Annual Report
2020

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

Letter from the CEO

The past year has been a mixed picture for the companies in William Demant Invest's portfolio; even though the growth does not match the fantastic growth we have seen in previous years, the portfolio altogether saw a very nice development and increased its value during 2020.

The uncertainty that the whole world has experienced and is still experiencing has had a negative impact on the business operations of many of the companies in the portfolio, especially those whose core deliveries are dependent on access to hospitals or are centred around treating the elderly population. On the other hand, one of our companies, Revenio, experienced positive impact of coronavirus due to specific product benefits, and thus the eye diagnostics company accelerated growth in parts of their business leading to excellent performance for the year. The real estate and service company Jeudan managed the situation very well in a difficult market environment and ended on solid footing.

Fortunately, the turbulence of 2020 has not resulted in lasting damage. The setbacks that some of our companies have suffered have been of a one-off nature, and we expect some pent-up demand to materialise in the next couple of years. Furthermore, the hardest hit companies are engaged in solving health problems in areas where strong underlying market factors, such as demographic trends, also drive long-term growth: Demant alleviates hearing loss, Össur provides mobility, Vision RT improves radiation therapy and Vitrolife supports fertility. Thus, the coronavirus pandemic has not affected the companies' market position and their future earnings potential – in fact quite the contrary. The basic demand for healthcare solutions remains unchanged and has perhaps even improved slightly in the short term due to the expected release of pent-up demand. Our companies are ready to retrieve their former growth trajectories.

In 2020, William Demant Invest saw an 8% increase of its market capitalisation to DKK 58 billion, and earnings before interest, taxes, depreciation and amortisation (EBITDA) of DKK 3,680 million, which was a decrease of 22% compared to 2019. While we can hardly be pleased with the financial performance in 2020, I am very content with the way our companies have handled the devastating coronacrisis and steered through rough seas, leaving them in a solid position and ready to take part in the recovery and upturn we expect to see on the other side of the coronacrisis.

We have not taken any steps to spread our activities to new investments, but instead, we have expanded our ownership share in our existing portfolio during the year in line with our investment strategy to grow and develop what we have. With William Demant Foundation as the parent, our family of companies is based on a more than one-hundred-year-old business principle of caring for people and behaving responsibly. By investing in companies that share the same vision and values, we make this principle come alive. We have also made an active choice to contribute to a cleaner world in the form of green energy production by investing in the wind farm Borkum Riffgrund 1, of which our share of the electricity production is three times higher than our entire portfolio of companies uses annually.

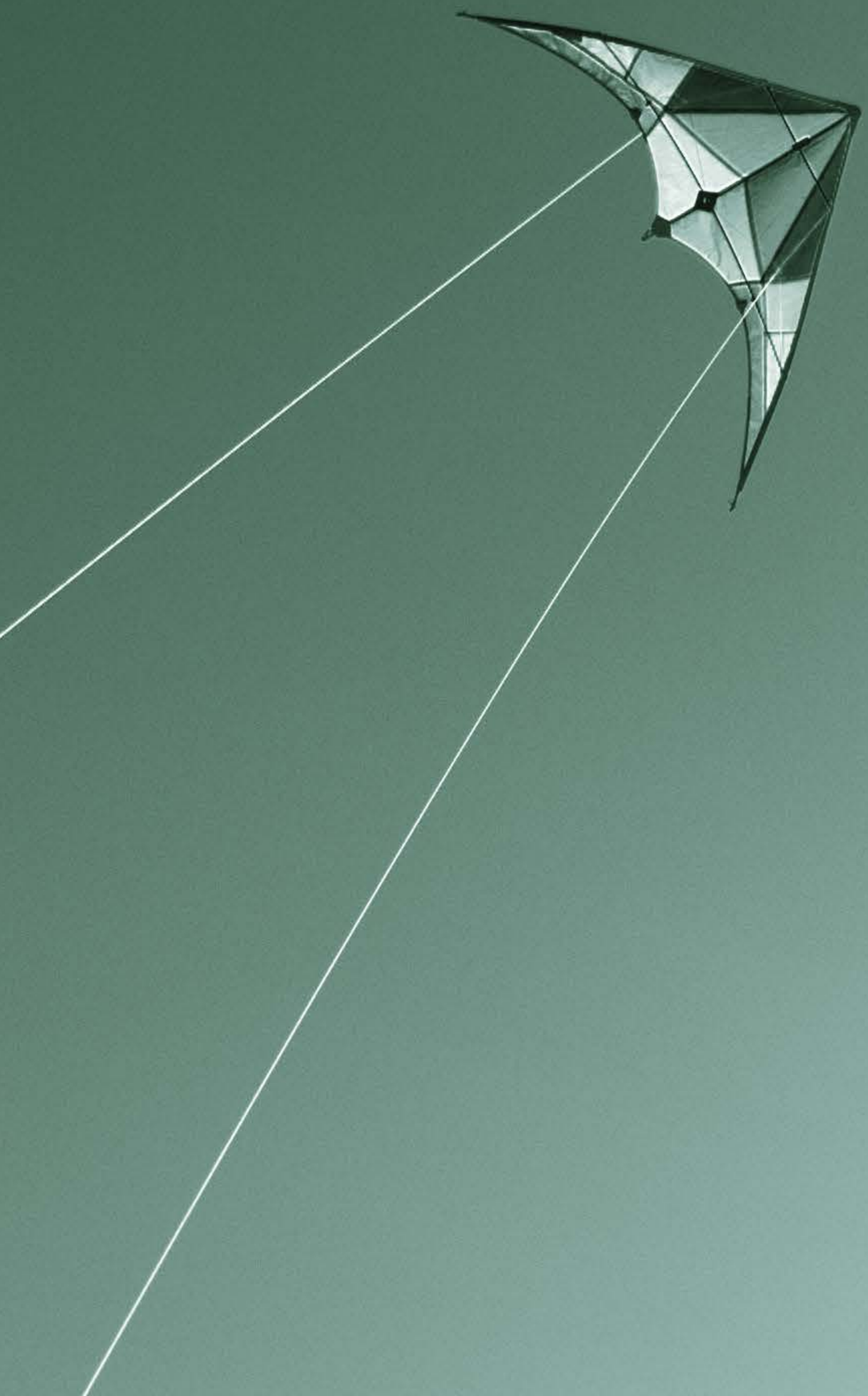
The concrete work with responsibility lies with each company in the portfolio; they drive their own sustainability agenda through their own strategies and policies for good behaviour in environmental, social and governance (ESG) areas. Through our active ownership and direct involvement in the boards of directors of the companies, we make our influence on the companies count and ensure that they move in a positive direction.

2020 was indeed a year that none of us will ever forget. In our group, we have learned to live and deal with coronavirus and its impact on businesses, and I believe our companies still stand strong to deliver solutions to benefit people and society. I would like to extend my sincerest gratitude to employees, to management and to customers of the companies in the William Demant Invest group; their commitment and focus make this group truly unique.

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

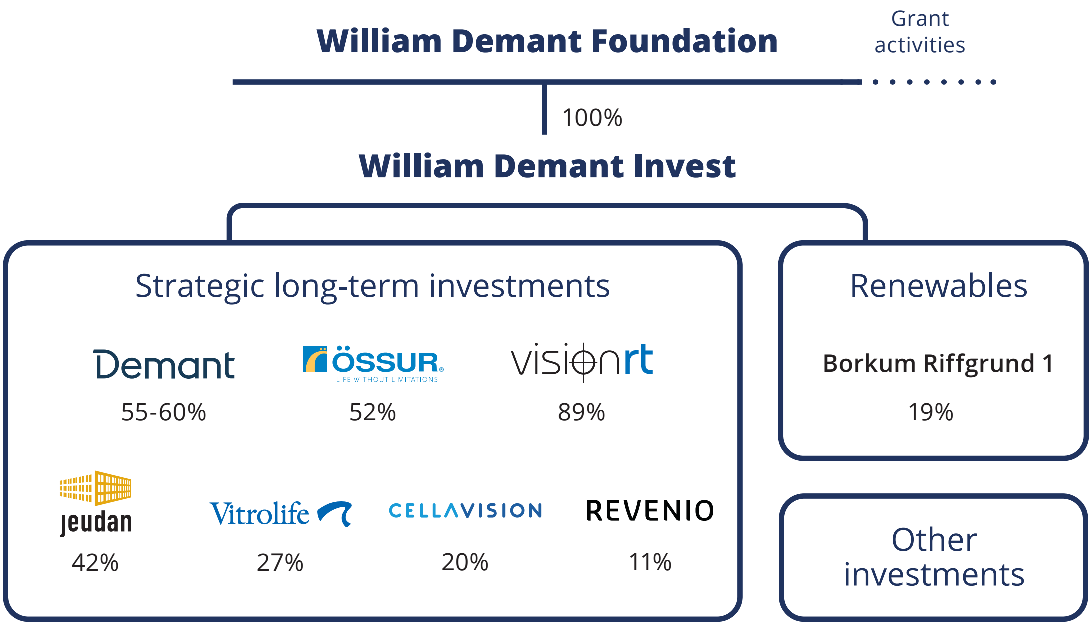
William Demant Invest was founded in 2004 as a wholly owned holding company for all William Demant Foundation's investment activities. Today, William Demant Invest secures liquidity from capital returns from subsidiaries and associated companies.

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.



Note: The group structure is illustrated above and reflects ownership figures as of 22 March 2021.

Investment strategy

William Demant Invest invests in companies whose business models and structures resemble those of Demant, but are outside of Demant's strategic sphere of interest which is hearing healthcare. Together with Demant, these companies comprise William Demant Invest's strategic long-term investments.

Aside from the purpose of maintaining the majority ownership in Demant and securing the longevity of Demant's commercial competitiveness, William Demant Invest seeks to utilise excess liquidity to increase its ownership share in the other strategic long-term investments and, to the extent supported by the level of excess liquidity, finding new investment opportunities that fit with William Demant Invest's investment criteria.

Any excess liquidity not placed in either our current portfolio companies or new investment opportunities is usually placed in short-term and liquid securities (i.e. bonds and similar instruments) for short-term cash optimisation.

Investment criteria

When investing in new companies, William Demant Invest generally looks for the following industry and company traits:

- Business models and structures resembling those of Demant
- Stable cash flow generation
- Strong underlying market factors
- Niche industries with consolidation potential
- Companies and products with proof of concept

Business models and structures resembling those of Demant

We invest in niche industries that resemble the hearing aid industry, which builds on value creation through innovation.

As a strategic long-term owner, we assist our portfolio companies in realising their growth potential through in-depth support and expertise within R&D, supply chain and production setup, strategic M&A as well as global scaling of sales and distribution models.

William Demant Invest

At a glance

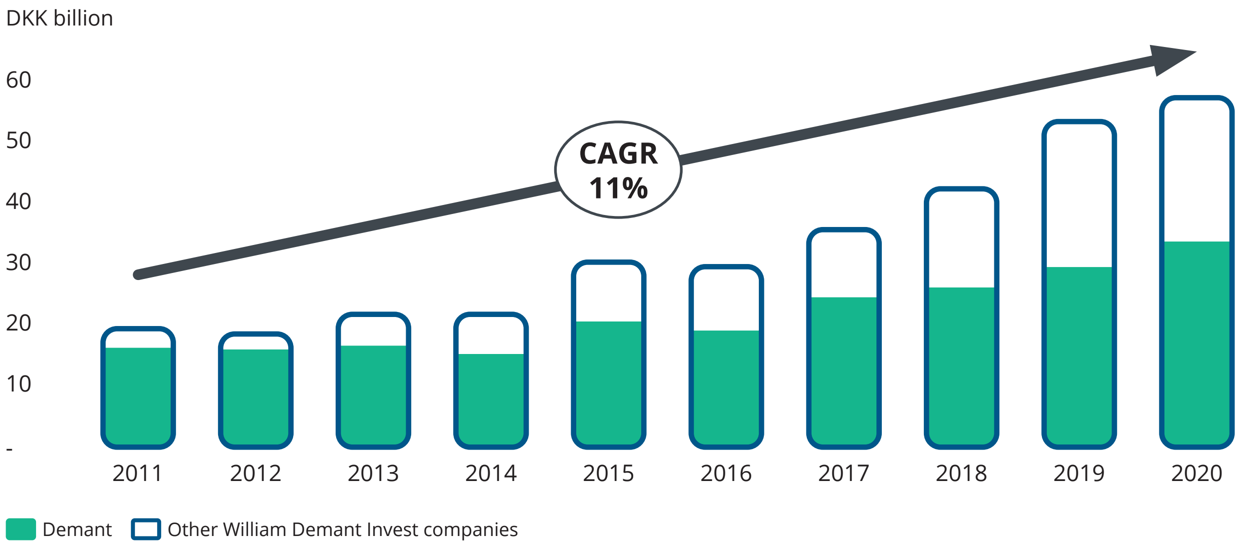
Key figures

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

Revenue (DKK million)	EBITDA (DKK million)
23,082	**5,286**
Growth (reported)	EBITDA margin
-4%	**23%**
2019: DKK 24,103 million	2019: DKK 6,165 million

Average # of employees	Mkt. cap EoY (DKK billion)
21,228	**133**
Growth	Growth
4%	**9%**
2019: 20,306	EoY 2019: DKK 121 billion

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



Note: *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%		William Demant Invest A/S proportional share	
	2020	**2019**	**2020**	**2019**
Revenue				
Demant A/S	14,469	14,946	8,473	8,621
Össur hf.	4,102	4,578	2,115	2,361
Jeudan A/S	1,534	1,566	644	657
Vitrolife AB	904	1,058	237	260
CellaVision AB	342	330	51	41
Revenio Group Oyj	455	370	44	19
Borkum Riffgrund 1 (Boston Holding A/S)	857	805	317	298
Other	419	450	374	401
Total	**23,082**	**24,103**	**12,255**	**12,658**
EBITDA				
Demant A/S	2,578	3,110	1,511	1,795
Össur hf.	606	945	313	489
Jeudan A/S	853	859	358	360
Vitrolife AB	330	420	86	103
CellaVision AB	104	104	15	13
Revenio Group Oyj	161	109	15	5
Borkum Riffgrund 1 (Boston Holding A/S)	697	651	258	241
Other	-43	-33	-18	-13
Total	**5,286**	**6,165**	**2,538**	**2,993**
Operating profit (EBIT)				
Demant A/S	1,530	2,151	889	1,238
Össur hf.	217	654	106	329
Jeudan A/S	834	836	350	351
Vitrolife AB	269	349	70	86
CellaVision AB	80	90	12	11
Revenio Group Oyj	127	94	12	5
Borkum Riffgrund 1 (Boston Holding A/S)	292	430	107	159
Other	-100	-90	-54	-48
Total	**3,249**	**4,514**	**1,492**	**2,131**
Financial items and tax				
Demant A/S	-396	-685	-233	-396
Össur hf.	-132	-195	-69	-101
Jeudan A/S	-383	6	-160	2
Vitrolife AB	-60	-75	-16	-18
CellaVision AB	-15	-19	-2	-3
Revenio Group Oyj	-28	-24	-2	-1
Borkum Riffgrund 1 (Boston Holding A/S)	-154	-176	-57	-65
Other	501	453	500	453
Total	**-667**	**-715**	**-39**	**-129**
Profit for the period, William Demant Foundation share			**1,453**	**2,002**
Profit for the period, William Demant Foundation non-controlling interest			-28	-35
Profit for the period, Other investments			-10	4
Profit for the period, total William Demant Invest A/S share			**1,415**	**1,971**

Pro forma consolidation - continued

	Individual entities - 100%		William Demant Invest A/S proportional share	
	2020	**2019**	**2020**	**2019**
Employees, average				
Demant A/S	16,155	15,352	9,469	8,874
Össur hf.	3,505	3,382	1,812	1,742
Jeudan A/S	577	574	242	235
Vision RT Ltd.	255	309	227	276
Vitrolife AB	405	398	106	95
CellaVision AB	177	177	26	21
Revenio Group Oyj	133	88	13	4
Borkum Riffgrund 1 (Boston Holding A/S)	-	-	-	-
Other	21	26	13	15
Total	**21,228**	**20,306**	**11,908**	**11,262**
Market capitalisation (DKK million)				
Demant A/S (share price DKK 240.6/209.8)	57,718	50,470	33,813	29,485
Össur hf. (share price DKK 48.5/52.3)	20,494	22,072	10,624	11,469
Jeudan A/S (share price DKK 248.0/252.0)	13,747	13,969	5,768	5,861
Vitrolife AB (share price SEK 215.8/197.5)	17,328	15,339	4,573	3,973
CellaVision AB (share price SEK 307.0/319.5)	5,416	5,453	856	740
Revenio Group Oyj (share price EUR 50.3/26.3)	9,976	5,215	1,085	431
Other, including Vision RT, Borkum Riffgrund 1, etc.	7,859	8,943	1,625	2,061
Total	**132,538**	**121,461**	**58,344**	**54,020**

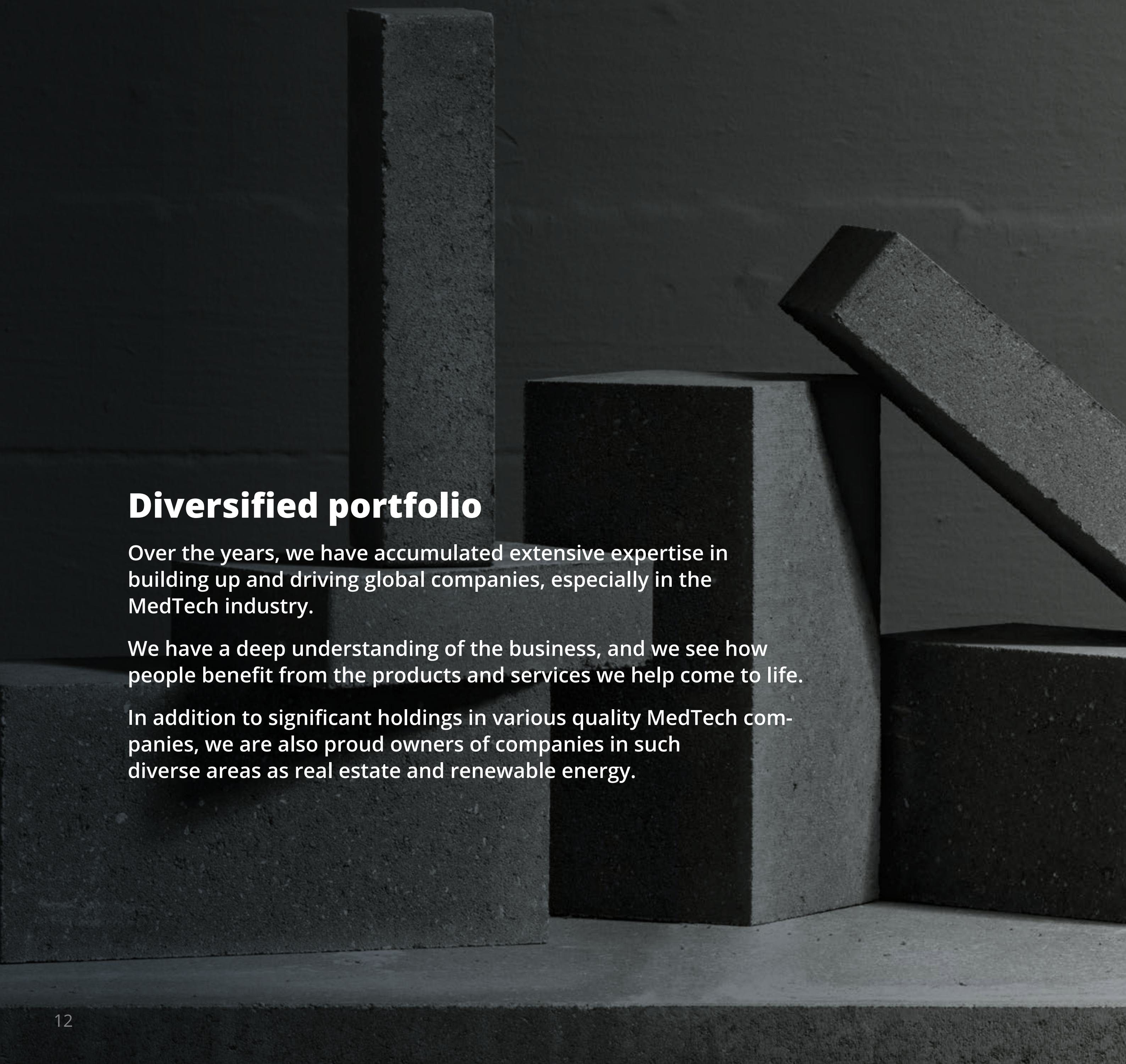
	Average in		End of	
William Demant Invest A/S share of ownership	**2020**	**2019**	**2020**	**2019**
Demant A/S (including William Demant Foundation non-controlling interest)	59%	58%	59%	58%
Össur hf.	52%	52%	52%	52%
Jeudan A/S	42%	42%	42%	42%
Vision RT Ltd.	89%	89%	89%	89%
Vitrolife AB	26%	25%	26%	26%
CellaVision AB	15%	12%	16%	14%
Revenio Group Oyj	10%	5%	11%	8%
Borkum Riffgrund 1 (Boston Holding A/S)	19%	19%	19%	19%

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. Share of ownership in Demant includes William Demant Invest's shares as well as William Demant Foundation's shares. In the market capitalisation figures, William Demant Invest's debt to William Demant Foundation is eliminated.

The "Other" category in the pro forma consolidation 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 and thus only account for 50% of the total production (revenue and operating profit), and William Demant Invest's share of ownership in Borkum Riffgrund 1 is calculated on the basis of William Demant Invest's ownership share in Boston Holding, which is 37% (KIRKBI holds the remaining 63%) compared to 19% ownership of Borkum Riffgrund 1.

The William Demant Invest companies



Diversified portfolio

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

We have a deep understanding of the business, 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 real estate and renewable energy.


Demant
ÖSSUR
LIFE WITHOUT LIMITATIONS
visionrt
Vitrolife
CELLAVISION
REVENIO
jeudan
BORKUM RIFFGRUND

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.

2020

In 2020, Demant realised total revenue of DKK 14,469 million, corresponding to a decrease of 2% in local currencies. The realised revenue growth was primarily a function of -13% organic growth due to the negative impact from COVID-19, and secondarily driven by the consolidation of the Communications business (EPOS), which added 9% to the Group's growth.

Demant's Hearing Healthcare businesses were heavily impacted by widespread lockdowns in virtually all major markets as the COVID-19 pandemic swept across the world, and organic growth in first half-year was -27%. In contrast, the Communications business experienced significant demand for virtual collaboration tools driven by the working-from-home trend.

In second half-year, Demant saw a strong recovery in Hearing Healthcare as governments lifted restrictions and markets thus approached normalisation, and organic growth was 2%. This was, however, partly driven by low comparative figures due to the IT incident that Demant faced in September 2019. In Communications, demand remained very strong throughout the year, and revenue grew sequentially from first half-year to second half-year by 39%.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to DKK 2,578 million, resulting in an EBITDA margin of 18% which is 3 percentage points lower than in 2019.

Board of Directors

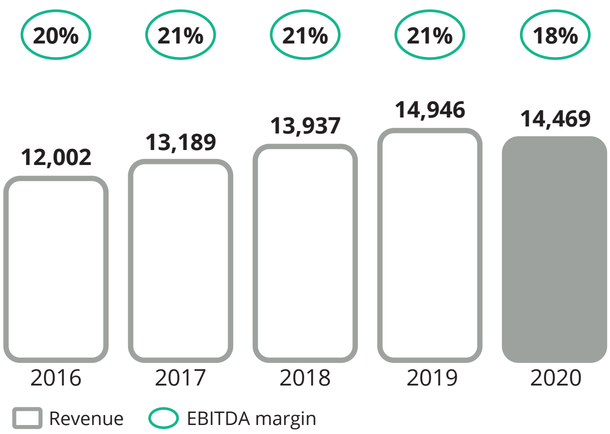
Niels B. Christiansen	Chairman
Niels Jacobsen	Deputy Chairman
Benedikte Leroy	
Lars Rasmussen	
Anja Madsen	
Thomas Duer	Staff-elected
Casper Jensen	Staff-elected
Jørgen Møller Nielsen	Staff-elected

Executive Management

Søren Nielsen	President & CEO
René Schneider	CFO

Key financial figures

DKK million



Revenue (DKK million)

14,469

Growth (reported)

-3%

2019: DKK 14,946 million

EBITDA (DKK million)

2,578

EBITDA margin

18%

2019: DKK 3,110 million

Average # of employees

16,155

Growth

5%

2019: 15,352

Mkt. cap. EoY (DKK million)

57,718

End of 2019

50,470

WDI ownership EoY [1]

59%

End of 2019

58%

1) Incl. William Demant Foundation ownership (end of the period)

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.

2020

Össur realised total revenue of USD 630 million in 2020, corresponding to a decline of 8% in local currency. Organic growth was -10%, while net inorganic growth was 2% resulting from both acquisitions and divestments. Divestments related to sales entities in the Bracing & Supports business segment and generated revenue of USD 20 million in 2020. Acquisitions related to the Prosthetics sales channel with combined full-year sales amounting to USD 59 million in 2020 (including one acquisition in the beginning of January 2021).

The Prosthetics business segment, which comprises 59% of revenue in 2020, declined organically by 7% but was more resilient to the COVID-19 pandemic than the Bracing & Supports business segment. Sales were negatively impacted by reduced patient flow and fewer referrals due to reduced operational capacity, postponement of elective surgery and access restrictions in hospitals to non-essential care. However, while some restrictions are still in place, many clinics gradually increased their capacity towards the end of the year.

Össur's other business segment, Bracing & Supports, declined organically by 15%. The decline is explained by the lockdowns of amateur sports and reduced 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 93 million in 2020, corresponding to an EBITDA margin of 15%. Excluding costs of divestments, acquisitions and other extraordinary items, EBITDA amounted to USD 104 million, corresponding to an EBITDA margin of 17%.

Board of Directors

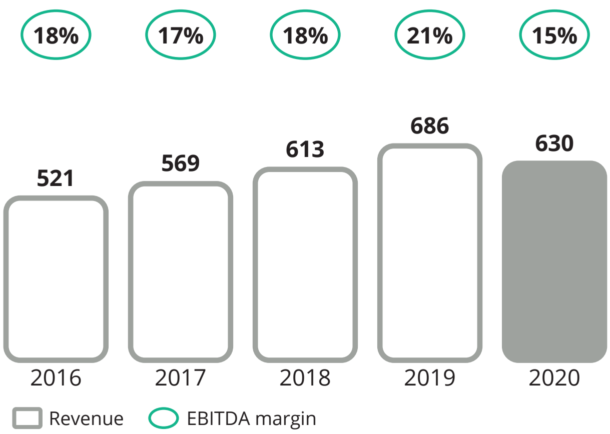
Niels Jacobsen	Chairman
Kristján T. Ragnarsson	Deputy Chairman
Arne Boye Nielsen	
Svafa Grönfeldt	
Guðbjörg Edda Eggertsdóttir	

Executive Management

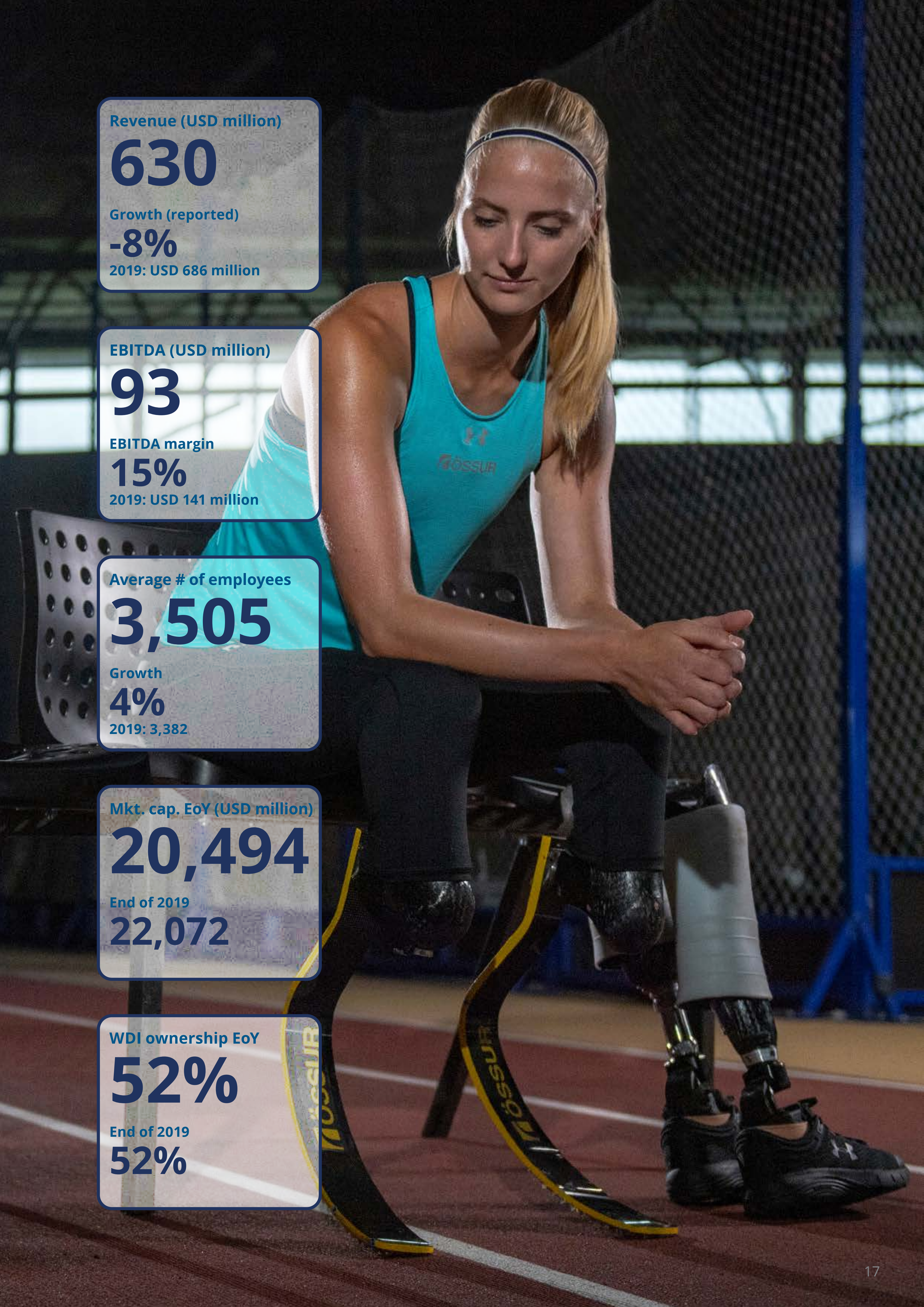
Jón Sigurðsson	President & CEO

Key financial figures

USD million



www.ossur.com



Revenue (USD million)
630
Growth (reported)
-8%
2019: USD 686 million

EBITDA (USD million)
93
EBITDA margin
15%
2019: USD 141 million

Average # of employees
3,505
Growth
4%
2019: 3,382

Mkt. cap. EoY (USD million)
20,494
End of 2019
22,072

WDI ownership EoY
52%
End of 2019
52%

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. The camera systems, which are based on stereo camera technology, complex software algorithms and proprietary hardware design, make it possible to monitor and track a patient's position in real-time during radiation treatment to ensure correct patient positioning and aid in treatment accuracy.

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, Vision RT is not a listed company.

2020

Despite very challenging market conditions, Vision RT managed to steer through rough seas and end the year on a strong footing, albeit sales came in lower than expected because of COVID-19 restrictions and lockdowns. Especially during the spring, in the wake of the first global lockdown, business activity and momentum was almost entirely paused, as no physical meetings and personal interactions with hospital personal and cancer clinics were allowed. Also, in certain key markets, capital spending was reprioritised to meet the demand for hospitalisation and acute nursing of COVID-19 patients.

During the summer period, when the restrictions and lockdowns were relaxed in most countries, demand picked up nicely, and despite a second global lockdown towards the end of 2020, Vision RT managed to end the year on a strong and trending baseline, which bodes very well for a prosperous 2021. In fact, we see the strong finish to 2020 as a testament to Vision RT's leading market position, with market share gains seen in most key markets during 2020, and continued strong underlying demand for SGRT solutions.

We believe Vision RT, being the leading manufacturer of the most innovative and clinically proven SGRT solutions, is set to manifest and increase its market position in 2021 and continue to support hospitals and cancer clinics all over the world in the pivotal task to deliver the most effective and comprehensive radiation therapy cancer treatment.

Board of Directors

Niels Jacobsen Chairman
Søren Nielsen
Norman Smith
Gideon Hale

Executive Management

Norman Smith President & CEO

Average # of employees

255

Growth

-17%

2019: 309

WDI ownership EoY

89%

End of 2019

89%

www.visionrt.com


ELEKTA

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 27% of the shares.

2020

In 2020, Vitrolife realised total revenue of SEK 1,246 million, corresponding to a decrease of 13% in local currency, primarily driven by negative impact from COVID-19.

Demand for Vitrolife's products is driven by the underlying demand for IVF treatment. Consequently, the immediate impact from COVID-19 on Vitrolife's business was significant, as most IVF clinics closed down. During second half-year, demand gradually resumed, however with large regional differences. Following the gradual recovery, many IVF clinics prioritised to re-build inventories and prepare for normal activity levels to resume and postponed investments in capital equipment until business operations have normalised. As a result, demand for Vitrolife's media products and consumables picked up faster than for the Time-Lapse systems, which experienced significant growth in 2019.

Towards the end of the year, activity levels in IVF clinics were close to the same levels as at the end of 2019 with private clinics in certain markets performing even more treatments to meet pent-up demand from first half of 2020. Additionally, the demand for capital equipment gradually resumed which is encouraging.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to SEK 454 million, resulting in an EBITDA margin of 36% which is 4 percentage points lower than in 2019.

Board of Directors

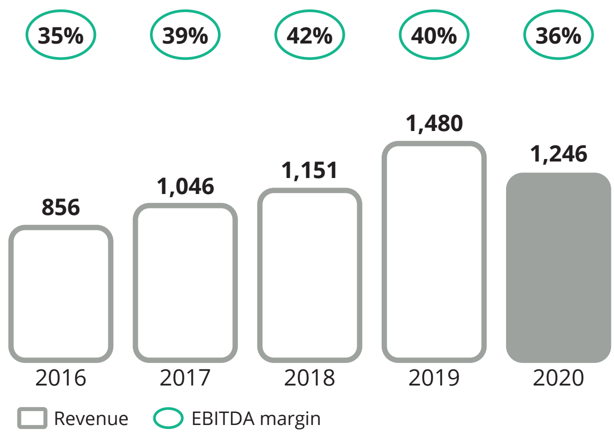
Jón Sigurðsson	Chairman
Henrik Blomquist	
Lars Holmqvist	
Pia Marions	
Karen Lykke Sørensen	

Executive Management

Thomas Axelsson	CEO

Key financial figures

SEK million



Revenue (SEK million)
1,246
Growth (reported)
-16%
2019: SEK 1,480 million

EBITDA (SEK million)
454
EBITDA margin
36%
2019: SEK 587 million

Average # of employees
405
Growth
2%
2019: 398

Mkt. cap. EoY (SEK million)
23,425
End of 2019
21,439

WDI ownership EoY
26%
End of 2019
26%

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.

2020
CellaVision saw an organic revenue decline of 10% to SEK 471 million, negatively impacted by challenging market conditions due to COVID-19 lockdowns and restrictions. CellaVision's primary revenue source is capital equipment, which is being sold and distributed via various global distribution partners. Hence, not being able to interact in person throughout most of 2020 has been especially burdensome for CellaVision's business model and hence revenue potential. On the other hand, operating through an indirect, asset-light sales model implies that profitability is not weighed down by a large sales team not being able to set up customer meetings.

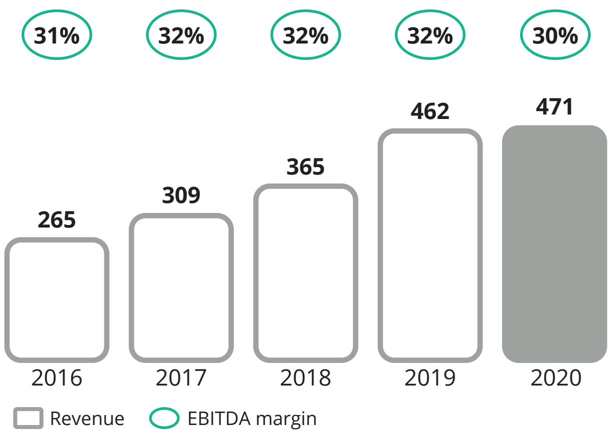
A testament to the structural and continued demand for CellaVision's innovative digital cell morphology analysers can be found when looking at the sales in APAC, where business activity levels, among others in China, have been on pre-COVID-19 levels for quite some time. Sales in APAC rose 27% in 2020, whereas sales in Americas, which remain heavily impacted by various COVID-19 measurements, declined by more than 40% in 2020.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) ended the year at SEK 143 million, corresponding to an EBITDA margin of 30%, supported by among others lower OPEX to primarily sales and marketing events and an overall tighter cost control in response to the lower sales volumes.

Board of Directors
Sören Mellstig	Chairman
Christer Fåhraeus	
Jurgen Riedl	
Anna Malm Bernsten	
Niklas Prager	
Åsa Hedin	
Stefan Wolf	
Mikael Worning	

Executive Management
Simon Østergaard	CEO (as of 1 March 2021)

Key financial figures
SEK million



www.cellavision.com

Revenue (SEK million)

471

Growth (reported)

2%

2019: SEK 462 million

EBITDA (SEK million)

143

EBITDA margin

30%

2019: SEK 147 million

Average # of employees

177

Growth

0%

2019: 177

Mkt. cap. EoY (SEK million)

7,322

End of 2019

7,621

WDI ownership EoY

16%

End of 2019

14%

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. 11% ownership.

2020

Despite the pandemic situation, 2020 was overall a strong year for Revenio. Revenue for the year amounted to EUR 61 million, corresponding to 27% growth in local currency. It should be noted that only 8 months of revenue for the CenterVue business (acquired in 2019) was included in the reference period.

2020 was Revenio's first full-year with the CenterVue business as part of the company. During 2020, the CenterVue product portfolio was rebranded and unified under the Icare brand known from the tonometer business. Today, these operate as two separate business segments referred to as Imaging Devices and Tonometers.

The Tonometer business segment saw strong growth in 2020 driven by hygienic requirements, which supported the demand for Icare tonometers and single-use probes. The Imaging Devices business segment saw more headwind from COVID-19 lockdowns and restrictions, especially in the first part of 2020, as these products require in-person meetings for demonstration and installation, which were challenging due to restrictions on physical meetings and travel activity.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) was EUR 22 million corresponding to an EBITDA margin of 36%. This is an improvement compared to an EBITDA margin of 30% in 2019, which was however negatively impacted by non-recurring acquisition costs (adj. EBITDA margin was 35% in 2019).

Board of Directors

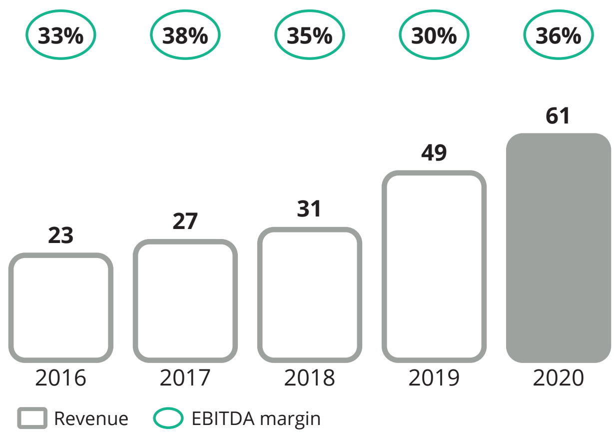
Pekka Rönkä	Chairman
Kyösti Kakkonen	
Ann-Christine Sundell	
Pekka Tammela	
Arne Boye Nielsen	
Bill Östman	

Executive Management

Jouni Toijala	CEO

Key financial figures

EUR million



Revenue (EUR million)
61
Growth (reported)
23%
2019: EUR 49 million

EBITDA (EUR million)
22
EBITDA margin
36%
2019: EUR 15 million

Average # of employees
133
Growth
51%
2019: 88

Mkt. cap. EoY (EUR million)
1,341
End of 2019
697

WDI ownership EoY
11%
End of 2019
8%

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, being the majority shareholder together with Chr. Augustinus Fabrikker A/S. The development of Copenhagen as a city and the unique atmosphere was 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.

2020

Despite tremendous uncertainty invoked by the COVID-19 pandemic, Jeudan ended the year on very solid ground, albeit realising a small decline in revenue of 2% to DKK 1,534 million due to lower-than-expected revenue in their service business.

The latter was attributable to negative effects from COVID-19 lockdowns and restrictions. However, the number of leases presented to potential tenants, in the months following the initial lockdown in March, grew strongly and reached record heights during the year. No doubt, this is a testament to Jeudan's business model and strong brand recognition among both current and potential new customers.

Earnings after interest expense, but before value adjustments and tax (EBVAT) arrived at DKK 733 million, slightly higher than last year, while net result decreased by DKK 391 million to DKK 451 million, mainly due to lower positive value adjustments of the property portfolio compared to last year.

During 2020, Jeudan invested more than DKK 1 billion in new properties, resulting in a book value of DKK 28 billion by year-end. The portfolio counts more than 200 properties, or around 1 million square metres, of which 93% are located in the city centre of Copenhagen.

Board of Directors

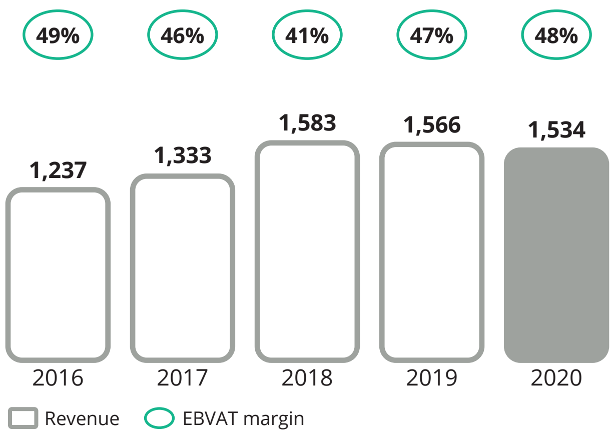
Niels Jacobsen	Chairman
Claus Gregersen	Deputy Chairman
Tommy Pedersen	
Helle Okholm	
Nicklas Hansen	

Executive Management

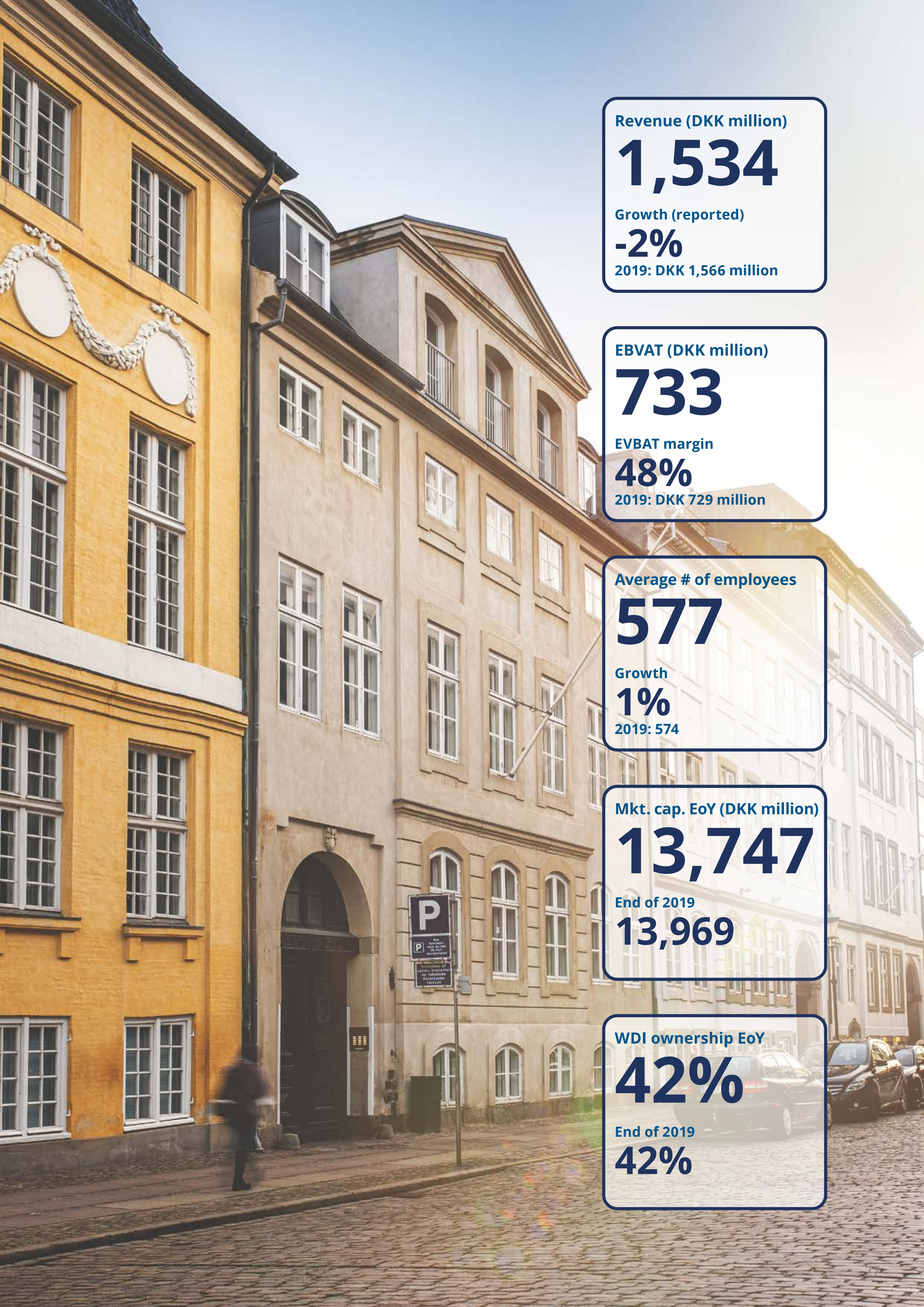
Per Wetke Hallgren	CEO

Key financial figures

DKK million



EBVAT = Earnings before value adjustments and tax



Revenue (DKK million)

1,534

Growth (reported)

-2%

2019: DKK 1,566 million

EBVAT (DKK million)

733

EVBAT margin

48%

2019: DKK 729 million

Average # of employees

577

Growth

1%

2019: 574

Mkt. cap. EoY (DKK million)

13,747

End of 2019

13,969

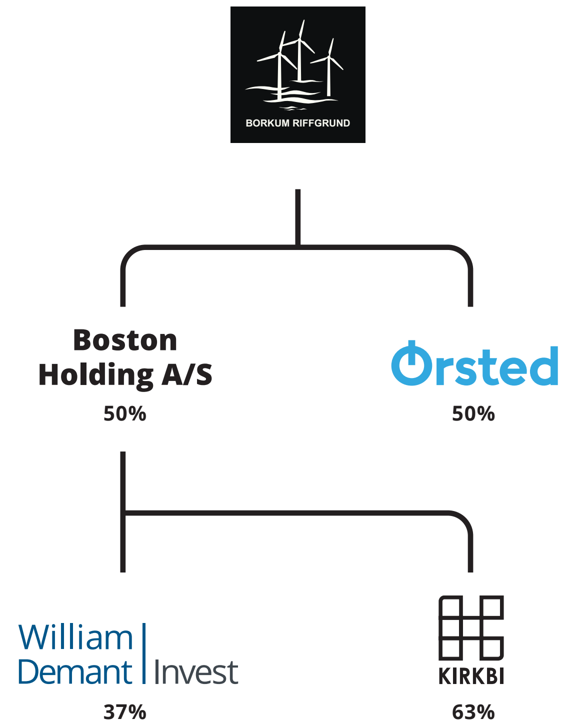
WDI ownership EoY

42%

End of 2019

42%

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.

2020 at a glance

Boston Holding's share of the revenue generated from the wind farm amounted to DKK 858 million, which corresponds to an increase of 7% compared to 2019. Operating profit (EBIT) and net result arrived at DKK 292 million and DKK 140 million, respectively.

No. of turbines
78

Total production capacity
312 MW

Board of Directors

Søren Thorup	Chairman
Niels Jacobsen	
Thomas Schleicher	
Casper Lorenzen	

Management

Kasper Trebbien	Managing Director

Revenue (DKK million)[1]

858

Growth (reported)

6%

2019: DKK 805 million

EBIT (DKK million)[1]

292

EBIT margin

34%

2019: DKK 430 million

Electricity prod. (GWh)

1,083

2019

993

1) Revenue and EBIT numbers represent Boston Holding's proportional share of Borkum Riffgrund 1 and thus only account for 50% of the total electricity production. The decrease in EBIT is a result of a change in depreciation practice from 2020 with the purpose of better alignment between the earnings stream and book value of the investment.

Board of Directors

Lars Nørby Johansen

Chairman (born 1949)

Lars Nørby Johansen received a Master of Social Sciences degree and began his career as a lecturer in political science at the University of Odense. In 1998, he was appointed managing director of Falcks Redningskorps and Falck Holding; from 2000 also President & CEO for Group 4 Falck and from 2004-2005 for Group Falck Securicor (G4S). Lars Nørby Johansen was a member of the Demant A/S board of directors 1998-2017, where he served as deputy chairman in the period 2004-2007 and chairman of the board in the period 2008-2017.

- Member of the Board since 2017
- Re-elected in 2020, up for election in 2021
- Special qualifications including 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
- Considered independent Board member
- Total fee in William Demant Foundation and William Demant Invest A/S in 2020: DKK 1,050,000

Other directorships

Codan A/S and Codan Forsikring, chairman
Dansk Vækstkapital, 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

Jesper Brandgaard

Deputy Chairman (born 1963)

Jesper Brandgaard holds an MSc in Economics and Auditing, as well as an MBA, both from Copenhagen Business School. He has experience from executive management in Novo Nordisk A/S, the global pharmaceutical company, including responsibility for strategy development and implementation, information technology, legal and finance. Jesper Brandgaard has 17 years of CFO experience. He served 11 years as Chairman of the Board of Directors of SimCorp A/S, the leading provider of software solutions to the global asset management industry.

- Member of the Board since 2019
- Re-elected in 2020, up for election in 2021
- 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
- Considered independent Board member
- Total fee in William Demant Foundation and William Demant Invest A/S in 2020: DKK 450,000

Other directorships

Chr. Hansen Holding A/S, deputy chairman
Vækst Partner Kapital, member of advisory board
William Demant Foundation, board member

Board of Directors - continued

Niels B. Christiansen
(born 1966)

Niels B. Christiansen holds a Master of Science degree in Engineering from the Technical University of Denmark (DTU) and holds an MBA from INSEAD in France. He was employed as CEO of Danfoss during the period 2008-2017 and since 2017, he has been employed as CEO of LEGO A/S. Niels B. Christiansen is also chairman of the Board of Directors of Demant A/S, where he has served since 2008.

- Member of the Board since 2019
- Re-elected in 2020, up for election in 2021
- 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
- Not considered independent Board member
- Total fee in William Demant Foundation and William Demant Invest A/S in 2020: DKK 425,000

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

Anna Cecilia Frellsen
(born 1973)

Anna Cecilia Frellsen graduated from Copenhagen Business School in 1996 and worked in the pharmaceutical industry in the US for a few years followed by an MBA from IESE in Barcelona in 2002. Between 2002-2009, she worked as a management consultant with McKinsey & Company and thereafter as CEO of InsidePeople. Since 2013, Anna has been the CEO of Maternity Foundation and led the transition from a smaller well-established organisation in West Ethiopia to a global player within maternal and newborn health. Hereunder, she has led the scale up of the mobile health tool, The Safe Delivery App, across sub Saharan Africa and Asia since 2008.

- Elected to the Board in 2020
- Up for election in 2021
- Special qualifications within global health, growth strategy, digital health and philanthropy
- Considered independent Board member
- Total fee in William Demant Foundation and William Demant Invest A/S in 2020: DKK 350,000

Other directorships
Maternity Foundation, CEO
Bryd Tavsheden, deputy chairman (left in June 2020)
Center for Ledelse, board member
Ovacure, board member
William Demant Foundation, board member

Peter Straarup
(born 1951)

Peter Straarup received a diploma in Business Economics at Copenhagen Business School in 1979. He joined Danske Bank, Fredericia, in 1968. In 1975, he was hired as arbitrage dealer in Danske Bank in Copenhagen, and in 1976-1977 he worked as the manager of Loan Administration at Scandinavian Bank Ltd. in London. Peter Straarup was appointed vice president of Danske Bank in 1980 and he worked both in Denmark and abroad, including Singapore and New York, until 1986 when he was appointed director of Danske Bank. In 1998, he was appointed managing director and held this position until his retirement in 2012.

- Member of the Board since 2012
- Re-elected in 2020, up for election in 2021
- Special qualifications within management of financial businesses and business acquisitions in a global context
- Considered independent Board member
- Total fee in William Demant Foundation and William Demant Invest A/S in 2020: DKK 350,000

Other directorship
William Demant Foundation, board member

Management

Niels Jacobsen
CEO (born 1957)

Niels Jacobsen holds a Master of Science degree in Economics from Aarhus University. He has extensive leadership experience from major international companies.

His competencies include business management and in-depth knowledge of financial matters, accounting, risk management and M&A. He has broad experience from the global healthcare industry.

Other directorships

KIRKBI A/S, deputy chairman
Nissens A/S, chairman
Thomas B. Thrige Foundation, chairman
ABOUT YOU Holding GmbH, deputy chairman
EKF Denmark's Credit Export Agency, board member

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

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.

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 newly formulated 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 form of generating good jobs and contributing to economic development. In this core area "health and well-being", our portfolio companies have reported individually on their progress and we refer to their 2020 ESG reporting for details. By way of example, Demant - among many other areas - reports to have helped nearly 2 million hearing aid users and hearing screened a two digit million number of newborns.

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. As our methodology was developed in 2020, we cannot yet report on the results of our efforts for the year. We do, however, expect in the future to offer some level of disclosure of the ESG evaluation of investments, when they are of significant scale. The methodology was developed to reduce EGS risks in new potential investments and with our active ownership we manage EGS 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.

From policy to action

The companies in William Demant Invest's portfolio pay attention to and work with ESG topics and we continuously monitor and follow up on the ESG performance through our Board representation and other interactions with the companies over the year For reports on their progress, we refer to their individual ESG reporting.

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.

Further information on how the companies in our portfolio work with and perform on ESG can be found on their websites and in their respective annual and sustainability reports.

Our contribution to the UN Sustainable Development Goals

Being an investment company, it is the impact of our investments that represents the largest contribution to the sustainable development goals. We primarily contribute to the following two goals.

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. Our share of the electricity produced amounts to approx. 200,000 MWh annually, which is around three times more than the electricity consumption of our entire portfolio of companies in 2020.

Gender diversity in the Board of Directors

At the end of 2020, the Board of Directors of William Demant Invest had five members. In continuation of the rules on the underrepresented gender in boards and under section 139a(1)(i) of the Danish Companies Act, the Board of Directors has set a target of electing and maintaining at least one board member of the underrepresented gender. Today, the Board has one female member. 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)

19,307

Growth

-5%

2019: DKK 20,272 million

EBITDA (DKK million)

3,680

EBITDA margin

19%

2019: DKK 4,746 million

Average # of employees

19,924

Growth

5%

2019: 19,052

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

Income statement

William Demant Invest consolidated revenue amounted to DKK 19,307 million in 2020 compared to DKK 20,272 million in 2019. Earnings before interest, taxes, depreciation and amortisation (EBITDA) arrived at DKK 3,680 million compared to DKK 4,746 million in 2019. Operating profit (EBIT) ended at DKK 2,035 million compared to DKK 3,357 million in 2019, whereas profit before tax ended at DKK 2,181.

In 2020, William Demant Invest's share of the aggregate net result was DKK 1,415 million. Profit for the year is deemed satisfactory.

Equity and capital structure

Total assets amounted to DKK 44,683 million at year-end 2020 compared to DKK 43,470 million in 2019. Consolidated equity in 2020 amounted to DKK 21,816 million compared to DKK 20,825 million in 2019. A dividend of DKK 203 million has been paid out to William Demant Foundation in 2020.

Cash flows

Cash flow from operating activities amounted to DKK 3,388 million in 2020 compared to DKK 3,025 million in 2019, whereas cash flow from investing activities amounted to DKK -2,050 million in 2020 compared to DKK -2,714 million in 2019. Finally, cash flow from financing activities amounted to DKK -809 million in 2020 compared to DKK 136 million in 2019.

Tax

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

Knowledge resources

William Demant Invest has 9 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 healthcare 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 does not engage in research and development activities. Thus, William Demant Invest's activities in this field are all 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

	2020	2019	2018	2017	2016
Income statement, DKK million					
Revenue	19,307	20,272	18,410	13,509	12,154
Gross profit	13,206	14,793	13,626	10,211	9,110
R&D costs	-1,519	-1,385	-1,233	-919	839
Share of profit after tax, associates and joint ventures	748	568	3,549	561	374
EBITDA	3,680	4,746	7,286	3,492	2,753
Amortisation and depreciation etc.	1,645	1,389	730	485	447
Operating profit (EBIT)	2,035	3,357	6,556	3,007	2,306
Net financial items	146	18	-242	-178	-137
Profit before tax	2,181	3,375	6,314	2,829	2,169
Profit for the year	1,951	2,841	5,688	2,354	1,784
Balance sheet, DKK million					
Net interest-bearing debt	11,355	11,735	10,604	5,134	6,021
Net interest-bearing debt including lease liabilities	14,050	14,474	-	-	-
Assets	44,683	43,470	36,560	25,171	23,198
Equity	21,816	20,825	19,052	14,635	12,296
Other key figures, DKK million					
Investment in property, plant and equipment, net	587	714	569	296	403
Cash flow from operating activities (CFFO)	3,388	3,025	2,353	2,093	1,785
Free cash flow	2,589	1,980	1,629	1,600	1,237
Average number of employees	19,924	19,052	17,221	13,285	12,339
Financial ratios					
Gross profit margin	68.4%	73.0%	74.0%	75.6%	75.0%
EBITDA margin	19.1%	23.4%	39.6%	25.8%	22.7%
Profit margin (EBIT margin)	10.5%	16.6%	35.6%	22.3%	19.0%
Return on equity	8.0%	12.3%	35.5%	15.9%	13.5%
Equity ratio	48.8%	47.9%	51.9%	58.1%	53.0%

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.

Management statement

We have today considered and approved the Annual Report 2020 of William Demant Invest A/S for the financial year 1 January – 31 December 2020.

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 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 financial position at 31 December 2020 as well as of the results of their operations and the consolidated cash flows for the financial year 1 January – 31 December 2020 .

In our opinion, the Management commentary contains a fair review of the development of the Group's and the parent's business and financial matters, the results for the year and of the parents financial position and the financial position as a whole of the entities included in the consolidated financial statements, together with a description of the principal risks and uncertainties that the group and the parent face.

We recommend the Annual Report 2020 for adoption at the annual general meeting.

Smørum, 22 March 2021

Executive Board

Niels Jacobsen
CEO

Board of Directors

Lars Nørby Johansen
Chairman

Jesper Brandgaard
Deputy Chairman

Anna Cecilia Frellsen

Niels B. Christiansen

Peter Straarup

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 01.01.2020 - 31.12.2020, 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 31.12.2020, and of the results of its operations and cash flows for the financial year 01.01.2020 - 31.12.2020 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements under the Danish Financial Statements Act.

Further, in our opinion, the parent financial statements give a true and fair view of the parent's financial position at 31.12.2020 and of the results of its operations for the financial year 01.01.2020 - 31.12.2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Statement on the management commentary

Management is responsible for the management commentary.

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from 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 the 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, 22 March 2021

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33963556

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Consolidated income statement

(DKK million)	Note	2020	2019
Revenue	1.1	19,307	20,272
Production costs	1.2 / 1.3 / 1.5 / 8.3	-6,101	-5,479
Gross profit		**13,206**	**14,793**
R&D costs	1.2 / 1.3 / 8.3	-1,519	-1,385
Distribution costs	1.2 / 1.3 / 8.3	-8,716	-9,105
Administrative expenses	1.2 / 1.3 / 8.2 / 8.3	-1,684	-1,614
Share of profit after tax, associates and joint ventures	3.4	748	568
Other operating income		-	100
Operating profit (EBIT)		**2,035**	**3,357**
Financial income	4.2	567	470
Financial expenses	4.2	-421	-452
Profit before tax		**2,181**	**3,375**
Tax on profit for the year	5.1	-230	-534
Profit for the year		**1,951**	**2,841**
Profit for the year attributable to:			
William Demant Invest A/S' shareholders		1,415	1,971
Non-controlling interests		536	870
		1,951	**2,841**

Consolidated statement of comprehensive income

(DKK million)	2020	2019
Profit for the year	**1,951**	**2,841**
Items that have been or may subsequently be reclassified to the income statement:		
Foreign currency translation adjustment, subsidiaries	-742	263
Foreign currency translation adjustment reclassified to the income statement	29	-14
Other comprehensive income adjustments and associates	55	-9
Value adjustment of hedging instruments:		
Value adjustment for the year	108	-93
Value adjustment transferred to revenue	-12	91
Tax on items that have been or may subsequently be reclassified to the income statement	-3	7
Items that have been or may subsequently be reclassified to the income statement	**-565**	**245**
Items that will not subsequently be reclassified to the income statement:		
Actuarial gains/losses on defined benefit plans	-2	-55
Tax on items that will not subsequently be reclassified to the income statement	10	10
Items that will not subsequently be reclassified to the income statement	**8**	**-45**
Other comprehensive income/loss	**-557**	**200**
Comprehensive income	**1,394**	**3,041**
Comprehensive income attributable to:		
William Demant Invest A/S' shareholders	1,062	2,118
Non-controlling interests	332	923
	1,394	**3,041**
Breakdown of tax on other comprehensive income:		
Foreign currency translation adjustment, foreign enterprises	19	5
Value adjustment of hedging instruments for the year	-25	22
Value adjustment of hedging instruments transferred to revenue	3	-20
Actuarial gains/losses on defined benefit plans	10	10
Tax on other comprehensive income	**7**	**17**

Consolidated balance sheet 31 December

(DKK million)	Note	2020	2019
Assets			
Goodwill		17,841	17,091
Patents and licenses		97	107
Other intangible assets		1,024	1,142
Prepayments and assets under development		283	221
Intangible assets	3.1	**19,245**	**18,561**
Land and buildings		992	906
Plant and machinery		1,866	2,099
Other plant, fixtures and operating equipment		449	503
Leasehold improvements		505	515
Prepayments and assets under construction		181	135
Property, plant and equipment	3.2	**3,993**	**4,158**
Lease assets	3.3	2,636	2,701
Investments in associates and joint ventures	3.4	7,112	5,958
Receivables from associates and joint ventures	3.4 / 4.3 / 4.4	247	182
Other investments	3.4 / 4.3 / 4.5	1,099	1,186
Other receivables	1.6 / 3.4 / 4.3 / 4.4	528	617
Deferred tax assets	5.2	771	790
Other non-current assets		**12,393**	**11,434**
Non-current assets		**35,631**	**34,153**
Inventories	1.5	2,569	2,639
Trade receivables	1.6 / 4.3	3,578	4,135
Receivables from associates and joint ventures	4.3	112	178
Income tax		71	115
Other receivables	1.6 / 4.3 / 4.4	563	630
Unrealised gains on financial contracts	2.3 / 4.3 / 4.5	81	13
Prepaid expenses		380	371
Cash	4.3 / 4.4	1,698	1,236
Current assets		**9,052**	**9,317**
Assets		**44,683**	**43,470**

Consolidated balance sheet 31 December

(DKK million)	Note	2020	2019
Equity and liabilities			
Share capital		4	4
Other reserves		17,510	16,733
Equity attributable to William Demant Invest A/S' shareholders		17,514	16,737
Equity attributable to non-controlling interests		4,302	4,088
Equity		**21,816**	**20,825**
Borrowings	4.3 / 4.4	7,554	6,139
Lease liabilities	3.3	2,126	2,209
Deferred tax liabilities	5.2	554	583
Provisions	7.1	412	409
Other liabilities	4.3 / 7.2	692	592
Deferred income	7.3	422	496
Non-current liabilities		**11,760**	**10,428**
Borrowings	4.3 / 4.4	6,416	7,848
Lease liabilities	3.3	569	530
Trade payables	4.3	936	852
Payables to associates and joint ventures		5	3
Income tax		177	158
Provisions	7.1	40	59
Other liabilities	4.3 / 7.2	2,341	2,075
Unrealised losses on financial contracts	2.3 / 4.3 / 4.4 / 4.5	14	43
Deferred income	7.3	609	649
Current liabilities		**11,107**	**12,217**
Liabilities		**22,867**	**22,645**
Equity and liabilities		**44,683**	**43,470**

Consolidated cash flow statement

(DKK million)	Note	2020	2019
Operating profit (EBIT)		2,035	3,357
Non-cash items etc.	1.7	1,228	946
Change in receivables etc.		351	-586
Change in inventories		14	-324
Change in trade payables and other liabilities etc.		200	200
Change in provisions		41	68
Dividends received		47	259
Cash flow from operating profit		**3,916**	**3,920**
Financial income etc. received		27	38
Financial expenses etc. paid		-393	-453
Realised foreign currency translation adjustments		-2	1
Income tax paid		-160	-481
Cash flow from operating activities (CFFO)		**3,388**	**3,025**
Acquisition of enterprises, participating interests and activities	6.1	-1,251	-1,669
Investments in and disposal of intangible assets		-241	-275
Investments in property, plant and equipment		-601	-724
Disposal of property, plant and equipment		14	10
Investments in other non-current assets		-259	-330
Disposal of other non-current assets		288	274
Cash flow from investing activities (CFFI)		**-2,050**	**-2,714**
Repayments of borrowings	4.4	-170	-129
Proceeds from borrowings	4.4	2,100	2,015
Change in short-term bank facilities	4.4	-1,831	-219
Repayments of lease liabilities	3.3/4.4	-558	-554
Dividends paid		-80	-47
Transactions with non-controlling interest		-270	-930
Cash flow from financing activities (CFFF)		**-809**	**136**
Cash flow for the year, net		**529**	**447**
Cash and cash equivalents at the beginning of the year		1,236	780
Foreign currency translation adjustment of cash and cash equivalents		-67	9
Cash and cash equivalents at the end of the year		**1,698**	**1,236**
Breakdown of cash and cash equivalents at the end of the year:			
Cash	4.3/4.4	1,698	1,236
Overdraft	4.3/4.4	-	-
Cash and cash equivalents at the end of the year		**1,698**	**1,236**

Acquisition of enterprises, participating interests and activities includes loans of DKK 167 million (DKK 56 million in 2019) classified as other non-current assets, which have been settled as part of acquisitions without cash payments.

Consolidated statement of changes in equity

(DKK million)	Share capital	Other reserves: Foreign currency translation reserve	Hedging reserve	Retained earnings	Dividend	William Demant Invest A/S' shareholders' 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**
Transaction 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**

Consolidated statement of changes in equity - continued

(DKK million)	Share capital	Other reserves				William Demant Invest A/S' sharehold-ers' share	Non-controlling interests' share	Equity
		Foreign currency translation reserve	Hedging reserve	Retained earnings	Dividend			
Equity at 1.1.2019	**4**	**8**	**-10**	**14,954**	**121**	**15,077**	**3,748**	**18,825**
Comprehensive income in 2019:								
Profit for the year	-	-	-	1,971	-	1,971	870	2,841
Other comprehensive income:						-		-
Foreign currency translation adjustment, subsidiaries	-	186	-	-	-	186	77	263
Foreign currency translation adjustment reclassified to income statement	-	-8	-	-	-	-8	-6	-14
Other comprehensive income adjustments and associates	-	-	-	-9	-	-9	-	-9
Value adjustment of hedging instruments:								
Value adjustment, year	-	-	-52	-	-	-52	-41	-93
Value adjustment transferred to revenue	-	-	50	-	-	50	41	91
Actuarial gains/losses on defined benefit plans	-	-	-	-30	-	-30	-25	-55
Tax on other compr. income	-	3	1	6	-	10	7	17
Other comprehensive income/loss	-	181	-1	-33	-	147	53	200
Comprehensive income/loss, year	**-**	**181**	**-1**	**1,938**	**-**	**2,118**	**923**	**3,041**
Transaction with non-controlling interest	-	-	-	-338	-	-338	-583	-921
Dividends	-	-	-	-	-121	-121	-	-121
Other changes in equity	-	-	-	1	-	1	-	1
Equity at 31.12.2019	**4**	**189**	**-11**	**16,555**	**-**	**16,737**	**4,088**	**20,825**

Notes to consolidated financial statements

Section 1

Operating activities and cash flow

1.1 Revenue from contract with customers

(DKK million)

Revenue by business activity	**2020**	**2019**
Hearing Healthcare	13,163	14,946
Communications	1,306	-
Prostetics, Bracing & Supports	4,103	4,578
Other	735	748
Revenue from contracts with customers	**19,307**	**20,272**

	2020	**2019**
Value adjustments transferred from equity relating to derivatives made for hedging foreign currency risk on revenue	12	-91

Liabilities related to contracts with customers:	**2020**	**2019**
Customer prepayments*	93	66
Future performance obligations*	938	1,079
Expected volume discounts and other customer-related items**	261	238
Expected product returns***	116	141
Contract liabilities with customers	**1,408**	**1,524**

Changes in contract liabilities with customers:	**2020**	**2019**
Contract liabilities at 1.1.	1,524	1,524
Foreign currency translation adjustment	-59	30
Changes to transaction price estimates from prior years	-	-18
Revenue recognised that was included in the contract liability balance 1.1.	-590	-614
Increases due to cash received, excluding amounts recognised as revenue during the year	500	613
Changes from expected volume discounts and other customer related items	28	-10
Changes from product returns	-13	-1
Business combinations	18	-
Contract liabilities at 31.12.	**1,408**	**1,524**

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

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 across countries, typically between 12 and 24 months and for certain products up to 36 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.
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
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	2020	2019
Staff costs:			
Wages and salaries		7,628	7,563
Share-based remuneration		12	7
Defined contribution plans		179	177
Defined benefit plans	7.1	28	22
Social security costs etc.		849	860
Staff costs		**8,696**	**8,629**
Staff costs by function:			
Production costs		1,332	1,361
R&D costs		1,025	872
Distribution costs		5,229	5,315
Administrative expenses		1,110	1,081
Staff costs		**8,696**	**8,629**
Average number of full-time employees		19,924	19,052

In 2020, the basic remuneration of a member of the parent's Board of Directors was DKK 200,000 (DKK 200,000 in 2019). 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 2019).

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 2020, the total remuneration for the Executive Board of William Demant Invest A/S was DKK 10 million (DKK 17 million in 2019).

1.3 Amortisation, depreciation and impairment losses

(DKK million)	Note	2020	2019
Amortisation of intangible assets	3.1	344	235
Depreciation on property, plant and equipment	3.2	646	532
Depreciation on leased assets	3.3	619	588
Amortisation, depreciation and impairment losses		**1,609**	**1,355**
Amortisation, depreciation and impairment losses by function			
Production costs		367	287
Research and development costs		101	105
Distribution costs		766	773
Administrative expenses		375	190
Amortisation, depreciation and impairment losses		**1,609**	**1,355**
Net gains from sale of assets		1	2
Net gains from sale of assets		**1**	**2**
Net gains from sale of assets by function:			
Administrative expenses		1	2
Net gains from sale of assets		**1**	**2**

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 general assembly propose not to distribute dividend for 2020.

1.5 Inventories

(DKK million)	2020	2019
Raw materials and purchased components	832	928
Work in progress	181	157
Finished goods and goods for resale	1,556	1,554
Inventories	**2,569**	**2,639**
Write-downs, provisions for obsolescence etc. included in the above	158	160
Included in the income statement under production costs:		
Write-downs of inventories for the year, net	90	60
Cost of goods sold for the year	4,995	4,565

Inventories of DKK 83 million (DKK 95 million in 2019) 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 allocations to inventory
Indirect production cost allocations 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

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 prostetics 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)	2020	2019
Trade receivables	3,578	4,135
Customer loans	610	714
Other current receivables	481	533
Receivables	**4,669**	**5,382**

Credit risk:

2020	Balance not due	0-3 months overdue	3-6 months overdue	6-12 months overdue	More than 12 months overdue
Expected loss rate	1%	4%	10%	22%	88%
Gross carrying amount - trade receivables	2,527	652	228	265	343
Gross carrying amount - customer loans	619	3	1	-	7
Gross carrying amount - other receivables	481	-	-	-	-
Loss allowance	**43**	**24**	**22**	**57**	**311**

2019	Balance not due	0-3 months overdue	3-6 months overdue	6-12 months overdue	More than 12 months overdue
Expected loss rate	1%	2%	7%	26%	60%
Gross carrying amount - trade receivables	2,698	856	295	256	376
Gross carrying amount - customer loans	728	2	-	1	2
Gross carrying amount - other receivables	533	-	-	-	-
Loss allowance	**34**	**18**	**21**	**67**	**225**

Allowance for impairment:	2020	2019
Allowance for impairment at 1.1.	**-366**	**-313**
Foreign currency translation adjustments	27	-6
Applied during the year	149	70
Additions during the year	-279	-129
Reversals during the year	11	12
Allowance for impairment at 31.12.	**-458**	**-366**

Of the total amount of trade receivables, DKK 243 million (DKK 273 million in 2019) 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, the Demant Group has made a provision for additional bad debt of DKK 100 million due to the current uncertainties caused by the Covid-19 pandemic.

The additional provision for bad debt is recognised in loss allowance for trade receivables more than 12 months overdue. The expected loss rate is 88% for amounts more than 12 months overdue including the provision for additional bad debt. The adjusted loss rate is 61% excluding the provision for additional bad debt.

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. Impairment is based on expected credit losses, which include the use of the lifetime expected loss provision for trade receivables.

Accounting estimates and judgements

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)	2020	2019
Amortisation and depreciation etc.	1,645	1,389
Share of profit after tax, associates and joint ventures	-748	-568
Bad debt provisions	117	105
Exchange rate adjustments	157	-7
Employee salary share programme	50	-
Covid-19 rent concessions	-12	-
Other non-cash items	19	27
Non-cash items etc.	**1,228**	**946**

Section 2

Exchange rates and hedging

2.1 Exchange rate risk policy

The Group seeks to hedge against any 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 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 46 million (DKK 98 million in 2019) and to affect the Group's equity, excluding tax, positively by DKK 297 million (DKK 284 million in 2019). 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.

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

2.3 Hedging and forward exchange contracts

Open forward exchange contracts at the balance sheet date may be specified as shown below, 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 2020, our forward exchange contracts realised a gain of DKK 12 million (loss of DKK 91 million in 2019), which increased reported revenue for the year. In addition, we raised loans in foreign currencies to balance out net receivables. At year-end 2020, Demant A/S had entered into forward exchange contracts with a contractual value of DKK 1,053 million (DKK 697 million in 2019) and a fair value of DKK 69 million (DKK -28 million in 2019).

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 7 million (DKK 5 million in 2019).

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**

2019

	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	2020	10 months	656	-1,115	-4	5	9
AUD	2020	7 months	457	-84	-2	-	2
GBP	2020	10 months	835	-351	-15	-	15
CAD	2020	10 months	489	-343	-13	-	13
JPY	2020	11 months	6.07	-94	-1	-	1
PLN	2020	11 months	170	391	8	8	-
EUR	2024	60 months	741	899	-1	-	1
				-697	**-28**	**13**	**41**

**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.*

2.3 Hedging and forward exchange contracts – continued

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 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 below averages.

Average exchange rate DKK per 100

	2020	2019	Change
EUR	745	747	-0.3%
USD	654	667	-1.9%
AUD	451	464	-2.8%
GBP	839	851	-1.4%
CAD	488	503	-3.0%
JPY	6.13	6.12	0.2%
PLN	168	174	-3.4%

Year-End exchange rate DKK per 100

	2020	2019	Change
EUR	744	747	-0.4%
USD	606	668	-9.3%
AUD	464	467	-0.6%
GBP	824	877	-6.0%
CAD	474	511	-7.2%
JPY	5.88	6.11	-3.8%
PLN	163	175	-6.9%

2.4 Exchange rates – continued

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)	Goodwill	Patents and licences	Other intangible assets	Prepay-ments and asset under develop-ment	Total intangible assets
Cost at 1.1.2020	**17,091**	**217**	**1,640**	**221**	**19,169**
Foreign currency translation adjustments	-631	-8	-57	-5	-701
Additions during the year	-	4	105	133	242
Additions relating to acquisitions	1,381	11	74	-	1,466
Disposals relating to divestment of enterprises	-	-1	-19	-	-20
Disposals during the year	-	-2	-235	-	-237
Transfer to/from other items	-	-	99	-66	33
Cost at 31.12.2020	**17,841**	**221**	**1,607**	**283**	**19,952**
Amortisation at 1.1.2020	**-**	**-110**	**-498**	**-**	**-608**
Foreign currency translation adjustments	-	3	32	-	35
Amortisation for the year	-	-19	-325	-	-344
Disposals relating to divestments	-	-	10	-	10
Depreciation transfer	-	-	-30	-	-30
Disposals during the year	-	2	228	-	230
Amortisation at 31.12.2020	**-**	**-124**	**-583**	**-**	**-707**
Carrying amount at 31.12.2020	**17,841**	**97**	**1,024**	**283**	**19,245**
Cost at 1.1.2019	**16,112**	**210**	**1,420**	**181**	**17,923**
Foreign currency translation adjustments	284	3	14	-	302
Additions during the year	-	1	146	128	274
Additions relating to acquisitions	695	17	86	-	798
Disposals during the year	-	-14	-114	-	-128
Transfer to/from other items	-	-	88	-88	-
Cost at 31.12.2019	**17,091**	**217**	**1,640**	**221**	**19,169**
Amortisation at 1.1.2019	**-**	**-103**	**-389**	**-**	**-492**
Foreign currency translation adjustments	-	-1	-8	-	-9
Amortisation for the year	-	-20	-215	-	-235
Disposals during the year	-	14	114	-	128
Amortisation at 31.12.2019	**-**	**-110**	**-498**	**-**	**-608**
Carrying amount at 31.12.2019	**17,091**	**107**	**1,142**	**221**	**18,561**

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 reference 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

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.

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)	Land and buildings	Plant and machinery	Other plant, fixtures and operating equipment	Leasehold improvements	Prepayments and assets under construction	Total, property plant and equipment
Cost at 1.1.2020	**1,171**	**2,895**	**1,549**	**1,058**	**135**	**6,808**
Foreign currency translation adjustments	-35	-73	-88	-33	-2	-231
Additions during the year	61	89	126	138	150	564
Additions relating to acquisitions	17	18	40	5	5	85
Disposals relating to divestments	-82	-86	-22	-1	-	-191
Disposals during the year	-	-108	-133	-86	-1	-328
Transferred to/from other items	77	11	-7	-8	-106	-33
Cost at 31.12.2020	**1,209**	**2,746**	**1,465**	**1,073**	**181**	**6,674**
Depreciation and impairment losses at 1.1.2020	**-265**	**-796**	**-1,046**	**-543**	**-**	**-2,650**
Foreign currency translation adjustments	10	42	59	24	-	135
Depreciation for the year	-25	-302	-188	-131	-	-646
Disposals relating to divestments	63	62	16	-	-	141
Disposals during the year	-	103	124	82	-	309
Transferred to/from other items	-	11	19	-	-	30
Depreciation and impairment losses at 31.12.2020	**-217**	**-880**	**-1,016**	**-568**	**-**	**-2,681**
Carrying amount at 31.12.2020	**992**	**1,866**	**449**	**505**	**181**	**3,993**
Cost at 1.1.2019	**1,121**	**2,896**	**1,400**	**887**	**76**	**6,380**
Foreign currency translation adjustments	9	5	26	24	-	64
Additions during the year	38	100	237	188	126	689
Additions relating to acquisitions	-	1	16	11	-	28
Disposals during the year	-1	-166	-133	-52	-1	-353
Transferred to/from other items	4	59	3	-	-66	-
Cost at 31.12.2019	**1,171**	**2,895**	**1,549**	**1,058**	**135**	**6,808**
Depreciation and impairment losses at 1.1.2019	**-241**	**-740**	**-973**	**-462**	**-**	**-2,416**
Foreign currency translation adjustments	-2	-1	-27	-17	-	-47
Depreciation for the year	-23	-217	-178	-114	-	-532
Disposals during the year	1	162	132	50	-	345
Depreciation and impairment losses at 31.12.2019	**-265**	**-796**	**-1,046**	**-543**	**-**	**-2,650**
Carrying amount at 31.12.2019	**906**	**2,099**	**503**	**515**	**135**	**4,158**

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.

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.

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

3.3 Leases

(DKK million)	2020	2019
Lease assets at 1.1.	**2,701**	**2,735**
Foreign currency translation adjustments	-99	21
Additions during the year	600	508
Additions relating to acquisitions	122	89
Disposals during the year	-69	-64
Depreciations during the year	-619	-588
Lease assets at 31.12.	**2,636**	**2,701**
Lease liabilities at 1.1.	**2,739**	**2,744**
Foreign currency translation adjustments	-114	23
Additions during the year	597	508
Additions relating to acquisitions	119	89
Covid-19-related rent concessions	-12	-
Disposals during the year	-76	-71
Payments	-558	-554
Lease liabilities at 31.12.	**2,695**	**2,739**
Current lease liabilities	569	530
Non-current lease liabilities	2,126	2,209
Amounts recognised in the income statement:		
Variable lease payments	20	20
Short-term lease expenses	21	14
Low-value assets	6	3

The Group's leases primarily comprise agreements regarding properties. The lease terms are of various length and may contain extention 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 lenght 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.

3.3 Leases - continued

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

IFRS 16 Covid-19-Related Rent Concessions Amendment

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 2020 amount to DKK 12 million.

Accounting estimates and judgements

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

3.4 Other non-current assets

(DKK million)	Investments in associates and joint ventures	Receivables from associates and joint ventures	Other investments	Other receivables	
				Customer loans	Other
Cost at 1.1.2020	**4,614**	**182**	**765**	**531**	**143**
Foreign currency translation adjustments	-38	-11	-2	-43	-5
Additions during the year	259	92	155	131	9
Additions relating to acquisitions	132	7	-	-	5
Disposals related to step-up acquisition of associates	-165	-	-	-	-
Disposals, repayments etc. during the year	-231	-23	-	-83	-3
Movement to current	-	-	-	-90	-4
Transfers	740	-	-440	-	-
Cost at 31.12.2020	**5,311**	**247**	**478**	**446**	**145**
Value adjustments at 1.1.2020	**1,344**	**-**	**421**	**-8**	**-49**
Foreign currency translation adjustments	1	-	-	1	2
Share of profit after tax (IS)	290	-	-	-	-
Dividends received	-41	-	-	-	-
Disposals relating to step-up acquisitions of associates	-74	-	-	-	-
Fair value adjustments	-	-	500	-	-
Other adjustments	281	-	-	-2	-6
Disposals during the year	-	-	-	-	-1
Transfers	-	-	-300	-	-
Value adjustments at 31.12.2020	**1,801**	**-**	**621**	**-9**	**-54**
Carrying amount at 31.12.2020	**7,112**	**247**	**1,099**	**437**	**91**
Cost at 1.1.2019	**4,022**	**167**	**486**	**522**	**133**
Foreign currency translation adjustments	9	6	-	21	-1
Additions during the year	624	55	279	247	19
Additions relating to acquisitions	46	-	-	-	2
Disposals related to step-up acquisition of associates	-87	-	-	-	-
Disposals, repayments etc. during the year	-	-44	-	-82	-6
Movement to current	-	-2	-	-177	-4
Cost at 31.12.2019	**4,614**	**182**	**765**	**531**	**143**
Value adjustments at 1.1.2019	**1,046**	**-**	**22**	**-26**	**-48**
Foreign currency translation adjustments	-	-	-	-1	-2
Share of profit after tax (IS)	562	-	-	-	-
Dividends received	-256	-	-	-	-
Disposals relating to step-up acquisitions of associates	1	-	-	-	-
Fair value adjustments	-	-	399	-	-
Other adjustments	-9	-	-	-7	1
Disposals during the year	-	-	-	26	-
Value adjustments at 31.12.2019	**1,344**	**-**	**421**	**-8**	**-49**
Carrying amount at 31.12.2019	**5,958**	**182**	**1,186**	**523**	**94**

As of 1 January 2020 CellaVision has been transfered from other investments to investments in associates and joint operations.

Please refer to Subsidiaries, associates and joint ventures on page 120 for a list of associates and joint ventures.

3.4 Other non-current assets - continued

Transactions with associates and joint ventures

In 2020, the Group recognised revenue from associates and joint ventures of DKK 299 million (DKK 463 million in 2019), received royalties from and paid licence fees of net DKK 1 million (net DKK 1 million in 2019) and received dividends of DKK 41 (DKK 256 million in 2019).

In the reporting period, the Group received interest income of DKK 4 million (DKK 3 million in 2019).

The transactions with related parties were made on arm's length basis.

	Associates		Joint ventures	
(DKK million)	**2020**	**2019**	**2020**	**2019**
Financial information from financial statements (Group share)				
Revenue	1,449	1,587	-	563
Net profit for the year	293	502	-	66
Comprehensive income	293	503	-	66

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.

3.5 Impairment testing

Impairment testing is carried out for the Group's four cash-generating units: Prostetics, 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 at 31 December 2020. Future cash flows are based on the budget for 2021, on strategy plans and on projections hereof. Projections extending beyond 2021 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 2020.

The goodwill allocation per cash-generating unit is presented below. The terminal values for the period after 2025 and the discount rates used in the impairment tests for the four cash-generating units are based on the below growth assumptions.

(DKK million)	Terminal growth rate	WACC	2020	2019
Prosthetics, Bracing & Supports	2.5%	8,1% - 9,9%	6,815	6,385
Radiotherapy	2.0%	9.0%	2,706	2,880
Hearing Healthcare	2.0%	7.0%	7,903	7,826
Communications	2.0%	12.0%	417	-
			17,841	**17,091**

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 or-der 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 excluding lease liabilities amounted to DKK 11,355 million as at 31 December 2020 (DKK 11,735 million in 2019). The net interest bearing debt including lease liabilities was DKK 14,050 million (DKK 14,474 million in 2019).

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 9% 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 2020 has the Group defaulted on any loan agreements.

4.2 Net financial items

(DKK million)	2020	2019
Interest on cash and bank deposits	4	11
Interest on receivables, customer loans etc.	32	36
Other financial income	31	15
Financial income from financial assets measured at amortised cost	**67**	**62**
Fair value adjustment on other investments	500	399
Financial income from financial assets measured at fair value	**500**	**399**
Foreign exchange gains, net	-	9
Financial income	**567**	**470**
Interest on bank debt, mortgages etc.	-210	-258
Financial expenses on financial liabilities measured at amortised cost	**-210**	**-258**
Interest expenses on lease liabilities	-78	-76
Foreign exchange losses, net	-19	-
Transaction costs	-114	-118
Financial expenses	**-421**	**-452**
Net financial items	**146**	**18**

In addition to the foreign exchange items above, 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 loss of DKK 95 million in 2020 (a loss of DKK 7 million in 2019).

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)	2020	2019
Unrealised gains on financial contracts	81	13
Financial assets used as hedging instruments	**81**	**13**
Receivables from associates	359	360
Customer loans	611	714
Other receivables	480	533
Trade receivables	3,578	4,135
Cash	1,698	1,236
Financial assets at amortised cost	**6,726**	**6,978**
Securities	1,085	1,170
Other investments	14	16
Financial assets at fair value through profit/loss	**1,099**	**1,186**
Unrealised losses on financial contracts	-14	-43
Financial liabilities used as hedging instruments	**-14**	**-43**
Debt to credit institutions etc.	-8,091	-6,679
Short-term bank facilities etc.	-3,663	-5,321
Lease liabilities	-2,695	-2,739
Debt to parent	-2,216	-2,092
Trade payables	-936	-852
Other liabilities	-2,333	-1,954
Financial liabilities measured at amortised cost	**-19,934**	**-19,637**
Other liabilities	-307	-332
Financial liabilities measured at fair value through profit/loss	**-307**	**-332**

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 above and the balance sheet: other liabilities DKK 393 million (DKK 381 million in 2019).

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.

4.3 Categories of financial instruments – continued

Accounting policies

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 P&L 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				Carrying amount	Weighted average effective interest rate
	Less than 1 year	1-5 years	More than 5 years	Total		
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%**
Net interest bearing debt	-4,613	-7,280	217	-11,676	-11,355	1.0%
Lease liabilities	-551	-1,685	-684	-2,920	-2,695	
Net interest bearing debt incl. lease liabilities	**-5,164**	**-8,965**	**-467**	**-14,596**	**-14,050**	
2019						
Interest-bearing receivables	427	477	247	1,151	1,012	
Cash	1,236	-	-	1,236	1,236	
Interest-bearing assets	**1,663**	**477**	**247**	**2,387**	**2,248**	**1.9%**
Debt to credit institutions etc.	-2,153	-4,091	-164	-6,408	-6,679	
Debt to parent	-145	-2,117	-	-2,262	-2,092	
Short-term bank facilities etc.	-5,683	-	-	-5,683	-5,321	
Borrowings	**-7,981**	**-6,208**	**-164**	**-14,353**	**-14,092**	**1.4%**
Net interest bearing debt	**-6,318**	**-5,731**	**83**	**-11,966**	**-11,844**	**1.3%**
Lease liabilities	-609	-1,757	-720	-3,086	-2,739	
Net interest bearing debt incl. lease liabilities	**-6,927**	**-7,488**	**-637**	**-15,052**	**-14,583**	

Trade payables and other liabilities have a contractual maturity of less than one year, with the exception of other liabilities of DKK 385 million (DKK 260 million in 2019) which have a contractual maturity of 1-5 years. The contractual cash flows approximate their carrying amounts.

Interest-bearing borrowings broken down by currency: 13% in US dollars (17% in 2019), 54% in Danish kroner (47% in 2019), 27% in euros (25% in 2019), 1% in GBP (5% in 2019), 1% in Canadian dollars (2% in 2019) and 4% in other currencies (4% in 2019).

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

(DKK million)	2019	Cash flows from financing activities	Net cash flow from overdraft	Non-cash changes: IFRS 16 transition	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**
Overdraft	-	-	-	-	-	-	-	-	-
Interest-bearing liabilities	**-16,831**	**458**	**105**	**-**	**-195**	**426**	**-796**	**168**	**-16,665**

(DKK million)	2018	Cash flows from financing activities	Net cash flow from overdraft	Non-cash changes: IFRS 16 transition	Acquisition	Foreign exchange movement	Other additions	Disposals	2019
Lease liabilities	-	554	-	-2,744	-89	-23	-508	71	-2,739
Debt to parent	-2,018	-	-	-	-	-	-74	-	-2,092
Debt to credit institutions etc.	-4,750	-1,886	-	-	-20	-24	1	-	-6,679
Short-term bank facilities	-5,442	601	-382	-	-	-98	-	-	-5,321
Liabilities from financing activities	**-12,210**	**-731**	**-382**	**-2,744**	**-109**	**-145**	**-581**	**71**	**-16,831**
Overdraft	-382	-	382	-	-	-	-	-	-
Interest-bearing liabilities	**-12,592**	**-731**	**-**	**-2,744**	**-109**	**-145**	**-581**	**71**	**-16,831**

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

Interest cap

(DKK million)	2020 Expiry	2020 Interest rate / strike	2020 Contractual amount at year end	2020 Positive fair value at year-end	2020 Negative fair value at year-end	2019 Expiry	2019 Interest rate / strike	2019 Contractual amount at year end	2019 Positive fair value at year-end	2019 Negative fair value at year-end
DKK/DKK	2023	0%	650	-	2	2022	0%	650	-	2
			650	**-**	**2**			**650**	**-**	**2**

The fair value of interest cap (a strip of call options) outstanding at the balance sheet date is DKK -2 million (DKK -2 million in 2019), and the contractual value of interest cap is DKK 650 million (DKK 650 million in 2019). The cap will run until 2022.

Sensitivity analysis in respect of interest rates

Based on the Group's net debt at the end of the 2020 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 29 million (DKK 35 million in 2019). About 60% 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.

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)	2020				2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets used as hedging instruments	-	81	-	**81**	-	13	-	**13**
Securities (available for sale)	-	-	-	**-**	-	-	-	**-**
Other investments	1,085	-	14	**1,099**	1,170	-	16	**1,186**
Financial liabilities used as hedging instruments	-	-14	-	**-14**	-	-43	-	**-43**
Financial liabilities at fair value through income statement	-	-	-307	**-307**	-	-	-332	**-332**
Contingent considerations	-	-	-185	**-185**	-	-	-178	**-178**

There are no transfers between levels 1 and 2 in the 2020 and 2019 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):

Level 3 Assets and liabilities

(DKK million)	Financial assets		Other financial liabilitites		Contingent considerations	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Carrying amount at 1.1.	**1,186**	**508**	**-332**	**-321**	**-178**	**-170**
Foreign currency translation adjustment	-2	-	21	-	7	-2
Acquisitions	155	279	-	-	-90	-69
Disposals, repayments, settlements etc.	-740	-	-	-	56	70
Other adjustments	500	399	4	-11	20	-7
Carrying amount at 31.12.	**1,099**	**1,186**	**-307**	**-332**	**-185**	**-178**

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)	2020	2019
Current tax on profit for the year	-312	-567
Adjustment of current tax, prior years	73	30
Change in deferred tax	33	-13
Adjustment of deferred tax, prior years	-29	26
Impact of changes in corporate tax rates	5	-10
Tax on profit for the year	**-230**	**-534**
Reconciliation of tax rates:		
Danish corporate tax rate	22.0%	22.0%
Differences between tax rates of non-Danish enterprises and Danish corporate tax rate	0.5%	1.4%
Impact of changes in corporate tax rates	-0.2%	0.3%
Impact of unrecognised tax assets	2.1%	0.8%
Permanent differences	-13.9%	-7.0%
Other items, including prior-year adjustments	0.1%	-1.7%
Effective tax rate	**10.5%**	**15.8%**

The permanent differences are extraordinarily high in 2020 due to the fact that the Group is exempt from paying tax on the positive one-off fair value adjustment of DKK 453 million realised as part of the consolidation of EPOS in Demant Group.

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)	2020	2019
Deferred tax recognised in the balance sheet:		
Deferred tax assets	771	790
Deferred tax liabilities	-554	-583
Deferred tax, net at 31.12.	**217**	**207**

The tax value of deferred tax assets not recognised is DKK 183 million (DKK 165 million in 2019) 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.

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 comprehensive 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**

Breakdown of the Group's temporary differences and changes:	Temporary differences at 1.1.2019	Foreign currency translation adjustments	Acquisitions	Recognised in profit for the year	Recognised in other comprehensive income	Temporary differences at 31.12.2019
Intangible assets	-339	-5	-14	-141	-	-499
Property, plant and equipment	-83	-1	-	-4	-	-88
Leased assets	-	-	-	8	-	8
Inventories	237	-	-	43	-	280
Receivables	43	1	-	24	-	68
Provisions	93	1	-	-	-	94
Deferred income	137	3	-	43	-	183
Tax losses	99	2	1	28	-	130
Other	10	-	5	3	13	31
Total	**197**	**1**	**-8**	**4**	**13**	**207**

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, 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

6.1 Acquisition of enterprises and activities

(DKK million)	Össur	Other	Total
2020			
Intangible assets	62	23	85
Property, plant and equipment	35	50	85
Other non-current assets	4	265	269
Inventories	58	91	149
Current receivables	63	250	313
Cash and cash equivalents	75	69	144
Non-current liabilities	-101	-126	-227
Current liabilities	-95	-324	-419
Acquired net assets	**101**	**298**	**399**
Goodwill	514	867	1,381
Acquisition cost	**615**	**1,165**	**1,780**
Carrying amount of non-controlling interests on obtaining control	-	-235	-235
Fair value adjustment of non-controlling interests on obtaining control	-	-454	-454
Contingent considerations and deferred payments	-14	-76	-90
Acquired cash and cash equivalents	-75	-69	-144
Cash acquisition cost	**526**	**331**	**857**

(DKK million)	Össur	Other	Total
2019			
Intangible assets	76	27	103
Property, plant and equipment	3	25	28
Other non-current assets	54	85	139
Inventories	7	21	28
Current receivables	19	52	71
Cash and cash equivalents	5	63	68
Non-current liabilities	-58	-35	-93
Current liabilities	-13	-83	-96
Acquired net assets	**93**	**155**	**248**
Goodwill	148	547	695
Acquisition cost	**241**	**702**	**943**
Carrying amount of non-controlling interests on obtaining control	-	-86	-86
Fair value adjustment of non-controlling interests on obtaining control	-	-13	-13
Contingent considerations and deferred payments	-33	-36	-69
Acquired cash and cash equivalents	-5	-63	-68
Cash acquisition cost	**203**	**504**	**707**

6.1 Acquisition of enterprises and activities – continued

On 1 January 2020, the ownership structure of Sennheiser Communications A/S was changed through a demerger whereby Demant A/S obtained full control of the Gaming and Enterprise Solutions segments, and German Sennheiser electronic GmbH & Co. KG ("Sennheiser KG") obtained control of the Mobile segment. The purchase price for the Gaming and Enterprise Solutions segments was DKK 477 million. The demerger is based on a cashfree split of ownership.

On 2 January 2020, Demant A/S acquired an additional interest in Audilab SAS, which is a large retail network of hearing aid clinics in France, based on a model of shared ownership with audiologists. Demant A/S previously held a non-controlling interest in the network, and Demant A/S is now the direct owner of 95% of the shares in Audilab SAS. The total fair value of 95% of the shares in Audilab SAS, on the acquisition date, was DKK 381 million.

The Group's other acquisitions in 2020 consist of a number of minor retail, manufacturing and clinic workshop acquisitions in North America, and Europe. 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, a few adjustments were made to the preliminary recognition of acquisitions made in 2019. 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 10 million (DKK 44 million in 2019), the impact on goodwill was DKK 17 million (DKK 12 million in 2019), the impact on contingent considerations was DKK 0 million (DKK 3 million in 2019). In relation to acquisitions with final recognition in 2015-2019, adjustments were made in 2020 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 454 million (DKK 13 million in 2019), and adjustments of contingent considerations made via the income statement of DKK 16 million (DKK 9 million in 2019) are recognised under Distribution costs for acquisitions and DKK 5 million are recognised in Share of profit after tax, associates and joint ventures for associates and joint ventures.

Of the total acquisition entries in 2020, the fair value of estimated contingent considerations in the form of earn-outs or deferred payments accounted for DKK 90 million (DKK 69 million in 2019). 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 98 million (DKK 71 million in 2019) for acquisitions.

The acquired assets include contractual receivables amounting to DKK 181 million (DKK 56 million in 2019) of which DKK 1 million (DKK 1 million in 2019) was thought to be uncollectible at the date of the acquisition. Of total goodwill in the amount of DKK 1,381 million (DKK 695 million in 2019), DKK 324 million (DKK 344 million in 2019) can be amortised for tax purposes.

Transaction costs in connection with acquisitions made in 2020 amounted to DKK 7 million (DKK 2 million in 2019), which has been recognised under Distribution costs.

Revenue and profit generated by the acquired enterprises since our acquisition in 2020 amount to DKK 1,512 million (DKK 185 million in 2019) and DKK 147 million, excluding one-off in EPOS of DKK 217 million (DKK 13 million in 2019), respectively.

6.1 Acquisition of enterprises and activities – continued

Had such revenue and profit been consolidated on 1 January 2020, we estimate that consolidated pro forma revenue and profit would have been DKK 18,911 million (DKK 20,508 million in 2019) and DKK 1,194 million (DKK 2,854 million in 2019), 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 above statements of the fair values of acquisitions are not considered final until 12 months after takeover.

In 2020, Össur divested subsidiaries to sharpen the focus and align with Bracing & Support 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.

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.

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 recoverable 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
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
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.

Section 7

Provisions, other Liabilities etc.

7.1 Provisions

(DKK million)	2020	2019
Provisions for restructuring costs	2	15
Staff-related provisions	59	55
Miscellaneous provisions	148	170
Other provisions	**209**	**240**
Defined benefit plan liabilities, net	243	228
Provisions at 31.12.	**452**	**468**
Breakdown of provisions:		
Non-current provisions	412	409
Current provisions	40	59
Provisions at 31.12.	**452**	**468**

Other provisions

(DKK million)	Restructuring costs	Staff-related	Miscellaneous	Total
Other provisions at 1.1.2020	**15**	**55**	**170**	**240**
Foreign currency translation adjustments	-	-	-4	-4
Additions relating to acquisitions	-	-	1	1
Provisions during the year	-	-	21	21
Applied during the year	-13	-	-14	-27
Reversals during the year	-	4	-26	-22
Other provisions at 31.12.2020	**2**	**59**	**148**	**209**
Breakdown of provisions:				
Non-current provisions	-	55	113	168
Current provisions	2	4	35	41
Other provisions at 31.12.2020	**2**	**59**	**148**	**209**
Other provisions at 1.1.2019	**10**	**56**	**180**	**246**
Foreign currency translation adjustments	-	1	-	1
Reclassifications	15	9	-24	-
Additions relating to acquisitions	-	1	-	1
Provisions during the year	-	-	62	62
Applied during the year	-9	-	-30	-39
Reversals during the year	-1	-12	-18	-31
Other provisions at 31.12.2019	**15**	**55**	**170**	**240**
Breakdown of provisions:				
Non-current provisions	-	54	127	181
Current provisions	15	1	43	59
Other provisions at 31.12.2019	**15**	**55**	**170**	**240**

7.1 Provision - continued

(DKK million)	2020	2019
Present value of defined benefit obligations:		
Defined benefit obligations at 1.1.	519	413
Foreign currency translation adjustments	-2	13
Additions relating to acquisitions	-	1
Current service cost	28	21
Calculated interest on defined benefit obligations	1	4
Actuarial gains/losses	11	55
Net benefits paid	-1	3
Contribution from plan participants	8	9
Defined benefit obligations at 31.12	**564**	**519**
Fair value of defined benefit assets:		
Defined benefit assets at 1.1.	291	257
Foreign currency translation adjustments	-	7
Expected return on defined benefit assets	-	3
Actuarial gains/losses	9	-
Contributions	22	21
Net benefits paid	-1	3
Defined benefit assets 31.12.	**321**	**291**
Defined benefit obligations recognised in the balance sheet, net	**243**	**228**
Return on defined benefit assets:		
Actual return on defined benefit assets	9	3
Expected return on defined benefit assets	-	3
Actuarial gains/losses on defined benefit assets	**9**	**-**
Assumptions:		
Discount rate	0.1%	0.2%
Expected return on defined benefit assets	0.0%	0.2%
Future salary increase rate	1.2%	1.3%

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 28 million (DKK 22 million in 2019), accumulated actuarial loss recognised in the statement of comprehensive income amount to DKK 129 million (DKK 128 million in 2019).

The Group expects to pay approximately DKK 23 million in 2020 (DKK 25 million in 2019) into defined benefit plans.

Defined benefit obligations in the amount of DKK 117 million (DKK 107 million in 2019) will mature within 1-5 years and obligations in the amount of DKK 447 million (DKK 412 million in 2019) after five years.

If the discount rate is 0,5% higher (lower), the defined benefit obligation would decrease by 8% (increase by 9%). If the expected salary growth rate is 0,5% higher (lower) the defined benefit obligation would increase by 1% (decrease by 1%).

7.1 Provisions – continued

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. Contri-butions 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 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

Management assesses, on an ongoing basis, provisions for restructuring costs and the likely outcome of pending and probable lawsuits etc. (other provisions). When as-sessing 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 fu-ture 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)	2020	2019
Product-related liabilities	393	381
Staff-related liabilities	974	845
Other debt, public authorities	406	254
Contingent considerations	185	178
Other costs payable	768	677
Other financial liabilities	307	332
Other liabilities	**3,033**	**2,667**
Due within 1 year	2,341	2,075
Due within 1-5 years	692	592

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.

The carrying amount of other liabilities approximate the fair value of the 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 liability is recognised in respect of the profit on products expected to be returned and of any costs incurred with the return of such products. Warranty commitments include the obligation to remedy faulty or defective products during the warranty period.

Accounting estimates and judgements

Liabilities in respect of warranties have been calculated on the basis of information on products sold, related periods and past experience of costs incurred by our Group to fulfil our 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)	2020	2019
Prepayments from customers	93	66
Future performance obligations:		
Deferred warranty-related revenue	554	655
Deferred free products revenue	176	195
Deferred service revenue	208	229
Total	**1,031**	**1,145**

Expected recognition of revenue

	Less than 1 year	1-2 years	2-4 years	More than 4 years	Total
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**
2019					
Prepayments from customers	61	2	2	1	66
Deferred warranty-related revenue	317	224	98	16	655
Deferred free products revenue	132	60	3	-	195
Deferred service revenue	139	69	20	1	229
Total	**649**	**355**	**123**	**18**	**1,145**

Free products, service and some warranty-related services mentioned above 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 2019) to cover obligations to decomission 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 from the list on page 116 and 117, and financial information on associates and joint ventures can be found in Note 3.4.

In 2020, William Demant Foundation paid administration fees to the Group of DKK 2 million (DKK 2 million in 2019). Further, William Demant Foundation has granted loans (convertible promissory notes) to William Demant Invest A/S totalling DKK 2,000 million at year-end 2020, on which interest in 2020 totals DKK 70 million (DKK 70 million in 2019).

At year-end 2020, William Demant Foundation has other current receivables of DKK 216 million (DKK 92 in 2019) in William Demant Invest A/S arising from unpaid dividend and accrued interest.

There have been no transactions with the Executive Board and the Board of Directors apart from normal remuneration, please refer to Note 1.2.

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

(DKK million)	2020	2019
Statutory audit	23	23
Tax and VAT advisory services	2	2
Other services	3	8
Total	**28**	**33**

8.3 Government grants

(DKK million)	2020	2019
Government grants by function:		
Production costs	46	-
R&D costs	52	17
Distribution costs	254	-
Administrative expenses	26	-
Total	**378**	**17**

In 2020, the William Demant Invest Group received government grants in the amount of DKK 378 million (DKK 17 million in 2019), of which DKK 358 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 balance sheet date

The company is not aware of any events after the balance sheet date 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 shown on the last pages of this Annual Report 2020.

Except for the implementation of new and amended standards as described below as well as insignificant reclassifications of the comparative figures for 2019, 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 2020. 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 2020.

IASB has issued new accounting standards and amendments not yet in force:
– IAS 1 Presentation of Financial Statements
– IFRS 3 Business Combinations and IAS 1
– IAS 16 Property, Plant and Equipment
– IAS 37 Provisions, Contingent Liabilities and Contingent Assets

None of the above standards are endorsed by the EU. 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 recognized 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, such as income from insurance etc.

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.

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

Financial Statements

Parent income statement

(DKK million)	Note	2020	2019
Fee income		1	1
Administrative expenses	10.1/10.2	-26	-25
Operating profit/loss (EBIT)		**-25**	**-24**
Financial income	10.3	621	881
Financial expense	10.3	-85	-89
Profit before tax		**511**	**768**
Tax on profit for the year		1	-
Profit for the year		**512**	**768**

Parent balance sheet at 31 December

(DKK million)	Note	2020	2019
Assets			
Investments in subsidiaries		7,311	6,433
Receivables from subsidiaries		105	919
Investments in associates and joint ventures		4,595	3,647
Receivables from joint operations		979	1,201
Other investments		1,085	1,170
Financial assets	10.4	**14,075**	**13,370**
Non-current assets		**14,075**	**13,370**
Receivable joint taxation		78	55
Income tax		1	46
Other receivables		2	1
Receivables		**81**	**102**
Current assets		**81**	**102**
Assets		**14,156**	**13,472**

Parent balance sheet at 31 December

(DKK million)	Note	2020	2019
Equity and liabilities			
Share capital		4	4
Retained earnings		9,368	8,856
Proposed dividend		-	203
Total equity		**9,372**	**9,063**
Debt to William Demant Foundation	10.5	2,000	2,000
Non-current liabilities		**2,000**	**2,000**
Debt to credit institutions		2,482	2,195
Debt to William Demant Foundation	10.5	216	92
Payable joint taxation		77	100
Other liabilities		9	22
Current liabilities		**2,784**	**2,409**
Liabilities		**4,784**	**4,409**
Equity and liabilities		**14,156**	**13,472**

Contingent assets and liabilities	10.6
Proposed distribution of net profit	10.7
Related parties	10.8
Shareholders	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 1.1.2019	**4**	**8,291**	**121**	**8,416**
Profit for the year	-	565	203	768
Dividend paid	-	-	-121	-121
Equity at 31.12.2019	**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**

The share capital of DKK 4 million is divided into 3,500 shares of DKK 1,000.

Section 10

Notes to parent financial statements

10.1 Employees

In 2020, the basic remuneration of a member of the pa-rent's Board of Directors was DKK 200,000 (DKK 200,000 in 2019). 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 2019).

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 2020, the total remuneration for the Executive Board of William Demant Invest A/S was DKK 10 million (DKK 17 million in 2019).

The average number of employees in William Demant Invest A/S was 9 (9 in 2019).

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

(DKK million)	2020	2019
Statutory audit	0.5	0.5
Total	**0.5**	**0.5**

10.3 Net financial items

(DKK million)	2020	2019
Dividends from subsidiaries	33	31
Dividends from associates	-	72
Dividends from other investments	6	5
Interest income from joint operations	44	55
Interest income from subsidiaries	30	88
Fair value adjustment of other investments	500	439
Other financial income	8	10
Gain on disposal of shares in Demant A/S	-	181
Financial income	**621**	**881**
Interest expenses to parent	-71	-70
Other financial expenses	-14	-19
Financial expenses	**-85**	**-89**
Net financial items	**536**	**792**

10.4 Financial assets

(DKK million)	Investments in subsidiaries	Receivables from subsidiaries	Investments in associates and joint operations	Receivables from joint operations	Other investments
Cost at 1.1.2020	6,433	869	3,647	1,201	739
Foreign exchange rate adjustments	-	25	-	-4	-
Additions during the year	-	90	208	44	155
Disposals during the year	-	-1	-	-262	-
Debt conversion	878	-878	-	-	-
Transfers during the year	-	-	740	-	-440
Cost at 31.12.2020	**7,311**	**105**	**4,595**	979	**454**
Value adjustments at 1.1.2020	-	50	**-**	**-**	431
Value adjustments during the year	-	-	-	-	500
Transfers during the year	-	-50	-	-	-300
Value adjustments at 31.12.2020	**-**	**-**	**-**	**-**	**631**
Carrying amount 31.12.2020	**7,311**	**105**	**4,595**	**979**	**1,085**
Cost at 1.1.2019	**6,451**	**846**	**3,107**	**1,390**	**462**
Additions during the year	-	23	540	55	277
Disposals during the year	-18	-	-	-244	-
Cost at 31.12.2019	**6,433**	**869**	**3,647**	**1,201**	**739**
Value adjustments at 1.1.2019	**-**	**-**	**-40**	**-**	**32**
Reversal of impairment of investments in associates	-	-	40	-	-
Value adjustments during the year	-	50	-	-	399
Value adjustments at 31.12.2019	**-**	**50**	**-**	**-**	**431**
Carrying amount 31.12.2019	**6,433**	**919**	**3,647**	**1,201**	**1,170**

As of 1 January 2020, CellaVision has been transfered 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 2,216 million (DKK 2,092 million in 2019) DKK 2,000 million (DKK 2,000 million in 2019) is in convertible promissory notes, DKK 216 million (DKK 92 million 2019) is unpaid dividend and accrued interest.

10.6 Contingent assets and 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 2019) to cover obligations to decommission the group's part of the windfarm Borkum Riffgrund I.

10.7 Proposed distribution of net profit

(DKK million)	2020	2019
Retained earnings	512	565
Dividend	-	203
Total	**512**	**768**

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.

10.9 Shareholders

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 below.

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.

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	26%
Founders A/S, Denmark	33%
Revenio Group Oyi, Finland	11%
CellaVision AB, Sweden	16%

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 in Vision RT Ltd.

Company	Interest
Vision RT Ltd, UK	Parent
Visin 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, Germay	100%
Vision RT (Shanghai) Limited, China	100%

Subidiaries, associates and joint ventures in Demant Group

Company	Interest
Demant A/S	Parent
Oticon A/S, Denmark*	100%
Oticon AS, Norway*	100%
Oticon AB, Sweden*	100%
Oticon Denmark A/S, Denmark*	100%
Oticon GmbH, Germany	100%
Oticon España S.A., Spain	100%
Oticon Limited, United Kingdom*	100%
Oticon Malaysia Sdn, Malaysia*	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%
AccuQuest Hearing Center LLC, USA	100%
Acoustic Metrology Limited, United Kingdom	100%
ACS Sluchmed Sp. z o.o., Poland	100%
Acustica Sp. z o.o., Poland*	100%
Akoustica Medica M EPE, 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%
Audio Seleccion S.L., Spain*	100%
Audiology Services Company LLC, USA	100%
AudioNet America, Inc., USA	100%
Audmet Australia Pty. Ltd., Australia	100%
Audmet B.V., the Netherlands*	100%
Audmet Canada LTD., Canada	100%
Audmet New Zealand Limited, New Zealand*	100%
Audmet OY, Finland*	100%
Audmet S.r.l., Italy*	100%
BC Implants AB, Sweden*	100%
Bernafon A/S, Denmark*	100%
Bernafon AB, Sweden*	100%
Bernafon AG, Switzerland*	100%
Bernafon Hörgeräte GmbH, Germany	100%
Bernafon Ibérica S.L.U., Spain*	100%
Bernafon LLC, USA	100%
Centro Auditivo Telex Ltda., Brazil	100%
Danacom Høreapparater A/S, Denmark*	100%
Demant Italia S.r.l., Italy*	100%
Demant Japan K.K., Japan*	100%
Demant Korea Co. Ltd., Korea*	100%
Demant México, S.A. de C.V., Mexico*	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%

Company	Interest
Demant South Africa (Pty) Ltd., South Africa*	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%
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 Holding Belgium NV, Belgium*	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%
Sensory Devices Inc., USA	100%
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%
FrontRow Calypso LLC, USA	75%
Dencker A/S, Denmark*	40%
HIMSA A/S, Denmark	25%
Solaborate Inc., USA	20%

The list above includes Demant Group's active companies.
*Directly owned by Demant A/S.
**EPOS Group A/S is presenting financial statements in accordance with the Financial Statements Act § 78a.

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