ANNUAL REPORT

2015

Årsrapport 2015

William Demant Invest A/S
CVR-nr. 27761291
Kongebakken 9
2765 Smørum
Danmark

Regnskabsperiode: 1. januar - 31. december 2015

Godkendt på generalforsamlingen den 11. april 2016

Dirigent:
Peter Foss

Peter Foss

William Demant Invest

CONTENT

ABOUT WILLIAM DEMANT INVEST

History and purpose
William Demant Invest A/S was founded in 2003 as a wholly-owned holding company for all Oticon Foundation investment activities. Today, William Demant Invest A/S secures liquidity from capital returns from Group and associated companies.

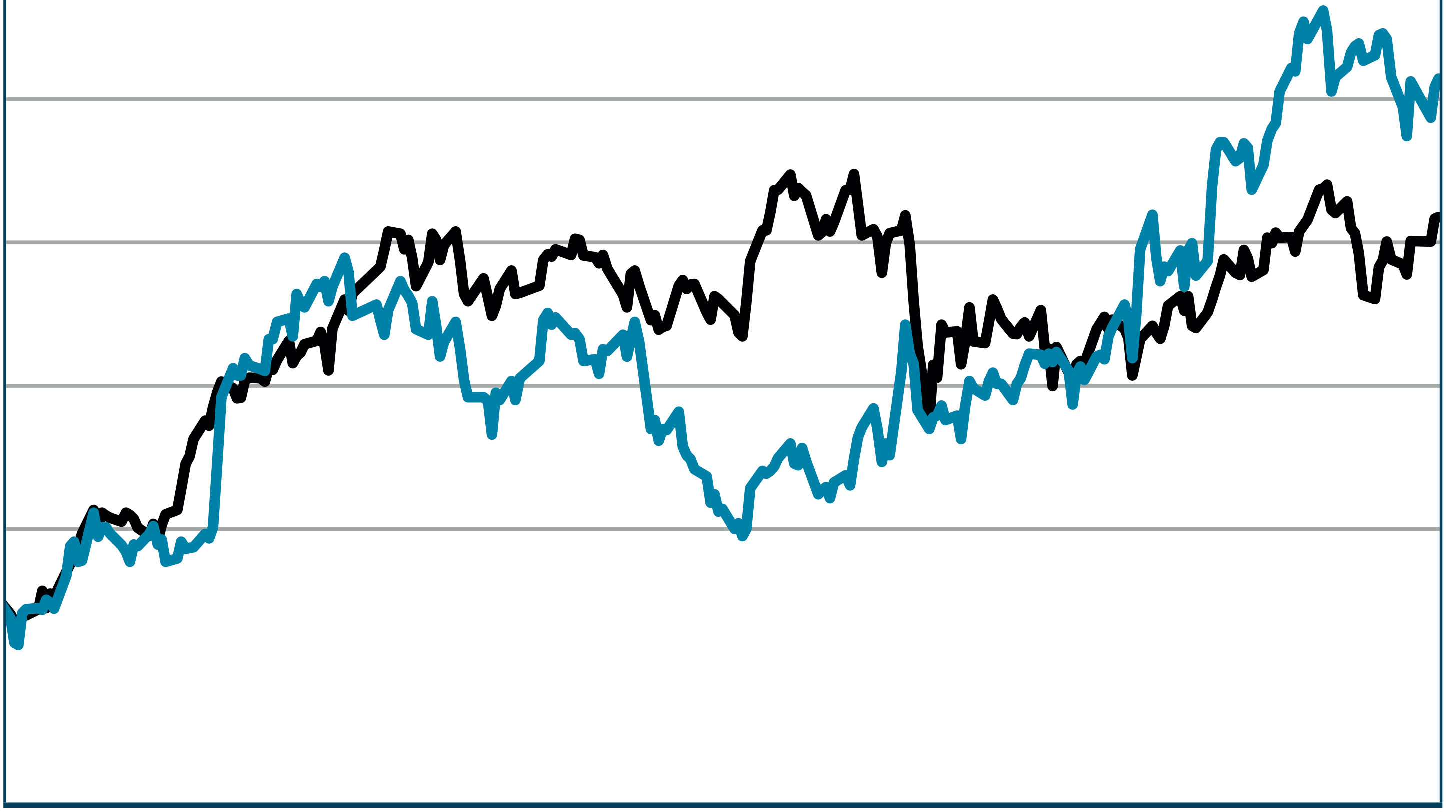
The main purpose of the Oticon Foundation is to secure and expand William Demant Holding A/S and to donate a share of its net income to charter-defined causes. This long-term perspective recurs in the majority of William Demant Invest A/S' other investments, where William Demant Invest A/S seeks a substantial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

Investment strategy
William Demant Invest A/S invests in companies whose business models and structures resemble those of William Demant Holding A/S, but are outside of William Demant Holding A/S' strategic sphere of interest, which is hearing healthcare.

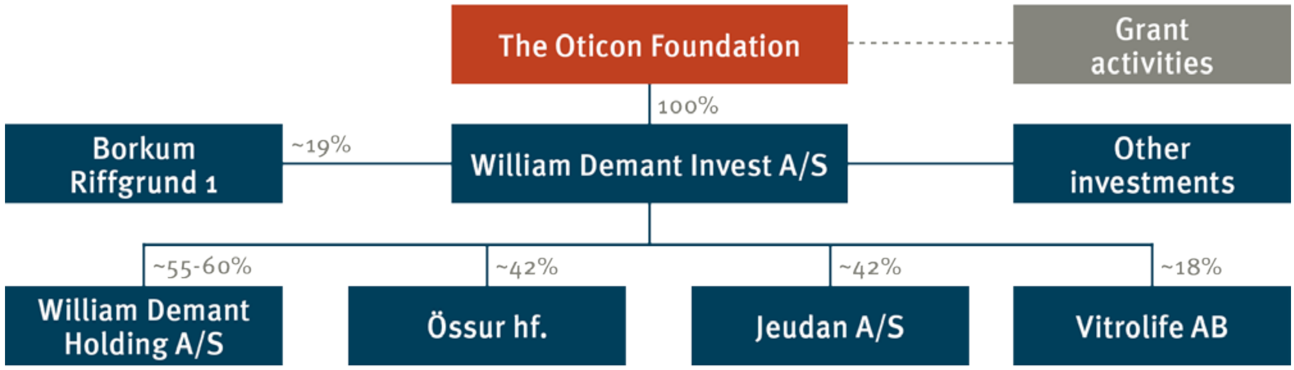
When investing in new companies, William Demant Invest A/S generally looks for the following industry and company traits:

- Medtech/healthcare industries
- Strong underlying market factors such as demographic trends and structural growth
- Niche industries with consolidation potential
- Companies and products with proof of concept and existing revenue, i.e. not biotechnology/clinical trials
- Stable cash flow generation or the potential to achieve it in a short to medium term

William Demant Invest A/S seeks to place the majority of excess liquidity in these active investments. Any liquidity not placed in active investments is usually placed in corporate bonds and similar instruments for short-term cash optimisation.



GROUP STRUCTURE AND CORPORATE GOVERNANCE



William Demant Invest A/S is the holding company for the Oticon Foundation's investment activities. Both entities have identical Boards of Directors although voting rights and decisions to buy or sell William Demant Holding A/S shares are exercised and made by the Oticon Foundation. The Oticon Foundation has communicated a 55-60% ownership interval in William Demant Holding A/S.

The wholly-owned relationship between the Oticon Foundation and William Demant Invest A/S as well as the identical Boards of Directors ensure that investments are carried out in respect of the charter of the Oticon Foundation along with the investment strategy outlined in William Demant Invest A/S.

MANAGEMENT REVIEW

To give the reader an insight into the total size and operational results of the William Demant Invest Group, this management review presents an alternative pro forma consolidation of the group – illustrating the underlying size and results of the investments and William Demant Invest's share of these investments[1].

In November 2014, William Demant Invest A/S divested its 31% share in Unisense FertiliTech A/S to the Swedish listed medtech company Vitrolife AB in exchange for shares in Vitrolife AB (listed on Nasdaq Stockholm) corresponding to an ownership stake of around 8%. During 2015, William Demant Invest A/S continued buying up shares in Vitrolife AB and by the end of 2015, we reached an ownership share of approximately 18%. In 2015, Vitrolife successfully managed to integrate Unisense FertiliTech as part of its group structure with a positive contribution to sales of SEK 116 million.

In 2015, William Demant Invest A/S made no major new investments. The "Other" category thus includes the ownership of Borkum Riffgrund 1 and other minor investments and administration costs.

The pro forma consolidation shows an overall growth in revenue in 2015 of 16%. William Demant Holding A/S continues to be William Demant Invest A/S' largest investment accounting for approximately 76% of pro forma revenue[2]. The growth in pro forma revenue was mainly driven by a reported 14% growth in William Demant Holding A/S and, when translated into DKK, a growth of 13.6% in Össur hf. despite a decline in reported revenue of 5%.

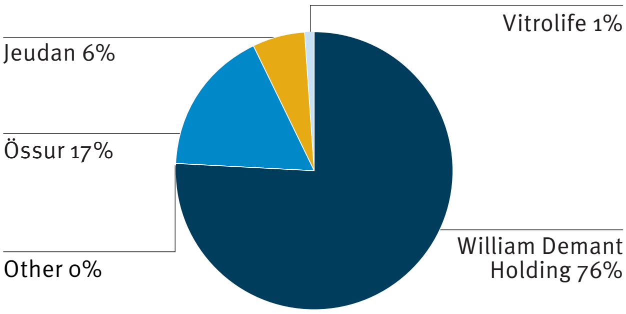
2015 delivered a 10.3% growth in EBIT driven by solid performance in all companies in the Group. Profit for the year was up 76% to DKK 1.302 million, which is mainly attributable to an improvement in the year-end result in Jeudan A/S of DKK 1.005 million.

The companies in the William Demant Invest sphere employed on average 13,921 people during 2015 and had an aggregated market capitalisation of around DKK 61 billion by year-end 2015, which represents an increase of around 40%, or almost DKK 17 billion in absolute terms, of which William Demant Invest A/S' share is DKK 31 billion.

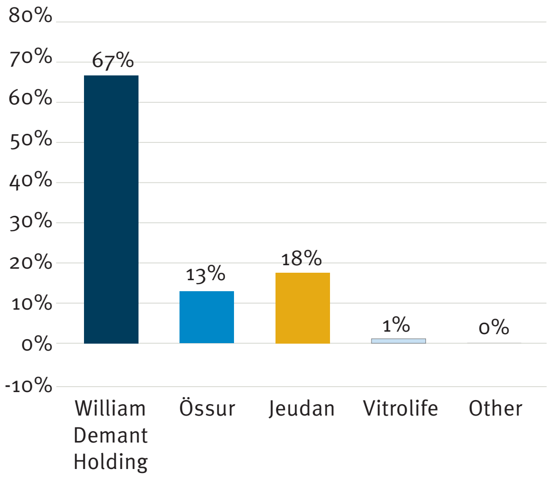
[1] The formal consolidated income statement etc. for William Demant Invest A/S can be found on page 24

[2] Including 2.1% of William Demant Holding A/S, which the Oticon Foundation owns directly

Revenue split



Operating profit split



Note: Calculated as William Demant Invest A/S proportional share

PRO FORMA CONSOLIDATION

(DKK million)	Individual entities – 100%		William Demant Invest A/S proportional share	
	2015	**2014**	**2015**	**2014**
REVENUE				
William Demant Holding A/S	10,665	9,346	6,195	5,336
Össur hf.	3,250	2,861	1,377	1,199
Jeudan A/S	1,208	1,153	508	484
Vitrolife AB	576	419	65	0
Borkum Riffgrund 1	0	0	0	0
Other	2	1	2	1
	15,701	**13,780**	**8,147**	**7,020**
OPERATING PROFIT				
William Demant Holding A/S	1,878	1,761	1,091	1,006
Össur hf.	514	483	218	203
Jeudan A/S	710	640	298	269
Vitrolife AB	181	118	21	0
Borkum Riffgrund 1	-1	0	0	0
Other	-19	-18	-11	-12
	3,263	**2,984**	**1,617**	**1,466**
FINANCIAL ITEMS AND TAX				
William Demant Holding A/S	-439	-434	-255	-248
Össur hf.	-170	-149	-72	-62
Jeudan A/S	109	-826	46	-347
Vitrolife AB	-34	-27	-4	0
Borkum Riffgrund 1	-2	1	-1	0
Other	2	10	2	10
	-534	**-1,425**	**-284**	**-647**
DISPOSED INVESTMENTS			**0**	**-49**
PROFIT FOR THE YEAR, OTICON FOUNDATION SHARE			**1,333**	**770**
Profit for the year, Oticon Foundation minority share			-31	-29
PROFIT FOR THE YEAR, TOTAL WILLIAM DEMANT INVEST A/S SHARE			**1,302**	**741**
EMPLOYEES, AVERAGE				
William Demant Holding A/S	10,803	9,799	6,275	5,595
Össur hf.	2,420	2,214	1,025	928
Jeudan A/S	368	372	155	156
Vitrolife AB	330	242	37	0
Borkum Riffgrund 1	0	0	0	0
Other	**13,921**	**12,627**	**7,492**	**6,679**
MARKET CAPITALISATION (YEAR-END)				
William Demant Holding A/S	35,126	25,545	20,439	14,870
Össur hf.	10,559	8,031	4,417	3,311
Jeudan A/S	8,625	6,120	3,572	2,568
Vitrolife AB	5,087	2,831	902	230
Borkum Riffgrund 1, assets	4,919	3,800	1,820	1,406
Borkum Riffgrund 1, liabilities	-4,927	-3,805	-75	-1
Other (other investments, securities, cash and bank debt)	1,556	1,524	-226	109
	60,945	**44,046**	**30,851**	**22,487**

PRO FORMA CONSOLIDATION *– CONTINUED*

WILLIAM DEMANT INVEST A/S SHARE OF OWNERSHIP	Average of the year		End of the year	
	2015	2014	2015	2014
William Demant Holding A/S (including Oticon Foundation minority share)	58%	57%	58%	58%
Össur hf.	42%	42%	42%	42%
Jeudan A/S	42%	42%	42%	42%
Vitrolife AB	11%	0%	18%	8%
Borkum Riffgrund 1	37%	37%	37%	37%

The pro forma consolidation of the income statement and average employees is prepared on the basis of average share of ownership in the reported years (adjusted for treasury shares). The pro forma consolidation of the market capitalisation is prepared on the basis of share of ownership end of period in the reported years. “Other” include William Demant Invest A/S parent, securities and eliminations. Share of ownership in William Demant Holding A/S is in the above pro forma consolidation including William Demant Invest A/S shares as well as the Oticon Foundation’s shares. In market capitalisation above William Demant Invest A/S’ debt to the Oticon Foundation is eliminated.

WILLIAM DEMANT HOLDING

About William Demant Holding A/S
The William Demant Group is a leading international hearing healthcare company, which develops, manufactures and sells products and equipment designed to aid people with hearing loss in their individual communication. Focus areas are: Hearing Devices, Hearing Implants and Diagnostic Instruments along with a headset joint venture, Sennheiser Communications. Group companies collaborate in many areas and to a wide extent also share resources and technologies.

Today, the William Demant Group has more than 10,000 employees and is headquartered in Smørum on the outskirts of Copenhagen, Denmark. William Demant Holding is listed on Nasdaq Copenhagen.

The roots of the William Demant Group is Oticon, which was founded in 1904. Today, the William Demant Group delivers products and services based on true innovation and delivered to customers and end-users through a multi-brand approach and backed by a comprehensive global distribution set-up and efficient shared services.

2015
In 2015, William Demant Holding's consolidated revenue amounted to DKK 10,665 million, corresponding to 7% growth in local currencies. Operating profit (EBIT) amounted to DKK 1,878 million, or an increase of 7% compared with 2014.

William Demant Holding's core business – the development, manufacture and wholesale of hearing aids – realised strong growth in the second part of 2015 with a organic growth of 8%. The primary growth driver was the successful launch of Oticon's ultra-fast Inium Sense platform, which was the biggest and broadest product launch ever undertaken by Oticon.

William Demant Holding's strong position in hearing healthcare will be further strengthened in 2016 due to the launch of the first ever dual-radio hearing aid, combining the audiological advantages of our new near field magnetic induction system for ear-to-ear communication and a 2.4 GHz system for streamer-free connectivity and programming. The global launch will be an important growth driver in their core business in the second half of 2016.

In the Hearing Implants business activity, William Demant Holding is steadily working towards fulfilling the long-term ambition of becoming one of the world's leading manufacturers of hearing implants. Reaching this ambition will of course take some years, but an important milestone was reached in late 2015, where they successfully completed prelaunch clinical activities in several European countries pertaining to the first-ever CI system to carry the Oticon Medical name with excellent results. The new CI system is expected to be a door opener for William Demant Holding in their endeavours to sell into several new developed markets in Europe.

Outlook 2016
In 2016, William Demant Holding expects to deliver growth in all business activities, which is anticipated to translate into an EBIT of DKK 2,000-2,300 million.

Board of Directors	
Lars Nørby Johansen	Chairman
Peter Foss	Deputy Chairman
Benedikte Leroy	
Niels B. Christiansen	
Ole Lundsgaard	Employee-elected
Karin Ubbesen	Employee-elected
Thomas Duer	Employee-elected
Executive Management	
Niels Jacobsen	President & CEO
Søren Nielsen	COO
René Schneider	CFO

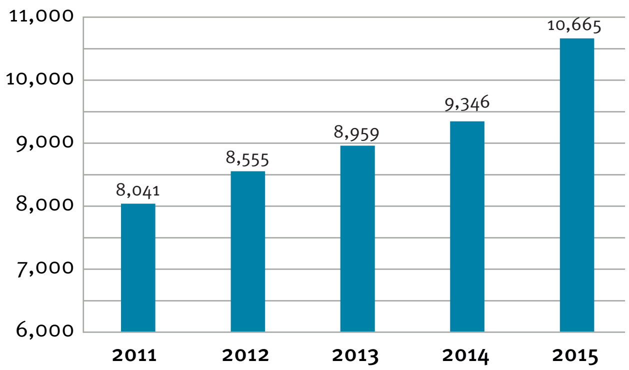
www.demant.com

William Demant

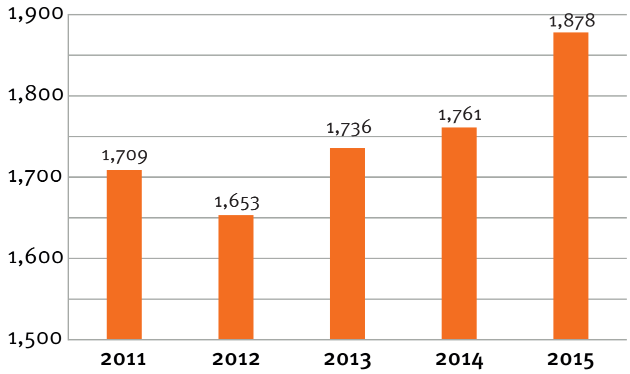
William Demant Holding A/S

(DKK million)	2015	2014
Revenue	10,665	9,346
EBITDA	2,203	2,055
EBIT	1,878	1,761
Net result	1,439	1,327
Equity	6,500	5,584
Assets	14,390	11,219
Cash flow from operations (CFFO)	1,592	1,495
Free cash flow (FCF)	1,129	1,044
Average number of employees	10,803	9,799
William Demant Invest A/S (incl. the Oticon Foundation) ownership (end of period)	58%	58%

Revenue – DKK million



Operating profit (EBIT) – DKK million

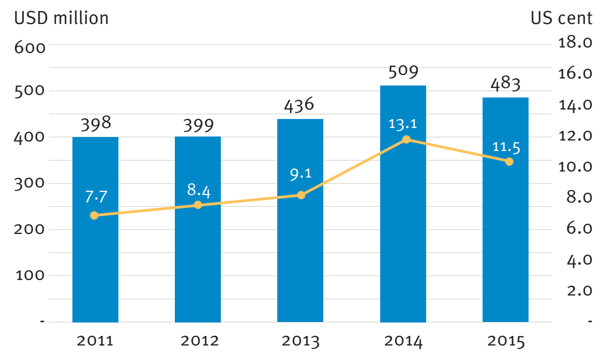


ÖSSUR

About Össur hf.
Össur is a global leader in non-invasive orthopaedics, focused on delivering innovative solutions in the prosthetics and bracing and supports market. The company was founded in 1971, is headquartered in Iceland and operates with 2,420 employees in 18 countries. Össur has been listed on the Icelandic Stock Exchange since 1999 and on Nasdaq Copenhagen since 2009.

William Demant Invest A/S started investing in Össur in 2004 and has continually bought up Össur shares. Today, William Demant Invest A/S is the largest shareholder with approximately 42% ownership.

Board of Directors	
Niels Jacobsen	Chairman
Kristján T. Ragnarsson	Deputy Chairman
Arne Boye Nielsen	
Guðbjörg Edda Eggertsdóttir	
Svafa Grönfeldt	
Executive Management	
Jón Sigurðsson	President & CEO
Sveinn Sölvason	CFO
Egill Jónsson	EVP
Ólafur Gylfason	EVP
Þorvaldur Ingvarsson	EVP
Margrét Lára Friðriksdóttir	EVP
Jos Van Poorten	Managing Director EMEA



2015
In 2015, Össur continued to grow its business and launched several new products and upgrades. With the introduction of the first mind-controlled bionic prosthetic lower limbs for amputees, which combines the unique technological features of Össur's Bionic prostheses with individual intuitive actions, Össur underpinned its position as technological leader in the market for prosthetics solutions.

Measured in local currency, prosthetics sales increased across all major markets, and sales in bracing and supports grew in line with expectations and guidance for 2015. The total sales for 2015 amounted to USD 483 million compared to USD 509 million in 2014. This represents a decrease in sales of 5%, which is mainly attributable to a strengthening of the USD during the year. Measured in constant currency, revenue was up 5%. Despite negative currency fluctuations, the company maintained its gross profit margin and EBITDA margin at 63% and 20%, respectively. The EBITDA margin was in line with the company's guidance range of 20-21% for 2015.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to USD 97 million compared to USD 104 million in 2014, whereas net profit came in at USD 51 million vs. USD 59 million in 2014. Diluted earnings per share amounted to US cents 11.5 compared to US cents 13.1 in 2014.

Outlook 2016
For 2016, Össur expects an organic revenue growth of 3-5% in local currency and an EBITDA margin of 20-21%.

www.ossur.com

Össur hf.

(USD million)	2015	2014
Revenue	483	509
EBITDA	97	104
EBIT	77	86
Net result	51	59
Equity	463	442
Assets	653	678
Cash flow from operations (CFFO)	84	98
Free cash flow (FCF)	42	68
Average number of employees	2,420	2,214
William Demant Invest A/S ownership (end of period)	42%	42%

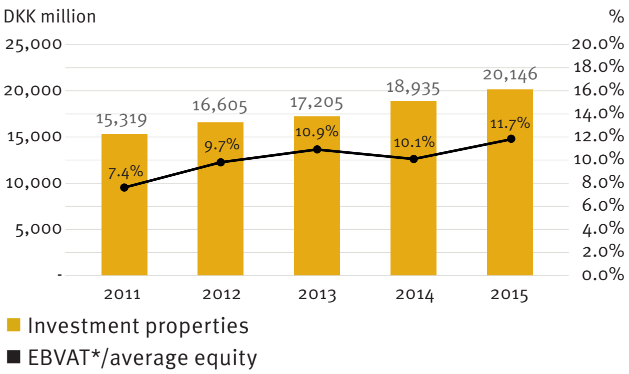
JEUDAN

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

The group's strategy aims at continued growth and profitability based on the values "Orderly, Competent and Accessible". Furthermore, the group aims to create value through efficient operation of properties, while striving to limit financial exposure such as interest rate risk. This approach gives a stable and predictable interest cost for operation of Jeudan, but on the other hand leads to loss or gains on financial obligations in any given year as interest rates fluctuate.

William Demant Invest A/S started investing in Jeudan in 2004 and has continually bought up Jeudan shares. Today, William Demant Invest A/S is, with approximately 42% of the ownership, one of the two largest shareholders. The development of Copenhagen as a city and the unique atmosphere was always close to the heart of William Demant, so while also being a sound financial investment, William Demant Invest A/S' ownership of Jeudan has ties to the history of William Demant.

Board of Directors	
Jørgen Tandrup	Chairman
Niels Jacobsen	Deputy Chairman
Hans Munk Nielsen	
Tommy Pedersen	
Stefan Ingildsen	
Executive Management	
Per W. Hallgren	CEO



(*EBVAT = earnings before value adjustments and tax)

2015
The combination of low interest rates and a continued demand for Copenhagen properties has resulted in an increasing price trend. The increase is based in both commercial and residential properties, and interest is driven by both local and foreign investors.

In 2015, Jeudan saw an increase in revenue of 5% to DKK 1.208 million and realised an operating profit (EBIT) of DKK 710 million, corresponding to an increase of 11% compared to 2014. After interest expense, but before value adjustments and tax (EBVAT), the result amounted to DKK 559 million, a 23% increase compared to 2014, mainly explained by increased profitability in their real estate business and conversion of interest agreements to lower rates. In 2014. The net result came in at DKK 819 million compared to DKK -186 million in 2014, where the latter in large part was due to a negative adjustment of financial liabilities of DKK -990 million.

Jeudan's more than 200 properties have a book value of DKK 20.1 billion by year-end 2015, a DKK 1.2 billion increase compared to 2014. Equity, which at year-end reached DKK 5.2 billion, had a return of 17.1%. At year-end, equity comprised 25.6% of Jeudan's total assets. As a result of the equity ratio, the board proposes a zero dividend for 2015 in accordance with the company's dividend policy.

Outlook 2016
In light of the abovementioned and unchanged activity in Jeudan Servicepartner, the net revenue in 2016 is expected to be DKK 1.200 million, while EBVAT is expected to land in the range of DKK 550-590 million.

www.jeudan.dk

Jeudan A/S

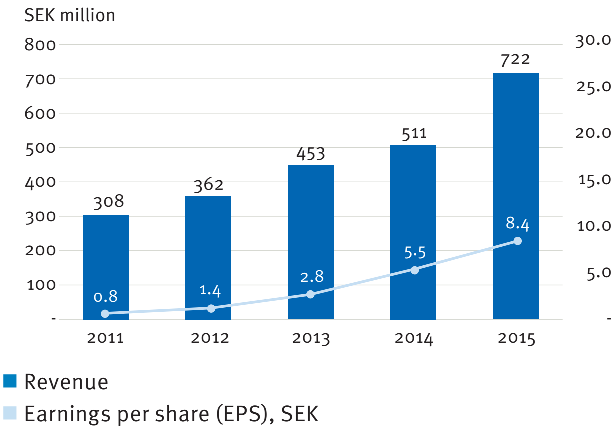
(DKK million)	2015	2014
Revenue	1,208	1,153
EBIT	710	640
EBVAT	559	453
Net result	819	-186
Equity	5,193	4,370
Assets	20,306	19,071
Cash flow from operations (CFFO)	534	392
Free cash flow (FCF)	-340	-586
Average number of employees	368	372
Occupancy rate	95%	94%
William Demant Invest A/S ownership (end of period)	42%	42%

VITROLIFE

About Vitrolife AB
Vitrolife is an international medical device group specialising in production and development of products for assisted reproduction. The company was founded in 1994 and was one of the first companies to provide IVF laboratories with high quality ready-to-use culture media. The company is headquartered in Sweden and has approximately 330 employees and the company's products are sold in approximately 110 markets. Vitrolife is listed on the Nasdaq Stockholm.

In 2014, William Demant Invest A/S divested its 31% share in Unisense FertiliTech A/S to Vitrolife in exchange for shares in the company. Today, William Demant Invest A/S holds around 19% of the shares in Vitrolife.

Board of Directors	
Carsten Browall	Chairman
Barbro Fridén	
Tord Lendau	
Pia Marions	
Frederik Mattsson	
Jón Sigurdsson	
Executive Management	
Thomas Axelsson	CEO
Mikael Engblom	CFO
Maria Forss	VP
Christer Silversand	CSO
Andreas Ardstål	Media Director
Rickard Ericsson	VP



2015
Vitrolife continued to expand its business in 2015 and experienced significant growth in all market regions and product lines. The total sales for 2015 amounted to SEK 722 million compared to SEK 511 million in 2014. This represents an increase in reported sales of 41% and 28% in local currency. Sales were positively affected by the acquisition of Unisense FertiliTech A/S by SEK 116 million and thus organic growth during the year amounted to 11%.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to SEK 279 million compared to SEK 167 million in 2014. Net profit ended at SEK 183 million, corresponding to an increase of 68% compared to 2014.

Outlook 2016
For 2016, Vitrolife anticipates a constantly expanding market, which in monetary terms is expected to grow by 5-10% per year in the foreseeable future.

www.vitrolife.com

Vitrolife AB

(SEK million)	2015	2014
Revenue	722	511
EBITDA	279	167
EBIT	226	143
Net result	183	109
Equity	843	701
Assets	1,059	1,006
Cash flow from operations (CFFO)	194	146
Free cash flow (FCF)	93	48
Average number of employees	320	242
William Demant Invest A/S ownership (end of period)	18%	8%

BORKUM RIFFGRUND 1

About Borkum Riffgrund 1
In 2012, William Demant Invest A/S entered into a joint venture with KIRKBI and DONG Energy to construct 77 wind turbines each of 3.6 MW in the North Sea at the German coast. In 2013, it was decided to upgrade the wind turbines to 4.0 MW in order to take advantage of new technological features and improve each wind turbine's power production. Furthermore, the partnership decided to construct an additional wind turbine in 2014, so now the wind farm consists of 78 wind turbines each of 4.0 MW.

Board of Directors – Boston Holding A/S

Søren Thorup	Chairman
Niels Jacobsen	Deputy Chairman
Thomas Schleicher	

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

2015
The construction of Borkum Riffgrund 1 continued in 2015, and the installation and commissioning of the 78 wind turbines were finished in the second half of 2015. William Demant Invest A/S is expected to receive their proportionate cash flow from the wind farm from June 2016 and onwards.

Under full production, Borkum Riffgrund 1 is expected to supply green energy to approximately 320,000 German households.

BORKUM RIFFGRUND

Boston Holding A/S

(DKK million)	2015	2014
Revenue	-	-
EBIT	-1	1
Net result	-4	1
Equity	-8	-4
Assets	4,919	3,800
William Demant Invest A/S ownership (end of period)	37%	37%

FINANCIAL REVIEW

Income statement
The William Demant Invest Group's consolidated revenue amounted to DKK 10,665 million in 2015 compared to 9,346 million in 2014. Profit before tax came in at DKK 2,302 million in 2015 compared to DKK 1,702 million in 2014. The increase is mainly driven by solid growth in all companies in the group, especially in Jeudan after a large non-cash loss on a financial contract in 2014. For 2015, William Demant Invest A/S' share of the Group's net result was DKK 1,302 million.

Profit for the year is deemed satisfactory.

Balance sheet
Total assets amounted to DKK 21,599 million at year-end 2015 compared to DKK 17,331 million in 2014. Consolidated equity in 2015 amounted to DKK 11,291 million.

Cash flows
Cash flow from operating activities amounted to DKK 1,585 million in 2015 compared to DKK 1,555 million in 2014, whereas cash flow from investing activities amounted to DKK -2,354 million in 2015 compared to DKK -1,083 million in 2014. Finally, the cash flow from financing activities amounted to DKK 1,413 million in 2015 compared to DKK -1,192 million in 2014, mainly driven by increased proceeds from borrowings.

Tax
William Demant Invest A/S is jointly taxed with William Demant Holding A/S and their Danish subsidiaries, and William Demant Invest A/S is the administration company. Total corporate tax paid in William Demant Invest A/S in 2015 aggregated DKK 320 million; DKK 203 million of which was paid in Denmark. Tax in associated companies is paid in the respective companies.

Knowledge resources
William Demant Invest A/S does not have any employees. Thus, the Group relies on the development and retention of knowledge resources in associated and Group companies. Further elaboration of knowledge resources can be found in associated and Group companies' annual reports and webpages.

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

Corporate Social Responsibility
William Demant Invest A/S' major holdings work intensively with corporate social responsibility, and William Demant Invest A/S monitors the activities in associated and Group companies. Further elaboration on CSR activities can be found in associated and Group companies' respective annual reports and webpages.

Besides the CSR activities in associated and Group companies, William Demant Invest A/S has invested in a future offshore wind farm. William Demant Invest A/S' share of the renewable energy will be enough to cover the energy consumption of the William Demant Group more than five times over.

Target for the share of the underrepresented gender in the Board of Directors
At year-end 2015, the Board of Directors in William Demant Invest A/S had four members. In continuation of the rules on the underrepresented gender in boards and under section 139a(1)(i) of the Danish Companies Act, the Board of Directors has set a target of electing and maintaining at least one board member of the underrepresented gender.

Furthermore, William Demant Holding A/S is working towards increasing the share of the underrepresented gender at all management levels, see www.demant.com for more details.

Research and development activities
William Demant Invest A/S does not engage in research and development activities. Thus, the Group's activities in this field are all placed in associated and Group companies. Further elaboration on research and development activities can be found in associated and Group companies' annual reports and webpages.

Outlook 2016
As William Demant Invest A/S' largest asset is the ownership in William Demant Holding A/S, the results for 2016 will largely be linked to the development in the hearing healthcare market.

Results for William Demant Invest A/S are expected to be satisfactory.

MANAGEMENT AND BOARD OF DIRECTORS

Niels Boserup, Chairman
(born 1943, member of the Board from 1995 to 1999 and from 2008)

Niels Boserup was trained as a journalist from the Danish School of Journalism in Aarhus in 1969. In 1970-1976, he was the business editor of Jyllands-Posten and in 1973 also chief editor. In 1976 he was appointed information manager in B&W, and from 1979 to 1982, he acted as vice president in charge of marketing, staff and public relations. In 1983, he was trained as an insurance agent. The year before, he had been vice president of the insurance company Baltica, where he was employed until 1989 and where he was promoted managing director. In 1989-1991 he was the managing director of Codan. From 1991 to 2007 he was the managing director of Copenhagen Airports A/S. Niels Boserup was also chairman of the board of William Demant Holding A/S from 1996 to 2007.

Other directorships
The Oticon Foundation, chairman
The Corporate Foundation Gl. Strand, board member

Peter Foss, Deputy Chairman
(born 1956, member of the Board since 2008)

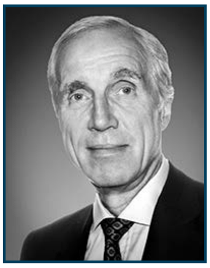
Peter Foss received a Master of Science degree in Engineering from the Technical University of Denmark in 1980, after which he was employed with Brüel & Kjær as an engineer. In 1981, he received a diploma in Business Administration from the Copenhagen Business School. In 1985, he joined FOSS A/S and acted as division manager until 1990. From 1990-2011, Peter Foss was the CEO of FOSS, and in 2011 he was appointed chairman of the board.

Other directorships
FOSS A/S and two affiliated companies, chairman
William Demant Holding A/S, deputy chairman
The Oticon Foundation, deputy chairman
A.R. Holding af 1999 A/S, board member
TrackMan A/S, board member

Ulla Brockenhuus-Schack
(born 1961, member of the Board since 2012)

Ulla Brockenhuus-Schack graduated from Copenhagen Business School and holds a Master of Business Administration degree in Strategy and Innovation from Columbia Business School, New York, from 1988. In 1987-1990, she worked as a management consultant at McKinsey & Company, followed by the position of marketing director at Egmont Juvenile in 1990-1994 and CEO of Egmont Imagination in 1995-1996. In 1998-1999, she was the executive of Nordisk Film A/S. From 1999 to 2002 she was the co-founder of Haburi.com. Since 2005, Ulla Brockenhuus-Schack has been managing partner in SEED Capital Denmark and since 2003 the managing director of Pre-Seed Innovation A/S.

Other directorships
The Oticon Foundation, board member
Abeo A/S, board member
Expanite Technology A/S, board member
Tivoli A/S, board member
Amminex Emmissions Technology A/S, board member
DVCA, board member
The Mary Foundation, board member
Mofibo A/S, board member



Peter Straarup
(born 1951, member of the Board since 2012)

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

Other directorships
A.P. Møller and Chastine Mc-Kinney Møllers Fond til almene Formaal, deputy chairman
A.P. Møller Holding A/S, board member
Knud Højgaards Fond, board member
Højgaard Ejendomme A/S, board member
The Oticon Foundation, board member

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
CVR no. 33963556
Weidekampsgade 6
2300 København S
Denmark

Management of William Demant Invest

Managing Director: Niels Jacobsen

The administration of William Demant Invest A/S is outsourced to William Demant Holding A/S on arms-length terms. The management fee paid in 2015 amounted to DKK 5.28 million.

Contact

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KEY FIGURES AND FINANCIAL RATIOS

	2015	2014	2013	2012
INCOME STATEMENT, DKK MILLION				
Revenue	10,665	9,346	8,959	8,555
Gross profit	7,895	6,813	6,518	6,127
Research and development costs	763	680	634	652
Share of profit after tax, associates and joint ventures	550	75	365	109
EBITDA	2,699	2,059	2,339	2,010
Amortisation and depreciation etc.	325	294	292	267
Operating profit (EBIT)	2,374	1,765	2,047	1,743
Net financial items	-72	-63	-50	-107
Profit before tax	2,302	1,702	1,997	1,632
Profit for the year	1,939	1,339	1,615	1,262
BALANCE SHEET, DKK MILLION				
Net interest-bearing debt	5,869	4,399	3,193	2,220
Assets	21,599	17,331	15,998	14,177
Equity	11,291	9,316	8,668	7,498
OTHER KEY FIGURES, DKK MILLION				
Investment in property, plant and equipment, net	609	1,317	602	509
Cash flow from operating activities (CFFO)	1,585	1,555	1,321	1,283
Free cash flow	1,246	703	910	-788
Average number of employees	10,803	9,799	9,063	8,025
FINANCIAL RATIOS				
Gross profit margin	74.0%	72.9%	72.8%	71.6%
EBITDA margin	25.3%	22.0%	26.1%	23.5%
Profit margin (EBIT margin)	22.3%	18.9%	22.8%	20.4%
Return on equity	17.0%	11.2%	17.1%	15.5%
Equity ratio	52.3%	53.8%	54.2%	52.9%

Financial ratios are calculated in accordance with "Recommendations and Financial Ratios 2015" from the Danish Society of Financial Analysts. The free cash flow is calculated as the sum of cash flow from operating activities (CFFO) and investing activities (CFFI) before acquisition of enterprises, participating interests and activities.

Key figures and financial ratios for 2012 to 2014 have been restated to reflect proportionate consolidation of the Borkum Riffgrund 1 joint arrangement. Please refer to note 9.1 for further description. Key figures and financial ratios for 2012 have not been adjusted to the changes in accounting policies from 2014.

MANAGEMENT STATEMENT

We have today considered and approved the Annual Report 2015 of William Demant Invest A/S for the financial year 1 January – 31 December 2015.

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

In our opinion, the consolidated financial statements and the Parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2015 as well as of the results of their operations and the consolidated cash flows for the financial year 1 January – 31 December 2015.

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

We recommend the Annual Report 2015 for adoption at the annual general meeting.

Smørum, 11 April 2016

Executive Board:

Niels Jacobsen
Managing Director

Board of Directors:

Niels Boserup
Chairman

Peter Foss
Deputy Chairman

Ulla Brockenhuus-Schack

Peter Straarup

INDEPENDENT AUDITOR'S REPORT

To the shareholder of William Demant Invest A/S

Report on the consolidated financial statements and Parent financial statements
We have audited the consolidated financial statements and Parent financial statements of William Demant Invest A/S for the financial year 1 January – 31 December 2015, which comprise the income statement, balance sheet, statement of changes in equity and notes, including the accounting policies, for the Group as well as the Parent and the statement of comprehensive income and the cash flow statement of the Group. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements in accordance with the Danish financial Statements Act, and the Parent financial statements are prepared in accordance with the Danish Financial Statements Act.

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

Auditor's responsibility
Our responsibility is to express an opinion on the consolidated financial statements and Parent financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements and Parent financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and Parent financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the consolidated financial statements and Parent financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements and Parent financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used, the reasonableness of accounting estimates made by Management as well as the overall presentation of the consolidated financial statements and Parent financial statements.

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

Our audit has not resulted in any qualification.

Opinion
In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at 31 December 2015 and of the results of its operations and cash flows for the financial year 1 January – 31 December 2015 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements in accordance with the Danish Financial Statements Act.

Further, in our opinion, the Parent financial statements give a true and fair view of the Parent's financial position at 31 December 2015 and of the results of its operations for the financial year 1 January – 31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on the Management commentary
Pursuant to the Danish Financial Statements Act, we have read the Management commentary. We have not performed any further procedures in addition to the audit of the consolidated financial statements and Parent financial statements.

On this basis, it is our opinion that the information provided in the Management commentary is consistent with the consolidated financial statements and Parent financial statements.

Copenhagen, 11 April 2016

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR no. 33963556

Anders Vad Dons
State Authorised Public Accountant

Kirsten Aaskov Mikkelsen
State Authorised Public Accountant

CONSOLIDATED INCOME STATEMENT

(DKK million)	Note	2015	2014
Revenue	1.1	10,665	9,346
Production costs	1.2 1.3 1.5	-2,770	-2,533
Gross profit		**7,895**	**6,813**
Research and development costs	1.2 1.3	-763	-680
Distribution costs	1.2 1.3	-4,689	-3,877
Administrative expenses	1.2 1.3 8.2	-619	-566
Share of profit after tax, associates and joint ventures	3.3 6.2	550	75
Operating profit (EBIT)		**2,374**	**1,765**
Financial income	4.2	129	137
Financial expenses	4.2	-201	-200
Profit before tax		**2,302**	**1,702**
Tax on profit for the year	5.1	-363	-363
Profit for the year		**1,939**	**1,339**
Profit for the year attributable to:			
William Demant Invest A/S' shareholders		1,302	741
Minority interests		637	598
		1,939	**1,339**
Earnings per share (EPS), DKK	1.4	0.4	0.2
Diluted earnings per share (DEPS), DKK	1.4	0.4	0.2

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(DKK million)	2015	2014
Profit for the year	**1,939**	**1,339**
Other comprehensive income:		
Items that have been or may subsequently be reclassified to the income statement:		
Foreign currency translation adjustment, foreign enterprises	332	447
Other comprehensive income adjustments, associates and joint ventures	-58	-119
Value adjustment of hedging instruments:		
Value adjustment for the year	-152	-98
Value adjustment transferred to revenue	158	-11
Value adjustment transferred to financial expenses	1	1
Value adjustments, financial assets held for resale:		
Value adjustment for the year	26	-31
Value adjustment transferred to financial items	-20	20
Tax on items that have been or may subsequently be reclassified to the income statement	12	1
Items that have been or may subsequently be reclassified to the income statement	**299**	**210**
Items that will not subsequently be reclassified to the income statement:		
Actuarial gains/(losses) on defined benefit plans	-8	-14
Tax on items that will not subsequently be reclassified to the income statement	1	2
Items that will not subsequently be reclassified to the income statement	**-7**	**-12**
Other comprehensive income	**292**	**198**
Comprehensive income	**2,231**	**1,537**
Comprehensive income attributable to:		
William Demant Invest A/S' shareholders	1,552	899
Minority interests	679	638
	2,231	**1,537**
Breakdown of tax on other comprehensive income:		
Foreign currency translation adjustment, foreign enterprises	14	-26
Value adjustment of hedging instruments for the year	35	21
Value adjustment of hedging instruments transferred to revenue	-35	3
Value adjustment of hedging instruments transferred to financial expenses	0	0
Value adjustments, financial assets held for resale	-2	3
Actuarial gains/(losses) on defined benefit plans	1	2
Tax on other comprehensive income	**13**	**3**

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

(DKK million)	Note	2015	2014
Assets			
Goodwill		5,660	3,831
Patents and licences		22	28
Other intangible assets		275	37
Prepayments and assets under development		20	107
Intangible assets	3.1	**5,977**	**4,003**
Land and buildings		900	749
Plant and machinery		183	173
Other plant, fixtures and operating equipment		285	265
Leasehold improvements		246	171
Prepayments and assets under construction		1,909	1,605
Property, plant and equipment	3.2	**3,523**	**2,963**
Investments in associates and joint ventures	3.3	5,814	4,518
Receivables from associates and joint ventures	3.3 4.3 4.4	357	264
Other investments	3.3 4.3 4.5	12	353
Other receivables	1.6 3.3 4.3 4.4	567	569
Deferred tax assets	5.2	376	244
Other non-current assets		**7,126**	**5,948**
Non-current assets	3.4	**16,626**	**12,914**
Inventories	1.5	1,324	1,203
Trade receivables	1.6 4.3	2,203	1,994
Receivables from associates and joint ventures	4.3	53	12
Income tax		83	92
Other receivables	1.6 4.3 4.4	284	193
Unrealised gains on financial contracts	2.3 4.3 4.5	12	7
Prepaid expenses		188	113
Securities	4.3 4.4 4.5	91	360
Cash	4.3 4.4	735	443
Current assets		**4,973**	**4,417**
Assets		**21,599**	**17,331**

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

(DKK million)	Note	2015	2014
Equity and liabilities			
Share capital		4	4
Other reserves		8,427	6,860
Equity attributable to William Demant Invest A/S' shareholders		8,431	6,864
Equity attributable to minority interests		2,860	2,452
Equity		**11,291**	**9,316**
Interest-bearing debt	4.3 4.4	2,080	2,009
Deferred tax liabilities	5.2	125	134
Provisions	7.1	273	154
Other liabilities	4.3 7.2	119	120
Deferred income		164	36
Non-current liabilities		**2,761**	**2,453**
Interest-bearing debt	4.3 4.4	5,375	3,866
Trade payables	4.3	486	342
Payables to associates and joint ventures		2	1
Income tax		145	68
Provisions	7.1	16	4
Other liabilities	4.3 7.2	1,191	973
Unrealised losses on financial contracts	2.3 4.3 4.4 4.5	74	80
Deferred income		258	228
Current liabilities		**7,547**	**5,562**
Liabilities		**10,308**	**8,015**
Equity and liabilities		**21,599**	**17,331**

CONSOLIDATED CASH FLOW STATEMENT

(DKK million)	Note	2015	2014
Operating profit (EBIT)		2,374	1,765
Non-cash items etc.	1.7	-176	285
Change in receivables etc.		-214	-119
Change in inventories		-96	-60
Change in trade payables and other liabilities etc.		26	46
Change in provisions		12	-20
Dividends received		104	107
Cash flow from operating profit		**2,030**	**2,004**
Financial income etc. received		60	93
Financial expenses etc. paid		-184	-199
Realised foreign currency translation adjustments		-1	-1
Income tax paid		-320	-342
Cash flow from operating activities (CFFO)		**1,585**	**1,555**
Acquisition of enterprises, participating interests and activities		-2,015	-231
Investments in and disposal of intangible assets		-48	-69
Investments in property, plant and equipment		-627	-1,346
Disposal of property, plant and equipment		18	29
Investments in other non-current assets and securities		-246	-297
Disposal of other non-current assets and securities		564	831
Cash flow from investing activities (CFFI)		**-2,354**	**-1,083**
Repayments of borrowings		-1,449	-2,072
Proceeds from borrowings		3,103	1,769
Buy-back of shares		-605	-887
Transactions with minorities		366	0
Other adjustments		-2	-2
Cash flow from financing activities (CFFF)		**1,413**	**-1,192**
Cash flow for the year, net		**644**	**-720**
Cash and cash equivalents at the beginning of the year		-2,418	-1,571
Foreign currency translation adjustment of cash and cash equivalents		-194	-127
Cash and cash equivalents at the end of the year		**-1,968**	**-2,418**
Breakdown of cash and cash equivalents at the end of the year:			
Cash	4.3 4.4	735	443
Interest-bearing current bank debt	4.3 4.4	-2,703	-2,861
Cash and cash equivalents at the end of the year		**-1,968**	**-2,418**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(DKK million)	Share capital	Other reserves: Foreign currency translation reserve	Other reserves: Hedging reserve	Retained earnings	William Demant Invest A/S' shareholders' share	Minority interests' share	Equity
Equity at 1.1.2014	**4**	**-211**	**10**	**6,548**	**6,351**	**2,317**	**8,668**
Comprehensive income in 2014:							
Profit for the year	-	-	-	741	741	598	1,339
Other comprehensive income:							
Foreign currency translation adjustment, foreign enterprises	-	352	-	-	352	95	447
Other compr. income adjustments, associates and joint ventures	-	-	-	-119	-119	-	-119
Value adj. of hedging instruments:							
Value adjustment, year	-	-	-54	-	-54	-44	-98
Value adj. transferred to revenue	-	-	-6	-	-6	-5	-11
Value adj. transf. to financial expenses	-	-	1	-	1	0	1
Value adjustments, financial assets held for resale:							
Value adjustment for the year	-	-	-	-31	-31	0	-31
Value adjustment transferred to financial items	-	-	-	20	20	0	20
Actuarial gains/(losses) on defined benefit plans	-	-	-	-8	-8	-6	-14
Tax on other comprehensive income	-	-14	14	3	3	0	3
Other comprehensive income	-	338	-45	-135	158	40	198
Comprehensive income, year	**-**	**338**	**-45**	**606**	**899**	**638**	**1,537**
Transaction with minorities	-	0	0	-385	-385	-502	-887
Other changes in equity	0	0	0	-1	-1	-1	-2
Equity at 31.12.2014	**4**	**127**	**-35**	**6,768**	**6,864**	**2,452**	**9,316**
Comprehensive income in 2015:							
Profit for the year	-	-	-	1,302	1,302	637	1,939
Other comprehensive income:							
Foreign currency translation adjustment, foreign enterprises	-	295	-	-	295	37	332
Other compr. income adjustments, associates and joint ventures	-	-	-	-58	-58	-	-58
Value adj. of hedging instruments:							
Value adjustment, year	-	-	-85	-	-85	-67	-152
Value adj. transferred to revenue	-	-	88	-	88	70	158
Value adj. transf. to financial expenses	-	-	1	-	1	0	1
Value adjustments, financial assets held for resale:							
Value adjustment for the year	-	-	-	26	26	0	26
Value adjustment transferred to financial items	-	-	-	-20	-20	0	-20
Actuarial gains/(losses) on defined benefit plans	-	-	-	-4	-4	-4	-8
Tax on other comprehensive income	-	8	-	-1	7	6	13
Other comprehensive income	-	303	4	-57	250	42	292
Comprehensive income, year	**-**	**303**	**4**	**1,245**	**1,552**	**679**	**2,231**
Transaction with minorities	-	0	0	32	32	-271	-239
Other changes in equity	0	0	0	-17	-17	-	-17
Equity at 31.12.2015	**4**	**430**	**-31**	**8,028**	**8,431**	**2,860**	**11,291**

For changes in share capital, please refer to *Parent statement of changes in equity* on page 72.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

When relevant, if a note contains a figure that directly refers to the consolidated income statement, statement of comprehensive income or balance sheet, this will be indicated by the following references:

IS – Consolidated income statement
OCI – Consolidated other comprehensive income
BS – Consolidated balance sheet

SECTION 1
OPERATING ACTIVITIES AND CASH FLOW

1.1 REVENUE BY GEOGRAPHIC REGION AND BUSINESS ACTIVITY

(DKK million)

	2015	2014
Revenue by geographic region:		
Denmark	169	142
Other Europe	3,967	3,541
North America	4,472	3,746
Oceania	859	839
Asia	815	693
Other countries	383	385
Total IS	**10,665**	**9,346**

Consolidated revenue mainly derives from the sale of goods and is broken down by the customers' geographical location. The nine largest single customers together account for less than 10% of total consolidated revenue.

	2015	2014
Revenue by business activity:		
Hearing Devices	9,213	8,033
Diagnostic Instruments	1,072	975
Hearing Implants	380	338
Total IS	**10,665**	**9,346**

	2015	2014
Value adjustments transferred from equity relating to derivatives made for hedging revenue OCI	-158	11

ACCOUNTING POLICIES

Revenue is recognised in the income statement upon delivery and transfer of risk to buyer. Revenue from services, including service packages and extended warranties, is recognised on a straight-line basis in line with the delivery of such services.

Revenue is measured at the fair value of the agreed consideration excluding charges. Any discounts and profits on goods expected to be returned are set off against revenue. Revenue from agency-like business is measured at the value of the agency commission.

Based on IFRS 8 Operating Segments and the internal reporting model used by Management for the assessment of results and the use of resources, we have identified one operating segment, the development, manufacture and sale of products and equipment designed to facilitate people's hearing and communication. This reflects Management's approach to the organisation and management of activities.

1.2 EMPLOYEES

(DKK million)

	2015	2014
Staff costs:		
Wages and salaries	4,012	3,412
Defined contribution plans	55	40
Defined benefit plans (note 7.1)	18	20
Social security costs etc.	317	243
Total	**4,402**	**3,715**
Staff costs by function:		
Production costs	803	699
Research and development costs	502	461
Distribution costs	2,604	2,155
Administrative expenses	493	400
Total	**4,402**	**3,715**
Average number of full-time employees	10,803	9,799

Remuneration:	**2015**	**2014**
Board of Directors	1	1
Executive Board:		
Managing Director	13	13

William Demant Invest A/S has no employees and outsources via a management fee agreement administrative tasks to William Demant Holding A/S. The Managing Director is employed by William Demant Holding A/S.

In 2015, the basic remuneration of a member of the Parent's Board of Directors was DKK 100,000 (DKK 100,000 in 2014).
The Chairman of the Board of Directors receives three times the basic remuneration and the Deputy Chairman twice the basic remuneration.

The remuneration of the Executive Board includes cash remuneration, short-term benefits, social security and pension contributions. The Managing Director of William Demant Invest Group is entitled to a seniority bonus, matching one year's salary for every four years of employment after 2005. This seniority bonus is recognised as a defined benefit plan commitment and will be paid out on termination of his employment.

The Managing Director has 30 months' notice in the event of dismissal.

1.3 AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES

(DKK million)	2015	2014
Amortisation of intangible assets	-28	-22
Depreciation of property, plant and equipment	-271	-248
Total	**-299**	**-270**
Amortisation, depreciation and impairment losses by function:		
Production costs	-67	-67
Research and development costs	-39	-35
Distribution costs	-157	-129
Administrative expenses	-36	-39
Total	**-299**	**-270**
Net gains from sale of assets	4	2
Total	**4**	**2**
Net gains from sale of assets by function:		
Production costs	0	0
Distribution costs	3	3
Administrative expenses	1	-1
Total	**4**	**2**

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

1.4 EARNINGS PER SHARE

	2015	2014
William Demant Invest A/S' shareholders' share of profit for the year, DKK million IS	1,302	741
Average number of shares, million	3,500	3,500
Average number of treasury shares, million	0	0
Average number of shares outstanding, million	**3,500**	**3,500**
Earnings per share (EPS), DKK IS	**0.4**	**0.2**
Diluted earnings per share (DEPS), DKK IS	**0.4**	**0.2**

1.5 INVENTORIES

(DKK million)	2015	2014
Raw materials and purchased components	601	562
Work in progress	39	31
Finished goods and goods for resale	684	610
Inventories BS	**1,324**	**1,203**
Write-downs included in the above	184	163
Carrying amount of inventories recognised at fair value after deduction of costs to sell	0	0
Included in the income statement under production costs:		
Write-downs of inventories for the year, net	31	36
Cost of goods sold during the year	1,987	1,828

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

ACCOUNTING POLICIES

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

Group-manufactured products and work in progress are measured at the value of direct cost, direct payroll costs, consumables and a proportionate share of indirect production costs (IPO), which are allocated on the basis of the normal capacity of the production facility. IPO include the proportionate share of capacity costs directly relating to Group-manufactured products and work in progress.

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

1.6 RECEIVABLES

(DKK million)	2015	2014
Trade receivables BS	2,203	1,994
Other non-current receivables BS	567	569
Other current receivables BS	284	193
Total	**3,054**	**2,756**
Non-impaired receivables by age:		
Balance not due	2,209	2,015
0-3 months	465	391
3-6 months	144	107
6-12 months	97	117
Over 12 months	139	126
Total	**3,054**	**2,756**
Breakdown of allowance for impairment:		
Allowance for impairment at 1.1.	-214	-143
Foreign currency translation adjustments	-10	-4
Applied during the year	30	14
Additions during the year	-67	-86
Reversals during the year	4	5
Allowance for impairment at 31.12.	**-257**	**-214**

Of the total amount of trade receivables, DKK 215 million (DKK 152 million in 2014) is expected to be collected after 12 months. For information on security and collateral, please refer to *Credit risks* in note 4.1.

ACCOUNTING POLICIES

Receivables include trade receivables and other receivables. Receivables are included in the category loans and receivables, which are financial assets with fixed or determinable payments, which are not listed on an active market and are not derivatives.

On initial recognition, receivables are measured at their fair values with the addition of transaction costs. Receivables with a definite maturity date are measured at amortised cost. Receivables without a definite maturity date are measured at cost. Current receivables arisen due to the Group's ordinary activities are measured at their nominal value. Based on assessments of the risk of losses on individual receivables and groups of similar receivables, provisions for impairment are made for bad debts using an allowance account.

1.7 SPECIFICATIONS TO CONSOLIDATED CASH FLOW STATEMENT

(DKK million)	2015	2014
Amortisation and depreciation etc.	325	294
Share of profit after tax, associates and joint ventures IS	-550	-75
Gain on sale of intangible assets and property, plant and equipment	-4	-2
Other non-cash items	53	68
Non-cash items etc.	**-176**	**285**

SECTION 2
FOREIGN CURRENCIES AND HEDGING

2.1 EXCHANGE RATE RISK POLICY

The Group seeks to hedge against any exchange rate risks through forward exchange contracts and other hedging instruments. Hedging thus gives Management the opportunity – and necessary time – to redirect business arrangements in the event of persistent changes in foreign exchange rates. The Group aims to hedge such changes in foreign exchange rates by seeking to match positive and negative cash flows in the main currencies as much as possible and by entering into forward exchange contracts. By entering into such contracts, we can hedge estimated cash flows with a horizon of up to 24 months.

2.2 SENSITIVITY ANALYSIS IN RESPECT OF EXCHANGE RATES

The below 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 risk has been calculated on the basis of a simple addition of the operating profits (EBITs) of Group enterprises in local currencies. Whereas the addition of EBITs includes all Group enterprises, the net foreign currency flow is identical to the flow in Oticon A/S. We estimate that approximately 90% of all foreign currency translation is made in Oticon A/S and that the analysis therefore gives a fair presentation of the flow in the entire Group. The foreign currency flow includes actual foreign currency translation as well as changes in net receivables, i.e. trade receivables, trade payables and bank balances.

Effect on EBIT, 5% positive exchange rate impact*

(DKK million)	**2015**	**2014**
USD	+40	+35
AUD	+15	+13
GBP	+13	+13
CAD	+13	+11
JPY	+5	+3

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

Effect on equity, 5% positive exchange rate impact

(DKK million)	**2015**	**2014**
USD	+80	+60
AUD	+18	+12
GBP	+13	+10
CAD	+45	+45
JPY	+3	+2

Exchange rate risk for the Group (specifically related to the investment activities in William Demant Invest A/S)
In addition to the above sensitivity analysis of the William Demant Group's equity given a change of 5% in selected currencies, the William Demant Invest Group will be impacted by DKK 115 million in 2015 (DKK 100 million in 2014) in relation to the value of the investment in Össur hf., if the exchange rate for USD changes by 5% and by DKK 31 million in 2015 (DKK 11 million in 2014) in relation to the value of the investment in Vitrolife AB, if the exchange rate for SEK changes by 5%.

Further, in relation to holdings of corporate bonds, the equity impact given a change of 5% is DKK 3 million on bonds in NOK, DKK 2 million on bonds in USD and DKK 1 million on bonds in GBP (DKK 6 million on NOK, DKK 3 million on USD, DKK 2 million on SEK and DKK 1 million on GBP in 2014).

2.3 HEDGING AND FORWARD EXCHANGE CONTRACTS

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

Realised forward exchange contracts are recognised in the income statement together with the items, typically the revenue in foreign currency, that such contracts are designed to hedge. In 2015, our forward exchange contracts realised a loss of DKK 158 million (gain of DKK 11 million in 2014), which reduced reported revenue for the year. In addition, we raised loans in foreign currencies to balance out net receivables. At year-end 2015, we had entered into forward exchange contracts with a contractual value of DKK 1,121 million (DKK 1,608 million in 2014) and a fair value of DKK -61 million (DKK -68 million in 2014).

Forward exchange contracts

2015

	Expiry	Hedging period*	Average hedging rate	Contractual value	Fair value	Positive fair value at year-end	Negative fair value at year-end
				(DKK million)			
USD	2016/2017	12 months	634	-888	-68	3	71
GBP	2016	5 months	1,060	-133	6	6	0
CAD	2016	3 months	508	-63	2	2	0
JPY	2016	6 months	5.51	-63	-2	0	2
Other	2016	-	-	26	1	1	0
				-1,121	**-61**	**12**	**73**

2014

	Expiry	Hedging period*	Average hedging rate	Contractual value	Fair value	Positive fair value at year-end	Negative fair value at year-end
				(DKK million)			
USD	2015/2016	15 months	579	-1,093	-60	0	60
AUD	2015	6 months	515	-113	4	4	0
GBP	2015	8 months	904	-181	-9	0	9
CAD	2015	6 months	510	-166	-6	0	6
JPY	2015	6 months	5.47	-55	3	3	0
				-1,608	**-68**	**7**	**75**

** Hedging periods represent the estimated periods for which the currency exposure of a relative share of our revenue in a currency will be covered by forward exchange contracts.*

ACCOUNTING POLICIES

On initial recognition, derivatives are measured at their fair values at the settlement date. After initial recognition, derivatives are measured at their fair values at the balance sheet date. Any positive or negative fair values of derivatives are recognised as separate items in the balance sheet. Forward exchange contracts and interest swaps are measured based on current market data and by use of commonly recognised valuation methods.

Any changes in fair values of derivatives classified as hedging instruments and satisfying the criteria for hedging of 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 their fair values, with fair value adjustments being recognised, on an ongoing basis, in the income statement.

2.4 EXCHANGE RATES

The Group's presentation currency is Danish kroner. Denmark participates in the European Exchange Rate Mechanism ERM 2 at a central rate of 746.038 kroner per 100 euro. Denmark has concluded an agreement with the European Central Bank (ECB) and the euro area member states on an ERM 2 fluctuation band of +/- 2.25%. This means that the exchange rate of the Danish krone can only fluctuate between 762.824 and 729.252 per 100 euro.

The following table shows the exchange rates for our key currencies, according to the central bank of Denmark. Depending on the phasing of revenue, EBIT and payments, the exchange rate impact on the consolidated income statement can vary from the below averages.

Exchange rate DKK per 100

Average	2015	2014	Change	Year-end	2015	2014	Change
EUR	746	746	0.0%	EUR	746	744	0.3%
USD	673	562	19.8%	USD	683	612	11.6%
AUD	503	507	-0.8%	AUD	498	500	-0.4%
GBP	1,028	925	11.1%	GBP	1,011	952	6.2%
CAD	526	509	3.3%	CAD	492	527	-6.6%
JPY	5.56	5.32	4.5%	JPY	5.67	5.12	10.7%

ACCOUNTING POLICIES

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

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

Property, plant and equipment, intangible assets, inventories and other non-monetary assets purchased in foreign currencies and measured on the basis of historical cost are translated at the exchange rates prevailing at the transaction date. Non-monetary items, which are revalued at their fair values, are translated using the exchange rates at the revaluation date. On recognition in the consolidated financial statements of enterprises presenting their financial statements in a functional currency other than Danish kroner, the income statement is translated using average exchange rates for the months of the year in question, unless they deviate materially from actual exchange rates at the transaction dates. In case of the latter, actual exchange rates are applied.

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

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

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

SECTION 3
ASSET BASE

3.1 INTANGIBLE ASSETS

(DKK million)	Goodwill	Patents and licences	Other intangible assets	Prepayments and assets under development	Total intangible assets
Cost at 1.1.2015	**3,831**	**99**	**103**	**107**	**4,140**
Foreign currency translation adjustments	179	0	6	0	185
Additions during the year	0	1	8	39	48
Additions relating to acquisitions	1,650	0	124	0	1,774
Transferred to/from other items	0	0	126	-126	0
Cost at 31.12.2015	**5,660**	**100**	**367**	**20**	**6,147**
Amortisation at 1.1.2015	**-**	**-71**	**-66**	**-**	**-137**
Foreign currency translation adjustments	-	0	-5	-	-5
Amortisation for the year	-	-7	-21	-	-28
Amortisation at 31.12.2015	**-**	**-78**	**-92**	**-**	**-170**
Carrying amount at 31.12.2015 BS	**5,660**	**22**	**275**	**20**	**5,977**
Cost at 1.1.2014	**3,545**	**96**	**86**	**47**	**3,774**
Foreign currency translation adjustments	196	0	7	0	203
Additions during the year	0	3	6	60	69
Additions relating to acquisitions	90	0	0	0	90
Transferred to/from other items	0	0	4	0	4
Cost at 31.12.2014	**3,831**	**99**	**103**	**107**	**4,140**
Amortisation at 1.1.2014	**-**	**-61**	**-51**	**-**	**-112**
Foreign currency translation adjustments	-	0	-3	-	-3
Amortisation for the year	-	-10	-12	-	-22
Amortisation at 31.12.2014	**-**	**-71**	**-66**	**-**	**-137**
Carrying amount at 31.12.2014 BS	**3,831**	**28**	**37**	**107**	**4,003**

In 2015, borrowing costs of DKK 3 million (DKK 1 million in 2014) were capitalised as part of intangible assets. The capitalisation rate used was 1.15% (1.15% in 2014).

ACCOUNTING POLICIES

On initial recognition, goodwill is recognised and measured as the difference between the acquisition cost – including the value of minority interests in the acquired enterprise and the fair value of any existing investment in the acquired enterprise – and the fair value of the acquired assets, liabilities and contingent liabilities, please refer to *Accounting policies* in note 6.1.

On recognition of goodwill, 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 corporate managerial structure as well as internal financial management and reporting.

ACCOUNTING POLICIES – *CONTINUED*

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 the 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 over their estimated economic lives, however maximum 20 years.

Other intangible assets, including intangible assets acquired in connection with a business combination, 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 of 3-5 years, except certain assets that are amortised over a period of up to ten years.

3.2 PROPERTY, PLANT AND EQUIPMENT

(DKK million)	Land and buildings	Plant and machinery	Other plant, fixtures and operating equipment	Leasehold improve-ments	Prepayments and assets under construction	Total property, plant and equipment
Cost at 1.1.2015	**950**	**809**	**1,048**	**414**	**1,605**	**4,826**
Foreign currency translation adjustments	25	1	25	6	0	57
Additions during the year	57	36	95	57	471	716
Additions relating to acquisitions	1	0	30	62	1	94
Disposals during the year	0	-29	-36	-5	-4	-74
Transferred to/from other items	98	42	17	7	-164	0
Cost at 31.12.2015	**1,131**	**859**	**1,179**	**541**	**1,909**	**5,619**
Depreciation and impairment losses at 1.1.2015	**-201**	**-636**	**-783**	**-243**	**-**	**-1,863**
Foreign currency translation adjustments	-4	0	-15	-3	-	-22
Depreciation for the year	-26	-66	-125	-54	-	-271
Disposals during the year	0	26	29	5	-	60
Transferred to/from other items	0	0	0	0	-	0
Depreciation and impairment losses at 31.12.2015	**-231**	**-676**	**-894**	**-295**	**-**	**-2,096**
Carrying amount at 31.12.2015 BS	**900**	**183**	**285**	**246**	**1,909**	**3,523**
Of which financially leased assets	**22**	**0**	**0**	**0**	**0**	**22**
Cost at 1.1.2014	**828**	**769**	**1,010**	**381**	**579**	**3,567**
Foreign currency translation adjustments	22	4	35	10	-1	70
Additions during the year	2	35	61	43	1,209	1,350
Additions relating to acquisitions	0	0	3	1	0	4
Disposals during the year	-16	-28	-95	-21	-1	-161
Transferred to/from other items	114	29	34	0	-181	-4
Cost at 31.12.2014	**950**	**809**	**1,048**	**414**	**1,605**	**4,826**
Depreciation and impairment losses at 1.1.2014	**-177**	**-598**	**-721**	**-210**	**-**	**-1,706**
Foreign currency translation adjustments	-3	-4	-27	-7	-	-41
Depreciation for the year	-25	-61	-118	-44	-	-248
Disposals during the year	4	26	84	18	-	132
Transferred to/from other items	0	1	-1	0	-	0
Depreciation and impairment losses at 31.12.2014	**-201**	**-636**	**-783**	**-243**	**-**	**-1,863**
Carrying amount at 31.12.2014 BS	**749**	**173**	**265**	**171**	**1,605**	**2,963**
Of which financially leased assets	**22**	**1**	**0**	**0**	**0**	**23**

3.2 PROPERTY, PLANT AND EQUIPMENT – *CONTINUED*

Financial leases mainly concern properties acquirable at favourable prices on expiry of the term of such leases.

In 2015, borrowing costs of DKK 60 million (DKK 37 million in 2014) were capitalised as part of tangible assets under construction. The capitalisation rate used was approximately 3.9% (3.8% in 2014), depending on the financing of the asset. Tangible assets under construction mainly relate to Borkum Riffgrund 1.

At year-end, the contractual obligation in respect of the acquisition of property, plant and equipment amounted to DKK 6 million (DKK 397 million in 2014).

ACCOUNTING POLICIES

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

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

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

The cost of a total asset is divided into various elements, which will be depreciated separately if their useful lives are not the same.

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.

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

Buildings	33-50 years
Technical installations	10 years
Plant and machinery	3-5 years
Other plant, fixtures and operating equipment	3-5 years
IT hardware and software	3 years
Leasehold improvements	over the lease period

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 OTHER NON-CURRENT ASSETS

(DKK million)	Investments in associates and joint ventures	Receivables from associates and joint ventures	Other investments	Other receivables
Cost at 1.1.2015	**3,941**	**264**	**338**	**671**
Foreign currency translation adjustments	25	26	0	30
Additions during the year	679	71	0	164
Additions relating to acquisitions	0	0	0	9
Disposals during the year	-36	-4	-318	-189
Cost at 31.12.2015	**4,609**	**357**	**20**	**685**
Value adjustments at 1.1.2015	**577**	**0**	**15**	**-102**
Foreign currency translation adjustments	244	0	0	-6
Share of profit after tax IS	550	0	0	-
Dividends received	-104	0	0	-
Disposals during the year	-1	0	-23	6
Other adjustments	-61	0	0	-16
Value adjustments at 31.12.2015	**1,205**	**0**	**-8**	**-118**
Carrying amount at 31.12.2015 BS	**5,814**	**357**	**12**	**567**
Cost at 1.1.2014	**4,031**	**177**	**124**	**608**
Foreign currency translation adjustments	25	17	1	50
Additions during the year	29	112	213	179
Additions relating to acquisitions	0	0	0	0
Disposals during the year	-144	-42	0	-166
Cost at 31.12.2014	**3,941**	**264**	**338**	**671**
Value adjustments at 1.1.2014	**429**	**0**	**-6**	**-42**
Foreign currency translation adjustments	234	0	0	-2
Share of profit after tax IS	75	0	0	-
Dividends received	-107	0	0	-
Disposals during the year	70	0	0	0
Other adjustments	-124	0	21	-58
Value adjustments at 31.12.2014	**577**	**0**	**15**	**-102**
Carrying amount at 31.12.2014 BS	**4,518**	**264**	**353**	**569**

Please refer to *Subsidiaries, associates and joint ventures* on page 79 for a list of associates and joint ventures. Ownership interest equals share of voting rights. For further details on associates and joint ventures, please refer to note 6.2.

3.4 NON-CURRENT ASSETS BY GEOGRAPHIC REGION

(DKK million)

	2015	2014
Non-current assets by geographic region:		
Denmark	3,735	3,296
Other Europe	8,338	5,389
North America	3,930	3,737
Oceania	476	353
Asia	120	109
Other countries	27	30
Total BS	**16,626**	**12,914**

Non-current assets are broken down by the geographical domicile of such assets. For accounting policies on segment information, please refer to note 1.1.

3.5 IMPAIRMENT TESTING

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 research and development, purchasing, production, marketing and sale, as the use of resources in the individual markets is coordinated and monitored by Management in Denmark. Group enterprises are thus highly integrated. Consequently, Management considers the overall business as one cash-generating unit. Certain business activities, which largely act with autonomy in relation to the Group and whose profitability can be measured independently of the other activities, constitute separate cash-generating units. In relation to the existing integration in the Group and the recognised goodwill, neither at 31 December 2015 nor at 31 December 2014, had any separate cash-generating units been identified to which goodwill can be allocated. The annual impairment test was thus based on the Group as a whole. Based on the impairment test, a material excess value was identified compared to the carrying amounts for which reason no impairment of goodwill was made at 31 December 2015 and 31 December 2014. Future cash flows are based on the budget for 2016, on strategy plans and on projections hereof. Projections extending beyond 2016 are based on general parameters, such as expected market growth, selling prices and profitability assumptions. The terminal value for the period after 2016 is determined on the assumption of 2% growth (2% in 2014). The discount rate is 8% (8% in 2014). Sensitivity calculations show that even a significant increase in the discount rate or a significant reduction of the growth assumptions will not change the outcome of the impairment test. Apart from goodwill, all intangible assets have limited useful lives.

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 of 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 attaching to the particular asset or cash-generating unit for which no adjustment has been made in the estimated future cash flows. If the recoverable amount of a particular asset or cash-generating unit is lower than its carrying amount, such asset or unit is written down to its recoverable amount.

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

SECTION 4
CAPITAL STRUCTURE AND FINANCIAL MANAGEMENT

4.1 FINANCIAL RISK MANAGEMENT AND CAPITAL STRUCTURE

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

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

Credit risks
The Group's credit risks relate primarily to trade receivables and loans to customers or business partners. Our customer base is fragmented, so credit risks in general only involve minor losses on individual customers. Together, our nine largest customers account for less than 10% of total consolidated revenue. We therefore estimate that we have no major credit exposure. When granting loans to customers or business partners, we require that they provide security in their business.

The maximum credit risk relating to receivables matches the carrying amounts of such receivables. The Group has no major deposits with financial institutions for which reason the credit risk of such deposits is considered to be low. The William Demant Invest Group's securities consist of corporate bonds, which are diversified both in sectors and currencies. Through this diversification, and by ensuring that the counterparts have an acceptable rating, the Group ensures that the risk of default on the bonds is minimised. The credit risks of the Group are considered to be low, and the Group has not had any losses on securities in 2015 or 2014.

Liquidity risks
The Group aims to have sufficient cash resources to be able to continuously take appropriate steps in case of unforeseen fluctuations in cash outflows. We have access to considerable undrawn credit facilities, and the liquidity risk is therefore considered to be low. We are of the opinion that the Group has strong cash flows and a satisfactory credit rating to secure the current inflow of working capital and funds for potential acquisitions. Neither in previous years nor in the financial year 2015 has the Group defaulted on any loan agreements.

Exchange rate risks
Please refer to the Group's *Exchange rate risk policy* in note 2.1.

4.2 NET FINANCIAL ITEMS

(DKK million)	2015	2014
Interest on cash and bank deposits	3	2
Interest on securities	16	55
Interest on receivables, customer loans etc.	97	57
Other financial income	7	3
Financial income from financial assets not measured at fair value in the income statement	**123**	**117**
Gains on, and fair value adjustments of, other investments	6	20
Financial income IS	**129**	**137**
Interest on bank debt, mortgages etc.	-110	-110
Value adjustment transferred from equity relating to derivatives made for hedging loans and on securities transferred from equity	-19	-21
Financial expenses on financial liabilities not measured at fair value in the income statement	**-129**	**-131**
Foreign exchange losses, net	-1	-9
Unwinding of discounts	-1	-1
Credit card and bank fees etc.	-70	-59
Financial expenses IS	**-201**	**-200**

ACCOUNTING POLICIES

Net financial items mainly consist of interest income and expenses and also include interest on finance leases, unwinding of discounts on financial assets and liabilities as well as certain realised and unrealised foreign exchange gains and losses. Interest income and expenses are accrued based on the principal amount and the effective rate of interest.

The effective rate of interest 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)	2015	2014
Unrealised gains on financial contracts BS	12	7
Financial assets used as hedging instruments	**12**	**7**
Receivables from associates and joint ventures BS	410	276
Other receivables BS	851	762
Trade receivables BS	2,203	1,994
Cash BS	735	443
Receivables and cash	**4,199**	**3,475**
Securities BS	91	360
Other investments	12	12
Financial assets available for sale	**103**	**372**
Other investments	0	341
Financial assets over P&L	**0**	**341**
Unrealised losses on financial contracts	-73	-76
Financial liabilities used as hedging instruments	**-73**	**-76**
Unrealised losses on financial contracts	-1	-4
Financial liabilities at fair value through the income statement	**-1**	**-4**
Finance lease debt	-9	-9
Debt to credit institutions etc.	-2,743	-1,005
Debt to parent (convertible promissory notes)	-2,000	-2,000
Interest-bearing bank debt	-2,703	-2,861
Trade payables BS	-486	-342
Other liabilities	-1,060	-853
Financial liabilities measured at amortised cost	**-9,001**	**-7,070**

Please refer to note 4.4 for a maturity specification of the above financial assets. As regards financial assets and liabilities, their carrying amounts approximate their fair values. Other liabilities in the balance sheet include non-financial liabilities of DKK -250 million (DKK -240 million in 2014) that represent the difference between the table above and the balance sheet.

ACCOUNTING POLICIES

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

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

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

ACCOUNTING POLICIES – *CONTINUED*

On initial recognition, other financial liabilities are measured at their fair values 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.

Lease commitments concerning assets held under a finance lease are recognised in the balance sheet as a liability and are measured on signing of the particular lease at the fair value of the leased asset or the present value of future lease payments, whichever is lower. After initial recognition, lease commitments are measured at amortised cost. The difference between the present value and the nominal value of lease payments is recognised in the income statement as a financial expense over the lease period.

Lease payments concerning operating leases are recognised on a straight-line basis in the income statement over the lease period.

4.4 NET INTEREST-BEARING DEBT, LIQUIDITY AND INTEREST RATE RISKS

(DKK million)	Contractual cash flows				Carrying amount	Weighted average effective interest rate
	Less than 1 year	1-5 years	More than 5 years	Total		
2015						
Interest-bearing receivables	102	275	558	935	760	
Securities BS	11	131	0	142	91	
Cash BS	735	0	0	735	735	
Interest-bearing assets	**848**	**406**	**558**	**1,812**	**1,586**	**2.1%**
Finance lease debt	-1	-8	0	-9	-9	
Debt to credit institutions etc.	-688	-1,956	-166	-2,810	-2,743	
Debt to parent	-2,053	0	0	-2,053	-2,000	
Interest-bearing bank debt	-2,703	0	0	-2,703	-2,703	
Interest-bearing liabilities BS	**-5,445**	**-1,964**	**-166**	**-7,575**	**-7,455**	**1.6%**
Net interest-bearing debt	**-4,597**	**-1,558**	**392**	**-5,763**	**-5,869**	**1.5%**
2014						
Interest-bearing receivables	99	272	449	820	673	
Securities BS	273	132	0	405	360	
Cash BS	443	0	0	443	443	
Interest-bearing assets	**815**	**404**	**449**	**1,668**	**1,476**	**3.0%**
Finance lease debt	-1	-8	0	-9	-9	
Debt to credit institutions etc.	-1,004	-1	0	-1,005	-1,005	
Debt to parent	-70	-2,053	0	-2,123	-2,000	
Interest-bearing bank debt	-2,861	0	0	-2,861	-2,861	
Interest-bearing liabilities BS	**-3,936**	**-2,062**	**0**	**-5,998**	**-5,875**	**1.9%**
Net interest-bearing debt	**-3,121**	**-1,658**	**449**	**-4,330**	**-4,399**	**1.6%**

Contractual cash flows for finance lease debt equal the minimum lease payments.

Trade payables and other liabilities have a contractual maturity of less than one year, with the exception of other liabilities of DKK 119 mio. (DKK 120 mio. in 2014), which have a contractual maturity of 1-5 years. The contractual cash flows approximate their carrying amounts.

Interest-bearing debt broken down by currency: 57% in Danish kroner (68% in 2014), 24% in US dollars (30% in 2014), 17% in euros (0% in 2014) and 2% in other currencies (2% in 2014).

4.4 NET INTEREST-BEARING DEBT, LIQUIDITY AND INTEREST RATE RISKS – *CONTINUED*

The Group has fixed the interest rates on part of its non-current debt through interest swaps.

Interest swaps

(DKK million)

	2015					2014				
	Expiry	Fixed interest rate	Contractual amount at year-end	Positive fair value at year-end	Negative fair value at year-end	Expiry	Fixed interest rate	Contractual amount at year-end	Positive fair value at year-end	Negative fair value at year-end
USD/USD	2016	2.3%	171	0	1	2016	2.3%	153	0	4
DKK/DKK	2015	-	0	0	0	2015	3.5%	40	0	1
			171	**0**	**1**			**193**	**0**	**5**

The fair value of interest swaps outstanding at the balance sheet date is DKK -1 million (DKK -5 million in 2014). The contractual value of interest swaps outstanding is DKK 171 million (DKK 193 million in 2014), such swaps running up to and including 2016. The remaining interest swap is not designated as hedging. This swap has a fair value of DKK -1 million (DKK -4 million in 2014). There has been no ineffectiveness on interest swaps in 2015 or 2014.

Sensitivity analysis in respect of interest rates

Based on the Group's net debt at the end of the 2015 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 24 million (DKK 26 million in 2014). About 48% of the interest-bearing debt is subject to fixed interest rates, partly due to interest swaps being used to fix floating interest rates, and partly due to loans being raised at fixed interest rates.

4.5 FAIR VALUE HIERARCHY

Methods and assumptions for calculation of fair values

Other investments

Other investments are assessed on the basis of their equity 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 of 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 of various counterparties.

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

The following financial instruments measured at fair value are broken down according to the fair value hierarchy:

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

4.5 FAIR VALUE HIERARCHY – *CONTINUED*

(DKK million)	2015				2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets used as hedging instruments	0	12	0	**12**	0	7	0	**7**
Securities (available for sale)	91	0	0	**91**	360	0	0	**360**
Other investments (available for sale)	0	0	12	**12**	0	0	12	**12**
Other investments (at fair value through the income statement)	0	0	0	**0**	0	0	341	**341**
Financial liabilities used as hedging instruments	0	-73	0	**-73**	0	-76	0	**-76**
Financial liabilities at fair value through the income statement	0	-1	0	**-1**	0	-4	0	**-4**
Contingent considerations	0	0	-109	**-109**	0	0	-136	**-136**

There are no transfers between levels 1 and 2 in the 2015 and 2014 financial years.

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

Level 3 assets and liabilities (DKK million)	Financial assets available for sale		Contingent considerations payable	
	2015	**2014**	**2015**	**2014**
Carrying amount at 1.1.	353	118	-136	-262
Foreign currency translation adjustment	0	1	-13	-21
Acquisitions	0	213	-38	-12
Sale and settlements	-341	0	66	83
Other adjustments	0	21	12	76
Transferred to/from level 3	0	0	0	0
Carrying amount at 31.12.	**12**	**353**	**-109**	**-136**

Of adjustments to contingent considerations, DKK 6 million (DKK 30 million in 2014) have been recognised as income in distribution costs relating to contingent considerations still held at year-end.

ACCOUNTING POLICIES

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

Certain non-current other investments are on initial recognition designated as fair value through the income statement using the fair value option. On initial recognition, they are measured at their fair values and subsequently fair value adjusted in net financial items in the income statement. The determination of fair values is based on equity value or other valuation methods and assumptions not considering observable market data.

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

SECTION 5
TAX

5.1 TAX ON PROFIT

(DKK million)

	2015	2014
Tax on profit for the year:		
Current tax on profit for the year	-434	-332
Adjustment of current tax, prior years	-6	5
Change in deferred tax	85	-36
Adjustment of deferred tax, prior years	6	-1
Impact of changes in corporate tax rates	-14	1
Total IS	**-363**	**-363**
Reconciliation of tax rates:		
Danish corporate tax rate	23.5%	24.5%
Differences between tax rates of non-Danish enterprises and Danish corporate tax rate	-4.8%	0.1%
Impact of changes in corporate tax rates	0.7%	-0.1%
Use of tax assets not previously recognised	-0.4%	-0.5%
Permanent differences	-4.0%	-1.4%
Other items, including prior-year adjustments	2.1%	-1.3%
Effective tax rate	**17.1%**	**21.3%**

ACCOUNTING POLICIES

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

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

5.2 DEFERRED TAX

(DKK million)

	2015	2014
Deferred tax is recognised in the balance sheet as follows:		
Deferred tax assets BS	376	244
Deferred tax liabilities BS	-125	-134
Deferred tax, net at 31.12.	**251**	**110**
Deferred tax, net at 1.1.	104	120
Foreign currency translation adjustments	3	10
Changes in deferred tax assets	85	-30
Additions relating to acquisitions	60	0
Adjustment of deferred tax, prior years	6	-1
Impact of changes in corporate tax rates	-14	1
Deferred tax relating to changes in equity, net	7	10
Deferred tax, net at 31.12.	**251**	**110**

The tax value of deferred tax assets not recognised is DKK 72 million (DKK 78 million in 2014) and relates mainly to tax losses for which there is considerable uncertainty about their future utilisation. The tax losses carried forward will not expire in the near future. Any sale of shares in subsidiaries, associates and joint ventures at the balance sheet date is estimated to result in tax in the amount of DKK 0 million (DKK 0 million in 2014).

Breakdown of the Group's temporary differences and changes:	Temporary differences at 1.1.2015	Foreign currency translation adjustments	Acquisitions	Recognised in profit for the year	Recognised in other comprehen-sive income	Temporary differences at 31.12.2015
Intangible assets	-84	-11	-22	98	0	-19
Property, plant and equipment	-49	-2	0	-8	0	-59
Inventories	132	-2	4	38	0	172
Receivables	11	1	0	10	0	22
Provisions	0	5	66	-25	-6	40
Tax losses	53	5	0	-10	0	48
Other	47	7	12	-26	7	47
Total	**110**	**3**	**60**	**77**	**1**	**251**

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 the particular countries. The effect on deferred tax of any changes in tax rates is included in tax on the year's profit, unless such deferred tax is attributable to items previously recognised directly in equity or in other comprehensive income. In the latter case, such changes will also be recognised directly in equity or in other comprehensive income. The tax base of a loss, if any, which may be set off against future taxable income, is carried forward and set off against deferred tax in the same legal tax entity and jurisdiction. 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 intra-Group profits and losses.

SECTION 6
ACQUISITIONS, ASSOCIATES AND JOINT VENTURES

6.1 ACQUISITION OF ENTERPRISES AND ACTIVITIES

(DKK million)	North America	Oceania	Europe/ Asia	Total
	Fair value on acquisition			
2015				
Intangible assets	6	2	116	124
Property, plant and equipment	5	0	89	94
Other non-current assets	0	0	69	69
Inventories	2	0	44	46
Current receivables	3	1	231	235
Cash and bank debt	3	0	83	86
Non-current liabilities	-2	0	-222	-224
Current liabilities	-4	0	-426	-430
Acquired net assets	**13**	**3**	**-16**	**0**
Goodwill	120	8	1,522	1,650
Acquisition cost	**133**	**11**	**1,506**	**1,650**
Minority interests' share of acqusition cost	0	0	-578	-578
Fair value of non-controlling interests on obtaining control	0	0	-39	-39
Contingent considerations and deferred payments	-30	0	-8	-38
Acquired cash and bank debt	-3	0	-83	-86
Cash acquisition cost	**100**	**11**	**798**	**909**
2014				
Intangible assets	0	0	0	0
Property, plant and equipment	1	0	3	4
Other non-current assets	0	0	5	5
Inventories	0	0	2	2
Current receivables	1	0	11	12
Cash and bank debt	0	0	10	10
Non-current liabilities	-1	0	-18	-19
Current liabilities	-5	-1	-14	-20
Acquired net assets	**-4**	**-1**	**-1**	**-6**
Goodwill	32	7	51	90
Acquisition cost	**28**	**6**	**50**	**84**
Fair value of non-controlling interests on obtaining control	0	0	0	0
Contingent considerations and deferred payments	-6	-1	-5	-12
Acquired cash and bank debt	0	0	-10	-10
Cash acquisition cost	**22**	**5**	**35**	**62**

6.1 ACQUISITION OF ENTERPRISES AND ACTIVITIES – *CONTINUED*

Our most significant acquisition in 2015 was the purchase of Audika Groupe, one of the leading networks of hearing healthcare providers in France. The acquisition was made in steps: acquisition of the controlling block of 53.9% of the shares on 29 September 2015 against an acquisition cost of DKK 676 million, and acquisition of the remaining 46.1% of the shares through a tendering and squeeze-out process finalised on 28 December 2015 against an acquisition cost of DKK 578 million. Identifiable net assets accounted for DKK -31 million and goodwill for DKK 1,285 million. Goodwill is attributable to estimated synergies between activities in Audika Groupe and existing activities in the William Demant Group, to the future growth opportunities and to the value of staff competencies in Audika Groupe. In the above geographical segmentation of total acquisitions, the acquisition of Audika Groupe is included under Europe/Asia.

The Group's other acquisitions in 2015 consist of a number of minor hearing healthcare distribution enterprises. In respect of these acquisitions, we paid acquisition cost exceeding the fair values of the acquired assets, liabilities and contingent liabilities. Such positive balances in value can be attributed to expected synergies between the activities of the acquired entities and our existing activities, to the future growth opportunities and to the value of staff competencies in the acquired entities. These synergies are not recognised separately from goodwill, as they are not separately identifiable.

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

In 2015, a few adjustments were made to the preliminary recognition of acquisitions made in 2014. These adjustments were made in respect to payments made, contingent considerations provided and net assets and goodwill acquired below DKK 0 million. In relation to acquisitions with final recognition in 2011 to 2014, adjustments were made in 2015 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 -1 million (DKK 0 million in 2014), and adjustments of estimated contingent considerations amounted to DKK 13 million (DKK 95 million in 2014), which is recognised under distribution costs.

Of the total acquisition cost in 2015, including adjustments to preliminarily recognised acquisitions of DKK 0 million (DKK -1 million in 2014), the fair values of estimated contingent considerations in the form of discounted earn-outs or deferred payments accounted for DKK 38 million (DKK 12 million in 2014). The maximum contingent consideration in respect of acquisitions made in 2015 is DKK 38 million.

The acquired assets include contractual receivables amounting to DKK 104 million (DKK 10 million in 2014) of which DKK 9 million (DKK 0 million in 2014) was thought to be uncollectible at the date of acquisition. Of the total goodwill in the amount of DKK 1,650 million (DKK 90 million in 2014), DKK 128 million (DKK 15 million in 2014) can be amortised for tax purposes. A contingent liability related to purchase agreement obligations in 2016 to 2018 in the amount of DKK 68 million has been recognised in respect of acquisitions in 2015. The contingent liability is based on expected purchasing patterns. No contingent liabilities were recognised in respect of acquisitions in 2014.

Transaction costs in connection with acquisitions made in 2015 amounted to DKK 6 million (DKK 1 million in 2014), which has been recognised under distribution costs.

The revenue and profit of the acquired enterprises since our acquisition in 2015 amount to DKK 306 million (DKK 12 million in 2014) and DKK 11 million (DKK 1 million in 2014), respectively. Had such revenue and profit been consolidated on 1 January 2015, we estimate that consolidated pro forma revenue and profit would have been DKK 11,266 million (DKK 9,366 million in 2014) and DKK 1,484 million (DKK 1,328 million in 2014), respectively. In our opinion, these pro forma figures reflect the level of consolidated earnings after our acquisition of the enterprises and consequently, the amounts can form the basis for comparison in subsequent financial years.

The above statement of the fair values of acquired enterprises is not considered final until 12 months after acquisition.

From the balance sheet date and until the date of financial reporting in 2016, we have acquired additional distribution enterprises. We are in the process of calculating their fair values. The acquisition cost is expected to relate primarily to goodwill.

6.1 ACQUISITION OF ENTERPRISES AND ACTIVITIES – *CONTINUED*

ACCOUNTING POLICIES

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

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

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

6.2 ASSOCIATES AND JOINT VENTURES

In 2015, the Group received royalties from and paid licence fees to associates and joint ventures amounting to DKK 1 million (DKK 0 million in 2014) and also received dividends from associates and joint ventures in the amount of DKK 104 million (DKK 107 million in 2014). Furthermore, in 2015 the Group received board remuneration fee and recharged costs of DKK 12 million (DKK 6 million in 2014) to associates. In 2015, the Group received interest income from associates and joint ventures in the amount of DKK 68 million (DKK 28 million in 2014).

In the reporting period, transactions with related parties were made on an arm's length basis.

	Associates		Joint ventures	
(DKK million)	**2015**	**2014**	**2015**	**2014**
Financial information (Group share):				
Revenue	2,394	2,030	333	286
Net profit for the year	504	17	48	58
Comprehensive income	694	133	48	58

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.

SECTION 7
PROVISIONS, OTHER LIABILITIES ETC.

7.1 PROVISIONS

(DKK million)	2015	2014
Other non-current employee benefits	48	42
Miscellaneous provisions	78	12
Other provisions	126	54
Defined benefit plan, net liabilities	163	104
Provisions at 31.12.	**289**	**158**
Breakdown of provisions:		
Non-current provisions BS	273	154
Current provisions BS	16	4
Provisions at 31.12.	**289**	**158**
Other provisions:		
Other provisions at 1.1.	54	78
Foreign currency translation adjustments	0	2
Reclassifications	0	-27
Additions relating to acquisitions	73	3
Provisions during the year	9	7
Applied during the year	0	0
Reversals during the year	-10	-9
Other provisions at 31.12.	**126**	**54**
Defined benefit plan costs recognised in the income statement:		
Current service costs	17	19
Calculated interest on defined benefit plan, net liabilities	1	1
Costs recognised in the income statement (note 1.2)	**18**	**20**
Defined benefit plan costs by function:		
Research and development costs	7	6
Distribution costs	4	7
Administrative expenses	7	7
Total	**18**	**20**
Accumulated actuarial loss recognised in the statement of comprehensive income	**-56**	**-44**

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

7.1 PROVISIONS – *CONTINUED*

(DKK million)	2015	2014
Present value of defined benefit obligations:		
Defined benefit obligations at 1.1.	309	255
Foreign currency translation adjustments	27	3
Reclassifications	-53	10
Additions relating to acquisitions	36	0
Current service costs	17	19
Calculated interest on defined benefit obligations	4	4
Actuarial losses/(gains), demographic assumptions	0	0
Actuarial losses/(gains), financial assumptions	3	12
Actuarial losses/(gains), experience assumptions	7	5
Benefits paid	-8	-6
Contributions from plan participants	7	7
Defined benefit obligations at 31.12.	**349**	**309**
Fair value of defined benefit assets:		
Defined benefit assets at 1.1.	205	185
Foreign currency translation adjustments	22	3
Reclassifications	-53	0
Additions relating to acquisitions	0	0
Expected return on defined benefit assets	3	3
Actuarial gains/(losses)	2	3
Contributions	15	17
Benefits paid	-8	-6
Defined benefit assets at 31.12.	**186**	**205**
Defined benefit obligations recognised in the balance sheet, net	**163**	**104**
Return on defined benefit assets:		
Actual return on defined benefit assets	5	6
Expected return on defined benefit assets	3	3
Actuarial gains/(losses) on defined benefit assets	**2**	**3**
Assumptions:		
Discount rate	1.0%	1.5%
Expected return on defined benefit assets	1.0%	1.5%
Future salary increase rate	1.5%	1.5%

Generally, the Group does not offer defined benefit plans, but it has such plans in Switzerland, France, Germany and the Netherlands, where they are required by law. Moreover, the President & CEO of the Company has a seniority bonus.

Defined benefit assets at 31 December 2015 include: bonds (35%), shares (28%), other securities (21%), cash and cash equivalents (4%) and other assets (12%). Defined benefit assets at 31 December 2014 included: bonds (41%), shares (26%), other securities (16%), cash and cash equivalents (4%) and other assets (13%). All defined benefit assets, except other assets, are quoted on active markets.

The Group expects to pay approximately DKK 10 million in 2016 (DKK 11 million in 2015) into defined benefit plans.

Defined benefit obligations in the amount of DKK 66 million will mature within 1-5 years (DKK 42 million in 2014) and obligations in the amount of DKK 283 million after five years (DKK 267 million in 2014).

If the discount rate were 0.5% higher (lower), the defined benefit obligation would decrease by 7% (increase by 7%). If the expected salary growth rate were 0.5% higher (lower), the defined benefit obligation would increase by 1% (decrease by 2%).

7.1 PROVISIONS – *CONTINUED*

ACCOUNTING POLICIES

Provisions are recognised where, as a result of an earlier event, the Group has a legal or constructive obligation and where the settlement of such an obligation is expected to draw on corporate financial resources, but where 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. In relation to defined benefit plans, an actuarial calculation is made periodically of the accrued present value of future benefits to which employees through their past employment with the Group are entitled and which are payable under the defined benefit plan. This defined benefit obligation is calculated annually using the projected unit credit method on the basis of assumptions in respect of the future development in for instance wage levels, interest rates and inflation rates. The defined benefit obligation less the fair value of any assets relating to the defined benefit plan is recognised in the income statement under provisions.

Defined benefit costs are categorised as follows:

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

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

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

7.2 OTHER LIABILITIES

(DKK million)	2015	2014
Product-related liabilities	250	240
Staff-related liabilities	387	306
Other debt, public authorities	219	141
Contingent considerations	109	136
Accrued interest to parent	18	18
Other costs payable	327	252
Other liabilities	**1,310**	**1,093**
Due within 1 year BS	1,191	973
Due within 1-5 years BS	119	120

Product-related liabilities include service packages, warranties, returned products etc. Liabilities in respect of service packages and warranties have been calculated based on information on products sold, related service and warranty periods and past experience of costs incurred by our Group to perform our service and warranty commitments. Liabilities in respect of returns have been calculated based on information on products sold, related rights concerning returns and past experience of products 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.

Staff-related liabilities include holiday pay and payroll costs due.

The carrying amount of other liabilities approximate the fair value of the liabilities.

ACCOUNTING POLICIES

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

On the sale of products with a right of return, a liability is recognised in respect of the profit on products expected to be returned and of any costs incurred with the return of such products. Warranty commitments include the obligation to remedy faulty or defective products during the warranty period.

7.3 OPERATING LEASE COMMITMENTS

(DKK million)	2015	2014
Rent	629	519
Other operating leases	56	46
Total	**685**	**565**
Operating leases, less than 1 year	201	173
Operating leases, 1-5 years	357	263
Operating leases, over 5 years	127	129
Total	**685**	**565**

Operating leases are recognised in the income statement at an amount of DKK 367 million (DKK 309 million in 2014). The Group's operating leases mainly relate to rent and vehicles.

7.4 CONTINGENT LIABILITIES

William Demant Invest A/S disposed of its shares in Unisense Fertilitech A/S in November 2014. William Demant Invest A/S was compensated in Vitrolife AB shares. An additional compensation corresponding to a value of 304,653 shares will be paid to William Demant Invest A/S if certain defined sales objectives 2016 to 2017 are met. William Demant Invest A/S is considering this earn-out as an unrecorded contingent asset. Contingent consideration dependent on sales objective for 2015 was not met.

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

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

William Demant Invest A/S has in February 2012, via Boston Holding A/S, entered into an agreement to invest DKK 1.8 billion for a share of approximately 19% of the German offshore wind farm Borkum Riffgrund 1. The last payment was due in December 2015, and the construction and installation of the wind farm was finalised by DONG in October 2015. Boston Holding A/S will take operational participation from June 2016.

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

SECTION 8
OTHER DISCLOSURE REQUIREMENTS

8.1 RELATED PARTIES

William Demants og Hustru Ida Emilies Fond (the Oticon Foundation), Kongebakken 9, 2765 Smørum, Denmark, is the only related party with a controlling interest.

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

Subsidiaries, associates and joint ventures as well as the William Demant Invest Group's ownership interests in these companies appear from the *Subsidiaries, associates and joint ventures* list on page 79 and financial information on associates and joint ventures can be found in note 6.2.

In 2015, the Oticon Foundation paid administration fees to the Group of DKK 2 million (DKK 2 million in 2014). Further, the Oticon Foundation has granted loans (convertible promissory notes) to William Demant Invest A/S totalling DKK 2,000 million at year end 2015, on which interest in 2015 totals DKK 70 million (DKK 71 million in 2014).

There have been no transactions with the Executive Board and the Board of Directors apart from normal remuneration. Please refer to note 1.2. The Executive Board has 30 months' notice in the event of dismissal.

8.2 FEES TO PARENT'S AUDITORS APPOINTED AT THE ANNUAL GENERAL MEETING

(DKK million)	2015	2014
Statutory audit	9	8
Other assurance engagements	0	0
Tax and VAT advisory services	4	3
Other services	1	1
Total	**14**	**12**

A few Group enterprises are not audited by the appointed auditors or their foreign affiliates.

8.3 GOVERNMENT GRANTS

In 2015, the William Demant Group received foreign government grants in the amount of DKK 14 million (DKK 15 million in 2014). Grants are offset against research and development costs.

ACCOUNTING POLICIES

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

8.4 EVENTS AFTER THE BALANCE SHEET DATE

There have been no events that materially affect the assessment of this Annual Report 2015 after the balance sheet date and up to today.

8.5 APPROVAL AND PUBLICATION

At the Board meeting on 11 April 2016, our Board of Directors approved this Annual Report for publication. The Annual Report will be presented to the shareholders of William Demant Invest A/S for adoption at the annual general meeting on 11 April 2016.

8.6 SHAREHOLDERS

The names of the shareholders listed below are recorded in the register of shareholders as owners of minimum 5% of the votes or minimum 5% of the share capital:

William Demants og Hustru Ida Emilies Fond (the Oticon Foundation), Kongebakken 9, 2765 Smørum, Denmark.
Ownership interest is 100%.

SECTION 9
BASIS FOR PREPARATION

9.1 GROUP ACCOUNTING POLICIES

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

- 1.1 Revenue and segment information
- 1.5 Inventories
- 1.6 Receivables
- 2.3 Derivatives
- 2.4 Foreign currency translation
- 3.1 Intangible assets
- 3.2 Property, plant and equipment
- 3.5 Impairment testing
- 4.2 Net financial items
- 4.3 Other financial liabilities
- 4.5 Other investments and contingent considerations
- 5.1 Tax on profit
- 5.2 Deferred tax
- 6.1 Business combinations
- 6.2 Associates and joint ventures
- 7.1 Provisions
- 7.2 Other non-financial liabilities
- 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 William Demant Holding A/S is in Denmark.

The consolidated financial statements are presented in Danish kroner (DKK), which is the presentation currency for Group activities and the functional currency for the Parent. The consolidated financial statements are presented on the basis of historical cost, except for obligations for contingent consideration in connection with business combinations, derivatives and financial assets classified as available for sale, which are measured at their fair values.

The financial statements for the Parent are presented separately from the consolidated financial statements and are shown on the last pages of this Annual Report. The Parent's accounting policies are also shown on the last pages of this report in connection with the financial statements for the Parent.

The accounting policies remain unchanged for the consolidated financial statements compared to 2014, with the exception of the implementation of new and amended standards as described below. Also, insignificant reclassifications in the comparative figures for 2014 have been made.

The Group's investment in Borkum Riffgrund 1 via a 37% holding of shares in Boston Holding A/S has previously been consolidated one-line in the income, balance sheet and cash flow statements. Management considers the prerequisites for consolidating this investment as a joint arrangement met and therefore consolidates the Group's relative share accordingly. Consolidation of 2015 and comparative numbers have been disclosed accordingly.

Adjustments to previous years can be summarised as follows (DKK million):	2014	2013	2012
Share of profit after tax, associates and joint ventures	0	0	2
Operating profit (EBIT)	0	0	2
Financial items	0	0	-2
Profit for the year	**0**	**0**	**0**
Investments in associates and joint ventures	2	2	1
Receivables from associates and joint ventures	-1,407	-422	-202
Prepayments and assets under construction	1,406	420	200
Other balance sheet	-1	0	1
Equity	**0**	**0**	**0**
Acquisition of enterprises, participating interests and activities	963	211	199
Investments in property, plant and equipment	-963	-211	-199
Cash flow from investing activities (CFFI)	**0**	**0**	**0**

9.1 GROUP ACCOUNTING POLICIES – *CONTINUED*

Effect of new accounting standards
The Group has adopted all new, amended or revised accounting standards and interpretations as published by the IASB and adopted by the EU effective for the accounting period beginning on 1 January 2015. None of these new, updated and amended standards or interpretations resulted in any changes to the accounting policies for the Group or had any significant impact on the consolidated financial statements for 2015.

Effect of new accounting standards not yet in force
Revised or new standards and interpretations issued, but not yet effective or approved by the EU at the time of publication of this Annual Report, have not been incorporated into this Annual Report.

Issued in May 2014, IFRS 15 Revenue from Contracts with Customers establishes a single comprehensive model for entities to be used in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue and related interpretations when it becomes effective. Management has not yet evaluated the expected future impact on the amounts reported and disclosed by the Group from the application of IFRS 15. IFRS 15 is expected to take effect on 1 January 2017.

IFRS 9 Financial Instruments was issued in 2009 and has been revised several times since then. Management anticipates that the future application of IFRS 9 may impact the reporting and disclosure of the Group's financial instruments and hedging instruments. Management has not yet evaluated the expected future impact on the amounts reported and disclosed by the Group from the application of IFRS 9. IFRS 9 is expected to take effect on 1 January 2018.

Issued in January 2016, IFRS 16 Leases requires lessees to recognise nearly all leases on the balance sheet. Management has not yet evaluated the expected future impact on the amounts reported and disclosed by the Group from the application of IFRS 16. IFRS 16 is expected to take effect on 1 January 2019.

Accounting estimates and assumptions
Management makes a number of accounting estimates and judgements in the preparation of the consolidated financial statements. 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. In connection with the practical application of the accounting policies, Management has made usual accounting estimates and assessments concerning development costs and business combinations as well as valuations of non-current assets, inventories, receivables and liabilities.

In our opinion, 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. Further, as our products are subject to various authority approvals, it is difficult to determine the final completion of new products.

Allowance for impairment is calculated for both trade receivables and other receivables. For trade receivables, the allowance is calculated for anticipated credit losses based on an assessment of the ability to pay. This assessment is made by local management and is made for uniform groups of debtors based on a maturity analysis. When indicated by special circumstances, impairments are made for individual debtors. Other receivables, including customer loans, are evaluated on an individual basis. Allowance is made for those receivables in respect of which it is estimated that there will not be full recoverability.

Definition of materiality
IFRS contain extensive disclosure requirements. The Group discloses the information required according to IFRS, unless such information is deemed immaterial or irrelevant.

Consolidated financial statements
The consolidated financial statements comprise William Demant Invest A/S (the Parent) and the enterprises in which the Parent can or actually exercises control by either directly or indirectly holding more than 50% of the voting rights, or in which the Parent in some other manner exercises control. The consolidated financial statement therefore comprises William Demant Invest A/S, William Demant Holding A/S and its subsidiaries.

9.1 GROUP ACCOUNTING POLICIES – *CONTINUED*

Enterprises in which the Group holds 20-50% of the voting rights and/or in some other manner can or actually does exercise significant influence are considered to be associates or joint ventures and are incorporated proportionately into the consolidated financial statements using the equity method. The Group's share in joint operations is recognised in the consolidated balance sheet through recognition of the Group's own relative share of assets, liabilities, income and expenses.

Consolidation principles
The consolidated financial statements are prepared on the basis of the financial statements for the Parent and its subsidiaries by aggregating uniform items. Enterprises which, by agreement, are managed jointly with one or more other enterprises are recognised using the equity method. The financial statements included in 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, minority interests are measured either at their fair value or at their proportionate share of the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary. The particular method is chosen for each individual transaction. Minority interests are subsequently adjusted according to their proportionate share of changes in equity of the particular subsidiary. Comprehensive income is allocated to minority interests whether or not, as a result hereof, the value of such interests will be negative.

Buying or selling minority interests in a subsidiary, which does not result in obtaining or discontinuing control of such subsidiary, is treated as an equity transaction in the consolidated financial statements, and any difference between the consideration and the carrying amount is allocated to the Parent's share of the equity.

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

Production costs
Production costs are costs incurred to generate revenue. Distribution companies recognise costs to sell 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.

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

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

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

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

Deferred income
Deferred income includes income received relating to the following financial year. Deferred income is measured at cost.

9.1 GROUP ACCOUNTING POLICIES – *CONTINUED*

Equity

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

Dividend

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 and expenses paid, realised foreign currency translation gains and losses and income tax paid. 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.

Finance leases are considered transactions with no cash flow effect. Cash flow relating to finance leases is recognised as payment of interest and repayment of debt. Cash flow from financing activities includes payments to and from shareholders and the raising and repayment of non-current and current debt not included in working capital. Cash flow in currencies other than the functional currency is recognised at average exchange rates for the months of the year, unless they deviate significantly from actual exchange rates on the transaction dates.

Cash and cash equivalents are cash less interest-bearing, current bank debt.

PARENT INCOME STATEMENT

(DKK million)	Note	2015	2014
Fee income		1.5	1.2
Administrative expenses	10.1 10.2	-6.5	-6.8
Operating profit/(loss) (EBIT)		**-5.0**	**-5.6**
Financial income	10.3	417.9	174.8
Financial expenses	10.3	-82.2	-170.7
Profit before tax		**330.7**	**-1.5**
Tax on profit for the year		4.8	4.0
Profit for the year		**335.5**	**2.5**
Proposed distribution of net profit:			
Dividend		0.0	0.0
Retained earnings		335.5	2.5
		335.5	**2.5**

PARENT BALANCE SHEET AT 31 DECEMBER

(DKK million)	Note	2015	2014
Assets			
Investments in subsidiaries		2,656.2	2,713.8
Investments in associates		3,994.4	3,382.4
Receivables from associates		1,748.1	1,407.0
Other investments		27.1	352.2
Financial assets	10.4	**8,425.8**	**7,855.4**
Non-current assets		**8,425.8**	**7,855.4**
Receivables from subsidiaries		59.0	51.0
Income tax		7.4	25.0
Other receivables		3.8	9.4
Receivables		**70.2**	**85.4**
Securities	10.5	**90.7**	**359.6**
Cash		**0.3**	**0.1**
Current assets		**161.2**	**445.1**
Assets		**8,587.0**	**8,300.5**

PARENT BALANCE SHEET AT 31 DECEMBER

(DKK million)	Note	2015	2014
Equity and liabilities			
Share capital		3.5	3.5
Retained earnings		6,179.9	5,844.4
Dividend		0.0	0.0
Total equity		**6,183.4**	**5,847.9**
Debt to parent	10.6	0.0	2,000.0
Non-current liabilities		**0.0**	**2,000.0**
Debt to credit institutions		324.9	362.9
Debt to parent	10.6	2,017.5	17.5
Debt to subsidiaries		61.0	72.0
Other debt		0.2	0.2
Current liabilities		**2,403.6**	**452.6**
Liabilities		**2,403.6**	**2,452.6**
Equity and liabilities		**8,587.0**	**8,300.5**
Contingent assets and liabilities	10.7		
Related parties	10.8		
Shareholders	10.9		
Events after the balance sheet date	10.10		
Parent accounting policies	10.11		

PARENT STATEMENT OF CHANGES IN EQUITY

(DKK million)	Share capital	Other reserves	Dividend	Total equity
Equity at 1.1.2014	**3.5**	**5,841.9**	**0.0**	**5,845.4**
Profit for the year	-	2.5	0.0	2.5
Dividend paid	-	-	0.0	0.0
Equity at 31.12.2014	**3.5**	**5,844.4**	**0.0**	**5,847.9**
Profit for the year	-	335.5	0.0	335.5
Dividend paid	-	-	0.0	0.0
Equity at 31.12.2015	**3.5**	**6,179.9**	**0.0**	**6,183.4**

The share capital of DKK 3.5 million is divided into 3,500 shares of DKK 1,000.

SECTION 10
NOTES TO PARENT FINANCIAL STATEMENTS

10.1 BOARD REMUNERATION, FEES AND OTHER EXPENSES

(DKK million)	2015	2014
Remuneration, Board of Directors	0.7	0.7
Administration fees to William Demant Holding A/S	5.3	5.1
Other expenses	0.5	1.0
Administrative expenses	**6.5**	**6.8**

The Parent has no employees and outsources via a management fee agreement administrative tasks to William Demant Holding A/S.

10.2 FEES TO PARENT'S AUDITORS APPOINTED AT THE ANNUAL GENERAL MEETING

(DKK million)	2015	2014
Statutory audit	0.1	0.2
Total	**0.1**	**0.2**

10.3 NET FINANCIAL ITEMS

(DKK million)	2015	2014
Dividends from associates	25.1	74.5
Interest income from associates	58.7	21.8
Interest income from securities	16.4	55.5
Interest income from subsidiaries	0.4	2.2
Valuation adjustment of shares	0.0	12.8
Other financial income	9.5	8.0
Gain on disposal of shares in William Demant Holding A/S	307.8	0.0
Financial income	**417.9**	**174.8**
Valuation adjustment of securities	-11.7	-31.4
Interest expenses to Parent	-70.0	-70.7
Other financial expenses	-0.5	-1.3
Loss on disposal of shares in Unisense FertiliTech A/S	0.0	-67.3
Financial expenses	**-82.2**	**-170.7**

10.4 FINANCIAL ASSETS

(DKK million)	Investments in subsidiaries	Investments in associates	Receivables from associates	Other investments
Cost at 1.1.2015	**2,713.8**	**3,382.4**	**1,407.0**	**327.2**
Additions during the year	0.0	382.3	341.1	16.8
Disposals during the year	-57.6	0.0	0.0	-100.0
Transfers during the year	0.0	216.9	0.0	-216.9
Cost at 31.12.2015	**2,656.2**	**3,981.6**	**1,748.1**	**27.1**
Value adjustments at 1.1.2015	**0.0**	**0.0**	**0.0**	**25.0**
Adjustments during the year	0.0	0.0	0.0	5.9
Disposals during the year	0.0	0.0	0.0	-18.1
Transfers during the year	0.0	12.8	0.0	-12.8
Value adjustments at 31.12.2015	**0.0**	**12.8**	**0.0**	**0.0**
Carrying amount at 31.12.2015	**2,656.2**	**3,994.4**	**1,748.1**	**27.1**
Cost at 1.1.2014	**2,713.8**	**3,518.3**	**447.7**	**105.0**
Additions during the year	0.0	0.0	984.9	222.2
Disposals during the year	0.0	-135.9	-25.6	0.0
Cost at 31.12.2014	**2,713.8**	**3,382.4**	**1,407.0**	**327.2**
Value adjustments at 1.1.2014	**0.0**	**0.0**	**0.0**	**4.2**
Adjustments during the year	0.0	0.0	0.0	20.8
Value adjustments at 31.12.2014	**0.0**	**0.0**	**0.0**	**25.0**
Carrying amount at 31.12.2014	**2,713.8**	**3,382.4**	**1,407.0**	**352.2**

10.5 SECURITIES

Securities with maturity within 1 year total DKK 15 million (DKK 248 million in 2014). Securities with maturity after 1 year but before 5 years total DKK 76 million (DKK 112 million in 2014).

10.6 DEBT TO PARENT

Of the total debt to Parent of DKK 2,017.5 million (DKK 2,017.5 million in 2014) DKK 2,000 million (DKK 2,000 million in 2014) is in convertible promissory notes.

10.7 CONTINGENT ASSETS AND LIABILITIES

William Demant Invest A/S disposed of its shares in Unisense Fertilitech A/S in November 2014. William Demant Invest A/S was compensated in Vitrolife AB shares. An additional compensation corresponding to a value of 304,653 shares will be paid to William Demant Invest A/S if certain defined sales objectives 2016 to 2017 are met. William Demant Invest A/S is considering this earn-out as an unrecorded contingent asset. Contingent consideration dependent on sales objective for 2015 was not met.

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

William Demant Invest A/S has in February 2012, via Boston Holding A/S, entered into an agreement to invest DKK 1.8 billion for a share of approximately 18% of the German offshore wind farm Borkum Riffgrund 1. The last payment was due in December 2015, and the construction and installation of the wind farm was finalised by DONG in October 2015. Boston Holding A/S will take operational participation from June 2016.

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

10.8 RELATED PARTIES

William Demants og Hustru Ida Emilies Fond (the Oticon Foundation), Kongebakken 9, 2765 Smørum, Denmark, is the only related party with a controlling interest.

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

10.9 SHAREHOLDERS

The entire share capital is owned by William Demants og Hustru Ida Emilies Fond (the Oticon Foundation), Kongebakken 9, 2765 Smørum, Denmark.

10.10 EVENTS AFTER THE BALANCE SHEET DATE

Please refer to note 8.4 "Events after the balance sheet date" in the consolidated financial statements

10.11 PARENT ACCOUNTING POLICIES

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

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

Income Statement

Tax

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

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

William Demant Invest A/S is applying SEL § 3, subsection 4, according to which William Demant Invest A/S can transfer positive taxable income to the Oticon Foundation (William Demants og Hustru Ida Emilies Fond), provided that the transfer is distributed to non-profit purposes by the Oticon Foundation.

Balance Sheet

Investments in subsidiaries and associates

Investments in subsidiaries and associates are recognised and measured at cost. If cost exceeds the recoverable value, write down to the lower recoverable value will be made.

Dividends from investments in subsidiaries and associates are recognised as income in the Parent's income statement under financial income in the financial year in which the dividends are declared.

Other investments

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

Securities

Securities are classified as current assets and are measured at their fair values on the balance sheet date and any changes in fair values are recognised in the income statement under net financial items.

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.

Dividends

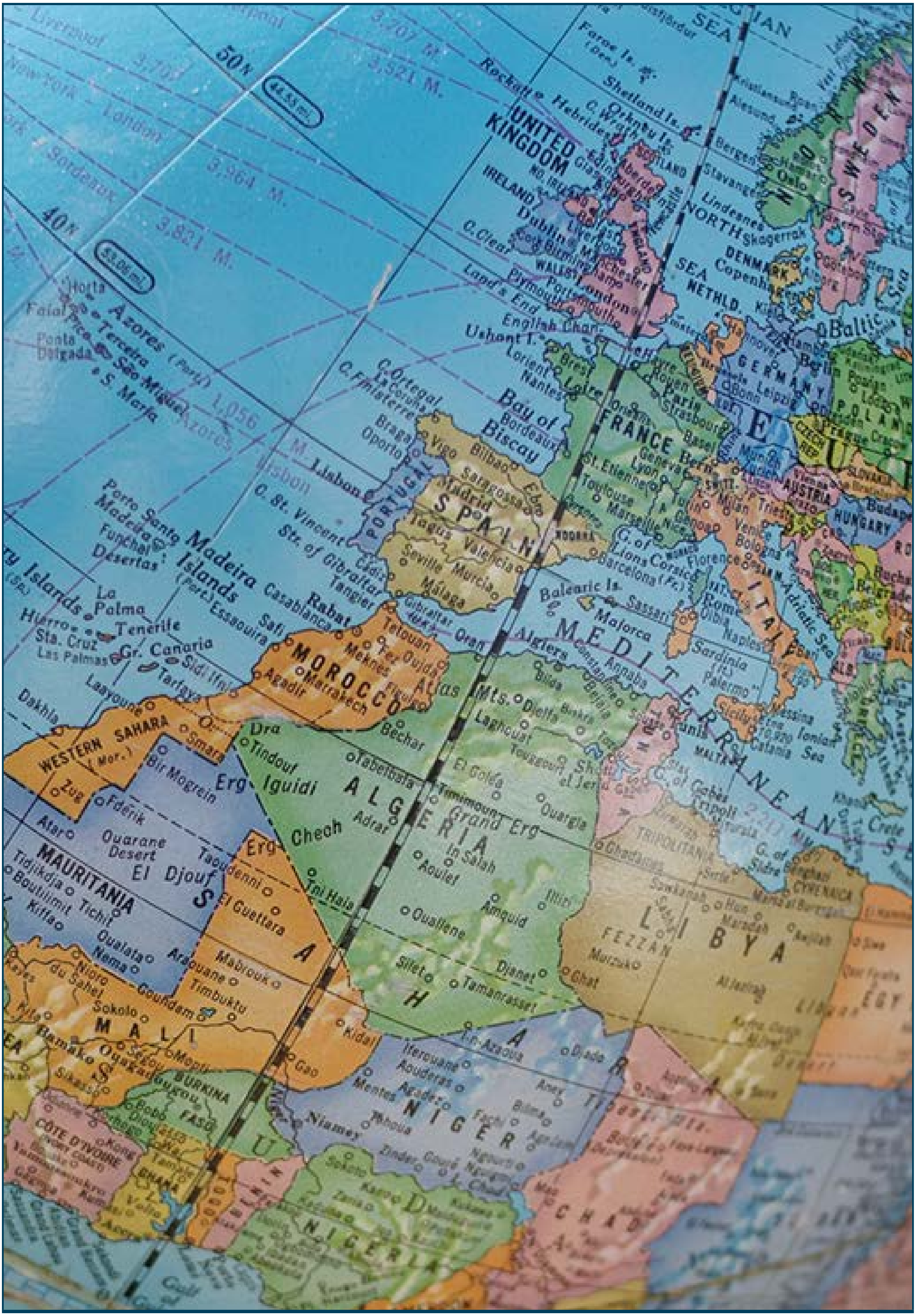
Dividends are recognised as a liability at the time of adoption at the annual general meeting. The proposed dividend is until this time recognised in a separate line as part of equity.

Statement of changes in equity

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

Cash flow statement

In compliance with section 84(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.


UNITED KINGDOM
IRELAND
Dublin
Shetland Is.
Faroe Is.
NORTH SEA
DENMARK
NORWAY
SWEDEN
Bergen
Stavanger
Oslo
Lindesnes
Skagerrak
Copenhagen
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GERMANY
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Messina
Catania
Ionian Sea
Adriatic Sea
MALTA
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Oporto
Braga
C. Ortegal
C. Finisterre
C. St. Vincent
Str. of Gibraltar
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Cádiz
Bay of Biscay
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Lorient
Land's End
Plymouth
C. Clear
English Chan.
Balearic Is.
Majorca
G. of Lions
Barcelona
MEDITERRANEAN
Azores
Terceira
São Miguel
S. Maria
Horta
Faial
Ponta Delgada
40 N
50 N
Madeira Islands
Porto Santo
Madeira
Funchal
Desertas
La Palma
Hierro
Tenerife
Gr. Canaria
Sta. Cruz
Las Palmas
MOROCCO
Rabat
Casablanca
Tangier
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Agadir
Safi
Essaouira
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Tarfaya
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Oran
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Laghouat
Touggourt
Ouargla
Bechar
Tindouf
Tabelbala
Timimoun
Grand Erg
Adrar
In Salah
Aoulef
Erg Iguidi
Cheoh
Tamanrasset
Djanet
Ghat
Amguid
Illizi
SAHARA
Bir Mogrein
Zug
Fdérik
Atar
MAURITANIA
Tidjikdja
Boutilimit
Kiffa
Tichit
Oualata
Nema
Ouarane Desert
El Djouf
Taoudenni
El Guettara
Araouane
Mabrouk
Timbuktu
Goundam
MALI
Bamako
Ségou
Sikasso
Kidal
Gao
BURKINA FASO
NIGER
Niamey
Agadez
Tahoua
Zinder
Bilma
Iferouane
NIGERIA
CÔTE D'IVOIRE
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CHAD
L. Chad
LIBYA
FEZZAN
TRIPOLITANIA
CYRENAICA
Tripoli
Ghadames
Sabha
Murzuk
G. of Sidra
G. of Gabès
Tunis
EGYPT

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Company	Interest
William Demant Invest A/S, Denmark	Parent
• William Demant Holding A/S, Denmark	56.1%
• Össur hf., Iceland	42.4%
• Jeudan A/S, Denmark	42.0%
• Vitrolife AB, Sweden	17.7%
• Boston Holding A/S, Denmark	37.0%

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Company	*Interest*
William Demant Holding A/S	**Parent**
Oticon A/S, Denmark*	100%
Oticon AS, Norway*	100%
Oticon AB, Sweden*	100%
Oy Oticon Ab, Finland*	100%
Oticon GmbH, Germany	100%
Oticon S.A., Switzerland*	100%
Oticon Italia S.r.l., Italy*	100%
Oticon España S.A., Spain	100%
Oticon Polska Sp. z o.o., Poland*	100%
Oticon Limited, United Kingdom*	100%
Oticon Inc., USA	100%
Oticon Australia Pty. Ltd., Australia*	100%
Oticon New Zealand Ltd., New Zealand*	100%
Oticon K.K., Japan*	100%
Oticon Singapore Pte Ltd., Singapore*	100%
Oticon Shanghai Hearing Technology Co. Ltd., China*	100%
Oticon International Trading Shanghai Co. Ltd., China*	100%
Oticon South Africa (Pty) Ltd., South Africa*	100%
Oticon Korea Co. Ltd., Korea*	100%
Oticon Malaysia Sdn, Malaysia*	100%
Oticon Medical A/S, Denmark*	100%
Oticon Medical AB, Sweden	100%
Oticon Medical LLC, USA	100%
Bernafon AG, Switzerland*	100%
Bernafon Hörgeräte GmbH, Germany	100%
Bernafon S.r.l., Italy*	100%
Bernafon LLC, USA	100%
Bernafon Australia Pty. Ltd., Australia*	100%
Bernafon New Zealand Pty. Ltd., New Zealand	100%
Bernafon K.K., Japan	100%
Bernafon AB, Sweden*	100%
Bernafon Ibérica S.L.U., Spain*	100%
DGS Diagnostics Sp. z o.o., Poland	100%
DGS Poland Sp. z o.o., Poland	100%
ACS Sluchmed Sp. z o.o., Poland	100%
Acustica Sp. z o.o., Poland*	100%
Acoustic Metrology Limited, United Kingdom	100%
Akoustica Medica M EPE, Greece*	100%
American Hearing Aid Associates, Inc., USA	100%
Amplivox Ltd., United Kingdom	100%
Audika Groupe S. A., France*	100%
Audionomerna & Hörsam AB, Sweden*	100%
Audmet Canada LTD., Canada	100%

Company	*Interest*
Audmet S.r.l., Italy*	100%
Audmet B.V., the Netherlands*	100%
Canada Hearing Centre Ltd., Canada*	100%
Centro Auditivo Telex Ltda., Brazil*	100%
Danacom Høreapparater A/S, Denmark*	100%
Din Hørelse ApS, Denmark*	100%
Diagnostic Group LLC, USA	100%
Diatec AG, Switzerland*	100%
Diatec Spain, S.L.U., Spain*	100%
e3 diagnostic Inc., USA	100%
Guymark UK Limited, United Kingdom	100%
Hear Better Centres LLC, USA	100%
Hearing Healthcare Management Inc., USA	100%
Hearing Screening Associates LLC, USA	100%
Hidden Hearing (Portugal), Unipessoal Lda., Portugal*	100%
Hidden Hearing Limited, United Kingdom	100%
Hidden Hearing Limited, Ireland*	100%
HZ Hörmittelzentralen AG, Switzerland*	100%
IDEA Isitme Sistemleri Sanayi ve Ticaret A.S., Turkey	100%
Interacoustics A/S, Denmark*	100%
Interacoustics GmbH, Germany*	100%
Interacoustics Pty. Ltd., Australia*	100%
Kuulopiiri Oy, Finland*	100%
LeDiSo Italia S.r.l., Italy*	100%
Maico Diagnostic GmbH, Germany*	100%
Maico S.r.l., Italy*	100%
MedRx Inc., USA	100%
Micromedical Technologies Inc., USA	100%
Neurelec GmbH, Germany	100%
Neurelec Maroc Sarlau, Morocco	100%
Neurelec S.A.S., France*	100%
New Zealand Audiology Limited, New Zealand*	100%
Phonic Ear A/S, Denmark*	100%
Prodition S.A.S., France*	100%
Sensory Devices Inc., USA	100%
SES Isitme Cihazlari Sanayi ve Ticaret A.S., Turkey	100%
Sonic Innovations Inc., USA	100%
Sonic Innovations Pty Ltd., Australia	100%
Udicare S.r.l., Italy*	100%
Van Boxtel Hoorwinkels B.V., the Netherlands	100%
FrontRow Calypso LLC, USA	75%
Sennheiser Communications A/S, Denmark*	50%
BC Implants AB, Sweden*	49%
HIMSA A/S, Denmark	25%

The list above includes the Group's active companies.
**Directly owned by the Parent.*

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