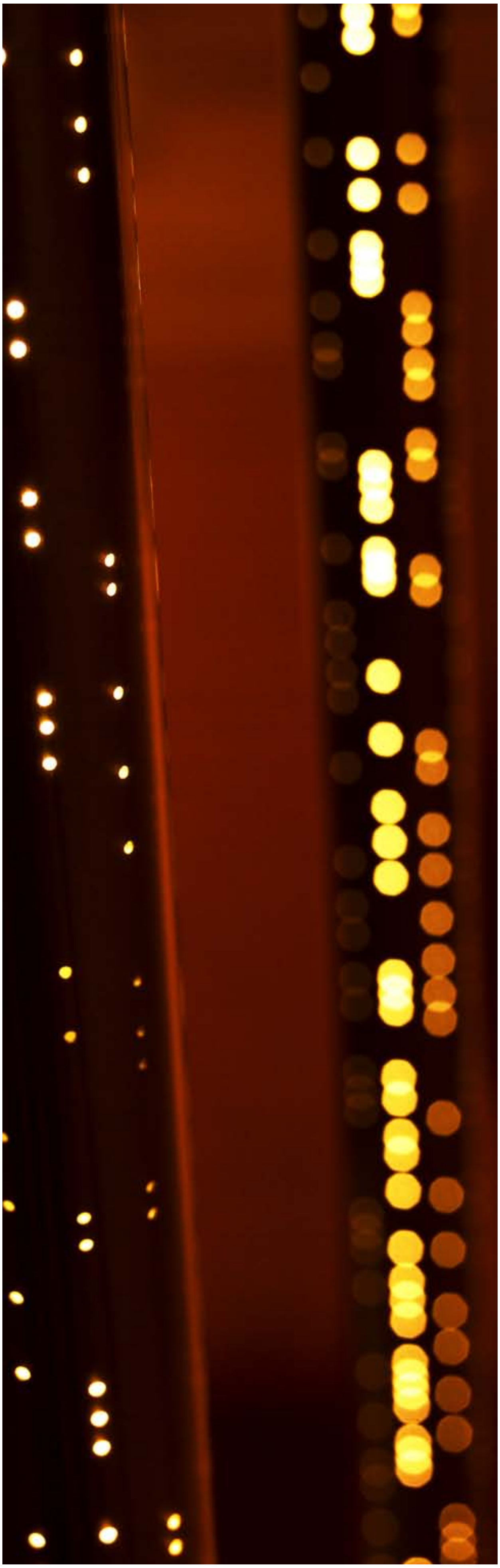
ANNUAL REPORT

2013

William Demant **Invest**



CONTENT

ABOUT WILLIAM DEMANT INVEST A/S

History and purpose
William Demant Invest A/S was founded in 2003 as a wholly-owned subsidiary under the Oticon Foundation. Today, William Demant Invest A/S secures liquidity through its participation in share buy-backs and dividends received from associated and Group companies.

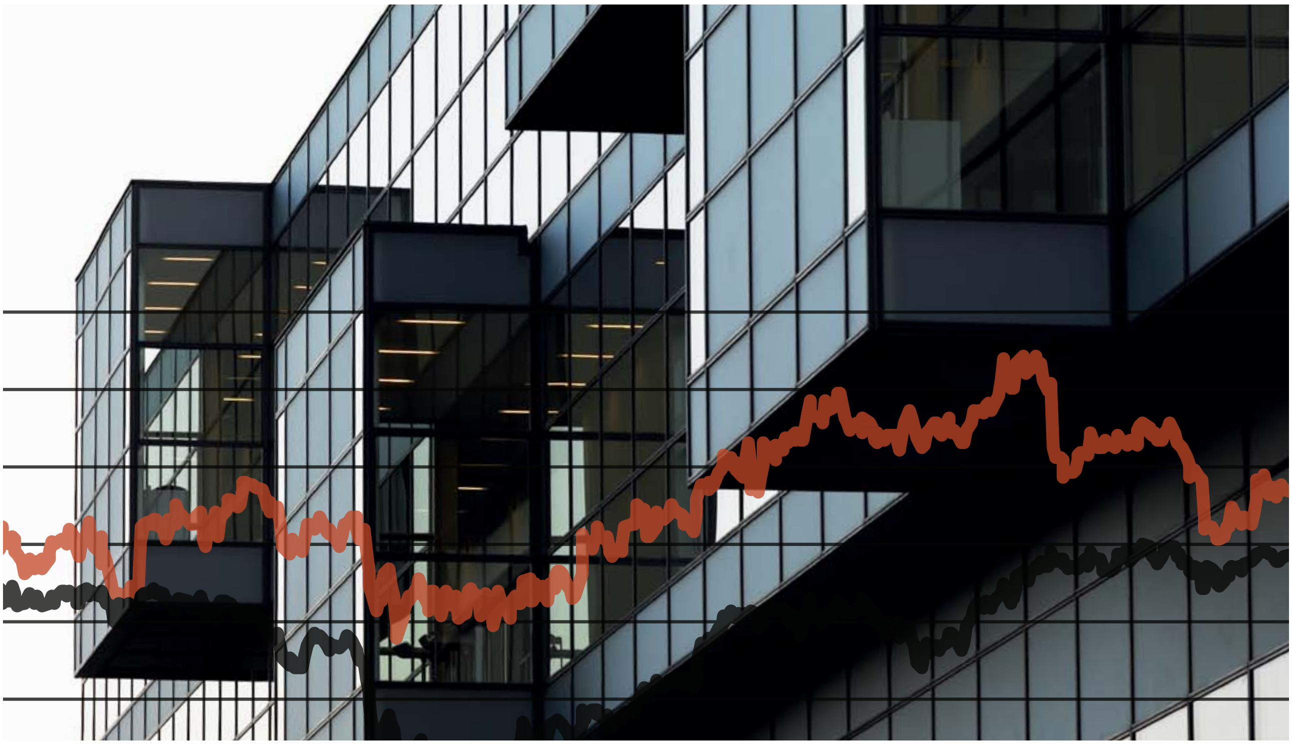
The main purpose of the Oticon Foundation is to secure and expand William Demant Holding A/S and to donate a share of its net income to charter-defined causes. This long-term perspective recurs in the majority of William Demant Invest A/S' other investments, where William Demant Invest A/S seeks a substantial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

Investment strategy
William Demant Invest A/S usually undertakes substantial, active investments 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.

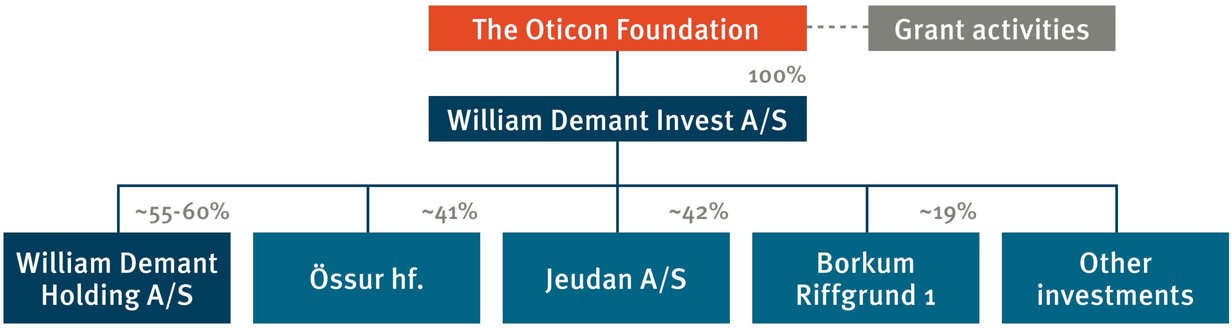
The focused investment approach has led to a large share interest in the medtech company Össur hf., a real estate exposure in Jeudan A/S and an expected stable cash flow from renewable energy through the offshore windfarm, Borkum Riffgrund 1. When investing in new companies, William Demant Invest A/S 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 all 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 still 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 along with the identical Boards of Directors ensures 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.

The Oticon Foundation's webpage (www.oticonfonden.dk) has in Q1 2014 been updated with additional information and layout in order to increase the information level and transparency for both the Oticon Foundation and William Demant Invest A/S.

MANAGEMENT REVIEW

The pro forma consolidation shows an overall growth in revenue in 2013 of 6.6%. The growth in pro forma revenue was thus mainly driven by a reported 7.6% growth in William Demant Holding A/S. 2013 delivered a 5.3% growth in EBIT and a 33.2% increase in pre-tax profit. Profit for the year amounted to DKK 1,064 million, a 38.9% increase compared to 2012.

The result is deemed satisfactory.

William Demant Holding A/S continues to be William Demant Invest A/S' largest investment accounting for approx. 77% of pro forma revenue and 72% of profit before tax in 2013. The "Other" category includes a 32% stake in the medtech company Unisense FertiliTech A/S, other minor investments and William Demant Invest A/S' portfolio of corporate bonds.

William Demant Invest A/S made no major new, active investments in 2013.

2013 pro forma consolidation*

DKK million	WDH	Jeudan	Össsur	Other	Total
Ownership share (end of period)	*56%*	*42%*	*41%*		
Revenue	5,166	472	1,017	26	**6,681**
Operating profit (EBIT)	1,002	264	136	-19	**1,383**
Profit before tax	962	253	127	2	**1,344**
Profit for the year	737	239	93	-5	**1,064**

2012 pro forma consolidation*

DKK million	WDH	Jeudan	Össsur	Other	Total
Ownership share (end of period)	*56%*	*42%*	*41%*		
Revenue	4,849	473	943	3	**6,268**
Operating profit (EBIT)	937	249	135	-7	**1,314**
Profit before tax	862	13	121	13	**1,009**
Profit for the year	652	10	90	14	**766**

* The pro forma consolidation is prepared on the basis of William Demant Invest A/S' average share of ownership in the given year multiplied by revenue, EBIT, profit before tax and profit for the year as reported in the respective entities. The calculation of the average share of ownership is considering William Demant Invest A/S' share acquisitions during the year (weighted) as well as changes in the respective entities' holdings of treasury shares.

With regard to ownership share in William Demant Holding A/S, William Demant Invest A/S owns 54% and the Oticon Foundation 2%.

The above pro forma consolidated profit for 2013 and 2012 includes the Oticon Foundation minority interest in William Demant Holding A/S and William Demant Holding A/S minorities in total of DKK 28 and 24 million, respectively.

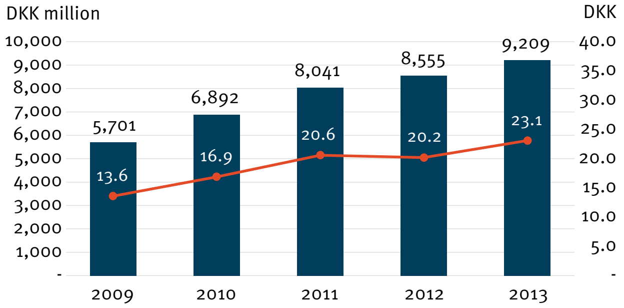
WILLIAM DEMANT HOLDING A/S

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, Diagnostic Instruments and Personal Communication. Group companies collaborate in many areas and to a wide extent also share resources and technologies.

The William Demant Holding Group has more than 9,000 employees and is headquartered in Smørum on the outskirts of Copenhagen, Denmark. William Demant Holding A/S is listed on NASDAQ OMX Copenhagen.

The roots of the William Demant Holding Group is Oticon, which was founded in 1904. Today, the William Demant Holding 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.

Board of Directors	
Lars Nørby Johansen	Chairman
Peter Foss	Deputy Chairman
Niels B. Christiansen	
Thomas Hofman-Bang	
Ole Lundsgaard	Employee-elected
Jørgen Møller Nielsen	Employee-elected
Karin Ubbesen	Employee-elected
Executive Management	
Niels Jacobsen	President & CEO



■ Revenue
■ Earnings per share (EPS), DKK

2013
In 2013, William Demant Holding A/S' consolidated revenue exceeded DKK 9.2 billion, corresponding to 10% growth in local currencies. Operating profit (EBIT) amounted to DKK 1,784 million, or an increase of 8% compared with 2012. By acquiring Neurelec in the Spring of 2013, William Demant Holding A/S entered into the cochlear implant market, thereby cementing its position as one of the world's leading hearing healthcare companies. Through Neurelec, William Demant Holding A/S got access to a strong platform for fully implantable hearing solutions in a market segment characterised by significant long-term growth potential. The acquisition is a natural continuation of the Group's successful efforts in establishing Oticon Medical as a leading developer and supplier of bone-anchored hearing systems.

Furthermore, with Oticon's introduction of a new technological platform, Inium, in early 2013, William Demant Holdings A/S' largest hearing aid brand embarked on a new journey offering not only a new platform, but also a new product portfolio, both of which generated renewed momentum for the company. The second half of 2013 turned out to be what is probably the busiest launch period the company has ever had. Now at the beginning of 2014, Oticon has almost completed the renewal of its entire product portfolio with the launch of new Inium-based hearing instrument families in basically all product segments and at all price points. Also, both Bernafon and Sonic now benefit from having updated product portfolios.

Finally, another good example of the commitment to innovation and to meeting end-user needs is Oticon joining Apple's Made for iPhone programme in spring 2014 with Oticon's first Made for iPhone (MFi) connectivity solution for hearing instruments.

In 2014 William Demant Holding A/S expects to deliver growth in all business activities, which is expected to translate into 5-10% growth in earnings per share.

www.demant.com

William Demant

William Demant Holding A/S

(DKK million)	**2012**	**2013**
Revenue	8,555	9,209
EBITDA	1,920	2,079
EBIT	1,653	1,784
Net result	1,151	1,311
Equity	4,059	5,080
Assets	8,777	10,357
Cash flow from operations (CFFO)	1,272	1,320
Free cash flow (FCF)	782	851
Average number of employees	8,025	9,120
William Demant Invest A/S (incl. the Oticon Foundation) ownership (end of period)	56%	56%

JEUDAN A/S

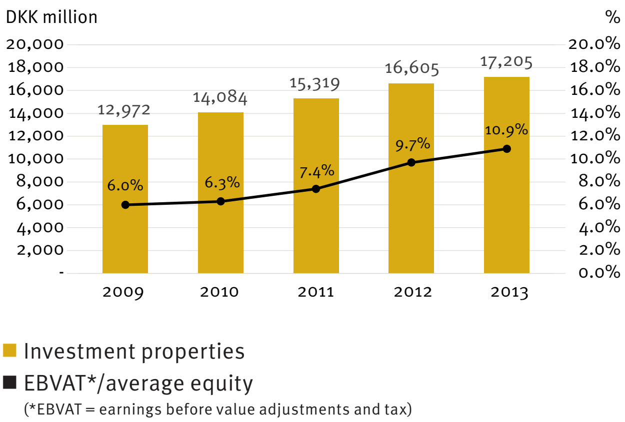
About Jeudan A/S
The Jeudan group is Denmark's largest publicly listed real estate and service company.

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".

William Demant Invest A/S started investing in Jeudan A/S in 2004 and has continually bought up Jeudan shares. Today, William Demant Invest A/S is, with approx. 42% of the ownership, one of the two largest shareholders.

Board of Directors	
Niels Heering	Chairman
Tommy Pedersen	Deputy Chairman
Hans Munk Nielsen	
Jens Erik Udsen	
Stefan Ingildsen	
Executive Management	
Per W. Hallgren	CEO
Peter Spøer	EVP



(*EBVAT = earnings before value adjustments and tax)

2013
In 2013, Jeudan A/S realised an operating profit (EBIT) of DKK 631 million, a 5% increase compared to 2012. After interest expense, but before value adjustments and tax, the result (EBVAT) amounted to DKK 469 million, a 23% increase compared to 2012. The result is achieved on a basis of DKK 1.1 billion in revenue. Furthermore, Jeudan A/S acquired 8 properties at a total of DKK 0.8 billion and sold 10 minor properties at a total of DKK 0.3 billion in 2013. The value of Jeudan A/S' 198 properties amounted to DKK 17.2 billion by year-end 2013, a DKK 0.6 billion increase compared to 2012. Equity, which at year-end reached DKK 4.7 billion, had a return of 10.9%. At year-end, equity comprised 26.4% of Jeudan A/S' total assets.

In 2013, Jeudan A/S took a series of further steps to meet the customers' and market needs. Jeudan A/S broke with old fixations by eliminating irrevocability on small- and medium-sized tenancies, improved customers' contract terms and now offers more service products in connection with tenants moving to Jeudan A/S. These initiatives were supported by communication that underlines Jeudan A/S' focus on customers.

In order to adapt both properties and tenancies to customers' and market demands, a number of these properties and tenancies will be reconstructed in 2014, and these tenancies will earn rent in 2015 at the earliest. This will result in a lower occupancy rate in 2014. Jeudan A/S expects the tenancy market to continue to be weak in 2014 and thus the competitive situation to be unchanged. Jeudan A/S will continue its course from 2013 and improve its product offering.

In light of the abovementioned and unchanged activity in Jeudan Servicepartner, the net revenue in 2014 is expected to be DKK 1.1 billion (2013: 1,129 million). Operating profit (EBIT) is expected to be at the level of DKK 635-675 million (2013: DKK 631 million).

www.jeudan.dk

Jeudan A/S

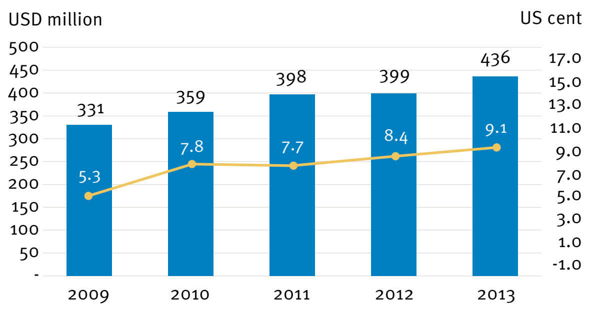
(DKK million)	2012	2013
Revenue	1,145	1,129
EBIT	602	631
Net result	24	572
Equity	3,927	4,697
Assets	17,006	17,800
Cash flow from operations (CFFO)	466	503
Free cash flow (FCF)	-816	-200
Average number of employees	367	364
Occupancy rate	95%	93%
William Demant Invest A/S ownership (end of period)	42%	42%

ÖSSUR HF.

About Össur hf.
Össur hf. is a global leader in non-invasive orthopedics, 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 2,100 employees in 18 countries. Össur hf. has been listed on the Icelandic Stock Exchange since 1999 and on NASDAQ OMX Copenhagen since 2009.

William Demant Invest A/S started investing in Össur hf. in 2004 and has continually bought up Össur shares. Today, William Demant Invest A/S is the largest shareholder with approx. 41% 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



■ Revenue
■ Diluted earnings per share (EPS), USD cent

2013
In 2013, Össur hf. strengthened sales channels and operations through several strategic acquisitions in Brazil, Norway and Sweden. In particular, Össur hf. acquired 100% of the shares in TeamOlmed, a leading Swedish orthotic and prosthetic (O&P) provider, for USD 52 million. With the acquisition, Össur hf. gained a significant share of the Swedish O&P market. Össur hf. also had significant product launches in 2013 including the Unity® Advanced Vacuum Suspension System, which was very well received. Össur hf. continues to focus on premium designs, always pushing for greater innovation and better outcomes.

The total sales for 2013 amounted to USD 436.3 million, compared to USD 399.4 million in the preceding year. This represents an increase in sales of 9.2%. Net profit amounted to USD 41.0 million compared to USD 37.8 million in 2012. Diluted earnings per share amounted to US cents 9.1 compared to US cents 8.4 in 2012. Earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to USD 75.5 million compared to USD 70.0 million in the preceding year.

For 2014, Össur hf. expects a revenue growth of 14-16% in local currency (2-4% organic) and an EBITDA-margin of 17-19%.

www.ossur.com

Össur hf.

(USD million)	2012	2013
Revenue	399	436
EBITDA	70	75
EBIT	57	60
Net result	38	41
Equity	408	448
Assets	591	706
Cash flow from operations (CFFO)	71	73
Free cash flow (FCF)	43	49
Average number of employees	1,878	2,097
William Demant Invest A/S ownership (end of period)	41%	41%

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. 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.

Board of Directors – Boston Holding A/S	
Søren Thorup	Chairman
Niels Jacobsen	Deputy Chairman
Christian Mygind	
Thomas Schleicher	

2013
The first major milestone in the construction of the 77 wind turbines in Borkum Riffgrund 1 was achieved in August 2013, when the installation of the offshore substation (with a total weight of 3,500 tonnes) for the wind farm in the North Sea was completed.

The next major step in the construction phase of the wind farm is the installation of the foundations, which will take place in 2014. The installation of the wind turbines will start during the summer of 2014 and first power is expected in the fall of 2014. Commissioning of the complete wind farm is scheduled for 2015.

When Borkum Riffgrund 1 has been commissioned, the wind farm will supply approx. 285,000 German households with green energy.

BORKUM RIFFGRUND

Boston Holding A/S

(DKK million)	2012	2013
Revenue	-	-
EBITDA	-0	-0
EBIT	-0	-0
Net result	-4	-0
Equity	-4	-4
Assets	540	1,135
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 9,209 million in 2013 compared to 8,555 million in 2012. Profit before tax came in at DKK 2,045 million in 2013 compared to DKK 1,632 million in 2012. For 2013, William Demant Invest A/S' share of the Group's net result was DKK 1,036 million.

Profit for the year is deemed satisfactory.

Balance sheet

Total assets amounted to DKK 16,037 million at year-end in 2013 compared to DKK 14,177 million in 2012. Consolidated equity in 2013 amounted to DKK 8,692 million. In 2013, William Demant Invest A/S refinanced its loans from the Oticon Foundation, totaling DKK 2,000 million and obtained new loans for DKK 50 million. Both loans are convertible.

Cash flows

Cash flow from operating activities amounted to DKK 1,359 million in 2013 compared to DKK 1,283 million in 2012, whereas cash flow from investing activities amounted to DKK -1,722 million in 2013 compared to DKK -2,970 million in 2012. Finally, the cash flow from financing activities amounted to DKK 99 million in 2013 compared to DKK 641 million in 2012.

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 2013 aggregated DKK 380 million; DKK 281 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 15. 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' annual reports and webpages.

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

Target for the share of the underrepresented gender in the Board of Directors

At year-end 2013, 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.

Expectations

As William Demant Invest A/S' largest asset is its ownership in William Demant Holding A/S, the results for 2014 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
William Demants og Hustru Ida Emilies Fond, chairman of the board
Birmingham Airport Ltd., deputy chairman
The Corporate Foundation Gl. Strand, board member

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

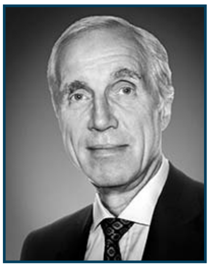
Peter Foss received a Master of Science degree in engineering from the Technical University of Denmark in 1980, after which he was employed with Brüel & Kjær as an engineer. In 1981, he received a diploma in Business Administration from the Copenhagen Business School. In 1985, he joined FOSS A/S and 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, chairman of the board
N. Foss & Co. A/S, chairman of the board
William Demant Holding A/S, deputy chairman
William Demants og Hustru Ida Emilies Fond, deputy chairman
TrackMan A/S, board member
A.R. Holding af 1999 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 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 managing director of Nordisk Film A/S. Since 2005, Ulla Brockenhuus-Schack has been managing partner in SEED Capital Denmark and since 2003 the managing director of DTU Symbion Innovation A/S.

Other directorships
William Demants og Hustru Ida Emilies Fond, board member
Abeo A/S, board member
Expanite Technology A/S, board member
Tivoli A/S, board member
Alkalon A/S, board member
Amminex Emmissions Technology A/S, board member
Observe Medical ApS, board member
DVCA, board member
The Mary Foundation, 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 head 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
William Demants og Hustru Ida Emilies Fond, board member

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
2300 København S
Denmark

Management of William Demant Invest A/S

Managing Director: Niels Jacobsen

The administration of William Demant Invest A/S is outsourced to William Demant Holding A/S on arms-length terms.

Contact

William Demant Invest A/S
Kongebakken 9
2765 Smørum
Denmark

Telephone: +45 3917 7300
Fax: +45 3927 7900
E-mail: william@demant.com
Website: www.oticonfonden.dk/william-demant-invest/

KEY FIGURES AND FINANCIAL RATIOS

	2013	2012
INCOME STATEMENT, DKK MILLION		
Revenue	9,209	8,555
Gross profit	6,672	6,127
Research and development costs	664	652
Share of profit after tax, associates	316	107
EBITDA	2,390	2,008
Amortisation and depreciation etc.	295	267
Operating profit (EBIT)	2,095	1,741
Net financial items	-50	-109
Profit before tax	2,045	1,632
Profit for the year	1,640	1,262
BALANCE SHEET, DKK MILLION		
Net interest-bearing debt	2,736	2,018
Assets	16,037	14,177
Equity	8,692	7,498
OTHER KEY FIGURES, DKK MILLION		
Investment in property, plant and equipment, net	394	310
Cash flow from operating activities (CFFO)	1,359	1,283
Free cash flow	1,153	-589
Average number of employees	9,120	8,025
FINANCIAL RATIOS		
Gross profit ratio	72.5%	71.6%
EBITDA margin	26.0%	23.5%
Profit margin (EBIT margin)	22.7%	20.4%
Return on equity	20.3%	19.7%
Equity ratio	54.2%	52.9%

Financial ratios are calculated in accordance with "Recommendations and Financial Ratios 2010" 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.

MANAGEMENT STATEMENT

We have today considered and approved the Annual Report 2013 of William Demant Invest A/S for the financial year 1 January – 31 December 2013.

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 2013 as well as of the results of their operations and the consolidated cash flows for the financial year 1 January – 31 December 2013.

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 2013 for adoption at the annual general meeting.

Smørum, 8 April 2014

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 2013, 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 2013 and of the results of its operations and cash flows for the financial year 1 January – 31 December 2013 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 2013 and of the results of its operations for the financial year 1 January – 31 December 2013 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, 8 April 2014

Deloitte
Statsautoriseret Revisionspartnerselskab

Erik Holst Jørgensen
State Authorised Public Accountant

Kirsten Aaskov Mikkelsen
State Authorised Public Accountant

GROUP ACCOUNTING POLICIES

General

The consolidated financial statements are presented in compliance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act. Due to the fact that all the commercial investment activities of the Oticon Foundation since 2011 are held by William Demant Invest A/S, it has been decided from the financial year 2013 to prepare the consolidated financial statements on William Demant Invest A/S level rather than on Oticon Foundation level. This change is in line with section 111, subsection 3, of the Danish Financial Statements Act.

The IFRS consolidated financial statements for 2013 for William Demant Invest A/S have been prepared in compliance with the requirements in IFRS 1 according to which the financial statements for 2013, the comparative figures for 2012 and the opening balance for 2011 should be prepared in compliance with all IFRS standards and interpretations approved by the EU and applicable to the 2013 financial year. As there have been no adjustments in connection with the transition to IFRS, the opening balance sheet as of 1 January 2012 is identical to that at 31 December 2011, and comparative figures are referred to as "2011" in the financial statements.

As the William Demant Invest Group has always been included in the Oticon Foundation consolidation, which has been prepared in accordance with IFRS with retrospective effect from January 1, 2007, none of the optional or mandatory IFRS implementation exemptions have been applied.

No reconciliation of consolidated equity and net profit from previous accounting principles to IFRS has been prepared, because the William Demant Invest Group has not previously prepared consolidated financial information.

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 registered office of William Demant Invest A/S is in Denmark.

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.

The effects of the Group's implementation of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IAS 28 Investments in Associates and Joint Ventures have been analysed to evaluate their effect on the consolidated financial statements of the Group. These standards became effective on 1 January 2013 and were approved by the EU with an effective date from 1 January 2014. Following a concrete assessment, it has been found that the amendments are expected to result in the Group's joint ventures from 2014 being recognised using the equity method. Joint ventures are currently included in the consolidated financial statements via proportionate consolidation. The amendments are not expected to affect the classification of entities currently being recognised as associates, and these will therefore continue to be recognised using the equity method. Similarly, the assessment of the classification of entities as subsidiaries is expected to remain unchanged.

Based on the 2013 financial figures, Management expects the impacts of the above amendments to be as follows:

- A fall in revenue of DKK 250 million
- A fall in gross profit of DKK 128 million
- A fall in operating profit (EBIT) of DKK 17 million
- No impact on profit for the year
- Some impact on line items in the balance sheet, as items previously consolidated proportionately will be recognised as a single net amount in investments in associates and joint ventures

Accounting estimates and assumptions

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 valuation 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 corporate products.

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 statements therefore comprise William Demant Invest A/S, and William Demant Holding and its subsidiaries.

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 and are incorporated proportionately into the consolidated financial statements using the equity method.

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 included through proportionate consolidation. 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 proportional 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 control or discontinuation of 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.

Business combinations

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. Enterprises either divested or discontinued are recognised up until the date of divestment or discontinuation. The date of divestment is the date when control is actually transferred to a third party. 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 cost of an acquired 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 the acquisition date. 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. Acquisition costs are recognised directly in the income statement when incurred.

If cost exceeds the fair values of the assets, liabilities and contingent liabilities identified on acquisition, any remaining positive differences (goodwill) are recognised in the balance sheet under intangible assets and tested for impairment at least annually. If the carrying amount of an asset exceeds its recoverable amount, it 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.

Profit or loss from the divestment or winding up of subsidiaries and associates

Profit or loss from the divestment or winding up of subsidiaries and associates, resulting in the Group no longer having a controlling or significant interest, will be determined as the difference between the carrying amount and the sum of the fair value of the sales proceeds or disposal consideration and the fair value of any remaining investment in the given enterprise. Any such profits or losses will be recognised in the income statement together with any accumulated foreign currency translation adjustments previously recognised in other comprehensive income.

Foreign currency translation

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 currency 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 currency 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 months of the year, whereas their balance sheet items are translated using exchange rates 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

Derivatives

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 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 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 particular transactions.

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

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.

Revenue

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.

Production costs
Production costs are costs incurred to generate revenue. Distribution companies recognise cost of sales 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.

Public subsidies
Public subsidies are recognised when there is reasonable certainty that the conditions for such subsidies are satisfied and that they will be granted.

Subsidies 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 set off against costs incurred. Public subsidies relating to the acquisition of non-current assets are deducted from the cost of such asset.

Net financial items
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.

Tax
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.

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 as a net asset to be set off against future positive taxable income. At the balance sheet date, an assessment is made as to whether it is probable that sufficient taxable income will be available in the future against which the deferred tax asset can be utilised. Deferred tax on temporary differences between the carrying amounts and the tax values of investments in subsidiaries and associates is recognised, unless the Parent is able to control the time of realisation of such deferred tax, and it is probable that such deferred tax will not be released as current tax in the foreseeable future.

Deferred tax is recognised in respect of eliminations of intra-Group profits and losses.

Balance sheet

Intangible assets

On initial recognition, goodwill is recognised and measured as the difference between the cost of the acquisition – 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, see description under *Business combinations*.

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.

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 a third party 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.

Property, plant and equipment

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 production 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.

Investments in associates

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

The proportionate shares of all transactions and events which have been recognised in other comprehensive income for the associate are recognised in consolidated other comprehensive income.

On the acquisition of investments in associates, the acquisition method is applied.

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

The recoverable amount is estimated for the smallest cash-generating unit that the asset is part of. The recoverable amount is determined as the higher of the fair value of the asset or cash-generating unit less costs to sell or 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 by 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. Amortisation of goodwill is not reversed.

Other investments
On initial recognition, non-current other investments are classified as "assets available for sale", recognised at their fair values and subsequently measured at their fair values. Unrealised value adjustments are recognised in other comprehensive income. On realisation, value adjustments are transferred to net financial items in the income statement.

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 their equity values or other valuation methods and assumptions not considering observable market data.

Inventories
Raw materials, components and goods for resale are measured at cost according to the FIFO principle (according to which the most recent supplies 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 at 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.

Receivables
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.

Securities
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.

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

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.

Equity
Foreign currency translation reserve includes foreign currency adjustments on translation of financial statements of foreign subsidiaries or associates from their respective functional currencies into Danish kroner. Foreign currency translation adjustments are recognised in the income statement on realisation of the net investment.

Hedging reserve includes fair value adjustments of derivatives or 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.

Pension liabilities and similar commitments
The Group has pension 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 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, among other things, wage levels, interest rates and inflation rates. The defined benefit obligation less the fair value of any assets relating to the benefit plan is recognised in the balance sheet under provisions.

Defined benefit costs are categorised as follows:

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

Remeasurement, comprising actuarial gains and losses, the effect of changes to the asset ceiling, if applicable, and the return on plan assets excluding interest, is reflected immediately in the balance sheet with a charge or credit recognised in other comprehensive income in the period in which it occurs. Remeasurement recognised in other comprehensive income is 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 also using actuarial calculation. Actuarial gains or losses on such benefits are recognised directly in the income statement.

Provisions
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.

Lease commitments
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.

Other financial liabilities

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

On initial recognition, other financial liabilities are measured at 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.

Convertible promissory notes

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.

Earn-out obligations from acquisition of enterprises and activities

Earn-out obligations arising from the acquisition of enterprises and activities are recognised at fair value at the time of acquisition. The obligations are reevaluated on a recurring basis at fair value.

Other non-financial liabilities

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 connected with the return of such products. Warranty commitments include the obligation to remedy faulty or defective products in the warranty period.

Deferred income

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

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 that do not have a 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.

Segment information

Based on the aggregation criteria in 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, which complies with our approach to the organisation and management of activities.

A geographical distribution of revenue and non-current assets is also presented.

CONSOLIDATED INCOME STATEMENT

(DKK million)	Note	2013	2012
Revenue	1	9,209	8,555
Production costs	2/3/12	-2,537	-2,428
Gross profit		**6,672**	**6,127**
Research and development costs	2/3	-664	-652
Distribution costs	2/3	-3,673	-3,311
Administrative expenses	2/3/4	-556	-530
Share of profit after tax, associates	10	316	107
Operating profit (EBIT)		**2,095**	**1,741**
Financial income	5	145	137
Financial expenses	5	-195	-246
Profit before tax		**2,045**	**1,632**
Tax on profit for the year	6	-405	-370
Profit for the year		**1,640**	**1,262**
Profit for the year attributable to:			
William Demant Invest A/S' shareholders		1,036	742
Minority interests		604	520
		1,640	**1,262**
Earnings per share (EPS), DKK million	7	0.3	0.2
Diluted earnings per share (DEPS), DKK million	7	0.3	0.2

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(DKK million)	2013	2012
Profit for the year	**1,640**	**1,262**
Other comprehensive income:		
Items that have been or may subsequently be reclassified to the income statement:		
Foreign currency translation adjustment, foreign enterprises	-304	-27
Other comprehensive income adjustment in associates	11	12
Value adjustment of hedging instruments:		
Value adjustment for the year	83	4
Value adjustment transferred to revenue	-68	101
Value adjustment transferred to financial expenses	11	28
Value adjustment, financial assets held for resale		
Value adjustment for the year	-37	41
Value adjustment transferred to financial items	-13	0
Tax on items that have been or may subsequently be reclassified to the income statement	19	-27
Items that have been or may subsequently be reclassified to the income statement	**-298**	**132**
Items that will not subsequently be reclassified to the income statement:		
Actuarial gains/(losses) on defined benefit plans	5	-8
Tax on items that will not subsequently be reclassified to the income statement	-1	0
Items that will not subsequently be reclassified to the income statement	**4**	**-8**
Other comprehensive income	**-294**	**124**
Comprehensive income	**1,346**	**1,386**
Comprehensive income attributable to:		
William Demant Invest A/S' shareholders	828	819
Minority interests	518	567
	1,346	**1,386**
Breakdown of tax on other comprehensive income:		
Foreign currency translation adjustment, foreign enterprises	12	6
Value adjustment of hedging instruments for the year	-20	-1
Value adjustment of hedging instruments transferred to revenue	17	-25
Value adjustment of hedging instruments transferred to financial expenses	-3	-7
Value adjustment of financial assets held for resale	13	0
Actuarial gains/(losses) on defined benefit plans	-1	0
Tax on other comprehensive income	**18**	**-27**

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

(DKK million)	Note	2013	2012	2011
Assets				
Goodwill		3,548	2,568	1,976
Patents and licences		35	47	44
Other intangible assets		35	33	35
Intangible assets	8	**3,618**	**2,648**	**2,055**
Land and buildings		651	686	672
Plant and machinery		176	159	132
Other plant, fixtures and operating equipment		289	259	250
Leasehold improvements		173	170	154
Prepayments and assets under construction		207	98	68
Property, plant and equipment	9	**1,496**	**1,372**	**1,276**
Investments in associates	10	4,425	3,946	3,524
Receivables from associates	10/15	599	326	83
Other investments	10/15	118	14	45
Other receivables	10/13/15	566	623	487
Deferred tax assets	11	267	268	278
Other non-current assets		**5,975**	**5,177**	**4,417**
Non-current assets		**11,089**	**9,197**	**7,748**
Inventories	12	1,147	1,014	1,082
Trade receivables	13/15	1,881	1,754	1,711
Receivables from associates	15	3	12	5
Income tax		75	88	47
Other receivables	13/15	234	157	142
Unrealised gains on financial contracts	15	45	31	0
Prepaid expenses		108	104	90
Securities	15	1,062	1,503	0
Cash		393	317	844
Current assets		**4,948**	**4,980**	**3,921**
Assets		**16,037**	**14,177**	**11,669**

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

(DKK million)	Note	2013	2012	2011
Equity and liabilities				
Share capital		4	4	4
Other reserves		6,359	5,627	3,957
Equity attributable to William Demant Invest A/S' shareholders		6,363	5,631	3,961
Equity attributable to minority interests		2,329	1,867	1,352
Equity		**8,692**	**7,498**	**5,313**
Interest-bearing debt	15	2,081	2,076	3,011
Deferred tax liabilities	11	146	148	113
Provisions	14	132	121	195
Other liabilities	15/16	221	136	190
Deferred income		34	1	0
Non-current liabilities		**2,614**	**2,482**	**3,509**
Interest-bearing debt	15	3,162	2,581	1,301
Trade payables	15	367	351	405
Income tax		65	54	45
Provisions	14	16	36	37
Other liabilities	15/16	917	953	760
Unrealised losses on financial contracts	15	11	26	127
Deferred income		193	196	172
Current liabilities		**4,731**	**4,197**	**2,847**
Liabilities		**7,345**	**6,679**	**6,356**
Equity and liabilities		**16,037**	**14,177**	**11,669**

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CONSOLIDATED CASH FLOW STATEMENT

(DKK million)	Note	2013	2012
Operating profit (EBIT)		2,095	1,741
Non-cash items etc.	22	-53	142
Change in receivables etc.		-74	-31
Change in inventories		-68	89
Change in trade payables and other liabilities etc.		-119	-76
Change in provisions		-13	-84
Cash flow from operating profit		**1,768**	**1,781**
Financial income etc. received		163	115
Financial expenses etc. paid		-192	-236
Realised foreign currency translation adjustments		0	2
Income tax paid		-380	-379
Cash flow from operating activities (CFFO)		**1,359**	**1,283**
Acquisition of enterprises, participating interests and activities		-1,516	-1,098
Investments in and disposal of intangible assets		-2	-14
Investments in property, plant and equipment		-410	-329
Disposal of property, plant and equipment		16	19
Investments in other non-current assets		-314	-1,735
Disposal of other non-current assets		504	187
Cash flow from investing activities (CFFI)		**-1,722**	**-2,970**
Repayment on non-current debt		-454	-204
Proceeds from borrowings		702	42
Dividends paid		-49	0
Transactions with minorities		-101	799
Other adjustments		1	4
Cash flow from financing activities (CFFF)		**99**	**641**
Cash flow for the year, net		**-264**	**-1,046**
Cash and cash equivalents at the beginning of the year		-1,328	-290
Foreign currency translation adjustment of cash and cash equivalents		56	8
Cash and cash equivalents at the end of the year		**-1,536**	**-1,328**
Breakdown of cash and cash equivalents at the end of the year:			
Cash	15	393	317
Interest-bearing current bank debt	15	-1,929	-1,645
Cash and cash equivalents at the end of the year		**-1,536**	**-1,328**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(DKK million)	Share capital	Other reserves: Foreign currency translation reserve	Other reserves: Hedging reserve	Other reserves: Retained earnings	William Demant Invest A/S' shareholders' share	Minority interests' share	Equity
Equity at 1.1.2012	**4**	**8**	**-53**	**4,002**	**3,961**	**1,352**	**5,313**
Comprehensive income in 2012:							
Profit for the year	-	-	-	742	742	520	1,262
Other comprehensive income:							
Foreign currency translation adj., foreign enterprises	-	-28	-	-	-28	1	-27
Other comprehensive income adj., associated	-	-	-	12	12	0	12
Value adj. of hedging instruments:							
Value adj., year	-	-	2	-	2	2	4
Value adj. transferred to revenue	-	-	55	-	55	46	101
Value adj. transferred to financial expenses	-	-	15	-	15	13	28
Value adj., financial assets held for resale	-	-	-	41	41	0	41
Actuarial gains/(losses) on defined benefit plans	-	-	-	-4	-4	-4	-8
Tax on other compr. income	-	3	-19	0	-16	-11	-27
Other comprehensive income	-	-25	53	49	77	47	124
Comprehensive income, year	**-**	**-25**	**53**	**791**	**819**	**567**	**1,386**
Transaction with minorities	-	-	-	1,024	1,024	-225	799
Other changes in equity	-	-	-	-173	-173	173	0
Equity at 31.12.2012	**4**	**-17**	**0**	**5,644**	**5,631**	**1,867**	**7,498**
Comprehensive income in 2013:							
Profit for the year	-	-	-	1,036	1,036	604	1,640
Other comprehensive income:							
Foreign currency translation adj., foreign enterprises	-	-201	-	-	-201	-103	-304
Other comprehensive income adj., associated	-	-	-	11	11	0	11
Value adj. of hedging instruments:							
Value adj., year	-	-	45	-	45	38	83
Value adj. transferred to revenue	-	-	-37	-	-37	-31	-68
Value adj. transferred to financial expenses	-	-	6	-	6	5	11
Value adj., financial assets held for resale:	-	-	-	-	-	0	-
Value adj. for the year	-	-	-	-37	-37	-	-37
Value adj. transferred to financial items	-	-	-	-13	-13	-	-13
Actuarial gains/(losses) on defined benefit plans	-	-	-	3	3	2	5
Tax on other compr. income	-	6	-4	13	15	3	18
Other comprehensive income	-	-195	10	-23	-208	-86	-294
Comprehensive income, year	**-**	**-195**	**10**	**1,013**	**828**	**518**	**1,346**
Transaction with minorities	-	-	0	-55	-55	-46	-101
Dividends paid out	-	-	-	-49	-49	0	-49
Other changes in equity	-	-	-	8	8	-10	-2
Equity at 31.12.2013	**4**	**-212**	**10**	**6,561**	**6,363**	**2,329**	**8,692**

For changes in share capital, refer to *Parent statement of changes in equity* on page 62.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Segment information by geographic region and business activity

(DKK million)	Revenue		Non-current assets		
Revenue and non-current assets by geographic region:	**2013**	**2012**	**2013**	**2012**	**2011**
Denmark	126	170	3,847	3,044	2,704
Other Europe	3,403	3,158	3,374	2,711	2,287
North America	3,758	3,349	3,399	2,989	2,345
Oceania	857	877	345	356	311
Asia	682	650	98	81	88
Other countries	383	351	26	16	13
Total	**9,209**	**8,555**	**11,089**	**9,197**	**7,748**

Consolidated revenue mainly derives from the sale of goods and is broken down by the customers' geographical location. The five largest single customers together account for less than 10% of total consolidated revenue. Non-current assets are broken down by the geographical domicile of such assets.

	Revenue	
Revenue by business activity:	**2013**	**2012**
Hearing Devices	7,947	7,410
Diagnostic Instruments	883	844
Personal Communication	379	301
Total	**9,209**	**8,555**

	2013	**2012**
Value adjustments transferred from equity relating to derivatives made for hedging revenue	68	-101

Note 2 – Employees

(DKK million)

	2013	2012
Staff costs:		
Wages and salaries	3,239	2,917
Defined contribution plans	56	61
Defined benefit plans (note 14)	19	13
Social security costs etc.	224	206
Total	**3,538**	**3,197**
Cash remuneration for Executive Board and Board of Directors:		
Executive Board, salary	12	12
Executive Board, bonus and pension	0	0
Board of Directors, remuneration	1	1

In 2013, the basic remuneration for a member of the Parent's Board of Directors was DKK 100,000 (DKK 100,000 in 2012). The Chairman of the Board of Directors receives three times the basic remuneration and the Deputy Chairman one and a half time the basic remuneration.

	2013	2012
Staff costs by function:		
Production costs	672	644
Research and development costs	435	439
Distribution costs	2,088	1,782
Administrative expenses	343	332
Total	**3,538**	**3,197**
Average number of full-time employees	9,120	8,025

The number of employees in proportionately consolidated companies is included with the Group's proportionate ownership interest in the particular enterprises. The average number of such employees is 114 (472 in 2012) of which 57 (290 in 2012) have been proportionally consolidated in the William Demant Invest Group.

Note 3 – Amortisation, depreciation and impairment losses

(DKK million)	2013	2012
Amortisation of intangible assets	-23	-20
Depreciation on property, plant and equipment	-234	-218
Impairment of property, plant and equipment	-10	0
Total	**-267**	**-238**
Amortisation, depreciation and impairment losses by function:		
Production costs	-63	-55
Research and development costs	-35	-39
Distribution costs	-129	-103
Administrative expenses	-40	-41
Total	**-267**	**-238**
Net gains from sale of assets	0	5
Total	**0**	**5**
Net proceeds from sale of assets by function:		
Production costs	-2	0
Distribution costs	2	4
Administrative expenses	0	1
Total	**0**	**5**

Note 4 – Fees to Parent's auditors appointed at the annual general meeting

(DKK million)	2013	2012
Statutory audit	8	8
Other assurance engagements	0	0
Tax and VAT advisory services	2	3
Other services	2	1
Total	**12**	**12**

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

Note 5 – Net financial items

(DKK million)	2013	2012
Interest on bank deposits etc.	23	24
Interest on securities	63	45
Interest on receivables	32	21
Value adjustment of securities transferred from equity	13	0
Other financial income	1	3
Financial income from financial assets not measured at fair value in the income statement	**132**	**93**
Gains on, and fair value adjustments of, other investments	4	44
Foreign exchange gains, net	9	0
Financial income	**145**	**137**
Interest on bank debt, mortgages etc.	-124	-166
Value adjustment transferred from equity relating to derivatives made for hedging loans	-11	-28
Interest on finance lease debt	-1	-1
Financial expenses on financial liabilities not measured at fair value in the income statement	**-136**	**-195**
Foreign exchange losses, net	0	-3
Interest element, discounted liabilities	0	0
Unwinding of discounts	-2	-1
Transaction costs	-57	-47
Financial expenses	**-195**	**-246**

Note 6 – Tax

(DKK million)

	2013	2012
Tax on profit for the year:		
Current tax on profit for the year	-419	-342
Adjustment of current tax, prior years	11	0
Change in deferred tax	-11	-45
Adjustment of deferred tax, prior years	6	18
Impact of changes in corporate tax rates	8	-1
Total	**-405**	**-370**
Reconciliation of tax rates:		
Danish corporate tax rate	25.0%	25.0%
Differences in tax rates of non-Danish enterprises from Danish corporate tax rate	-0.3%	0.2%
Impact of changes in corporate tax rates	-0.4%	0.0%
Use of tax assets not previously recognised	-0.1%	0.0%
Permanent differences	-5.0%	-0.2%
Other items, including prior-year adjustments	0.6%	-0.7%
Effective tax rate	**19.8%**	**24.3%**

Note 7 – Earnings per share

	2013	2012
William Demant Invest A/S' shareholders' share of profit for the year, DKK million	1,036	742
Average number of shares	3,500	3,500
Average number of treasury shares	0	0
Average number of shares outstanding	**3,500**	**3,500**
Earnings per share (EPS), DKK million	**0.3**	**0.2**
Diluted earnings per share (DEPS), DKK million	**0.3**	**0.2**

Note 8 – Intangible assets

(DKK million)	Goodwill	Patents and licences	Other intangible assets	Total intangible assets
Cost at 1.1.2013	**2,568**	**100**	**74**	**2,742**
Foreign currency translation adjustments	-153	0	-2	-155
Additions during the year	0	0	1	1
Additions relating to acquisitions	1,133	0	13	1,146
Cost at 31.12.2013	**3,548**	**100**	**86**	**3,734**
Amortisation at 1.1.2013	-	-53	-41	-94
Foreign currency translation adjustments	-	0	1	1
Amortisation for the year	-	-12	-11	-23
Amortisation at 31.12.2013	**-**	**-65**	**-51**	**-116**
Carrying amount at 31.12.2013	**3,548**	**35**	**35**	**3,618**
Cost at 1.1.2012	**1,976**	**88**	**65**	**2,129**
Foreign currency translation adjustments	2	0	0	2
Additions during the year	0	12	2	14
Additions relating to acquisitions	590	0	7	597
Cost at 31.12.2012	**2,568**	**100**	**74**	**2,742**
Amortisation at 1.1.2012	**-**	**-44**	**-30**	**-74**
Foreign currency translation adjustments	-	0	0	0
Amortisation for the year	-	-9	-11	-20
Amortisation at 31.12.2012	**-**	**-53**	**-41**	**-94**
Carrying amount at 31.12.2012	**2,568**	**47**	**33**	**2,648**
Carrying amount at 31.12.2011	**1,976**	**44**	**35**	**2,055**

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 sales, 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 to a higher degree act with more autonomy in relation to the Group, and whose profitability can be measured independently of the other activities, constitute a separate cash-generating unit. In relation to the existing integration in the Group and the recognised goodwill, neither at 31 December 2013 nor at 31 December 2012, 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 2013 and 31 December 2012. Future cash flows are based on the budget for 2014, on strategy plans and on projections hereof. Projections extending beyond 2014 are based on general parameters, such as expected market growth, selling prices and profitability assumptions. The terminal value for the period after 2014 is determined on the assumption of 2% growth (2% in 2012). The discount rate is 9% (9% in 2012). 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.

Note 9 – 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 1.1.2013	**832**	**736**	**920**	**353**	**98**	**2,939**
Foreign currency translation adjustments	-8	-14	-33	-21	-1	-77
Additions during the year	4	33	65	41	238	381
Additions relating to acquisitions	0	7	16	8	1	32
Disposals during the year	0	-12	-29	-4	-4	-49
Transferred to/from other items	0	45	74	6	-125	0
Cost at 31.12.2013	**828**	**795**	**1,013**	**383**	**207**	**3,226**
Depreciation and impairment losses at 1.1.2013	**-146**	**-577**	**-661**	**-183**	**-**	**-1,567**
Foreign currency translation adjustments	2	11	23	11	-	47
Depreciation for the year	-23	-61	-108	-42	-	-234
Impairment losses for the year	-10	0	0	0	-	-10
Disposals during the year	0	8	22	4	-	34
Depreciation and impairment losses at 31.12.2013	**-177**	**-619**	**-724**	**-210**	**-**	**-1,730**
Carrying amount at 31.12.2013	**651**	**176**	**289**	**173**	**207**	**1,496**
Of which financially leased assets	**24**	**2**	**0**	**0**	**0**	**26**
Cost at 1.1.2012	**799**	**669**	**827**	**305**	**68**	**2,668**
Foreign currency translation adjustments	5	-1	-1	4	0	7
Additions during the year	28	54	80	48	89	299
Additions relating to acquisitions	5	3	9	2	1	20
Disposals during the year	-5	-21	-22	-6	-1	-55
Transferred to/from other items	0	32	27	0	-59	0
Cost at 31.12.2012	**832**	**736**	**920**	**353**	**98**	**2,939**
Depreciation and impairment losses at 1.1.2012	**-127**	**-537**	**-577**	**-151**	**-**	**-1,392**
Foreign currency translation adjustments	0	2	2	-1	-	3
Depreciation for the year	-19	-59	-104	-36	-	-218
Disposals during the year	0	17	18	5	-	40
Depreciation and impairment losses at 31.12.2012	**-146**	**-577**	**-661**	**-183**	**-**	**-1,567**
Carrying amount at 31.12.2012	**686**	**159**	**259**	**170**	**98**	**1,372**
Of which financially leased assets	**43**	**0**	**0**	**0**	**0**	**43**
Carrying amount at 31.12.2011	**672**	**132**	**250**	**154**	**68**	**1,276**
Of which financially leased assets	**40**	**0**	**0**	**0**	**0**	**40**

Group property, plant and equipment with a carrying amount of DKK 1 million (DKK 2 million in 2012) have been provided in security of debt to credit institutions of DKK 1 million (DKK 2 million in 2012). Financial leases mainly concern properties acquirable at favourable prices on expiry of the term of such leases. At year-end, the contractual obligation as regards the acquisition of property, plant and equipment amounted to DKK 62 million (DKK 0 million in 2012). Neither in 2013 nor in 2012, have changes been made in material estimates in respect of property, plant and equipment, except for the recognition of DKK 10 million (DKK 0 million in 2012) in respect of impairment of a property expected to be sold in 2-3 years.

In 2013, borrowing costs of DKK 2 million (DKK 0 million in 2012) have been capitalised as part of property, plant and equipment. The capitalisation rate used has been 2.5-3.5% depending on the financing of the asset.

Note 10 – Other non-current assets

(DKK million)	Investments in associates	Receivables from associates	Other investments	Other receivables
Cost at 1.1.2013	**3,659**	**326**	**22**	**665**
Foreign currency translation adjustments	-1	-5	0	-36
Additions during the year	317	384	105	166
Additions relating to acquisitions	0	0	0	1
Disposals during the year	-30	-106	-3	-188
Cost at 31.12.2013	**3,945**	**599**	**124**	**608**
Value adjustments at 1.1.2013	**287**	**0**	**-8**	**-42**
Foreign currency translation adjustments	-78	0	0	2
Share of profit after tax	316	-	-	-
Dividends received	-45	-	-	-
Disposals during the year	-6	0	0	0
Other adjustments	6	0	2	-2
Value adjustments at 31.12.2013	**480**	**0**	**-6**	**-42**
Carrying amount at 31.12.2013	**4,425**	**599**	**118**	**566**
Cost at 1.1.2012	**3,272**	**83**	**52**	**519**
Foreign currency translation adjustments	1	-1	0	-4
Additions during the year	395	244	6	255
Disposals during the year	-9	0	-36	-105
Cost at 31.12.2012	**3,659**	**326**	**22**	**665**
Value adjustments at 1.1.2012	**252**	**0**	**-7**	**-32**
Foreign currency translation adjustments	-30	0	0	0
Share of profit after tax	106	-	-	-
Dividends received	-49	-	-	-
Disposals during the year	-4	0	0	0
Other adjustments	12	0	-1	-10
Value adjustments at 31.12.2012	**287**	**0**	**-8**	**-42**
Carrying amount at 31.12.2012	**3,946**	**326**	**14**	**623**
Carrying amount at 31.12.2011	**3,524**	**83**	**45**	**487**

Refer to *Subsidiaries and associates* on page 66 for a list of associates. Ownership interest equals share of voting rights. For further details on associates, refer to note 19 *Related parties*.

Note 11 – Deferred tax

(DKK million)

	2013	2012	2011
Deferred tax is recognised in the balance sheet as follows:			
Deferred tax assets	267	268	278
Deferred tax liabilities	-146	-148	-113
Deferred tax, net at 31.12.	**121**	**120**	**165**
Deferred tax, net at 1.1.	120	165	180
Foreign currency translation adjustments	-18	-2	2
Changes in deferred tax assets	-11	-45	7
Additions relating to acquisitions	11	8	2
Adjustment of deferred tax, prior years	6	18	-22
Impact of changes in corporate tax rates	8	-1	-1
Deferred tax relating to changes in equity, net	5	-24	-3
Other adjustments	0	1	0
Deferred tax, net at 31.12.	**121**	**120**	**165**

The tax value of deferred tax assets not recognised is DKK 78 million (DKK 83 million in 2012) and relates mainly to tax losses for which there is considerable uncertainty about their future utilisation. The tax losses will not expire in the near future. Any sale of shares in subsidiaries and associates at the balance sheet date is estimated to result in tax in the amount of DKK 0 million (DKK 0 million in 2012).

Breakdown of the Group's temporary differences and changes:

	Temporary differences at 1.1.2013	Foreign currency translation adjustments	Acquisitions	Recognised in profit for the year	Recognised in other comprehen-sive income	Temporary differences at 31.12.2013
Intangible assets	-29	0	-6	-43	0	-78
Property, plant and equipment	-49	-1	0	13	0	-37
Inventories	119	-1	0	19	0	137
Receivables	9	0	0	-2	0	7
Provisions	34	-5	0	-16	0	13
Tax losses	68	-5	5	-21	0	47
Other	-32	-6	12	53	5	32
Total	**120**	**-18**	**11**	**3**	**5**	**121**

Note 12 – Inventories

(DKK million)	2013	2012	2011
Raw materials and purchased components	540	528	576
Work in progress	35	18	28
Finished goods and goods for resale	572	468	478
Inventories	**1,147**	**1,014**	**1,082**
Write-downs included in the above	133	141	148
Carrying amount of inventories recognised at fair value after deduction of costs to sell	0	0	0
Included in the income statement under production costs:			
Write-downs of inventories for the year, net	12	32	45
Cost of goods sold for the year	2,006	1,867	1,742

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.

Note 13 – Receivables

(DKK million)	2013	2012	2011
Trade receivables	1,881	1,754	1,711
Other non-current receivables	566	623	487
Other current receivables	234	157	142
Total	**2,681**	**2,534**	**2,340**
Non-impaired receivables by age:			
Balance not due	1,997	1,900	1,772
0-3 months	387	379	346
3-6 months	149	125	103
6-12 months	68	78	60
Over 12 months	80	52	59
Total	**2,681**	**2,534**	**2,340**
Breakdown of allowance for impairment:			
Allowance for impairment at 1.1.	-134	-118	-110
Foreign currency translation adjustments	4	0	1
Additions relating to acquisitions	-5	-	-
Applied during the year	14	16	22
Additions during the year	-26	-32	-32
Reversals during the year	4	0	1
Allowance for impairment at 31.12.	**-143**	**-134**	**-118**

The Group provides for anticipated credit losses in an allovance account used to record individual impairments. The value of a receivable is assesed for impairment based on an assessment of the particular debtor's and uniform groups of debtors' ability to pay. Receivables are computed at net realisable value, and write-downs are recognised on an allowance account. For information on security or collateral, see *Credit risk description* in Note 15.

Note 14 – Provisions

(DKK million)	2013	2012	2011
Other non-current employee benefits	44	41	37
Miscellaneous provisions	34	51	142
Other provisions	78	92	179
Defined benefit plan liabilities, net	70	65	53
Provisions at 31.12.	**148**	**157**	**232**
Breakdown of provisions:			
Non-current provisions	132	121	195
Current provisions	16	36	37
Provisions at 31.12.	**148**	**157**	**232**
Other provisions:			
Other provisions at 1.1.	92	179	185
Foreign currency translation adjustments	-8	-2	2
Reclassifications	-14	0	0
Additions relating to acquisitions	3	4	-1
Provisions during the year	7	13	47
Applied during the year	-1	-95	-32
Reversals during the year	-1	-7	-22
Other provisions at 31.12.	**78**	**92**	**179**
Defined benefit plan costs recognised in the income statement:			
Current service cost	18	14	9
Calculated interest on net plan liabilities	1	-1	1
Costs recognised in the income statement (note 2)	**19**	**13**	**10**
Defined benefit plan costs by function:			
Research and development costs	5	4	2
Distribution costs	6	2	2
Administrative expenses	8	7	6
Total	**19**	**13**	**10**
Accumulated actuarial loss recognised in the statement of comprehensive income	**-30**	**-36**	**-28**

At the beginning of 2012, miscellaneous provisions related mainly to the US patent case against ETG with a provision of DKK 94 million (DKK 94 million at the beginning of 2011). The case concerns the violation of two patents and was concluded in 2012, as it has been decided not to appeal to the Supreme Court. The provision at the beginning of 2012 has in 2012 been offset against damages, legal costs and interest, which amount to a total of DKK 118 million.

Other provisions also relate to provisions for other disputes etc. and are essentially expected to be applied within the next two years.

Note 14 – Provisions – *continued*

(DKK million)	2013	2012	2011
Present value of defined benefit plan liabilities:			
Defined benefit plan liabilities at 1.1.	194	161	120
Foreign currency translation adjustments	-2	1	2
Additions relating to acquisitions	33	0	0
Current service costs	18	14	9
Calculated interest on plan liabilities	3	3	4
Actuarial losses/(gains), demographic assumptions	-1	0	0
Actuarial losses/(gains), financial assumptions	1	0	0
Actuarial losses/(gains), experience assumptions	0	12	36
Benefits paid	-1	1	-15
Contributions from plan participants	10	2	5
Defined benefit plan liabilities at 31.12.	**255**	**194**	**161**
Fair value of plan assets:			
Plan assets at 1.1.	129	108	95
Foreign currency translation adjustments	-2	1	2
Additions relating to acquisitions	33	0	0
Expected return on plan assets	2	4	3
Actuarial gains/(losses)	5	4	12
Contributions	19	11	11
Benefits paid	-1	1	-15
Plan assets at 31.12.	**185**	**129**	**108**
Net plan liabilities recognised in the balance sheet	**70**	**65**	**53**
Return on plan assets:			
Actual return on plan assets	7	8	15
Expected return on plan assets	2	4	3
Actuarial gains/(losses) on plan assets	**5**	**4**	**12**
Assumptions:			
Discount rate	2.0%	2.0%	2.5%
Expected return on plan assets	2.0%	4.0%	4.0%
Future salary increase rate	1.5%	1.5%	1.5%

Generally, the Group does not offer defined benefit plans, but it has such plans in Switzerland and the Netherlands, where they are required by law. Moreover, the President & CEO of the Group has a seniority bonus. Plan assets at 31 December 2013 include: bonds (41%), shares (22%), other securities (17%), cash and cash equivalents (6%) and other assets (14%). Plan assets at 31 December 2012 included: bonds (42%), shares (23%), other securities (21%), cash and cash equivalents (1%) and other assets (13%). All plan assets except other assets are quoted on active markets. The Group expects to pay approximately DKK 18 million in 2014 (DKK 12 million in 2013) into defined benefit plans. Defined benefit obligations in the amount of DKK 28 million will mature within 1-5 years and obligations in the amount of DKK 227 million after 5 years.

If the discount rate were 0.5% higher (lower), the defined benefit obligation would decrease by 7% (increase by 8%). If the expected salary growth rate were 0.5% higher (lower), the defined benefit obligation would increase by 3% (decrease by 3%).

Note 15 – Financial instruments and financial risks

Categories of financial instruments

(DKK million)	2013	2012	2011
Unrealised gains on financial contracts	45	31	0
Financial assets used as hedging instruments	**45**	**31**	**0**
Receivables from associates	602	338	88
Other receivables	800	774	627
Trade receivables	1,881	1,754	1,711
Cash	393	317	844
Receivables and cash	**3,676**	**3,183**	**3,270**
Securities	1,062	1,503	-
Other investments	14	14	9
Financial assets available for sale	**1,076**	**1,517**	**9**
Other investments	104	0	36
Financial assets, at fair value through the income statement	**104**	**0**	**36**
Unrealised losses on financial contracts	-6	-18	-120
Financial liabilities used as hedging instruments	**-6**	**-18**	**-120**
Unrealised losses on financial contracts	-5	-8	-7
Financial liabilities at fair value through the income statement	**-5**	**-8**	**-7**
Finance lease debt	-10	-14	-17
Debt to credit institutions etc.	-1,254	-998	-1,161
Debt to parent (convertible promissory notes)	-2,050	-2,000	-2,000
Interest-bearing bank debt	-1,929	-1,645	-1,134
Trade payables	-367	-351	-405
Other liabilities	-952	-923	-759
Financial liabilities measured at amortised cost	**-6,562**	**-5,931**	**-5,476**

As was the case in 2011 and 2012, with the exception of debt to Parent, most financial liabilities fall due within one year. As regards financial assets and liabilities, their carrying amounts approximate their fair values. The following non-financial items are included in the balance sheet and represent the difference between the table above and the balance sheet: other receivables DKK 0 million (DKK 6 million in 2012 and DKK 2 million in 2011) and other liabilities DKK -186 million (DKK -166 million in 2012 and DKK -191 million in 2011).

The debt to Parent consists of convertible promissory notes. At initial recognition, the fair value of the liability part of the debt was found to be equal to the fair value of the entire instrument. For this reason, at initial recognition, the fair value of the conversion right is DKK 0 million, and no amount was recognised as equity.

Policies relating to financial risk management and capital structure

Financial risk management concentrates on exchange rate, interest rate, credit and liquidity risks 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 rate levels. It is corporate policy to exclusively hedge commercial risks and not to undertake any financial transactions of a speculative nature.

Exchange rate risks

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.

Note 15 – Financial instruments and financial risks – *continued*

Interest rate risks
Hedging interest rate risks on corporate loans are limited, as the Group has limited debt compared to its volume of corporate activities. A fixed interest rate swap on corporate floating loans worth EUR 100 million expired in the first half-year 2013. In this connection, it was decided to keep the majority of our corporate loans on floating terms and with limited long-term commitment, with the exception of debt to Parent, which has a fixed interest rate and is long-term. This decision was based on the Group's high level of cash generation and a relatively low financial gearing, resulting in a significant lowering of our interest expenses due to the steep interest rate curve.

Credit risks
Corporate credit risks relate primarily to trade receivables and loans to customers or business partners. Our customer base is fragmented, so credit risks only involve minor losses on individual customers. Together, our five largest customers account for less than 10% of total consolidated revenue. We therefore estimate that we have no major credit exposure, which is supported by our track record of only insignificant losses on bad debts. 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 in particular 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 thats 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 2013 or 2012.

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 a strong cash flow and satisfactory credit rating to secure the current inflow of working capital and funds for potential acquisitions. The Group has neither in the financial year 2013 nor in the comparative year 2012 failed to perform or defaulted on any loan agreements. The William Demant Invest Group has entered into securities with a range of maturities ensuring that the Group will have sufficient cash flows to meet the required payments on Borkum Riffgrund 1.

Exchange rate risks

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

Realised forward exchange contracts are recognised in the income statement together with the items, typically the revenue in foreign currency, that such contracts are designed to hedge. In 2013, our forward exchange contracts realised a gain of DKK 68 million (loss of DKK 101 million in 2012), which increased the reported revenue for the year. In addition, we raised loans in foreign currencies to balance out net receivables. At year-end 2013, we had entered into forward exchange contracts with a contractual value of DKK 681 million (DKK 1,093 million in 2012) and a fair value of DKK 42 million (DKK 26 million in 2012).

Note 15 – Financial instruments and financial risks – *continued*

Forward exchange contracts

(DKK million)

	2013					2012				
	Expiry	Contractual value	Fair value	Positive fair value at year-end	Negative fair value at year-end	Expiry	Contractual value	Fair value	Positive fair value at year-end	Negative fair value at year-end
USD	2014	-169	7	7	0	2013	-233	7	7	0
JPY	2014	-117	27	27	0	2013/14	-231	18	18	0
AUD	2014	-114	8	8	0	2013	-172	-2	0	2
CAD	2014	-79	3	3	0	2013	-232	6	6	0
GBP	2014	-202	-3	0	3	2013	-225	-3	0	3
		-681	**42**	**45**	**3**		**-1,093**	**26**	**31**	**5**

Sensitivity analysis in respect of foreign currencies

The below table shows the impact on the year's operating profit (EBIT) and consolidated equity given a change of 5% in the currencies with the largest 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 exchange 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 exchange 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	2013	2012
USD	+35	+35
GBP	+12	+15
AUD	+12	+10
CAD	+10	+10
JPY	+5	+5

Effect on equity, 5% positive exchange rate impact

DKK million	2013	2012
USD	+70	+45
GBP	+10	+10
AUD	+10	+10
CAD	+25	+25
JPY	+2	+2

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

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 Holding Groups equity given a change of 5% in selected currencies, the William Demant Invest Group will be impacted by DKK 88 million in 2013 (DKK 87 million in 2012) in relation to the value of the investment in Össur hf. if the exchange rate for USD changes by 5%.

Further, in relation to holdings of corporate bonds, the equity impact given a change of 5% is DKK 15 million on bonds in NOK, DKK 11 million on bonds in USD, DKK 2 million on bonds in SEK and DKK 1 million on bonds in GBP (DKK 4 million on NOK, DKK 10 million on USD, DKK 0 million on SEK and DKK 1 million on GBP in 2012).

Note 15 – Financial instruments and financial risks – *continued*

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		
2013						
Interest-bearing receivables	118	290	786	1,194	1,052	
Securities	617	467	48	1,132	1,062	
Cash	393	0	0	393	393	
Interest-bearing assets	**1,128**	**757**	**834**	**2,719**	**2,507**	**4.1%**
Finance lease debt	-1	-10	0	-11	-10	
Debt to credit institutions etc.	-1,185	-73	0	-1,258	-1,254	
Debt to parent	-121	-2,105	0	-2,226	-2,050	
Interest-bearing bank debt	-1,929	0	0	-1,929	-1,929	
Interest-bearing liabilities	**-3,236**	**-2,188**	**0**	**-5,424**	**-5,243**	**2.1%**
Net position	**-2,108**	**-1,431**	**834**	**-2,705**	**-2,736**	**0.4%**
2012						
Interest-bearing receivables	95	415	430	940	819	
Securities	361	1,223	0	1,584	1,503	
Cash	317	0	0	317	317	
Interest-bearing assets	**773**	**1,638**	**430**	**2,841**	**2,639**	**3.9%**
Finance lease debt	-6	-8	0	-14	-14	
Debt to credit institutions etc.	-944	-73	0	-1,017	-998	
Debt to parent	-2,029	0	0	-2,029	-2,000	
Interest-bearing bank debt	-1,645	0	0	-1,645	-1,645	
Interest-bearing liabilities	**-4,624**	**-81**	**0**	**-4,705**	**-4,657**	**3.0%**
Net position	**-3,851**	**1.557**	**430**	**-1,864**	**-2,018**	**1.7%**

Cash consists primarily of bank deposits of which DKK 28 million (DKK 3 million in 2012) relate to joint ventures.

Contractual cash flows of 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 221 million (DKK 136 million in 2012), which have a contractual maturity of 1-5 years. The contractual cash flows approximate their carrying amounts.

Interest-bearing debt broken down by currency: 15% in euros (18% in 2012), 43% in Danish kroner (48% in 2012), 35% in US dollars (27% in 2012), 7% in Canadian dollars (6% in 2012) and 0% in other currencies (1% in 2012).

Note 15 – Financial instruments and financial risks – *continued*

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

Interest swaps

(DKK million)

	2013					2012				
	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%	135	0	5	2016	2.3%	141	0	8
EUR/EUR	-	-	0	0	0	2013	4.0%	746	0	9
DKK/DKK	2015	3.5%	40	0	3	2015	3.5%	40	0	4
			175	**0**	**8**			**927**	**0**	**21**

The fair value of outstanding interest swaps at the balance sheet date is DKK -8 million (DKK -21 million in 2012). The contractual value of outstanding interest swaps is DKK 175 million (DKK 927 million in 2012), such swaps running up to and including 2016. This includes one interest swap that is not designated as hedging. This swap has a fair value of DKK -5 million (DKK -8 million in 2012). There has been no ineffectiveness on interest swaps in 2013 or 2012.

Sensitivity analysis in respect of interest rates

Based on the net debt at the end of the 2013 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 DKK 20 million (less than DKK 1 million in 2012). The Group's portfolio of securities primarily have fixed interest rates and are not part of the above sensitivity analysis. About 42% of the interest-bearing debt is subject to fixed interest rates, partly due to interest swaps being made at floating interest rates, and partly due to loans being raised at fixed interest rates.

Methods and assumptions for calculation of fair values

Securities

Securities are assessed based on listed prices in an active market for the same type of instrument.

Other investments

Other investments are assessed on the basis of their equity value or other valuation methods and assumptions not considering observable market data.

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 contractual forward 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 forward observable yield curves at the end of the reporting period and contractual interest rates discounted at a rate that reflects the credit risk of various counterparties.

Fair value hierarchy for financial instruments measured at fair value in the balance sheet

The following classification of financial instruments measured at fair value is divided 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).

Note 15 – Financial instruments and financial risks – *continued*

(DKK million)	2013				2012			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets used as hedging instruments	0	45	0	**45**	0	31	0	**31**
Securities (available for sale)	1,062	0	0	**1,062**	1,503	0	0	**1,503**
Other investments (available for sale)	0	0	14	**14**	0	0	14	**14**
Other investments at fair value through the income statement	0	0	104	**104**	0	0	0	**0**
Financial liabilities used as hedging instruments	0	-6	0	**-6**	0	-18	0	**-18**
Financial liabilities at fair value through the income statement	0	-5	0	**-5**	0	-8	0	**-8**

There are no transfers between levels 1 and 2 in the 2013 and 2012 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):

Other investments

(DKK million)	2013	2012
Carrying amount at 1.1.	14	45
Foreign currency translation adjustment	0	0
Purchase	105	6
Sale	-3	-36
Other adjustments	2	-1
Transferred to/from level 3	0	0
Carrying amount at 31.12.	**118**	**14**

Note 16 – Other liabilities

(DKK million)	2013	2012	2011
Product-related liabilities	186	166	191
Staff-related liabilities	277	251	254
Other debt, public authorities	129	105	96
Debt relating to acquisitions	262	329	187
Accrued interest to parent	18	17	13
Other costs payable	266	221	209
Other liabilities	**1,138**	**1,089**	**950**
Due within 1 year	917	953	760
Due within 1-5 years	221	136	190

Product-related liabilities include service packages, warranties, returned products etc. Our liabilities in respect of service packages and warranties have been calculated on the basis of information on products sold, related service and warranty periods and past experience of costs incurred by our Group to fulfil our service and warranty liabilities. Our 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.

Note 17 – Operating lease commitments

(DKK million)	2013	2012	2011
Rent	520	543	458
Other operating leases	29	24	33
Total	**549**	**567**	**491**
Operating leases, less than 1 year	161	159	128
Operating leases, 1-5 years	272	291	256
Operating leases, over 5 years	116	117	107
Total	**549**	**567**	**491**

Operating leases are recognised in the income statement at an amount of DKK 288 million (DKK 253 million in 2012). The Group's operating leases mainly relate to rent and vehicles.

Note 18 – Contingent liabilities and contractual obligations

The William Demant Invest Group is involved in a few disputes, lawsuits etc. Management is of the opinion that 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 the Group's 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 1.7 billion., of which DKK 0.4 billion is paid at this stage, for a share of approximately 19% of the German offshore wind farm Borkum Riffgrund 1. The payments are due in 2012-2015. The wind farm is built by DONG in 2013-14.

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.

Note 19 – 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, joint ventures and associates as well as the William Demant Invest Group's ownership interests in these companies appear from the *Subsidiaries and associates* list on page 66.

The Oticon Foundation lets office and production premises to the joint venture, Sennheiser Communications A/S. In 2013, the rental expense amounted to DKK 3 million (DKK 2 million in 2012). Further, the Oticon Foundation has granted loans (convertible promissory notes) to William Demant Invest A/S totalling DKK 2,050 million on which interests in 2013 total DKK 71 million (DKK 70 million in 2012).

Sales to joint ventures not eliminated in the consolidated financial statements amounted to DKK 1 million (DKK 23 million in 2012). At year-end, non-eliminated receivables, net, with joint ventures totalled DKK 0 million (DKK 4 million in 2012).

In 2013, the Group received royalties from and paid licence fees amounting to DKK 2 million (DKK 2 million in 2012) to associates and also received dividends from associates in the amount of DKK 45 million (DKK 49 million in 2012). In 2013, the Group received interest income from associates in the amount of DKK 15 million (DKK 5 million in 2012). In 2013, the Oticon Foundation paid administration fees to the Group of DKK 2 million (DKK 2 million in 2012). In 2013, associates paid consultancy fees and Board renumeration to the Group of DKK 1 million (DKK 1 million in 2012).

There have been no transactions with the Executive Board and the Board of Directors apart from normal remuneration, refer to note 2 *Employees*. The Executive Board has 30 months' notice in the event of dismissal.

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

(DKK million)

	2013	2012
The consolidated financial statements include the following amounts related to joint ventures:		
Revenue	251	377
Costs	201	344
Non-current assets	10	8
Current assets	55	54
Non-current liabilities	0	0
Current liabilities	33	30
Financial information in respect of associates:		
Revenue	4,510	3,927
Net profit for the year	731	256
Assets	23,448	21,363
Liabilities	16,145	14,974

In 2013, Sennheiser Communications A/S was the only joint venture activity in the Group and was proportionately consolidated in the consolidated financial statements based on the Group's ownership interest of 50%. In 2012, the Group's joint venture activities consisted of Sennheiser Communications A/S and Hearing Healthcare Management Inc., which were both proportionately consolidated in the consolidated financial statements based on the Group's ownership interests of 50% and 65%, respectively. At the end of 2012, the Group obtained 100% ownership of Hearing Healthcare Management Inc. In compliance with the shareholder agreements, the Group has exercised a joint controlling interest in both these companies together with the other shareholders. There are no significant contingent liabilities in the Group's joint ventures.

Note 20 – Acquisition of enterprises and activities

(DKK million)	North America	Oceania	Europe/ Asia	Total
	Fair value on acquisition			
2013				
Intangible assets	12	0	1	13
Property, plant and equipment	6	1	25	32
Other non-current assets	1	0	18	19
Inventories	5	0	60	65
Current receivables	31	0	79	110
Cash and bank debt	11	0	13	24
Non-current liabilities	-151	0	-77	-228
Current liabilities	-33	0	-121	-154
Acquired net assets	**-118**	**1**	**-2**	**-119**
Goodwill	481	32	620	1,133
Acquisition cost	**363**	**33**	**618**	**1,014**
Minority interests' share of acquisition cost	0	0	0	0
Fair value of non-controlling interests on obtaining control	-54	0	-32	-86
Earn-outs and deferred payments	-106	-7	-32	-145
Acquired cash and bank debt	-11	0	-13	-24
Cash acquisition cost	**192**	**26**	**541**	**759**
2012				
Intangible assets	6	0	1	7
Property, plant and equipment	14	2	4	20
Other non-current assets	16	0	1	17
Inventories	13	1	6	20
Current receivables	23	0	9	32
Cash and bank debt	17	0	5	22
Non-current liabilities	-2	0	0	-2
Current liabilities	-29	-2	-21	-52
Acquired net assets	**58**	**1**	**5**	**64**
Goodwill	487	34	69	590
Acquisition cost	**545**	**35**	**74**	**654**
Minority interests' share of acquisition cost	-1	0	-2	-3
Fair value of non-controlling interests on obtaining control	-118	0	-9	-127
Earn-out and deferred payments	-47	-2	-10	-59
Acquired cash and bank debt	-17	0	-5	-22
Cash acquisition cost	**362**	**33**	**48**	**443**

Note 20 – Acquisitions – *continued*

Our most significant acquisition in 2013 was the purchase of the French manufacturer of cochlear implants, Neurelec SA. The acquisition was finalised on 2 April 2013 and included all shares in the company against an acquisition cost of DKK 428 million. Identifiable assets accounted for DKK 22 million and goodwill for DKK 406 million. Goodwill is attributable to estimated synergies between activities in Neurelec and the Group's existing activities, to the future growth opportunities and to the value of staff competencies in Neurelec. In the above geographical segmentation of total acquisitions, the acquisition of Neurelec is included under Europe/Asia.

The Group's other acquisitions in the period under review include distribution enterprises in North America and Europe relating to Diagnostic Instruments as well as partial or full ownership of distribution entities in North America, Oceania and Europe/Asia relating to Hearing Devices. In respect of these acquisitions, we paid acquisition costs exceeding the fair values of the acquired assets, liabilities and contingent liabilities. Such positive balances in value can be attributed to expected synergies between the activities of the acquired entities and our existing activities, to the future growth opportunities and to the value of staff compentencies in the acquired entities. These synergies are not recognised separately from goodwill, as they are not separately identifiable.

At the time of acquisition, minority investors' shares of acquisitions were measured at their proportionate shares of the total fair values of the acquired entities including goodwill. In connection with step acquisitions, non-controlling interests were at the time of achieving control included at their fair values with fair value adjustments in the income statement.

In 2013, a few adjustments were made to the preliminary recognition of acquisitions made in 2012 and to the recognition of acquisitions made in 2009 and recognised via goodwill in compliance with IFRS 3 (2004). These adjustments are due to adjustments to payments in the amount of DKK 1 million and to estimated earn-outs of DKK -5 million, resulting in a goodwill adjustment of DKK -4 million. In relation to acquisitions with final recognition in 2010 to 2012, adjustments were made in 2013 in respect of estimated earn-outs. Such adjustments are recognised in the income statement in compliance with IFRS 3 (2008).

The total positive impact on the income statement due to the fair value adjustment of non-controlling interests in step acquisitions (DKK 50 million) and adjustments of estimated earn-outs (DKK 46 million) amounted to DKK 96 million, which was recognised in distribution costs.

Of the total acquisition costs in 2013, including adjustments to preliminarily recognised acquisitions of DKK -5 million (DKK -1 million in 2012), the fair values of estimated contingent considerations in the form of discounted earn-outs or deferred payments accounted for DKK 145 million (DKK 59 million in 2012). Contingent considerations are measured at their fair values based on non-observable inputs (level 3), such as the financial performance and purchasing patterns of the acquired enterprises in a period of typically one to 1-5 years after the dates of acquisition. The maximum contingent consideration on acquisitions made in 2013 is DKK 159 million. In 2013, payment of contingent considerations totalled DKK 137 million and foreign currency translation adjustments DKK -29 million. Contingent consideration on the balance sheet is specified in note 16 *Other liabilities* on page 67.

The acquired assets included contractual receivables amounting to DKK 85 million (DKK 29 million in 2012) of which DKK 5 million (DKK 0 million in 2012) was thought to be uncollectible at the date of acquisition. Of total goodwill in the amount of DKK 1,133 million (DKK 590 million in 2012), DKK 71 million (DKK 209 million in 2012) can be amortised for tax purposes. Neither in 2012 nor in 2013, were contingent liabilities recognised on acquisition.

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

Transaction costs in connection with acquisitions in 2013 amounted to DKK 4 million (DKK 5 million in 2012), which has been recognised under distribution costs.

The revenue and profit of the acquired enterprises since our acquisition in 2013 amounted to DKK 311 million (DKK 185 million in 2012) and DKK 17 million (DKK 15 million in 2012), respectively. Had such revenue and profit been consolidated on 1 January 2013, the consolidated revenue and profit are pro forma estimated to have been DKK 9,471 million (DKK 8,644 million in 2012) and DKK 1,325 million (DKK 1,156 million in 2012), 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 a basis for comparison in subsequent financial years.

From the balance sheet date and until the date of financial reporting in 2014, we have acquired a few minor distribution enterprises. We are in the process of calculating their fair values. The acquisition cost is expected to relate primarily to goodwill.

Note 21 – Government grants

In 2013, the William Demant Invest Group received government grants in the amount of DKK 12 million (DKK 1 million in 2012). Grants are offset against research and development costs.

Note 22 – Specifications to consolidated cash flow statement

(DKK million)	2013	2012
Amortisation and depreciation etc.	295	267
Share of profit after tax, associates	-316	-107
Gain on sale of intangible assets and property, plant and equipment	0	-5
Other non-cash items	-32	-13
Non-cash items etc.	**-53**	**142**

Note 23 – Events after the balance sheet date

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

Note 24 – Approval and publication

At the Board meeting on 8 April 2014, 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 8 April 2014.

Note 25 – 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%.

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 Holding 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.

Dividend

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.

PARENT INCOME STATEMENT

(DKK million)	Note	2013	2012
Fee income		0.9	0.7
Administrative expenses	1	-6.3	-8.1
Operating loss (EBIT)		**-5.4**	**-7.4**
Financial income	2	138.1	1,240.6
Financial expenses	2	-121.0	-70.0
Profit before tax		**11.7**	**1,163.2**
Tax on profit for the year		9.4	0.0
Profit for the year		**21.1**	**1,163.2**
Proposed distribution of net profit:			
Dividend		0.0	49.1
Retained earnings		21.1	1,114.1
		21.1	**1,163.2**

PARENT BALANCE SHEET AT 31 DECEMBER

(DKK million)	Note	2013	2012
Assets			
Investments in subsidiaries		2,713.8	2,713.8
Investments in associates		3,518.3	3,389.5
Receivables from associates		447.7	202.1
Other investments		109.2	2.0
Financial assets	3	**6,789.0**	**6,307.4**
Non-current assets		**6,789.0**	**6,307.4**
Receivables from subsidiaries		28.1	56.4
Income tax		25.5	0.2
Other receivables		23.4	21.1
Receivables		**77.0**	**77.7**
Securities	4	**1,062.2**	**1,503.1**
Cash		**29.5**	**9.5**
Current assets		**1,168.7**	**1,590.3**
Assets		**7,957.7**	**7,897.7**

PARENT BALANCE SHEET AT 31 DECEMBER

(DKK million)	Note	2013	2012
Equity and liabilities			
Share capital		3.5	3.5
Retained earnings		5,841.9	5,820.8
Dividend		0.0	49.1
Total equity	5	**5,845.4**	**5,873.4**
Debt to parent	6	2,000.0	2,000.0
Non-current liabilities		**2,000.0**	**2,000.0**
Debt to parent	6	67.9	17.5
Debt to subsidiaries		44.2	6.8
Other debt		0.2	0.0
Current liabilities		**112.3**	**24.3**
Liabilities		**2,112.3**	**2,024.3**
Equity and liabilities		**7,957.7**	**7,897.7**

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PARENT STATEMENT OF CHANGES IN EQUITY

(DKK million)	Share capital	Other reserves	Dividend	Total equity
Equity at 1.1.2012	**3.5**	**4,706.7**	**0.0**	**4,710.2**
Profit for the year	-	1,114.1	49.1	1,163.2
Dividend paid	-	-	0.0	0.0
Equity at 31.12.2012	**3.5**	**5,820.8**	**49.1**	**5,873.4**
Profit for the year	-	21.1	0.0	21.1
Dividend paid	-	-	-49.1	-49.1
Equity at 31.12.2013	**3.5**	**5,841.9**	**0.0**	**5,845.4**

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

NOTES TO PARENT FINANCIAL STATEMENTS

Note 1 – Employees

Remuneration for the members of the Parent's Board of Directors totals DKK 0.7 million (DKK 0.6 million in 2012). The Parent has no employees and outsources via a management fee agreement administrative tasks to William Demant Holding A/S.

Note 2 – Fees to Parent's auditors appointed at the annual general meeting

(DKK million)	2013	2012
Statutory audit	0.1	0.1
Total	**0.1**	**0.1**

Note 3 – Financial income and expenses

(DKK million)	2013	2012
Dividends from associates	45.2	48.1
Valuation adjustment of securities	13.3	40.8
Interest income from securities	62.8	45.1
Interest income from associates	12.6	1.9
Other financial income	4.2	1.7
Gain on disposal of shares in Origio A/S	0.0	44.4
Gain on disposal of shares in William Demant Holding A/S	0.0	1,058.6
Financial income	**138.1**	**1,240.6**
Valuation adjustment of bonds	-49.8	0.0
Interest expenses to Parent	-70.9	-70.0
Other financial expenses	-0.3	0.0
Financial expenses	**-121.0**	**-70.0**

Note 4 – Financial assets

(DKK million)	Investments in subsidiaries	Investments in associates	Receivables from associates	Other investments
Cost at 1.1.2013	**2,713.8**	**3,389.5**	**202.1**	**2.0**
Additions during the year	0.0	128.8	245.6	103.0
Cost at 31.12.2013	**2,713.8**	**3,518.3**	**447.7**	**105.0**
Value adjustments at 1.1.2013	**0.0**	**0.0**	**0.0**	**0.0**
Other adjustments	0.0	0.0	0.0	4.2
Value adjustments at 31.12.2013	**0.0**	**0.0**	**0.0**	**4.2**
Carrying amount at 31.12.2013	**2,713.8**	**3,518.3**	**447.7**	**109.2**
Cost at 1.1.2012	**2,951.4**	**3,177.4**	**0.0**	**35.9**
Additions during the year	0.0	212.1	202.1	2.0
Disposals during the year	-237.6	0.0	0.0	-35.9
Cost at 31.12.2012	**2,713.8**	**3,389.5**	**202.1**	**2.0**
Carrying amount at 31.12.2012	**2,713.8**	**3,389.5**	**202.1**	**2.0**

Note 5 – Securities

Securities with maturity after 1 year but before 5 years total DKK 444 million (in 2012 DKK 1,191 million). Securities with maturity after 5 years total DKK 43 million (in 2012 DKK 0 million).

Note 6 – Debt to Parent

Of the non-current debt to Parent in the amount of DKK 2,000 million (DKK 2,000 million in 2012), DKK 0 million (DKK 0 million in 2012) will fall due after five years.

Of the total debt to Parent of DKK 2,067.9 million, DKK 2,050 million is in convertible promissory notes.

Note 7 – Contingent liabilities and contractual obligations

William Demant Invest A/S is the 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 1.7 billion. (of which DKK 0.4 billion is paid at this stage) for a share of approximately 19% of the German offshore wind farm Borkum Riffgrund 1. The payments are due in 2012-2015. The wind farm is built by DONG in 2013-14.

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.

Note 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 interest.

Note 9 – Shareholders

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

Note 10 – Events after the balance sheet date

Refer to note 23 "Events after the balance sheet date" in the consolidated financial statements.

SUBSIDIARIES AND ASSOCIATES

Company	Interest
William Demant Invest A/S, Denmark	Parent
• William Demant Holding A/S, Denmark	54,2%
• Jeudan A/S, Denmark	42,0%
• Össur hf., Island	41,4%
• Unisense FertiliTech A/S, Denmark	31,5%
• Boston Holding A/S, Denmark	37,0%

Companies in the William Demant Holding Group

	Interest
Oticon A/S, Denmark*	100%
Oticon AS, Norway*	100%
Oticon AB, Sweden*	100%
Oy Oticon Ab, Finland*	100%
Oticon GmbH, Germany	100%
Oticon Nederland B.V., the Netherlands*	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 Canada Ltd., Canada*	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 Inc., USA	100%
Bernafon AG, Switzerland*	100%
Bernafon Hörgeräte GmbH, Germany	100%
Bernafon S.r.l., Italy*	100%
Bernafon LLC, USA	100%
Bernafon Canada Ltd., Canada	100%
Bernafon Australia Pty. Ltd., Australia*	100%
Bernafon New Zealand Pty. Ltd., New Zealand	100%
Bernafon K.K., Japan	100%
Bernafon Nederland B.V., the Netherlands*	100%
Bernafon AB, Sweden*	100%
Bernafon Ibérica S.L.U., Spain*	100%
DGS Poland Sp. z o.o., Poland	100%
ACS Sluchmed Sp. z o.o, Poland	100%
Acustic Aparaty Stuchowe Sp. z o.o., Poland	100%
Acustica Sp. z o.o., Poland*	100%
AD Styla Sp. z o.o., Poland	100%
Akoustica Medica M EPE, Greece	100%
American Hearing Aid Associates, Inc., USA	100%
Amplivox Ltd., United Kingdom	100%
Audiola Sp. z o.o., Poland	100%
Audiomed Tibbi Cihazlar Malzeme ve Implant, Turkey	100%

	Interest
Audionomerna Sweden AB, Sweden	100%
Canada Hearing Centre Ltd., Canada	100%
Centro Auditivo Telex S.A., Brazil	100%
Danacom Høreapparater A/S, Denmark*	100%
Det Lille Høreapparat ApS, Denmark*	100%
Diagnostic Group LLC, USA	100%
Diatec AG, Switzerland*	100%
Diatec Spain, S.L.U., Spain	100%
Digital Hearing (UK) Ltd., United Kingdom	100%
Fonikon Biernacki K.A. & Konopka A.K. Sp. z o.o., Poland	100%
Gordon N. Stowe and Associates Inc., USA	100%
Hearing Healthcare Management Inc., USA	100%
Hidden Hearing (Portugal), Unipessoal Lda., Portugal	100%
Hidden Hearing (UK) Ltd., United Kingdom	100%
Hidden Hearing Limited, Ireland	100%
Hörsam AB, Sweden*	100%
Hörmittelzentralen AG, Switzerland	100%
HZ Satellit GmbH, Switzerland	100%
IDEA Isitme Sistemleri Sanayi ve Ticaret A.S., Turkey	100%
Interacoustics A/S, Denmark*	100%
Interacoustics Pty. Ltd., Australia*	100%
Kuulopiiri Oy, Finland*	100%
M.S.R. West, Inc., USA	100%
Maico Diagnostic GmbH, Germany*	100%
Maico S.r.l., Italy*	100%
Med-Acoustics Inc., USA	100%
MedRx Inc., USA	100%
Micromedical Technologies Inc., USA	100%
Multifon Aparaty Sluchowe Sp. z o.o., Poland	100%
Neurelec GmbH, Germany	100%
Neurelec Maroc Sarlau, Morocco	100%
Neurelec S.A., France*	100%
Ostrea Holding AG, Switzerland*	100%
Phonic Ear A/S, Denmark*	100%
Prodition S.A., 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%
Trilogy Audiometrics Inc., USA	100%
Van Boxtel Hoorwinkels B.V., the Netherlands	100%
FrontRow Calypso LLC, USA	75%
Sennheiser Communications A/S, Denmark	50%
nEarcom LLC, USA	33%
HIMSA A/S, Denmark	25%

The list above includes the William Demant Holding Group's active companies.
**Directly owned by William Demant Holding A/S.*

William Demant Invest A/S
Kongebakken 9
DK-2765 Smørum
Denmark
Phone +45 3917 7300
Fax +45 3927 8900
william@demant.com
www.demant.com
CVR no. 27761291

Editing, design and production:
William Demant Invest A/S

William Demant **Invest**