be settled. The discount effect of any changes in the present value of provisions is recognised as a financial expense.

The Group has defined benefit plans and similar agreements with some of its employees. As regards defined contribution plans, the Group pays regular, fixed contributions to independent pension companies. Contributions are recognised in the income statement for the period in which employees have performed work, entitling them to such pension contributions. Contributions due are recognised in the balance sheet as a liability.

As regards defined benefit plans, the Group is obliged to pay a certain contribution when an employee covered by such a plan retires, for instance a fixed amount or a percentage of the employee's final salary. An actuarial calculation is made periodically of the accrued present value of future benefits to which employees through their past employment with the Group are entitled and which are payable under the defined benefit plan. This defined benefit obligation is calculated annually using the projected unit credit method on the basis of judgements in respect of the future

7.1 Provision – continued

development in for instance wage levels, interest rates and inflation rates. The defined benefit obligation less the fair value of any assets relating to the defined benefit plan is recognised at the balance sheet under provisions.
Defined benefit costs are categorised as follows:

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

Remeasurements, comprising actuarial gains and losses, any effects of changes to the asset ceiling and return on defined benefit assets excluding interest, are reflected immediately in the balance sheet with a charge or credit recognised in other comprehensive income in the period in which it occurs. Remeasurements recognised in other comprehensive income are reflected immediately in retained earnings and will not be reclassified to the income statement. Service costs and net interest expense or income are included in the income statement as staff costs.

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

Accounting estimates and judgements
Assessment of provisions (estimate)
Management assesses, on an ongoing basis, provisions for restructuring costs and the likely outcome of pending and probable lawsuits etc. (other provisions). When assessing the likely outcome of lawsuits, Management bases its assessment on internal and external legal advice and established precedent.
Provisions for restructuring costs are based on the estimated costs of implementing restructuring initiatives and thus on a number of judgements 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)	2021	2020
Product-related liabilities	481	393
Staff-related liabilities	1,134	974
Other debt, public authorities	456	406
Contingent considerations	260	185
Other costs payable	1,020	768
Other financial liabilities	330	307
Other liabilities	**3,681**	**3,033**
Due within 1 year	2,898	2,341
Due within 1-5 years	783	692

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

Accounting policies

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

On the sale of products with a right of return, a 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 cost of sales. Warranty commitments include the 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 have been calculated based on information on products sold, related rights concerning returns and past experience of products being returned in the various markets. Consolidated product-related liabilities are the sum of a large number of small items, the sum changing constantly due to a large number of transactions.

7.3 Deferred income

(DKK million)	2021	2020
Prepayments from customers	172	93
Future performance obligations:		
Deferred warranty-related revenue	576	554
Deferred free products revenue	138	176
Deferred service revenue	201	208
Total	**1,087**	**1,031**

Expected recognition of revenue

	Less than 1 year	1-2 years	2-4 years	More than 4 years	Total
2021					
Prepayments from customers	172	-	-	-	**172**
Deferred warranty-related revenue	275	212	85	4	**576**
Deferred free products revenue	81	46	10	1	**138**
Deferred service revenue	95	67	36	3	**201**
Total	**623**	**325**	**131**	**8**	**1,087**
2020					
Prepayments from customers	88	5	-	-	**93**
Deferred warranty-related revenue	281	191	79	3	**554**
Deferred free products revenue	124	44	7	1	**176**
Deferred service revenue	116	64	27	1	**208**
Total	**609**	**304**	**113**	**5**	**1,031**

Free products, service and some warranty-related services mentioned in the table are provided free of charge to the customer. Certain other warranty-related services are paid by the customer in connection with delivery of the related goods, but delivery of the service takes place 1-4 years after delivery of the goods. Please refer to Note 1.1 for a description of the nature of the deferred income.

Accounting policies

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

7.4 Contingent liabilities

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

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

William Demant Invest A/S is in relation to certain investments and securities committed to inject additional capital to the extent that the activities of these investments require additional capital.

The Group has issued a payment guarantee of DKK 85 million (DKK 85 million in 2020) to cover obligations to decommission the Group's part of the windfarm Borkum Riffgrund I.

Section 8

Other disclosure requirements

8.1 Related parties

William Demant Foundation, Kongebakken 9, 2765 Smørum, Denmark, is the only related party with a controlling interest. Related parties with significant influence are the Company's Executive Board, Board of Directors and their related parties. Furthermore, related parties are companies in which the above persons have significant interests. Subsidiaries, associates, joint ventures and joint operations as well as the Group's ownership interests in these companies appear in section 11 and financial information on associates and joint ventures can be found in Note 3.4.

In 2021, William Demant Foundation paid administration fees to the Group of DKK 2 million (DKK 2 million in 2020). Further, William Demant Foundation has granted loans (convertible promissory notes) to William Demant Invest A/S totalling DKK 2,000 million at year-end 2021, on which interest in 2021 totals DKK 70 million (DKK 70 million in 2020). At year-end 2021, William Demant Foundation has other current receivables of DKK 18 million (DKK 216 million in 2020) in William Demant Invest A/S arising from accrued interest. Comparative figures for 2020 also include unpaid dividend.

In 2021, the members of the Executive Board and the Board of Directors received remuneration from Group companies in the amount of DKK 3 million (DKK 2 million in 2020).

8.2 Fees to parent's auditors appointed at the annual general meeting

(DKK million)	2021	2020
Statutory audit	24	23
Tax and VAT advisory services	2	2
Other services	5	3
Total	**31**	**28**

8.3 Government grants

(DKK million)	2021	2020
Government grants by function:		
Production costs	5	46
R&D costs	22	52
Distribution costs	19	254
Administrative expenses	2	26
Total	**48**	**378**

In 2021, the William Demant Invest Group received government grants in the amount of DKK 48 million (DKK 378 million in 2020), of which DKK 28 million are COVID-19-related publicly funded compensation schemes. Non-COVID-19 grants are offset against research and development costs.

Accounting policies
Government grants are recognised when there is reasonable certainty that the conditions for such grants are satisfied and that they will be awarded. Grants received as compensation for costs incurred are recognised proportionately in the income statement over the periods in which the related costs are recognised in the income statement and are offset against costs incurred. Government grants relating to the acquisition of non-current assets are deducted from the cost of such asset.

8.4 Events after the reporting period

During the year, we decided to divest our 19% share in the German wind farm Borkum Riffgrund 1. The deal was signed in April 2022 and closing of the transaction is subject to regulatory approvals and expected to take place in Q2, 2022. The company is not aware of any other events after the reporting period that might affect the 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 Revenue from contracts with customers
1.2 Employees
1.5 Inventories
1.6 Receivables
2.3 Hedging and forward exchange contracts
2.4 Exchange rates
3.1 Intangible assets
3.2 Property, plant and equipment
3.3 Leases
3.4 Other non-current assets
3.5 Impairment testing
4.2 Net financial items
4.3 Categories of financial instruments
4.5 Fair value hierarchy
5.1 Tax on profit
5.2 Deferred tax
6.1 Acquisition of enterprises and activities
7.1 Provisions
7.2 Other liabilities
7.3 Deferred income
8.3 Government grants

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

The consolidated financial statements are presented in Danish kroner (DKK), which is the functional currency for the Parent. The consolidated financial statements are presented based on historical cost, except for obligations for contingent consideration in connection with business combinations, share-based remuneration, and derivatives 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 described in section 10.

Except for the implementation of new and amended standards as described as well as insignificant reclassifications of the comparative figures for 2020, the accounting policies remain unchanged compared to last year.

Effect of new accounting standards
The Group has adopted all new, amended and revised accounting standards and interpretations as published by the IASB and adopted by the EU effective for the accounting period beginning 1 January 2021. None of these new, updated and amended standards and interpretations resulted in any changes to the accounting policies for the Group or had any significant impact on the consolidated financial statements for 2021.

IASB has issued new accounting standards and amendments effective for accounting periods beginning after 1 January 2021, which have not been adopted by the EU yet. The changes to these standards are not expected to have any significant impact on the Group.

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

Consolidation principles
The consolidated financial statements are prepared based on the financial statements of the parent and its subsidiaries by aggregating uniform items. Enterprises that, by agreement, are managed jointly with one or more other enterprises are recognised using the equity method. The consolidated financial statements are prepared in accordance with the Group's accounting policies. Intra-Group income, expenses, shareholdings, balances and dividends as well as unrealised intra-group profits on inventories are eliminated.

9.1 Group accounting policies – continued

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

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

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

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

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

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

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

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

Equity
Foreign currency translation reserve includes foreign currency translation adjustments on the translation of financial statements of foreign subsidiaries, associates, and joint ventures from their respective functional currencies into Danish kroner. Foreign currency translation adjustments are recognised in the income statement on 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 under other reserves (retained earnings). A capital reduction through the cancellation of treasury shares will reduce the share capital by an amount corresponding to the nominal value of such shares. Proposed dividends are recognised as a liability at the time of adoption at the annual general meeting.

9.1 Group accounting policies – continued

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

Cash flow from operating activities includes inflows from the year's operations adjusted for non-cash operating items, changes in working capital, financial income received, financial expenses paid, realised foreign currency translation gains and losses and income tax paid. Operating cash flow include also short-term lease payments, payments for leases 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 also includes movement in receivables from associates and joint ventures, and 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. Repayment of lease liabilities are included as well.

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

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

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

The free cash flow is calculated as the sum of cash flow from operating activities (CFFO) and investing activities (CFFI) before acquisitions and disposals of enterprises, participating interests and activities.

On computation of the return on equity, average equity is calculated, duly considering share buy-backs.

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

Net working capital is the net amount of current assets (excluding tax, financial contracts and cash) less trade payables, current part of other liabilities and deferred income.

9.2 Accounting estimates and judgements

On the preparation of the consolidated financial statements, Management makes a number of accounting estimates and judgements. These relate to the recognition, measurement and classification of assets and liabilities. Many items can only be estimated rather than accurately measured. Such estimates are based on the most recent information available on preparation of the financial statements. Estimates and judgements 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 below:

1.6 Inventories
1.7 Receivables
3.3 Leases
3.5 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:

1.1 Revenue from contracts with customers
1.2 Employees
1.5 Inventories
1.6 Receivables
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

Parent financial statements

Parent income statement

(DKK million)	Note	2021	2020
Fee income		1	1
Administrative expenses	10.1/10.2	-46	-26
Operating profit/loss (EBIT)		**-45**	**-25**
Financial income	10.3	2,387	621
Financial expense	10.3	-89	-85
Profit before tax		**2,253**	**511**
Tax on profit for the year		23	1
Profit for the year		**2,276**	**512**

Parent balance sheet at 31 December

(DKK million)	Note	2021	2020
Assets			
Investments in subsidiaries		7,190	7,311
Receivables from subsidiaries		-	105
Investments in associates and joint ventures		8,319	4,595
Receivables from joint operations		814	979
Other investments		104	1,085
Financial assets	10.4	**16,427**	**14,075**
Non-current assets		**16,427**	**14,075**
Receivable joint taxation		147	78
Income tax		16	1
Other receivables		-	2
Receivables		**163**	**81**
Current assets		**163**	**81**
Assets		**16,590**	**14,156**

(DKK million)	Note	2021	2020
Equity and liabilities			
Share capital		4	4
Retained earnings		11,644	9,368
Total equity		**11,648**	**9,372**
Debt to William Demant Foundation	10.5	-	2,000
Non-current liabilities		**-**	**2,000**
Debt to credit institutions		2,756	2,482
Debt to William Demant Foundation	10.5	2,018	216
Payable joint taxation		138	77
Other liabilities		30	9
Current liabilities		**4,942**	**2,784**
Liabilities		**4,942**	**4,784**
Equity and liabilities		**16,590**	**14,156**
Contingent assets and liabilities	10.6		
Proposed distribution of net profit	10.7		
Related parties	10.8		
Shareholder	10.9		
Events after the balance sheet date	10.10		
Parent accounting policies	10.11		

Parent statement of changes in equity

(DKK million)	Share-Capital	Other reserves	Dividend	Total equity
Equity at 1.1.2020	**4**	**8,856**	**203**	**9,063**
Profit for the year	-	512	-	512
Dividend paid	-	-	-203	-203
Equity at 31.12.2020	**4**	**9,368**	**-**	**9,372**
Profit for the year	-	2,276	-	2,276
Equity at 31.12.2021	**4**	**11,644**	**-**	**11,648**

Section 10

Notes to parent financial statements

10.1 Employees

In 2021, the basic remuneration of a member of the parent’s Board of Directors was DKK 250,000 (DKK 200,000 in 2020). The Chairman of the Board of Directors receives three times the basic remuneration and the Deputy Chairman one and a half time the basic remuneration. The total remuneration for the Board of Directors was DKK 2 million (DKK 2 million in 2020).

The remuneration of the Executive Board in William Demant Invest A/S includes cash remuneration, short-term benefits and social security. Short-term benefits include a bonus scheme based on the development in the fair value of the net assets within the William Demant Invest A/S and Demant Foundation. For 2021, the total remuneration for the Executive Board of William Demant Invest A/S was DKK 29 million (DKK 10 million in 2020).

The average number of employees in William Demant Invest A/S was 10 (9 in 2020).

10.2 Fees to parent's auditors appointed at the annual general meeting

(DKK million)	2021	2020
Statutory audit	0.5	0.5
Total	**0.5**	**0.5**

10.3 Net financial items

(DKK million)	2021	2020
Dividends from subsidiaries	-	33
Dividends from associates	153	-
Dividends from other investments	-	6
Interest income from joint operations	35	44
Interest income from subsidiaries	-	30
Fair value adjustment of other investments	-	500
Other financial income	-	8
Gain on disposal of shares in Demant A/S	2,199	-
Financial income	**2,387**	**621**
Valuation adjustment of securities	-9	-
Interest expenses to parent	-70	-71
Other financial expenses	-10	-14
Financial expenses	**-89**	**-85**
Net financial items	**2,298**	**536**

10.4 Financial assets

(DKK million)	2021 Investments in subsidiaries	2021 Receivables from subsidiaries	2021 Investments in associates and joint operations	2021 Receivables from joint operations	2021 Other investments	2020 Investments in subsidiaries	2020 Receivables from subsidiaries	2020 Investments in associates and joint operations	2020 Receivables from joint operations	2020 Other investments
Cost at 1.1.	**7,311**	**105**	**4,595**	**979**	**454**	**6,433**	**869**	**3,647**	**1,201**	**739**
Foreign exchange rate adjustments	-	6	-	1	-	-	25	-	-4	-
Additions during the year	-	-	2,721	35	113	-	90	208	44	155
Disposals during the year	-121	-111	-82	-201	-	-	-1	-	-262	-
Debt conversion	-	-	-	-	-	878	-878	-	-	-
Transfers during the year	-	-	1,085	-	-454	-	-	740	-	-440
Cost at 31.12.	**7,190**	**-**	**8,319**	**814**	**113**	**7,311**	**105**	**4,595**	**979**	**454**
Value adjustments at 1.1.	**-**	**-**	**-**	**-**	**631**	**-**	**50**	**-**	**-**	**431**
Value adjustments during the year	-	-	-	-	-9	-	-	-	-	500
Transfers during the year	-	-	-	-	-631	-	-50	-	-	-300
Value adjustments at 31.12.	**-**	**-**	**-**	**-**	**-9**	**-**	**-**	**-**	**-**	**631**
Carrying amount 31.12.	**7,190**	**-**	**8,319**	**814**	**104**	**7,311**	**105**	**4,595**	**979**	**1,085**

As of 1 January 2021, Revenio has been transferred from Other Investments to Investments in associates and joint operations.

10.5 Debt to William Demant Foundation

Of the total debt to William Demant Foundation of DKK 2,018 million (DKK 2,216 million in 2020) DKK 2,000 million (DKK 2,000 million in 2020) is in convertible promissory notes, DKK 18 million (DKK 216 million 2020) is accrued interest. Comparative figures for 2020 also include unpaid dividend.

10.6 Contingent liabilities

William Demant Invest A/S is the administration company of the joint taxation arrangement with the Danish subsidiaries in the William Demant Invest Group and is under an unlimited and joint liability regime for all Danish tax payments and withholding taxes on dividends, interests and royalties from the jointly taxed entities.

William Demant Invest A/S is in relation to certain investments and securities committed to inject additional capital to the extent that the activities of these investments require additional capital.

The Group has issued a payment guarantee of DKK 85 million (DKK 85 million in 2020) to cover obligations to decommission the Group's part of the windfarm Borkum Riffgrund I.

10.7 Proposed distribution of net profit

(DKK million)	2021	2020
Retained earnings	2,276	512
Total	**2,276**	**512**

10.8 Related parties

William Demant Foundation, Kongebakken 9, 2765 Smørum, Denmark, is the only related party with a controlling interest. Related parties with significant influence are the Company's Executive Board, Board of Directors and their related parties.

Furthermore, related parties are companies in which the above persons have significant interests.

During 2021, William Demant Invest A/S sold shares in Demant A/S to Demant A/S amounting to DKK 1,506 million (DKK 0 million in 2020). The transactions were conducted on an arm's length basis.

10.9 Shareholder

The entire share capital is owned by William Demant Foundation, Kongebakken 9, 2765 Smørum, Denmark.

10.10 Events after the balance sheet date

Please refer to Note 8.4 Events after the balance sheet date in the consolidated financial statements.

10.11 Parent accounting policies

The financial statements for the Parent, William Demant Invest A/S, are presented in accordance with the provisions of the Danish Financial Statements Act for class C (large) entities. The parent financial statements are presented in Danish kroner (DKK), which is also the functional currency for the Parent. The accounting policies are the same as last year.

The parent's accounting policies in respect of recognition and measurement are generally consistent with the Group's accounting policies. The instances in which the parent's accounting policies deviate from those of the Group are described in the following.

Income Statement

Tax

The parent is administration company in the joint taxation with the Danish subsidiaries in the William Demant Group. Current income tax is allocated to the jointly taxed Danish companies in proportion to their taxable incomes.

The parent's tax for the year is comprised by tax of the parent's taxable income for the year, changes to deferred tax and any adjustments for tax on taxable income for previous years. Tax for the year is recognised in the income statement, unless the tax relates to items recognised in equity.

Balance Sheet

Investments in subsidiaries, associates and joint operations

Investments in subsidiaries, associates and joint operations are recognised and measured at cost. If cost exceeds the recoverable value, write down to the lower recoverable value will be made. Dividends from investments in subsidiaries, associates and joint operations are recognised as income in the Parent's income statement under financial income in the financial year in which the dividends are declared.

Other investments

On initial recognition, other investments are measured at cost. Subsequently, they are measured at their fair values on the balance sheet date and any changes in fair values are recognised in the income statement under net financial items.

Receivables from subsidiaries and joint operations.

Receivables from subsidiaries and joint operations is recognised at amortised cost which in all material aspect is nominal value.

Dividends

Dividends are recognised as a liability at the time of adoption at the annual general meeting. The proposed dividend is until this time recognised in a separate line as part of equity.

Statement of changes in equity

In compliance with the format requirements of the Danish Financial Statements Act, any items included under comprehensive income in the consolidated financial statements are recognised directly in equity in the parent financial statements.

Cash flow statement

In compliance with section 86(4) of the Danish Financial Statements Act, a cash flow statement is not drawn up for the parent, such statement being included in the consolidated cash flow statement.

Section 11

Subsidiaries, associates and joint operations

Subsidiaries, associates and joint operations in William Demant Invest A/S

Company	Interest
Demant A/S, Denmark	56%
Össur hf., Iceland	52%
Boston Holding A/S, Denmark	37%
Jeudan A/S, Denmark	42%
Vision RT Ltd., United Kingdom	89%
Vitrolife AB, Sweden	27%
Founders A/S, Denmark	33%
Revenio Group Oyj, Finland	13%
CellaVision AB, Sweden	20%

Subsidiaries in Vision RT Ltd.

Company	Interest
Vision RT Ltd, UK	Parent
Vision RT Inc, USA	100%
Vision RT Australia Pty Ltd, Australia	100%
Vision RT India Private Limited, India	100%
Aurora Computer Systems Ltd, UK	100%
Vision RT GmbH, Germany	100%
Vision RT (Shanghai) Limited, China	100%

Subsidiaries in Össur hf.

Company	Interest
Össur hf., Iceland	Parent
APC Prosthetics PTY Ltd, Australia	100%
Össur Americas Inc, USA	100%
Össur Australia PTY Ltd, Australia	100%
Össur Canada Inc, Canada	100%
College Park Industries, Inc, USA	100%
OCH Ortopedi AS, Norway	100%
Ortos A/S, Denmark	100%
Össur Deutschland Gmbh, Germany	100%
Össur Europe BV, Netherlands	100%
Össur France Sarl, France	100%
Össur Hong Kong Ltd, Hong Kong	100%
Össur Iceland ehf, Iceland	100%
Össur Mexico S. de R.L. de C.V, Mexico	100%
Össur Nordic AB, Sweden	100%
Össur Prosth. & Rehabilition Co Ltd, China	100%
Össur UK Ltd, UK	100%
TeamOlmed AB, Sweden	100%
Touch Bionics Ltd, UK	100%

Subsidiaries, associates and joint ventures in Demant Group

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, USA	100%
Oticon Polska Sp. z o.o., Poland*	100%
Oticon Portugal, Unipessoal LDA, Portugal*	100%
AB Suavis, Sweden*	100%
AccuQuest Hearing Center LLC, USA	100%
Acoustic Metrology Limited, United Kingdom	100%
ACS Audika Sp. z o.o., Poland	100%
Acustica Sp. z o.o., Poland*	100%
Akoustica Medica S.A., Greece*	100%
Amplivox Ltd., United Kingdom	100%
Audika AB, Sweden*	100%
Audika AG, Switzerland*	100%
Audika ApS, Denmark*	100%
Audika Australia Pty. Ltd., Australia	100%
Audika Groupe S.A.S., France*	100%
Audika New Zealand Limited, New Zealand*	100%
Audika NV, Belgium*	100%
Audio Seleccion S.L., Spain*	100%
Audiology Services Company LLC, USA	100%
AudioNet America, Inc., USA	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 S.r.l., Italy*	100%
AudPractice Group, LLC, USA	100%
Bernafon A/S, Denmark*	100%
Bernafon AB, Sweden*	100%
Bernafon AG, Switzerland*	100%
Bernafon Hörgeräte GmbH, Germany	100%
Bernafon LLC, USA	100%
Centro Auditivo Telex Ltda., Brazil	100%
Danacom Høreapparater A/S, Denmark*	100%
Demant Iberica S.A., Spain*	100%
Demant Italia S.r.l., Italy*	100%
Demant Japan K.K., Japan*	100%
Demant Korea Co. Ltd., Korea*	100%
Demant Malaysia Sdn, Malaysia*	100%
Demant México, S.A. de C.V., Mexico*	100%
Demant Nederland B.V., Netherlands*	100%
Demant Operations S.A. de C.V., Mexico	100%
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 Centre Sp. z o. o., Poland*	100%
DGS Business Services Sp. Z o.o., Poland*	100%
DGS Diagnostics Sp. z o.o., Poland	100%
DGS Poland Sp. z o.o., Poland	100%
Diagnostic Group LLC, USA	100%
Diatec A/S, Denmark*	100%
Diatec AG, Switzerland*	100%

*Directly owned by the Parent (Demant A/S)

Subsidiaries, associates and joint ventures in Demant Group

Company	Interest
Diatec Diagnostics GmbH, Germany*	100%
Diatec Shanghai Medical Technology Co., Ltd., China*	100%
Diatec Spain, S.L.U., Spain*	100%
e3 diagnostics Inc., USA	100%
EPOS Group A/S, Denmark* **	100%
Etymonic Design Inc., Canada*	100%
Guymark UK Limited, United Kingdom	100%
Hear Better Centers LLC, USA	100%
Hearing Screening Associates LLC, USA	100%
HearingLife Canada Ltd., Canada*	100%
Hidden Hearing (N.I.) Limited, United Kingdom*	100%
Hidden Hearing Limited, United Kingdom	100%
Hidden Hearing Limited, Ireland*	100%
Hidden Hearing (Portugal), Unipessoal Lda., Portugal*	100%
IDEA Isitme Sistemleri Sanayi ve Ticaret A.S., Turkey*	100%
Interacoustics A/S, Denmark*	100%
Interacoustics Pty. Ltd., Australia	100%
Kuulopiiri Oy, Finland*	100%
LeDiSo Italia S.r.l., Italy*	100%
Maico Diagnostic GmbH, Germany*	100%
Maico S.r.l., Italy*	100%
MedRx Inc., USA	100%
Medton Ltd., Israel*	100%
Micromedical Technologies Inc., USA	100%
Neurelec S.A.S., France*	100%
NexGen Healthcare Management Inc., Canada	100%
Oticon Shanghai Hearing Technology Co. Ltd., China*	100%
Oticon Inc., USA	100%
Prodition S.A.S., France*	100%
Ritter Hörgeräte GmbH, Germany	100%

*Directly owned by the Parent (Demant A/S)

Company	Interest
SES Isitme Cihazlari Sanayi ve Ticaret A.S., Turkey*	100%
Sonic Innovations Pty Ltd., Australia	100%
Sonic Innovations Inc., USA	100%
The Q Group, LLC, USA	100%
Udicare S.r.l., Italy*	100%
Van Boxtel Hoorwinkels B.V., the Netherlands	100%
Workplace Integra Inc., USA	100%
Your Hearing Network LLC, USA	100%
Audilab S.A.S., France*	95%
Dencker A/S, Denmark*	40%
HIMSA A/S, Denmark	25%
Solaborate Inc., USA	20%

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