ANNUAL REPORT

2014

William Demant **Invest**


SEA
Faroe Is.
Shetland Is.
UNITED KINGDOM
IRELAND
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SCOTLAND
Bergen
Stavanger
NORTH SEA
Skagerrak
DENMARK
Copenhagen
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Nantes
Bay of Biscay
Bordeaux
Bilbao
FRANCE
Paris
Strasbourg
GERMANY
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AUSTRIA
Lyon
Geneva
Toulouse
Marseille
Vigo
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SPAIN
Valencia
Murcia
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Balearic Is.
Majorca
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Sardinia
Florence
Rome
ITALY
Naples
Palermo
Sicily
Messina
Catania
Ionian Sea
MEDITERRANEAN
Algiers
Tunis
Tripoli
TRIPOLITANIA
LIBYA
FEZZAN
Grand Erg
In Salah
Amguid
Ouargla
Tamanrasset
NIGER
CHAD
CYRENAICA

CONTENT

ABOUT WILLIAM DEMANT INVEST

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

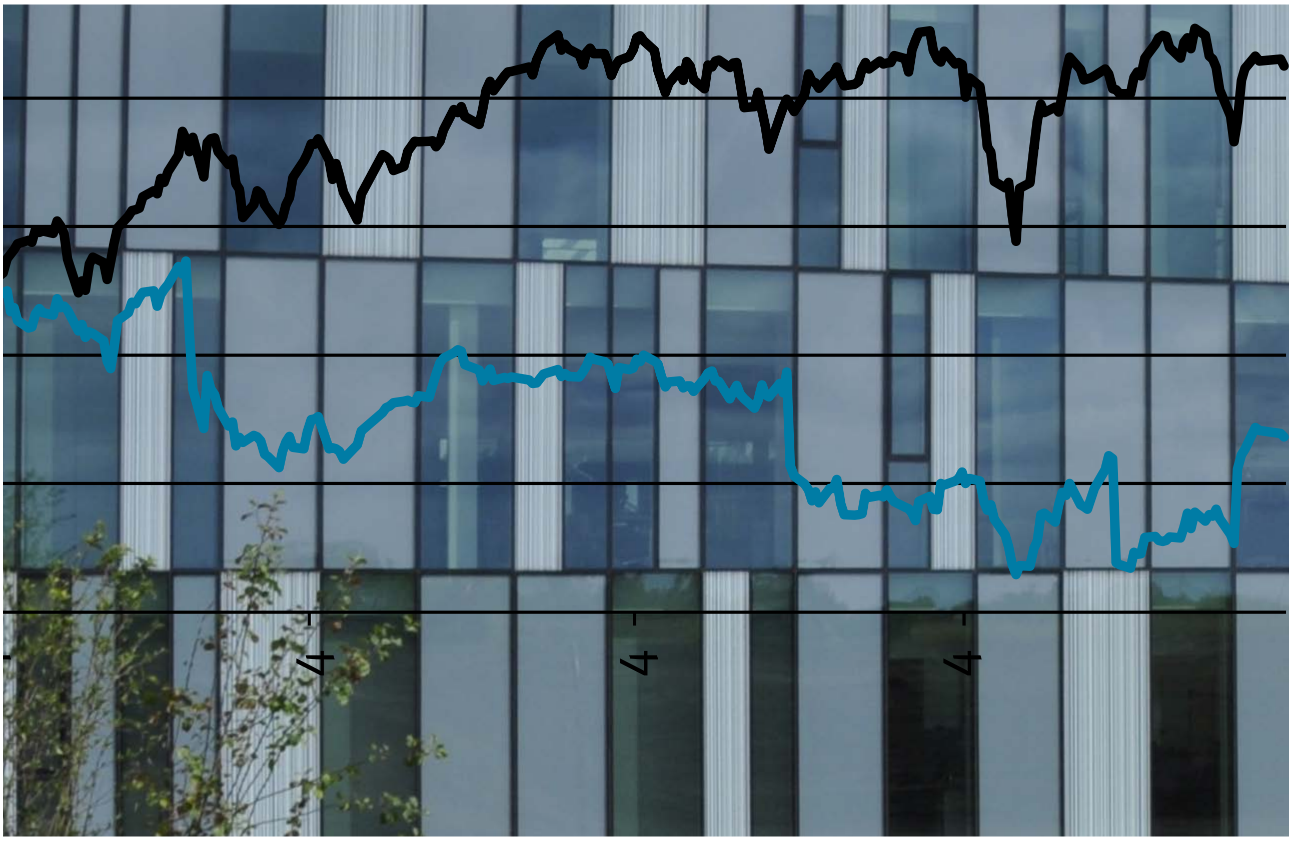
The main purpose of the Oticon Foundation is to secure and expand William Demant Holding and to donate a share of its net income to charter-defined causes. This long-term perspective recurs in the majority of William Demant Invest's other investments, where William Demant Invest seeks a substantial and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

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

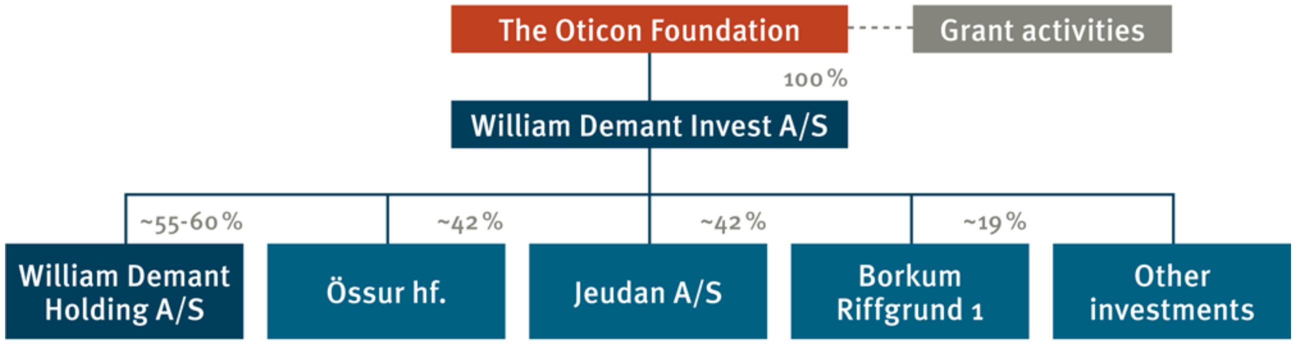
When investing in new companies, William Demant Invest generally looks for the following industry and company traits:

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



GROUP STRUCTURE AND CORPORATE GOVERNANCE



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

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

MANAGEMENT REVIEW

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

William Demant Invest divested its 31% share in Unisense FertiliTech A/S to the Swedish listed medtech company Vitrolife in November 2014 in exchange for shares in Vitrolife AB (listed on NASDAQ Stockholm). Besides that, William Demant Invest made no major new, active investments in 2014. The "Other" category thus includes the stake in Vitrolife, ownership of Borkum Riffgrund 1, other minor investments and administration costs.

The pro forma consolidation shows an overall growth in revenue in 2014 of 7.8%. William Demant Holding continues to be William Demant Invest's largest investment accounting for approx. 76% of pro forma revenue[2]. The growth in pro forma revenue was mainly driven by a reported 6% growth in William Demant Holding and strong growth of 18% in Össur.

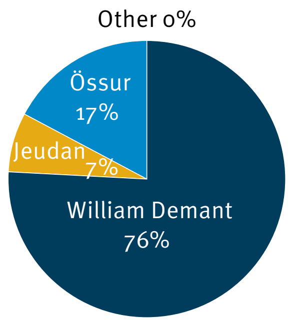
2014 delivered a 7.3% growth in EBIT driven by economies of scale in Össur but a 27.6% decrease in profit for the year, which is mainly attributable to adjustment of financial obligations in Jeudan due to the nature of using interest rate swaps to hedge interest rate risk of property investments.

The companies in the William Demant Invest sphere employed on average 12,385 people during 2014 and had an aggregated market capitalisation of more than DKK 40 billion by year-end 2014, which has risen to almost DKK 51 billion by 7 April 2015, of which William Demant Invest's share is DKK 27 billion.

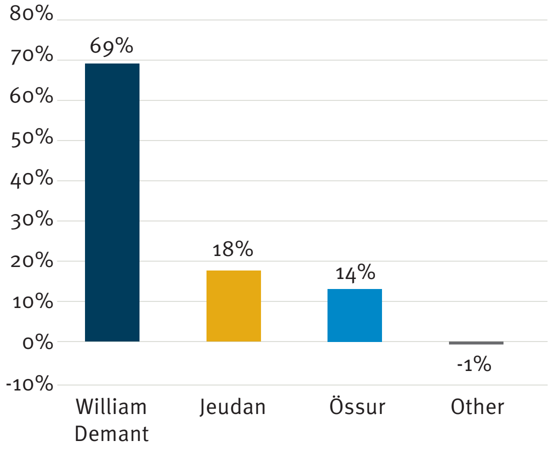
[1] The formal consolidated income statement etc. for William Demant Invest A/S can be found on page 22.

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

Revenue split



Operating profit split



PRO FORMA CONSOLIDATION

(DKK million)	Individual entities – 100%		William Demant Invest A/S proportional share	
	2014	**2013**	**2014**	**2013**
REVENUE				
William Demant Holding A/S	9,346	8,959	5,336	5,025
Jeudan A/S	1,153	1,129	484	472
Össur hf.	2,861	2,448	1,199	1,017
Other	1	1	1	1
	13,361	**12,537**	**7,020**	**6,515**
OPERATING PROFIT				
William Demant Holding A/S	1,761	1,736	1,006	974
Jeudan A/S	641	631	269	264
Össur hf.	483	329	203	137
Other	-18	-11	-12	-9
	2,867	**2,685**	**1,466**	**1,366**
FINANCIAL ITEMS AND TAX				
William Demant Holding A/S	-434	-450	-248	-252
Jeudan A/S	-826	-60	-347	-25
Össur hf.	-149	-102	-62	-42
Other	10	18	10	17
	-965	**-144**	**-647**	**-302**
DISPOSED INVESTMENTS			**-49**	**-16**
PROFIT FOR THE YEAR, OTICON FOUNDATION SHARE			**770**	**1,048**
Profit for the year, Oticon Foundation minority share			-29	-25
PROFIT FOR THE YEAR, TOTAL WILLIAM DEMANT INVEST A/S SHARE			**741**	**1,023**
EMPLOYEES, AVERAGE				
William Demant Holding A/S	9,799	9,120	5,595	5,116
Jeudan A/S	372	364	156	152
Össur hf.	2,214	2,097	928	872
Other	0	0	0	0
	12,385	**11,581**	**6,679**	**6,140**
MARKET CAPITALISATION (YEAR-END)				
William Demant Holding A/S	25,545	29,754	14,870	16,738
Jeudan A/S	6,120	6,874	2,568	2,884
Össur hf.	8,031	4,864	3,402	2,016
Other (book value of equity)	755	634	753	636
	40,451	**42,126**	**21,593**	**22,274**

WILLIAM DEMANT INVEST A/S SHARE OF OWNERSHIP	Average of the year		End of the year	
	2014	**2013**	**2014**	**2013**
William Demant Holding A/S (including Oticon Foundation minority share)	57%	56%	58%	56%
Jeudan A/S	42%	42%	42%	42%
Össur hf.	42%	42%	42%	42%

The pro forma consolidation of the income statement and average employees is prepared on the basis of average share of ownership in the reported years (adjusted for treasury shares). The pro forma consolidation of the balance sheet items is prepared on the basis of share of ownership end of period in the reported years. “Other” include William Demant Invest A/S parent, Borkum Riffgrund 1, stake in Vitrolife AB, corporate bonds and eliminations. Share of ownership in William Demant Holding A/S is in the above pro forma consolidation including William Demant Invest A/S shares as well as the Oticon Foundations shares.

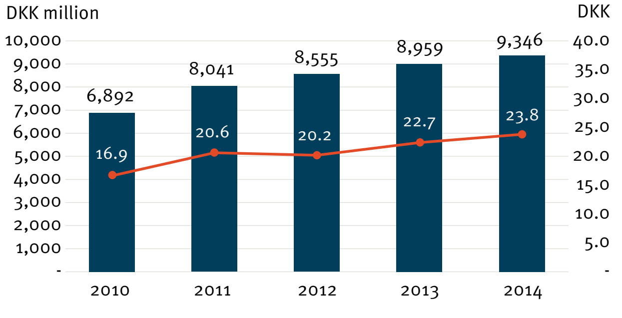
WILLIAM DEMANT HOLDING

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

Today, the William Demant Holding Group has more than 10,000 employees and is headquartered in Smørum on the outskirts of Copenhagen, Denmark. William Demant Holding A/S is listed on NASDAQ 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
Benedikte Leroy	
Niels B. Christiansen	
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

2014
In 2014, William Demant Holding's consolidated revenue exceeded DKK 9.3 billion, corresponding to 6% growth in local currencies. Operating profit (EBIT) amounted to DKK 1,761 million, or an increase of 1% compared with 2013.

The first half of the year saw some turbulence in the US market, which led to a weak start for William Demant Holding, which prompted commercial initiatives in the core business of wholesale hearing devices. These initiatives coupled with attractive product launches resulted in improved sales momentum in the second half-year.

William Demant Holding's strong position in hearing healthcare will be further strengthened in 2015 due to the launch of the new Inium Sense platform for the Oticon brand. The new platform is currently being launched in all styles, at all price points and in all markets and marks the biggest and broadest product launch ever undertaken by Oticon.

In the Hearing Implants business activity, William Demant Holding is steadily working towards fulfilling the long-term ambition of becoming one of the world's leading manufacturers of hearing implants. Reaching this ambition will of course take some years, but with important milestones already reached in 2013 and 2014 and with the activities planned for 2015, William Demant Holding has taken important steps towards realising this goal.

Outlook 2015
In 2015, William Demant Holding expects to deliver growth in all business activities, which is anticipated to translate into an EBIT of DKK 1,700-2,000 million.

www.demant.com

William Demant

William Demant Holding A/S

(DKK million)	2014	2013
Revenue	9,346	8,959
EBITDA	2,055	2,028
EBIT	1,761	1,736
Net result	1,327	1,286
Equity	5,584	5,056
Assets	11,219	10,318
Cash flow from operations (CFFO)	1,495	1,282
Free cash flow (FCF)	1,044	819
Average number of employees	9,799	9,093
William Demant Invest A/S (incl. the Oticon Foundation) ownership (end of period)	58%	56%

William Demant Holding A/S

Hearing Devices
Oticon
Bernafon
Sonic
Phonic Ear
FrontRow

Hearing Implants
Oticon Medical

Diagnostic Instruments
Maico
Interacoustics
Amplivox
Grason-Stadler
MedRx
Micromedical

Personal Communication
Sennheiser Communications

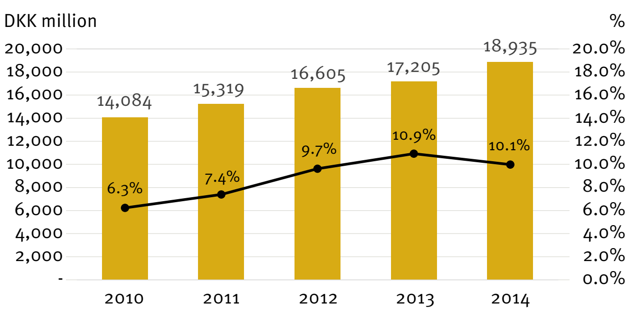
Shared functions – DGS
Operational and distribution activities

JEUDAN

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

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

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



■ Investment properties
■ EBVAT*/average equity
(*EBVAT = earnings before value adjustments and tax)

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

2014
The combination of low interest rates and a continued demand for Copenhagen properties has resulted in an increasing price trend. The increase is based in both commercial and residential properties, and interest is driven by both local and foreign investors.

In 2014, Jeudan realised an operating profit (EBIT) of DKK 640 million, a 1% increase compared to 2013. After interest expense, but before value adjustments and tax, the result (EBVAT) amounted to DKK 453 million, a 3% decrease compared to 2013, mainly explained by increased interest expenses due to investments in properties. The result is achieved on a basis of DKK 1.2 billion in revenue. As Jeudan hedges the majority of their interest rate risk through interest swaps, the large drop in interest rates in 2014 has led to a negative adjustment of financial obligations of DKK -990 million (2013: positive adjustment of DKK 338 million), which explains the negative net result for 2014.

The value of Jeudan's more than 200 properties amounted to DKK 18.9 billion by year-end 2014, a DKK 0.6 billion increase compared to 2013. Equity, which at year-end reached DKK 4.4 billion, had a return of 10.1%. At year-end, equity comprised 22.9% of Jeudan's total assets. As a result of the equity ratio, the board proposes a zero dividend for 2014 in accordance with the dividend policy and expected investments for 2015.

Outlook 2015
In light of the abovementioned and unchanged activity in Jeudan Servicepartner, the net revenue in 2015 is expected to be DKK 1.2 billion (2014: 1,153 million). Operating profit (EBIT) is expected to be at the level of DKK 700-730 million (2014: DKK 640 million) and operating profit before value adjustments and tax of DKK 510-540 million (2014: DKK 453 million).

www.jeudan.dk

Jeudan A/S

(DKK million)	2014	2013
Revenue	1,153	1,129
EBIT	640	631
Net result	-186	572
Equity	4,370	4,697
Assets	19,071	17,800
Cash flow from operations (CFFO)	392	503
Free cash flow (FCF)	-586	-200
Average number of employees	372	364
Occupancy rate	94%	93%
William Demant Invest A/S ownership (end of period)	42%	42%

ÖSSUR

About Össur
Össur is a global leader in non-invasive orthopaedics, focused on delivering innovative solutions in the prosthetics and bracing and supports market. The company was founded in 1971, is headquartered in Iceland and operates with 2,100 employees in 18 countries. Össur hf. has been listed on the Icelandic Stock Exchange since 1999 and on NASDAQ Copenhagen since 2009.

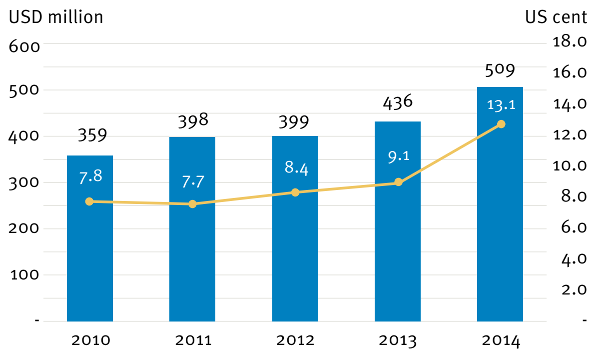
William Demant Invest started investing in Össur in 2004 and has continually bought up Össur shares. Today, William Demant Invest is the largest shareholder with approx. 42% ownership.

Board of Directors

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

Executive Management

Jón Sigurðsson	President & CEO
Sveinn Sölvason	CFO
Egill Jónsson	EVP
Ólafur Gylfason	EVP
Þorvaldur Ingvarsson	EVP
Margrét Lára Friðriksdóttir	EVP
Jos Van Poorten	Managing Director EMEA



2014
In 2014, Össur continued to focus investment on growth opportunities, as well as returning value to shareholders through dividends and share buybacks. Prosthetics sales growth was excellent across all major markets and product lines, and sales in bracing and supports grew in line with expectations. Össur strengthened their sales channel in Asia-Pacific through two strategic acquisitions and all recent investments have been in line with plans. Össur introduced numerous new products and product upgrades to the market in 2014, including the RHEO KNEE® 3, the third generation of Össur's first bionic product, which was well received. Össur continues to focus on premium designs, always pushing for greater innovation and better outcomes.

The total sales for 2014 amounted to USD 509.4 million, compared to USD 436.3 million in the preceding year. This represents an increase in sales of 17%. Net profit amounted to USD 59.0 million compared to USD 41.0 million in 2013. Diluted earnings per share amounted to US cents 13.1 compared to US cents 9.1 in 2013. Earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to USD 104.3 million compared to USD 75.5 million in the preceding year.

Outlook 2015
For 2015, Össur expects a revenue growth of 4-6% in local currency (3-5% organic) and an EBITDA-margin of 20-21%.

www.ossur.com

Össur hf.

(USD million)	2014	2013
Revenue	509	436
EBITDA	104	75
EBIT	86	60
Net result	59	41
Equity	442	448
Assets	678	706
Cash flow from operations (CFFO)	98	73
Free cash flow (FCF)	68	49
Average number of employees	2,214	1,765
William Demant Invest A/S ownership (end of period)	42%	41%

BORKUM RIFFGRUND 1

About Borkum Riffgrund 1

In 2012, William Demant Invest 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 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	

2014

Construction has been ongoing, and all monopiles were installed in 2014. The installation of wind turbines also progressed with 43 turbines by late March 2015. First power was achieved in February 2015 and commissioning of the complete wind farm is scheduled for later in 2015. William Demant Invest is expected to receive their proportionate cash flow from the wind farm from 2016 and onwards.

When Borkum Riffgrund 1 has been commissioned, the wind farm will supply approx. 320,000 German households with green energy.

BORKUM RIFFGRUND

Boston Holding A/S

(DKK million)	2014	2013
Revenue	-	-
EBITDA	-0	-0
EBIT	1	-0
Net result	1	-0
Equity	-4	-4
Assets	3,798	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 9,346 million in 2014 compared to 8,959 million in 2013[3]. Profit before tax came in at DKK 1,765 million in 2014 compared to DKK 2,047 million in 2013. The decrease is mainly driven by non-cash losses on financial contracts in Jeudan. For 2014, William Demant Invest's share of the Group's net result was DKK 741 million.

Profit for the year is deemed satisfactory.

Balance sheet
Total assets amounted to DKK 17,332 million at year-end 2014 compared to DKK 15,998 million in 2013. Consolidated equity in 2014 amounted to DKK 9,316 million.

Cash flows
Cash flow from operating activities amounted to DKK 1,555 million in 2014 compared to DKK 1,321 million in 2013, whereas cash flow from investing activities amounted to DKK -1,083 million in 2014 compared to DKK -1,716 million in 2013. Finally, the cash flow from financing activities amounted to DKK -1,192 million in 2014 compared to DKK 98 million in 2013, mainly driven by increased share buy-backs in the Group.

Tax
William Demant Invest A/S is jointly taxed with William Demant Holding A/S and their Danish subsidiaries, and William Demant Invest is the administration company. Total corporate tax paid in William Demant Invest in 2014 aggregated DKK 342 million; DKK 232 million of which was paid in Denmark. Tax in associated companies is paid in the respective companies.

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

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

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

Besides the CSR activities in associated and Group companies, William Demant Invest has invested in a future offshore wind farm. William Demant Invest'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 2014, the Board of Directors in William Demant Invest 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 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 does not engage in research and development activities. Thus, the Group's activities in this field are all placed in associated and Group companies. Further elaboration on research and development activities can be found in associated and Group companies' annual reports and webpages.

Outlook 2015
As William Demant Invest's largest asset is the ownership in William Demant Holding, the results for 2015 will largely be linked to the development in the hearing healthcare market.

Results for William Demant Invest are expected to be satisfactory.

[3] Certain financial figures for 2013 are restated, please see note 9.2 for details.

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
The Corporate Foundation Gl. Strand, board member

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

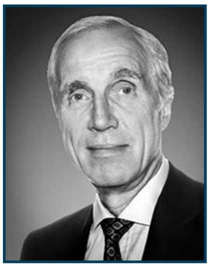
Peter Foss received a Master of Science degree in engineering from the Technical University of Denmark in 1980, after which he was employed with Brüel & Kjær as an engineer. In 1981, he received a diploma in Business Administration from the Copenhagen Business School. In 1985, he joined FOSS A/S and 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, New York, from 1988. In 1987-1990, she worked as a management consultant at McKinsey & Company, followed by the position of marketing director at Egmont Juvenile in 1990-1994 and CEO of Egmont Imagination in 1995-1996. In 1998-1999, she was the executive of Nordisk Film A/S. From 1999 to 2002 she was the co-founder of Haburi.com. Since 2005, Ulla Brockenhuus-Schack has been managing partner in SEED Capital Denmark and since 2003 the managing director of Pre-Seed Innovation A/S.

Other directorships
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
Amminex Emmissions Technology A/S, 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 vice president of Danske Bank in 1980 and he worked both in Denmark and abroad, including Singapore and New York, until 1986 when he was appointed director of Danske Bank. In 1998, he was appointed managing director and held this position until his retirement in 2012.

Other directorships
A.P. Møller and Chastine Mc-Kinney Møllers Fond til almene Formaal, deputy chairman
A.P. Møller Holding A/S, board member
Knud Højgaards Fond, board member
William Demants og Hustru Ida Emilies Fond, board member

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
2300 København S
Denmark

Management of William Demant Invest

Managing Director: Niels Jacobsen

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

The management fee paid in 2014 amounted to DKK 5.1 million.

Contact

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KEY FIGURES AND FINANCIAL RATIOS

	2014	2013	2012
INCOME STATEMENT, DKK MILLION			
Revenue	9,346	8,959	8,555
Gross profit	6,813	6,518	6,127
Research and development costs	680	634	652
Share of profit after tax, associates and joint ventures	75	365	107
EBITDA	2,059	2,339	2,008
Amortisation and depreciation etc.	294	292	267
Operating profit (EBIT)	1,765	2,047	1,741
Net financial items	-63	-50	-109
Profit before tax	1,702	1,997	1,632
Profit for the year	1,339	1,615	1,262
BALANCE SHEET, DKK MILLION			
Net interest-bearing debt	2,992	2,771	2,018
Assets	17,332	15,998	14,177
Equity	9,316	8,668	7,498
OTHER KEY FIGURES, DKK MILLION			
Investment in property, plant and equipment, net	414	391	310
Cash flow from operating activities (CFFO)	1,555	1,321	1,283
Free cash flow	1,666	1,121	-589
Average number of employees	9,799	9,063	8,025
FINANCIAL RATIOS			
Gross profit margin	72.9%	72.8%	71.6%
EBITDA margin	22.0%	26.1%	23.5%
Profit margin (EBIT margin)	18.9%	22.8%	20.4%
Return on equity	11.2%	17.1%	15.5%
Equity ratio	53.8%	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.

Key figures and financial ratios for 2013 are restated due to new accounting policies, and due to errors in prior periods corrected in the financial figures for 2013. Key figures and financial ratios for 2012 have not been restated. Please refer to note 9.2 for a further description.

MANAGEMENT STATEMENT

We have today considered and approved the Annual Report 2014 of William Demant Invest A/S for the financial year 1 January – 31 December 2014.

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 2014 as well as of the results of their operations and the consolidated cash flows for the financial year 1 January – 31 December 2014.

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 2014 for adoption at the annual general meeting.

Smørum, 15 April 2015

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 2014, 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 2014 and of the results of its operations and cash flows for the financial year 1 January – 31 December 2014 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 2014 and of the results of its operations for the financial year 1 January – 31 December 2014 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, 15 April 2015

Deloitte
Statsautoriseret Revisionspartnerselskab

Erik Holst Jørgensen
State Authorised Public Accountant

Kirsten Aaskov Mikkelsen
State Authorised Public Accountant

CONSOLIDATED INCOME STATEMENT

(DKK million)	Note	2014	2013
Revenue	1.1	9,346	8,959
Production costs	1.2 1.3 1.5	-2,533	-2,441
Gross profit		**6,813**	**6,518**
Research and development costs	1.2 1.3	-680	-634
Distribution costs	1.2 1.3	-3,877	-3,652
Administrative expenses	1.2 1.3 8.2	-566	-550
Share of profit after tax, associates and joint ventures	3.3 6.2	75	365
Operating profit (EBIT)		**1,765**	**2,047**
Financial income	4.2	137	138
Financial expenses	4.2	-200	-188
Profit before tax		**1,702**	**1,997**
Tax on profit for the year	5.1	-363	-382
Profit for the year		**1,339**	**1,615**
Profit for the year attributable to:			
William Demant Invest A/S' shareholders		741	1,023
Minority interests		598	592
		1,339	**1,615**
Earnings per share (EPS), DKK	1.4	0.2	0.3
Diluted earnings per share (DEPS), DKK	1.4	0.2	0.3

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(DKK million)	2014	2013
Profit for the year	**1,339**	**1,615**
Other comprehensive income:		
Items that have been or may subsequently be reclassified to the income statement:		
Foreign currency translation adjustment, foreign enterprises	447	-303
Other comprehensive income adjustments, associates and joint ventures	-119	11
Value adjustment of hedging instruments:		
Value adjustment for the year	-98	83
Value adjustment transferred to revenue	-11	-68
Value adjustment transferred to financial expenses	1	11
Value adjustments, financial assets held for resale:		
Value adjustment for the year	-31	-37
Value adjustment transferred to financial items	20	-13
Tax on items that have been or may subsequently be reclassified to the income statement	1	19
Items that have been or may subsequently be reclassified to the income statement	**210**	**-297**
Items that will not subsequently be reclassified to the income statement:		
Actuarial gains/(losses) on defined benefit plans	-14	5
Tax on items that will not subsequently be reclassified to the income statement	2	-1
Items that will not subsequently be reclassified to the income statement	**-12**	**4**
Other comprehensive income	**198**	**-293**
Comprehensive income	**1,537**	**1,322**
Comprehensive income attributable to:		
William Demant Invest A/S' shareholders	899	816
Minority interests	638	506
	1,537	**1,322**
Breakdown of tax on other comprehensive income:		
Foreign currency translation adjustment, foreign enterprises	-26	12
Value adjustment of hedging instruments for the year	21	-20
Value adjustment of hedging instruments transferred to revenue	3	17
Value adjustment of hedging instruments transferred to financial expenses	0	-3
Value adjustments, financial assets held for resale	3	13
Actuarial gains/(losses) on defined benefit plans	2	-1
Tax on other comprehensive income	**3**	**18**

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

(DKK million)	Note	2014	2013
Assets			
Goodwill		3,831	3,545
Patents and licences		28	35
Other intangible assets		37	35
Intangible assets	3.1	**3,896**	**3,615**
Land and buildings		749	651
Plant and machinery		173	171
Other plant, fixtures and operating equipment		265	289
Leasehold improvements		171	171
Prepayments and assets under construction		306	206
Property, plant and equipment	3.2	**1,664**	**1,488**
Investments in associates and joint ventures	3.3	4,518	4,460
Receivables from associates and joint ventures	3.3 4.3 4.4	1,671	599
Other investments	3.3 4.3 4.5	353	118
Other receivables	1.6 3.3 4.3 4.4	569	566
Deferred tax assets	5.2	244	266
Other non-current assets		**7,355**	**6,009**
Non-current assets	3.4	**12,915**	**11,112**
Inventories	1.5	1,203	1,142
Trade receivables	1.6 4.3	1,994	1,862
Receivables from associates and joint ventures	4.3	12	3
Income tax		92	81
Other receivables	1.6 4.3 4.4	193	225
Unrealised gains on financial contracts	2.3 4.3 4.5	7	45
Prepaid expenses		113	108
Securities	4.3 4.4	360	1,062
Cash	4.3 4.4	443	358
Current assets		**4,417**	**4,886**
Assets		**17,332**	**15,998**

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

(DKK million)	Note	2014	2013
Equity and liabilities			
Share capital		4	4
Other reserves		6,860	6,347
Equity attributable to William Demant Invest A/S' shareholders		6,864	6,351
Equity attributable to minority interests		2,452	2,317
Equity		**9,316**	**8,668**
Interest-bearing debt	4.3 4.4	2,009	2,081
Deferred tax liabilities	5.2	134	146
Provisions	7.1	154	132
Other liabilities	4.3 7.2	120	220
Deferred income		36	34
Non-current liabilities		**2,453**	**2,613**
Interest-bearing debt	4.3 4.4	3,866	3,162
Trade payables	4.3	342	350
Payables to associates and joint ventures		1	0
Income tax		68	65
Provisions	7.1	4	16
Other liabilities	4.3 7.2	974	920
Unrealised losses on financial contracts	2.3 4.3 4.4 4.5	80	11
Deferred income		228	193
Current liabilities		**5,563**	**4,717**
Liabilities		**8,016**	**7,330**
Equity and liabilities		**17,332**	**15,998**

CONSOLIDATED CASH FLOW STATEMENT

(DKK million)	Note	2014	2013
Operating profit (EBIT)		1,765	2,047
Non-cash items etc.	1.7	285	-104
Change in receivables etc.		-119	-68
Change in inventories		-60	-90
Change in trade payables and other liabilities etc.		46	-106
Change in provisions		-20	-13
Cash flow from operating profit		**1,897**	**1,666**
Dividends received		107	95
Financial income etc. received		93	111
Financial expenses etc. paid		-199	-185
Realised foreign currency translation adjustments		-1	0
Income tax paid		-342	-366
Cash flow from operating activities (CFFO)		**1,555**	**1,321**
Acquisition of enterprises, participating interests and activities		-1,194	-1,516
Investments in and disposal of intangible assets		-9	4
Investments in property, plant and equipment		-443	-404
Disposal of property, plant and equipment		29	13
Investments in other non-current assets and securities		-297	-317
Disposal of other non-current assets and securities		831	504
Cash flow from investing activities (CFFI)		**-1,083**	**-1,716**
Repayments of borrowings		-2,072	-454
Proceeds from borrowings		1,769	701
Dividend paid		0	-49
Buy-back of shares		-887	-101
Other adjustments		-2	1
Cash flow from financing activities (CFFF)		**-1,192**	**98**
Cash flow for the year, net		**-720**	**-297**
Cash and cash equivalents at the beginning of the year		-1,571	-1,331
Foreign currency translation adjustment of cash and cash equivalents		-127	57
Cash and cash equivalents at the end of the year		**-2,418**	**-1,571**
Breakdown of cash and cash equivalents at the end of the year:			
Cash	4.3 4.4	443	358
Interest-bearing current bank debt	4.3 4.4	-2,861	-1,929
Cash and cash equivalents at the end of the year		**-2,418**	**-1,571**

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 1.1.2013	**4**	**-17**	**0**	**5,644**	**5,631**	**1,867**	**7,498**
Comprehensive income in 2013:							
Profit for the year	-	-	-	1,023	1,023	592	1,615
Other comprehensive income:							
Foreign currency translation adjustment, foreign enterprises	-	-200	-	-	-200	-103	-303
Other compr. income adjustments, associates and joint ventures	-	-	-	11	11	0	11
Value adj. of hedging instruments:							
Value adjustment, year	-	-	45	-	45	38	83
Value adj. transferred to revenue	-	-	-37	-	-37	-31	-68
Value adj. transf. to financial expenses	-	-	6	-	6	5	11
Value adjustments, financial assets held for resale:							
Value adjustment for the year	-	-	-	-37	-37	0	-37
Value adjustment transferred to financial items	-	-	-	-13	-13	0	-13
Actuarial gains/(losses) on defined benefit plans	-	-	-	3	3	2	5
Tax on other comprehensive income	-	6	-4	13	15	3	18
Other comprehensive income	-	-194	10	-23	-207	-86	-293
Comprehensive income, year	**-**	**-194**	**10**	**1,000**	**816**	**506**	**1,322**
Transaction with minorities	-	0	0	-55	-55	-46	-101
Dividends paid out	-	-	-	-49	-49	0	-49
Other changes in equity	0	0	0	8	8	-10	-2
Equity at 31.12.2013	**4**	**-211**	**10**	**6,548**	**6,351**	**2,317**	**8,668**
Comprehensive income in 2014:							
Profit for the year	-	-	-	741	741	598	1,339
Other comprehensive income:							
Foreign currency translation adjustment, foreign enterprises	-	352	-	-	352	95	447
Other compr. income adjustments, associates and joint ventures	-	-	-	-119	-119	-	-119
Value adj. of hedging instruments:							
Value adjustment, year	-	-	-54	-	-54	-44	-98
Value adj. transferred to revenue	-	-	-6	-	-6	-5	-11
Value adj. transf. to financial expenses	-	-	1	-	1	0	1
Value adjustments, financial assets held for resale:							
Value adjustment for the year	-	-	-	-31	-31	0	-31
Value adjustment transferred to financial items	-	-	-	20	20	0	20
Actuarial gains/(losses) on defined benefit plans	-	-	-	-8	-8	-6	-14
Tax on other comprehensive income	-	-14	14	3	3	0	3
Other comprehensive income	-	338	-45	-135	158	40	198
Comprehensive income, year	**-**	**338**	**-45**	**606**	**899**	**638**	**1,537**
Transaction with minorities	-	0	0	-385	-385	-502	-887
Other changes in equity	0	0	0	-1	-1	-1	-2
Equity at 31.12.2014	**4**	**127**	**-35**	**6,768**	**6,864**	**2,452**	**9,316**

For changes in share capital, please refer to *Parent statement of changes in equity* on page 70.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

SECTION 1
OPERATING ACTIVITIES AND CASH FLOW

1.1 REVENUE BY GEOGRAPHIC REGION AND BUSINESS ACTIVITY

(DKK million)

	2014	2013
Revenue by geographic region:		
Denmark	142	115
Other Europe	3,541	3,235
North America	3,746	3,712
Oceania	839	851
Asia	693	665
Other countries	385	381
Total IS	**9,346**	**8,959**

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.

	2014	2013
Revenue by business activity:		
Hearing Devices	8,033	7,828
Diagnostic Instruments	975	883
Hearing Implants	338	248
Total IS	**9,346**	**8,959**

	2014	2013
Value adjustments transferred from equity relating to derivatives made for hedging revenue OCI	11	68

ACCOUNTING POLICIES

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

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

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

1.2 EMPLOYEES

(DKK million)

	2014	2013
Staff costs:		
Wages and salaries	3,412	3,211
Defined contribution plans	40	56
Defined benefit plans (note 7.1)	20	19
Social security costs etc.	243	223
Total	**3,715**	**3,509**
Cash remuneration for Executive Board and Board of Directors:		
Executive Board, salary	13	12
Board of Directors, remuneration	1	1

In 2014, the basic remuneration for a member of the Parent's Board of Directors was DKK 100,000 (DKK 100,000 in 2013). 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.

	2014	2013
Staff costs by function:		
Production costs	699	695
Research and development costs	461	420
Distribution costs	2,155	2,018
Administrative expenses	400	376
Total	**3,715**	**3,509**
Average number of full-time employees	9,799	9,063

1.3 AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES

(DKK million)	2014	2013
Amortisation of intangible assets	-22	-23
Depreciation on property, plant and equipment	-248	-232
Impairment of property, plant and equipment	0	-10
Total	**-270**	**-265**
Amortisation, depreciation and impairment losses by function:		
Production costs	-67	-61
Research and development costs	-35	-35
Distribution costs	-129	-129
Administrative expenses	-39	-40
Total	**-270**	**-265**
Net gains from sale of assets	2	0
Total	**2**	**0**
Net proceeds from sale of assets by function:		
Production costs	0	-2
Distribution costs	3	2
Administrative expenses	-1	0
Total	**2**	**0**

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

1.4 EARNINGS PER SHARE

	2014	2013
William Demant Invest A/S' shareholders' share of profit for the year, DKK million IS	741	1,023
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 IS	**0.2**	**0.3**
Diluted earnings per share (DEPS), DKK million IS	**0.2**	**0.3**

1.5 INVENTORIES

(DKK million)	2014	2013
Raw materials and purchased components	562	539
Work in progress	31	35
Finished goods and goods for resale	610	568
Inventories BS	**1,203**	**1,142**
Write-downs included in the above	163	133
Carrying amount of inventories recognised at fair value after deduction of costs to sell	0	0
Included in the income statement under production costs:		
Write-downs of inventories for the year, net	36	12
Cost of goods sold during the year	1,828	1,841

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

ACCOUNTING POLICIES

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

Group-manufactured products and work in progress are measured at the value of direct cost, direct payroll costs, consumables and 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.

1.6 RECEIVABLES

(DKK million)	2014	2013
Trade receivables BS	1,994	1,862
Other non-current receivables BS	569	566
Other current receivables BS	193	225
Total	**2,756**	**2,653**
Non-impaired receivables by age:		
Balance not due	2,015	1,974
0-3 months	391	382
3-6 months	107	149
6-12 months	117	68
Over 12 months	126	80
Total	**2,756**	**2,653**
Breakdown of allowance for impairment:		
Allowance for impairment at 1.1.	-143	-134
Foreign currency translation adjustments	-4	4
Applied during the year	14	14
Additions during the year	-86	-31
Reversals during the year	5	4
Allowance for impairment at 31.12.	**-214**	**-143**

For information on security and collateral, please refer to policy on credit risks in note 4.1.

ACCOUNTING POLICIES

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

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

1.7 SPECIFICATIONS TO CONSOLIDATED CASH FLOW STATEMENT

(DKK million)	2014	2013
Amortisation and depreciation etc.	294	292
Share of profit after tax, associates and joint ventures IS	-75	-365
Gain on sale of intangible assets and property, plant and equipment	-2	0
Other non-cash items	68	-31
Non-cash items etc.	**285**	**-104**

SECTION 2
FOREIGN CURRENCIES AND HEDGING

2.1 EXCHANGE RATE RISK POLICY

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

2.2 SENSITIVITY ANALYSIS IN RESPECT OF EXCHANGE RATES

The below tables show the impact on the year's operating profit (EBIT) and consolidated equity given a change of 5% in the currencies with the 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 currency flow is identical to the flow in Oticon A/S. We estimate that approximately 90% of all foreign currency translation is made in Oticon A/S and that the analysis therefore gives a fair presentation of the flow in the entire Group. The foreign currency flow includes actual foreign currency translation as well as changes in net receivables, i.e. trade receivables, trade payables and bank balances.

Effect on EBIT, 5% positive exchange rate impact*

(DKK million)	2014	2013
USD	+35	+35
AUD	+13	+12
GBP	+13	+12
CAD	+11	+10
JPY	+3	+5

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

Effect on equity, 5% positive exchange rate impact

(DKK million)	2014	2013
USD	+60	+70
AUD	+12	+10
GBP	+10	+10
CAD	+45	+25
JPY	+2	+2

Exchange rate risk for the Group (specifically related to the investment activities in William Demant Invest A/S)
In addition to the above sensitivity analysis of the William Demant Holding Group's equity given a change of 5% in selected currencies, the William Demant Invest Group will be impacted by DKK 100 million in 2014 (DKK 88 million in 2013) in relation to the value of the investment in Össur hf., if the exchange rate for USD changes by 5% and by DKK 11 million in relation to the value of the investment in Vitrolife AB, if the exchange rate for SEK changes by 5%.

Further, in relation to holdings of corporate bonds, the equity impact given a change of 5% is DKK 6 million on bonds in NOK, DKK 3 million on bonds in USD, DKK 2 million on bonds in SEK and DKK 1 million on bonds in GBP (DKK 15 million on NOK, DKK 11 million on USD, DKK 2 million on SEK and DKK 1 million on GBP in 2013).

2.3 HEDGING AND FORWARD EXCHANGE CONTRACTS

Open forward exchange contracts at the balance sheet date may be specified as shown below, with contracts for sale of currencies being shown 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 2014, our forward exchange contracts realised a gain of DKK 11 million (gain of DKK 68 million in 2013), which increased reported revenue for the year. In addition, we raised loans in foreign currencies to balance out net receivables. At year-end 2014, we had entered into forward exchange contracts with a contractual value of DKK 1,608 million (DKK 681 million in 2013) and a fair value of DKK -68 million (DKK 42 million in 2013).

Forward exchange contracts

2014

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

2013

	Expiry	Hedging period*	Average hedging rate	Contractual value (DKK million)	Fair value (DKK million)	Positive fair value at year-end (DKK million)	Negative fair value at year-end (DKK million)
USD	2014	4 months	562	-169	7	7	0
AUD	2014	6 months	519	-114	8	8	0
GBP	2014	10 months	878	-202	-3	0	3
CAD	2014	3 months	525	-79	3	3	0
JPY	2014	9 months	6.70	-117	27	27	0
				-681	**42**	**45**	**3**

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

ACCOUNTING POLICIES

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

Any changes in fair values of derivatives classified as hedging instruments and satisfying the criteria for effective hedging of future transactions are recognised in other comprehensive income. The ineffective portion is recognised directly in the income statement. On realisation of the hedged transactions, the accumulated changes are recognised together with the related transactions.

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

2.4 EXCHANGE RATES

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

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

Exchange rate DKK per 100

Average	2014	2013	Change
USD	562	562	0.0%
AUD	507	544	-6.8%
GBP	925	878	5.4%
CAD	509	545	-6.6%
JPY	5.32	5.77	-7.8%

Year-end	2014	2013	Change
USD	612	541	13.1%
AUD	500	481	4.0%
GBP	952	892	6.7%
CAD	527	505	4.4%
JPY	5.12	5.14	-0.4%

ACCOUNTING POLICIES

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

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

SECTION 3
ASSET BASE

3.1 INTANGIBLE ASSETS

(DKK million)	Goodwill	Patents and licences	Other intangible assets	Total intangible assets
Cost at 1.1.2014	**3,545**	**96**	**86**	**3,727**
Foreign currency translation adjustments	196	0	7	203
Additions during the year	0	3	6	9
Additions relating to acquisitions	90	0	0	90
Transferred to/from other items	0	0	4	4
Cost at 31.12.2014	**3,831**	**99**	**103**	**4,033**
Amortisation at 1.1.2014	**-**	**-61**	**-51**	**-112**
Foreign currency translation adjustments	-	0	-3	-3
Amortisation for the year	-	-10	-12	-22
Amortisation at 31.12.2014	**-**	**-71**	**-66**	**-137**
Carrying amount at 31.12.2014 BS	**3,831**	**28**	**37**	**3,896**
Cost at 1.1.2013	**2,565**	**96**	**74**	**2,735**
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	**3,545**	**96**	**86**	**3,727**
Amortisation at 1.1.2013	**-**	**-49**	**-41**	**-90**
Foreign currency translation adjustments	-	0	1	1
Amortisation for the year	-	-12	-11	-23
Amortisation at 31.12.2013	**-**	**-61**	**-51**	**-112**
Carrying amount at 31.12.2013 BS	**3,545**	**35**	**35**	**3,615**

ACCOUNTING POLICIES

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 accounting policies in note 6.1.

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

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.

3.2 PROPERTY, PLANT AND EQUIPMENT

(DKK million)	Land and buildings	Plant and machinery	Other plant, fixtures and operating equipment	Leasehold improve-ments	Prepayments and assets under construction	Total property, plant and equipment
Cost at 1.1.2014	**828**	**769**	**1,010**	**381**	**206**	**3,194**
Foreign currency translation adjustments	22	4	35	10	-1	70
Additions during the year	2	35	61	43	283	424
Additions relating to acquisitions	0	0	3	1	0	4
Disposals during the year	-16	-28	-95	-21	-1	-161
Transferred to/from other items	114	29	34	0	-181	-4
Cost at 31.12.2014	**950**	**809**	**1,048**	**414**	**306**	**3,527**
Depreciation and impairment losses at 1.1.2014	**-177**	**-598**	**-721**	**-210**	**-**	**-1,706**
Foreign currency translation adjustments	-3	-4	-27	-7	-	-41
Depreciation for the year	-25	-61	-118	-44	-	-248
Disposals during the year	4	26	84	18	-	132
Transferred to/from other items	0	1	-1	0	-	0
Depreciation and impairment losses at 31.12.2014	**-201**	**-636**	**-783**	**-243**	**-**	**-1,863**
Carrying amount at 31.12.2014 BS	**749**	**173**	**265**	**171**	**306**	**1,664**
Of which financially leased assets	**22**	**1**	**0**	**0**	**0**	**23**
Cost at 1.1.2013	**832**	**716**	**916**	**352**	**96**	**2,912**
Foreign currency translation adjustments	-8	-14	-33	-21	-1	-77
Additions during the year	4	31	65	41	233	374
Additions relating to acquisitions	0	7	16	8	1	32
Disposals during the year	0	-12	-27	-4	-4	-47
Transferred to/from other items	0	41	73	5	-119	0
Cost at 31.12.2013	**828**	**769**	**1,010**	**381**	**206**	**3,194**
Depreciation and impairment losses at 1.1.2013	**-146**	**-558**	**-656**	**-183**	**-**	**-1,543**
Foreign currency translation adjustments	2	11	23	11	-	47
Depreciation for the year	-23	-59	-108	-42	-	-232
Impairment losses for the year	-10	0	0	0	-	-10
Disposals during the year	0	8	20	4	-	32
Transferred to/from other items	0	0	0	0	-	0
Depreciation and impairment losses at 31.12.2013	**-177**	**-598**	**-721**	**-210**	**-**	**-1,706**
Carrying amount at 31.12.2013 BS	**651**	**171**	**289**	**171**	**206**	**1,488**
Of which financially leased assets	**24**	**2**	**0**	**0**	**0**	**26**

3.2 PROPERTY, PLANT AND EQUIPMENT – *CONTINUED*

Group property, plant and equipment with a carrying amount of DKK 0 million (DKK 1 million in 2013) have been provided in security of debt to credit institutions of DKK 0 million (DKK 1 million in 2013). 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 48 million (DKK 62 million in 2013). Neither in 2014 nor in 2013, have changes been made in material estimates in respect of property, plant and equipment, except for the recognition of DKK 10 million in respect of impairment of a property in 2013.

In 2014, borrowing costs of DKK 4 million (DKK 2 million in 2013) have been capitalised as part of tangible assets. The capitalisation rate used has been between 1.1% and 3.0% (2.5% to 3.5% in 2013) depending on the financing of the asset.

ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

3.3 OTHER NON-CURRENT ASSETS

(DKK million)	Investments in associates and joint ventures	Receivables from associates and joint ventures	Other investments	Other receivables
Cost at 1.1.2014	**4,031**	**599**	**124**	**608**
Foreign currency translation adjustments	25	17	1	50
Additions during the year	29	1,095	213	179
Disposals during the year	-144	-42	0	-166
Cost at 31.12.2014	**3,941**	**1,669**	**338**	**671**
Value adjustments at 1.1.2014	**429**	**0**	**-6**	**-42**
Foreign currency translation adjustments	234	2	0	-2
Share of profit after tax IS	75	-	-	-
Dividends received	-107	-	-	-
Disposals during the year	70	0	0	0
Other adjustments	-124	0	21	-58
Value adjustments at 31.12.2014	**577**	**2**	**15**	**-102**
Carrying amount at 31.12.2014 BS	**4,518**	**1,671**	**353**	**569**
Cost at 1.1.2013	**3,745**	**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	**4,031**	**599**	**124**	**608**
Value adjustments at 1.1.2013	**237**	**0**	**-8**	**-42**
Foreign currency translation adjustments	-78	0	0	2
Share of profit after tax IS	365	-	-	-
Dividends received	-95	-	-	-
Disposals during the year	-6	0	0	0
Other adjustments	6	0	2	-2
Value adjustments at 31.12.2013	**429**	**0**	**-6**	**-42**
Carrying amount at 31.12.2013 BS	**4,460**	**599**	**118**	**566**

Please refer to *Subsidiaries, associates and joint ventures* on page 76 for a list of associates and joint ventures. Ownership interest equals share of voting rights. For further details on associates and joint ventures refer to note 6.2.

3.4 NON-CURRENT ASSETS BY GEOGRAPHIC REGION

(DKK million)	2014	2013
Non-current assets by geographic region:		
Denmark	4,703	3,870
Other Europe	3,983	3,374
North America	3,737	3,399
Oceania	353	345
Asia	109	98
Other countries	30	26
Total BS	**12,915**	**11,112**

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

3.5 IMPAIRMENT TESTING

Impairment testing is carried out annually on preparation of the annual report or on indication of impairment in which discounted values of future cash flows are compared with carrying amounts. Group enterprises cooperate closely on research and development, purchasing, production, marketing and sale, as the use of resources in the individual markets is coordinated and monitored by Management in Denmark. Group enterprises are thus highly integrated. Consequently, Management considers the overall business as one cash-generating unit. Certain business activities, which 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 2014 nor at 31 December 2013, 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 2014 and 31 December 2013. Future cash flows are based on the budget for 2015, on strategy plans and on projections hereof. Projections extending beyond 2015 are based on general parameters, such as expected market growth, selling prices and profitability assumptions. The terminal value for the period after 2015 is determined on the assumption of 2% growth (2% in 2013). The discount rate is 8% (9% in 2013). Sensitivity calculations show that even a significant increase in the discount rate or a significant reduction of the growth assumptions will not change the outcome of the impairment test. Apart from goodwill, all intangible assets have limited useful lives.

ACCOUNTING POLICIES

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

The recoverable amount is estimated for the smallest cash-generating unit of which the asset is part. The recoverable amount is determined as the higher of the fair value of the asset or cash-generating unit less costs to sell 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 using a discount rate that reflects partly current market valuations of the time value of money, and partly the special risks attaching to the particular asset or cash-generating unit for which no adjustment has been made in the estimated future cash flows. If the recoverable amount of a particular asset or cash-generating unit is lower than its carrying amount, such asset or unit is written down to its recoverable amount.

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

SECTION 4
CAPITAL STRUCTURE AND FINANCIAL MANAGEMENT

4.1 FINANCIAL RISK MANAGEMENT AND CAPITAL STRUCTURE

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

Interest rate risks
We only hedge interest rate risks on corporate loans to a limited extent, as the Group has limited debt compared to its volume of activities. Because of the Group's high level of cash generation, relatively low financial gearing and a steep interest curve, the majority of our loans are raised on floating terms and predominantly as short-term commitments, resulting in a low level of interest expenses. An exception to this is the long-term debt to Parent, which has a fixed interest rate.

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. When granting loans to customers or business partners, we require that they provide security in their business.

In 2014, the Group incurred an unexpected loss on bad debt in the US: The incurred loss of DKK 40 million relates to a non-current loan extended to an chain to support the chain's expansion into hearing instrument retailing. However, the optician chain went bankrupt and subsequently, it was not possible to take over the business, as we would otherwise have done with a hearing aid retailer.

The maximum credit risk relating to receivables matches the carrying amounts of such receivables. The Group has no major deposits with financial institutions for which reason the credit risk of such deposits is considered to be low. The William Demant Invest Group's securities consist of corporate bonds, which are diversified both in sectors and currencies. Through this diversification, and by ensuring that the counterparts have an acceptable rating, the Group ensures that the risk of default on the bonds is minimised. The credit risks of the Group are considered to be low, and the Group has not had any losses on securities in 2014 or 2013.

Liquidity risks
The Group aims to have sufficient cash resources to be able to continuously take appropriate steps in case of unforeseen fluctuations in cash outflows. We have access to considerable undrawn credit facilities, and the liquidity risk is therefore considered to be low. We are of the opinion that the Group has strong cash flows and a satisfactory credit rating in order to secure the current inflow of working capital and funds for potential acquisitions. The Group has neither in the financial year 2014 nor in the comparative year 2013 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
The Group policy is described in note 2.1.

4.2 NET FINANCIAL ITEMS

(DKK million)	2014	2013
Interest on cash and bank deposits	2	1
Interest on securities	55	63
Interest on receivables, customer loans etc.	57	44
Value adjustment of securities transferred from equity	0	13
Other financial income	3	4
Financial income from financial assets not measured at fair value in the income statement	**117**	**125**
Gains on, and fair value adjustments of, other investments	20	4
Foreign exchange gains, net	0	9
Financial income IS	**137**	**138**
Interest on bank debt, mortgages etc.	-110	-117
Value adjustment transferred from equity relating to derivatives made for hedging loans and on securities transferred from equity	-21	-11
Interest on finance lease debt	0	-1
Financial expenses on financial liabilities not measured at fair value in the income statement	**-131**	**-129**
Foreign exchange losses, net	-9	0
Interest element, discounted liabilities	0	0
Unwinding of discounts	-1	-2
Transaction fees	-59	-57
Financial expenses IS	**-200**	**-188**

ACCOUNTING POLICIES

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

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

4.3 CATEGORIES OF FINANCIAL INSTRUMENTS

(DKK million)	2014	2013
Unrealised gains on financial contracts BS	7	45
Financial assets used as hedging instruments	**7**	**45**
Receivables from associates and joint ventures BS	1,683	602
Other receivables BS	762	791
Trade receivables BS	1,994	1,862
Cash BS	443	358
Receivables and cash	**4,882**	**3,613**
Securities BS	360	1,062
Other investments	12	14
Financial assets available for sale	**372**	**1,076**
Other investments	341	104
Financial assets over P&L	**341**	**104**
Unrealised losses on financial contracts	-76	-6
Financial liabilities used as hedging instruments	**-76**	**-6**
Unrealised losses on financial contracts	-4	-5
Financial liabilities at fair value through the income statement	**-4**	**-5**
Finance lease debt	-9	-10
Debt to credit institutions etc.	-1,005	-1,254
Debt to parent (convertible promissiory notes)	-2,000	-2,050
Interest-bearing bank debt	-2,861	-1,929
Trade payables BS	-342	-350
Other liabilities	-854	-958
Financial liabilities measured at amortised cost	**-7,071**	**-6,551**

As was the case in 2013, most financial liabilities fall due within one year. As regards financial assets and liabilities, their carrying amounts approximate their fair values. Other liabilities in the balance sheet include non-financial liabilities of DKK -240 million (DKK -182 million in 2013) that represent the difference between the table above and the balance sheet.

ACCOUNTING POLICIES

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

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.

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

ACCOUNTING POLICIES – *CONTINUED*

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.

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.

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

(DKK million)	Contractual cash flows				Carrying amount	Weighted average effective interest rate
	Less than 1 year	1-5 years	More than 5 years	Total		
2014						
Interest-bearing receivables	99	1,735	449	2,283	2,080	
Securities BS	273	132	0	405	360	
Cash BS	443	0	0	443	443	
Interest-bearing assets	**815**	**1,867**	**449**	**3,131**	**2,883**	**3.5%**
Finance lease debt	-1	-8	0	-9	-9	
Debt to credit institutions etc.	-1,004	-1	0	-1,005	-1,005	
Debt to parent	-70	-2,053	0	-2,123	-2,000	
Interest-bearing bank debt	-2,861	0	0	-2,861	-2,861	
Interest-bearing liabilities BS	**-3,936**	**-2,062**	**0**	**-5,998**	**-5,875**	**1.9%**
Net interest-bearing debt	**-3,121**	**-195**	**449**	**-2,867**	**-2,992**	**0.4%**
2013						
Interest-bearing receivables	118	290	786	1,194	1,052	
Securities BS	617	467	48	1,132	1,062	
Cash BS	358	0	0	358	358	
Interest-bearing assets	**1,093**	**757**	**834**	**2,684**	**2,472**	**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 BS	**-3,236**	**-2,188**	**0**	**-5,424**	**-5,243**	**2.1%**
Net interest-bearing debt	**-2,143**	**-1,431**	**834**	**-2,740**	**-2,771**	**0.4%**

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

Trade payables and other liabilities have a contractual maturity of less than one year, with the exception of other liabilities of DKK 120 mio. (DKK 220 mio. in 2013), which have a contractual maturity of 1-5 years. The contractual cash flows approximate their carrying amounts.

Interest-bearing debt broken down by currency: 68% in Danish kroner (43% in 2013), 30% in US dollars (35% in 2013), 0% in euros (15% in 2013), 0% in Canadian dollars (7% in 2013) and 2% in other currencies (0% in 2013).

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

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

Interest swaps

(DKK million)

	2014					2013				
	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%	153	0	4	2016	2.3%	135	0	5
DKK/DKK	2015	3.5%	40	0	1	2015	3.5%	40	0	3
			193	**0**	**5**			**175**	**0**	**8**

The fair value of outstanding interest swaps at the balance sheet date is DKK -5 million (DKK -8 million in 2013). The contractual value of outstanding interest swaps is DKK 193 million (DKK 175 million in 2013), 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 -4 million (DKK -5 million in 2013). There has been no ineffectiveness on interest swaps in 2014 or 2013.

Sensitivity analysis in respect of interest rates

Based on the Group's net debt at the end of the 2014 financial year, a rise of 1 percentage point in the general interest rate level will cause an increase in consolidated annual interest expenses before tax of approximately DKK 8 million (DKK 20 million in 2013). About 38% 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.

4.5 FAIR VALUE HIERARCHY

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 exchange rates discounted at a rate that reflects the credit risk of various counterparties.

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

Contingent considerations payable

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

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

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

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

4.5 FAIR VALUE HIERARCHY – *CONTINUED*

(DKK million)	2014				2013			
	Level 1	Level 2	Level 3	**Total**	Level 1	Level 2	Level 3	**Total**
Financial assets used as hedging instruments	0	7	0	**7**	0	45	0	**45**
Securities (available for sale)	360	0	0	**360**	1,062	0	0	**1,062**
Other investments (available for sale)	0	0	12	**12**	0	0	14	**14**
Other investments (at fair value through the income statement)	0	0	341	**341**	0	0	104	**104**
Financial liabilities used as hedging instruments	0	-76	0	**-76**	0	-6	0	**-6**
Financial liabilities at fair value through the income statement	0	-4	0	**-4**	0	-5	0	**-5**
Contingent considerations	0	0	-136	**-136**	0	0	-262	**-262**

There are no transfers between levels 1 and 2 in the 2014 and 2013 financial years.

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

Level 3 assets and liabilities	Financial assets available for sale		Contingent considerations payable	
(DKK million)	**2014**	**2013**	**2014**	**2013**
Carrying amount at 1.1.	118	14	-262	-329
Foreign currency translation adjustment	1	0	-21	29
Acquisitions	213	105	-12	-145
Sale and settlements	0	-3	83	137
Other adjustments	21	2	76	46
Transferred to/from level 3	0	0	0	0
Carrying amount at 31.12.	**353**	**118**	**-136**	**-262**

Of adjustments to contingent considerations, DKK 30 million (DKK 0 million in 2013) have been recognised as income in distribution costs relating to contingent considerations still held at year-end.

ACCOUNTING POLICIES

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

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

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

SECTION 5
TAX

5.1 TAX ON PROFIT

(DKK million)

	2014	2013
Tax on profit for the year:		
Current tax on profit for the year	-332	-396
Adjustment of current tax, prior years	5	10
Change in deferred tax	-36	-10
Adjustment of deferred tax, prior years	-1	6
Impact of changes in corporate tax rates	1	8
Total IS	**-363**	**-382**
Reconciliation of tax rates:		
Danish corporate tax rate	24.5%	25.0%
Differences between tax rates of non-Danish enterprises and Danish corporate tax rate	0.1%	-0.3%
Impact of changes in corporate tax rates	-0.1%	-0.4%
Use of tax assets not previously recognised	-0.5%	-0.1%
Permanent differences	-1.4%	-5.0%
Other items, including prior-year adjustments	-1.3%	-0.1%
Effective tax rate	**21.3%**	**19.1%**

ACCOUNTING POLICIES

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

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

5.2 DEFERRED TAX

(DKK million)	2014	2013
Deferred tax is recognised in the balance sheet as follows:		
Deferred tax assets BS	244	266
Deferred tax liabilities BS	-134	-146
Deferred tax, net at 31.12.	**110**	**120**
Deferred tax, net at 1.1.	120	119
Foreign currency translation adjustments	10	-19
Changes in deferred tax assets	-30	-10
Additions relating to acquisitions	0	11
Adjustment of deferred tax, prior years	-1	6
Impact of changes in corporate tax rates	1	8
Deferred tax relating to changes in equity, net	10	5
Deferred tax, net at 31.12.	**110**	**120**

The tax value of deferred tax assets not recognised is DKK 78 million (DKK 78 million in 2013) and relates mainly to tax losses for which there is considerable uncertainty about their future utilisation. The tax losses carried forward will not expire in the near future. Any sale of shares in subsidiaries, associates and joint ventures at the balance sheet date is estimated to result in tax in the amount of DKK 0 million (DKK 0 million in 2013).

Breakdown of the Group's temporary differences and changes:	Temporary differences at 1.1.2014	Foreign currency translation adjustments	Acquisitions	Recognised in profit for the year	Recognised in other comprehen-sive income	Temporary differences at 31.12.2014
Intangible assets	-78	-4	0	-2	0	-84
Property, plant and equipment	-38	-2	0	-9	0	-49
Inventories	137	1	0	-6	0	132
Receivables	7	0	0	4	0	11
Provisions	13	6	0	-19	0	0
Tax losses	47	4	0	2	0	53
Other	32	5	0	0	10	47
Total	**120**	**10**	**0**	**-30**	**10**	**110**

ACCOUNTING POLICIES

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

Deferred tax is determined on the basis of the tax rules and rates prevailing at the balance sheet date in the particular countries. The effect on deferred tax of any changes in tax rates is included in tax on the year's profit, unless such deferred tax is attributable to items previously recognised directly in equity or in other comprehensive income. In the latter case, such changes will also be recognised directly in equity or in other comprehensive income. The tax base of a loss, if any, which may be set off against future taxable income, is carried forward and set off against deferred tax in the same legal tax entity and jurisdiction. Deferred tax assets, including the tax value of any tax losses allowed for carryforward, are recognised in the balance sheet at the estimated realisable value of such assets either by a set-off against a deferred tax liability or by a net asset to be set off against future positive taxable income. At the balance sheet date, an assessment is made as to whether it is probable that sufficient taxable income will be available in the future against which the deferred tax asset can be utilised. Deferred tax on temporary differences between the carrying amounts and the tax values of investments in subsidiaries, associates and joint ventures is recognised, unless the Parent is able to control the time of realisation of such deferred tax, and it is probable that such deferred tax will not be realised as current tax in the foreseeable future. Deferred tax is recognised in respect of eliminations of intra-Group profits and losses.

SECTION 6
ACQUISITIONS, ASSOCIATES AND JOINT VENTURES

6.1 ACQUISITION OF ENTERPRISES AND ACTIVITIES

(DKK million)	North America	Oceania	Europe/ Asia	Total
	Fair value on acquisition			
2014				
Intangible assets	0	0	0	0
Property, plant and equipment	1	0	3	4
Other non-current assets	0	0	5	5
Inventories	0	0	2	2
Current receivables	1	0	11	12
Cash and bank debt	0	0	10	10
Non-current liabilities	-1	0	-18	-19
Current liabilities	-5	-1	-14	-20
Acquired net assets	**-4**	**-1**	**-1**	**-6**
Goodwill	32	7	51	90
Acquisition cost	**28**	**6**	**50**	**84**
Fair value of non-controlling interests on obtaining control	0	0	0	0
Contingent considerations and deferred payments	-6	-1	-5	-12
Acquired cash and bank debt	0	0	-10	-10
Cash acquisition cost	**22**	**5**	**35**	**62**
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**
Fair value of non-controlling interests on obtaining control	-54	0	-32	-86
Contingent considerations and deferred payments	-106	-7	-32	-145
Acquired cash and bank debt	-11	0	-13	-24
Cash acquisition cost	**192**	**26**	**541**	**759**

6.1 ACQUISITION OF ENTERPRISES AND ACTIVITIES – *CONTINUED*

Acquisitions made by the Group in 2014 consist of a number of minor enterprises, distributing hearing devices primarily in North America and Europe/Asia. In respect of these acquisitions, we paid acquisition cost exceeding the fair values of the acquired assets, liabilities and contingent liabilities. Such positive balances in value can be attributed to expected synergies between the activities of the acquired entities and our existing activities, to the future growth opportunities and to the value of staff competencies in the acquired entities. These synergies are not recognised separately from goodwill, as they are not separately identifiable.

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 2014, a few adjustments were made to the preliminary recognition of acquisitions made in 2013. These adjustments are due to adjustments to payments in the amount of DKK 1 million, to net assets purchased in the amount of DKK -3 million and to estimated contingent considerations in the amount of DKK 0 million, resulting in a goodwill adjustment of DKK 4 million. In relation to acquisitions with final recognition in 2010 to 2013, adjustments were made in 2014 in respect of estimated contingent considerations. Such adjustments are recognised in the income statement.

The total positive impact on the income statement of fair value adjustments of non-controlling interests in step acquisitions amounted to DKK 0 million (DKK 50 million in 2013), and adjustments of estimated contingent considerations amounted to DKK 95 million (DKK 46 million in 2013), which is recognised in distribution costs.

Of the total acquisition cost in 2014, including adjustments to preliminarily recognised acquisitions of DKK -1 million (DKK -5 million in 2013), the fair values of estimated contingent considerations in the form of discounted earn-outs or deferred payments accounted for DKK 12 million (DKK 145 million in 2013). The maximum contingent consideration in respect of acquisitions made in 2014 is DKK 14 million.

The acquired assets included contractual receivables amounting to DKK 10 million (DKK 85 million in 2013) of which DKK 0 million (DKK 5 million in 2013) was thought to be uncollectible at the date of acquisition. Of the total goodwill in the amount of DKK 90 million (DKK 1,133 million in 2013), DKK 15 million (DKK 71 million in 2013) can be amortised for tax purposes. Neither in 2013 nor in 2014 were contingent liabilities recognised on acquisition.

Transaction costs in connection with acquisitions made in 2014 amounted to DKK 1 million (DKK 4 million in 2013), which has been recognised under distribution costs.

The revenue and profit of the acquired enterprises since our acquisition in 2014 amounted to DKK 12 million (DKK 311 million in 2013) and DKK 1 million (DKK 17 million in 2013), respectively. Had such revenue and profit been consolidated on 1 January 2014, we estimate that consolidated pro forma revenue and profit would have been DKK 9,366 million (DKK 9,221 million in 2013) and DKK 1,328 million (DKK 1,300 million in 2013), 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.

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

From the balance sheet date and until the date of financial reporting in 2015, 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.

6.1 ACQUISITION OF ENTERPRISES AND ACTIVITIES – *CONTINUED*

ACCOUNTING POLICIES

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

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

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

6.2 ASSOCIATES AND JOINT VENTURES

In 2014, the Group received royalties from and paid license and service fees amounting to an expense of DKK 0 million (an income of DKK 2 million in 2013) to associates and also received dividends from associates and joint ventures in the amount of DKK 107 million (DKK 95 million in 2013). Further-more, in 2014 the Group recharged costs of DKK 5 million (DKK 0 million in 2013) to associates. In 2014, the Group received interest income from associates in the amount of DKK 6 million (DKK 15 million in 2013).

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

	Associates		Joint ventures	
(DKK million)	**2014**	**2013**	**2014**	**2013**
Financial information (Group share):				
Revenue	2,030	1,839	286	248
Net profit for the year	17	316	58	49
Comprehensive income	133	248	58	49

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

ACCOUNTING POLICIES

Investments in associates and joint ventures are recognised and measured using the equity method, i.e. investments are recognised in the balance sheet at 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 in associates and joint ventures are recognised in the income statement after the year's changes in unrealised intra-Group profits less any impairment loss relating to goodwill.

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

SECTION 7
PROVISIONS, OTHER LIABILITIES ETC.

7.1 PROVISIONS

(DKK million)	2014	2013
Other non-current employee benefits	42	44
Miscellaneous provisions	12	34
Other provisions	54	78
Defined benefit plan, net liabilities	104	70
Provisions at 31.12.	**158**	**148**
Breakdown of provisions:		
Non-current provisions BS	154	132
Current provisions BS	4	16
Provisions at 31.12.	**158**	**148**
Other provisions:		
Other provisions at 1.1.	78	92
Foreign currency translation adjustments	2	-8
Reclassifications	-27	-14
Additions relating to acquisitions	3	3
Provisions during the year	7	7
Applied during the year	0	-1
Reversals during the year	-9	-1
Other provisions at 31.12.	**54**	**78**
Defined benefit plan costs recognised in the income statement:		
Current service cost	19	18
Calculated interest on defined benefit plan, net liabilities	1	1
Costs recognised in the income statement (note 1.2)	**20**	**19**
Defined benefit plan costs by function:		
Research and development costs	6	5
Distribution costs	7	6
Administrative expenses	7	8
Total	**20**	**19**
Accumulated actuarial loss recognised in the statement of comprehensive income	**-44**	**-30**

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

7.1 PROVISIONS – *CONTINUED*

(DKK million)	2014	2013
Present value of defined benefit liabilities:		
Defined benefit liabilities at 1.1.	255	194
Foreign currency translation adjustments	3	-2
Reclassifications	10	0
Additions relating to acquisitions	0	33
Current service costs	19	18
Calculated interest on defined benefit liabilities	4	3
Actuarial losses/(gains), demographic assumptions	0	-1
Actuarial losses/(gains), financial assumptions	20	1
Actuarial losses/(gains), experience assumptions	-3	0
Benefits paid	-6	-1
Contributions from plan participants	7	10
Defined benefit liabilities at 31.12.	**309**	**255**
Fair value of defined benefit assets:		
Defined benefit assets at 1.1.	185	129
Foreign currency translation adjustments	3	-2
Additions relating to acquisitions	0	33
Expected return on defined benefit assets	3	2
Actuarial gains/(losses)	3	5
Contributions	17	19
Benefits paid	-6	-1
Defined benefit assets at 31.12.	**205**	**185**
Defined benefit liabilities recognised in the balance sheet, net	**104**	**70**
Return on defined benefit assets:		
Actual return on defined benefit assets	6	7
Expected return on defined benefit assets	3	2
Actuarial gains/(losses) on defined benefit assets	**3**	**5**
Assumptions:		
Discount rate	1.5%	2.0%
Expected return on defined benefit assets	1.5%	2.0%
Future salary increase rate	1.5%	1.5%

Generally, the Group does not offer defined benefit plans, but it has such plans in Switzerland, France and the Netherlands, where they are required by law. Moreover, the President & CEO of the Company has a seniority bonus. Defined benefit assets at 31 December 2014 include: bonds (41%), shares (26%), other securities (16%), cash and cash equivalents (4%) and other assets (13%). Defined benefit assets at 31 December 2013 included: bonds (41%), shares (22%), other securities (17%), cash and cash equivalents (6%) and other assets (14%). All defined benefit assets except other assets are quoted on active markets. The Group expects to pay approximately DKK 11 million in 2015 (DKK 10 million in 2014) into defined benefit plans. Defined benefit liabilities in the amount of DKK 42 million (DKK 28 million in 2013) will mature within 1-5 years and liabilities in the amount of DKK 267 million (DKK 227 million in 2013) after five years.

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

7.1 PROVISIONS – *CONTINUED*

ACCOUNTING POLICIES

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

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

As regards defined benefit plans, the Group is obliged to pay a certain contribution when an employee covered by such a plan retires, for instance a fixed amount or a percentage of the employee's final salary. In relation to defined benefit plans, an actuarial calculation is made periodically of the accrued present value of future benefits to which employees through their past employment with the Group are entitled and which are payable under the benefit plan. This defined benefit obligation is calculated annually using the projected unit credit method on the basis of assumptions in respect of the future development in for instance wage levels, interest rates and inflation rates. The defined benefit liability less the fair value of any assets relating to the defined benefit plan is recognised in the balance sheet under provisions.

Defined benefit costs are categorised as follows:

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

Remeasurement, comprising actuarial gains and losses, the effect of changes to the asset ceiling, if applicable, and the return on defined 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.

7.2 OTHER LIABILITIES

(DKK million)	2014	2013
Product-related liabilities	240	182
Staff-related liabilities	306	278
Other debt, public authorities	141	129
Debt relating to acquisitions	136	262
Accrued interest to Parent	18	18
Other costs payable	253	271
Other liabilities	**1,094**	**1,140**
Due within 1 year BS	974	920
Due within 1-5 years BS	120	220

Product-related liabilities include service packages, warranties, returned products etc. 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. Liabilities in respect of returns have been calculated based on information on products sold, related rights concerning returns and past experience of products returned in the various markets. Consolidated product-related liabilities are the sum of a large number of small items, the sum changing constantly due to a large number of transactions.

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

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

ACCOUNTING POLICIES

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

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

7.3 OPERATING LEASE COMMITMENTS

(DKK million)	2014	2013
Rent	519	519
Other operating leases	46	29
Total	**565**	**548**
Operating leases, less than 1 year	173	160
Operating leases, 1-5 years	263	272
Operating leases, over 5 years	129	116
Total	**565**	**548**

Operating leases are recognised in the income statement at an amount of DKK 309 million (DKK 287 million in 2013). The Group's operating leases mainly relate to rent and vehicles.

7.4 CONTINGENT ASSETS AND LIABILITIES

William Demant Invest A/S disposed its shares in Unisense Fertilitech A/S in November 2014. William Demant Invest A/S was compensated in Vitrolife AB shares. An additional compensation corresponding to a value of 405.683 shares will be paid to William Demant Invest A/S if certain defined sales objectives for the period 2015 and 2016 to 2017 are met. William Demant Invest A/S is considering this earn-out as an unrecorded contingent asset.

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

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

William Demant Invest A/S has in February 2012, via Boston Holding A/S, entered into an agreement to invest DKK 1.8 billion of which DKK 1.4 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 2013-2015.

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

SECTION 8
OTHER DISCLOSURE REQUIREMENTS

8.1 RELATED PARTIES

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

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

Subsidiaries, associates and joint ventures as well as the William Demant Invest Group's ownership interests in these companies appear from the *Subsidiaries, associates and joint ventures* list on page 76 and financial information on associates and joint ventures can be found in note 6.2.

In 2014, the Oticon Foundation paid administration fees to the Group of DKK 2 million (DKK 2 million in 2013). Further, the Oticon Foundation has granted loans (convertible promissory notes) to William Demant Invest A/S totalling DKK 2,000 million at year end 2014, on which interest in 2014 total DKK 71 million (DKK 71 million in 2013).

In 2013, the Oticon Foundation let office and production premises to the Group's joint venture, Sennheiser Communications A/S, at a rental expense of DKK 3 million. In 2013, Unisense Fertilitech A/S paid consultancy fees to the Group of less than DKK 1 million. None of these types of transactions occured in 2014.

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

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

(DKK million)	2014	2013
Statutory audit	8	8
Other assurance engagements	0	0
Tax and VAT advisory services	3	2
Other services	1	2
Total	**12**	**12**

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

8.3 GOVERNMENT GRANTS

In 2014, the William Demant Invest Group received government grants in the amount of DKK 15 million (DKK 12 million in 2013). Grants are offset against research and development costs.

ACCOUNTING POLICIES

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

8.4 EVENTS AFTER THE BALANCE SHEET DATE

On 17 February 2015, the William Demant Group announced that exclusive negotiations had been entered into for the potential purchase of 53.9% of the share capital of Audika, a leading network of hearing care providers in France. If successful, the purchase of the controlling interest will commit the William Demant Group to commence a mandatory public tender offer for the remaining 46.1% of the outstanding share capital of Audika, which is listed on Euronext in Paris. The entire transaction is expected to amount to an equity value of EUR 168 million. The acquisition of the controlling interest in Audika is subject to approval by the French competition authority.

Apart from the above, there have been no other events that materially affect the assessment of this Annual Report 2014 after the balance sheet date and until today.

8.5 APPROVAL AND PUBLICATION

At the Board meeting on 15 April 2015, 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 15 April 2015.

8.6 SHAREHOLDERS

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

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

SECTION 9
BASIS FOR PREPARATION

9.1 GROUP ACCOUNTING POLICIES

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

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

General

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

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

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

The accounting policies remain unchanged for the consolidated financial statements compared to 2013, with the exception of the implementation of new and amended standards as described below. Also, insignificant reclassifications in the comparative figures for 2013 have been made.

Effect of new accounting standards

The Group has adopted all new, amended or revised accounting standards and interpretations as published by the IASB and adopted by the EU effective for the accounting period beginning on 1 January 2014. The implementation of IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements and the amendments to IAS 28 Investments in Associates and Joint Ventures have affected the consolidated financial statements, as the Group's joint ventures, which were previously proportionately consolidated, are now recognised using the equity method. The figures for 2013 have been amended to reflect this change in policies, and the effect of this change appears from note 9.2 to this Annual Report, which also shows the effect of some minor reclassifications due to an amendment in internal classification principles and effect of errors in prior periods' financial figures.

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.

IFRS 9 Financial Instruments was issued in 2009 and has been revised several times since then. Management anticipates that the future application of IFRS 9 may impact the reporting and disclosure of the Group's financial instruments and hedging instruments. However, it will not be possible to provide a reasonable estimate of this impact until a detailed review has been made. IFRS 9 is expected to take effect on 1 January 2018.

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

9.1 GROUP ACCOUNTING POLICIES – *CONTINUED*

Error in prior periods' financial figures

In 2014, it was determined that there have been errors in the financial figures in prior years' annual reports for William Demant Holding Group. The errors concern inaccuracies and errors in financial figures of businesses acquired in the years 2011 to 2013, but as it has been impractical to determine the specific period in which these errors occurred, the restatement has been made in the 2013 figures in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The nature of the errors and the prior period allocation are described in note 9.2.

Accounting estimates and assumptions

Management makes a number of accounting estimates and judgements in the preparation of the consolidated financial statements. These relate to recognition, measurement and classification of assets and liabilities. Many items can only be estimated rather than accurately measured. Such estimates are based on the most recent information available on preparation of the financial statements. Estimates and assumptions are therefore reassessed on an ongoing basis. Actual figures may, however, deviate from these estimates. Any changes in accounting estimates will be recognised in the reporting period in which such changes are made. In connection with the practical application of the accounting policies, Management has made usual accounting estimates and assessments concerning development costs and business combinations as well as valuations of non-current assets, inventories, receivables and liabilities.

In our opinion, the product development undertaken by the Group today cannot meaningfully be allocated to either the development of new products or the further development of existing products. Further, as our products are subject to various authority approvals, it is difficult to determine the final completion of new products.

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

Definition of materiality

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

Consolidated financial statements

The consolidated financial statements comprise William Demant Invest A/S (the Parent) and the enterprises in which the Parent can or actually exercises control by either directly or indirectly holding more than 50% of the voting rights, or in which the Parent in some other manner exercises control. The consolidated financial statement therefore comprises William Demant Invest A/S, William Demant Holding 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 or joint ventures 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 recognised using the equity method. The financial statements included in the consolidated financial statements are prepared in accordance with the Group's accounting policies. Intra-Group income, expenses, shareholdings, balances and dividends as well as unrealised intra-Group profits on inventories are eliminated.

The accounting items of subsidiaries are recognised 100% in the consolidated financial statements. On initial recognition, minority interests are measured either at their fair value or at their proportionate share of the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary. The particular method is chosen for each individual transaction. Minority interests are subsequently adjusted according to their proportionate share of changes in equity of the particular subsidiary. Comprehensive income is allocated to minority interests whether or not, as a result hereof, the value of such interests will be negative.

Buying or selling minority interests in a subsidiary, which does not result in 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.

9.1 GROUP ACCOUNTING POLICIES – *CONTINUED*

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

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

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

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

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

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

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

Equity
Foreign currency translation reserve includes foreign currency adjustments on the translation of financial statements of foreign subsidiaries, associates or joint ventures from their respective functional currencies into Danish kroner. Foreign currency translation adjustments are recognised in the income statement on realisation of the net investment. Hedging reserves include fair value adjustments of derivatives 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.

Cash flow statement
The cash flow statement is prepared according to the indirect method and reflects the consolidated net cash flow broken down into operating, investing and financing activities. Cash flow from operating activities includes inflows from the year's operations adjusted for non-cash operating items, changes in working capital, financial income received and expenses paid, realised foreign currency translation gains and losses and income tax paid. Cash flow from investing activities includes payments in respect of the acquisition or divestment of enterprises and financial assets as well as the purchase, development, improvement or sale of intangible assets and property, plant and equipment.

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

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

9.2 RESTATEMENT OF 2013 FINANCIAL FIGURES

The financial figures for 2013 have been restated, to take into account a change in accounting policies, a change in classification principles and errors in prior years' figures in William Demant Holding A/S. The nature of these changes and the impact on the 2013 financial figures can be seen below.

Change in accounting policies and reporting principles

The implementation of IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements and amendments to IAS 28 Investments in Associates and Joint Ventures have resulted in a restatement of the income statement, balance sheet and cash flow statement for 2013 to reflect that the Group's joint ventures are now recognised using the equity method, instead of being recognised through proportionate consolidation as earlier. Furthermore, the 2013 figures have been restated due to a change in the internal reporting guidelines concerning classification of certain packaging materials.

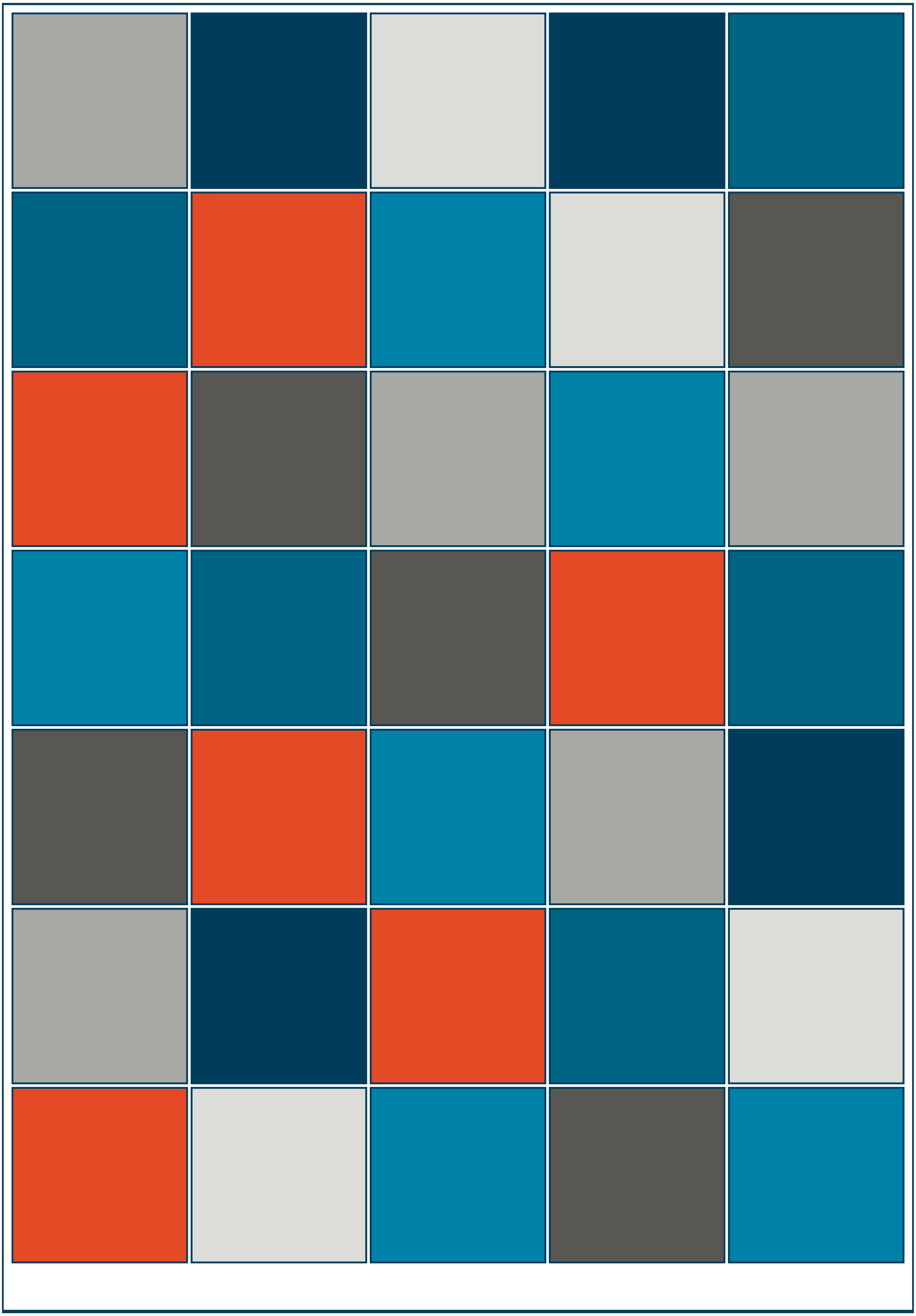
Error in prior periods' financial figures

A vast number of minor US retail entities acquired in the period from 2011 to 2013 have been through a consolidation and integration phase in 2013 and 2014. Most of the 70-80 acquired entities had their own operating processes, IT systems, financial accounting systems etc. While consolidating and standardising the financial procedures of the acquired retail entities in the US, we have identified errors in the financial figures of the acquired businesses. The errors primarily relate to write-off of bad debt, provisions and cost accruals. In the balance sheet, the errors have been accumulated as overdue accounts receivable, inaccurate other liabilities and bank reconciliation items. The errors were identified in autumn 2014 and relate to 2014 as well as to prior periods. Based on a thorough analysis, we conclude that DKK 12 million relates to 2014 and DKK 31 million to prior periods. Adjustments resulting from errors relating to 2014 are recognised in the financial statements for 2014. Adjustments resulting from errors relating to prior periods are in compliance with IAS 8 restated in the comparative income statement, balance sheet and cash flow statement for 2013, as it has not been practically possible to determine the period-specific effect of these errors. It is Management's assessment that the absolute majority of adjustments made to the comparative figures relates to 2013.

Income statement and other comprehensive income	**2013**				
Group (DKK million)	According to Annual Report 2013	Effect of change in accounting policies	Effect of change in classification principle	Error in prior periods' financial figures	Restated 2013 financial figures
Revenue	**9,209**	**-250**			**8,959**
Production costs	-2,537	122	-26		-2,441
Gross profit	**6,672**	**-128**	**-26**		**6,518**
Research and development costs	-664	30			-634
Distribution costs	-3,673	26	26	-31	-3,652
Administrative expenses	-556	6			-550
Share of profit after tax, associates and joint ventures	316	49			365
Operating profit (EBIT)	**2,095**	**-17**	**0**	**-31**	**2,047**
Financial income	145	0	-7		138
Financial expenses	-195	0	7		-188
Profit before tax	**2,045**	**-17**	**0**	**-31**	**1,997**
Tax on profit for the period	-405	17		6	-382
Profit for the year	**1,640**	**0**	**0**	**-25**	**1,615**
Other comprehensive income	-294	1			-293
Comprehensive income for the year	**1,346**	**1**	**0**	**-25**	**1,322**
Earnings per share (EPS), DKK	0.3	0	0	0	0.3
Cash flow					
Cash flow from operating profit	1,768	-95	0	-7	1,666
Cash flow from operating activities (CFFO)	1,359	-31	0	-7	1,321
Cash flow from investing activities (CFFI)	-1,722	6	0	0	-1,716
Cash flow from financing activities (CFFF)	99	-1	0	0	98
Cash flow for the year, net	**-264**	**-26**	**0**	**-7**	**-297**

9.2 RESTATEMENT OF 2013 FINANCIAL FIGURES – *CONTINUED*

Group (DKK million)	31 December 2013			
	According to Annual Report 2013	Effect of change in accounting policies	Error in prior periods' financial figures	Restated 2013 financial figures
Intangible assets	**3,618**	**-3**	**0**	**3,615**
Property, plant and equipment	**1,496**	**-8**	**0**	**1,488**
Investments in associates and joint ventures	4,425	35	0	4,460
Receivables from associates and joint ventures	599	0	0	599
Other investments	118	0	0	118
Other receivables	566	0	0	566
Deferred tax assets	267	-1	0	266
Other non-current assets	**5,975**	**34**	**0**	**6,009**
Non-current assets	**11,089**	**23**	**0**	**11,112**
Inventories	1,147	-5	0	1,142
Trade receivables	1,881	-12	-7	1,862
Receivables from associates and joint ventures	3	0	0	3
Income tax	75	-1	7	81
Other receivables	234	-9	0	225
Unrealised gains on financial contracts	45	0	0	45
Prepaid expenses	108	0	0	108
Securities	1,062	0	0	1,062
Cash	393	-28	-7	358
Current assets	**4,948**	**-55**	**-7**	**4,886**
Assets	**16,037**	**-32**	**-7**	**15,998**
Equity	**8,692**	**1**	**-25**	**8,668**
Interest-bearing debt	2,081	0	0	2,081
Deferred tax liabilities	146	0	0	146
Provisions	132	0	0	132
Other liabilities	221	-1	0	220
Deferred income	34	0	0	34
Non-current liabilities	**2,614**	**-1**	**0**	**2,613**
Interest-bearing debt	3,162	0	0	3,162
Trade payables	367	-19	2	350
Income tax	65	0	0	65
Provisions	16	0	0	16
Other liabilities	917	-13	16	920
Unrealised losses on financial contracts	11	0	0	11
Deferred income	193	0	0	193
Current liabilities	**4,731**	**-32**	**18**	**4,717**
Liabilities	**7,345**	**-33**	**18**	**7,330**
Equity and liabilities	**16,037**	**-32**	**-7**	**15,998**



PARENT INCOME STATEMENT

(DKK million)	Note	2014	2013
Fee income		1.2	0.9
Administrative expenses	10.1 10.2	-6.8	-6.3
Operating profit/(loss) (EBIT)		**-5.6**	**-5.4**
Financial income	10.3	174.8	138.1
Financial expenses	10.3	-170.7	-121.0
Profit before tax		**-1.5**	**11.7**
Tax on profit for the year		4.0	9.4
Profit for the year		**2.5**	**21.1**
Proposed distribution of net profit:		0.0	0.0
Dividend		2.5	21.1
Retained earnings		**2.5**	**21.1**

PARENT BALANCE SHEET AT 31 DECEMBER

(DKK million)	Note	2014	2013
Assets			
Investments in subsidiaries		2,713.8	2,713.8
Investments in associates		3,382.4	3,518.3
Receivables from associates		1,407.0	447.7
Other investments		352.2	109.2
Financial assets	10.4	**7,855.4**	**6,789.0**
Non-current assets		**7,855.4**	**6,789.0**
Receivables from subsidiaries		51.0	28.1
Income tax		25.0	25.5
Other receivables		9.4	23.4
Receivables		**85.4**	**77.0**
Securities	10.5	**359.6**	**1,062.2**
Cash		**0.1**	**29.5**
Current assets		**445.1**	**1,168.7**
Assets		**8,300.5**	**7,957.7**

PARENT BALANCE SHEET AT 31 DECEMBER

(DKK million)	Note	2014	2013
Equity and liabilities			
Share capital		3.5	3.5
Retained earnings		5,844.4	5,841.9
Dividend		0.0	0.0
Total equity		**5,847.9**	**5,845.4**
Debt to parent	10.6	2,000.0	2,000.0
Non-current liabilities		**2,000.0**	**2,000.0**
Debt to credit institutions		362.9	0.0
Debt to parent	10.6	17.5	67.9
Debt to subsidiaries		72.0	44.2
Other debt		0.2	0.2
Current liabilities		**452.6**	**112.3**
Liabilities		**2,452.6**	**2,112.3**
Equity and liabilities		**8,300.5**	**7,957.7**
Contingent assets and liabilities	10.7		
Related parties	10.8		
Shareholders	10.9		
Events after the balance sheet date	10.10		
Parent accounting policies	10.11		

PARENT STATEMENT OF CHANGES IN EQUITY

(DKK million)	Share capital	Other reserves	Dividend	Total equity
Equity at 1.1.2013	**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**
Profit for the year	-	2.5	0.0	2.5
Dividend paid	-	-	0.0	0.0
Equity at 31.12.2014	**3.5**	**5,844.4**	**0.0**	**5,847.9**

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

SECTION 10
NOTES TO PARENT FINANCIAL STATEMENTS

10.1 BOARD REMUNERATION, FEES AND OTHER EXPENSES

(DKK million)	2014	2013
Remuneration, Board of Directors	0.7	0.7
Administration fees to William Demant Holding A/S	5.1	4.4
Other expenses	1.0	1.2
Administrative expenses	**6.8**	**6.3**

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

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

(DKK million)	2014	2013
Statutory audit	0.2	0.1
Total	**0.2**	**0.1**

10.3 NET FINANCIAL ITEMS

(DKK million)	2014	2013
Dividends from associates	74.5	45.2
Interest income from associates	21.8	9.8
Valuation adjustment of securities	0.0	13.3
Interest income from securities	55.5	62.8
Interest income from subsidiaries	2.2	2.8
Valuation adjustment of shares	12.8	0.0
Other financial income	8.0	4.2
Financial income	**174.8**	**138.1**
Valuation adjustment of securities	-31.4	-49.8
Interest expenses to Parent	-70.7	-70.9
Other financial expenses	-1.3	-0.3
Loss on disposal of shares in Unisense FertiliTech A/S	-67.3	0.0
Financial expenses	**-170.7**	**-121.0**

10.4 FINANCIAL ASSETS

(DKK million)	Investments in subsidiaries	Investments in associates	Receivables from associates	Other investments
Cost at 1.1.2014	**2,713.8**	**3,518.3**	**447.7**	**105.0**
Additions during the year	0.0	0.0	984.9	222.2
Disposals during the year	0.0	-135.9	-25.6	0.0
Cost at 31.12.2014	**2,713.8**	**3,382.4**	**1,407.0**	**327.2**
Value adjustments at 1.1.2014	**0.0**	**0.0**	**0.0**	**4.2**
Adjustments during the year	0.0	0.0	0.0	20.8
Value adjustments at 31.12.2014	**0.0**	**0.0**	**0.0**	**25.0**
Carrying amount at 31.12.2014	**2,713.8**	**3,382.4**	**1,407.0**	**352.2**
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**
Adjustments during the year	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**

10.5 SECURITIES

Securities with maturity within 1 year total DKK 248 mio. (in 2013 DKK 575 million). Securities with maturity after 1 year but before 5 years total DKK 112 million (in 2013 DKK 444 million). Securities with maturity after 5 years total DKK 0 million (in 2013 DKK 43 million).

10.6 DEBT TO PARENT

Of the non-current debt to parent in the amount for DKK 2.000 million (DKK 2.000 million in 2013), DKK 0 million (DKK 0 million in 2013) will fall due after five years.

Of the total debt to parent of DKK 2.017,5 million (DKK 2.067,9 million in 2013) is DKK 2.000 million (DKK 2.050 million in 2013) in convertible promissory notes.

10.7 CONTINGENT ASSETS AND LIABILITIES

William Demant Invest A/S disposed its shares in Unisense Fertilitech A/S in November 2014. William Demant Invest A/S was compensated in Vitrolife AB shares. An additional compensation corresponding to a value of 405.683 shares will be paid to William Demant Invest A/S if certain defined sales objectives for the period 2015 and 2016 to 2017 are met. William Demant Invest A/S is considering this earn-out as an unrecorded contingent asset.

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

William Demant Invest A/S has in February 2012, via Boston Holding A/S, entered into an agreement to invest DKK 1.8 billion for a share of approximately 18% of the German offshore wind farm Borkum Riffgrund 1. The payments are due in 2012-2015. The wind farm will be built by DONG in 2013-2015.

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

10.8 RELATED PARTIES

William Demant 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.

10.9 SHAREHOLDERS

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

10.10 EVENTS AFTER THE BALANCE SHEET DATE

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

10.11 PARENT ACCOUNTING POLICIES

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

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

Income Statement

Tax

The Parent is administration company in the joint taxation with the Danish subsidiaries in the William Demant 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

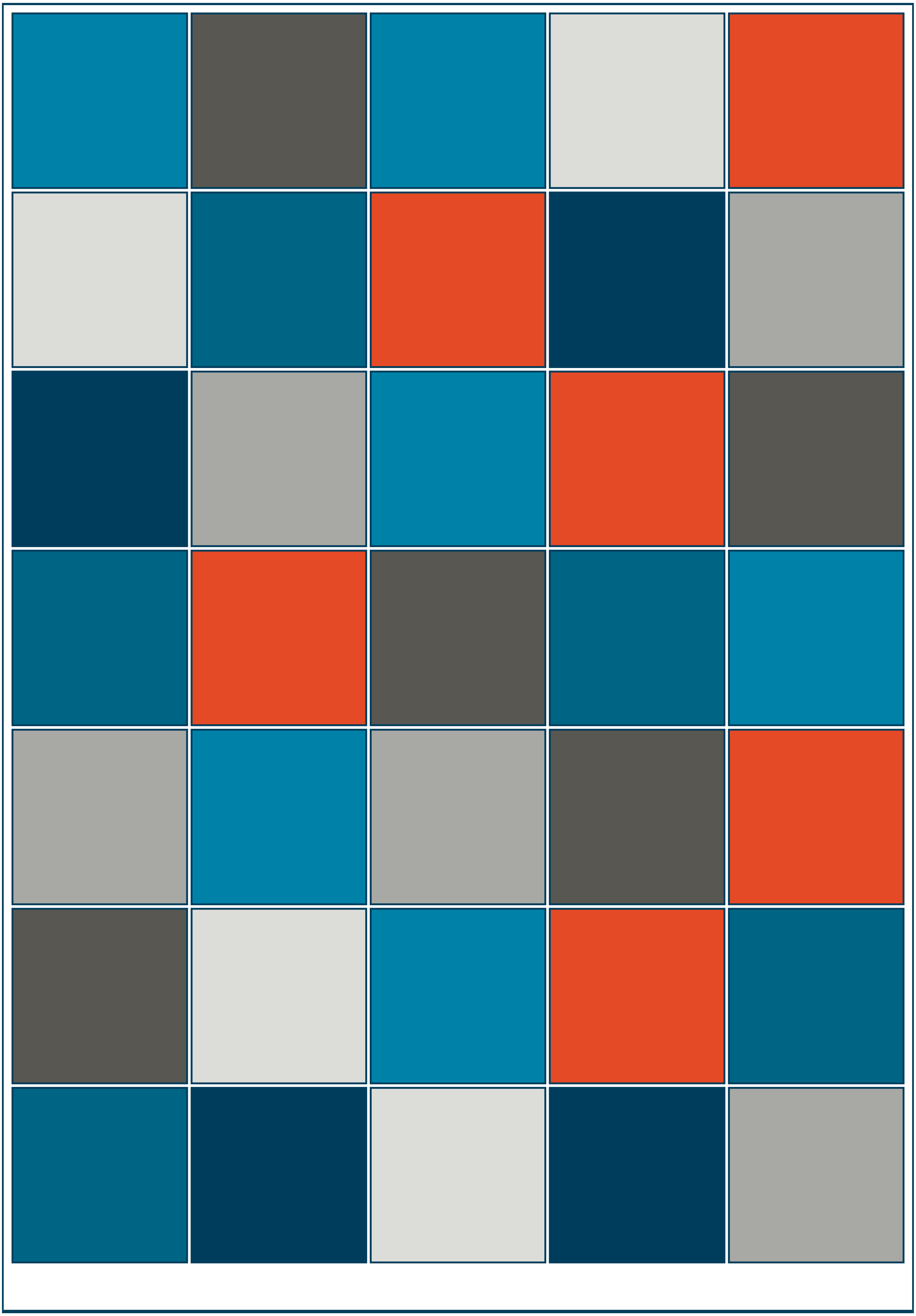
Dividends are recognised as a liability at the time of adoption at the annual general meeting. The proposed dividend is until this time recognised in a separate line as part of equity.

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.



SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Company	Interest
William Demant Invest A/S, Denmark	Parent
• William Demant Holding A/S, Denmark	56.1%
• Jeudan A/S, Denmark	42.1%
• Össur hf., Iceland	42.4%
• Boston Holding A/S, Denmark	37.0%

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

Company	*Interest*
Audmet Canada Ltd., Canada	100%
Audmet B.V., the Netherlands*	100%
Canada Hearing Centre Ltd., Canada*	100%
Centro Auditivo Telex Ltda., Brazil*	100%
Danacom Høreapparater A/S, Denmark*	100%
Det Lille Høreapparat ApS, Denmark*	100%
Diagnostic Group LLC, USA	100%
Diatec AG, Switzerland*	100%
Diatec Spain, S.L.U., Spain*	100%
e3 diagnostic Inc., USA	100%
Hearing Healthcare Management Inc., USA	100%
Hidden Hearing (Portugal), Unipessoal Lda., Portugal*	100%
Hidden Hearing Limited, United Kingdom	100%
Hidden Hearing Limited, Ireland*	100%
Hörmittelzentralen AG, 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%
Neurelec GmbH, Germany	100%
Neurelec Maroc Sarlau, Morocco	100%
Neurelec S.A.S., France*	100%
New Zealand Audiology Limited, New Zealand*	100%
Phonic Ear A/S, Denmark*	100%
Prodition S.A., France*	100%
Sensory Devices Inc., USA	100%
SES Isitme Cihazlari Sanayi ve Ticaret A.S., Turkey	100%
Sonic Innovations Inc., USA	100%
Sonic Innovations Pty Ltd., Australia	100%
Udicare S.r.l., Italy*	100%
Van Boxtel Hoorwinkels B.V., the Netherlands	100%
FrontRow Calypso LLC, USA	75%
Sennheiser Communications A/S, Denmark*	50%
BC Implants AB, Sweden*	49%
nEarcom LLC, USA	33%
HIMSA A/S, Denmark	25%

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

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