Demant

Annual Report 2022

Demant A/S
Kongebakken 9
2765 Smørum
Denmark
CVR no. 71186911

1 January – 31 December 2022

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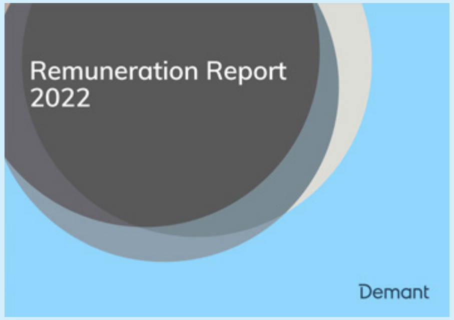

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Key figures and financial ratios – year

(DKK million)	2022	2021	2020	2019	2018
Hearing Healthcare					
Revenue	18,645	16,722	13,163	14,946	13,937
Organic growth	5%	31%	-13%	4%	7%
Gross margin	76.1%	77.1%	73.6%	75.8%	77.4%
Operating profit (EBIT)	3,443	3,626	1,211	2,085	2,428
EBIT margin	18.5%	21.7%	9.2%	14.0%	17.4%
Communications					
Revenue	1,060	1,183	1,306	-	-
Organic growth	-13%	-9%	-	-	-
Gross margin	45.0%	48.3%	50.3%	-	-
Operating profit (EBIT)[1]	-236	-122	102	66	104
EBIT margin	-22.3%	-10.3%	7.8%	-	-
Group					
Income statement					
Revenue	19,705	17,905	14,469	14,946	13,937
Organic growth	4%	27%	-13%	4%	7%
Gross margin	74.4%	75.2%	70.4%	75.8%	77.4%
EBITDA	4,383	4,730	2,578	3,110	2,978
EBITDA margin	22.2%	26.4%	17.8%	20.8%	21.4%
Adjusted EBIT[2]	3,207	3,504	1,313	2,151	2,652
Adjusted EBIT margin[2]	16.3%	19.6%	9.1%	14.4%	19.0%
Operating profit (EBIT)	3,207	3,663	1,530	2,151	2,532
EBIT margin	16.3%	20.5%	10.6%	14.4%	18.2%
Net financial items	-280	-202	-194	-240	-164
Profit after tax - continuing operations	2,276	2,711	1,134	1,467	1,830
Profit after tax - discontinued operations	-192	-183	-	-	-
Profit for the year	2,084	2,528	1,134	1,467	1,830

[1]EBIT for Communications in 2017-2019 relates to the Group's share of profit after tax from our former joint venture Sennheiser Communications.
[2]Adjusted for costs related to the 2018 restructuring programme, EPOS one-offs in 2020 and one-offs in 2021.
[3]The newly acquired Hearing Care retail chain Sheng Wang has not yet been integrated into our emissions reporting for 2022.
[4]Shareholder-elected members.
[5]No available data for the period 2018-2020.

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

(DKK million)	2022	2021	2020	2019	2018
Balance sheet					
Total assets	29,857	24,860	21,927	21,798	17,935
Net interest-bearing debt (NIBD)	12,711	9,150	7,135	8,185	5,835
Equity	8,562	7,981	8,279	7,645	7,059
Cash flow statement					
Adjusted cash flow from operating activities (CFFO)[2]	2,622	3,593	2,710	2,149	1,765
Cash flow from operating activities (CFFO)	2,622	3,593	2,621	2,149	1,683
Investment in property, plant and equipment, net	630	547	493	561	409
Free cash flow	1,617	2,838	2,023	1,338	1,185
Share buy-backs	1,840	3,200	197	946	1,751
Other key figures					
Gearing multiple (NIBD/EBITDA)	2.9	1.9	2.8	2.6	2.0
Earnings per share (EPS), DKK - continuing operations	10.06	11.48	4.68	6.00	7.32
Earnings per share (EPS)	9.21	10.70	4.68	6.00	7.32
Free cash flow per share (FCFPS)	7.15	12.09	8.44	5.49	4.76
Share price, end of period	192.55	335.10	240.60	209.80	184.90
Average number of shares outstanding	226.01	234.82	239.78	243.55	249.14
Average number of employees	19,239	16,866	16,155	15,352	14,250
Scope 1 & 2 CO_2e emissions (tonnes)[3]	31,349	30,813	24,634	26,514	24,811
CEO remuneration ratio	39	38	35	34	32
Gender diversity, Board of Directors (women/men)[4]	40/60%	40/60%	40/60%	20/80%	20/80%
Gender diversity, all managers (women/men)	44/56%	43/57%	42/58%	41/59%	37/63%
Gender diversity, top level management (women/men)[5]	23/77%	22/78%	-	-	-
Gender diversity, top level management teams (on/off target)[5]	71/29%	65/35%	-	-	-

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

Key figures and financial ratios – half-year

(DKK million)	H2 2022	H1 2022	H2 2021	H1 2021	H2 2020	H1 2020
Hearing Healthcare						
Revenue	9,700	8,945	8,597	8,125	7,631	5,532
Organic growth	5%	6%	14%	55%	2%	-27%
Gross margin	75.9%	76.4%	77.6%	76.6%	74.5%	72.3%
Operating profit (EBIT)	1,748	1,695	1,908	1,718	1,425	-214
EBIT margin	18.0%	18.9%	22.2%	21.1%	18.7%	-3.9%
Communications						
Revenue	508	552	562	621	760	546
Organic growth	-13%	-14%	-27%	16%	-	-
Gross margin	43.9%	45.9%	48.2%	48.3%	52.9%	46.7%
Operating profit (EBIT)[1]	-129	-107	-78	-44	81	21
EBIT margin	-25.4%	-19.3%	-13.9%	-7.1%	10.7%	3.8%
Group						
Income statement						
Revenue	10,208	9,497	9,159	8,746	8,391	6,078
Organic growth	3%	4%	10%	51%	2%	-27%
Adjusted gross margin[2]	74.3%	74.6%	75.8%	74.5%	72.5%	70.0%
Gross margin	74.3%	74.6%	75.8%	74.5%	72.1%	68.2%
EBITDA	2,255	2,128	2,543	2,187	1,949	629
EBITDA margin	22.1%	22.4%	27.8%	25.0%	23.2%	10.3%
Adjusted EBIT[2]	1,619	1,588	1,830	1,674	1,506	-193
Adjusted EBIT margin[2]	15.9%	16.7%	20.0%	19.1%	17.9%	-3.2%
Operating profit (EBIT)	1,619	1,588	1,989	1,674	1,416	114
EBIT margin	15.9%	16.7%	21.7%	19.1%	16.9%	1.9%
Net financial items	-185	-95	-101	-101	-106	-88
Profit after tax - continuing operations	1,118	1,157	1,495	1,216	1,013	121
Profit after tax - discontinued operations	-84	-107	-150	-33	-	-
Profit for the period	1,035	1,050	1,345	1,183	1,013	121

[1]EBIT for Communications in 2017-2019 relates to the Group's share of profit after tax from our former joint venture Sennheiser Communications.
[2]Adjusted for costs related to the 2018 restructuring programme, EPOS one-offs in 2020 and one-offs in 2021.
[3]The newly acquired Hearing Care retail chain Sheng Wang has not yet been integrated into our emissions reporting for 2022.
[4]Shareholder-elected members.
[5]No available data for the period 2020-2021.

(DKK million)	H2 2022	H1 2022	H2 2021	H1 2021	H2 2020	H1 2020
Balance sheet						
Total assets	29,857	27,335	24,860	23,579	21,927	22,067
Net interest-bearing debt (NIBD)	12,711	10,986	9,150	8,573	7,135	8,388
Equity	8,562	8,184	7,981	7,796	8,279	7,449
Cash flow statement						
Adjusted cash flow from operating activities (CFFO)**	1,707	915	2,000	1,593	1,944	766
Cash flow from operating activities (CFFO)	1,707	915	2,000	1,593	1,892	729
Investment in property, plant and equipment, net	329	301	340	207	251	242
Free cash flow	1,219	398	1,522	1,316	1,534	489
Share buy-backs	533	1,307	1,387	1,813	-	197
Other key figures						
Gearing multiple (NIBD/EBITDA)	2.9	2.4	1.9	1.8	2.8	3.9
Earnings per share (EPS), DKK - continuing operations	4.99	5.07	6.40	5.08	4.18	0.50
Earnings per share (EPS)	4.61	4.60	5.76	4.94	4.18	0.50
Free cash flow per share (FCFPS)	5.40	1.75	6.55	5.54	6.40	2.04
Share price, end of period	192.55	266.30	335.10	353.00	240.60	174.90
Average number of shares outstanding	224.06	227.98	232.59	237.66	239.78	239.90
Average number of employees	20,349	18,130	17,161	16,572	16,203	16,107
Scope 1 & 2 CO_2e emissions (tonnes)[3][5]	14,938	16,411	-	-	-	-
Gender diversity, Board of Directors (women/men)[4][5]	40/60%	40/60%	-	-	-	-
Gender diversity, all managers (women/men)[5]	44/56%	44/56%	-	-	-	-

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

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CEO letter

There is no single, exhaustive headline that describes 2022. We went into the year full of optimism and with an ambitious plan, and once again, we experienced first-hand how our ability to adapt to global changes is crucial for the continuous operation and development of our company. Despite headwind from a challenging macroeconomic environment and supply chain situation, we delivered top-line growth of 10%, which is less than originally expected, but still a solid performance under tough conditions and indeed a testament to the strength of our organisation, people and culture.

The year started on a high note: After a strong and solid 2021, we had every reason to have high expectations for 2022. Most of the world opened again, the recovery after coronavirus took off, which made it possible for us to travel and meet each other again after almost two years of isolation, and seeing our customers, shareholders and employees in real life again has been one of the highlights of the year.

Our company is also driven by people's interaction. To communicate, to interact with people and to listen to each other are crucial elements in all our hearing healthcare and communication solutions that enable individuals to interact freely with the surrounding world.

Market share gains

Early in the year, the good momentum lost pace. Global stability, which companies normally rely on, suffered further under the war in Ukraine and under the macroeconomic uncertainty and declining consumer confidence that followed. Unfortunately, this uncertainty had an impact on our results, as both industries in which we operate – hearing healthcare and audio technology – were negatively impacted, albeit to varying degrees.

Given the difficult hearing healthcare market, we did well. Our core Hearing Healthcare segment grew, and our Diagnostics and Hearing Aids business areas both gained market shares. Even with the global challenges, we showed a unique ability to mitigate disruptions to our supply chain, and our set-up with proximity to the market and the customers has proven valuable.

As great as 2021 was for our Diagnostics business area, 2022 shaped up to be even better. The results speak for themselves, and one of the underlying mechanisms driving the good performance has been our work in training and education in diagnostic methods and hearing treatment.

Paradigm-shifting technology

Time and again, we have proven that our technology is unique and life-changing for our users. With our balance equipment, we diagnose and provide treatment for vertigo and thus offer people suffering from dizziness rehabilitation and thus the possibility to live a normal life.

In Hearing Aids, our innovative audiology platform continues to set new standards, accentuated by the open sound landscape – the hearing aids give access to the whole sound image even in noisy environments – which is still a "user first choice". Our customers have benefitted from it year after year, not least with the latest hearing aid platform, which was expanded in 2022 by a complete line of custom in-the-ear devices. In a highly competitive hearing aid market, our Hearing Aids business area has done well, and we remain committed to continuing to improve our products with paradigm-setting technology.

Data create insight

When we talk about our core technology, we do it with a great deal of confidence, but what can we say will be next? In our new families of premium hearing aids, which will be launched shortly, we will go one step further and offer the optimal sound image for hearing aid users by reducing sudden disruptive sounds and in doing so making the open sound hearing experience more comfortable, focused and sharp. A key technological theme is how we use data to gain insight and understanding, and – more importantly – how we use such data to improve the treatment of hearing loss and nudge users to get the most out of their solutions.

Difficult market conditions

In Communications, our premium solutions are also built on state-of-the-art technology, and we continue our R&D efforts even in a tough year. We have been impacted by a challenged supply chain and a significantly challenged gaming market, which is why this part of our business did not live up to the growth expectations we communicated at the beginning of the year. However, we remain dedicated to developing EPOS and helping it prosper in enterprise and gaming solutions.

Seeing our customers, shareholders and employees in real life again has been one of the highlights of the year.

Growth and expansion have also been important themes for our Hearing Care business area in the past year despite weak market conditions and overall performance for the year below our expectations. On the positive side, we have taken an important strategic step in China with the acquisition of the Sheng Wang chain. In a country where the hearing healthcare infrastructure is still at an early stage, Demant's hearing healthcare businesses are now well positioned for future growth in China, which enables us to help even more people hear better.

Decision to discontinue

In early 2022, we communicated our decision to discontinue our Hearing Implants business area. Following a careful strategic review, we concluded that becoming a global leader in hearing implants by providing the best hearing implants for the benefit of both patients and customers was no longer achievable for us. While the Oticon Medical divestment process continues into 2023, we insist on ensuring the best lifelong support for existing patients – now and in the future.

Importance of personal care

A key topic in our industry this year has been the approval by the US Food and Drug Administration of the over-the-counter (OTC) category of hearing aids in the US. While we fully support expanding the access to hearing healthcare, we remain convinced that the involvement of an expert between a person with hearing loss and the appropriate treatment is the best solution for treating hearing loss most efficiently. We continue to analyse this market in terms of value both for the user and for Demant.

Transition to net zero

The world is full of technology that makes everyday life better in a sustainable way – in terms of both sustainable health solutions and climate sustainability. In 2022, we have taken an important step in the global transition to net zero by integrating our climate strategy into our business and operations. We have launched projects that support our reduction targets in all scopes, and based on this, we have submitted our goals to halve our CO_2 emissions by 2030 and reach net zero by 2050 to the Science Based Target Initiative. In 2023, we welcome their validation.

An inclusive workplace

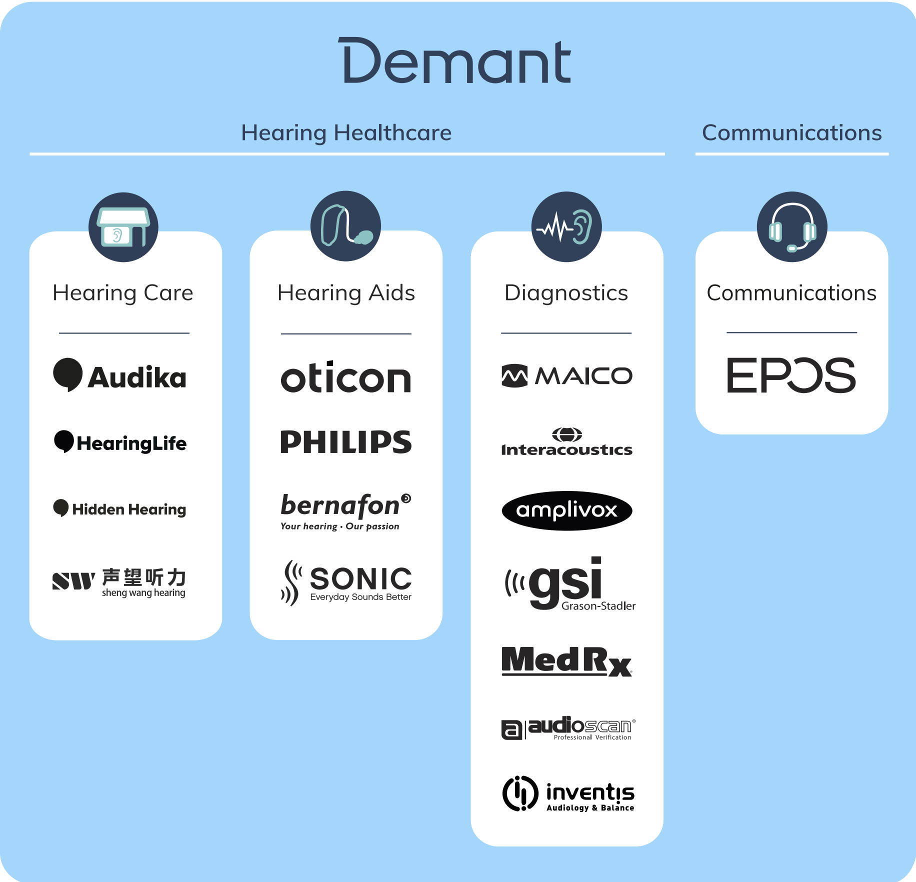
Diversity, equity and inclusion were other important sustainability focus areas for us in 2022. With new ambitions and goals, mainly focusing on gender balance, we have throughout the year taken actions to create a workplace where everyone feels that they belong, and for the entire Group, we work with leadership training and on identifying any processes that may stand in the way of creating a diverse and inclusive workplace.

Finally, I would like to take this opportunity to say a heartfelt thank you to our customers, to our employees and to the shareholders in Demant. Thank you for helping us create life-changing hearing health in 2022. Despite a very dynamic business environment in the past year and no doubt also in 2023, I see many reasons to look towards 2023 with optimism.

Søren Nielsen

This is Demant

Demant is a global hearing healthcare and audio technology company that operates with subsidiaries in more than 30 countries and sells products in more than 130 countries. To help people connect and communicate with the world around them, the Group offers solutions and services in four business areas: Hearing Care, Hearing Aids and Diagnostics, which constitute the Hearing Healthcare segment, and Communications.



Hearing Care

Through individualised counselling, care and aftercare, our global network of clinics provides hearing care by performing hearing tests and fitting hearing aids to help users get the right solution for their specific hearing loss and to ensure that every user benefits the most from their hearing aids.

Hearing Aids

Boasting the industry's most advanced centre of excellence for research in audiology and hearing loss, Demant develops state-of-the-art hearing aids. Covering all ranges of hearing loss, we manufacture and distribute hearing aids to hearing clinics all over the world, including local service, support and training.

Diagnostics

We develop, manufacture and market a wide range of solutions and services for hearing and balance assessment, including instruments, consumables and installation. Our products and solutions are used by and bring value to audiologists, ENT (ear, nose and throat) doctors and healthcare professionals.

Communications

Under the EPOS brand, we design, manufacture and sell groundbreaking high-end audio and video solutions for business professionals and gamers, including headsets, speakerphones, video conferencing devices, software and accessories.

Discontinued operations: Hearing Implants

We announced in 2022 our decision to discontinue the Hearing Implants business area, while still offering our products and services to patients: We thus provide cochlear implants and bone anchored hearing systems to patients facing the hardest hearing challenges. Once surgically implanted, the implants provide lifelong hearing assistance.

Purpose and strategy

We create life-changing differences through hearing health

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

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

Our strategy

Our strategic ambition is to become the world's leading hearing healthcare company and to significantly expand our position within the enterprise and gaming headsets industry.

We are active in niche markets – with several major players, intense competition and a high level of innovation – that are expected to grow in the foreseeable future. In these markets, our strategy is to operate multiple businesses that share value-adding synergies. To obtain the benefit of economies of scale, our clear goal is to grow faster than the underlying markets with a view to winning market shares over time through both organic and acquisitive growth. To this end, we have defined an overall ambition for the Demant Group and specific ambitions for the individual business areas.

As a Group, we have the size and scale necessary to compete effectively, and each of our business areas pursues its own strategy in such a way that we ensure a customer-centric approach, while leveraging synergies across the business.

We build on four enablers that are designed to serve our purpose, deliver on our ambitions and execute our strategy: a well-founded operating model, a strong organisation, focus on people and culture and a strong commitment to sustainability:

Operating model

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

With a clear technology overlap between the business areas, innovation is the core of our operating model, and Demant will continue to invest heavily in R&D and focus on value-adding collaboration across the R&D functions of our individual business areas.

With sales companies and distribution channels all over the world, the Group benefits from a strong global distribution set-up that enables us to continuously increase our reach to a variety of countries, markets and customer segments. Each business area is supported by a global shared services set-up that provides a strong infrastructure in the Group and enables the business areas to exploit the competitive advantages and economies of scale that derive from being part of a large Group.

Organisation

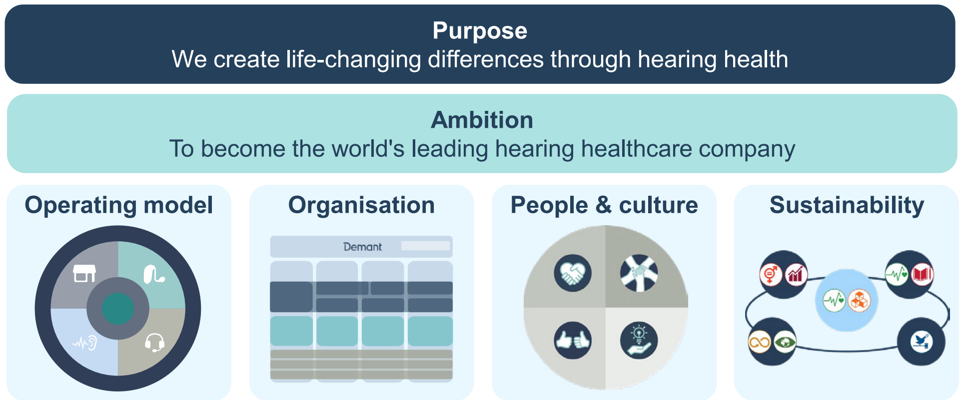
All our business areas have dedicated organisations to enable them to service their individual markets, ensure a customer-centric approach and execute their specific strategic initiatives. The organisation and operating model combined support a strong collaboration culture across business areas.

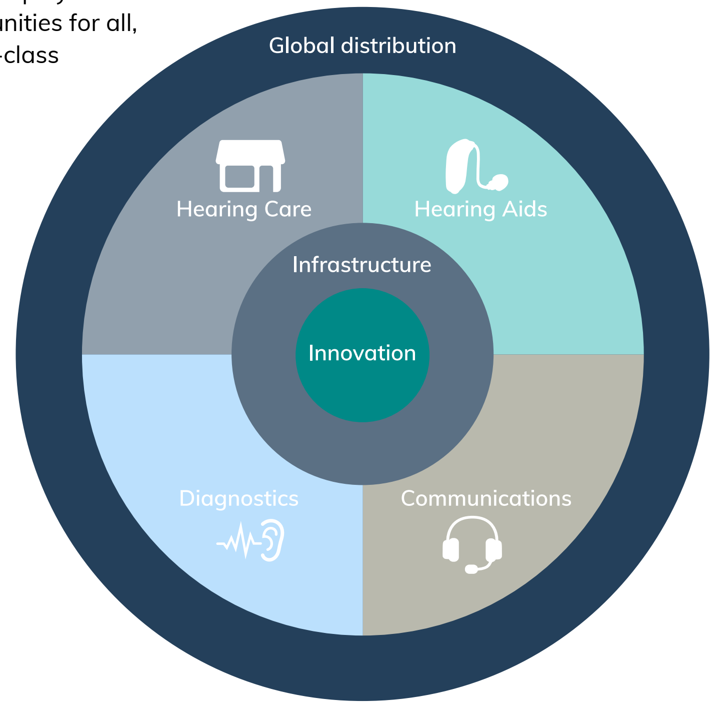
People & culture

Our employees are our most valuable resource and key to executing our strategy. The people and culture agenda is based on a set of global focus areas and initiatives to create a diverse and inclusive culture. We strive for strong employee engagement and fair opportunities for all, and we believe that world-class leadership is key to attracting and retaining the brightest minds in the industry, including leaders that do their utmost to create engagement and an innovative work environment.

Sustainability

Our core commitment to society is to help people overcome their hearing loss and thus improve their quality of life by providing innovative solutions. We believe that this is what makes us a positive impact company. Running a sustainable company – environmentally, socially and financially – is key to our long-term success, and we proudly and with enthusiasm do our bit to solve global challenges, while ensuring sustainability in our operational practices.





Sustainability

Through life-changing hearing health, we contribute to building a more sustainable world where all people have the opportunity to hear, actively participate in life and be appreciated.

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

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

Our sustainability strategy at a glance

Purpose and core contribution

Life-changing differences through hearing health

3 GOOD HEALTH AND WELL-BEING

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Main priorities

Strategic sustainability projects

5 GENDER EQUALITY

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

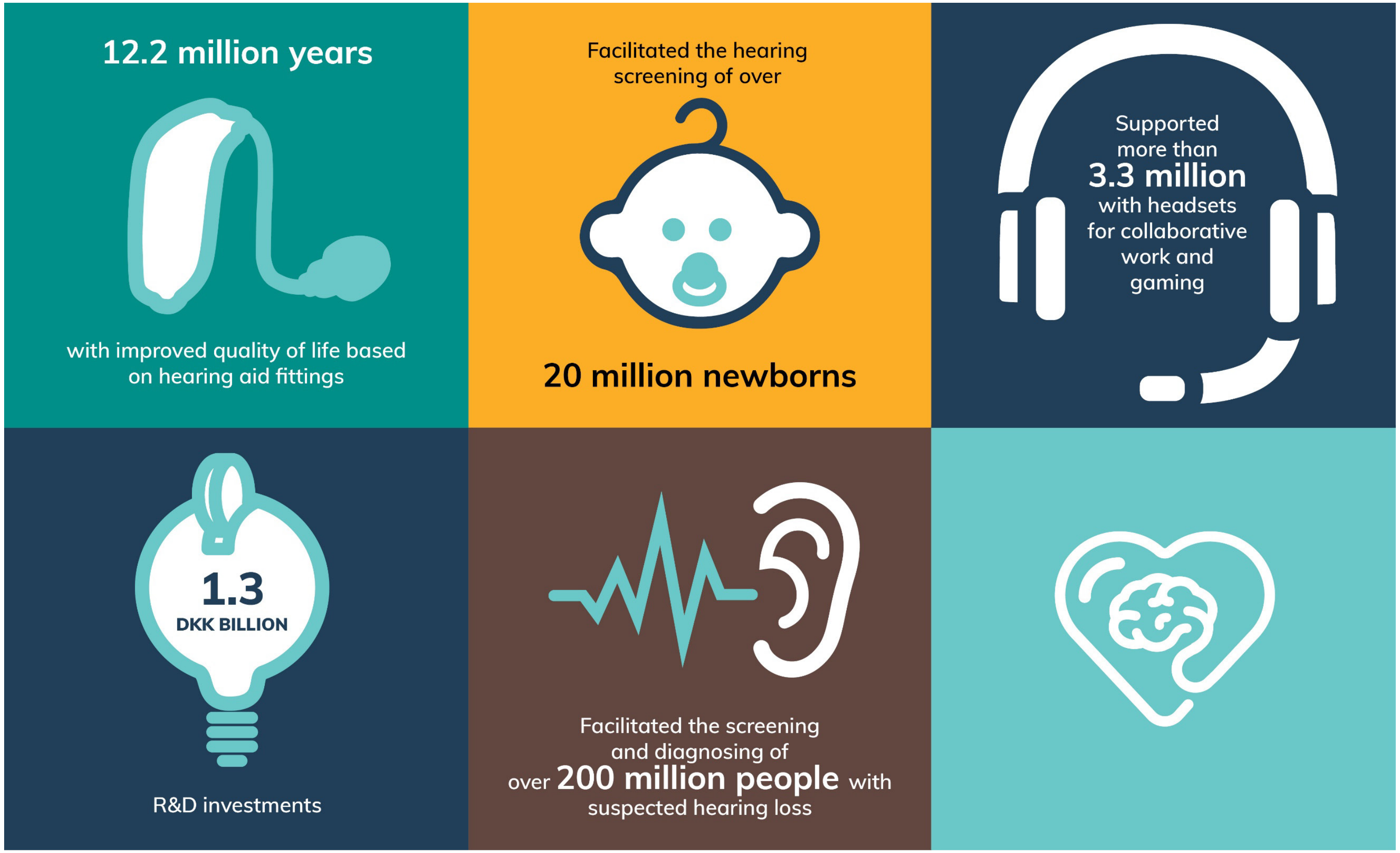
Sustainability highlights

In 2022, we continued to strengthen our sustainability performance. Among the important milestones of the year were the advancements we made in our two main sustainability priorities: diversity, equity and inclusion and climate impact (see next page). The Group made progress in all material areas of our strategy.

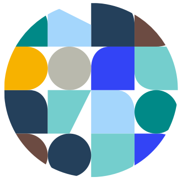
Sustainability reporting

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

The full Sustainability Report is available on our website. Find it here



Sustainability highlights and targets



New Diversity, equity and inclusion policy and targets

Diversity, equity and inclusion (DE&I) is a top priority in Demant, and our approach is guided by our new DE&I policy introduced in 2022.

The policy establishes new targets for gender distribution in top-level management and in management teams. It also introduces new short-term activities to further address potentially unconscious biases and sameness thinking and to promote an inclusive culture.

Increase in women in top-level management

In 2022, the number of women in Demant's top-level management increased by 1 percentage point to 23%.

The number of management teams with unbalanced team composition was reduced from 35% to 29% in 2022.

Submission of targets to the Science Based Targets initiative

In 2022, Demant submitted both its short-term targets and its net-zero target to the Science Based Targets initiative, which are currently awaiting validation.

Demant launched several Group-wide projects in 2022 to meet the ambitions in all scopes.

Roadmap for renewable electricity

Analysing the Group's electricity consumption and the mechanisms available in our largest markets, we developed a Group roadmap for renewable electricity to boost the transition.

Alongside this transition, individual sites and business areas are already working on reducing their energy consumption as much as possible.

Relief Ukraine employee fund

William Demant Foundation allocated DKK 9 million to humanitarian aid in and outside Ukraine, including a special fund for employees to support Ukrainian refugees through humanitarian organisations of their choice. Many applications came from employees in Poland where the crisis is particularly close to their daily lives.

DKK 2 million was distributed among approx. 30 organisations, supporting refugees with food, shelters and hospital equipment among many other things.

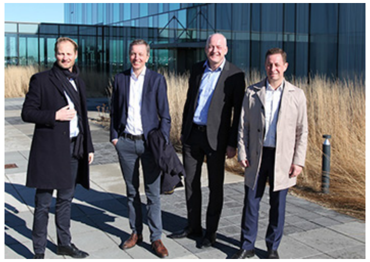
Group targets

	Diversity, equity and inclusion	Emissions	Renewable electricity
2025	30% women in top-level management 75% of top-level management teams have a maximum of 75% of one gender		50% renewable electricity
2030		Approx. 50% reduction in scope 1 and 2, expected similar reduction in scope 3	100% renewable electricity
2050		Net-zero emissions	

Highlights in 2022

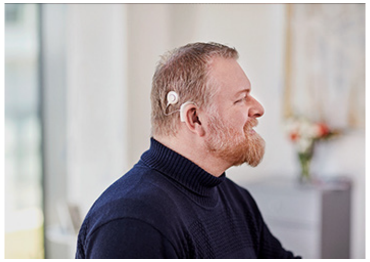
Read more at demant.com/about/latest-news

Less than 20% of Brits with hearing difficulty seek professional help



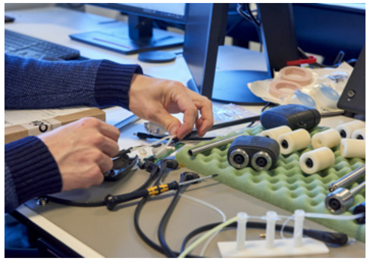
Demant expands the Executive Board

Demant completes acquisition of Sheng Wang in China



Demant intends to discontinue its Hearing Implants business

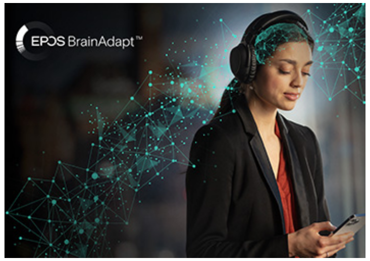
Interacoustics obtains recognised environmental standard certification



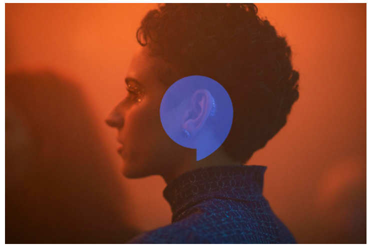
Demant establishes new technology and innovation centre in Kuala Lumpur

Oticon introduces world-class custom hearing aids

TVR Chair making life-changing differences in Australia and Canada



Study: Poor audio causes our brains to work 35% harder to interpret information

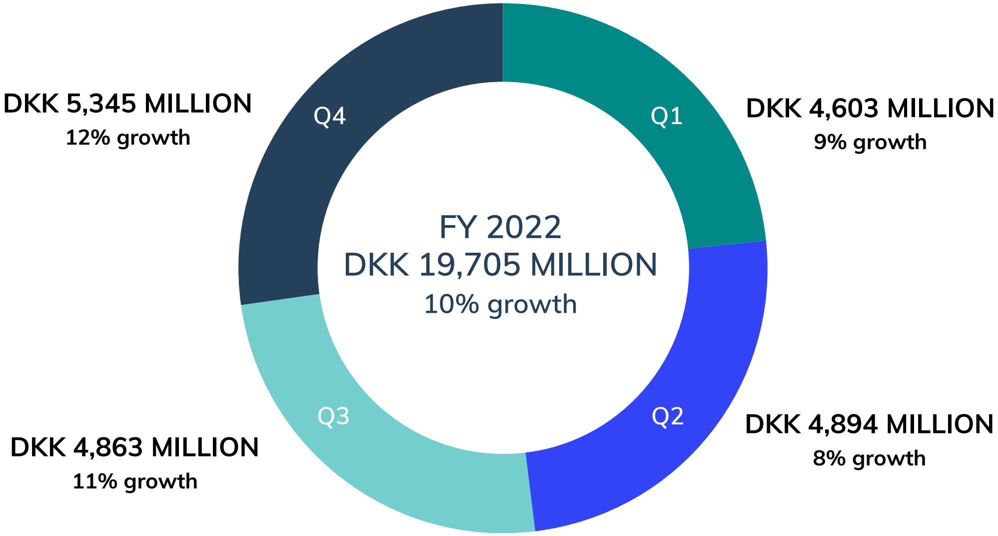


Love your ears – Audika campaign raises awareness of hearing

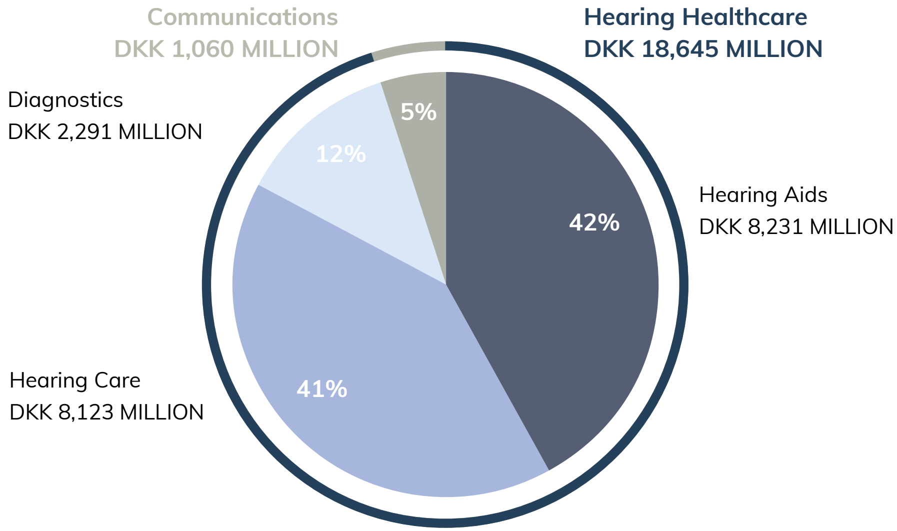
2022 in brief

Financial results shown for continuing operations

Group revenue



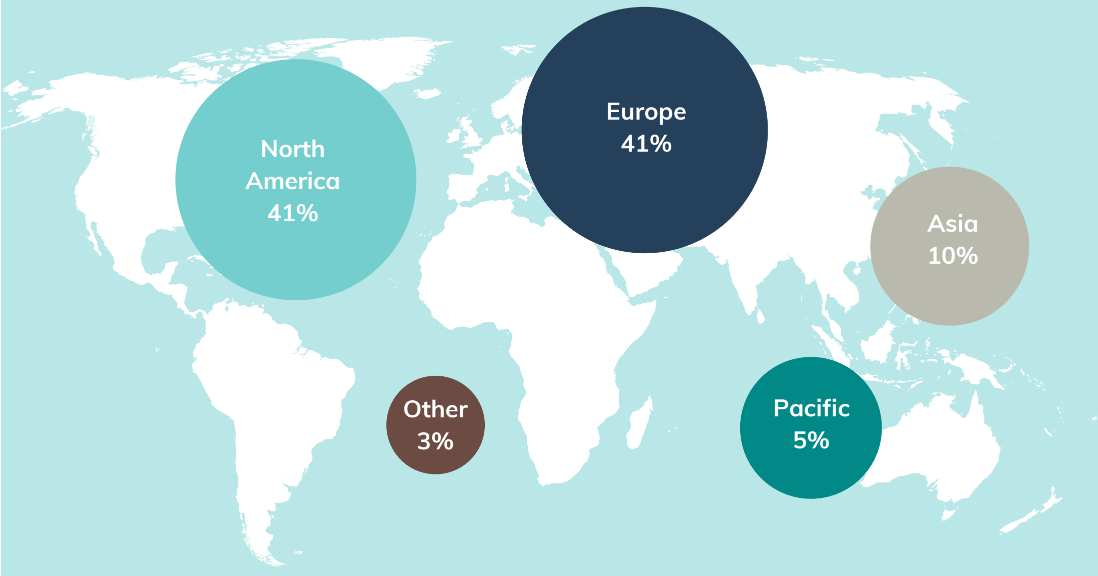
Revenue by business area



EBIT
3,207
DKK MILLION

EBIT MARGIN
16.3%

Revenue by geographic region FY 2022



Hearing Healthcare

GROWTH
7%
IN LOCAL CURRENCIES

EBIT
3,443
DKK MILLION

EBIT MARGIN
18.5%

Hearing Healthcare saw organic growth of 5% driven by strong performances in Hearing Aids and Diagnostics

Communications

GROWTH
-13%
IN LOCAL CURRENCIES

EBIT
-236
DKK MILLION

EBIT MARGIN
-22.3%

Communications saw organic growth of -13%, primarily due to a very weak gaming market, resulting in a negative EBIT

Outlook for the Group in 2023

ORGANIC GROWTH
3-7%

ACQUISITIVE GROWTH
3%

EBIT
3,600-4,000
DKK MILLION

Group financial key figures

20,570
EMPLOYEES

1.3
DKK BILLION INVESTED IN R&D

Earnings per share

EPS
10.06
DKK

Cash flow from operating activities

CFFO
2.6
DKK BILLION

Group financial review

FY

(DKK million)	Hearing Healthcare 2022	Communi-cations 2022	Group 2022	Group adjusted 2021	Group adjusted growth	One-offs 2021	Group reported 2021	Group reported growth
Revenue	18,645	1,060	19,705	17,905	10%	-	17,905	10%
Production costs	-4,453	-583	-5,036	-4,447	13%	-	-4,447	13%
Gross profit	**14,192**	**477**	**14,669**	**13,458**	**9%**	**-**	**13,458**	**9%**
Gross margin	76.1%	45.0%	74.4%	75.2%			75.2%	
R&D costs	-1,083	-231	-1,314	-1,139	15%	-	-1,139	15%
Distribution costs	-8,787	-445	-9,232	-8,043	15%	60	-7,983	16%
Administrative expenses	-1,001	-37	-1,038	-892	16%	-	-892	16%
Share of profit after tax, associates and joint ventures	122	-	122	120	2%	-	120	2%
Other operating income	-	-	-	-	-	99	99	-
Operating profit (EBIT)	**3,443**	**-236**	**3,207**	**3,504**	**-8%**	**159**	**3,663**	**-12%**
EBIT margin	18.5%	-22.3%	16.3%	19.6%			20.5%	

H1

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

H2

(DKK million)	Hearing Healthcare 2022	Communi-cations 2022	Group 2022	Group adjusted 2021	Group adjusted growth	One-offs 2021	Group reported 2021	Group reported growth
Revenue	9,700	508	10,208	9,159	11%	-	9,159	11%
Production costs	-2,338	-284	-2,622	-2,221	18%	-	-2,221	18%
Gross profit	**7,362**	**224**	**7,586**	**6,938**	**9%**	**-**	**6,938**	**9%**
Gross margin	75.9%	44.1%	74.3%	75.8%			75.8%	
R&D costs	-549	-114	-663	-582	14%	-	-582	14%
Distribution costs	-4,617	-221	-4,838	-4,122	17%	60	-4,062	19%
Administrative expenses	-513	-18	-531	-467	14%	-	-467	14%
Share of profit after tax, associates and joint ventures	65	-	65	63	3%	-	63	3%
Other operating income	-	-	-	-	-	99	99	-
Operating profit (EBIT)	**1,748**	**-129**	**1,619**	**1,830**	**-12%**	**159**	**1,989**	**-19%**
EBIT margin	18.0%	-25.4%	15.9%	20.0%			21.7%	

HEARING HEALTHCARE
18,645
DKK MILLION (+12%)

COMMUNICATIONS
1,060
DKK MILLION (-10%)

GROUP REVENUE
19,705
DKK MILLION (+10%)

Introduction

Unless otherwise indicated, the commentary below on our financial results is based on adjusted figures, i.e. 2021 figures are shown before one-offs related to the sale of FrontRow Calypso LLC and to the reversal of provisions made during the coronavirus pandemic. No one-off adjustments have been made for 2022.

As a result of the announced decision to discontinue the Hearing Implants business, this business area is recognised as a discontinued operation, and comparative figures for 2021 in the income statement and cash flow statement have been restated to reflect this.

For detailed financial reviews of our Hearing Healthcare and Communications segments, please refer to page 25 and 35, respectively.

Revenue

For the full year, Group revenue amounted to DKK 19,705 million, corresponding to a growth rate of 5% in local currencies. Organic growth was 4%, which is within the most recent organic growth guidance of 2-4% for 2022, but below our original expectations for the year. Acquisitive growth was 2%, and exchange rates had an impact on revenue of 5%, which includes the effect of exchange rate hedging. Total reported growth for 2022 was 10%.

Revenue for H2 amounted to DKK 10,208 million, corresponding to a growth rate of 6% in local currencies. Organic growth was 3%, which was entirely driven by Hearing Healthcare, and growth from acquisitions was 2%. Exchange rates impacted revenue by 6%, and total reported growth for H2 was 12%.

In terms of geography, revenue in Europe continued to grow in H2, but many markets saw growth below expectations due to increased macroeconomic uncertainty. Growth in government channels found a more moderate level in H2 after having been high at the beginning of the year where the comparative period was impacted by coronavirus restrictions. In addition, the growth rate in H2 continued to be negatively impacted by a high comparative base in France following the hearing healthcare reform implemented in 2021.

Growth rates by business segment

	H1 2022	H2 2022	FY 2022
Hearing Healthcare			
Organic	6%	5%	5%
Acquisitions	1%	3%	2%
Local currencies	**6%**	**7%**	**7%**
FX	4%	6%	5%
Total	**10%**	**13%**	**12%**
Communications			
Organic	-14%	-13%	-13%
Acquisitions	0%	0%	0%
Local currencies	**-14%**	**-13%**	-13%
FX	3%	3%	3%
Total	**-11%**	**-10%**	**-10%**
Group			
Organic	4%	3%	4%
Acquisitions	1%	2%	2%
Local currencies	**5%**	**6%**	**5%**
FX	4%	6%	5%
Total	**9%**	**12%**	**10%**

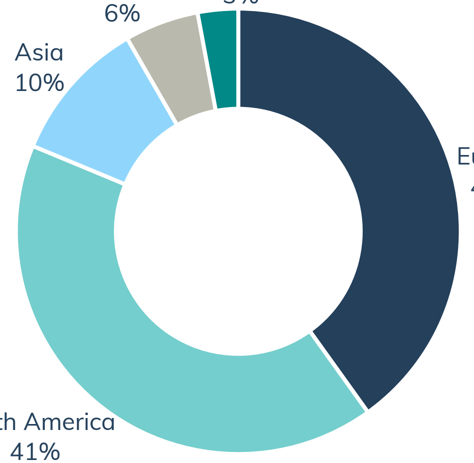
Revenue by geographic region

(DKK million)	H2 2022	H2 2021	Change DKK	Change LCY	Change Org.
Europe	4,092	3,911	5%	4%	2%
North America	4,203	3,715	13%	1%	1%
Asia	1,063	806	32%	34%	19%
Pacific region	550	531	4%	0%	0%
Other countries	300	196	52%	38%	37%
Total	**10,208**	**9,159**	**12%**	**6%**	**3%**

Supported by strong performance in Diagnostics and market share gains in Hearing Aids, organic growth was slightly positive in North America. However, our growth in the region was weaker than expected due to developments in Hearing Care and Communications, which weighed on our growth in the region.

Asia and Other countries continued their strong performance, partly due to low comparative figures and despite the negative effect of the coronavirus situation in China. In the Pacific region, organic growth was flat in H2.

Revenue by geographic region H2 2022



OPEX by function

(DKK million)	H2 2022	H2 2021	Change DKK	Change LCY	Change Org.
R&D costs	663	582	14%	14%	12%
Distribution costs	4,838	4,122	17%	12%	5%
Administrative expenses	531	467	14%	8%	8%
Total	**6,032**	**5,171**	**17%**	**12%**	**6%**

Gross profit

The Group's gross profit increased by 9% to DKK 14,669 million in 2022, corresponding to a gross margin of 74.4%. This is a decrease of 0.8 percentage point compared to 2021, primarily related to negative mix changes in Hearing Healthcare.

In H2, the Group's gross profit amounted to DKK 7,586 million, corresponding to an increase of 9% compared to H2 2021 and resulting in a gross margin of 74.3%, a decline of 1.5 percentage points. The gross margin declined in both Hearing Healthcare and Communications due to mix changes and a negative impact of foreign exchange rates.

In H2, we continued to see some impact of the dynamic supply chain situation, which predominantly relates to higher freight charges, although the impact became less pronounced in the period. In addition, we saw some negative impact in H2 of higher-than-normal wage inflation.

Operating expenses (OPEX)

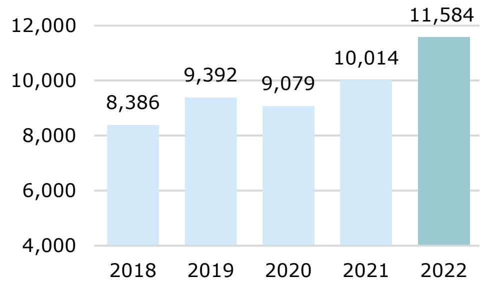
For the full year, OPEX increased by 10% in local currencies of which 7 percentage points related to organic growth and 3 percentage points to acquisitions.

In H2, OPEX growth was 12% in local currencies compared to H2 2021. In organic terms, OPEX increased by 6% in H2, reflecting limited ability in the short term to align costs with the lower revenue level in Hearing Care and Communications. We continued to expand our R&D activities to ensure continued technological leadership, which resulted in higher R&D costs, and we also saw growing administrative expenses in the period. To adjust our cost base to market developments, we took cost reduction measures in Hearing Aids, Hearing Care and Communications, which will result in OPEX savings of approx. DKK 100 million on an annual basis. These measures had minimal effect in 2022 but will have full effect from 2023.

The Group saw an impact of 6% on OPEX of acquisitions made in H2, most of which related to Sheng Wang and Inventis Srl. Changes in foreign exchange rates added 5% to OPEX growth.

Five-year OPEX

(DKK million)



*2018-2020 figures have not been restated to reflect the discontinuation of Hearing Implants but have been adjusted for one-offs.

Operating profit (EBIT)

The Group's reported EBIT amounted to DKK 3,207 million in 2022, which corresponds to an EBIT margin of 16.3%.

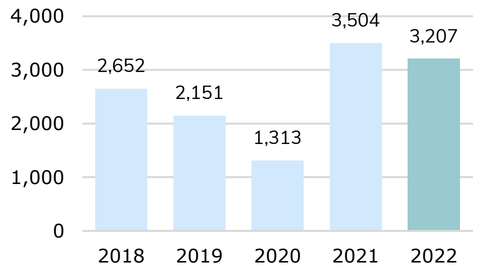
In H2, EBIT was DKK 1,619 million, a decline of 12% compared to H2 2021. Hearing Healthcare contributed DKK 1,748 million and Communications DKK -129 million. The resulting EBIT margin for H2 was 15.9%, which is a decline of 4.1 percentage points. The lower EBIT margin was due to lower profitability in Hearing Care and Communications, which both saw revenue levels materially below original expectations and thus cost bases that were misaligned with realised activity levels. Exchange rates had a minor positive impact on EBIT.

Despite improvements in the supply chain dynamics, we saw an increasing effect of the higher-than-normal inflation on our cost base. The recent development in the coronavirus situation in China also had an impact on profitability, as revenue was materially impacted in Q4, but with limited flexibility to adjust OPEX.

As a consequence of our acquisition strategy, we realised certain fair value adjustments of non-controlling interests in step acquisitions, contingent considerations etc. These totalled a net positive fair value adjustment of DKK 23 million (DKK 64 million in 2021). Please refer to Note 6.1 for more details.

Full-year EBIT

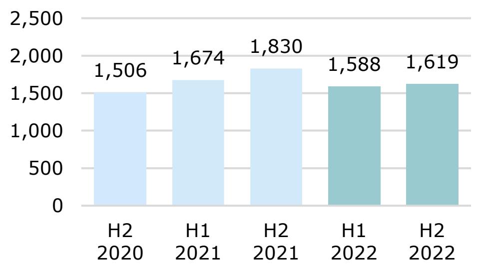
(DKK million)



*2018-2020 figures have not been restated to reflect the discontinuation of Hearing Implants but have been adjusted for one-offs.

Half-year EBIT

(DKK million)



*2018-2020 figures have not been restated to reflect the discontinuation of Hearing Implants but have been adjusted for one-offs.

Financial items

For the full year, net financials amounted to DKK -280 million, which is an increase of DKK -78 million compared to 2021. The increase predominantly relates to H2 where net financials totalled DKK -185 million. This is an increase of DKK 84 million, which mainly relates to higher interest rates paid on higher net interest-bearing debt.

Profit for the year – continuing operations

Reported profit before tax from continuing operations in 2022 amounted to DKK 2,927 million, which is a decrease of 15% compared to 2021 and below our expectations due to a lower EBIT. Tax amounted to DKK 651 million. The resulting effective tax rate was 22.2%, which is in line with our guidance of 22-23%.

For H2, profit before tax from continuing operations was DKK 1,434 million and tax amounted to DKK 315 million.

For the full year, reported net profit for continuing operations was DKK 2,276 million, or a decrease of 16%, resulting in earnings per share (EPS) of DKK 10.06.

In H2, reported net profit for continuing operations was DKK 1,119, which corresponds to an EPS of DKK 4.99.

Discontinued operations

In line with our most recent expectations, profit after tax from discontinued operations amounted to DKK -192 million for the full year and DKK -85 million for H2 2022.

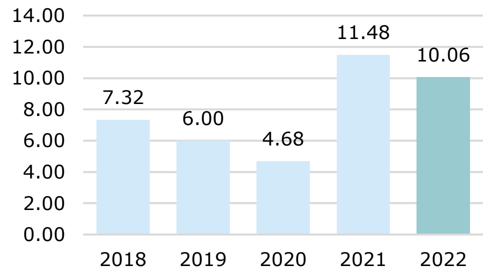
Profit for the year

For the Group as a whole, profit after tax in 2022 was DKK 2,084 million, corresponding to an EPS of 9.21. In H2, net profit after tax was DKK 1,034 million.

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

Earnings per share (EPS) for continuing operations

(DKK per share)



*2018-2020 figures have not been restated to reflect the discontinuation of Hearing Implants.

Cash flow statement

The Group's cash flow from operating activities (CFFO) declined by 27% to DKK 2,622 million in 2022. In H2, CFFO amounted to DKK 1,707, down by 15% due to the lower operating profit, but it was positively impacted by an improvement in the net working capital in the period.

In 2022, our net investments in tangible and intangible assets (CAPEX) amounted to DKK 908 million, which is an increase of 28%. CAPEX relative to sales was 5%, which is slightly above our medium- to long-term ambition. In H2, CAPEX was DKK 504 million, up by 15% on the same period in 2021. The change can mainly be attributed to increased investments in property, plant and equipment relating to the construction of production facilities in Poland and Mexico.

Net investments in other non-current assets, which comprise customer loans and loans to associates, amounted to DKK 97 million, resulting in total net investments of DKK 1,005 million in 2022. For H2, net investments in other non-current assets amounted to DKK -16 million and net investments to DKK 488 million.

The free cash flow before acquisitions and divestments decreased by 43% to DKK 1,617 million for the full year and declined by 20% in H2 to DKK 1,219 million.

Cash flow relating to acquisitions and divestments increased significantly in 2022 and totalled DKK 2,323 million for the year.

In H2, cash flow from acquisitions and divestments amounted to DKK 1,810 million of which the main part can be attributed to the acquisition of Sheng Wang at the beginning of H2.

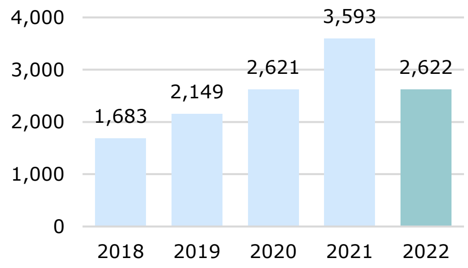
Share buy-backs amounted to DKK 1,840 million in 2022 of which DKK 533 million was spent in H2. In November 2022, the share buy-back programme was paused, as we lowered our earnings expectations for the financial year.

Mainly relating to increased borrowings during the year, other financing activities amounted to DKK 2,774 million in 2022, and the net cash flow from continuing operations totalled DKK 228 million. For H2, other financing activities amounted to DKK 1,153 million, and the net cash flow from continuing operations was DKK 29 million.

The net cash flow from discontinued operations was DKK -253 million for the full year and DKK -145 million in H2. Please refer to Note 6.3 for more details.

CFFO

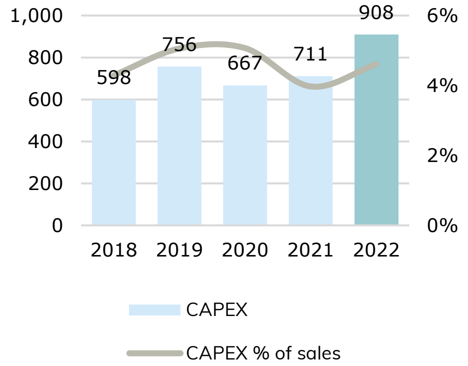
(DKK million)



*2018-2020 figures have not been restated to reflect the discontinuation of Hearing Implants but have been adjusted for one-offs.

CAPEX

(DKK million)



*2018-2020 figures have not been restated to reflect the discontinuation of Hearing Implants but have been adjusted for one-offs.

Cash flow by main items

(DKK million)	FY		H2		H1		Change		
	2022	2021	2022	2021	2022	2021	FY	H2	H1
CFFO	**2,622**	**3,593**	**1,707**	**2,000**	**915**	**1,593**	**-27%**	**-15%**	**-43%**
Net investments	-1,005	-755	-488	-478	-517	-277	33%	2%	87%
Free cash flow before acquisitions and divestments	**1,617**	**2,838**	**1,219**	**1,522**	**398**	**1,316**	**-43%**	**-20%**	**-70%**
Acquisitions and divestments etc.	-2,323	-547	-1,810	-141	-513	-406	325%	1184%	26%
Share buy–backs	-1,840	-3,200	-533	-1,387	-1,307	-1,813	-43%	-62%	-28%
Other financing activities	2,774	1,422	1,153	180	1,621	1,242	95%	541%	31%
Cash flow for the period	**228**	**513**	**29**	**174**	**199**	**339**	**-56%**	**-83%**	**-41%**

Balance sheet

As of 31 December 2022, the Group's total assets amounted to DKK 29,875 million. This is an increase of 20% compared to 31 December 2021 with organic growth accounting for 5%, acquisitive growth for 13% and growth from exchange rate effects for 2%. The increase is primarily due to an increase in goodwill, mostly related to acquisitions, and to higher inventories.

Relative to 30 June 2022, total assets increased by 9%, mainly driven by goodwill and inventories.

Relative to the end of 2021, our net working capital increased by 27%. The higher net working capital mostly reflects a normalisation from the lower level we have seen in the past years. Reflecting continuous net working capital focus, the Group's net working capital was DKK 3,648 million at the end of 2022, down by 11% since 30 June 2022, which is mainly due to a decrease in prepaid expenses following the full acquisition of Sheng Wang. Please refer to Note 9.1 for our definition of net working capital.

Balance sheet by main items

(DKK million)	FY 2022	H1 2022	FY 2021	Change H2 2022	Change FY 2022
Lease assets	2,304	2,104	2,079	10%	11%
Other non-current assets	17,531	15,305	14,895	15%	18%
Inventories	2,904	2,445	2,366	19%	23%
Trade receivables	3,626	3,609	3,203	0%	13%
Cash	1,130	1,245	1,172	-9%	-4%
Other current assets	1,398	1,621	1,145	-14%	22%
Assets held for sale	964	1,006	-	-4%	n.a.
Total assets	**29,857**	**27,335**	**24,860**	**9%**	**20%**
Equity	8,562	8,184	7,981	5%	7%
Lease liabilities	2,380	2,171	2,121	10%	12%
Other non-current liabilities	7,960	4,784	4,296	66%	85%
Trade payables	865	810	808	7%	7%
Other current liabilities	9,915	11,165	9,654	-11%	3%
Liabilities related to assets held for sale	175	221	-	-21%	n.a.
Total equity and liabilities	**29,857**	**27,335**	**24,860**	**9%**	**20%**

In 2022, our net interest-bearing debt (NIBD) increased by 39% for the full year and by 16% in H2 and amounted to DKK 12,711 million at 31 December 2022. The increase in debt mainly relates to a high level of acquisitions during the year as well as to share buy-backs. As a result of the increase in net interest-bearing debt and the lower realised EBITDA, our current gearing (NIBD/EBITDA) is 2.9, which is above our gearing target of 2.0-2.5. The additional debt mainly consists of short- to medium-term financing.

Positively impacted by profit and currency translation but offset by share buy-backs, total equity for the full year increased by 7% to DKK 8,562 million of which DKK 1 million is attributable to non-controlling interests and DKK 8,561 million to the shareholders of Demant A/S. In H2, total equity increased by 5%, mainly as a result of profit generated by the Group and the decision in H2 to pause our share buy-backs.

Share buy-backs recognised in the Group's balance sheet totalled 6,969,114 shares bought at an average price of DKK 264.08, totalling DKK 1,840 million.

Employees

As of 31 December 2022, the Group had 20,570 employees compared to 18.548 as of 30 June 2022, an increase of 11%, mainly driven by acquisitions. Most of the new employees, who joined the Group, are from Sheng Wang, which contributed with approx. 1,300 employees.

The total number of employees increased by 18% for the full year compared to the 17,448 employees at the end of 2021.

Hedging activities

The material forward exchange contracts in place as of 31 December 2022 to hedge against the Group's exposure to movements in exchange rates are shown in the table below.

Hedging activities

Currency	Hedging period	Average hedging rate
USD	10 months	701
JPY	10 months	5.34
AUD	9 months	487
GBP	9 months	855
CAD	9 months	533
PLN	9 months	150

Sustainability

In our new Diversity, equity and inclusion policy, Demant has introduced targets for gender diversity in top-level management. The percentage of women in top-level management increased by 1 percentage point from 22% in 2021 to 23% in 2022. We also saw an increase in women managers of 1 percentage point among all people managers in Demant.

Furthermore, we have a target aiming at increasing the number of top-level management teams with a diverse gender composition by in each team obtaining an improved balance of the gender composition. The target is defined as follows: Having a maximum of 75% of the same gender on 75% of top-level management teams in 2025. We saw a 6 percentage point increase in teams that were on target from 65% in 2021 to 71% in 2022.

Our data show an increase of 2% in CO2e emissions from 2021 to 2022. Though we saw a considerable decrease in reported electricity consumption, our total energy consumption increased in 2022. This was mainly due to a significant increase in reported natural gas for which the scope of reporting was expanded in 2022.

However, the increase in energy consumption has not resulted in an equivalent increase in emissions. As natural gas in most countries emits less CO2e than conventional electricity, the increase in reported natural gas does not impact the emissions as significantly as the global decrease in electricity consumption.

Key full-year sustainability figures

	2022	2021	Change
Scope 1-2 emissions (tonnes CO2e)	31,349	30,813	2%
CEO remuneration ratio	39	38	1
Gender diversity, Board of Directors (women/men)*	40/60%	40/60%	-
Gender diversity, all managers (women/men)	44/56%	43/57%	1 p.p.
Gender diversity, top-level management	23/77%	22/78%	1 p.p.
Gender diversity, top-level management teams (on/off target)	71/29%	65/35%	6 p.p.

*Shareholder-elected members.

Furthermore, the newly acquired hearing care retail chain Sheng Wang has not been integrated into our energy reporting.

Please refer to the Sustainability Report for more details on energy consumption and emissions.

The CEO remuneration ratio increased from 38 to 39. For more details on remuneration, please refer to the Remuneration Report.

The full Sustainability Report is available on our website.

Events after the balance sheet date

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

Outlook

Outlook for 2023	
Organic growth	3-7%
Acquisitive growth	3% based on revenue from acquisitions completed as of 6 February 2023
FX growth	-1% based on exchange rates as of 6 February 2023 and including the impact of hedging
EBIT	DKK 3,600-4,000 million
Net financials	Negative by around DKK 600 million
Effective tax rate	25-26%
Gearing	Gearing multiple (NIBD/EBITDA) at the end of 2023 around the high end of our medium- to long-term target of 2.0-2.5
Share buy-backs	None
Profit after tax from discontinued operations	Negative by around DKK 100 million

Key assumptions for our outlook for 2023:

- Due to continued macroeconomic headwinds, we expect the unit growth rate in the global hearing aid market in 2023 to be slightly below the structural growth rate of 4-6% with a negative contribution from ASP declines around the normal level of 1-2% due to mix effects.
- We see material uncertainty about the growth trajectory in 2023 in the markets for enterprise and gaming headsets and for video solutions due to low consumer confidence and caution by enterprises when it comes to investment decisions. In our Communications segment, we expect modest positive organic growth in 2023, albeit negative in Q1. Supported by cost savings, we expect an EBIT that is less negative than in 2022.
- Due to a high level of attractive opportunities, we expect the level of bolt-on acquisitions in 2023 to be higher than normal, and our gearing multiple at the end of the year is thus expected to be around the high end of our medium- to long-term target.
- Despite higher-than-normal cost inflation, we plan to grow the Group's OPEX less than revenue through focused cost control in order to support margin improvement.
- We expect the divestment of Hearing Implants to close in Q2 2023, resulting in payment of DKK 700 million of the total DKK 850 million consideration.

Medium- to long term outlook

The Group's medium- to long-term outlook remains unchanged:

In **Hearing Healthcare**, we aim to gain market shares in organic terms in all our business areas, translating into an organic growth rate of at least 5% p.a.

In **Communications**, we aim to grow revenue in organic terms at least in line with the market growth rate, corresponding to an organic growth rate of at least 12% p.a.

For the **Group**, we aim to deliver organic growth of 6-8% p.a., which is in line with our historical performance. Additionally, we expect to add 1-2% p.a. to growth from bolt-on acquisitions. Consequently, we aim to grow the Group's revenue by 7-10% p.a. in local currencies.

We aim to increase EBIT margins in all our business areas, particularly in Communications. For the Group, the EBIT margin is subject to changes in our business mix.

We expect to invest around 4% of the Group's revenue in tangible and intangible assets. In addition, we will continue to prioritise value-adding acquisitions.

We target a gearing multiple of 2.0-2.5, and any excess free cash flow after acquisitions will be returned to our shareholders in the form of share buy-backs.

Medium- to long-term outlook	
Revenue growth	7-10% p.a. in local currencies with organic growth of 6-8% p.a. and acquisitive growth of 1-2% p.a.
EBIT margin	We aim to increase EBIT margins in all our business areas over time. For the Group as a whole, the EBIT margin is subject to changes in the business mix as well as to acquisitions and exchange rate effects
CAPEX	On an annual basis, we expect to invest around 4% of the Group's revenue in tangible and intangible assets (excluding customer loans and acquisitions)
Gearing	We target a gearing multiple (NIBD/EBITDA) of 2.0-2.5
Capital allocation	Subject to our gearing target, we will return any excess free cash flow after acquisitions to our shareholders in the form of share buy-backs

Our business

Hearing Healthcare

Hearing Aids

Hearing Care

Diagnostics

Communications

EPOS

Hearing Healthcare

Financial review

REVENUE
18,645
DKK MILLION

GROWTH
7%
IN LOCAL CURRENCIES

Income statement

	H1			H2			FY		
(DKK million)	**2022**	**2021**	**Growth**	**2022**	**2021**	**Growth**	**2022**	**2021**	**Growth**
Revenue	8,945	8,125	10%	9,700	8,597	13%	18,645	16,722	11%
Production costs	-2,115	-1,905	11%	-2,338	-1,930	21%	-4,453	-3,835	16%
Gross profit	**6,830**	**6,220**	**10%**	**7,362**	**6,667**	**10%**	**14,192**	**12,887**	**10%**
Gross margin	76.4%	76.6%		75.9%	77.6%		76.1%	77.1%	
R&D Costs	-534	-466	15%	-549	-476	15%	-1,083	-942	15%
Distribution costs	-4,170	-3,688	13%	-4,617	-3,891	19%	-8,787	-7,579	16%
Administrative expenses	-488	-405	20%	-513	-455	13%	-1,001	-860	16%
Share of profit after tax, associates and joint ventures	57	57	0%	65	63	3%	122	120	2%
Operating profit (EBIT)	**1,695**	**1,718**	**-1%**	**1,748**	**1,908**	**-8%**	**3,443**	**3,626**	**-5%**
EBIT margin	18.9%	21.1%		18.0%	22.2%		18.5%	21.7%	

Revenue by business area

	H1			H2			FY		
(DKK million)	**2022**	**2021**	**Growth**	**2022**	**2021**	**Growth**	**2022**	**2021**	**Growth**
Hearing Aids	4,842	4,416	10%	5,149	4,563	13%	9,991	8,979	11%
Internal sales to Hearing Care	-895	-871	3%	-865	-762	14%	-1,760	-1,633	8%
Sales to external customers	3,947	3,545	11%	4,284	3,801	13%	8,231	7,346	12%
Hearing Care	3,932	3,737	5%	4,191	3,816	10%	8,123	7,553	8%
Diagnostics	1,066	843	26%	1,225	980	25%	2,291	1,823	26%
Hearing Healthcare	**8,945**	**8,125**	**10%**	**9,700**	**8,597**	**13%**	**18,645**	**16,722**	**11%**

Growth rates

	H1 2022	H2 2022	FY 2022
Hearing Aids			
Organic	9%	9%	9%
Acquisitions	-2%	-1%	-1%
Local currencies	**7%**	**8%**	**7%**
FX	3%	5%	4%
Total	**10%**	**13%**	**11%**
Hearing Care			
Organic	-3%	-2%	-3%
Acquisitions	4%	7%	6%
Local currencies	**1%**	**5%**	**3%**
FX	4%	5%	4%
Total	**5%**	**10%**	**8%**
Diagnostics			
Organic	17%	10%	13%
Acquisitions	2%	5%	4%
Local currencies	**19%**	**15%**	**17%**
FX	8%	10%	9%
Total	**27%**	**25%**	**26%**
Hearing Healthcare			
Organic	6%	5%	5%
Acquisitions	1%	3%	2%
Local currencies	**6%**	**7%**	**7%**
FX	4%	6%	5%
Total	**10%**	**13%**	**12%**

Revenue

In 2022, our Hearing Healthcare segment generated revenue of DKK 18,645 million. This corresponds to a growth rate of 7% in local currencies, with organic growth accounting for 5% and acquisitive growth for 2%. Exchange rate effects added 5% to growth, and total reported growth was thus 12%.

In H2, revenue amounted to DKK 9,700 million, corresponding to growth of 7% in local currencies. The organic growth of 5% was driven by strong performances in Hearing Aids and Diagnostics, which both gained market shares in the period. Meanwhile, Hearing Care saw negative organic growth materially below our original expectations. Driven by acquisitions in Hearing Care and Diagnostics, acquisitive growth added 3% to growth in H2, while positive exchange rate effects added another 6%. Total reported growth was 13% in the period.

Gross profit

Our gross profit increased by 10% in 2022 to DKK 14,192 million, corresponding to a gross margin of 76.1%. For H2, the gross profit also increased by 10%, and the gross margin was 75.9%, a decrease of 1.7 percentage points compared to H2 2021. The decrease is mainly attributable to mix effects in Hearing Aids, as an increasing share of rechargeable units had a slightly dilutive effect, and to geography and channel mix changes. A change in the mix between business areas as well as exchange rate effects also had a slightly negative impact.

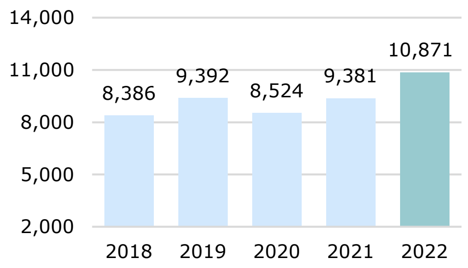
While we saw some easing of the impact of the dynamic supply chain situation as well as reduced freight charges, we also saw some negative effect of higher-than-normal wage inflation.

Operating expenses (OPEX)

For the full year, OPEX amounted to DKK 10,871 million with an increase of 11% in local currencies.

Full-year OPEX

(DKK million)



*2018-20 figures have not been restated to reflect the discontinuation of Hearing Implants but have been adjusted for one-offs.

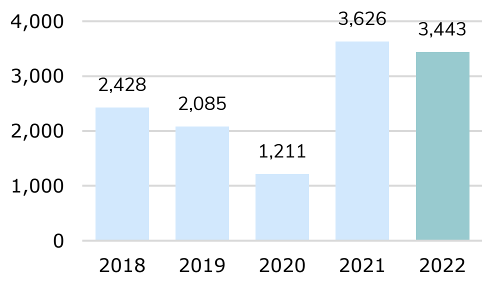
In H2, OPEX was DKK 5,679 million with growth of 12% in local currencies distributed evenly between organic and acquisitive growth. Organic growth was driven by balanced growth in Hearing Aids and Diagnostics, reflecting higher activity levels. In Hearing Care, OPEX could not in the short term be adjusted to reflect lower-than-expected activity levels and thus grew at a faster pace than revenue. This includes acquisitive growth, mostly related to Sheng Wang. Exchange rate effects added 5% to growth in OPEX.

Operating profit (EBIT)

In 2022, EBIT amounted to DKK 3,443 million, corresponding to an EBIT margin of 18.5%.

Full-year EBIT

(DKK million)

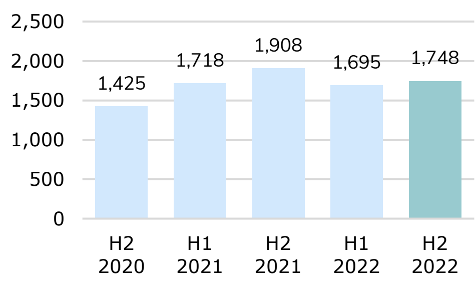


*2018-2020 figures have not been restated to reflect the discontinuation of Hearing Implants but have been adjusted for one-offs. EBIT for 2019 was negatively impacted by DKK 550 million as a result of the IT incident.

In H2, EBIT amounted to DKK 1,748 million, corresponding to an EBIT margin of 18.0%. This was a decrease of 4.2 percentage points compared to the very strong EBIT margin realised in H2 2021 where the Hearing Aids and Hearing Care businesses benefitted from some release of pent-up demand and the positive impact of the French hearing healthcare reform. The margin decrease is first and foremost attributable to Hearing Care where revenue was lower than originally expected, but where the cost base could not be adjusted accordingly in the short term. Negative mix effects in Hearing Aids also had a slightly negative impact on the EBIT margin, while exchange rate effects were slightly positive.

Half-year EBIT

(DKK million)



*2018-2020 figures have not been restated to reflect the discontinuation of Hearing Implants but have been adjusted for one-offs.

OPEX by function

(DKK million)	H2 2022	H2 2021	Change DKK	Change LCY	Change Org.
R&D costs	549	476	15%	15%	13%
Distribution costs	4,617	3,891	19%	13%	6%
Administrative expenses	513	455	13%	7%	7%
Total	**5,679**	**4,822**	**18%**	**12%**	**6%**

Hearing Aids

REVENUE
9,991
DKK MILLION

GROWTH
7%
IN LOCAL CURRENCIES

Core SDG impact

3 GOOD HEALTH AND WELL-BEING

Based on the estimated lifetime of hearing aids and the total number of hearing aid fittings by the Group over the last five years, we facilitated 12.2 million years with improved quality of life in 2022.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

The Eriksholm Research Centre contributed to a new outcome measure that can indicate communication difficulties. A clinical version of this assessment method will enable hearing healthcare professionals to provide more personalised and effective treatment to people with hearing impairment at an earlier stage.

Key 2022 sustainability results

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

We improved electricity efficiency at our main production site in Mierzyn, Poland, and reduced our total electricity consumption at our production site in Tijuana, Mexico.

Oticon Real
Hands-free communication

Market developments

Based on available market statistics, covering slightly less than two-thirds of the market, and on our own assumptions, we estimate that the global hearing aid market saw unit growth of around 4% in 2022. This is at the low end of the structural growth range of 4-6% per year and below our initial expectations, particularly in Q3 and Q4.

In addition, growth has been more subdued in North America than in Europe and the rest of the world, as we have seen an increasing negative impact of macroeconomic uncertainty on private pay markets, e.g. in the US. This has led to geography and channel mix changes in 2022, which have been more pronounced than normally, resulting in a larger-than-expected decline in the ASP for the year.

For Q4, we estimate that global market unit growth was around -1%, and during the year, we have seen the hearing aid market growth rate decelerate significantly.

Compared to the same period last year, we estimate that growth in Europe was -2% in Q4. In France, growth was slightly negative in Q4, but the total market volume remained significantly above the level before the hearing healthcare reform in 2021. In the UK, market growth was flat with stronger growth in the NHS than in the commercial part of the market due to lower comparative figures attributable to the coronavirus pandemic last year. In Germany, growth was negative in Q4.

Driven predominantly by Veterans Affairs (VA), growth in North America decelerated to -3% in Q4. In the US, the commercial part of the market declined in Q4, and we continue to see negative mix effects, with managed care and large chains growing more than the independent part of the market. Growth in Canada was slightly negative.

Looking beyond North America and Europe, we estimate that in Q4, unit growth in Australia was positive compared to the same period last year and that Japan saw slightly negative growth. Growth in China was negative in Q4 due to the coronavirus situation following the lifting of restrictions. Several other emerging markets saw strong positive growth, in part due to low comparative figures attributable to coronavirus-related restrictions in the comparative period.

In August 2022, the long-awaited regulation of the over-the-counter (OTC) category of hearing aids was finalised by the US Food and Drug Administration (FDA), and the rule took effect on 17 October 2022. As previously communicated, the content of the final rule does not change our fundamental belief in the importance of providing a combination of personal counselling, individual fitting, life-long service and highly advanced technology, but the new category may improve access to hearing healthcare solutions in the future. We continue to monitor the developments closely.

Business update

In 2022, total revenue in Hearing Aids amounted to DKK 9,991 million, corresponding to an organic growth rate of 9% (Q4: 11%). In terms of acquisitions, we saw a slightly negative effect of the divestment of FrontRow Calypso LLC in 2021. Internal revenue from sales to our Hearing Care business accounted for 18% of total revenue. Our commentary below focuses on total revenue, including revenue from sales through our own retail clinics, and thus covers our total wholesale activities. However, internal revenue is eliminated from the reported revenue for our Hearing Healthcare segment and thus for the Group.

Despite a weaker-than-expected hearing aid market, Hearing Aids continued to perform well in 2022 due to strong momentum created by our portfolio of industry-leading hearing aids, which was expanded by more form factors and price points, contributing to our Hearing Aids business area gaining market share in 2022.

Compared to H1 2022, the unit growth rate was more moderate in H2 and the ASP growth rate was less negative, ending at 10% and -2%, respectively. The negative ASP development in H2 is due

Estimated hearing aid market unit growth in 2022 by region

(vs. 2021)	Q1	Q2	Q3	Q4	FY
Europe	20%	9%	0%	-2%	6%
North America	8%	1%	0%	-3%	1%
US (commercial)	6%	-1%	-3%	-4%	-1%
US (VA)	19%	2%	9%	-1%	6%
Rest of world	4%	4%	4%	2%	1%
Global	**12%**	**5%**	**1%**	**-1%**	**4%**
CAGR vs. 2019	4%	6%	4%	3%	4%

Hearing Aids

(DKK million)	Q1 2022	Q2 2022	Q3 2022	Q4 2022	FY 2022
Revenue	2,351	2,491	2,446	2,703	9,991
Growth					
Organic	9%	8%	6%	11%	9%
Acquisitions	-2%	-2%	-2%	0%	-1%
Local currencies	**7%**	**6%**	**4%**	**11%**	**7%**
FX	2%	4%	6%	5%	4%
Total	**9%**	**10%**	**10%**	**16%**	**11%**

Revenue and growth

(DKK million)	FY 2022	FY 2021	Growth Org.	Acq.	LCY	FX	Rep.
Total revenue	9,991	8,979	9%	-1%	7%	4%	11%
Internal sales to Hearing Care*	1,760	1,633	-2%	6%	4%	4%	8%
Sales to external customers	8,231	7,346	11%	-3%	8%	4%	12%

(DKK million)	Q4 2022	Q4 2021	Growth Org.	Acq.	LCY	FX	Rep.
Total revenue	2,703	2,338	11%	0%	11%	5%	16%
Internal sales to Hearing Care*	395	381	-6%	7%	1%	3%	4%
Sales to external customers	2,308	1,957	14%	-2%	13%	5%	18%

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

to changes in sales mix in relation to geographies and channels, which were more significant than expected and more than offset price increases implemented at the beginning of the period.

In Q4, growth was 11% in local currencies, all of which was organic growth. The development in the organic growth rate is due to strong traction created by our product portfolio and to increased sales momentum in the US driven by increased sales to a large US private customer.

Growth in Q4 was entirely driven by unit growth, and the ASP was slightly negative, as price increases were offset by channel and geography mix changes.

Growth in units and ASP

(LCY)	H1 2022	H2 2022	FY 2022
Units	16%	10%	13%
ASP	-8%	-2%	-5%
Total	**7%**	**8%**	**7%**

Despite strong performance and market share gains in Hearing Aids, we announced cost reduction initiatives affecting selected parts of the central organisation. The initiatives were implemented in Q4.

In terms of geographies, North America delivered strong growth in Q4 driven by continuously strong momentum and additional sales momentum with chains in the US. Supported by the launch of Oticon Own in November 2022, we succeeded in increasing our unit market share with VA, which stood at 16.3% in December 2022. Sales in Canada grew in Q4.

In Europe, we continued to see solid growth in France, and in other countries, such as Germany, Poland and Italy, we saw good performance in Q4. Following a strong H1, growth in the UK slowed down in H2 but remained positive in Q4. The halt of sales to Russia, Belarus and the provinces of Donetsk and Luhansk continued to have a slightly negative impact on growth in Q4.

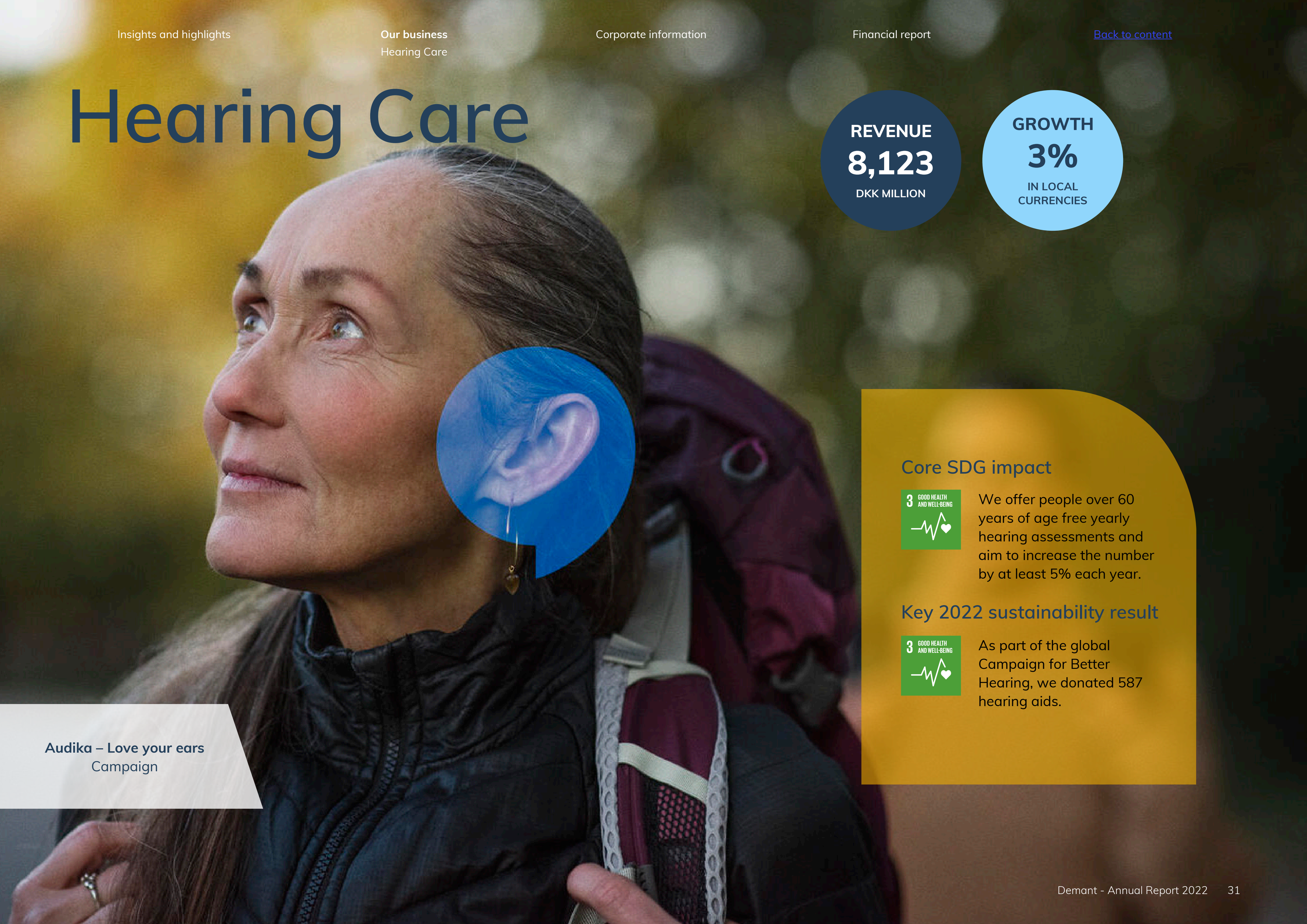
Sales growth in Asia was strong in Q4, in part due to low comparative figures. In China, sales were negatively impacted by the coronavirus situation, but other countries in the region, such as Japan, performed well. In the Pacific region, sales growth was negative due to developments in Australia. Sales in *Other countries*, which mostly comprises emerging markets, continued to see very strong commercial momentum in Q4.

Product update

We will shortly start the roll-out of new families of premium hearing aids in all our brands. This includes our flagship hearing aid, Oticon Real™, which is based on the new Polaris R platform and designed to further improve the performance of our ground-breaking Deep Neutral Network (DNN) technology. With this introduction, Oticon continues to build on the unique BrainHearing™ philosophy, showing significant improvements in speech clarity and reduced listening efforts in environments with sudden and disruptive sounds.

The new hearing aids will be available at the three upper price points in both miniRITE and miniBTE styles across all our hearing aid brands, and they will include both rechargeable and non-rechargeable versions.

Hearing Care



REVENUE
8,123
DKK MILLION

GROWTH
3%
IN LOCAL CURRENCIES

Core SDG impact

We offer people over 60 years of age free yearly hearing assessments and aim to increase the number by at least 5% each year.

Key 2022 sustainability result

As part of the global Campaign for Better Hearing, we donated 587 hearing aids.

Audika – Love your ears
Campaign

Market developments

Please refer to the Hearing Aids section above for details on developments in the hearing aid market in 2022, but please note that our Hearing Care business is not present in emerging markets and government channels. Overall, we estimate that the growth rate in the addressable market for Hearing Care has been below the global unit market growth rate.

Business update

In 2022, revenue in Hearing Care amounted to DKK 8,123 million, corresponding to an organic growth rate of -3% (Q4: 1%). Acquisitive growth was 6% (Q4: 6%), resulting in growth in local currencies of 3% (Q4: 7%). In 2022, we made acquisitions in North America, Germany and Japan as well as in China where we acquired the country's largest network of clinics, Sheng Wang.

In 2022, our Hearing Care business performed below expectations, and we delivered negative organic growth. During the year, we saw increasingly negative effects of the general macroeconomic uncertainty on the hearing aid market, especially in markets that are dominated by private pay. These effects were exacerbated in the US by our strategic decision to exit selected managed care plans, and lower-than-expected growth in the private pay market made it difficult to replace existing managed care activities with new customers. In addition, strong comparative figures in France had, as expected, a negative impact on growth following the hearing healthcare reform implemented in 2021.

Revenue growth in Hearing Care was predominantly driven by unit growth and supported by slightly positive development in the ASP in H2 2022, as we saw an impact of price increases, which more than outweighed geography mix changes in the period.

In Q4, growth was 7% in local currencies of which organic growth accounted for 1% and acquisitive growth for 6%. As expected, the growth rate improved compared to Q3, mainly due to lower comparative figures in the US and France.

Organic revenue growth in Europe was positive in Q4. In France, revenue remained at a high level following the hearing healthcare reform implemented in 2021, and in the UK, we saw positive developments in Q4 after a challenging year. In other European markets, such as Poland and Spain, we saw strong performance. In Q4, revenue growth was supported by acquisitions in several European markets, predominantly in Germany.

In North America, we realised a slightly negative organic growth rate in Q4, an improvement compared to Q3, in part due to lower comparative figures attributable to the coronavirus situation in 2021. In the US, the market remained negatively impacted by low consumer confidence, particularly in the private pay market. This had a negative impact on our Hearing Care business in the US, which saw a growth rate in Q4, which was in line with the market growth rate. To address the current market developments, we announced cost reduction initiatives and the rationalisation of approx. 50 clinics in November 2022. These measures took effect from the beginning of 2023. In Canada, organic revenue growth was positive for most of the year, but growth turned negative in Q4. In both the US and Canada, acquisitions contributed to growth in the period.

After having been impacted by coronavirus-related restrictions at the beginning of H2, our Australian activities delivered solid organic growth in Q4.

In China, which under normal circumstances would account for slightly less than 5% of our total Hearing Care revenue, we have seen declining sales momentum in Q4 due to the ongoing coronavirus situation.

Hearing Care

(DKK million)	Q1 2022	Q2 2022	Q3 2022	Q4 2022	FY 2022
Revenue	1,898	2,034	2,018	2,173	8,123
Growth					
Organic	2%	-7%	-5%	1%	-3%
Acquisitions	5%	4%	8%	6%	6%
Local currencies	**7%**	**-3%**	**3%**	**7%**	**3%**
FX	3%	5%	7%	3%	4%
Total	**10%**	**1%**	**9%**	**10%**	**8%**

Audika clinic

Diagnostics

Grason-Stadler
Corti™ ear screener

REVENUE
2,291
DKK MILLION

GROWTH
17%
IN LOCAL CURRENCIES

Core SDG impact

3 GOOD HEALTH AND WELL-BEING

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

Key 2022 sustainability results

3 GOOD HEALTH AND WELL-BEING

Thinking beyond the audiogram, we researched new methods of measuring the ability to hear in noise, and we continued to improve validations of hearing aid fittings on children aged 3-12.

3 GOOD HEALTH AND WELL-BEING

As planned, we obtained ISO 14001 certification of our Diagnostics headquarters in Middelfart, Denmark.

Market developments

The market for diagnostic instruments and services continued to remain resilient in 2022. We estimate that in 2022, the market growth rate was above the estimated structural market growth rate of 3-5% and that the total market for hearing and balance equipment is now back at the estimated structural growth rate of 3-5% per year from the pre-pandemic level.

Business update

Diagnostics generated revenue of DKK 2,291 million in 2022, corresponding to 17% growth in local currencies (Q4: 13%) of which organic growth accounted for 13% (Q4: 7%). Acquisitive growth was 4% (Q4: 5%), which predominantly relates to our acquisition of Italian Inventis Srl.

The strong organic growth generated in 2022 is the result of another exceptionally successful year where we not only gained market shares in most geographies but also saw positive market development. Building on a strong foundation of innovation, a complete product portfolio in several brands and global distribution, our Diagnostics business is in a market-leading position. As previously mentioned, we successfully acquired Inventis Srl. in 2022, and we have during the year added the business to our existing Diagnostics set-up.

In Q4, growth decelerated slightly, but we continued to see solid organic growth of 7%. Diagnostics generated growth in many product categories, with fitting and balance instruments, audiometers and impedance equipment contributing the most to growth, and the order book was solid at the end of 2022.

From a geographical perspective, we saw strong performance in many regions in Q4. In Europe, growth was broadly based and supported by the acquisition of Inventis Srl., but in the US, which is our biggest market, growth decelerated in Q4, although it remained positive. As far as the rest of the world is concerned, many countries delivered strong growth, but we saw a negative impact of the coronavirus situation in China.

Diagnostics

(DKK million)	Q1 2022	Q2 2022	Q3 2022	Q4 2022	FY 2022
Revenue	503	563	613	612	2,291
Growth					
Organic	19%	16%	12%	7%	13%
Acquisitions	1%	3%	5%	5%	4%
Local currencies	**19%**	**18%**	**18%**	**13%**	**17%**
FX	6%	10%	13%	7%	9%
Total	**25%**	**28%**	**31%**	**20%**	**26%**

MAICO easyTone

Communications

Core SDG impact

3 GOOD HEALTH AND WELL-BEING

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

Key 2022 sustainability results

3 GOOD HEALTH AND WELL-BEING

Building on the existing expertise on psychoacoustics in Demant, EPOS introduced the new EPOS BrainAdapt™, a group of pioneering technologies that work together to improve cognitive performance. This benefits the user as well as people taking part in the communication.

EPOS
EXPAND Vision 3

EPOS

Financial review

REVENUE
1,060
DKK MILLION

GROWTH
-13%
IN LOCAL CURRENCIES

Income statement

	H1			H2			FY		
(DKK million)	**2022**	**2021**	**Growth**	**2022**	**2021**	**Growth**	**2022**	**2021**	**Growth**
Revenue	552	621	-11%	508	562	-10%	1,060	1,183	-10%
Production costs	-299	-321	-7%	-284	-291	-2%	-583	-612	-5%
Gross profit	**253**	**300**	**-16%**	**224**	**271**	**-17%**	**477**	**571**	**-16%**
Gross margin	45.8%	48.3%		44.1%	48.2%		45.0%	48.3%	
R&D costs	-117	-91	29%	-114	-106	8%	-231	-197	17%
Distribution costs	-224	-233	-4%	-221	-231	-4%	-445	-464	-4%
Administrative expenses	-19	-20	-5%	-18	-12	50%	-37	-32	16%
Operating profit (EBIT)	**-107**	**-44**	**n.a.**	**-129**	**-78**	**n.a.**	**-236**	**-122**	**n.a.**
EBIT margin	-19.4%	-7.1%		-25.4%	-13.9%		-22.3%	-10.3%	

Revenue

In 2022, revenue in Communications amounted to DKK 1,060 million. This corresponds to -13% growth in local currencies, all of which was organic growth. The decline in revenue is due to strong comparative figures at the beginning of the year and significant negative growth in Gaming throughout most of the year. During the year, increasing macroeconomic uncertainty weighed on consumers, which continued to negatively impact the performance in Gaming. Enterprise Solutions, however, fared better for most of the year, but we saw some buyer hesitation towards the end of 2022. In H2, revenue reached DKK 508 million, corresponding to an organic growth rate of -13%, which is more negative than our most recent expectations due to both Gaming and Enterprise Solutions.

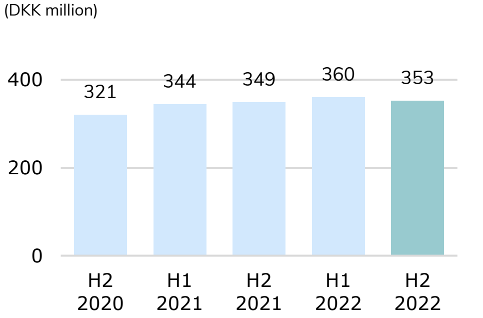
Gross profit

For the full year, gross profit was DKK 477 million, and the gross margin was 45.0%. In H2, gross profit was DKK 224 million, resulting in a gross margin of 44.1%. Compared to H2 2021, the gross margin declined by 4.1 percentage points, mainly due to adverse effects of changes in foreign exchange rates, as most production costs are denominated in US dollars. In addition, freight charges were higher than normally but eased during H2.

Operating expenses (OPEX)

In 2022 as a whole, OPEX amounted to DKK 713 million, which is an increase of 3% compared to 2021. We had originally expected higher revenue and had therefore adjusted our cost base to reflect this expected growth. In H2 specifically, OPEX amounted to DKK 353 million, corresponding to an increase of 1%. The increase reflects our continuous investments in product development and R&D, whereas distribution costs decreased relative to H2 2021. Administrative expenses increased, which largely reflects phasing in the comparative period.

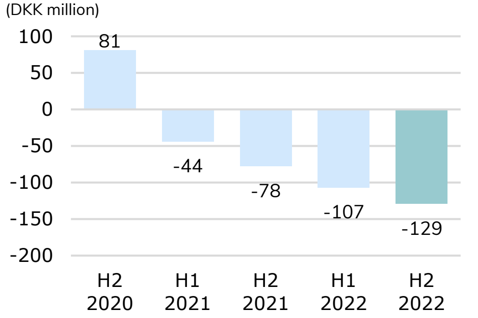
OPEX by half-year



Operating profit (EBIT)

EBIT for the full year was DKK -236 million, corresponding to an EBIT margin of -22.3%, a significant decline compared to 2021. The realised EBIT is slightly below our most recent guidance and significantly below our original plans. In H2, EBIT amounted to DKK -129 million, corresponding to an EBIT margin of -25.4%. The decline in profit compared to H2 2021 is due to low revenue, a lower gross margin as well as continuous investments in R&D.

EBIT by half-year



Market developments

In 2022, growth in the markets for gaming headsets and enterprise solutions was negative, but with significant differences in growth rates between individual markets. At the beginning of the year, growth in both markets was negatively impacted by high comparative figures from 2021 and a challenging supply situation. However, in subsequent quarters, the market for enterprise solutions improved and saw growth due to lower comparative figures, whereas the gaming market remained weak as a result of declining consumer confidence and lower spending. Towards the end of the year, the gaming market did not see the traditional seasonal increase in revenue, and even though the market for enterprise solutions has remained solid, it did see some softening in Q4.

Overall, we estimate that in 2022, the market growth rate for enterprise headsets was flat, whereas the market for gaming headsets saw significant negative growth compared to 2021. For both markets, we estimate that growth was stronger in Asia than in the US and Europe.

Despite negative market growth in 2022, we still consider the fundamental growth drivers of the market to be intact, although growth will most likely come from a lower starting point.

Business update

Revenue in our Communications business amounted to DKK 1,060 million in 2022, corresponding to an organic growth rate of -13% (Q4: -23%). This was substantially below the original plans for the year, mainly due to lower-than-expected market growth in Gaming.

In Q4, organic revenue growth was -23%, mainly due to continuously weak consumer spending, which significantly impacted the normal seasonal development in Gaming. Growth was also impacted by a slight delay in sales of our new video solutions and by some buyer hesitation affecting Enterprise Solutions. Both Enterprise Solutions and Gaming saw negative growth in Q4, and in order to adjust to market conditions, we announced and initiated initiatives in November 2022 to lower our cost base in Communications. These initiatives will take full effect in 2023.

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

In 2022, we saw a significant impact of macroeconomic uncertainty on our markets, and as we have now entered 2023, this uncertainty remains elevated. We are focused on improving the financial performance of our business and remain committed to promoting and solidifying EPOS as a leading premium player in the industry. This includes maintaining and expanding our state-of-the-art product portfolio, spanning headsets and video solutions for enterprises and gaming headsets.

Product update

Recently, EPOS launched its new video solutions, EPOS EXPAND Vision 1 and 5, which are important steps in our journey to becoming a full-suite supplier of state-of-the-art unified collaboration and communication solutions for professionals.

In addition, EPOS has released its first scientific research, examining the impact of EPOS BrainAdapt™ technology on listening performance. The study highlights a reduction in listening efforts as well as improved word recognition when using EPOS headsets. This illustrates the scientific benefits of our technologies, which are designed to support the brain's natural way of processing sound.

Communications

(DKK million)	Q1 2022	Q2 2022	Q3 2022	Q4 2022	FY 2022
Revenue	292	260	256	252	1,060
Growth					
Organic	-25%	5%	0%	-23%	-13%
Acquisitions	0%	0%	0%	0%	0%
Local currencies	**-25%**	**5%**	**0%**	**-23%**	**-13%**
FX	2%	4%	5%	2%	3%
Total	**-23%**	**9%**	**5%**	**-21%**	**-10%**

EPOS
EXPAND Vision 5

Corporate information

Board meeting
Headquaters

Shareholder information

Share information

(DKK 1,000)	**2022**	**2021**	**2020**	**2019**	**2018**
Share capital at 1 January	48,025	48,138	49,057	50,474	51,793
Capital reduction	-1,950	-113	-919	-1,416	-1,319
Share capital at 31 December	**46,076**	**48,025**	**48,138**	**49,057**	**50,474**
Nominal value per share, DKK	0.2	0.2	0.2	0.2	0.2
Total number of shares, thousand	230,378	240,127	240,691	245,287	252,368
Highest share price, DKK	339.3	394.7	244.4	237.2	318.6
Lowest share price, DKK	173.1	219.6	132.2	160.5	167.4
Share price, year-end, DKK	192.6	335.1	240.6	209.8	184.9
Market capitalisation at 31 December, DKK million*)	42,977	77,117	57,718	50,470	45,308
Average daily trading turnover, DKK million*)	76.2	111.0	99.8	112.4	128.6
Average number of shares, million*)	226.0	234.8	239.8	243.6	249.1
Number of shares at 31 December, million*)	223.2	230.1	239.9	240.6	245.2
Number of treasury shares at 31 December, million	7.2	10.0	0.8	4.7	7.1

*Excluding treasury shares.

Share capital

As of 31 December 2022, Demant's nominal share capital was DKK 46,075,747.00 divided into 230,378,735 shares of DKK 0.20 each.

All shares are the same class and carry one vote each. The change compared to the year before is due to the cancellation of treasury shares by DKK 1,949,819.60, which was approved at the annual general meeting on 10 March 2022.

The Board of Directors has been authorised by the annual general meeting to increase the company's share capital by a total nominal value of up to DKK 4,800,000. This increase may consist of no more than DKK 4,800,000 of the share capital with pre-emptive rights for existing shareholders and of no more than DKK 4,800,000 of the share capital without pre-emptive rights for existing shareholders. The increase in the company's share capital can also be carried out through a combination of share capital with and without pre-emptive rights, but it cannot exceed a total nominal value of DKK 4,800,000. Furthermore, the Board of Directors has been authorised to increase the share capital by an additional nominal value of up to DKK 2,500,000 for shares offered to employees. All authorisations are valid until 1 March 2026.

Ownership

William Demant Foundation is the majority shareholder in Demant through its investment company William Demant Invest and has previously communicated its intention to maintain an ownership interest of 55-60% of Demant's share capital. As of 31 December 2022, William Demant Foundation held – either directly or indirectly – approx. 57% of the share capital.

No other shareholders had flagged an ownership interest of 5% or more as of 31 December 2022.

Demant had 33,616 individual investors as of 31 December 2022. Approx. 77% of the share capital is registered in Denmark and 11% is registered in North America. The remaining 12% of the share capital is split between the remaining geographies but is predominantly registered in Europe.

As of 31 December 2022, the company held 7,193,778 treasury shares, corresponding to 3.1% of the share capital.

Share price development

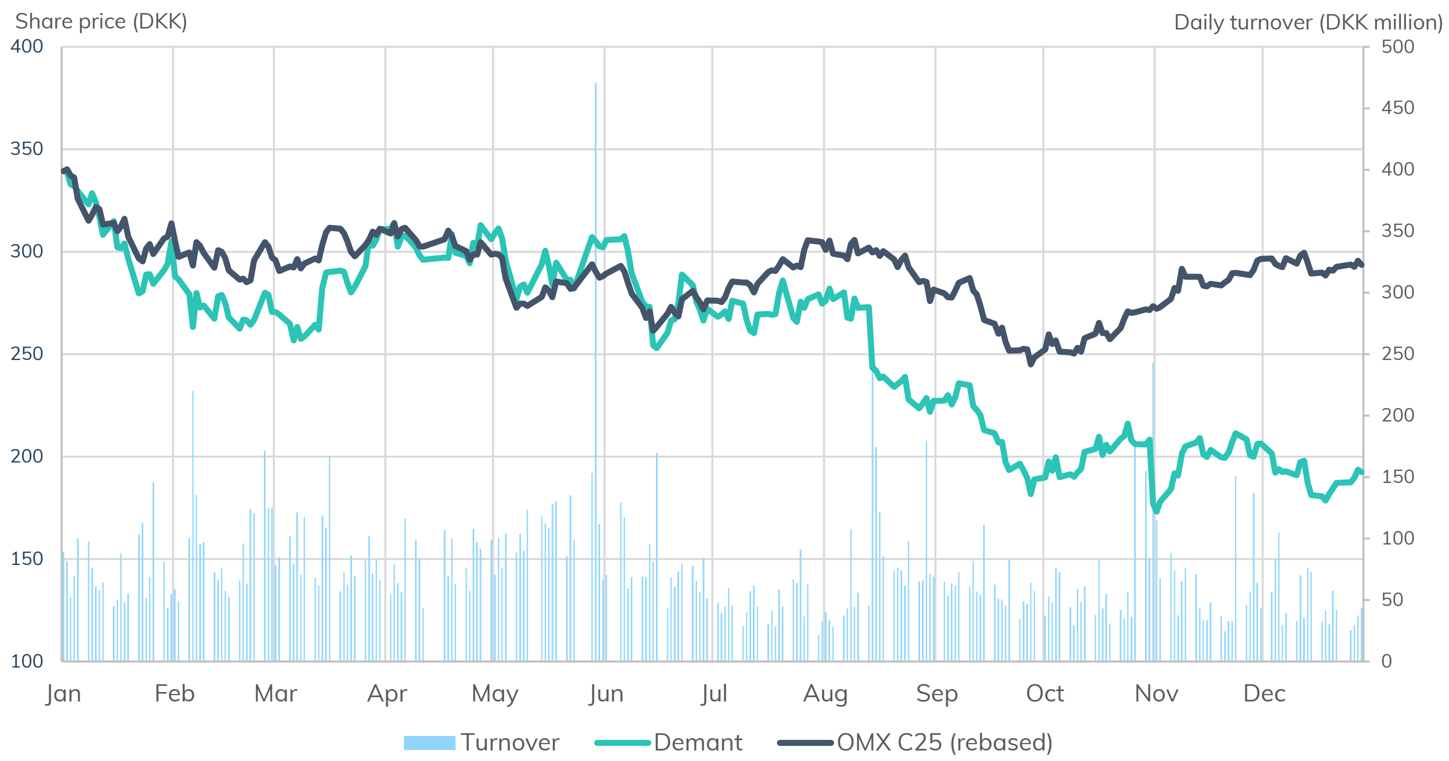
The price of Demant shares decreased by 43.3% in 2022, and on 31 December 2022, the share price was DKK 192.55. This corresponds to a market capitalisation of DKK 43.0 billion (excluding treasury shares). The average daily trading turnover in 2022 was DKK 76 million. The company is a constituent of the OMX Copenhagen 25 Index (C25), which covers the 25 largest and most frequently traded shares on Nasdaq Copenhagen. The C25 Index decreased by 13.5% during the year.

Capital allocation

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

Until the next annual general meeting in March 2023, the Board of Directors has been authorised to let the company buy back shares at a nominal value of up to 10% of the share capital. The purchase price may not deviate by more than 10% from the price quoted on Nasdaq Copenhagen.

Development in share price and daily turnover in 2022



Investor Relations (IR)

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

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

We strive to maintain an active and open dialogue with analysts as well as current and potential investors, which helps the company stay updated on the views, interests and opinions of the company's various stakeholders. At our annual general meeting and through presentations, individual meetings, participation in investor conferences, webcasts, capital markets days etc., we aim to maintain an ongoing dialogue with a broad spectrum of stakeholders. In 2022, we held more than 350 investor meetings and presentations.

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

At the end of 2022, 17 equity analysts were covering Demant. We refer to our website for a full list of analyst coverage.

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

Annual general meeting 2023

The annual general meeting will be held on Thursday, 8 March 2023 at 4:00 p.m. Shareholders can attend the meeting physically at the company's headquarters. The meeting will also be webcast live on our website.

Contact information for investors and analysts

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

Mathias Holten Møller
Head of Investor Relations

Peter Pudselykke
Investor Relations Officer

Company announcements and investor news in 2022

3 Jan	Managers' transactions
25 Jan	President of Oticon Medical Jes Olsen retires (investor news)
7 Feb	Erroneous publication of two key figures on Demant's website
8 Feb	Annual Report 2021
8 Feb	Notice to annual general meeting
4 Mar	Investment in leading growth platform in China
10 Mar	Extension of Demant's Executive Board
10 Mar	Decisions of annual general meeting
25 Mar	Disclosure of historical quarterly figures (investor news)
25 Apr	Completion of capital reduction
27 Apr	Divestment of Hearing Implants
3 May	Interim Management Statement covering Q1 2022
14 Jun	Demant completes full acquisition of Sheng Wang
12 Aug	Comparative figures for 2021 (investor news)
16 Aug	Interim Report 2022
1 Nov	Pre-announcement of Interim Management Statement for Q3 2022 and updated outlook
9 Dec	Financial calendar 2023

Financial calendar 2023

24 Jan	Deadline for submission of items for the agenda of the annual general meeting
7 Feb	Annual Report 2022
8 Mar	Annual general meeting
3 May	Interim Management Statement
16 Aug	Interim Report 2023
7 Nov	Interim Management Statement

William Demant Foundation

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

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

Ukraine
Donation of DKK 9 million

Risk management activities

Risk management activities

Risk management activities in the Demant Group include a variety of risks, many of which may impact the operational performance and reputation of the Group. The executive management works on identifying and mitigating risks on an ongoing basis. In connection with the preparation of the Group's strategic, budgetary and annual plans, the Board of Directors considers the risks identified.

In general, the hearing healthcare market consists of a few, highly specialised players that operate in an extremely competitive market. Historically, the market has seen stable growth driven by demographic changes, but today's macroeconomic situation may impact market dynamics, especially in markets with a large share of private pay.

In the period during and after the coronavirus pandemic, the Group has seen an increasing number of changes to the external operating environment, most of which are beyond our own control. While navigating in the current market conditions, we monitor potential changes to the competitive situation to ensure that we respond swiftly and effectively to any changes in the market. As a part of the general business planning, the Executive Board is responsible for navigating in these dynamic conditions.

Sustainability risks

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

Internal control and reporting

Once a year, we carry through a very detailed planning and budgetary process, and any deviations from the plans and budgets resulting from this process are carefully monitored month by month. To ensure high quality in the Group's financial reporting systems, the Board of Directors and Executive Board have adopted policies, procedures and guidelines for financial reporting and internal control to which the subsidiaries and reporting units must adhere.

The responsibility for maintaining sufficient and efficient internal control and risk management lies with the Executive Board. The Board of Directors has assessed the Group's existing control environment and concluded that it is adequate.

Macroeconomic and geopolitical risks

Characteristics

Changes in the economic climate can directly impact our activity level. This is especially true in relation to the current macroeconomic uncertainty and coronavirus-related restrictions, which are still impacting some regions. Such changes may adversely affect the demand for hearing healthcare solutions and audio equipment.

Many developed countries are currently experiencing higher-than-normal inflation rates, which may impact the economies in the Group's markets. In 2022, we have seen some hearing aid markets being negatively impacted by macroeconomic uncertainty. These developments have also impacted the market for gaming headsets and may thus affect the Group's future financial performance.

Similarly, coronavirus-related restrictions continue to pose a risk for our activities in some geographies and thus our financial results, as a significant part of our sales is based on in-person counselling of individuals with hearing difficulties. In addition, lockdowns and other coronavirus-related restrictions may also affect the global supply chain and thus increase the risk of sudden changes. Stability in sourcing and delivering high-quality manufactured goods on time is crucial for us to be able to fulfil the commitments we have made to our customers. Supply disruptions of any kind – driven by internal or external factors – may result in delayed deliveries, inefficient production set-ups or inability to meet demand.

Our response and mitigation efforts

We work with business and contingency plans to service our customers in the best possible way in any given situation. As always, this is done while we ensure the safety of our employees.

In case of macroeconomic or geopolitical headwinds, we seek to adapt our organisation, activities and costs accordingly to mitigate the financial impacts.

We closely monitor our supply situation and seek to keep adequate safety stocks to counter potential interruptions in our production. Our main production facilities in Poland and Mexico are located in close proximity to our largest markets, which has been important in order to quickly and efficiently serve our customers despite dynamic changes in the supply chain. We continuously evaluate our production footprint and dependency on key suppliers to strike a sound balance between flexibility, exposure and costs.

Regulatory risks

Characteristics

As a major player in the hearing healthcare market, the Group is exposed to certain regulatory risks in terms of changes to product requirements, reimbursement schemes and public tenders in the markets where we operate. In most markets, the current regulatory landscape is considered stable, so for the time being, we do not expect significant changes in the regulatory environment.

In 2022, we have seen regulatory changes in the US market, which may impact the hearing aid market in the coming years. The US Food and Drug Administration (FDA) finalised the long-awaited proposed rule to establish a new over-the-counter (OTC) category of hearing aids, and the rule took effect in October. The content of the final rule does not change our fundamental belief in the importance of providing a combination of personal counselling, individual fitting, life-long service and highly advanced technology, but the new category may improve access to hearing healthcare solutions.

For the US market in general, an increasing part of hearing aid purchases has over the past couple of years been covered by insurance companies. The emergence of large managed care organisations continues to pose a risk to average selling prices in the hearing aid market, as volumes may to an increasing extent be consolidated on fewer players. It may also impact sales in our retail business.

Our response and mitigation efforts

The Group is, as always, focused on adhering to legal requirements for our products and services to ensure that our products are safe to use and meet the requirements and needs of our users.

While regulatory changes are an intrinsic part of the hearing healthcare market, we feel well positioned to respond to such changes in the commercial environment. We continuously work on adapting our operating model – something we have already done in markets where we have seen changes to reimbursement schemes over the years.

We continue to monitor any changes in the regulatory landscape and engage in dialogues with regulators as part of our day-to-day business planning.

Innovation and commercial risks

Characteristics

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

An important part of our ongoing product innovation is to take out, protect and maintain patents for our own groundbreaking technology. The inability to protect our innovation could negatively impact our businesses.

In terms of product development, the complexity of our products has continued to increase in recent years. To remain competitive, it is therefore essential that we use our R&D investments efficiently to create product innovation.

When developing products and creating innovation, we must adhere to standards and regulations in terms of risk management, and we are subject to risk assessment by external bodies in respect of all aspects of our business – from development and production to the final release of products to customers. Managing these risks is a crucial part of the Group's ongoing risk management efforts, and failure to do so may put the Group's customers at risk.

In 2022, Demant announced the intention to divest its Hearing Implants business, and this transaction is still subject to merger clearance. Closing is expected in Q2 2023, but inability to close the transaction could pose an additional commercial and financial risk.

Our response and mitigation efforts

We continuously engage with customers, healthcare practitioners and other stakeholders to ensure that we develop groundbreaking products. We incorporate the requirements of international standards and regulations into the design and development of manufactured devices to limit our product risk. All processes in our quality management system (QMS) contribute to ensuring that our products are safe and meet the requirements and needs of our users. Notified bodies inspect our QMS on a yearly basis. Demant works continuously to improve these systems.

As a general principle, our products are designed and marketed under risk management guidelines complying with ISO 14971 to ensure the safety of our users. In case of an unexpected incident, we act fast and decisively and maintain a transparent dialogue with relevant stakeholders.

Business ethics risks

Characteristics

Business ethics are an inevitable part of conducting business in a global world with many stakeholders – both employees and external business partners.

The Group sells its products in countries that may be subject to EU or US sanctions. To ensure compliance, distributors engaging in business in these countries are therefore subject to sanction checks. In 2022, following the Russian invasion of Ukraine, Demant halted all its trade activities in Russia and Belarus, which now also ensures compliance with EU and US sanctions imposed on these countries. These sanctions include financial sanctions, trade/export controls and sanctions against entities and individuals. The Group continues to monitor the situation to ensure compliance at all times, and failure to do so may negatively impact the company.

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

Our response and mitigation efforts

Failure to operate the company in a responsible and ethical way may tarnish the company's reputation and have financial consequences for the Group. Our organisation continuously monitors current, amended and new legislation and with a view to ensuring proper compliance. This includes alignment with global tax standards as well as adherence to general regulations.

We continuously expand and improve our Group Business Ethics Programme to reflect our all-important commitment to a high level of business ethics. This includes the Demant Group Code of Conduct, a global whistleblower scheme and a number of global policies and guidelines in the business ethics areas.

Demant collects and reports on the Business Ethics Programme on an ongoing basis, which is shared with the Executive Board and the Board of Directors.

IT risks

Characteristics

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

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

Our response and mitigation efforts

We regularly conduct maturity assessments to measure progress in IT security. We continuously seek to minimise these risks, and our IT strategy includes prevention and contingency plans.

By way of example, our IT security committee set up by our Board of Directors continuously follows up on and monitors our IT security set-up to ensure that the Group remains focused on ensuring proper IT security. Once a year, the committee reviews a maturity assessment based on the Cybersecurity Framework of the National Institute of Standards and Technology (NIST), the purpose of which is to ensure that also in future, we continue to focus on relevant parameters. The assessment was made by an external party in 2021, while it was done internally in 2022.

We train and educate our employees in IT-related topics on an ongoing basis to limit any IT-related incidents that may negatively impact the Group. We regularly update policies to ensure that they are up-to-date and reflect the current environment. Read more on page 46 in the Sustainability Report.

Financial risks

Characteristics

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

The Group is exposed to exchange rate risks, as the company trades with counterparties in a number of countries, and as the company may have varying cash flows in different currencies. Failure to adequately balance the Group's foreign exchange rate risks may impact the financial performance of the company.

In addition to exchange rate risks, the Group is exposed to interest rate risks, as changes in lending rates impact the company's interest expenses and credit profile.

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

Our response and mitigation efforts

Around two-thirds of the Group's sales are invoiced in other currencies than Danish kroner or euros. To ensure predictability in terms of profit, we hedge against exchange rate risks – mainly through forward exchange contracts with a horizon of up to 18 months. It is the Group's policy to exclusively hedge financial risks arising from our commercial activities and not to undertake any financial transactions of a speculative nature. Furthermore, to reduce our exchange rate exposure, we continuously seek to balance positive and negative cash flows in our main trading currencies as much as possible.

The Group continuously adapts its capital structure to the prevailing market conditions in order to secure attractive financing. Currently, around 40% of the Group's debt is funded through facilities with fixed rates and through financial instruments, which limits the interest rate risk.

The executive management monitors the capital structure of the company to ensure that it remains well-balanced. Interest rates have increased during 2022, which has impacted the company's financial expenses. Demant has centralised the management of financial risks with Group Treasury, which is responsible for securing attractive funding given the prevailing market conditions.

To mitigate potential liquidity and refinancing risks, Demant has access to considerable undrawn credit facilities. Generally, Demant has remained a highly cash-generating company. The Group has not defaulted on loan agreements, neither in the financial year 2022 nor in previous years.

To minimise the risk of suffering losses on customers, the Group monitors the credit risk on an ongoing basis as a part of the financial review of our business. The Group generally has a diversified customer base, and in 2022, the accumulated revenue from our ten largest customers accounted for approx. 12% of total consolidated revenue. We regularly adjust our financial accounts to reflect the current credit risks.

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

Please refer to Note 4.1 for additional information on financial and credit risks.

Corporate governance

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

Recommendations issued by the Danish Committee on Corporate Governance and adopted by Nasdaq Copenhagen are best-practice guidelines for the governance of companies admitted to trading on a regulated market in Denmark. When reviewing our corporate governance structures, we determine the extent to which the company complies with the recommendations and regularly assess whether the recommendations give rise to amendments to our rules of procedure or managerial processes.

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

A complete presentation of the recommendations and how we comply with them, the statutory report on corporate governance, is available on our website, www.demant.com.The report as well as the financial reporting process and internal control described in *Risk management activities* in this Annual Report 2022 constitute Demant's statement on corporate governance, cf. section 107b of the Danish Financial Statements Act.

Tasks and responsibilities of the Board of Directors

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

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

Composition and organisation

The Board of Directors has eight members: five members elected by the shareholders at the annual general meeting and three members elected by staff in Denmark. Shareholders elect Board members for a term of one year, and staff elect Board members for a term of four years. Staff-elected members are elected in accordance with the provisions of the Danish Companies Act.

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

Three of the five Board members presently elected by the shareholders at the annual general meeting are considered independent. The five Board members stand for re-election at the annual general meeting in March 2023.

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

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

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

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

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

Evaluation of the performance of the Board of Directors

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

In 2022, the evaluation was performed through individual interviews with the Chair. In 2020, the evaluation was performed with external assistance. Overall, the evaluation confirmed that the Board is satisfied with its governance structures and furthermore confirmed that the interaction between the Board members works well. The Board of Directors is keen to keep focus on and allocate time to the long-term strategic development of the company to continuously ensure that the potential of the company is exploited to the fullest. The Board decided to allocate more time to visit the company to understand the business needs and challenges better.

The collaboration between the Board of Directors and the Executive Board works well, and there is an open and trustful working atmosphere. The work performed by the Board takes its starting point in the annual wheel, which is regularly refined and updated and ensures the Board's commitment and immersion into relevant areas.

As a result of evaluation discussions, the Board has decided to separate audit committee meetings from ordinary Board meetings to ensure more in-depth discussions on audit and financial topics. This will be implemented in 2023.

Board and Executive Board members in Smørum, Denmark

Board committees

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

The nomination committee has been engaged in activities in relation to its normal tasks pursuant to the committee charter. In March 2022, the Executive Board was extended from two to four members as a natural consequence of the Group's development.

The audit committee has been engaged in transitioning to new auditors and a new audit company. Additionally, the committee has made preparations to separate audit committee meetings from ordinary Board meetings, which will be implemented in 2023. The audit committee has also focused on ensuring and driving financial compliance forward.

The remuneration committee has been engaged in implementing the revised remuneration structure and policy, which was adopted at the annual general meeting in March 2022.

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

Board of Directors' and Executive Board's remuneration

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

The Remuneration Report is available on our website here.

The Report will be submitted for advisory vote at the annual general meeting in March 2023.

Board meetings

Feb Mar Mar Jun Aug Dec

Audit committee meetings

Feb Aug Dec

Nomination committee meeting

Nov

Remuneration committee meetings

Jan Feb Nov

IT security committee meetings

Feb May

Members of Board committees

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

Executive Board

Søren Nielsen
(man)
President & CEO
Born 1970
Nationality: Danish
32,091 shares
(+4,049)

Joined the company in 1995

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

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

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

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

René Schneider
(man)
CFO
Born 1973
Nationality: Danish
17,745 shares
(+1,930)

Joined the company in 2015

Education: Holds an MSc in Economics from Aarhus University

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

Areas of responsibility: Finance, HR, IT, Legal & Compliance and Corporate Functions

Arne Boye Nielsen
(man)
President
Born 1968
Nationality: Danish
31,161 shares
(+2,753)

Joined the company in 1990

Education: Holds an MSc in Business Administration from Copenhagen Business School (CBS)

Competences: Broad business and leadership experience from various management positions in the Group, including M&A and heading a broad portfolio of diagnostic companies operating under various brands

Other positions: Össur hf. (M, C audit committee, M remuneration committee), Revenio Group Oyj (C, M audit committee)

Areas of responsibility: President of Demant's Diagnostics business area since 1996 and the Communications business area since 2002

Niels Wagner
(man)
President
Born 1971
Nationality: Danish
24,498 shares
(+2,321)

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

Education: Holds an MSc in Economics from Aarhus University

Competences: Broad business and leadership experience from various management positions in the Group, including M&A and heading the Group's numerous retail companies operating under various brands

Area of responsibility: President of Demant's Hearing Care business area since 2007

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

Board of Directors

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

Joined the Board in 2008
Chair since 2017

Chair of the nomination, remuneration and IT security committees and member of the audit committee

Considered independent: No

Position: CEO & President, LEGO A/S

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

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

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

Attendance in Board and committee meetings: No absence

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

Joined the Board in 2017
Vice Chair since 2017

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

Considered independent: No

Position: CEO, William Demant Invest A/S

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

Education: Holds an MSc in Economics from Aarhus University

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

Attendance in Board and committee meetings: No absence

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

Joined the Board in 2021

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

Considered independent: Yes

Position: CFO, Stark Group

Other positions: Conscia A/S (M)

Education: Holds an MSc in Business Economics and Auditing from Copenhagen Business School (CBS)

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

Attendance in Board and committee meetings: No absence

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

Joined the Board in 2020

Member of the audit committee

Considered independent: Yes

Position: Executive Vice President, Føtex

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

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

Competences: International leadership experience from large companies in the retail segment; experienced leader of operations, e-commerce and transformation with a background in strategy execution; lived and worked in the UK for many years

Attendance in Board and committee meetings: Absent from two Board meetings and one audit committee meeting

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

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

Joined the Board in 2021

Member of the audit committee

Considered independent: Yes

Position: President & CEO, Coloplast

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

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

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

Attendance in Board and committee meetings: Absent from one Board and one audit committee meeting

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

Staff-elected Board member since 2015

Re-elected in 2019 for a term of four years

Considered independent: N/A

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

Has been with the Demant Group since 2002

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

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

Attendance in Board and committee meetings: No absence

Casper Jensen
(man)
Born 1979
Nationality: Danish
1,779 shares
(+585)

Staff-elected Board member in 2019 for a term of four years

Considered independent: N/A

Position: Vice President of Sales, Interacoustics, a subsidiary company of Demant

Has been with the Demant Group since 2012

Education: Holds an MBA from Coventry University

Attendance in Board and committee meetings: No absence

Jørgen Møller Nielsen
(man)
Born 1962
Nationality: Danish
366 shares
(unchanged)

Staff-elected Board member since 2017 and also from 2011-2015

Re-elected in 2019 for a term of four years

Considered independent: N/A

Position: Senior Project Manager, Demant facility in Ballerup, Denmark

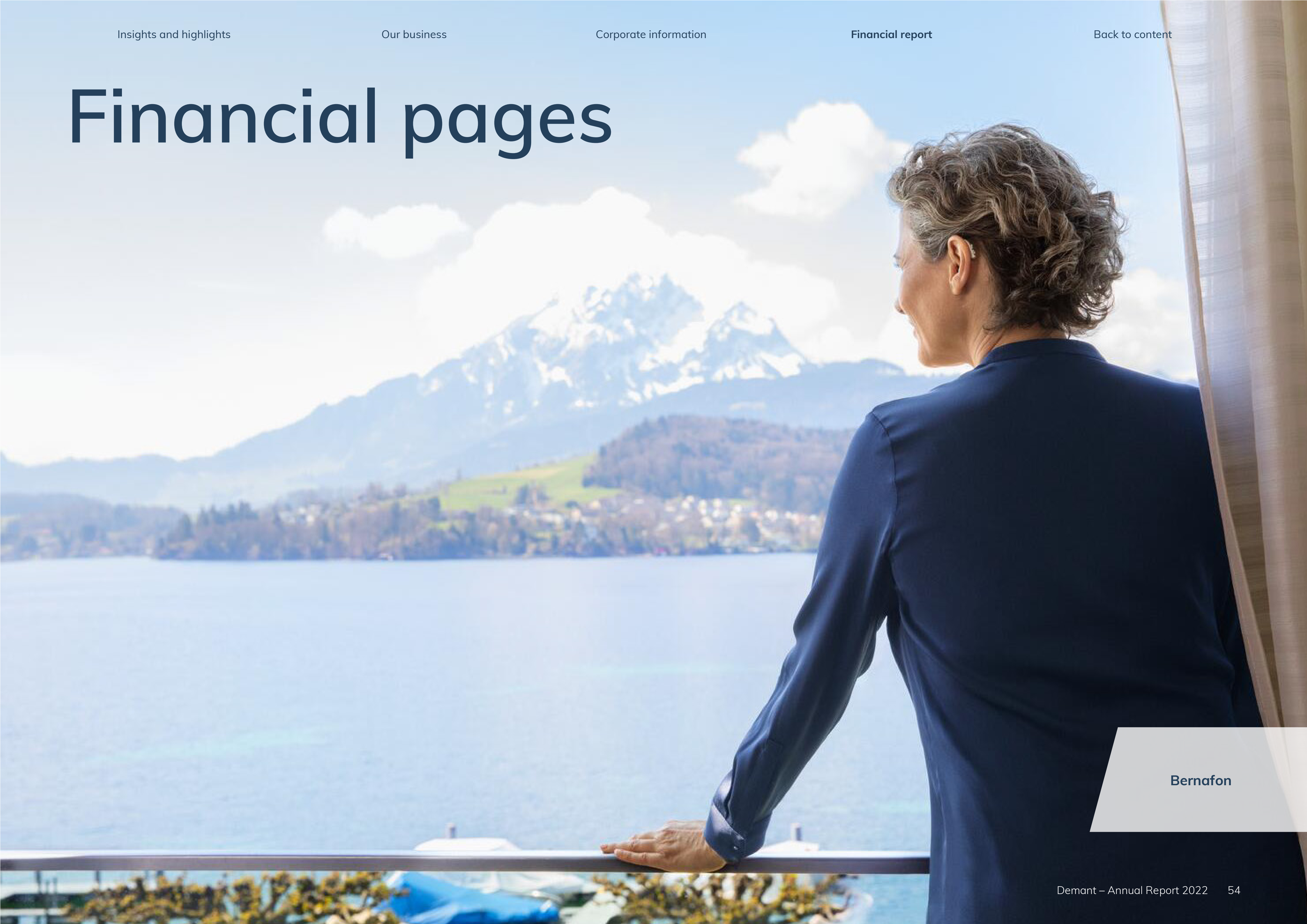
Has been with the Demant Group since 2001

Education: Holds an MSc in Electrical Engineering from the Technical University of Denmark and a Diploma in Business Administration (Organisation and Strategy)

Attendance in Board and committee meetings: No absence

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

Financial pages



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Management statement

The Board of Directors and Executive Board have today reviewed and approved the Annual Report 2022 of Demant A/S for the financial year 1 January to 31 December 2022.

The consolidated financial statements are prepared and presented in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act. The Parent financial statements are prepared and presented in accordance with the Danish Financial Statements Act. Further, the Annual Report 2022 has been prepared in accordance with Danish disclosure requirements for listed companies.

In our opinion, the consolidated financial statements and the Parent financial statements give a true and fair presentation of the Group's and the Parent's assets, liabilities and financial position at 31 December 2022, of the results of the Group's and the Parent's operations and of the Group's cash flows for the financial year 1 January to 31 December 2022.

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

In our opinion, the Annual Report 2022 for Demant A/S with the file name DEMANT-2022-12-31-en.zip for the financial year 1 January to 31 December 2022 for the Group and the Parent is prepared in compliance with the ESEF regulation.

We recommend that the Annual Report 2022 be adopted at the annual general meeting on 8 March 2023.

Smørum, 7 February 2023

Executive Board

Søren Nielsen, President & CEO

René Schneider, CFO

Arne Boye Nielsen, President Diagnostics and Communications

Niels Wagner, President Hearing Care

Board of Directors

Niels B. Christiansen, Chairman

Niels Jacobsen, Deputy Chairman

Thomas Duer

Casper Jensen

Anja Madsen

Jørgen Møller Nielsen

Sisse Fjelsted Rasmussen

Kristian Villumsen

Independent auditor's report

To the shareholders of Demant A/S

Report on the audit of the Financial Statements

Our opinion

In our opinion, the Consolidated financial statements give a true and fair view of the Group's financial position at 31 December 2022 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2022 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the Parent financial statements give a true and fair view of the Parent Company's financial position at 31 December 2022 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2022 in accordance with the Danish Financial Statements Act.

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

What we have audited

The Consolidated financial statements and the Parent financial statements of Demant A/S for the financial year 1 January to 31 December 2022 comprise income statement, balance sheet, statement of changes in equity and notes, including summary of significant accounting policies for the Group as well as for the Parent Company and statement of comprehensive income and cash flow statement for the Group. Collectively referred to as the "Financial Statements".

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report.

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

Independence

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

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

Appointment

We were appointed auditors of Demant A/S for the first time on 10 March 2022 for the financial year 2022.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for 2022. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

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

Statement on Management's Commentary

Management is responsible for Management's Commentary.

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

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

Moreover, we considered whether Management's Commentary includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Commentary is in accordance with the Consolidated financial statements and the Parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Commentary.

Management's responsibilities for the Financial Statements

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

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

Auditor's responsibilities for the audit of the Financial Statements

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

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

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

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

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

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

Report on compliance with the ESEF Regulation

As part of our audit of the Financial Statements we performed procedures to express an opinion on whether the annual report of Demant A/S for the financial year 1 January to 31 December 2022 with the filename DEMANT-2022-12-31-en.zip is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the Consolidated Financial Statements including notes.

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

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

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

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

In our opinion, the annual report of Demant A/S for the financial year 1 January to 31 December 2022 with the file name DEMANT-2022-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Hellerup, 7 February 2023

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 3377 1231

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

Consolidated financial statements

Consolidated income statement

(DKK million)	Note	2022	2021
Revenue	1.2	19,705	17,905
Production costs	1.3 / 1.4 / 1.6 / 8.3	-5,036	-4,447
Gross profit		**14,669**	**13,458**
R&D costs	1.3 / 1.4 / 8.3	-1,314	-1,139
Distribution costs	1.3 / 1.4 / 8.3	-9,232	-7,983
Administrative expenses	1.3 / 1.4 / 8.2 / 8.3	-1,038	-892
Share of profit after tax, associates and joint ventures	3.4 / 6.1	122	120
Other operating income	6.2	-	99
Operating profit (EBIT)		**3,207**	**3,663**
Financial income	4.2	83	42
Financial expenses	4.2	-363	-244
Profit before tax		**2,927**	**3,461**
Tax on profit for the year	5.1	-651	-750
Profit after tax - continuing operations		**2,276**	**2,711**
Profit after tax - discontinued operations	6.3	-192	-183
Profit for the year		**2,084**	**2,528**
Profit for the year attributable to:			
Demant A/S' shareholders		2,082	2,513
Non-controlling interests		2	15
		2,084	**2,528**
Earnings per share (EPS), DKK - continuing operations	1.5	10.06	11.48
Diluted earnings per share (DEPS), DKK - continuing operations	1.5	10.06	11.48
Earnings per share (EPS), DKK	1.5	9.21	10.70
Diluted earnings per share (DEPS), DKK	1.5	9.21	10.70

Consolidated statement of comprehensive income

(DKK million)	2022	2021
Profit for the year	**2,084**	**2,528**
Foreign currency translation adjustment, subsidiaries	60	425
Value adjustments of hedging instruments:		
Value adjustment for the year	-40	-177
Value adjustment transferred to revenue	202	36
Tax on items that have been or may subsequently be reclassified to the income statement	-32	29
Items that have been or may subsequently be reclassified to the income statement	**190**	**313**
Actuarial gains/losses on defined benefit plans	105	62
Tax on items that will not subsequently be reclassified to the income statement	-27	-12
Items that will not subsequently be reclassified to the income statement	**78**	**50**
Other comprehensive income	**268**	**363**
Comprehensive income	**2,352**	**2,891**
Comprehensive income attributable to:		
Demant A/S' shareholders	2,350	2,876
Non-controlling interests	2	15
	2,352	**2,891**
Breakdown of tax on other comprehensive income:		
Foreign currency translation adjustment, foreign enterprises	3	-3
Value adjustment of hedging instruments for the year	9	40
Value adjustment of hedging instruments transferred to revenue	-44	-8
Actuarial gains/losses on defined benefit plans	-27	-12
Tax on other comprehensive income	**-59**	**17**

Consolidated balance sheet 31 December

(DKK million)	Note	2022	2021
Assets			
Intangible assets	3.1	**12,582**	**10,317**
Property, plant and equipment	3.2	**2,553**	**2,277**
Lease assets	3.3	2,304	2,079
Investments in associates and joint ventures	3.4	822	858
Receivables from associates and joint ventures	3.4 / 4.3 / 4.4	371	267
Other investments	4.3 / 4.5	15	11
Customer loans	1.8 / 3.4 / 4.3 / 4.4	566	494
Other receivables	3.4 / 4.3 / 4.4	84	75
Deferred tax assets	5.2	538	596
Other non-current assets		**4,700**	**4,380**
Non-current assets	3.5	**19,835**	**16,974**
Inventories	1.6	2,904	2,366
Trade receivables	1.7 / 4.3	3,626	3,203
Receivables from associates and joint ventures	4.3	170	147
Income tax		126	68
Customer loans	1.8 / 4.3 / 4.4	229	196
Other receivables	4.3 / 4.4	376	420
Unrealised gains on financial contracts	2.3 / 4.3 / 4.5	103	6
Prepaid expenses		394	308
Cash	4.3 / 4.4	1,130	1,172
Assets held for sale	6.3	964	-
Current assets		**10,022**	**7,886**
Assets		**29,857**	**24,860**

(DKK million)	Note	2022	2021
Equity and liabilities			
Share capital		46	48
Other reserves		8,515	7,929
Equity attributable to Demant A/S' shareholders		**8,561**	**7,977**
Equity attributable to non-controlling interests		1	4
Equity		**8,562**	**7,981**
Borrowings	4.3 / 4.4	6,098	2,795
Lease liabilities	3.3 / 4.4	1,766	1,610
Deferred tax liabilities	5.2	620	470
Provisions	7.1	175	268
Other liabilities	4.3 / 7.2	566	340
Deferred income	7.3	501	423
Non-current liabilities		**9,726**	**5,906**
Borrowings	4.3 / 4.4	6,598	6,422
Lease liabilities	3.3 / 4.4	614	511
Trade payables	4.3	865	808
Income tax		311	267
Provisions	7.1	33	81
Other liabilities	4.3 / 7.2	2,445	2,302
Unrealised losses on financial contracts	2.3 / 4.3 / 4.5	15	81
Deferred income	7.3	513	501
Liabilities related to assets held for sale	6.3	175	-
Current liabilities		**11,569**	**10,973**
Liabilities		**21,295**	**16,879**
Equity and liabilities		**29,857**	**24,860**

Consolidated cash flow statement

(DKK million)	Note	2022	2021
Operating profit (EBIT)		3,207	3,663
Non-cash items etc.	1.9	1,074	869
Change in receivables etc.		-491	-474
Change in inventories		-532	-335
Change in trade payables and other liabilities etc.		10	365
Change in provisions		3	94
Dividends received		164	106
Cash flow from operating profit		**3,435**	**4,288**
Financial income etc. received		63	27
Financial expenses etc. paid		-359	-245
Income tax paid		-517	-477
Cash flow from operating activities (CFFO)		**2,622**	**3,593**
Acquisition of enterprises, participating interests and activities		-2,323	-708
Divestment of enterprises, participating interests and activities		-	161
Investments in intangible assets		-277	-164
Investments in property, plant and equipment		-647	-562
Disposal of property, plant and equipment		16	15
Investments in other non-current assets		-356	-434
Disposal of other non-current assets		259	390
Cash flow from investing activities (CFFI)		**-3,328**	**-1,302**

(DKK million)	Note	2022	2021
Repayments of borrowings	4.4	-2,737	-2,409
Proceeds from borrowings	4.4	8,606	2,506
Change in short-term bank facilities	4.4	-2,477	1,889
Repayments of lease liabilities	3.3 / 4.4	-614	-530
Transactions with non-controlling interests		-4	-34
Share buy-backs		-1,840	-3,200
Cash flow from financing activities (CFFF)		**934**	**-1,778**
Cash flow for the period, net - continuing operations		**228**	**513**
Cash flow for the period, net - discontinued operations	6.3	-253	-314
Cash flow for the year, net		**-25**	**199**
Cash and cash equivalents at the beginning of the year		1,172	952
Foreign currency translation adjustment of cash and cash equivalents		-17	21
Cash and cash equivalents at the end of the year		**1,130**	**1,172**
Breakdown of cash and cash equivalents at the end of the year:			
Cash	4.3 / 4.4	1,130	1,172
Cash and cash equivalents at the end of the year		**1,130**	**1,172**

Acquisition of enterprises, participating interests and activities includes loans of DKK 0 million (DKK 63 million in 2021) 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	Other reserves: Hedging reserve	Other reserves: Retained earnings	Demant A/S' share-holders' share	Non-controlling interests' share	Equity
Equity at 1.1.2022	**48**	**8**	**-54**	**7,975**	**7,977**	**4**	**7,981**
Comprehensive income:							
Profit for the year	-	-	-	2,082	2,082	2	2,084
Other comprehensive income:							
Foreign currency translation adjustment, subsidiaries	-	60	-	-	60	-	60
Value adjustments of hedging instruments:							
Value adjustment, year	-	-	-40	-	-40	-	-40
Value adjustment transferred to revenue	-	-	202	-	202	-	202
Actuarial gains/losses on defined benefit plans	-	-	-	105	105	-	105
Tax on other comprehensive income	-	3	-35	-27	-59	-	-59
Other comprehensive income	**-**	**63**	**127**	**78**	**268**	**-**	**268**
Comprehensive income for the year	**-**	**63**	**127**	**2,160**	**2,350**	**2**	**2,352**
Share buy-backs	-	-	-	-1,840	-1,840	-	-1,840
Share-based compensation	-	-	-	80	80	-	80
Capital reduction through cancellation of treasury shares	-2	-	-	2	-	-	-
Transactions with non-controlling interests	-	-	-	-3	-3	-8	-11
Other changes in equity	-	-	-	-3	-3	3	-
Equity at 31.12.2022	**46**	**71**	**73**	**8,371**	**8,561**	**1**	**8,562**

Consolidated statement of changes in equity

(DKK million)		Other reserves					
	Share capital	Foreign currency translation reserve	Hedging reserve	Retained earnings	Demant A/S' share-holders' share	Non-controlling interests' share	Equity
Equity at 1.1.2021	**48**	**-414**	**55**	**8,561**	**8,250**	**29**	**8,279**
Comprehensive income:							
Profit for the year	-	-	-	2,513	2,513	15	2,528
Other comprehensive income:							
Foreign currency translation adjustment, subsidiaries	-	425	-	-	425	-	425
Value adjustments of hedging instruments:							
Value adjustment, year	-	-	-177	-	-177	-	-177
Value adjustment transferred to revenue	-	-	36	-	36	-	36
Actuarial gains/losses on defined benefit plans	-	-	-	62	62	-	62
Tax on other comprehensive income	-	-3	32	-12	17	-	17
Other comprehensive income	**-**	**422**	**-109**	**50**	**363**	**-**	**363**
Comprehensive income for the year	**-**	**422**	**-109**	**2,563**	**2,876**	**15**	**2,891**
Share buy-backs	-	-	-	-3,143	-3,143	-	-3,143
Share-based compensation	-	-	-	8	8	-	8
Transactions with non-controlling interests	-	-	-	-14	-14	-40	-54
Equity at 31.12.2021	**48**	**8**	**-54**	**7,975**	**7,977**	**4**	**7,981**

Notes to consolidated financial statements

Section 1

Operating activities and cash flow

REVENUE
19,705
DKK MILLION

FREE CASH FLOW
1,617
DKK MILLION

1.1 Segment disclosures

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

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

On 27 April 2022, Demant announced the decision to discontinue its Hearing Implants business. Please refer to Note 6.3.

Communications comprises our headset business, which operates under the EPOS brand and provides headsets for the professional call centre and office market (Enterprise Solutions) and headsets for the gaming market (Gaming).

Accounting policies

Segmentation of income statement

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

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

Segmentation of assets and liabilities

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

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

(DKK million)	2022			2021		
	Hearing Healthcare	Communications	Consolidated	Hearing Healthcare	Communications	Consolidated
Revenue	18,645	1,060	19,705	16,722	1,183	17,905
Production costs	-4,453	-583	-5,036	-3,835	-612	-4,447
Gross profit	**14,192**	**477**	**14,669**	**12,887**	**571**	**13,458**
R&D costs	-1,083	-231	-1,314	-942	-197	-1,139
Distribution costs	-8,787	-445	-9,232	-7,519	-464	-7,983
Administrative expenses	-1,001	-37	-1,038	-860	-32	-892
Share of profit after tax, associates and joint ventures	122	-	122	120	-	120
Other operating income	-	-	-	99	-	99
Operating profit (EBIT)	**3,443**	**-236**	**3,207**	**3,785**	**-122**	**3,663**
Other:						
Depreciation	998	26	1,024	867	25	892
Amortisation	135	17	152	107	14	121
Fair value adjustments of non-controlling interests in step acquisitions	14	-	14	48	-	48

1.1 Segment disclosures (continued)

	2022					2021				
	Hearing Healthcare	Communi-cations	Elimi-nations	Not allocated	Consoli-dated	Hearing Healthcare	Communi-cations	Elimi-nations	Not allocated	Consoli-dated
Intangible assets	12,117	465	-	-	12,582	9,835	482	-	-	10,317
Property, plant and equipment	2,523	30	-	-	2,553	2,250	27	-	-	2,277
Lease assets	2,262	42	-	-	2,304	2,031	48	-	-	2,079
Investments in associates	755	67	-	-	822	791	67	-	-	858
Other non-current assets	959	77	-	538	1,574	781	66	-	596	1,443
Total non-current assets	**18,616**	**681**	**-**	**538**	**19,835**	**15,688**	**690**	**-**	**596**	**16,974**
Inventories	2,359	545	-	-	2,904	1,841	525	-	-	2,366
Trade receivables	3,368	258	-	-	3,626	2,940	263	-	-	3,203
Intra-group receivables	1,298	-	-1,298	-	-	1,130	-	-1,130	-	-
Other current assets	1,296	102	-	-	1,398	1,013	132	-	-	1,145
Cash	1,078	52	-	-	1,130	1,113	59	-	-	1,172
Assets held for sale	964	-	-	-	964	-	-	-	-	-
Total current assets	**10,363**	**957**	**-1,298**	**-**	**10,022**	**8,037**	**979**	**-1,130**	**-**	**7,886**
Total assets	**28,979**	**1,638**	**-1,298**	**538**	**29,857**	**23,725**	**1,669**	**-1,130**	**596**	**24,860**
Equity	**21,561**	**74**	**-**	**-13,073**	**8,562**	**17,126**	**272**	**-**	**-9,417**	**7,981**
Borrowings	-	-	-	6,098	6,098	-	-	-	2,795	2,795
Lease liabilities	1,734	32	-	-	1,766	1,572	38	-	-	1,610
Other non-current liabilities	1,219	37	-	606	1,862	1,014	31	-	456	1,501
Total non-current liabilities	**2,953**	**69**	**-**	**6,704**	**9,726**	**2,586**	**69**	**-**	**3,251**	**5,906**
Borrowings	-	-	-	6,598	6,598	-	-	-	6,422	6,422
Lease liabilities	601	13	-	-	614	499	12	-	-	511
Intra-group payables	-	1,298	-1,298	-	-	-	1,130	-1,130	-	-
Other current liabilities	3,689	184	-	309	4,182	3,514	186	-	340	4,040
Liabilities related to assets held for sale	175	-	-	-	175	-	-	-	-	-
Total current liabilities	**4,465**	**1,495**	**-1,298**	**6,907**	**11,569**	**4,013**	**1,328**	**-1,130**	**6,762**	**10,973**
Total equity and liabilities	**28,979**	**1,638**	**-1,298**	**538**	**29,857**	**23,725**	**1,669**	**-1,130**	**596**	**24,860**

1.2 Revenue

(DKK million)	2022	2021
Revenue by geographic region:		
Europe	8,108	7,734
North America	8,078	7,149
Asia	1,887	1,547
Pacific region	1,055	1,089
Other regions	577	386
Revenue	**19,705**	**17,905**
Revenue by country:		
Denmark	265	256
USA	6,726	5,967
France	2,188	2,314
Other countries	10,526	9,368
Revenue	**19,705**	**17,905**

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

The ten largest single customers together account for around 12% (9% in 2021) of total consolidated revenue.

(DKK million)	2022	2021
Revenue by business area:		
Hearing Aids	8,231	7,346
Hearing Care	8,123	7,553
Diagnostics	2,291	1,823
Communications – EPOS	1,060	1,183
Revenue	**19,705**	**17,905**

(DKK million)	2022	2021
Liabilities related to contracts with customers:		
Customer prepayments*	68	72
Future performance obligations*	946	852
Expected volume discounts and other customer-related items**	343	304
Expected product returns***	172	162
Transferred to liabilities related to assets held for sale	-4	-
Contract liabilities with customers	**1,525**	**1,390**

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

Value adjustments transferred from equity relating to derivatives made for hedging foreign exchange risks on revenue amount to DKK -202 million (DKK -36 million in 2021).

(DKK million)	2022	2021
Changes in contract liabilities with customers:		
Contract liabilities at 1.1.	1,390	1,246
Foreign currency translation adjustment	17	52
Revenue recognised and included in the contract liability balance at 1.1.	-554	-510
Increases due to cash received, excluding amounts recognised as revenue during the year	624	469
Changes from expected volume discounts and other customer-related items	35	81
Changes from product returns	6	41
Additions from acquisitions	11	11
Transferred to liabilities related to assets held for sale	-4	-
Contract liabilities at 31.12.	**1,525**	**1,390**

1.2 Revenue (continued)

Nature of goods and services

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

In some countries, customers are given the right to return the hearing aid within a certain period. In such cases, the expected returns are estimated based on an analysis of historical 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 the hearing aid, additional hearing test and cleaning). Revenue from these services is recognised on a straight-line basis over the warranty or service period as the user makes use of the service continuously. Some users purchase a battery package or are given batteries free of charge as part of the purchase of the hearing aid, entitling them to free batteries for a certain period. Revenue is recognised when the user receives the batteries or is given batteries free of charge as part of the purchase of the hearing aid. When available, we use an observable price to determine the stand-alone selling price for the separate performance obligations related to these services, and in countries where observable prices are not available, we use a cost-plus-margin method.

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

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

Accounting policies

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

Accounting estimates and judgements

Discounts, returns etc. (estimate)

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

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

After-sales services (estimate)

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

1.3 Employees

(DKK million)	Note	2022	2021
Employee costs:			
Wages and salaries		7,307	6,415
Share-based remuneration		32	18
Defined contribution plans		134	85
Defined benefit plans	7.1	15	18
Social security costs etc.		817	670
Employee costs		**8,305**	**7,206**
Employee costs by function:			
Production costs		1,130	934
R&D costs		839	708
Distribution costs		5,465	4,786
Administrative expenses		871	778
Employee costs		**8,305**	**7,206**
Average number of full-time employees		19,239	16,866

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

(DKK million)	2022	2021
Executive Board		
Wages and salaries	25.9	18.4
Cash bonus	1.7	-
Share-based remuneration	8.7	5.3
Total	**36.3**	**23.7**
Board of Directors		
Fee	4.8	4.8
Total	**4.8**	**4.8**

Remuneration of the Executive Board

The total remuneration of the Executive Board comprises:

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

Effective from 1 April 2022, the Executive Board was extended with Arne Boye Nielsen, President of Diagnostics and Communications, and Niels Wagner, President of Hearing Care. The remuneration of Arne Boye Nielsen and Niels Wagner from 1 April 2022 is therefore included in the Remuneration of Executive Board table.

The remuneration of the Executive Board and the Board of Directors is described in detail in the Demant Remuneration Report 2022.

Remuneration of the Board of Directors

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

In 2022, the basic remuneration was DKK 400,000 (DKK 400,000 in 2021). The Chair receives a fee that is three times the base fee and the Vice Chair a fee that is two times the base fee.

The members of the audit committee receive basic remuneration of DKK 50,000 (DKK 50,000 in 2021), and the chair of the audit committee receives three times the basic remuneration.

The individual Board members' fees and their shareholdings can be found in the Demant Remuneration Report 2022.

Accounting policies

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

1.3 Employees (continued)

Share-based remuneration

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

"Shadow share" programme

In 2022, the Group granted no "shadow shares" (43,514 in 2021). No new programmes were introduced in 2022. In 2021, the fair value of "shadow shares" granted to five employees was DKK 11 million at the time of the grant. The liability is recognised on a straight-line basis, as the service is rendered, and the liability is remeasured at each reporting date and at the settlement date based on the fair value of the "shadow shares". Fair value adjustments are recognised as financial income or financial expenses. If relevant, the liability is adjusted to reflect the expected risk of non-vesting as a result of resignations.

Any changes to the liability are recognised in the income statement. In 2022, the Group bought back shares to cover the financial risk of share price fluctuations related to the programmes. At 31 December 2022, the remaining average contractual life of cash-settled remuneration programmes was 9 months (15 months in 2021).

RSU programme

In 2022, RSU shares were granted to 149 employees (117 employees in 2021). The Group recognised costs of DKK 24 million (DKK 8 million in 2021) in the income statement related to the RSU programme. There has been no subsequent remeasurement of the fair value. The costs are recognised on a straight-line basis, as the service is rendered. At 31 December 2022, the remaining average contractual life of equity-settled share programmes was 21 months (21 months in 2021).

Share-based remuneration ("shadow share" programme)

(DKK million)	2022		2021	
	Executive Board	**Other senior members of Management**	**Executive Board**	**Other senior members of Management**
Liabilities at 1.1.	**14.4**	**13.0**	**7.0**	**9.0**
Transfer due to extension of Executive Board*	6.1	-6.1	-	-
Expensed during the year in wages and salaries	6.0	0.6	5.6	4.1
Fair value adjustments	-6.6	-1.4	5.3	4.2
Settled during the year	-8.9	-4.3	-3.5	-4.3
Liabilities at 31.12.	**11.0**	**1.8**	**14.4**	**13.0**
Granted during the year	-	-	7.5	4.0
Unrecognised commitment at 31.12.**	3.9	0.5	11.4	7.3

*Arne Boye Nielsen, President of Diagnostics and Communications, and Niels Wagner, President of Hearing Care, joined the Executive Board effective 1 April 2022. The liability at the beginning of the year has therefore been transferred to the Executive Board.

**Unrecognised commitment is the part of granted "shadow shares" not expensed at 31 December.

Restricted share units (RSU programme)

	Total number of shares	Total fair value
	No.	(DKK million)
Outstanding 1.1.2021	35,717	
Granted	75,731	20
Exercised	-1,246	
Forfeited	-237	
Outstanding 31.12.2021	**109,965**	
Granted	166,345	45
Exercised	-18,943	
Forfeited	-8,069	
Outstanding 31.12.2022	**249,298**	

Accounting estimates and judgements

Vesting conditions and fair value (estimate)

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

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

1.4 Amortisation, depreciation and impairment losses

(DKK million)	Note	2022	2021
Amortisation of intangible assets	3.1	152	121
Depreciation of property, plant and equipment	3.2	405	366
Depreciation of lease assets	3.3	619	526
Amortisation, depreciation and impairment losses		**1,176**	**1,013**
Amortisation, depreciation and impairment losses by function:			
Production costs		109	97
R&D costs		53	48
Distribution costs		812	699
Administrative expenses		202	169
Amortisation, depreciation and impairment losses		**1,176**	**1,013**

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

There are no impairment losses in 2022 and 2021.

1.5 Earnings per share

	2022	2021
Demant A/S' shareholders' share of profit for the year, DKK million - continuing operations	2,274	2,696
Demant A/S' shareholders' share of profit for the year, DKK million - discontinued operations	-192	-183
Demant A/S' shareholders' share of profit for the year, DKK million	**2,082**	**2,513**
Average number of shares, million	233.45	240.30
Average number of treasury shares, million	-7.44	-5.48
Average number of shares outstanding, million	**226.01**	**234.82**
Earnings per share (EPS), DKK - continuing operations	10.06	11.48
Diluted earnings per share (DEPS), DKK - continuing operations	10.06	11.48
Earnings per share (EPS), DKK - discontinued operations	-0.85	-0.78
Diluted earnings per share (DEPS), DKK - discontinued operations	-0.85	-0.78
Earnings per share (EPS), DKK	9.21	10.70
Diluted earnings per share (DEPS), DKK	9.21	10.70

1.6 Inventories

(DKK million)	2022	2021
Raw materials and purchased components	1,249	940
Work in progress	60	74
Finished goods and goods for resale	1,595	1,352
Inventories	**2,904**	**2,366**
Write-downs, provisions for obsolescence etc. included in the above	146	179
Included in the income statement under production costs:		
Write-downs of inventories for the year, net	52	40
Cost of goods sold for the year	3,813	3,389

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

Accounting policies

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

Group-manufactured finished goods and work in progress are measured at the value of direct costs, direct payroll costs, consumables and a proportionate share of indirect production costs, which are allocated 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 finished goods and work in progress.

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

Accounting estimates and judgements

Indirect production cost (significant judgement)

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

Obsolescence provision (estimate)

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

1.7 Trade receivables

Credit risk

(DKK million)	Balance not due	0-3 months overdue	3-6 months overdue	6-12 months overdue	More than 12 months overdue	Total carrying amount
2022						
Gross carrying amount	2,564	669	228	212	277	3,950
Specific loss allowance	-15	-42	-48	-62	-123	-290
General loss allowance	-11	-8	-4	-5	-6	-34
Total	**2,538**	**619**	**176**	**145**	**148**	**3,626**
Expected loss rate	1.0%	7.5%	22.8%	31.6%	46.6%	8.2%
2021						
Gross carrying amount	2,202	582	224	210	319	3,537
Specific loss allowance	-17	-37	-46	-42	-159	-301
General loss allowance	-10	-6	-3	-5	-9	-33
Total	**2,175**	**539**	**175**	**163**	**151**	**3,203**
Expected loss rate	1.2%	7.4%	21.9%	22.4%	52.7%	9.4%

The opening balance of trade receivables in 2021 amounted to DKK 2,808 million.

Of the total amount of trade receivables, DKK 247 million (DKK 250 million in 2021) is expected to be collected after 12 months. For information on security and collateral, please refer to Credit risks in Note 4.1.

(DKK million)	2022	2021
Allowance for impairment:		
Allowance for impairment at 1.1.	-334	-406
Foreign currency translation adjustments	-11	-10
Realised during the year	151	82
Additions during the year	-186	-132
Reversals during the year	38	132
Transfer to assets held for sale	18	-
Allowance for impairment at 31.12.	**-324**	**-334**

Accounting policies

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

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

Accounting estimates and judgements

Impairment of receivables (estimate)

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

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

1.8 Customer loans

(DKK million)	2022	2021
Non-current customer loans	566	494
Current customer loans	229	196
Total customer loans	**795**	**690**
Allowance for impairment:		
Allowance for impairment 1.1	-17	-20
Foreign currency translation adjustment	-	-2
Realised during the year	1	6
Additions during the year	-26	-2
Reversals during the year	9	1
Allowance for impairment 31.12	**-33**	**-17**

Group internal credit rating

(DKK million)

2022		Expected credit loss rate	Gross carrying amount	Carrying amount
Performing	12-month expected credit loss	0.3%	673	671
Underperforming	Expected lifetime credit loss	20.0%	155	124
Total customer loans			**828**	**795**
2021				
Performing	12-month expected credit loss	0.3%	578	576
Underperforming	Expected lifetime credit loss	11.6%	129	114
Total customer loans			**707**	**690**

Accounting policies

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

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

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

Accounting estimates and judgements

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

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

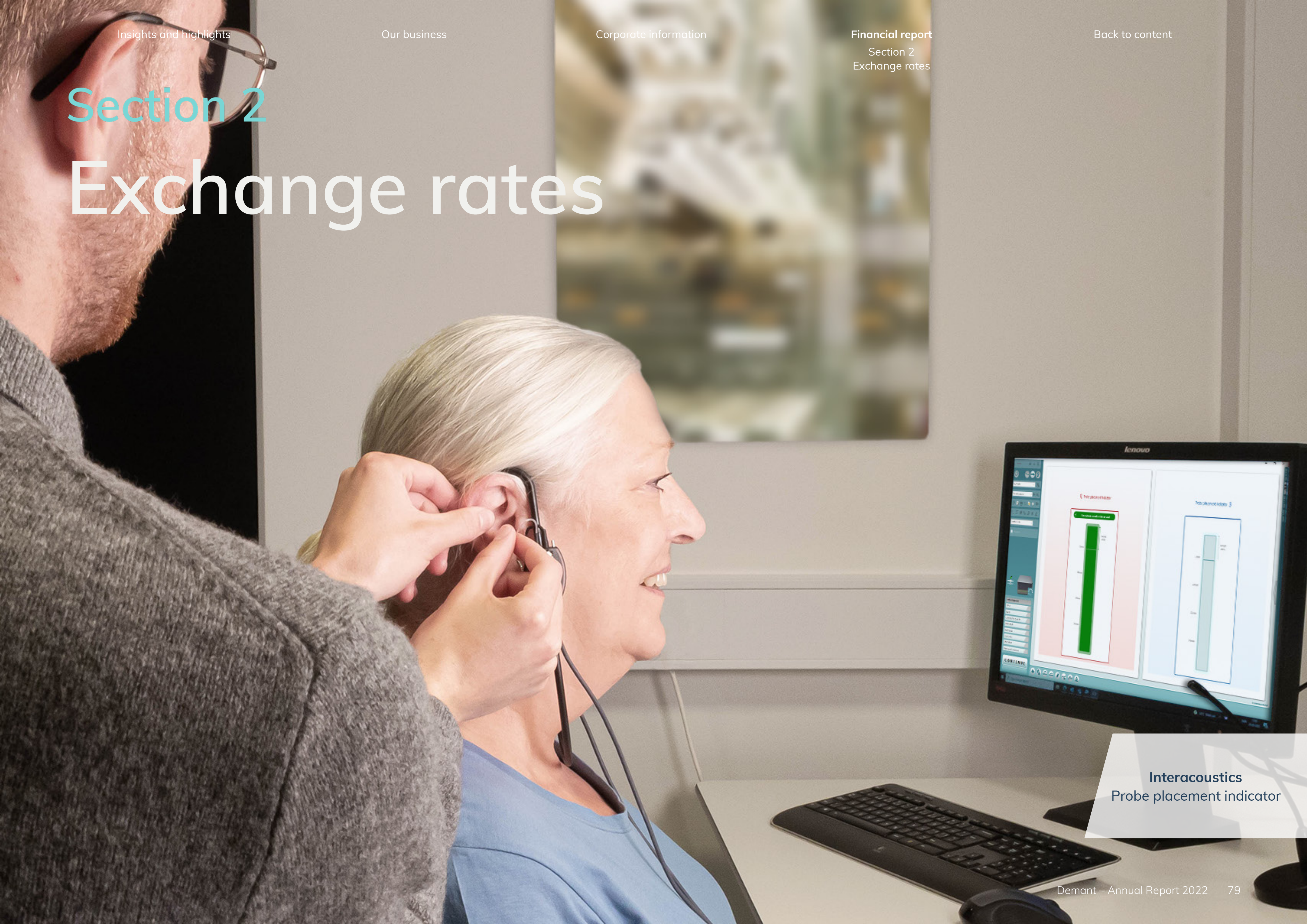
Management assesses the recognition and classification of income and expenses for each of these agreements, including whether the agreement represents a discount on future sales (judgement). Management also assesses whether there is an indication of impairment based on current economic market conditions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

1.9 Specification of non-cash items etc.

(DKK million)	2022	2021
Amortisation and depreciation	1,176	1,065
Share of profit after tax, associates and joint ventures	-122	-120
Gain on sale of intangible assets and property, plant and equipment	-1	-4
Provisions including one-offs	-26	-33
Exchange rate adjustments	-51	-44
Employee share salary arrangement	80	65
Divestment of enterprises	-	-99
Other non-cash items	18	39
Non-cash items etc.	**1,074**	**869**

Section 2

Exchange rates



Interacoustics
Probe placement indicator

2.1 Exchange rate risk policy

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

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

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

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

2.2 Sensitivity analysis in respect of exchange rates

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

(DKK million)	2022	2021
USD	+56	+82
GBP	+30	+23
CAD	+22	+22
AUD	+10	+11
JPY	+5	+4
PLN	-30	-25
CNY	+5	+8

Effect on equity, 5% positive change in exchange rates

(DKK million)	2022	2021
USD	+47	+75
GBP	+29	+23
CAD	+20	+20
AUD	+9	+11
JPY	+5	+4
PLN	-31	-25
CNY	+4	+8

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

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

The exchange rate impact on EBIT has been calculated on the basis of the Group's EBIT for each currency and does not take into account a possible exchange rate impact on balance sheet values in those currencies.

2.3 Hedging and forward exchange contracts

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

Realised forward exchange contracts are recognised in the income statement together with revenue in foreign currency that such contracts are designed to hedge. In 2022, our forward exchange contracts realised a loss of DKK 202 million (loss of DKK 36 million in 2021), which reduced our reported revenue for the year.

The Group's forward exchange contracts were effective in 2022 and 2021.

Forward exchange contracts

(DKK million)	Expiry	Hedging period*	Average hedging rate	Contractual value	Fair value	Positive fair value at year-end	Negative fair value at year-end
2022							
USD	2023	10 months	701	-1,072	18	30	12
AUD	2023	9 months	487	-263	8	8	-
GBP	2023	9 months	855	-470	13	13	-
CAD	2023	9 months	533	-362	16	16	-
JPY	2023	10 months	5.34	-85	-	1	1
PLN	2023	9 months	150	479	15	15	-
EUR**	2024	36 months	742	891	-2	-	2
				-882	**68**	**83**	**15**
2021							
USD	2021	11 months	632	-1,124	-38	1	39
AUD	2021	10 months	464	-334	-8	-	8
GBP	2021	11 months	863	-552	-12	-	12
CAD	2021	11 months	495	-441	-16	-	16
JPY	2021	11 months	6	-120	-	1	1
PLN	2021	10 months	160	432	-4	1	5
EUR**	2024	36 months	741	895	3	3	-
				-1,244	**-75**	**6**	**81**

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

Accounting policies

On initial recognition, derivatives are measured at fair value at the settlement date. After initial recognition, derivatives are measured at fair value at the balance sheet date. Any positive or negative fair values of derivatives are recognised as separate items as unrealised gains/losses on financial contracts in the balance sheet. Forward exchange contracts 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.

Section 3

Asset base

INTANGIBLE ASSETS
12,582
DKK MILLION

PROPERTY, PLANT AND EQUIPMENT
2,553
DKK MILLION

OTHER NON-CURRENT ASSETS
1,843
DKK MILLION

3.1 Intangible assets

(DKK million)	2022					2021				
	Goodwill	**Patents and li-cences**	**Other intangible assets**	**Assets under develop-ment***	**Total intangible assets**	**Goodwill**	**Patents and li-cences**	**Other intangible assets**	**Assets under develop-ment***	**Total intangible assets**
Cost at 1.1.	**9,471**	**137**	**1,229**	**274**	**11,111**	**8,320**	**122**	**1,055**	**283**	**9,780**
Foreign currency translation adjustments	111	-	15	2	128	338	-	14	5	357
Additions during the year	-	7	75	194	276	-	3	28	136	167
Additions relating to acquisitions	2,366	1	235	4	2,606	813	-	12	-	825
Disposals relating to divestments	-	-	-	-	-	-	-	-1	-	-1
Disposals during the year	-1	-4	-4	-	-9	-	-	-17	-	-17
Transfer to/from other items	-	-	107	-107	-	-	12	138	-150	-
Transferred to assets held for sale	-459	-66	-18	-107	-650	-	-	-	-	-
Cost at 31.12.	**11,488**	**75**	**1,639**	**260**	**13,462**	**9,471**	**137**	**1,229**	**274**	**11,111**
Amortisation at 1.1.	**-**	**-116**	**-678**	**-**	**-794**	**-**	**-110**	**-566**	**-**	**-676**
Foreign currency translation adjustments	-	-	-11	-	-11	-	-	-10	-	-10
Amortisation for the year	-	-5	-147	-	-152	-	-5	-117	-	-122
Depreciation transfer	-	-	-	-	-	-	-1	-1	-	-2
Disposals during the year	-	3	1	-	4	-	-	16	-	16
Transferred to assets held for sale	-	62	11	-	73	-	-	-	-	-
Amortisation at 31.12.	**-**	**-56**	**-824**	**-**	**-880**	**-**	**-116**	**-678**	**-**	**-794**
Carrying amount at 31.12.	**11,488**	**19**	**815**	**260**	**12,582**	**9,471**	**21**	**551**	**274**	**10,317**

*Prepayments are included in assets under development.

3.1 Intangible assets (continued)

Accounting policies

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

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

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

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

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

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

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

Useful lives of intangible assets:

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

Accounting estimates and judgements

Product development (judgement)

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

3.2 Property, plant and equipment

(DKK million)	2022						2021					
	Land and buildings	**Plant and machinery**	**Other plant, fixtures and operating equipment**	**Leasehold improvements**	**Assets under construction***	**Total property plant and equipment**	**Land and buildings**	**Plant and machinery**	**Other plant, fixtures and operating equipment**	**Leasehold improvements**	**Assets under construction***	**Total property plant and equipment**
Cost at 1.1.	**1,308**	**788**	**1,624**	**1,133**	**127**	**4,980**	**1,254**	**742**	**1,341**	**973**	**181**	**4,491**
Foreign currency translation adjustments	10	-2	22	3	-	33	17	3	42	28	3	93
Additions during the year	6	44	185	205	207	647	6	36	204	153	80	479
Additions relating to acquisitions	-	2	24	44	-	70	3	-	3	7	-	13
Disposals relating to divestments	-	-	-	-	-	-	-	-3	-13	-1	-	-17
Disposals during the year	-8	-33	-53	-31	-	-125	-	-16	-44	-46	-4	-110
Transferred to/from other items	23	82	-41	50	-114	-	28	26	91	19	-133	31
Transferred to assets held for sale	-	-46	-24	-13	-	-83	-	-	-	-	-	-
Cost at 31.12.	**1,339**	**835**	**1,737**	**1,391**	**220**	**5,522**	**1,308**	**788**	**1,624**	**1,133**	**127**	**4,980**
Depreciation and impairment losses at 1.1.	**-306**	**-576**	**-1,166**	**-655**	**-**	**-2,703**	**-274**	**-525**	**-991**	**-562**	**-**	**-2,352**
Foreign currency translation adjustments	-4	2	-16	-3	-	-21	-6	-3	-33	-17	-	-59
Depreciation for the year	-28	-78	-156	-148	-	-410	-27	-71	-161	-115	-	-374
Disposals relating to divestments	-	-	-	-	-	-	-	2	12	1	-	15
Disposals during the year	5	31	44	29	-	109	-	14	43	41	-	98
Transferred to/from other items	-	-2	-8	10	-	-	1	7	-36	-3	-	-31
Transferred to assets held for sale	-	25	21	10	-	56	-	-	-	-	-	-
Depreciation and impairment losses at 31.12.	**-333**	**-598**	**-1,281**	**-757**	**-**	**-2,969**	**-306**	**-576**	**-1,166**	**-655**	**-**	**-2,703**
Carrying amount at 31.12.	**1,006**	**237**	**456**	**634**	**220**	**2,553**	**1,002**	**212**	**458**	**478**	**127**	**2,277**

*Prepayments are included in assets under construction.

3.2 Property, plant and equipment (continued)

Accounting policies

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

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

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

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

Accounting estimates and judgements

Useful life and residual value (estimate)

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

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

3.3 Leases

(DKK million)	2022	2021
Lease assets at 1.1.	**2,079**	**1,847**
Foreign currency translation adjustments	8	43
Additions during the year	760	673
Additions relating to acquisitions	170	99
Disposals during the year	-71	-45
Depreciations during the year	-624	-538
Transferred to assets held for sale	-18	-
Lease assets at 31.12.	**2,304**	**2,079**
Lease liabilities at 1.1.	**2,121**	**1,893**
Foreign currency translation adjustments	7	50
Additions during the year	763	660
Additions relating to acquisitions	170	99
Covid-19-related rent concessions	-3	-2
Disposals during the year	-45	-46
Payments	-660	-574
Interest	46	41
Transferred to liabilities related to assets held for sale	-19	-
Lease liabilities at 31.12.	**2,380**	**2,121**
Current lease liabilities	614	511
Non-current lease liabilities	1,766	1,610
Amounts recognised in the income statement:		
Variable lease payments	31	32
Short-term lease expenses	45	27
Low-value assets	4	5

Approx. 96% of the Group's leases consist of property agreements. The lease terms are of various length and may contain extension and termination options.

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

3.3 Leases (continued)

Accounting policies

Lease assets

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

Lease liabilities

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

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

Additional information

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

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

Accounting estimates and judgements

Lease term (judgement)

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

Extension and termination options (significant judgement)

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

3.4 Other non-current assets

(DKK million)	2022				2021			
	Investments in associates and joint ventures	**Receivables from associates and joint ventures**	**Customer loans**	**Other**	**Investments in associates and joint ventures**	**Receivables from associates and joint ventures**	**Customer loans**	**Other**
Cost at 1.1.	**803**	**271**	**501**	**97**	**799**	**247**	**446**	**86**
Foreign currency translation adjustments	21	-2	23	1	30	15	34	4
Additions during the year	-	120	303	9	-	106	282	6
Additions relating to acquisitions	7	-	-	9	-	-	-	-
Disposals related to step acquisitions and disposals of associates	-15	-20	-	-5	-26	-98	-	4
Disposals, repayments etc. during the year	-	-	-56	-3	-	-	-117	-1
Transferred to current assets	-	-	-184	-	-	1	-144	-2
Cost at 31.12.	**816**	**369**	**587**	**108**	**803**	**271**	**501**	**97**
Value adjustments at 1.1.	**55**	**-4**	**-8**	**-22**	**34**	**-**	**-9**	**-20**
Foreign currency translation adjustments	-4	-	-	-	1	-	-1	-2
Share of profit after tax	122	-	-	-	120	-	-	-
Dividends received	-164	-	-	-	-106	-	-	-
Disposals relating to step-up acquisitions of associates	-	-	-	-	-2	-1	-	-
Other adjustments	-3	6	-14	-2	8	-3	-2	-
Disposals during the year	-	-	1	-	-	-	4	-
Value adjustments at 31.12.	**6**	**2**	**-21**	**-24**	**55**	**-4**	**-8**	**-22**
Carrying amount at 31.12.	**822**	**371**	**566**	**84**	**858**	**267**	**493**	**75**

3.4 Other non-current assets (continued)

Transactions with associates and joint ventures

In 2022, the Group recognised revenue from associates and joint ventures of DKK 589 million (DKK 544 million in 2021), received royalties from and paid licence fees to associates and joint ventures, amounting to net income of DKK 18 million (DKK 0 million in 2021), and received dividends from associates and joint ventures in the amount of DKK 164 million (DKK 106 million in 2021). In 2022, the Group received interest income from associates and joint ventures in the amount of DKK 16 million (DKK 11 million in 2021).

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.

(DKK million)	Associates 2022	Associates 2021
Financial information from financial statements (Group share)		
Revenue	876	796
Profit for the year	122	120
Comprehensive income	122	120

3.5 Non-current assets by geographies

(DKK million)	2022	2021
Non-current assets by geographic region:		
Europe	8,815	8,689
North America	7,243	6,527
Asia	2,223	208
Pacific region	802	784
Other regions	214	170
Non-current assets	**19,297**	**16,378**
Non-current assets by country:		
Denmark	2,307	2,351
USA	5,641	5,024
France	3,136	3,115
Other countries	8,213	5,888
Non-current assets	**19,297**	**16,378**

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

3.6 Impairment testing

Impairment testing is carried out for the Group's two cash-generating units, Hearing Healthcare and Communications. Based on the impairment tests performed, a material excess value was identified in each cash-generating unit compared to the carrying amount for which reason no impairment of goodwill was made at 31 December 2022. This conclusion is supported by the fact that the market capitalisation of the company on Nasdaq Copenhagen by far exceeds the equity value of the company.

At 31 December 2022, goodwill amounted to DKK 11,071 million in Hearing Healthcare (DKK 9,054 million in 2021) and DKK 417 million in Communications (DKK 417 million in 2021).

The impairment test is performed as a test of the value in use, including a five-year budget/projection period from 2023-2027.

Future cash flows are based on the budget for 2023, on strategy plans and on projections hereof. Projections extending beyond 2023 are based on general parameters, such as expected market growth, selling prices and profitability assumptions. The terminal value for the period after 2027 is determined on the assumption of 2% (2021: 2%) growth for each segment.

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

Hearing Healthcare

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

Communications

- Increasing adoption of Unified Communications and Collaboration equipment, especially professional headsets.
- Emergence and establishment of video solutions for enterprises.
- An increasing prevalence of gamers driving growth in gaming headsets.

The pre-tax discount rate is 8% (2021: 6.5%) for Hearing Healthcare and 12% (2021: 12%) for Communications. Sensitivity calculations show that even a significant increase in the discount rates or a significant reduction of the growth assumptions will not change the outcome of the impairment tests. Apart from goodwill, all intangible assets have limited useful lives.

Accounting estimates and judgements

Cash-generating units (judgement)

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

Accounting policies

The carrying amounts of property, plant and equipment and intangible assets with definite useful lives as well as investments in associates 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 judgements on which the calculation of the recoverable amount is based, the carrying amount of an asset or cash-generating unit is increased to the adjusted estimate of the recoverable amount, however not exceeding the carrying amount of the asset or cash-generating unit, had the particular asset or cash-generating unit not been written down. Impairment of goodwill is not reversed.

Section 4

Capital structure and financial management

NET INTEREST-BEARING DEBT

12,711

DKK MILLION

NET FINANCIAL ITEMS

-280

DKK MILLION

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

Because of the Group's high level of cash generation, a significant part of our loans is raised on floating terms and predominantly as short-term commitments. This has historically resulted in a low level of interest expenses. In 2022, the general level of interest rates increased, which had an impact on the Group's interest rate expenses. The Group continuously adapts its capital structure to the prevailing market conditions in order to secure attractive financing. Currently, around 40% of the Group's debt is funded through facilities with fixed rates and through financial instruments, which limits the interest rate risk.

The Group's net interest-bearing debt (NIBD) amounted to DKK 12,711 million as of 31 December 2022, and the gearing multiple (NIBD/EBITDA) was 2.9.

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 in general, credit risks only involve minor losses on loans to individual customers. The accumulated revenue from our ten largest customers accounts for approx. 12% of total consolidated revenue. We have a thorough screening and credit risk assessment process prior to issuing new loans. Furthermore, when granting loans, we require that our counterparties provide security in their business. Overall, we therefore estimate that the risk relative to our total credit exposure is well-balanced at Group level.

The maximum credit risk relating to receivables matches the carrying amounts of such receivables. Overall, the Group has limited deposits with financial institutions for which reason the credit risk of 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 solid credit profile to secure the current inflow of working capital and funds for potential acquisitions. Neither in previous years nor in the financial year 2022, has the Group defaulted on any loan agreements.

4.2 Net financial items

(DKK million)	2022	2021
Interest on cash and bank deposits	11	4
Interest on receivables, customer loans etc.	45	34
Other financial income	27	2
Financial income from financial assets measured at amortised cost	**83**	**40**
Foreign exchange gains, net	-	2
Financial income	**83**	**42**
Interest on bank debt, mortgages etc.	-149	-68
Interest expense on lease liabilities	-46	-41
Financial expenses on financial liabilities measured at amortised cost	**-195**	**-109**
Foreign exchange losses, net	-9	-
Transaction costs	-159	-135
Financial expenses	**-363**	**-244**
Net financial items	**-280**	**-202**

In addition to the foreign exchange items in the table, foreign exchange hedging instruments as described in Note 2.3 and foreign exchange effects of balance sheet items are reflected in the consolidated income statement, affecting production costs by DKK 81 million (DKK 33 million in 2021).

Accounting policies

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

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

4.3 Categories of financial instruments

(DKK million)	2022	2021
Unrealised gains on financial contracts	103	6
Financial assets used as hedging instruments	**103**	**6**
Receivables from associates and joint ventures	541	414
Customer loans	795	690
Other receivables	460	495
Trade receivables	3,626	3,203
Cash	1,130	1,172
Financial assets at amortised cost	**6,552**	**5,974**
Other investments	15	11
Financial assets at fair value through profit/loss	**15**	**11**
Unrealised losses on financial contracts	-15	-81
Financial liabilities used as hedging instruments	**-15**	**-81**
Debt to credit institutions etc.	-11,931	-6,020
Short-term bank facilities etc.	-765	-3,197
Lease liabilities	-2,380	-2,121
Trade payables	-865	-808
Other liabilities	-2,551	-2,212
Financial liabilities measured at amortised cost	**-18,492**	**-14,358**

The following non-financial item is included in the balance sheet and represents the difference between the table and the balance sheet: Other liabilities of DKK 460 million (DKK 430 million in 2021).

Accounting policies

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

4.3 Categories of financial instruments (continued)

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

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

(DKK million)	Contractual cash flows					
	Less than 1 year	**1-5 years**	**More than 5 years**	**Total**	**Carrying amount**	**Weighted average effective interest rate**
2022						
Interest-bearing receivables*	302	790	194	**1,286**	1,235	
Cash	1,140	-	-	**1,140**	1,130	
Interest-bearing assets	**1,442**	**790**	**194**	**2,426**	**2,365**	**2.6%**
Debt to credit institutions etc.	-6,027	-5,358	-885	**-12,270**	-11,931	
Short-term bank facilities etc.	-801	-	-	**-801**	-765	
Borrowings	**-6,828**	**-5,358**	**-885**	**-13,071**	**-12,696**	**2.2%**
Lease liabilities	-656	-1,531	-462	**-2,649**	-2,380	
Net interest-bearing debt	**-6,042**	**-6,099**	**-1,153**	**-13,294**	**-12,711**	
2021						
Interest-bearing receivables*	256	748	47	**1,051**	1,016	
Cash	1,176	-	-	**1,176**	1,172	
Interest-bearing assets	**1,432**	**748**	**47**	**2,227**	**2,188**	**1.8%**
Debt to credit institutions etc.	-3,240	-2,806	-	**-6,046**	-6,020	
Short-term bank facilities etc.	-3,220	-	-	**-3,220**	-3,197	
Borrowings	**-6,460**	**-2,806**	**-**	**-9,266**	**-9,217**	**0.5%**
Lease liabilities	-520	-1,336	-488	**-2,344**	-2,121	
Net interest-bearing debt	**-5,548**	**-3,394**	**-441**	**-9,383**	**-9,150**	

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

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

Trade payables and other liabilities have a contractual maturity of less than one year, with the exception of other liabilities of DKK 566 million (DKK 340 million in 2021) which have a contractual maturity of 1-5 years. The contractual cash flows approximate their carrying amounts.

Borrowings broken down by currency: 74% in Danish kroner (66% in 2021), 20% in euros (19% in 2021), 4% in US dollars (14% in 2021), 1% in Canadian dollars (1% in 2021) and 1% in other currencies (0% in 2021).

Reconciliation of liabilities arising from financing activities

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

The fair value of interest cap (a strip of call options) outstanding at the balance sheet date is DKK 20 million (DKK 0 million in 2021), and the contractual value of interest cap is DKK 650 million (DKK 650 million in 2021). The cap will run until 2023.

Sensitivity analysis in respect of interest rates

Based on the Group's net debt at the end of the 2022 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 57 million (DKK 25 million in 2021). Around 40% (around 50% in 2021) of the interest-bearing debt is subject to fixed or limited interest rates, partly due to a bought cap (a strip of call options) and partly due to loans being raised at fixed interest rates.

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

Interest cap

(DKK million)

	Expiry	Interest rate/strike	Contractual amount at year-end	Positive fair value at year-end	Negative fair value at year-end
2022					
DKK/DKK	**2023**	0%	650	20	
			650	**20**	**-**
2021					
DKK/DKK	**2023**	0%	650	-	-
			650	**-**	**-**

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

			Non-cash changes						
(DKK million)	2021	Cash flow from financing activities	Covid-19 rent conces-sions	Acquisi-tions and divest-ments	Foreign exchange movement	Other additions	Disposals	Transferred to liabilties held for sale	2022
Lease liabilities	2,121	-614	-3	170	7	763	-45	-19	2,380
Debt to credit institutions etc.	6,020	5,869	-	30	12	-	-	-	11,931
Short-term bank facilities	3,197	-2,477	-	-	46	-	-	-1	765
Interest-bearing liabilities	**11,338**	**2,778**	**-3**	**200**	**65**	**763**	**-45**	**-20**	**15,076**
	2020								**2021**
Lease liabilities	1,893	-533	-2	99	50	660	-46	-	2,121
Debt to credit institutions etc.	5,930	103	-	-	-13	-	-	-	6,020
Short-term bank facilities	1,181	1,887	-	3	119	-	7	-	3,197
Interest-bearing liabilities	**9,004**	**1,457**	**-2**	**102**	**156**	**660**	**-39**	**-**	**11,338**

4.5 Fair value hierarchy

Methods and judgements for determining fair values

Other investments

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

Derivatives

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

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

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

Contingent considerations

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

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

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

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

Accounting policies

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

4.5 Fair value hierarchy (continued)

(DKK million)

	Level 1	Level 2	Level 3	Total
2022				
Financial assets used as hedging instruments	-	103	-	**103**
Other investments	-	-	15	**15**
Financial liabilities used as hedging instruments	-	-15	-	**-15**
Contingent considerations	-	-	-420	**-420**
2021				
Financial assets used as hedging instruments	-	6	-	**6**
Other investments	-	-	11	**11**
Financial liabilities used as hedging instruments	-	-81	-	**-81**
Contingent considerations	-	-	-148	**-148**

There have been no transfers between level 1 and 2 in the 2022 and 2021 financial years.

(DKK million)	Financial assets		Contingent considerations	
	2022	2021	2022	2021
Level 3 Assets and liabilities				
Carrying amount at 1.1.	11	14	-148	-121
Foreign currency translation adjustment	-	1	-8	-6
Acquisitions	4	-	-478	-113
Disposals, repayments, settlements etc.	-	-4	193	62
Other adjustments	-	-	11	30
Transferred to liabilities related to assets held for sale	-	-	10	-
Carrying amount at 31.12.	**15**	**11**	**-420**	**-148**

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

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

Section 5

Tax

TAX ON PROFIT

651

DKK MILLION

EFFECTIVE TAX RATE

22.2%

DKK MILLION

5.1 Tax on profit

(DKK million)	2022	2021
Current tax on profit for the year	-580	-646
Adjustment of current tax, prior years	20	-4
Change in deferred tax	-79	-121
Adjustment of deferred tax, prior years	-10	21
Impact of changes in corporate tax rates	-2	-
Tax on profit for the year	**-651**	**-750**
Reconciliation of tax rates:		
Danish corporate tax rate	22.0%	22.0%
Differences between tax rates of non-Danish enterprises and Danish corporate tax rate	1.0%	1.7%
Impact of changes in corporate tax rates	0.1%	0.0%
Impact of unrecognised tax assets, net	0.3%	-0.1%
Permanent differences	-1.6%	-3.2%
Other items including prior-year adjustments	0.4%	1.3%
Effective tax rate	**22.2%**	**21.7%**

5.2 Deferred tax

(DKK million)	2022	2021
Deferred tax recognised in the balance sheet:		
Deferred tax assets	538	596
Deferred tax liabilities	-620	-470
Deferred tax, net at 31.12.	**-82**	**126**
Deferred tax, net at 1.1.	**126**	**214**
Foreign currency translation adjustments	-8	-5
Changes in deferred tax	-79	-121
Additions relating to acquisitions	-18	-
Adjustment of deferred tax, prior years	-10	21
Impact of changes in corporate tax rates	-2	-
Deferred tax relating to changes in equity, net	-59	17
Transferred to assets held for sale	-32	-
Deferred tax, net at 31.12.	**-82**	**126**

Accounting policies

Tax on profit for the year 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.

Permanent differences primarily include R&D incentives, profit in associates/joint ventures, non-deductible share-based payments and losses on accounts receivable.

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

The tax value of deferred tax assets not recognised is DKK 116 million (DKK 120 million in 2021) and relates mainly to tax losses and tax credits for which there is considerable uncertainty about their future utilisation. Tax losses of DKK 21 million will expire within 5-10 years, whereas other tax losses carried forward have no expiry date.

5.2 Deferred tax (continued)

Accounting policies

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

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

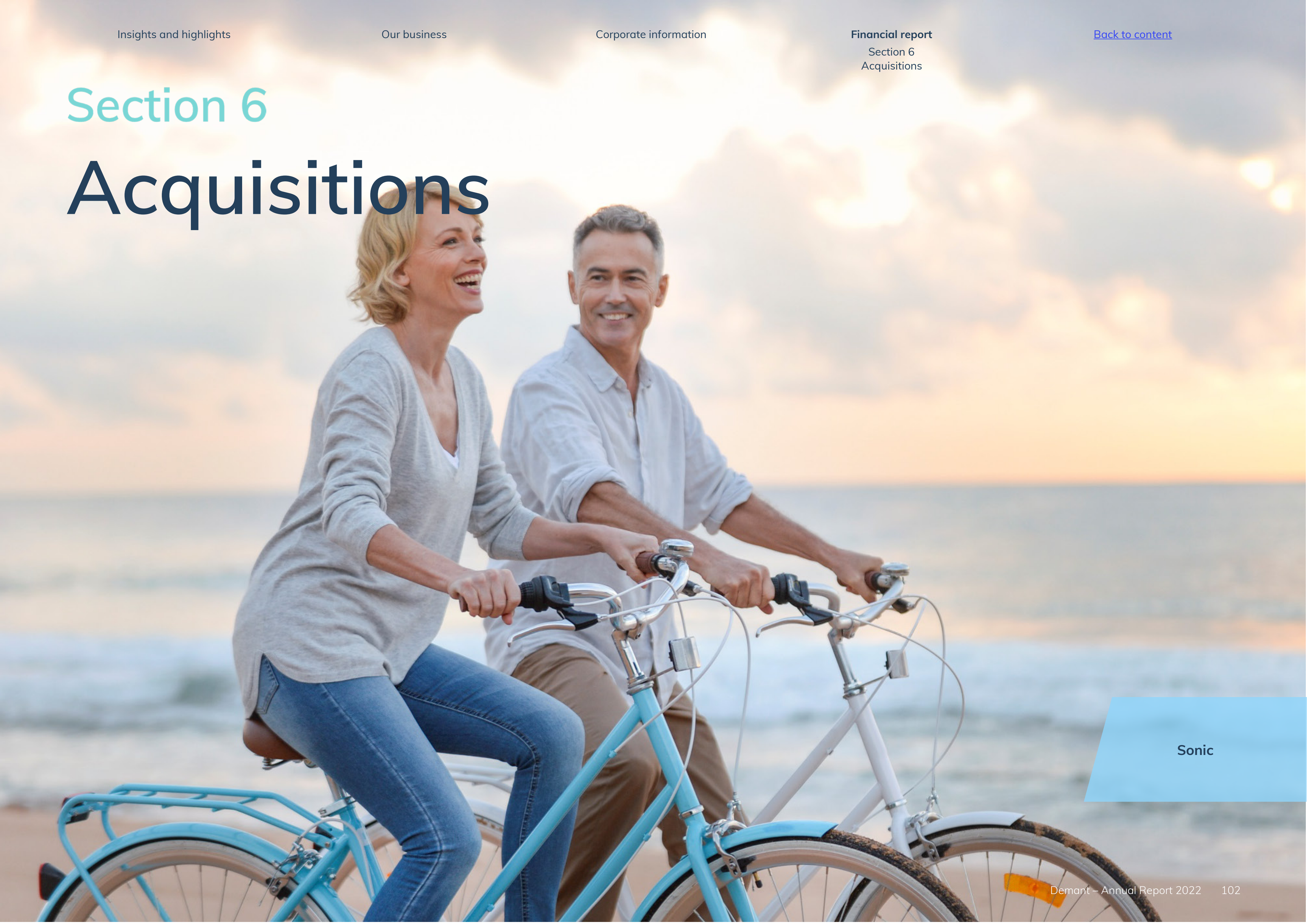
(DKK million)	Temporary differences at 1.1.	Foreign currency translation adjust- ments	Acquisi- tions	Recognised in profit for the year	Recognised in other compre- hensive in- come	Transferred to assets held for sale	Temporary differences at 31.12.
2022							
Intangible assets	-500	-16	-20	-7	-	1	-542
Property, plant and equipment	-65	-1	-	-50	-	14	-102
Leased assets	12	-	-	1	-	-	13
Inventories	277	4	2	-31	-	-48	204
Receivables	54	2	-	-13	-	-1	42
Provisions	85	-5	-	-12	-	-1	67
Deferred income	152	8	-	1	-	-	161
Tax losses	48	-	-	-1	-	-	47
Other	63	-	-	21	-59	3	28
Total	**126**	**-8**	**-18**	**-91**	**-59**	**-32**	**-82**
2021							
Intangible assets	-401	-24	-	-75	-	-	-500
Property, plant and equipment	-43	1	-	-23	-	-	-65
Leased assets	11	-	-	1	-	-	12
Inventories	253	3	-	21	-	-	277
Receivables	66	3	-	-15	-	-	54
Provisions	94	2	-	-11	-	-	85
Deferred income	159	4	-	-11	-	-	152
Tax losses	94	6	-	-52	-	-	48
Other	-19	-	-	65	17	-	63
Total	**214**	**-5**	**-**	**-100**	**17**	**-**	**126**

Accounting estimates and judgements

Deferred tax assets (significant estimate)

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

Deferred tax on temporary differences between the carrying amounts and the tax values of investments in subsidiaries, 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. Deferred tax is recognised in respect of eliminations of intragroup profits and losses.



Section 6

Acquisitions

Sonic

6.1 Acquisition of enterprises and activities

On 14 June 2022, the Group announced the acquisition of the remaining 80% of the shares in Sheng Wang, thereby taking full ownership of the business. This followed the 20% minority investment announced on 4 March 2022.

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

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

The Group made a number of minor retail acquisitions in North America, Asia and Europe in 2022. 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.

(DKK million)	2022					2021		
	Hearing Healthcare					Hearing Healthcare		
	Europe	North America	Asia	Sheng Wang	Total	Europe	North America	Total
Intangible assets	149	5	4	82	**240**	6	6	**12**
Property, plant and equipment	11	3	16	40	**70**	6	7	**13**
Other non-current assets	22	6	17	139	**184**	78	20	**98**
Inventories	39	4	2	38	**83**	5	4	**9**
Current receivables	48	7	1	101	**157**	7	11	**18**
Cash and cash equivalents	49	4	3	41	**97**	10	20	**30**
Non-current liabilities	-57	-7	-11	-96	**-171**	-78	-19	**-97**
Current liabilities	-51	-16	-34	-201	**-302**	-13	-35	**-48**
Acquired net assets	**210**	**6**	**-2**	**144**	**358**	**21**	**14**	**35**
Goodwill	299	235	96	1,736	**2,366**	405	408	**813**
Acquisition cost	**509**	**241**	**94**	**1,880**	**2,724**	**426**	**422**	**848**
Carrying amount of non-controlling interests on obtaining control	-	-15	-	-	**-15**	-4	-14	**-18**
Fair value adjustment of non-controlling interests on obtaining control	-	-14	-	-	**-14**	-13	-35	**-48**
Contingent consideration and deferred payments	-33	-19	-	-426	**-478**	-92	-21	**-113**
Acquired cash and cash equivalents	-49	-4	-3	-41	**-97**	-10	-20	**-30**
Cash acquisition cost	**427**	**189**	**91**	**1,413**	**2,120**	**307**	**332**	**639**

Figures are shown at fair value on the acquisition date.

6.1 Acquisition of enterprises and activities (continued)

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 2022, a few adjustments were made to the preliminary recognition of acquisitions made in 2021. These adjustments were made in respect of payments made, contingent considerations provided as well as net assets and goodwill acquired. The impact of these adjustments on goodwill was DKK 10 million (DKK 8 million in 2021) and on contingent considerations DKK 2 million (DKK 8 million in 2021). In relation to acquisitions with final recognition in 2014-2021, adjustments were made in 2022 in respect of estimated contingent considerations. Such adjustments are recognised in the income statement.

The total impact on the income statement of fair value adjustments of non-controlling interests in step acquisitions amounted to DKK 14 million (DKK 48 million in 2021), and adjustments of contingent considerations made via the income statement of DKK 9 million (DKK 30 million in 2021) are recognised as part of distribution costs for acquisitions.

Of the total acquisition entries in 2022, the fair value of estimated contingent considerations in the form of earnouts or deferred payments accounted for DKK 478 million (DKK 121 million in 2021). Earn-outs depend on the results of the acquired entities for a period of 1-5 years after takeover. Earnouts and deferred payments can total a maximum of DKK 482 million (DKK 121 million in 2021) for acquisitions.

The acquired assets include contractual receivables amounting to DKK 55 million (DKK 15 million in 2021) of which DKK 2 million (DKK 3 million in 2021) was thought to be uncollectible at the date of the acquisition. Of total goodwill in the amount of DKK 2,366 million (DKK 813 million in 2021), DKK 193 million (DKK 521 million in 2021) can be amortised for tax purposes.

Transaction costs in connection with acquisitions made in 2022 amounted to DKK 15 million (DKK 5 million in 2021), which has been recognised under distribution costs.

Revenue and profit before tax generated by the acquired enterprises since our acquisition in 2022 amount to DKK 326 million (DKK 181 million in 2021) and DKK -20 million (DKK 9 million in 2021), respectively. Had such revenue and profit been consolidated on 1 January 2022, we estimate that consolidated pro forma revenue and profit before tax would have been DKK 20,070 million (DKK 18,755 million in 2021) and DKK 2,036 million (DKK 2,542 million in 2021), 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.

From the balance sheet date and until the date of financial reporting in 2023, 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 the consolidated financial statements in Note 9.1. In respect of newly acquired enterprises, comparative figures and key figures will not be restated. On acquiring new enterprises of which the Group obtains control, the purchase method is applied according to which their identified assets, liabilities and contingent liabilities are measured at their fair values on the acquisition date. Any non-current assets acquired for the purpose of resale are, however, measured at their fair values less expected cost of disposal. Restructuring costs are solely recognised in the pre-acquisition balance sheet if they are a liability for the acquired enterprise. Any tax effect of revaluations will be taken into account.

The acquisition cost of an enterprise consists of the fair value of the consideration paid for the enterprise with addition of fair value of previously held interests in the acquiree. If the final consideration is conditional upon one or more future events, the consideration will be recognised at the fair value on acquisition. Any subsequent adjustment of contingent consideration is recognised directly in the income statement, unless the adjustment is the result of new information about conditions prevailing on the acquisition date, and this information becomes available up to 12 months after the acquisition date. Transaction costs are recognised directly in the income statement when incurred. If 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 is written down to such lower recoverable amount.

If, on the acquisition date, there are any uncertainties with respect to identifying or measuring acquired assets, liabilities or contingent liabilities or uncertainty with respect to determining their cost, initial recognition is made on the basis of

6.1 Acquisition of enterprises and activities (continued)

provisionally calculated values. Such provisionally calculated values may be adjusted, or additional assets or liabilities may be recognised up to 12 months after the acquisition date, if new information becomes available about conditions prevailing on the acquisition date, which would have affected the calculation of values on that day, had such information been known.

Accounting estimates and judgements

Identification of assets and liabilities (significant judgement)

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

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

Contingent consideration (estimate)

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

6.2 Divestment of enterprises and activities

(DKK million)	2022	2021
Intangible assets	-	1
Property, plant and equipment	-	2
Other non-current assets	-	5
Inventories	-	46
Current receivables	-	38
Non-current liabilities	-	-3
Current liabilities	-	-7
Carrying amount of net assets divested	**-**	**82**
Non-controlling interests		-20
Carrying amount of net assets divested attributable to Demant A/S' shareholders	**-**	**62**
Recycling of cumulative exchange differences	-	**-3**
Gain on divestment	-	**102**
Cash consideration received	**-**	**161**

Figures are shown at fair value on the divestment date.

There were no divestments in 2022.

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

6.3 Discontinued operations and assets held for sale

(DKK million)	2022	2021
Revenue	497	482
Expenses	-737	-678
Amortisation and depreciation	-10	-21
Profit before tax - discontinued operations	**-250**	**-217**
Tax on profit for the period	58	34
Profit for the period - discontinued operations	**-192**	**-183**
Profit for the period for discontinued operations attributable to:		
Demant A/S' shareholders	-192	-183
	-192	**-183**
Earnings per share (EPS), DKK	-0.85	-0.78
Diluted earnings per share (DEPS), DKK	-0.85	-0.78
Cash flow from discontinued operations		
Cash flow from operating activities (CFFO)	-232	-318
Cash flow from investing activities (CFFI)	-4	4
Cash flow from financing activities (CFFF)	-17	-
Cash flow for the period, net - discontinued operations	**-253**	**-314**

On 27 April 2022, Demant announced the decision to discontinue its Hearing Implants business. In 2022, discontinued operations thus comprise the Hearing Implants business, which realised a profit after tax of DKK -192 million. The negative result can be attributed to a slight decline in revenue, a lower gross margin as well as higher expenses in 2022. The bone anchored hearing systems business area delivered growth in the year, supported by the launch of the Ponto 5 sound processor, but revenue for Hearing Implants was negatively affected by a lower sales of Neuro Zti implants following the voluntary field corrective action in 2021.

Accounting policies

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

6.3 Discontinued operations and assets held for sale (continued)

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

On 27 April 2022, Demant entered into an agreement with the intention to divest the Hearing Implants business to Cochlear Limited for a conditional payment of DKK 850 million on a cash- and debt-free basis. Assets classified as held for sale at 31 December 2022 thus comprise the Hearing Implants business. Cochlear will take over the obligations to service existing customers. The divestment is subject to regulatory approval and other customary closing conditions with closing expected in Q2 2023.

Accounting policies

Assets and liabilities relating to the discontinued operations are classified as held for sale. Assets held for sale, except financial assets etc., and liabilities related to assets held for sale are measured at the lower of their carrying amount and their fair value less costs to sell. Non-current assets held for sale are not depreciated.

Section 7

Provisions, other liabilities etc.

PROVISIONS
208
DKK MILLION

OTHER LIABILITIES
3,011
DKK MILLION

7.1 Provisions

(DKK million)	2022	2021
Staff-related provisions	59	57
Miscellaneous provisions	58	99
Other provisions	**117**	**156**
Defined benefit plan liabilities, net	91	193
Provisions at 31.12.	**208**	**349**
Breakdown of provisions:		
Non-current provisions	175	268
Current provisions	33	81
Provisions at 31.12.	**208**	**349**

Miscellaneous provisions relate to provisions for disputes etc. and are essentially expected to be realised within the next five years.

	2022			2021		
(DKK million)	Staff-related	Miscel-laneous	Total	Staff-related	Miscel-laneous	Total
Other provisions at 1.1.	**57**	**99**	**156**	**50**	**29**	**79**
Foreign currency translation adjustments	-	1	**1**	-	-	**-**
Additions relating to acquisitions	1	4	**5**	1	4	**5**
Provisions during the year	-	15	**15**	-	73	**73**
Realised during the year	-	-37	**-37**	-	-4	**-4**
Reversals during the year	1	-2	**-1**	6	-3	**3**
Transfer to liabilities related to assets held for sale	-	-22	**-22**	-	-	**-**
Other provisions at 31.12.	**59**	**58**	**117**	**57**	**99**	**156**
Breakdown of provisions:						
Non-current provisions	59	25	**84**	57	18	**75**
Current provisions	-	33	**33**	-	81	**81**
Other provisions at 31.12.	**59**	**58**	**117**	**57**	**99**	**156**

7.1 Provisions (continued)

(DKK million)	2022	2021
Present value of defined benefit obligations:		
Defined benefit obligations at 1.1.	541	564
Foreign currency translation adjustments	22	21
Current service costs	15	19
Calculated interest on defined benefit obligations	2	-
Actuarial gains/losses	-134	-53
Net benefits paid	-21	-19
Contributions from plan participants	10	9
Transfer to liabilities related to assets held for sale	-6	-
Defined benefit obligations at 31.12.	**429**	**541**
Fair value of defined benefit assets:		
Defined benefit assets at 1.1.	348	321
Foreign currency translation adjustments	16	15
Expected return on defined benefit assets	-	-1
Actuarial gains/losses	-29	9
Contributions	24	23
Net benefits paid	-21	-19
Defined benefit assets 31.12.	**338**	**348**
Defined benefit obligations recognised in the balance sheet, net	**91**	**193**
Return on defined benefit assets:		
Actual return on defined benefit assets	-29	8
Expected return on defined benefit assets	-	-1
Actuarial gains/losses on defined benefit assets	**-29**	**9**
Assumptions:		
Discount rate	2.3%	0.3%
Expected return on defined benefit assets	0.0%	0.0%
Future salary increase rate	1.4%	1.2%

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

Defined benefit plan costs recognised in the income statement amount to DKK 15 million (DKK 18 million in 2021), and the accumulated actuarial gain recognised in the statement of comprehensive income amounts to DKK 28 million (loss of DKK 73 million in 2021).

In 2023, the Group expects to pay approx. DKK 15 million (DKK 18 million in 2022) into defined benefit plans. Defined benefit obligations in the amount of DKK 130 million (DKK 137 million in 2021) will mature within 1-5 years and obligations in the amount of DKK 299 million (DKK 401 million in 2021) after five years.

If the discount rate is 0.5% higher (lower), the defined benefit obligation would decrease by 5% (increase by 6%). If the expected salary growth rate is 0.5% higher (lower), the defined benefit obligation would increase by 1% (decrease by 1%).

Plan assets are recognised as follows:

Equity	17%
Bonds	23%
Property	20%
Other	41%

Accounting policies

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

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

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

7.1 Provisions (continued)

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, mortality and inflation rates.

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

Defined benefit costs are categorised as follows:

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

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

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

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

Accounting estimates and judgements

Assessment of provisions (estimate)

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

7.2 Other liabilities

(DKK million)	2022	2021
Product-related liabilities	460	430
Staff-related liabilities	980	816
Other debt, public authorities	277	424
Contingent considerations	420	148
Other costs payable	874	824
Other liabilities	**3,011**	**2,642**
Due within 1 year	2,445	2,302
Due within 1-5 years	566	340

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

Accounting policies

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

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

Accounting estimates and judgements

Warranty and return liabilities (estimates)

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

7.3 Deferred income

(DKK million)	2022	2021
Prepayments from customers	68	72
Future performance obligations:		
Deferred warranty-related revenue	582	513
Deferred free products revenue	98	109
Deferred service revenue	266	230
Total	**1,014**	**924**

Free products, service and some of the warranty-related services mentioned are provided free of charge to the customer. Certain other services and warranty-related services are paid by the customer 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 1.2 for a description of the nature of the deferred income.

Accounting policies

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

Expected recognition of revenue

(DKK million)	Less than 1 year	1-2 years	2-4 years	More than 4 years	Total
2022					
Prepayments from customers	68	-	-	-	68
Deferred warranty-related revenue	267	220	89	6	582
Deferred free products revenue	48	36	8	6	98
Deferred service revenue	130	95	37	4	266
Total	**513**	**351**	**134**	**16**	**1,014**
2021					
Prepayments from customers	72	-	-	-	72
Deferred warranty-related revenue	253	179	77	4	513
Deferred free products revenue	81	46	10	1	138
Deferred service revenue	95	67	36	3	201
Total	**501**	**292**	**123**	**8**	**924**

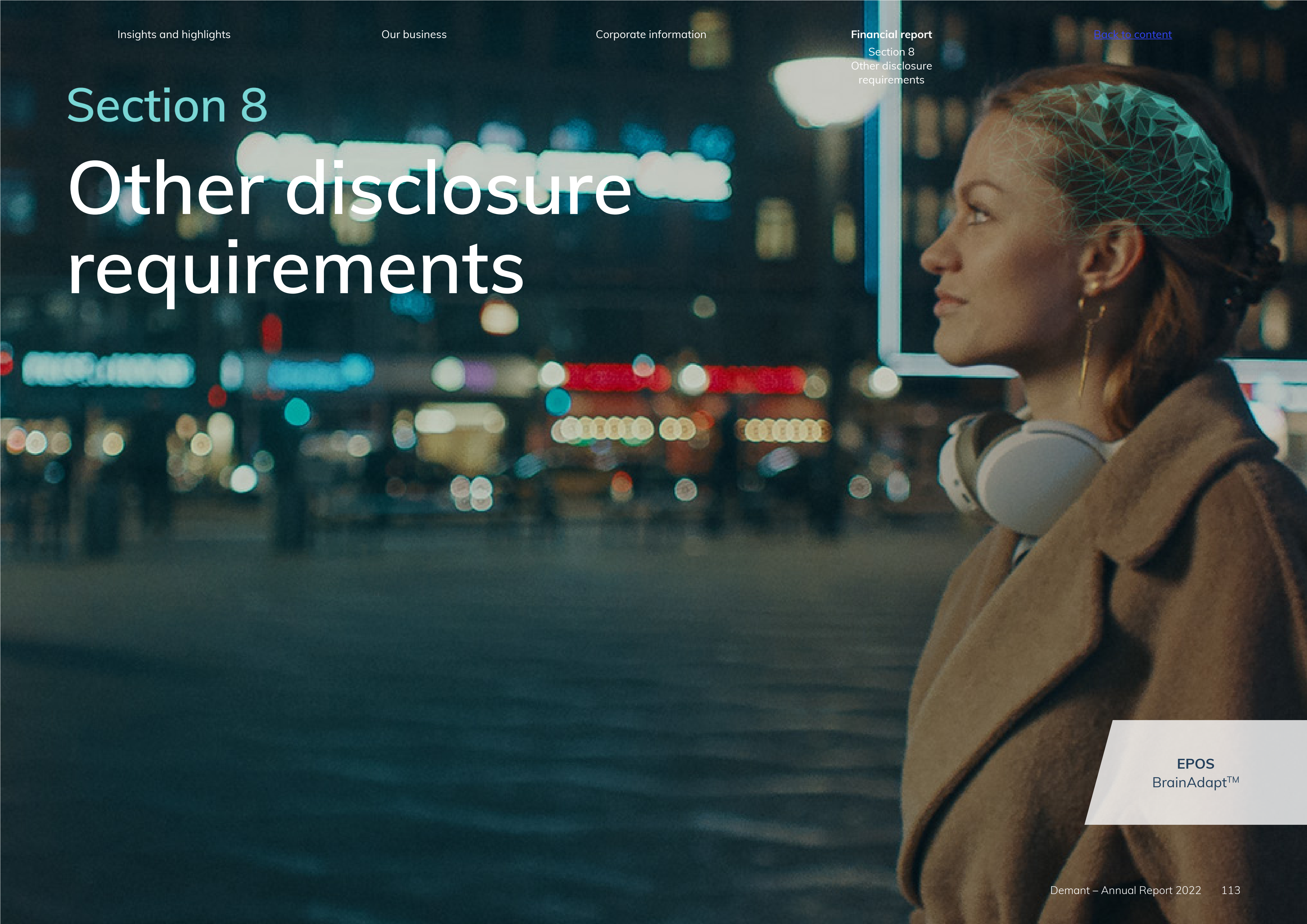
7.4 Contingent liabilities

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

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

Section 8

Other disclosure requirements



8.1 Related parties

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

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

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

In 2022, William Demant Foundation paid administration fees to the Group of DKK 2 million (DKK 1 million in 2021). The Group paid administration fees to William Demant Invest A/S of DKK 2 million (DKK 2 million in 2021) and received service fees of DKK 4 million (DKK 0 million in 2021) from William Demant Invest A/S.

In 2022, the Group paid service fees to Össur hf., a subsidiary of William Demant Invest A/S, of DKK 4 million (DKK 32 million in 2021) and received service fees of DKK 47 million (DKK 22 million in 2021) from Össur hf.

In 2022, the Group received service fees from Vision RT, a subsidiary of William Demant Invest A/S, in the amount of DKK 113 million (DKK 2 million in 2021).

At year-end 2022, the Group had receivables of DKK 18 million for services provided to Vision RT and Össur hf. (DKK 6 million in 2021).

In 2022, William Demant Foundation donated DKK 0 million (DKK 1 million in 2021) to Eriksholm Research Centre and DKK 0 million (DKK 2 million in 2021) to an industrial PhD project in Oticon A/S. Further, William Demant Foundation acquired diagnostic and Oticon equipment worth DKK 2,7 million and DKK 1,1 million, respectively (DKK 0.1 million and DKK 0 million in 2021) from the Group.

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

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

8.2 Fees to auditors

(DKK million)	2022*	2021
Fees to Parent's auditors appointed at the annual general meeting		
Statutory audit fee	14	14
Tax and VAT advisory services	-	2
Other services	2	3
Total	**16**	**19**

* PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab (PricewaterhouseCoopers Denmark) was appointed as Group auditor at the audit general meeting in March 2022, replacing Deloitte Statsautoriseret Revisionspartnerselskab.

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

In 2022, the fee for non-audit services delivered by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab, Denmark, amounted to DKK 2 million relating to issuance of various assurance reports as well as consulting services.

In 2021, the fee for non-audit services delivered by Deloitte Statsautoriseret Revisionspartnerselskab, Denmark, amounted to DKK 2 million in 2021 and consisted of VAT and tax services, tax advisory services related to transfer pricing, issuance of various assurance reports as well as consulting services.

8.3 Government grants

(DKK million)	2022	2021
Government grants by function:		
Production costs	1	5
R&D costs	17	22
Distribution costs	7	19
Administrative expenses	-	2
Total	**25**	**48**

In 2022, the Demant Group received government grants in the amount of DKK 25 million (DKK 48 million in 2021) of which DKK 12 million (DKK 28 million in 2021) are Covid-19-related publicly funded compensation schemes. Non-Covid-19 grants are offset against R&D costs.

Accounting policies

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

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

8.4 Events after the balance sheet date

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

Section 9

Basis for preparation

Interacoustics
Balance testing

9.1 Group accounting policies

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

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

General

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

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

The financial statements for the Parent as well as the Parent's accounting policies are presented separately from the consolidated financial statements and are shown on the last pages of this Annual Report 2022.

Effect of new accounting standards

The Group has adopted the new, amended and revised accounting standard and interpretation as published by the IASB and adopted by the EU effective for the accounting period beginning 1 January 2022. The new, updated and amended standard and interpretation did not result in any changes to the accounting policies for the Group nor had it any significant impact on the consolidated financial statements for 2022.

IASB has issued new accounting standards and amendments effective for accounting periods beginning after 1 January 2022, which have been adopted by the EU. The changes to these standards are not expected to have any significant impact on the Group.

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

Consolidated financial statements

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

Consolidation principles

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

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

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

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

9.1 Group accounting policies (continued)

Foreign currency translation

The Group's presentation currency is Danish kroner.

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

Receivables, payables and other monetary items in foreign currencies are translated into Danish kroner at the exchange rates prevailing at the balance sheet date. Realised and unrealised foreign currency translation adjustments are recognised in the income statement 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, except for the following, which are recognised in other comprehensive income:

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

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 recognise cost of raw materials, consumables, production staff as well as maintenance of and depreciation, amortisation and impairment losses on property, plant and equipment and intangible assets used in the production process 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 the development, prototype construction, development of new business concepts and amortisation of capitalised development costs.

Distribution costs

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

Administrative expenses

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

Prepaid expenses

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

Other operating income

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

Equity

Foreign currency translation reserves include 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.

9.1 Group accounting policies (continued)

Proposed dividends are recognised as a liability at the time of adoption at the annual general meeting.

Cash flow statement

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

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

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

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

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

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

iXBRL tagging

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

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

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

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

The annual report submitted to the Danish Financial Supervisory Authority (the Officially Appointed Mechanism) consists of the XHTML document together with the technical files, all of which are included in the ZIP file DEMANT-2022-12-31-en.zip.

Key definitions

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

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

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

9.1 Group accounting policies (continued)

Key figures and financial ratios

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

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

9.1 Group accounting policies (continued)

Key figures and financial ratios

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

Gender diversity

Gender diversity is calculated based on the data from the countries enrolled in our global HR data management system. In 2022, 90% of our employees were registered in the system.

Carbon emissions

Carbon emissions are measured using the carbon dioxide equivalent (CO2e) to include relevant greenhouse gasses according to the Greenhouse Gas Protocol. The consolidated emissions data comprise entities where Demant has operational control. These include emissions data from leased facilities.

Scope 1 emissions (direct GHG emissions) cover CO2e emissions from actual and estimated consumed natural gas, liquefied petroleum gas, gasoline and diesel. Department for Environment, Food & Rural Affairs (Defra) emissions factors were used.

Scope 2 emissions (own indirect GHG emissions) cover CO2e emissions from actual and estimated purchased and consumed electricity and district heating. International Energy Agency (IEA) CO2 Emissions from Fuel Combustion factors were used for location-based emissions and residual mix for market-based emissions (when available) generated from electricity. Department for Environment, Food & Rural Affairs (Defra) emissions factors were used for district heating.

9.2 Accounting estimates and judgements

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 assumptions are therefore reassessed on an ongoing basis. Actual figures may, however, deviate from these estimates. Any changes in accounting estimates will be recognised in the reporting period in which such changes are made.

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

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

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

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

Parent financial statements

Oticon Own

Parent income statement

(DKK million)	Note	2022	2021
Revenue		-	-
Administrative expenses	10.1 / 10.2	-73	-114
Other operating income and expenses		-	28
Operating loss (EBIT)		**-73**	**-86**
Share of profit after tax, subsidiaries	10.8	1,584	2,025
Share of profit after tax, associates and joint ventures	10.8	-3	-
Financial income	10.3	49	24
Financial expenses	10.3	-147	-95
Profit before tax		**1,410**	**1,868**
Tax on profit for the year	10.4	29	32
Profit for the year	10.5	**1,439**	**1,900**

Parent balance sheet 31 December

(DKK million)	Note	2022	2021
Assets			
Goodwill		23	26
Intangible assets	10.6	**23**	**26**
Land and buildings		24	24
Property, plant and equipment	10.7	**24**	**24**
Lease assets		1	1
Investments in subsidiaries	10.8	14,904	12,574
Loans to subsidiaries	10.8	1,284	1,429
Investments in associates and joint ventures	10.8	33	36
Other receivables		8	10
Other non-current assets		**16,230**	**14,050**
Non-current assets		**16,277**	**14,100**
Receivables from subsidiaries		953	-
Income tax		30	33
Other receivables		32	5
Prepaid expenses		18	9
Receivables		**1,033**	**47**
Current assets		**1,033**	**47**
Assets		**17,310**	**14,147**

(DKK million)	Note	2022	2021
Equity and liabilities			
Share capital		46	48
Other reserves		1,812	1,644
Retained earnings		2,522	2,762
Total equity		**4,380**	**4,454**
Deferred tax liabilities	10.4	8	7
Provisions		**8**	**7**
Borrowings		6,062	2,762
Lease liabilities		1	1
Other debt		232	29
Non-current liabilities	10.9	**6,295**	**2,792**
Borrowings	10.9	6,051	5,512
Debt to subsidiaries		383	1,336
Other debt	10.9	193	46
Current liabilities		**6,627**	**6,894**
Liabilities		**12,922**	**9,686**
Equity and liabilities		**17,310**	**14,147**
Contingent liabilities	10.10		
Related parties	10.11		
Events after the balance sheet date	10.12		
Parent accounting policies	10.13		

Parent statement of changes in equity

(DKK million)		Other reserves				
	Share capital	**Foreign currency translation reserve**	**Hedging reserve**	**Reserve according to equity method**	**Retained earnings**	**Total equity**
Equity at 1.1.2021	**48**	**-78**	**1**	**502**	**5,295**	**5,768**
Restatement of opening balances	-	-	-	-510	-	-510
Equity at 1.1.2021 (restated)	**48**	**-78**	**1**	**-8**	**5,295**	**5,258**
Profit for the year	-	-	-	2,025	-125	1,900
Dividends received	-	-	-	-768	768	-
Foreign currency translation adjustment of investments in subsidiaries etc.	-	2	-	418	-	420
Other changes in equity in subsidiaries	-	-	-	50	-38	12
Value adjustment for the year	-	-	1	-	-	1
Tax relating to changes in equity	-	1	-	-	-	1
Share buy-backs	-	-	-	-	-3,143	-3,143
Share-based compensation	-	-	-	-	4	4
Other changes in equity	-	-	-	-	1	1
Equity at 31.12.2021	**48**	**-75**	**2**	**1,717**	**2,762**	**4,454**
Profit for the year	-	-	-	1,581	-142	1,439
Dividends received	-	-	-	-1,731	1,731	-
Foreign currency translation adjustment of investments in subsidiaries etc.	-	-1	-	55	-	54
Other changes in equity in subsidiaries	-	-	-	256	-	256
Value adjustment for the year	-	-	16	-	-	16
Tax relating to changes in equity	-	-	-4	-	-	-4
Share buy-backs	-	-	-	-	-1,840	-1,840
Capital reduction through cancellation of treasury shares	-2	-	-	-	2	-
Share-based compensation	-	-	-	-	9	9
Other changes in equity	-	-	-4	-	-	-4
Equity at 31.12.2022	**46**	**-76**	**10**	**1,878**	**2,522**	**4,380**

Parent statement of changes in equity (continued)

	2022		2021	
	Treasury shares	Percentage of share capital	Treasury shares	Percentage of share capital
Treasury shares at 1.1.	**9,997,689**	**4.2%**	**797,697**	**0.3%**
Cancellation of treasury shares	-9,749,098	-4.1%	-563,335	-0.2%
Share buy-backs	6,969,114	3.0%	9,763,327	4.1%
Treasury shares at 31.12.	**7,217,705**	**3.1%**	**9,997,689**	**4.2%**

At the balance sheet date in 2022, the share capital was nominally DKK 46 million (DKK 48 million in 2021) divided into the corresponding number of shares of DKK 0.20.

There are no restrictions on the negotiability or voting rights of the shares. At year-end 2022, the number of outstanding shares was 223,161,030 (230,130,144 in 2021).

As part of the company's share buy-back programme, the company acquired 6,969,114 treasury shares in 2022 (9,763,327 shares in 2021), amounting to a total of DKK 1,840 million (DKK 3,143 million in 2021).

Section 10

Notes to Parent financial statements

EPOS
Impact 100

10.1 Employees

(DKK million)	2022	2021
Employee costs		
Wages and salaries	59	57
Share-based remuneration	12	11
Total	**71**	**68**
Average number of full-time employees	32	29

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

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

(DKK million)	2022	2021
Executive Board*		
Wages and salaries	25.9	18.4
Cash bonus	1.7	-
Share-based remuneration	8.7	5.3
Total	**36.3**	**23.7**
Board of Directors		
Fee	4.8	4.8
Total	**4.8**	**4.8**

*The amounts are based on the principles set out in Note 1.3.

10.2 Fees to statutory auditors

(DKK million)	2022*	2021
Statutory audit	2	2
Other services	-	1
Total	**2**	**3**

* PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab (PricewaterhouseCoopers Denmark) was appointed Group auditor at the annual general meeting in March 2022, replacing Deloitte Statsautoriseret Revisionspartnerselskab.

10.3 Net financial items

(DKK million)	2022	2021
Interest from subsidiaries	39	24
Interest income	10	-
Financial income	**49**	**24**
Interest to subsidiaries	-5	-1
Interest expenses	-103	-43
Transaction costs	-2	-6
Foreign exchange losses, net	-37	-45
Financial expenses	**-147**	**-95**
Net financial items	**-98**	**-71**

10.4 Tax on profit for the year and deferred tax

(DKK million)	2022	2021
Current tax on profit for the year	30	33
Adjustment of current tax, prior years	-	-4
Change in deferred tax	-1	-
Adjustment of deferred tax, prior years	-	3
Tax on profit for the year	**29**	**32**
Deferred tax recognised in the balance sheet:		
Deferred tax, net at 1.1.	7	10
Changes in deferred tax	1	-
Adjustment of deferred tax, prior years	-	-3
Deferred tax, net at 31.12.	**8**	**7**

10.5 Proposed distribution of net profit

(DKK million)	2022	2021
Transferred to reserves for net revaluation according to the equity method	1,581	2,025
Retained earnings	-142	-125
Total	**1,439**	**1,900**

10.6 Intangible assets

(DKK million)	Goodwill	Rights and other intangible assets	Total intangible assets
Cost at 1.1.2022	**65**	**11**	**76**
Cost at 31.12.2022	**65**	**11**	**76**
Amortisation at 1.1.2022	**-39**	**-11**	**-50**
Amortisation for the year	-3	-	-3
Amortisation at 31.12.2022	**-42**	**-11**	**-53**
Carrying amount at 31.12.2022	**23**	**-**	**23**
Cost at 1.1.2021	**65**	**11**	**76**
Cost at 31.12.2021	**65**	**11**	**76**
Amortisation at 1.1.2021	**-35**	**-11**	**-46**
Amortisation for the year	-4	-	-4
Amortisation at 31.12.2021	**-39**	**-11**	**-50**
Carrying amount at 31.12.2021	**26**	**-**	**26**

10.7 Property, plant and equipment

(DKK million)	Land and buildings
Cost at 1.1.2022	**31**
Cost at 31.12.2022	**31**
Depreciation and impairment losses at 1.1.2022	**-7**
Depreciation and impairment losses at 31.12.2022	**-7**
Carrying amount at 31.12.2022	**24**
Cost at 1.1.2021	**31**
Cost at 31.12.2021	**31**
Depreciation and impairment losses at 1.1.2021	**-7**
Depreciation and impairment losses at 31.12.2021	**-7**
Carrying amount at 31.12.2021	**24**

10.8 Financial assets

(DKK million)	2022				2021			
	Investments in subsidiaries	**Loans to subsidiaries**	**Investments in associates and joint ventures**	**Loans to associates and joint ventures**	**Investments in subsidiaries**	**Loans to subsidiaries**	**Investments in associates and joint ventures**	**Loans to associates and joint ventures**
Cost at 1.1.	**10,843**	**1,429**	**50**	**-**	**10,418**	**944**	**54**	**1**
Restatement of opening balances	-	-	-	-	258	-	-	-
Cost at 1.1. (restated)	**10,843**	**1,429**	**50**	**-**	**10,676**	**944**	**54**	**1**
Foreign currency translation adjustments	-	18	-	-	-	5	-	-
Additions during the year	2,166	173	-	-	167	563	-	-
Disposals during the year	-	-336	-	-	-	-83	-4	-1
Cost at 31.12.	**13,009**	**1,284**	**50**	**-**	**10,843**	**1,429**	**50**	**-**
Value adjustments at 1.1.	**1,731**	**-**	**-14**	**-**	**514**	**-**	**-12**	**-**
Restatement of opening balances	-	-	-	-	-510	-	-	-
Value adjustments at 1.1. (restated)	**1,731**	**-**	**-14**	**-**	**4**	**-**	**-12**	**-**
Foreign currency translation adjustments	54	-	1	-	419	-	-1	-
Share of profit after tax	1,584	-	-3	-	2,025	-	-	-
Dividends received	-1,730	-	-1	-	-767	-	-1	-
Other adjustments	256	-	-	-	50	-	-	-
Value adjustments at 31.12.	**1,895**	**-**	**-17**	**-**	**1,731**	**-**	**-14**	**-**
Carrying amount at 31.12.	**14,904**	**1,284**	**33**	**-**	**12,574**	**1,429**	**36**	**-**
Non-current financial assets	14,904	1,284	33	-	12,574	1,429	36	-

The carrying amount of investments in subsidiaries includes capitalised goodwill in the amount of DKK 7,819 million (DKK 6,768 million in 2021). Amortisation of capitalised goodwill for the year is DKK 562 million (DKK 493 million in 2021).

Loans to subsidiaries of DKK 1,284 million (DKK 1,429 million in 2021) are considered additions to the total investments in the particular enterprises and are therefore considered non-current.

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

10.9 Interest-bearing debt

(DKK million)	Contractual cash flows: Less than 1 year	Contractual cash flows: 1-5 years	Contractual cash flows: More than 5 years	Contractual cash flows: Total	Carrying amount	Weighted average effective interest rate
2022						
Debt to credit institutions etc.	5,998	5,322	885	**12,205**	11,867	
Short-term bank facilities etc.	254	-	-	**254**	246	
Lease liabilities	1	-	-	**1**	1	
Interest-bearing liabilities	**6,253**	**5,322**	**885**	**12,460**	**12,114**	**2.0%**
2021						
Debt to credit institutions etc.	3,226	2,774	-	**6,000**	5,973	
Short-term bank facilities etc.	2,316	-	-	**2,316**	2,301	
Lease liabilities	-	1	-	**1**	1	
Interest-bearing liabilities	**5,542**	**2,775**	**-**	**8,317**	**8,275**	**0.5%**

Interest cap

(DKK million)

	Expiry	Interest rate/strike	Contractual amount at year-end	Positive fair value at year-end	Negative fair value at year-end
2022					
DKK/DKK	**2023**	0%	650	20	-
			650	**20**	**-**
2021					
DKK/DKK	**2023**	0%	650	-	-
			650	**-**	**-**

A part of other debt of DKK 193 million (DKK 46 million in 2021) has a contractual maturity of less than one year, and a part of other debt of DKK 232 million (DKK 29 million in 2021) has a contractual maturity of 1-5 years.

Interest-bearing debt broken down by currency: 74% in Danish kroner (72% in 2021), 20% in euros (21% in 2021), 4% in US dollars (7% in 2021), 1% in Canadian dollars (0% in 2021) and 1% in other currencies (0% in 2021).

The maximum interest rates on part of the Parent’s non-current debt are limited through an interest rate cap.

Sensitivity analysis in respect of interest rates

Based on the bank debt facilities at the end of the 2022 financial year, a rise of 1 percentage point in the general interest rate level will cause an increase in the Parent’s annual interest expenses before tax of approx. DKK 75 million (DKK 37 million in 2021). About 38% (55% in 2021) 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.

10.10 Contingent liabilities

Demant A/S has provided security in respect of credit facilities established by Danish subsidiaries. These credit facilities totalled DKK 1,517 million in 2022 (DKK 2,472 million in 2021) of which DKK 199 million was drawn (DKK 514 million in 2021).

Moreover, Demant A/S has established a mutual guarantee with Oticon A/S in the amount of DKK 650 million (DKK 650 million in 2021), which is being drawn upon on a current basis.

Demant A/S has provided security in respect of rent as well as guarantees concerning the continuous operation and payment of liabilities in 2022 for some of our subsidiaries.

The Parent is jointly taxed with William Demant Invest A/S, which is the administration company, and all Danish subsidiaries of both. Under the Danish Corporation Tax Act, the Parent is first of all fully liable for corporate tax payments and for withholding tax at source in respect of interest, royalties and dividends in relation to its own subsidiaries and is secondly liable for tax payments due for William Demant Invest A/S and its partly owned subsidiaries.

For the purposes of section 357 of the Republic of Ireland Companies Act 2014, Demant A/S has undertaken to indemnify the creditors of its subsidiaries incorporated in the Republic of Ireland in respect of all losses and liabilities for the financial year ending on 31 December 2022 or any amended financial period incorporating said financial year. No material loss is expected to arise from this guarantee.

10.11 Related parties

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

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

10.12 Events after the balance sheet date

Please refer to Note 8.4 in the consolidated financial statements.

10.13 Parent accounting policies

The financial statements of the Parent, Demant A/S, are presented in accordance with the provisions of the Danish Financial Statements Act for class D entities.

The Parent financial statements are presented in Danish kroner (DKK), which is also the functional currency for the Parent. The accounting policies are the same as last year.

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

The Parent has decided to apply the recognition and measurement in accordance with IFRS 15 and 16. The standards affect the Parent's proportionate share of its subsidiaries' equity value, and IFRS 16 affects the Parent's leases.

Changes to comparative figures

The 2021 comparative figures for investments in subsidiaries and equity have been restated due to the identification of incorrect accounting treatment of intragroup transactions in the past.

Effects of the changes to the comparative figures for 2021:

- "Restatement to opening balances", cost opening balance for 2021 for investments in subsidiaries: DKK 258 million
- "Restatement to opening balances ", value adjustments opening balance for 2021 for investments in subsidiaries: DKK -510 million
- "Restatement to opening balances", opening balance for 2021 in equity: DKK -510 million
- Changes to the "Reserve according to equity method" closing balance for 2021: DKK -215 million
- Changes to the "Retained earnings" closing balance for 2021: DKK -37 million

Income statement

Tax

The Parent is jointly taxed with its Danish subsidiaries and its parent, William Demant Invest A/S. Current income tax is allocated to the jointly taxed Danish companies in proportion to their taxable income.

Balance sheet

Goodwill

Goodwill is amortised on a straight-line basis over 20 years, which is the useful life determined on the basis of Management's experience in respect of the individual business activities. Goodwill is written down to its recoverable amount, if lower than its carrying amount.

Rights

Rights acquired are amortised on a straight-line basis over their estimated useful lives and measured at cost less accumulated amortisation and impairment losses. The amortisation period is five years. Rights acquired are written down to their recoverable value, if lower than their carrying value.

Investments in subsidiaries and associates

Investments in subsidiaries and associates are recognised and measured using the equity method, i.e. interest is measured at the proportionate share of the equity values of such subsidiaries and associates with the addition or deduction of the carrying amount of goodwill and with the addition or deduction of unrealised intra-group profits or losses, respectively.

The Parent's proportionate shares of profits or losses in subsidiaries and associates are recognised in the income statement after elimination of unrealised intra-group profits or losses less any amortisation and impairment of goodwill.

Subsidiaries and associates with negative equity values are measured at DKK 0, and any receivables from such companies are written down with the Parent's share of the negative equity value to the extent that such receivable is considered irrecoverable. If the negative equity value exceeds the value of receivables, if any, such residual amount is recognised under provisions to the extent that the Parent has a legal or constructive obligation to cover liabilities incurred by the particular subsidiary or associate.

On distribution of profit or loss, net revaluation and net impairment losses on investments in subsidiaries and associates are transferred to reserves for net revaluation according to the equity method.

Other investments

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

Provisions

Provisions include liabilities, which are uncertain in respect of the amount or the timing of their settlement. Provisions may include different types of liabilities, such as deferred tax liabilities, onerous contracts, pension obligations as well as provisions for disputes etc.

Statement of changes in equity

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

Cash flow statement

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

Section 11

Subsidiaries, associates and Joint ventures

Company	Interest
Demant A/S	Parent
Oticon A/S, Denmark*	100%
Oticon AS, Norway*	100%
Oticon Denmark A/S, Denmark*	100%
Oticon GmbH, Germany	100%
Oticon Limited, United Kingdom*	100%
Oticon Medical A/S, Denmark*	100%
Oticon Medical AB, Sweden	100%
Oticon Medical Maroc, Morocco*	100%
Oticon Medical, LLC, United States	100%
Oticon Polska Sp. z o.o., Poland*	100%
Oticon Portugal, Unipessoal LDA, Portugal	100%
Acoustic Metrology Limited, United Kingdom	100%
ACS Audika Sp. z.o.o., Poland	100%
Acustica Sp. z o.o., Poland*	100%
Advanced Hearing Providers, LLC, United States	100%
Akoustica Medica S.A., Greece*	100%
Amplivox Limited, United Kingdom	100%
Audika AB, Sweden*	100%
Audika AG, Switzerland*	100%
Audika ApS, Denmark*	100%
Audika Australia Pty. Ltd., Australia	100%
Audika GmbH, Germany	100%
Audika Groupe S.A.S., France*	100%
Audika Management GmbH, Germany	100%
Audika New Zealand Limited, New Zealand*	100%
Audika NV, Belgium*	100%
Audio Seleccion S.L., Spain*	100%
Audiology Services Company USA, LLC, United States	100%
AudioNet America, Inc., United States	100%
Audmet Australia Pty Ltd., Australia	100%
Audmet Canada Ltd., Canada	100%

Company	Interest
Audmet New Zealand Limited, New Zealand*	100%
Audmet Oy, Finland*	100%
Audmet Srl, Italy*	100%
AudPractice Group, LLC, United States	100%
Beijing Sheng Wang Yuanbo Commerce and Trade Co., Ltd., China*	100%
Bernafon (UK) Limited, United Kingdom*	100%
Bernafon A/S, Denmark*	100%
Bernafon AB, Sweden*	100%
Bernafon AG, Switzerland*	100%
Bernafon Hörgeräte GmbH, Germany	100%
Bernafon, LLC, United States	100%
Birdsong Hearing Benefits, LLC, United States	100%
Centro Auditivo Telex Ltda., Brazil	100%
CQ Partners, LLC, United States	100%
Danacom Høreapparater A/S, Denmark*	100%
Demant Australia Pty Ltd, Australia*	100%
Demant Business Services Poland Sp. z o.o., Poland*	100%
Demant Iberica, S.A., Spain*	100%
Demant Italia S.r.l., Italy*	100%
Demant Japan K.K., Japan*	100%
Demant Korea Co., ltd., Korea*	100%
Demant Malaysia Sdn. Bhd., Malaysia*	100%
Demant México, S.A. de C.V., Mexico	100%
Demant Nederland B.V., Netherlands*	100%
Demant New Zealand Limited, New Zealand*	100%
Demant Operations Poland Sp. z o.o, Poland	100%
Demant Operations S.A. de C.V., Mexico	100%
Demant Sales Strategic Accounts A/S, Denmark*	100%
Demant Schweiz AG, Switzerland*	100%
Demant Singapore Pte Ltd, Singapore*	100%
Demant South Africa (Pty) Ltd., South Africa*	100%
Demant Sweden AB, Sweden*	100%

***Directly owned by the Parent for 100%.**

The list includes the Group's active companies

Company	Interest
Demant Technology & Innovation Centre Sdn. Bhd., Malaysia*	100%
Demant Technology Centre Sp. z o.o., Poland*	100%
DGS Diagnostics Sp. z o.o., Poland	100%
Diagnostic Group LLC, United States	100%
Diatec A/S, Denmark*	100%
Diatec AG, Switzerland*	100%
Diatec Diagnostics GmbH, Germany*	100%
Diatec Polska Sp. z o.o., Poland*	100%
Diatec Shanghai Medical Technology Co., Ltd., China*	100%
Diatec Spain, S.L.U., Spain*	100%
DSEA A/S, Denmark	100%
e3 Diagnostics, Inc., United States	100%
Entomed MedTech AB, Sweden*	100%
EPOS Audio Australia Pty Ltd, Australia	100%
EPOS Audio India Private Limited, India	100%
EPOS Audio Ireland Limited, Ireland	100%
EPOS Audio Singapore Pte. Ltd., Singapore	100%
EPOS Audio UK Ltd., United Kingdom	100%
EPOS Austria GmbH, Austria	100%
EPOS Belgium BV, Belgium	100%
EPOS Canada Ltd., Canada*	100%
EPOS France S.A.S, France	100%
EPOS Germany GmbH, Germany	100%
EPOS Group A/S, Denmark*	100%
EPOS Hong Kong Limited, Hong Kong	100%
EPOS Japan Kabushiki Kaisha, Japan	100%
EPOS Netherlands B.V., Netherlands	100%
EPOS Sales A/S, Denmark	100%
EPOS Sweden AB, Sweden	100%
EPOS Switzerland AG, Switzerland	100%
EPOS USA, Inc., United States	100%

Company	Interest
Etymonic Design Inc., Canada*	100%
Fluorite Sp. z o.o., Poland	100%
Great Lakes Provider Network, LLC, United States	100%
Guymark UK Limited, United Kingdom	100%
Hearing Screening Associates, LLC, United States	100%
HearingLife Canada Ltd., Canada*	100%
Hidden Hearing (N.I.) Limited, United Kingdom	100%
Hidden Hearing (Portugal), Unipessoal, Lda., Portugal*	100%
Hidden Hearing International Plc, United Kingdom*	100%
Hidden Hearing Limited, Ireland*	100%
Hidden Hearing Limited, United Kingdom	100%
Hidden Hearing Properties Ltd, United Kingdom	100%
IDEA Isitme Sistemleri Sanayi ve Ticaret A.S., Turkey*	100%
Interacoustics A/S, Denmark*	100%
Interacoustics Pty Ltd, Australia	100%
Inventis North America Inc., United States	100%
Inventis S.r.l., Italy*	100%
Kuulopiiri Oy, Finland*	100%
Langer Hörstudio GmbH, Germany	100%
LeDiSo Italia S.r.l., Italy*	100%
Maico Diagnostics GmbH, Germany*	100%
Maico S.r.l., Italy*	100%
Mediszintech Audiologica Kft., Hungary*	100%
MedRx, Inc., United States	100%
Micromedical Technologies, Inc., United States	100%
Moser Hörgeräte GmbH, Germany	100%
Neurelec S.A.S, France*	100%
NexGen Healthcare Management Inc., Canada** ***	100%
Northeast Hearing Instruments, LLC, United States	100%
Oticon (Shanghai) Hearing Technology Co., Ltd., China*	100%
Oticon, Inc., United States	100%

***Directly owned by the Parent for 100%**

****Subconsolidated group of companies, including companies with non-controlling interests.**

*****Subconsolidated group of companies, including associated companies.**

The list includes the Group's active companies

Company	Interest
Philiear Inc., Philippines*	100%
Phonic Ear Inc., United States	100%
Prodition S.A.S, France*	100%
Ritter Hörgeräte GmbH, Germany	100%
SBO Hearing A/S, Denmark*	100%
SBO Hearing US, Inc., United States	100%
SBO International Sales A/S, Denmark*	100%
SES Isitme Cihazlari Sanayi ve Ticaret A.S., Turkey*	100%
Shanghai YinPo Technology Co., Ltd., China	100%
Shin Nihon Hochoki Kabushiki Kaisha, Japan*	100%
Sonic AG (Sonic SA) (Sonic Ltd.), Switzerland*	100%
Sonic Equipment Australia Pty Ltd, Australia	100%
Sonic Innovations, Inc., United States	100%
Synapsys S.A.S, France	100%
The Hearing Center of Northeast Pennsylvania, LLC, United States	100%
Udicare S.r.l., Italy*	100%
Value Hearing (Pty) Ltd., South Africa*	100%
Van Boxtel Hoorwinkels B.V., Netherlands	100%
WDH Germany GmbH, Germany*	100%
WDH UK Limited, United Kingdom*	100%
WDH USA, Inc., United States*	100%
Workplace Integra Inc., United States	100%
Audilab SAS, France** ***	95%
Medton Ltd., Israel	90%
Colorado Hearing, LLC, United States	80%
Destin Hearing Associates, LLC, United States	70%
ADB Sarl, France	60%
Audika Alpes Sarl, France	60%
Institut de l'Audition du Var Sarl, France	60%
European Hearing Care (Myanmar) Limited, Myanmar	50%
Conc. Maico - Centro Otoacustico Marchesin S.r.l., Italy	50%

Company	Interest
Audiovita S.r.l., Italy	49%
Exclusive Hearing Limited, United Kingdom	49%
Ma.Bi.Ge Bioacustica S.r.l., Italy	49%
Microfon S.r.l., Italy	49%
Otic Hearing Solutions Private Limited, India	49%
Audiology Concepts, LLC, United States	40%
Audition Bahuaud SAS, France	40%
Dencker A/S, Denmark	40%
Vocechiara S.r.l., Italy	40%
Acustica Umbra S.r.l., Italy	35%
Centro Audioprotesico Lombardo S.r.l., Italy	35%
Euro Hearing LLC, Uzbekistan	35%
Fonema Italia S.r.l., Italy	30%
HearWell Audiology Clinics Inc., Canada	25%
Hemmerich Hearing Center Ltd., Canada	25%
HIMSA A/S, Denmark	25%
Imperial Hearing Limited, United Kingdom	25%
Acufon S.r.l., Italy	20%
Acustica Marche S.r.l., Italy	20%
Audiovox Preduzece Za Izradu I Promet Ortopedskih Pomagaladoo, Serbia	20%
Bontech Research CO D.o.o., Croatia	20%
Solaborate Inc., United States	20%
The Hearing Doctors of Georgia, LLC, United States	20%
K/S Himpp, Denmark	18%
HIMSA II A/S, Denmark	17%
HIMSA II K/S, Denmark	15%
Himpp A/S, Denmark	13%
HearBase Limited, United Kingdom	10%

***Directly owned by the Parent for 100%**

****Subconsolidated group of companies, including companies with non-controlling interests.**

*****Subconsolidated group of companies, including associated companies.**

The list includes the Group's active companies

Demant A/S
Kongebakken 9
DK-2765 Smørum
Denmark

Phone +45 3917 7300
info@demant.com
www.demant.com
CVR 71186911

Demant