ANNUAL REPORT

2016

William Demant **Invest**

CONTENT

ABOUT WILLIAM DEMANT INVEST

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

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

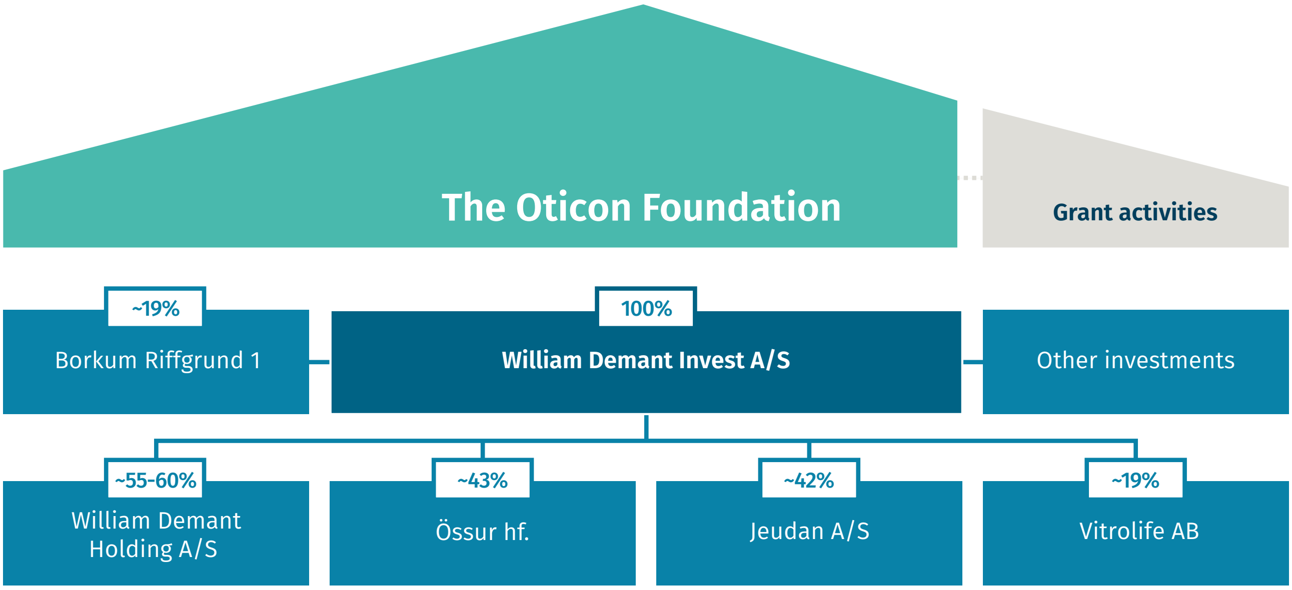
Investment strategy
William Demant Invest A/S invests in companies whose business models and structures resemble those of William Demant Holding A/S, but are outside of William Demant Holding A/S' strategic sphere of interest, which is hearing healthcare.

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

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

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

GROUP STRUCTURE AND CORPORATE GOVERNANCE



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

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

MANAGEMENT REVIEW

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

In contrast to last year's pro forma consolidation, our investment in the German offshore wind farm, Borkum Riffgrund 1, contributes positively to the Group's total revenue and operating profit for 2016, as William Demant Invest A/S in June 2016 began to receive its proportionate share of the revenue and operating profit from the wind farm after a period of testing and optimisation following the official opening of the wind farm in 2015.

As was the case in 2015, we continued to increase our ownership share in Vitrolife and by the end of 2016, we reached an ownership share of approx. 19% vs. 18% in 2015. Vitrolife has over the last couple of years cemented its position as one of the market leaders in product offerings to the rapidly growing market for IVF treatments, and we therefore remain very positive on our ownership share in Vitrolife.

In 2016, William Demant Invest A/S made no major new investments. The "Other" category includes minor investments and administration costs, including our co-investment in the venture capital incubator, Founders A/S, together with KIRKBI and Bestseller.

The pro forma consolidation shows an overall growth in revenue in 2016 of 15%. William Demant Holding A/S continues to be William Demant Invest A/S' largest investment accounting for approx. 75% of pro forma revenue[2]. The growth in pro forma revenue is mainly driven by a reported 13% growth in William Demant Holding A/S and a higher ownership share in Vitrolife, which measured in average terms increased from 11% in 2015 to 19% in 2016. This translated into an EBIT growth of 8% to DKK 1,751 million, whereas profit for the year is down 11% to DKK 1,181 million, which is mainly attributable to Jeudan reporting higher financial items in 2016 compared to 2015.

The companies in the William Demant Invest sphere employed on average 15,755 people during 2016 and had an aggregated market capitalisation around DKK 60 billion by year-end 2016, which is on par with 2015, of which William Demant Invest A/S' share is DKK 30 billion.

Events after the balance sheet date

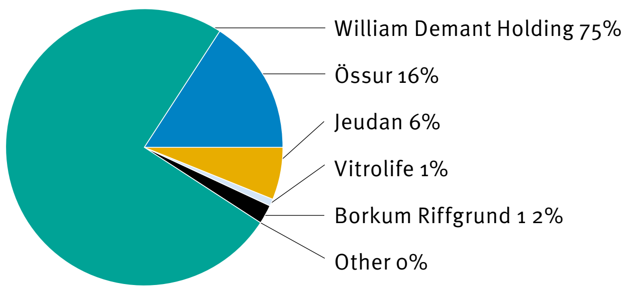
On 23 February 2017, William Demant Holding A/S announced that President & CEO, Niels Jacobsen, decided to step down after 25 years as member of the Executive Board in William Demant Holding A/S to become CEO of William Demant Invest A/S. Søren Nielsen, who was deputy CEO and Chief Operating Officer (COO) of William Demant Holding A/S, was appointed new President & CEO of William Demant Holding A/S. The management changes took effect on 1 April 2017. The executive management of William Demant Holding A/S consists of Søren Nielsen and CFO, René Schneider.

As a consequence of the management changes, a number of Board changes in the William Demant Group have taken place. Niels B. Christiansen, who has been Board member of William Demant Holding A/S since 2008, has been elected new Chairman of the Board. The former Chairman, Lars Nørby Johansen, decided not to stand for re-election at the William Demant Holding A/S annual general meeting on 27 March 2017. Lars Nørby Johansen will, however, continue his work in the William Demant Group, as the Board of the Oticon Foundation has nominated him for the position of Chairman of the Board of the Oticon Foundation. He will succeed Niels Boserup, who wants to step down after more than 10 years as Chairman of the Oticon Foundation. Finally, Niels Jacobsen was elected as Deputy Chairman of the Board of William Demant Holding A/S at the annual general meeting in March 2017.

[1] The formal consolidated income statement etc. for William Demant Invest A/S can be found on page 26

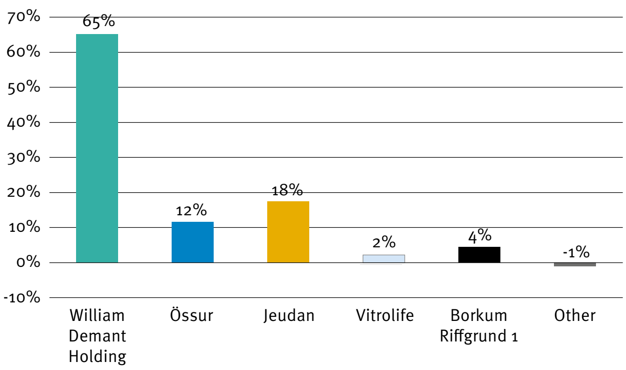
[2] Including 2.2% of William Demant Holding A/S, which the Oticon Foundation owns directly

Revenue split



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

Operating profit split



PRO FORMA CONSOLIDATION

(DKK million)	Individual entities – 100%		William Demant Invest A/S proportional share	
	2016	**2015**	**2016**	**2015**
REVENUE				
William Demant Holding A/S	12,002	10,665	7,053	6,195
Össur hf.	3,506	3,250	1,496	1,377
Jeudan A/S	1,237	1,208	523	508
Vitrolife AB	672	576	128	65
Borkum Riffgrund 1, (Boston Holding A/S)	411	0	152	0
Other	0	2	0	2
	17,828	**15,701**	**9,352**	**8,147**
OPERATING PROFIT				
William Demant Holding A/S	1,942	1,878	1,139	1,091
Össur hf.	477	514	204	218
Jeudan A/S	724	710	307	298
Vitrolife AB	195	181	38	21
Borkum Riffgrund 1, (Boston Holding A/S)	211	-1	78	0
Other	-40	-19	-18	-11
	3,509	**3,263**	**1,748**	**1,617**
FINANCIAL ITEMS AND TAX				
William Demant Holding A/S	-478	-439	-281	-255
Össur hf.	-134	-170	-57	-72
Jeudan A/S	-425	109	-180	46
Vitrolife AB	-45	-34	-9	-4
Borkum Riffgrund 1, (Boston Holding A/S)	-119	-2	-44	-1
Other	2	2	1	2
	-1,199	**-534**	**-570**	**-284**
PROFIT FOR THE YEAR, OTICON FOUNDATION SHARE			**1,178**	**1,333**
Profit for the year, Oticon Foundation minority share			-33	-31
PROFIT FOR THE YEAR, TOTAL WILLIAM DEMANT INVEST A/S SHARE			**1,145**	**1,302**
EMPLOYEES, AVERAGE				
William Demant Holding A/S	12,339	10,803	7,254	6,275
Össur hf.	2,710	2,420	1,157	1,025
Jeudan A/S	362	368	153	155
Vitrolife AB	328	330	63	37
Borkum Riffgrund 1, (Boston Holding A/S)	0	0	0	0
Other	16	16	5	5
	15,755	**13,937**	**8,632**	**7,497**
MARKET CAPITALISATION (YEAR-END)				
William Demant Holding A/S	31,829	35,126	18,856	20,439
Össur hf.	11,158	10,559	4,797	4,417
Jeudan A/S	7,949	8,625	3,386	3,572
Vitrolife AB	6,539	5,087	1,272	902
Borkum Riffgrund 1, (Boston Holding A/S) assets	5,346	4,919	1,978	1,820
Borkum Riffgrund 1, (Boston Holding A/S) liabilities	-5,262	-4,927	-139	-75
Other (other investments, securities, cash and bank debt)	1,763	1,556	-82	-226
	59,322	**60,945**	**30,068**	**30,851**

PRO FORMA CONSOLIDATION – *CONTINUED*

WILLIAM DEMANT INVEST A/S SHARE OF OWNERSHIP	Average of the year		End of the year	
	2016	2015	2016	2015
William Demant Holding A/S (including Oticon Foundation minority share)	59%	58%	59%	58%
Össur hf.	43%	42%	43%	42%
Jeudan A/S	42%	42%	43%	42%
Vitrolife AB	19%	11%	19%	18%
Borkum Riffgrund 1, (Boston Holding A/S)	37%	37%	37%	37%

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

The numbers for Borkum Riffgrund 1 represent Boston Holding A/S' proportionate share of the wind farm and thus only account for 50% of the total production (revenue and operating profit), and William Demant Invest A/S' share of ownership in Borkum Riffgrund 1 is calculated on the basis of William Demant Invest A/S' ownership share in Boston Holding, which is 37% (KIRKBI holds the remaining 63%) compared to 19% ownership of Borkum Riffgrund 1.

WILLIAM DEMANT HOLDING

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

Today, the William Demant Group has more than 12,000 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 Group is Oticon, which was founded in 1904. Today, the William Demant Group delivers products and services based on true innovation and delivered to customers and end-users through a multi-brand approach and backed by a comprehensive global distribution set-up and efficient shared services.

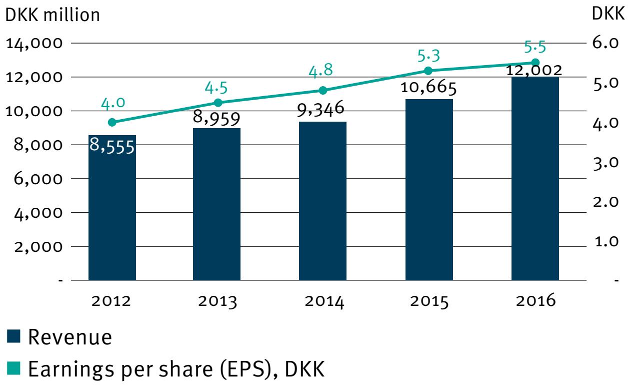
2016
In 2016, William Demant Holding's consolidated revenue amounted to DKK 12,002 million, corresponding to 13% growth in local currencies. Operating profit (EBIT) amounted to DKK 1,942 million, or an increase of 3% compared with 2015.

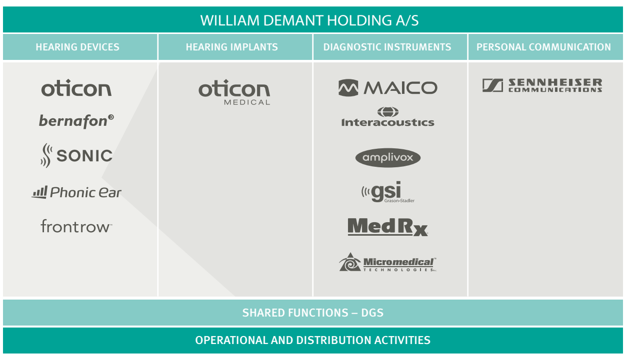
William Demant Holding's Hearing Devices business activity (wholesale and retail of hearing aids) showed strong performance in 2016 with a growth rate of 14% in local currencies, mainly driven by satisfactory performance in the retail business and the launch of Oticon Opn at the end of the first half-year, which contributed to strong sales in the wholesale business throughout the rest of the year. Oticon Opn is also expected to be a strong growth driver in 2017 driven by, among others, further expansion of the Opn product portfolio.

In the Hearing Implants business activity, William Demant Holding continues working towards fulfilling the long-term ambition of becoming one of the world's leading manufacturers of hearing implants. In 2016, the Hearing Implant business activity realised growth of 7% in local currency, mainly driven by improved sales momentum in the Neuro cochlear implant and the launch of the Ponto 3 bone-anchored sound processor in the second part of the year.

Despite challenging market conditions in a number of oil-dependent markets, William Demant Holding's Diagnostic Instruments business activity realised growth of 3% in local currency, which was in line with the market growth rate and driven by, among others, strong performance in Asia and the Pacific region.

Outlook 2017
In 2017, William Demant Holding A/S expects to deliver growth in all business activities, which is anticipated to translate into an EBIT of DKK 2,200-2,500 million.





www.demant.com

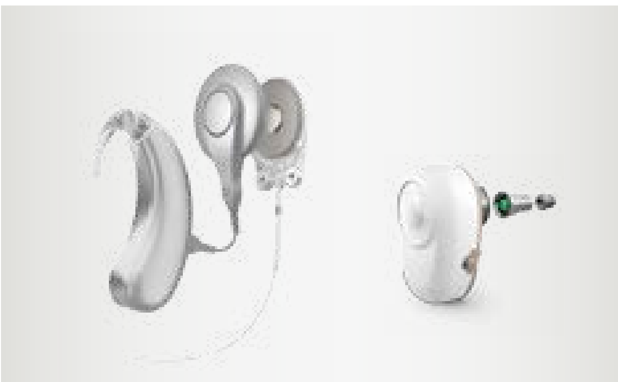
William Demant

William Demant Holding A/S

(DKK million)	2016	2015
Revenue	12,002	10,665
EBITDA	2,346	2,203
EBIT	1,942	1,878
Net result	1,464	1,439
Equity	6,966	6,500
Assets	15,548	14,390
Cash flow from operations (CFFO)	1,679	1,592
Free cash flow (FCF)	1,223	1,129
Average number of employees	12,339	10,803
William Demant Invest A/S (incl. the Oticon Foundation) ownership (end of the year)	59%	58%

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

Note: The composition of the Board of Directors and Executive Management as of 31 December 2016. Due to the management changes, cf. "Management Review", where Søren Nielsen was appointed new President & CEO as of 1 April 2017, the Executive Management now consists of Søren Nielsen and René Schneider. Driven by the same management changes, at William Demant Holding A/S' annual general meeting in March 2017, Niels B. Christiansen was elected new Chairman of the Board, as the former Chairman, Lars Nørby Johansen, decided not to stand for re-election. In addition, Niels Jacobsen was elected new Board member and subsequently appointed Deputy Chairman of the Board. Thus, as of 1 April 2017, the Board of Directors of William Demant Holding A/S consists of Niels B. Christiansen (Chairman), Niels Jacobsen (Deputy Chairman), Peter Foss, Benedikte Leroy, Lars Rasmussen, Ole Lundsgaard, Jørgen Møller Nielsen and Thomas Duer.



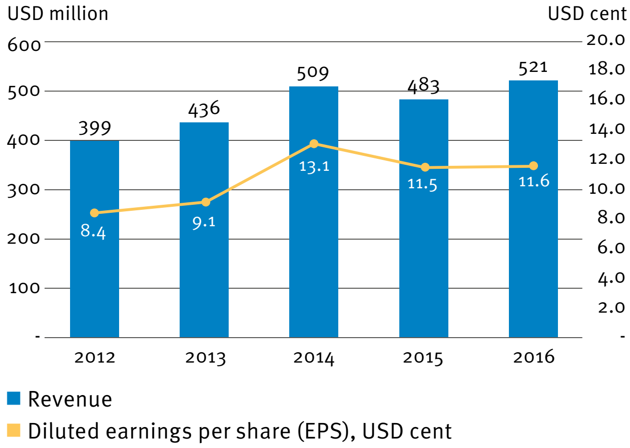
ÖSSUR

About Össur hf.
Össur is a global leader in non-invasive orthopaedics, focused on delivering innovative solutions in the prosthetics and bracing and supports market. The company was founded in 1971, is headquartered in Iceland and operates with 2,710 employees in 18 countries. Össur has been listed on the Icelandic Stock Exchange since 1999 and on Nasdaq Copenhagen since 2009.

William Demant Invest A/S started investing in Össur in 2004 and has continually bought up Össur shares. Today, William Demant Invest A/S is the largest shareholder with approx. 43% ownership.

2016
Össur continued to deliver solid growth driven by, among other factors, new product introductions and upgrades, favourable product mix effects and acquisitions, resulting in a full-year growth rate of 9%.

In 2016, Össur acquired two new businesses. Touch Bionics, a British-based manufacturer of innovative upper limb prostheses and supporting services was acquired in April at a price of USD 40 million, and Medi Prosthetics, a German-based provider of mechanical lower limb prosthetic components was acquired in September at a price of USD 17 million. Both companies complement Össur's current product offerings, and the integration is going as planned with expected synergies to be fully achieved by the end of 2018.



Revenue amounted to USD 521 million, corresponding to an increase of USD 38 million compared to 2015, mainly driven by very satisfying growth in the Prosthetic business segment – up 19% in local currency on 2015. The latter is primarily attributable to continued strong sales of the company's bionics product portfolio with Rheo Knee and Pro Flex as the main positive. By the end of 2016, bionics products amounted to 25% of the total Prosthetics product sales. The company's other main business segment, Bracing and Support, saw modest revenue growth of 2%, just slightly below the estimated market growth of 3-5%, as sales in Americas were negatively impacted by discontinued sales of a specific product line.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to USD 94 million, compared to USD 97 million last year. EBITDA was negatively impacted by special items of USD 4.6 million, due to, among others, the acquisitions of Touch Bionics and Medi Prosthetics. Thus the underlying EBITDA was USD 98 million, or 19% of sales, corresponding to an increase of 6% in local currency compared to 2015.

Net profit came in at USD 51 million vs. USD 51 million in 2015. Earnings per share amounted to US cents 11.6 compared to US cents 11.6 in 2015.

Outlook 2017
Össur expects an organic revenue growth of 4-5% in local currency and an EBITDA margin of 19-20%.

www.ossur.com

ÖSSUR
LIFE WITHOUT LIMITATIONS

Össur hf.

(USD million)	2016	2015
Revenue	521	483
EBITDA	94	97
EBIT	72	77
Net result	51	51
Equity	467	463
Assets	746	653
Cash flow from operations (CFFO)	88	84
Free cash flow (FCF)	42	42
Average number of employees	2,710	2,420
William Demant Invest A/S ownership (end of the year)	43%	42%

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

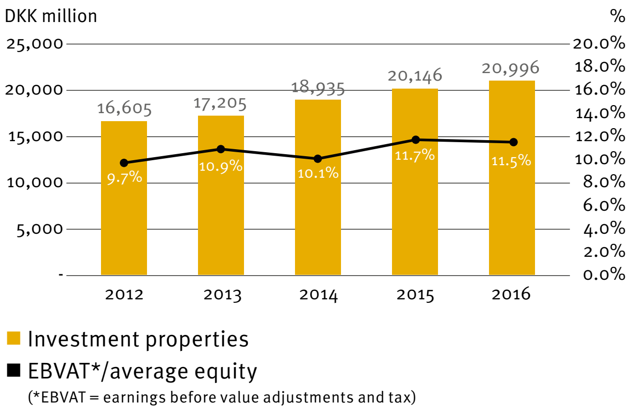
JEUDAN

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

William Demant Invest A/S started investing in Jeudan in 2004 and has continually bought up Jeudan shares. Today, William Demant Invest A/S is, with 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 A/S' ownership of Jeudan has ties to the history of William Demant.

2016
In 2016, the interest and demand for properties in Copenhagen continued to be high and thus fueling and intensifying the upward sloping price trend, which has characterised the Copenhagen real estate market for the last 5-6 years.

By year-end, Jeudan had invested more than DKK 800 million in new properties, which, among others, includes the acquirement of America Plads 29, which is part of the new urban development area in Søndre Frihavn, and an underground parking house at Sankt Annæ Plads in the inner part of Copenhagen.



(*EBVAT = earnings before value adjustments and tax)

As part of the urban renewal plan of the area around Ofelia Plads (former Kvæsthusmolen), Jeudan entered into a partnership with the Ministry of Culture and Realdania which among others includes the responsibility of the daily operation and maintenance of the area. Taking an active role in maintaining and securing a sustainable city environment in Copenhagen is a central part of Jeudan's corporate social responsibility policy.

By year-end 2016, Jeudan's more than 200 properties had a book value of DKK 21 billion, representing an increase of DKK 900 million compared to 2015. Equity, which at year-end reached DKK 5.4 billion, had a return of 5.7% and comprised 25.4% of Jeudan's total assets. As a result of the equity ratio, the board proposes a zero dividend for 2016 in accordance with the company's dividend policy.

In 2016, Jeudan saw an increase in revenue of 3% to DKK 1,237 million and realised an operating profit (EBIT) of DKK 724 million, corresponding to an EBIT margin of 59%. After interest expense, but before value adjustments and tax, the result (EBVAT) amounted to DKK 606 million, an 8% increase compared to 2015, mainly explained by increased profitability in the real estate business and conversion of interest agreements to lower rates. The lower interest rates have, however, resulted in negative value adjustments of interest rate swaps of DKK -97 million compared to a positive contribution of DKK 343 million in 2015. The total loss on financial obligations, including the negative value adjustments of interest rate swaps as just described, amounted to DKK -546 million vs. DKK 84 million in 2015. Thus the net result of DKK 299 million vs. DKK 819 million in 2015 is mainly attributable to volatility in the company's financial obligations due to the lower interest seen in 2016.

Outlook 2017
In light of the abovementioned and unchanged activity in Jeudan Servicepartner, the net revenue in 2017 is expected to be DKK 1,300 million, while EBVAT is expected to land around DKK 600 million.

www.jeudan.dk

Jeudan A/S

(DKK million)	2016	2015
Revenue	1,237	1,208
EBIT	724	710
EBVAT	606	559
Net result	299	819
Equity	5,370	5,193
Assets	21,165	20,306
Cash flow from operations (CFFO)	636	534
Free cash flow (FCF)	-158	339
Average number of employees	362	368
Occupancy rate	94%	95%
William Demant Invest A/S ownership (end of the year)	43%	42%

Board of Directors	
Jørgen Tandrup	Chairman
Niels Jacobsen	Deputy Chairman
Hans Munk Nielsen	
Tommy Pedersen	
Søren Bergholt Andersson	
Executive Management	
Per Wetke Hallgren	CEO

Note: The composition of the Board of Directors and Executive Management as of 31 December 2016. On Jeudan's annual general meeting on April 20 2017, the current Chairman of the Board, Jørgen Tandrup, and Board member Hans Munk Nielsen did not stand for re-election. Instead Claus Gregersen and Helle Okholm were elected new Board members. Thus, as of 20 April 2017, the Board of Directors of Jeudan consists of Niels Jacobsen (Chairman), Claus Gregersen (Deputy Chairman), Søren Bergholt Andersson, Tommy Petersen and Helle Okholm.

VITROLIFE

About Vitrolife AB

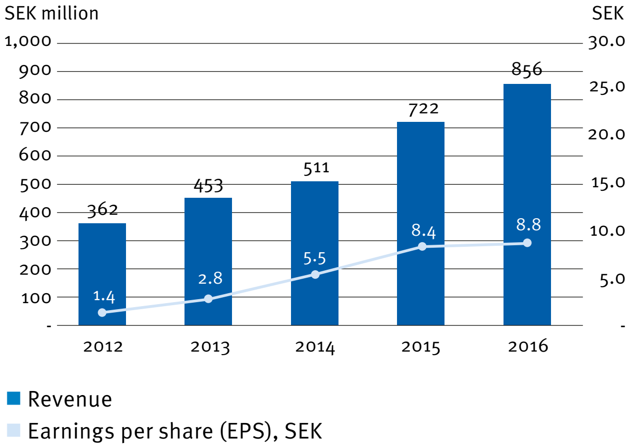
Vitrolife is an international medical device group specialising in production and development of products for assisted reproduction. The company was founded in 1994 and was one of the first companies to provide IVF laboratories with high quality ready-to-use culture media. The company is headquartered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

In 2014, William Demant Invest A/S divested its 31% share in Unisense FertiliTech A/S to Vitrolife in exchange for shares in the company. Today, William Demant Invest A/S holds around 19% of the shares in Vitrolife and is together with the Swedish investment company, Bure Equity AB, who holds around 21% of the share capital, the majority shareholder in Vitrolife.

2016

The global market for IVF treatment continued to see strong growth in 2016 driven by, among others, parents choosing to have children later in life and a growing middle class. Consequently, being one of the main suppliers to IVF treatment, Vitrolife saw significant growth in 2016, resulting in a full-year growth rate of 18% in local currency.

In 2016, Vitrolife improved its product offering with the acquisition of two new businesses: MTG Medical Technology Vertriebs-GmbH ("MTG") and Octax Microscience GmbH ("OCTAX"). OCTAX is a developer and producer of the OCTAX Laser and Imaging Systems, whereas MTG is a global distributor of the OCTAX Laser and Imaging Systems and various IVF products, among others. The OCTAX Laser and Imaging Systems are used in different kinds of IVF procedures, i.e. embryo biopsies, and the acquisitions mark Vitrolife's entrance into the growing market for so-called pre-implantation genetic screening (PGS) and pre-implantation genetic diagnosis (PGD).



Revenue amounted to SEK 856 million, corresponding to an increase of 18% in local currency, driven by strong growth in all major markets with Asia and Pacific as the main positive. On the product side, Time-Lapse rose 15% driven by, among others, the launch of the new EmbryoScope incubator, the EmbryoScope+, in the second half-year. Also Vitrolife's two other business units, Media and Disposable Devices, realised satisfactory growth of 14% and 9%, respectively. As a consequence of the acquisition of MTG and OCTAX, Vitrolife formed a new business unit, ART Equipment. Adjusted for this, full-year revenue growth amounted to 12% in local currency.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to SEK 303 million (vs. SEK 279 million last year) corresponding to an impressive EBITDA margin of 35%. Net profit came in at SEK 191 million vs. SEK 183 million in 2015. Earnings per share amounted to SEK 8.77 compared to SEK 8.42 in 2015.

Outlook 2017

For 2017, Vitrolife anticipates a constantly expanding market, which in monetary terms is expected to grow by 5-10% per year in the foreseeable future.

www.vitrolife.com

Vitrolife

Vitrolife AB

(SEK million)	2016	2015
Revenue	856	722
EBITDA	303	279
EBIT	249	226
Net result	191	183
Equity	1,020	845
Assets	1,250	1,059
Cash flow from operations (CFFO)	181	194
Free cash flow (FCF)	-13	93
Average number of employees	328	320
William Demant Invest A/S ownership (end of the year)	19%	18%

Board of Directors

Carsten Browall	Chairman
Barbro Fridén	
Tord Lendau	
Pia Marions	
Frederik Mattsson	
Jón Sigurdsson	

Executive Management

Thomas Axelsson	CEO
Mikael Engblom	CFO
Maria Forss	VP
Andreas Ardstål	Director, Media
Rickard Ericsson	VP
Steffen Nielsen	Director, Time-Lapse

BORKUM RIFFGRUND 1

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

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

2016
In mid-2016, Borkum Riffgrund 1 entered into full operational activity after a period of testing and optimisation following the official opening of the wind farm in 2015. Consequently, William Demant Invest A/S has now started to receive its proportionate share of the cash flow from the wind farm, which in 2017 is expected to contribute positively to William Demant Invest A/S' cash flow by approx. DKK 240-260 million.

In 2017, the wind farm is expected to produce GWh 1,310 which approximates the energy consumption of around 320,000 German households.

Boston Holding A/S (DKK million)	2016	2015
Revenue	411	-
Operating profit	211	-1
Net result	92	-4
Equity	84	-8
Assets	5,346	4,919
William Demant Invest A/S ownership (end of the year)	37%	37%

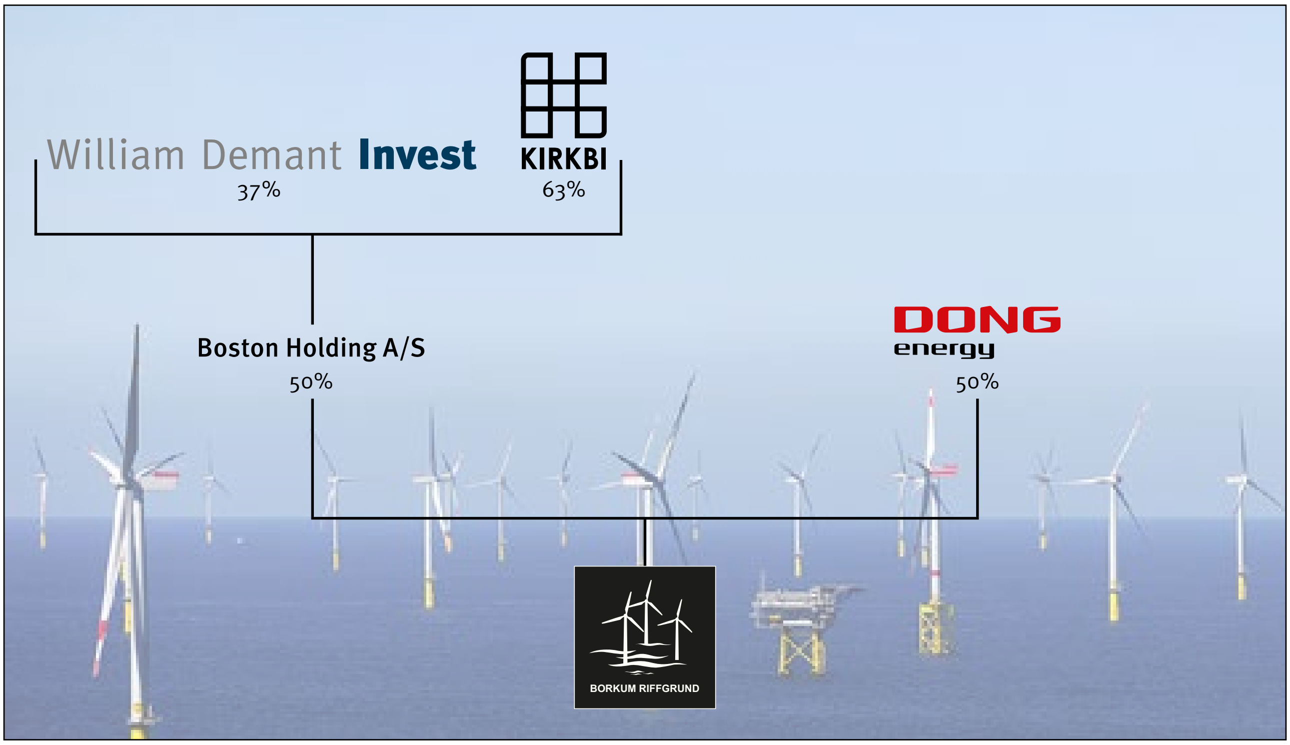
Board of Directors

Søren Thorup	Chairman
Niels Jacobsen	Deputy Chairman
Thomas Schleicher	
Nicklas Hansen	

Management

Kasper Trebbien	Managing Director

Note: The numbers for Borkum Riffgrund 1 represent Boston Holding A/S' proportionate share of the wind farm and thus only account for 50% of the total production (revenue and operating profit). William Demant Invest A/S holds 37% of the shares in Boston Holding A/S.



FINANCIAL REVIEW

Income statement
The William Demant Invest Group's consolidated revenue amounted to DKK 12,154 million in 2016 compared to 10,665 million in 2015. Profit before tax came in at DKK 2,169 million in 2016 compared to DKK 2,302 million in 2015. The decrease is mainly driven by non-cash losses on financial contracts in Jeudan. For 2016, William Demant Invest A/S' share of the Group's net result was DKK 1,145 million.

Profit for the year is deemed satisfactory.

Equity and capital structure
Total assets amounted to DKK 23,198 million at year-end 2016 compared to DKK 21,599 million in 2015. Consolidated equity in 2016 amounted to DKK 12,296 million compared to 11,291 in 2015.

Based on the strong performance in 2016 and in order to strengthen the liquidity in the Oticon Foundation, a dividend of DKK 20 million has been proposed to be paid out to the Oticon Foundation.

Cash flows
Cash flow from operating activities amounted to DKK 1,785 million in 2016 compared to DKK 1,585 million in 2015, whereas cash flow from investing activities amounted to DKK -980 million in 2016 compared to DKK -2,354 million in 2015. Finally, the cash flow from financing activities amounted to DKK -354 million in 2016 compared to DKK 1,413 million in 2015, mainly driven by increased share buy-backs in the Group and proceeds from borrowings in 2015.

Tax
William Demant Invest A/S is jointly taxed with William Demant Holding A/S and their Danish subsidiaries, and William Demant Invest A/S is the administration company. Total corporate tax paid in William Demant Invest A/S in 2016 aggregated DKK 423 million of which DKK 280 million was paid in Denmark. Tax in associated companies is paid in the respective companies.

Knowledge resources
William Demant Invest A/S does not have any employees. Thus, the Group relies on the development and retention of knowledge resources in associated and Group companies.

Further elaboration of knowledge resources can be found in associated and Group companies' annual reports and webpages.

Risks
The William Demant Invest Group's risks primarily relates 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
In 2016, William Demant Invest has been categorised as an enterprise in reporting class C (large), a level up from previous years, which means that we are required to disclose our CSR policy.

William Demant Invest places our investments primarily in the medtech and healthcare industry and we look at consolidation and growth potential, among others, of the companies and projects in which we invest. Thus, our investment policy contributes to the positive development of a healthy society both in terms of coming up with new inventions, offering new possibilities for people suffering from diseases and paying back to society in form of generating jobs and contributing to economic development.

As an investment company, we do not have a stand-alone policy on CSR, but we consider it part of our defined investment policy. Most importantly, we monitor and participate in formulating CSR activities of our associated and Group companies through our Board representation. Furthermore, when analysing new investment opportunities, we strongly emphasise in our due diligence process to get a thorough understanding of the targeted company's position on Environmental, Social and Governance (ESG) issues.

Due to the nature of William Demant Invest's business activities, we have not found it necessary to formulate separate policies on human rights and environmental or climate issues. We address these issues in our overall review, when we evaluate new investment opportunities.

William Demant Invest A/S' major holdings work intensively with corporate social responsibility, and William Demant Invest A/S continues to monitor the activities in associated and Group companies. It is our belief that our attention to their work with corporate social responsibility contributes to the continuing focus and improvement of the companies' achievements in this area. In fact, we applaud their results and continuing work with and focus on acting responsibly in a global market place. Further elaboration on concrete CSR activities can be found in associated and Group companies' respective annual reports and webpages.

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

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

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. At year-end 2016, the Board of Directors in William Demant Invest A/S had four members: Niels Boserup (Chairman), Peter Foss (Deputy Chairman), Ulla Brockenhuus-Schack and Peter Straarup. Thus, William Demant Invest A/S is in compliance with section 139a(1)(i) of the Danish Companies Act.

According to the Danish Financial Statements Act, section 99b, enterprises in reporting class C (large) are required to formulate a policy on how to increase the number of the underrepresented gender at different management levels. This rule, however, does not apply if the enterprise has less than 50 full-time employees. In 2016, William Demant Invest had zero employees and thus no formulated policy on management and gender.

The business activities of William Demant Invest were handled in a management agreement with William Demant Holding A/S. William Demant Holding is working towards increasing the share of the underrepresented gender at all management levels. For more information: www.demant.com/about/responsibility/#governance.

Research and development activities

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

Outlook 2017

The results for 2017 will largely be linked to the development in associated and Group companies and their respective outlook for 2017. Further elaboration on the latter can be found in their respective annual reports.

Contrary to 2016, our investment in Borkum Riffgrund 1 will be recognised with a full-year impact as opposed to only a six months impact in 2016. This will contribute positively to William Demant Invest A/S' cash flow by approx. DKK 240-260 million. as opposed to around DKK 90 million in 2016.

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

MANAGEMENT AND BOARD OF DIRECTORS

Niels Boserup, Chairman

(born 1943, member of the Board from 1995 to 1999 and since 2008)

Niels Boserup was educated 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.

- Member of the Board 1995-1999 and since 2008
- Re-elected in 2016, up for election in 2017
- Special qualifications within management and development of international businesses in the field of finance and politics as well as good knowledge of William Demant Holding A/S since 1995
- Considered independent Board member
- Total fee in the Oticon Foundation and the William Demant Invest Group in 2016: DKK 1,050,000.

Other directorships
The Oticon Foundation, chairman

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.

- Member of the Board since 2008
- Re-elected in 2016, up for election in 2018
- Special qualifications within management of global and market-leading industrial businesses with a high share of product development as well as board experience from various business areas
- Considered independent Board member
- Total fee in the Oticon Foundation and the William Demant Invest Group in 2016: DKK 525,000.

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

Ulla Brockenhuus-Schack

(born 1961, member of the Board since 2012)

Ulla Brockenhuus-Schack graduated from Copenhagen Business School and holds a Master of Business Administration degree in Strategy and Innovation from Columbia Business School, New York, from 1988. In 1987-1990, she worked as a management consultant at Mc Kinsey & 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.

- Member of the Board since 2012
- Re-elected in 2015, up for election in 2017
- Special qualifications within the area of business strategy, development as well as innovation in various industries incl. the medical field
- Considered independent Board member
- Total fee in the Oticon Foundation and the William Demant Invest Group in 2016: DKK 350,000.

Other directorships
Expanite Technology A/S, board member
Tivoli A/S, board member
DVCA, board member
The Mary Foundation, board member
OrderYoyo A/S, board member
The Oticon 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.

- Member of the Board since 2012
- Re-elected in 2016, up for election in 2018
- Special qualifications within management of financial businesses and business acquisitions in a global context
- Considered independent Board member
- Total fee in the Oticon Foundation and the William Demant Invest Group in 2016: DKK 350,000.

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

Auditors

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

Management of William Demant Invest A/S

CEO: Niels Jacobsen

The management of William Demant Invest A/S has until 1 April 2017 been outsourced to William Demant Holding A/S on arms-length terms. The management fee paid in 2016 amounted to DKK 5.28 million.

As a consequence of the management changes in William Demant Holding A/S and William Demant Invest A/S, cf. "Management Review", the current management agreement between William Demant Invest A/S and William Demant Holding A/S has been replaced by an administration agreement governing the new set of services and the fees paid by William Demant Invest A/S and William Demant Holding A/S, respectively.

Contact

William Demant Invest A/S
Kongebakken 9
2765 Smørum
Denmark

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

KEY FIGURES AND FINANCIAL RATIOS

	2016	2015	2014	2013	2012
INCOME STATEMENT, DKK MILLION					
Revenue	12,154	10,665	9,346	8,959	8,555
Gross profit	9,110	7,895	6,813	6,518	6,127
R&D costs	839	763	680	634	652
Share of profit after tax, associates and joint ventures	374	550	75	365	109
EBITDA	2,753	2,699	2,059	2,339	2,010
Amortisation and depreciation etc.	447	325	294	292	267
Operating profit (EBIT)	2,306	2,374	1,765	2,047	1,743
Net financial items	-137	-72	-63	-50	-107
Profit before tax	2,169	2,302	1,702	1,997	1,632
Profit for the year	1,784	1,939	1,339	1,615	1,262
BALANCE SHEET, DKK MILLION					
Net interest-bearing debt	6,021	5,869	4,399	3,193	2,220
Assets	23,198	21,599	17,331	15,998	14,177
Equity	12,296	11,291	9,316	8,668	7,498
OTHER KEY FIGURES, DKK MILLION					
Investment in property, plant and equipment, net	403	609	1,317	602	509
Cash flow from operating activities (CFFO)	1,785	1,585	1,555	1,321	1,283
Free cash flow	1,237	1,246	703	910	-788
Average number of employees	12,339	10,803	9,799	9,063	8,025
FINANCIAL RATIOS					
Gross profit margin	75.0%	74.0%	72.9%	72.8%	71.6%
EBITDA margin	22.7%	25.3%	22.0%	26.1%	23.5%
Profit margin (EBIT margin)	19.0%	22.3%	18.9%	22.8%	20.4%
Return on equity	13.5%	17.0%	11.2%	17.1%	15.5%
Equity ratio	53.0%	52.3%	53.8%	54.2%	52.9%

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

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

MANAGEMENT STATEMENT

We have today considered and approved the Annual Report 2016 of William Demant Invest A/S for the financial year 1 January – 31 December 2016.

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 2016 as well as of the results of their operations and the consolidated cash flows for the financial year 1 January – 31 December 2016.

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 2016 for adoption at the annual general meeting.

Smørum, 25 April 2017

Executive Board:

Niels Jacobsen
CEO

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

Opinion
We have audited the consolidated financial statements and the parent financial statements of William Demant Invest A/S for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the statement of comprehensive income and the cash flow statement of the Group. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act, and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at 31-12-2016, and of the results of its operations and cash flows for the financial year 01.01.2016 - 31.12.2016 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements under the Danish Financial Statements Act.

Further, in our opinion, the parent financial statements give a true and fair view of the Parent's financial position at 31-12-2016, and of the results of its operations for the financial year 01.01.2016 - 31.12.2016 in accordance with the Danish Financial Statements Act.

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

Statement on the management commentary
Management is responsible for the management commentary.

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen, 25 April 2017

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Anders Vad Dons
State-Authorised
Public Accountant

CONSOLIDATED INCOME STATEMENT

(DKK million)	Note	2016	2015
Revenue	1.1	12,154	10,665
Production costs	1.2 / 1.3 / 1.5	-3,044	-2,770
Gross profit		**9,110**	**7,895**
R&D costs	1.2 / 1.3 / 8.3	-839	-763
Distribution costs	1.2 / 1.3	-5,656	-4,689
Administrative expenses	1.2 / 1.3 / 8.2	-683	-619
Share of profit after tax, associates and joint ventures	3.3 / 6.3	374	550
Operating profit (EBIT)		**2,306**	**2,374**
Financial income	4.2	83	129
Financial expenses	4.2	-220	-201
Profit before tax		**2,169**	**2,302**
Tax on profit for the year	5.1	-385	-363
Profit for the year		**1,784**	**1,939**
Profit for the year attributable to:			
William Demant Invest A/S' shareholders		1,145	1,302
Minority interests		639	637
		1,784	**1,939**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(DKK million)	2016	2015
Profit for the year	**1,784**	**1,939**
Other comprehensive income:		
Items that have been or may subsequently be reclassified to the income statement:		
Foreign currency translation adjustment, subsidiaries	95	332
Other comprehensive income adjustments, associates and joint ventures	-109	-58
Value adjustment of hedging instruments:		
Value adjustment for the year	-20	-152
Value adjustment transferred to revenue	46	158
Value adjustment transferred to financial expenses	0	1
Value adjustments, financial assets held for resale:		
Value adjustment for the year	1	26
Value adjustment transferred to financial items	0	-20
Tax on items that have been or may subsequently be reclassified to the income statement	-9	12
Items that have been or may subsequently be reclassified to the income statement	**4**	**299**
Items that will not subsequently be reclassified to the income statement:		
Actuarial gains/(losses) on defined benefit plans	-7	-8
Tax on items that will not subsequently be reclassified to the income statement	1	1
Items that will not subsequently be reclassified to the income statement	**-6**	**-7**
Other comprehensive income	**-2**	**292**
Comprehensive income	**1,782**	**2,231**
Comprehensive income attributable to:		
William Demant Invest A/S' shareholders	1,118	1,552
Minority interests	664	679
	1,782	**2,231**
Breakdown of tax on other comprehensive income:		
Foreign currency translation adjustment, subsidiaries	-3	14
Value adjustment of hedging instruments for the year	4	35
Value adjustment of hedging instruments transferred to revenue	-10	-35
Value adjustment of hedging instruments transferred to financial expenses	0	0
Value adjustments, financial assets held for resale	0	-2
Actuarial gains/(losses) on defined benefit plans	1	1
Tax on other comprehensive income	**-8**	**13**

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

(DKK million)	Note	2016	2015
Assets			
Goodwill		6,276	5,660
Patents and licences		51	22
Other intangible assets		289	275
Prepayments and assets under development		152	20
Intangible assets	3.1	**6,768**	**5,977**
Land and buildings		878	900
Plant and machinery		2,070	183
Other plant, fixtures and operating equipment		290	285
Leasehold improvements		263	246
Prepayments and assets under construction		91	1,909
Property, plant and equipment	3.2	**3,592**	**3,523**
Investments in associates and joint ventures	3.3	6,172	5,814
Receivables from associates and joint ventures	3.3 / 4.3 / 4.4	383	357
Other investments	3.3 / 4.3 / 4.5	8	12
Other receivables	1.6 / 3.3 / 4.3 / 4.4	539	567
Deferred tax assets	5.2	396	376
Other non-current assets		**7,498**	**7,126**
Non-current assets	3.4	**17,858**	**16,626**
Inventories	1.5	1,300	1,324
Trade receivables	1.6 / 4.3	2,466	2,203
Receivables from associates and joint ventures	4.3	71	53
Income tax		149	83
Other receivables	1.6 / 4.3 / 4.4	271	284
Unrealised gains on financial contracts	2.3 / 4.3 / 4.5	11	12
Prepaid expenses		192	188
Securities	4.3 / 4.4 / 4.5	74	91
Cash	4.3 / 4.4	806	735
Current assets		**5,340**	**4,973**
Assets		**23,198**	**21,599**

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

(DKK million)	Note	2016	2015
Equity and liabilities			
Share capital		4	4
Other reserves		9,293	8,427
Equity attributable to William Demant Invest A/S' shareholders		9,297	8,431
Equity attributable to minority interests		2,999	2,860
Equity		**12,296**	**11,291**
Interest-bearing debt	4.3 / 4.4	3,960	2,080
Deferred tax liabilities	5.2	162	125
Provisions	7.1	395	273
Other liabilities	4.3 / 7.2	187	119
Deferred income		170	164
Non-current liabilities		**4,874**	**2,761**
Interest-bearing debt	4.3 / 4.4	3,714	5,375
Trade payables	4.3	513	486
Payables to associates and joint ventures		2	2
Income tax		148	145
Provisions	7.1	32	16
Other liabilities	4.3 / 7.2	1,271	1,191
Unrealised losses on financial contracts	2.3 / 4.3 / 4.4 / 4.5	46	74
Deferred income		302	258
Current liabilities		**6,028**	**7,547**
Liabilities		**10,902**	**10,308**
Equity and liabilities		**23,198**	**21,599**

CONSOLIDATED CASH FLOW STATEMENT

(DKK million)	Note	2016	2015
Operating profit (EBIT)		2,306	2,374
Non-cash items etc.	1.7	126	-176
Change in receivables etc.		-325	-214
Change in inventories		40	-96
Change in trade payables and other liabilities etc.		87	26
Change in provisions		110	12
Dividends received		40	104
Cash flow from operating profit		**2,384**	**2,030**
Financial income etc. received		40	60
Financial expenses etc. paid		-214	-184
Realised foreign currency translation adjustments		-2	-1
Income tax paid		-423	-320
Cash flow from operating activities (CFFO)		**1,785**	**1,585**
Acquisition of enterprises, participating interests and activities		-459	-2,015
Disposal of enterprises, participating interests and activities	6.2	27	0
Investments in and disposal of intangible assets		-152	-48
Investments in property, plant and equipment		-423	-627
Disposal of property, plant and equipment		20	18
Investments in other non-current assets and securities		-203	-246
Disposal of other non-current assets and securities		210	564
Cash flow from investing activities (CFFI)		**-980**	**-2,354**
Repayments of borrowings		-350	-1,449
Proceeds from borrowings		773	3,103
Buy-back of shares		-1,050	-605
Dividends to minority interests		-3	0
Transactions with minorities		276	366
Other adjustments		0	-2
Cash flow from financing activities (CFFF)		**-354**	**1,413**
Cash flow for the year, net		**451**	**644**
Cash and cash equivalents at the beginning of the year		-1,968	-2,418
Foreign currency translation adjustment of cash and cash equivalents		-82	-194
Cash and cash equivalents at the end of the year		**-1,599**	**-1,968**
Breakdown of cash and cash equivalents at the end of the year:			
Cash	4.3 / 4.4	806	735
Short-term bank facilities	4.3 / 4.4	-2,405	-2,703
Cash and cash equivalents at the end of the year		**-1,599**	**-1,968**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(DKK million)	Share capital	Other reserves				William Demant Invest A/S' sharehold-ers' share	Minority interests' share	Equity
		Foreign currency translation reserve	Hedging reserve	Retained earnings	Dividend			
Equity at 1.1.2015	**4**	**127**	**-35**	**6,768**	**0**	**6,864**	**2,452**	**9,316**
Comprehensive income in 2015:								
Profit for the year	-	-	-	1,302	0	1,302	637	1,939
Other comprehensive income:								
Foreign currency translation adjustment, subsidiaries	-	295	-	-	-	295	37	332
Other compr. income adjustments, associates and joint ventures	-	-	-	-58	-	-58	-	-58
Value adjustment of hedging instruments:								
Value adjustment, year	-	-	-85	-	-	-85	-67	-152
Value adjustment transferred to revenue	-	-	88	-	-	88	70	158
Value adjustment transferred to financial expenses	-	-	1	-	-	1	-	1
Value adjustments, financial assets held for resale:								
Value adjustment for the year	-	-	-	26	-	26	-	26
Value adjustment transferred to financial items	-	-	-	-20	-	-20	-	-20
Actuarial gains/(losses) on defined benefit plans	-	-	-	-4	-	-4	-4	-8
Tax on other compr. income	-	8	-	-1	-	7	6	13
Other comprehensive income	-	303	4	-57	-	250	42	292
Comprehensive income, year	**-**	**303**	**4**	**1,245**	**0**	**1,552**	**679**	**2,231**
Transactions with minority shareholders	-	-	-	32	-	32	-271	-239
Other changes in equity	-	-	-	-17	-	-17	0	-17
Equity at 31.12.2015	**4**	**430**	**-31**	**8,028**	**0**	**8,431**	**2,860**	**11,291**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – *CONTINUED*

(DKK million)	Share capital	Other reserves				William Demant Invest A/S' sharehold-ers' share	Minority interests' share	Equity
		Foreign currency translation reserve	Hedging reserve	Retained earnings	Dividend			
Equity at 1.1.2016	**4**	**430**	**-31**	**8,028**	**0**	**8,431**	**2,860**	**11,291**
Comprehensive income in 2016:								
Profit for the year	-	-	-	1,125	20	1,145	639	1,784
Other comprehensive income:								
Foreign currency translation adjustment, subsidiaries	-	74	-	-	-	74	21	95
Other compr. income adjustments, associates and joint ventures	-	-	-	-109	-	-109	-	-109
Value adjustment of hedging instruments:								
Value adjustment, year	-	-	-11	-	-	-11	-9	-20
Value adjustment transferred to revenue	-	-	26	-	-	26	20	46
Value adjustment transferred to financial expenses	-	-	0	-	-	0	-	0
Value adjustments, financial assets held for resale:								
Value adjustment for the year	-	-	-	1	-	1	-	1
Value adjustment transferred to financial items	-	-	-	0	-	0	-	0
Actuarial gains/(losses) on defined benefit plans	-	-	-	-4	-	-4	-3	-7
Tax on other compr. income	-	-2	-3	1	-	-4	-4	-8
Other comprehensive income	-	72	12	-111	-	-27	25	-2
Comprehensive income, year	**-**	**72**	**12**	**1,014**	**20**	**1,118**	**664**	**1,782**
Transactions with minority shareholders	-	-	-	-251	-	-251	-522	-773
Other changes in equity	-	-	-	-1	-	-1	-3	-4
Equity at 31.12.2016	**4**	**502**	**-19**	**8,790**	**20**	**9,297**	**2,999**	**12,296**

For changes in share capital, please refer to *Parent statement of changes in equity* on page 94.

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
CF – Consolidated cash flow statement

SECTION 1 OPERATING ACTIVITIES AND CASH FLOW

1.1 REVENUE BY GEOGRAPHIC REGION AND BUSINESS ACTIVITY

(DKK million)

	2016	2015
Revenue by geographic region:		
Denmark	186	169
Other Europe	5,089	3,967
North America	4,719	4,472
Oceania	911	859
Asia	861	815
Other countries	388	383
Total IS	**12,154**	**10,665**

Consolidated revenue mainly derives from the sale of goods and is broken down by the customers' geographical location. The ten largest single customers together account for less than 12% of total consolidated revenue.

	2016	2015
Revenue by business activity:		
Hearing Devices	10,515	9,213
Diagnostic Instruments	1,089	1,072
Hearing Implants	398	380
Windfarm	152	0
Total IS	**12,154**	**10,665**

	2016	2015
Value adjustments transferred from equity relating to derivatives made for hedging revenue OCI	-46	-158

§ 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.

ACCOUNTING ESTIMATES AND ASSUMPTIONS

Operating segments

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 two operating segments: firstly, the development, manufacture and sale of products and equipment designed to facilitate people's hearing and communication and secondly, windfarms. This reflects Management's approach to the organisation and management of activities.

Discounts, returns etc.

Discounts, loyalty programmes and other revenue reductions are estimated and accrued when the related revenue is recorded. To make such estimates requires use of judgement, as all conditions are not known at the time of sale, e.g. the number of units sold to a given customer or the expected utilisation of loyalty programmes. Liabilities in respect of sales discounts, rebates and loyalty programmes are adjusted, as we gain better information on the likelihood that they will be realised and the value at which they are expected to be realised.

Depending on local legislation and the conditions given on actual sales, some customers have the option of returning purchased goods for a refund. Based on historical return rates, an estimate is made of the expected returns and a liability is recognised. This liability is updated, as returns are recognised or when we collect more accurate data on return rates.

1.2 EMPLOYEES

(DKK million)	Note	2016	2015
Staff costs:			
Wages and salaries		4,581	4,012
Share-based remuneration		1	0
Defined contribution plans		64	55
Defined benefit plans	7.1	3	18
Social security costs etc.		419	317
Total		**5,068**	**4,402**
Staff costs by function:			
Production costs		785	803
R&D costs		502	502
Distribution costs		3,191	2,604
Administrative expenses		590	493
Total		**5,068**	**4,402**
Average number of full-time employees		12,339	10,803

Remuneration:	2016	2015
Board of Directors	2	1

Executive Board:	2016			2015		
	Wages and salaries*	Seniority bonus	Total	Wages and salaries*	Seniority bonus	Total
Managing Director	14.1	5.2	19.3	13.4	4.6	18.0

** Pension and other benefits do not exceed DKK 0.5 million (DKK 0.5 million in 2015). These expenses are therefore included in wages and salaries.*

In 2015 and 2016, William Demant Invest A/S has no employees and outsources via a management fee agreement tasks to William Demant Holding A/S. The Managing Director is employed by William Demant Holding A/S, but as of 1 April 2017, President & CEO Niels Jacobsen has decided to step down as member of the Executive Board in William Demant Holding A/S to become CEO of William Demant Invest A/S.

In 2016, the basic remuneration of a member of the Parent's Board of Directors was DKK 200,000 (DKK 100,000 in 2015). The Chairman of the Board of Directors receives three times the basic remuneration and the Deputy Chairman one and a half time the basic remuneration.

The remuneration of the Managing Director includes cash remuneration, short-term benefits, social security and pension contributions. The Managing Director of the William Demant Invest Group is through his employment in William Demant Holding A/S entitled to a seniority bonus, matching one year's salary for every four years of employment from 2005. This seniority bonus is recognised as a defined benefit plan and the total recognised liability at 31 December 2016 of DKK 42 million (DKK 37 million in 2015), was paid out in 2017 as the Managing Director stepped down from the Executive Board of William Demant Holding A/S.

In 2016, part of the Executive Board and other Senior management in William Demant Holding A/S enrolled in a number of cash-settled share-based remuneration programmes. The Managing Director of William Demant Invest A/S did not enroll in these programmes. For further information please refer to cosolidated financial statements of William Demant Holding A/S.

1.3 AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES

(DKK million)	2016	2015
Amortisation of intangible assets	-59	-28
Depreciation of property, plant and equipment	-339	-271
Impairment of property, plant and equipment	-23	0
Total	**-421**	**-299**
Amortisation, depreciation and impairment losses by function:		
Production costs	-138	-67
R&D costs	-41	-39
Distribution costs	-201	-157
Administrative expenses	-41	-36
Total	**-421**	**-299**
Net gains from sale of assets	3	4
Total	**3**	**4**
Net gains from sale of assets by function:		
Production costs	0	0
Distribution costs	3	3
Administrative expenses	0	1
Total	**3**	**4**

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

1.4 PROPOSED DIVIDEND

The Board of Directors will at the general assembly propose a dividend of DKK 20 mio. for 2016.

1.5 INVENTORIES

(DKK million)	2016	2015
Raw materials and purchased components	577	601
Work in progress	49	39
Finished goods and goods for resale	674	684
Inventories BS	**1,300**	**1,324**
Write-downs included in the above	177	184
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	43	31
Cost of goods sold during the year	2,080	1,987

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

§ ACCOUNTING POLICIES

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

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

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

ACCOUNTING ESTIMATES AND ASSUMPTIONS

Indirect production cost allocations to inventory

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

Obsolescence provision

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

1.6 RECEIVABLES

(DKK million)	2016	2015
Trade receivables BS	2,466	2,203
Other non-current receivables BS	539	567
Other current receivables BS	271	284
Total	**3,276**	**3,054**
Non-impaired receivables by age:		
Balance not due	2,363	2,209
0-3 months	480	465
3-6 months	184	144
6-12 months	105	97
Over 12 months	144	139
Total	**3,276**	**3,054**
Breakdown of allowance for impairment:		
Allowance for impairment at 1.1.	-257	-214
Foreign currency translation adjustments	-6	-10
Applied during the year	40	30
Additions during the year	-78	-67
Reversals during the year	10	4
Allowance for impairment at 31.12.	**-291**	**-257**

Of the total amount of trade receivables, DKK 225 million (DKK 215 million in 2015) is expected to be collected after 12 months. For information on security and collateral, please refer to *Credit risks* in Note 4.1.

§ ACCOUNTING POLICIES

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

On initial recognition, receivables are measured at their fair values with the addition of transaction costs. Receivables with a definite maturity date are measured at amortised cost. Receivables without a definite maturity date are measured at cost. Current receivables arisen as a result of 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.

ACCOUNTING ESTIMATES AND ASSUMPTIONS

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 where it is estimated that there will not be full recoverability.

1.7 SPECIFICATIONS TO CONSOLIDATED CASH FLOW STATEMENT

(DKK million)	Note	2016	2015
Amortisation and depreciation etc.		447	325
Share of profit after tax, associates and joint ventures IS		-374	-550
Gain on sale of intangible assets and property, plant and equipment	1.3	-3	-4
Other non-cash items		56	53
Non-cash items etc. CF		**126**	**-176**

SECTION 2 FOREIGN CURRENCIES AND HEDGING

2.1 EXCHANGE RATE RISK POLICY

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

2.2 SENSITIVITY ANALYSIS IN RESPECT OF EXCHANGE RATES

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

Effect on EBIT, 5% positive exchange rate impact*

(DKK million)	2016	2015
USD	+40	+40
AUD	+15	+15
GBP	+15	+13
CAD	+15	+13
JPY	+5	+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)	2016	2015
USD	+90	+80
AUD	+20	+18
GBP	+13	+13
CAD	+50	+45
JPY	+3	+3

Exchange rate risk for the Group (specifically related to the investment activities in William Demant Invest A/S)
In addition to the above sensitivity analysis of the William Demant Group's equity given a change of 5% in selected currencies, the William Demant Invest Group will be impacted by DKK 121 million in 2016 (DKK 115 million in 2015) in relation to the value of the investment in Össur hf., if the exchange rate for USD changes by 5% and by DKK 36 million in 2016 (DKK 31 million in 2015) 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 1 million on bonds in NOK, DKK 1 million on bonds in USD and DKK 1 million on bonds in GBP (DKK 3 million on NOK, DKK 2 million on USD and DKK 1 million on GBP in 2015).

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 the sale of currencies being shown at their negative contractual 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 revenue in foreign currency, that such contracts are designed to hedge. In 2016, our forward exchange contracts realised a loss of DKK 46 million (loss of DKK 158 million in 2015), which reduced reported revenue for the year. In addition, we raised loans in foreign currencies to balance out net receivables. At year-end 2016, we had entered into forward exchange contracts with a contractual value of DKK 1,694 million (DKK 1,121 million in 2015) and a fair value of DKK -34 million (DKK -61 million in 2015).

Forward exchange contracts

2016

	Expiry	Hedging period*	Average hedging rate	Contractual value	Fair value	Positive fair value at year-end	Negative fair value at year-end
				(DKK million)			
USD	2017/2018	14 months	673	-1,164	-40	0	40
AUD	2017	6 months	510	-153	2	2	0
GBP	2017	4 months	867	-121	0	1	1
CAD	2017	8 months	513	-210	-3	0	3
JPY	2017/2018	18 months	6.29	-179	7	7	0
Other	2017	-	-	133	0	1	1
				-1,694	**-34**	**11**	**45**

2015

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

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

§ ACCOUNTING POLICIES

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

Any changes in fair values of derivatives classified as hedging instruments and satisfying the criteria for hedging of the fair value of a recognised asset or a recognised liability are recognised in the income statement together with any changes in the fair value of the hedged asset or hedged liability.

2.3 HEDGING AND FORWARD EXCHANGE CONTRACTS – *CONTINUED*

§ **ACCOUNTING POLICIES - *CONTINUED***

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 main trading currencies according to the central bank of Denmark. Depending on the phasing of revenue, EBIT and payments, the exchange rate impact on the consolidated income statement can deviate from the below averages.

Exchange rate DKK per 100

Average	2016	2015	Change	Year-end	2016	2015	Change
EUR	745	746	-0.1%	EUR	743	746	-0.4%
USD	673	673	0.0%	USD	705	683	3.2%
AUD	501	503	-0.4%	AUD	509	498	2.2%
GBP	911	1,028	-11.4%	GBP	868	1,011	-14.1%
CAD	508	526	-3.4%	CAD	524	492	6.5%
JPY	6.21	5.56	11.7%	JPY	6.02	5.67	6.2%

2.4 EXCHANGE RATES – *CONTINUED*

§ ACCOUNTING POLICIES

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

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

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

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

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

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

SECTION 3 ASSETS BASE

3.1 INTANGIBLE ASSETS

(DKK million)	Goodwill	Patents and licences	Other intangible assets	Prepayments and assets under development	Total intangible assets
Cost at 1.1.2016	**5,660**	**100**	**367**	**20**	**6,147**
Foreign currency translation adjustments	68	0	6	0	74
Additions during the year	0	35	9	113	157
Additions relating to acquisitions	560	0	52	41	653
Disposals relating to divestments	-12	0	-14	0	-26
Disposals during the year	0	0	-7	0	-7
Transferred to/from other items	0	6	16	-22	0
Cost at 31.12.2016	**6,276**	**141**	**429**	**152**	**6,998**
Amortisation at 1.1.2016	**-**	**-78**	**-92**	**-**	**-170**
Foreign currency translation adjustments	-	0	-4	-	-4
Amortisation for the year	-	-12	-47	-	-59
Disposals relating to divestments	-	0	1	-	1
Disposals during the year	-	0	2	-	2
Amortisation at 31.12.2016	**-**	**-90**	**-140**	**-**	**-230**
Carrying amount at 31.12.2016 BS	**6,276**	**51**	**289**	**152**	**6,768**
Cost at 1.1.2015	**3,831**	**99**	**103**	**107**	**4,140**
Foreign currency translation adjustments	179	0	6	0	185
Additions during the year	0	1	8	39	48
Additions relating to acquisitions	1,650	0	124	0	1,774
Disposals relating to divestments	0	0	0	0	0
Disposals during the year	0	0	0	0	0
Transferred to/from other items	0	0	126	-126	0
Cost at 31.12.2015	**5,660**	**100**	**367**	**20**	**6,147**
Amortisation at 1.1.2015	**-**	**-71**	**-66**	**-**	**-137**
Foreign currency translation adjustments	-	0	-5	-	-5
Amortisation for the year	-	-7	-21	-	-28
Disposals relating to divestments	-	0	0	-	0
Disposals during the year	-	0	0	-	0
Amortisation at 31.12.2015	**-**	**-78**	**-92**	**-**	**-170**
Carrying amount at 31.12.2015 BS	**5,660**	**22**	**275**	**20**	**5,977**

In 2016, borrowing costs of DKK 0 million (DKK 3 million in 2015) were capitalised as part of intangible assets. The capitalisation rate used was 1.15% in 2015.

3.1 INTANGIBLE ASSETS – *CONTINUED*

§ ACCOUNTING POLICIES

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

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

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

Patents and licences acquired from third parties are measured at cost less accumulated amortisation and impairment losses.

Patents and licences are amortised over their estimated useful lives, however maximum 20 years.

Other intangible assets, including intangible assets acquired in connection with a business combination, are measured at cost less accumulated amortisation and impairment losses. Other intangible assets are amortised on a straight-line basis over their estimated useful lives of 3-5 years, except certain assets that are amortised over a period of up to ten years.

ACCOUNTING ESTIMATES AND ASSUMPTIONS

Impairment testing is carried out annually on preparation of the annual report or on indication of impairment in which discounted values of future cash flows are compared with carrying amounts. Group enterprises cooperate closely on R&D, purchasing, production, marketing and sale, as the use of resources in the individual markets is coordinated and monitored by Management in Denmark. Group enterprises are thus highly integrated. Consequently, Management considers the overall business as one cash-generating unit. Any business activity, which largely acts with autonomy in relation to the Group and whose profitability can be measured independently of the other activities, constitutes a separate cash-generating unit. In relation to the existing integration in the Group and the recognised goodwill, neither at 31 December 2016 nor at 31 December 2015, had any separate cash-generating units been identified to which goodwill could be allocated. The annual impairment test was thus based on the Group as a whole.

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

3.2 PROPERTY, PLANT AND EQUIPMENT

(DKK million)	Land and buildings	Plant and machinery	Other plant, fixtures and operating equipment	Leasehold improvements	Prepayments and assets under construction	Total property, plant and equipment
Cost at 1.1.2016	**1,131**	**859**	**1,179**	**541**	**1,909**	**5,619**
Foreign currency translation adjustments	-2	3	4	-4	-2	-1
Additions during the year	5	20	84	75	250	434
Additions relating to acquisitions	-1	0	13	11	0	23
Disposals relating to divestments	0	0	-2	-5	0	-7
Disposals during the year	0	-16	-74	-27	-4	-121
Transferred to/from other items	24	1,977	51	10	-2,062	0
Cost at 31.12.2016	**1,157**	**2,843**	**1,255**	**601**	**91**	**5,947**
Depreciation and impairment losses at 1.1.2016	**-231**	**-676**	**-894**	**-295**	**-**	**-2,096**
Foreign currency translation adjustments	0	-3	-5	2	-	-6
Depreciation for the year	-25	-109	-132	-73	-	-339
Impairment losses for the year	-23	0	0	0	-	-23
Disposals relating to divestments	0	0	1	4	-	5
Disposals during the year	0	15	65	24	-	104
Depreciation and impairment losses at 31.12.2016	**-279**	**-773**	**-965**	**-338**	**-**	**-2,355**
Carrying amount at 31.12.2016 BS	**878**	**2,070**	**290**	**263**	**91**	**3,592**
Of which financially leased assets	**29**	**0**	**0**	**0**	**0**	**29**
Cost at 1.1.2015	**950**	**809**	**1,048**	**414**	**1,605**	**4,826**
Foreign currency translation adjustments	25	1	25	6	0	57
Additions during the year	57	36	95	57	471	716
Additions relating to acquisitions	1	0	30	62	1	94
Disposals relating to divestments	0	0	0	0	0	0
Disposals during the year	0	-29	-36	-5	-4	-74
Transferred to/from other items	98	42	17	7	-164	0
Cost at 31.12.2015	**1,131**	**859**	**1,179**	**541**	**1,909**	**5,619**
Depreciation and impairment losses at 1.1.2015	**-201**	**-636**	**-783**	**-243**	**-**	**-1,863**
Foreign currency translation adjustments	-4	0	-15	-3	-	-22
Depreciation for the year	-26	-66	-125	-54	-	-271
Impairment losses for the year	0	0	0	0	-	0
Disposals relating to divestments	0	0	0	0	-	0
Disposals during the year	0	26	29	5	-	60
Depreciation and impairment losses at 31.12.2015	**-231**	**-676**	**-894**	**-295**	**-**	**-2,096**
Carrying amount at 31.12.2015 BS	**900**	**183**	**285**	**246**	**1,909**	**3,523**
Of which financially leased assets	**22**	**0**	**0**	**0**	**0**	**22**

3.2 PROPERTY, PLANT AND EQUIPMENT – *CONTINUED*

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

In 2016, borrowing costs of DKK 34 million (DKK 60 million in 2015) were capitalised as part of tangible assets under construction. The capitalisation rate used in 2016 was approximately 3.8% (3.9% in 2015), depending on the financing of the asset. Tangible assets under construction mainly relate to Borkum Riffgrund 1 and have been transferred to plant and machinery in 2016.

At year-end, the contractual obligation in respect of the acquisition of property, plant and equipment amounted to DKK 0 million (DKK 6 million in 2015).

In 2016, the Group recognised an impairment loss on a building in connection with the transfer of our operational activities in Thisted (Denmark) to Poland, amounting to DKK 23 million (DKK 0 million in 2015). The impairment loss is based on broker valuations of the building and on the value in use of the building until 2018.

§ ACCOUNTING POLICIES

Property, plant and equipment are recognised at cost less accumulated depreciation and impairment losses. Cost is defined as the acquisition price and costs directly relating to the acquisition until such time as the particular asset is ready for use. For assets produced by the Group, cost includes all costs directly attributable to the production of such assets, including materials, components, sub-supplies and payroll. In respect of 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, windfarms	20-25 years
Plant and machinery, other	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 1.1.2016	**4,609**	**357**	**20**	**685**
Foreign currency translation adjustments	5	7	0	24
Additions during the year	126	55	0	169
Additions relating to acquisitions	0	0	0	0
Disposals, repayments etc. during the year	-19	-36	-4	-214
Cost at 31.12.2016	**4,721**	**383**	**16**	**664**
Value adjustments at 1.1.2016	**1,205**	**0**	**-8**	**-118**
Foreign currency translation adjustments	52	0	0	-3
Share of profit after tax IS	347	-	-	-
Dividends received	-40	-	-	-
Disposals during the year	1	0	0	2
Other adjustments	-114	0	0	-6
Value adjustments at 31.12.2016	**1,451**	**0**	**-8**	**-125**
Carrying amount at 31.12.2016 BS	**6,172**	**383**	**8**	**539**
Cost at 1.1.2015	**3,941**	**264**	**338**	**671**
Foreign currency translation adjustments	25	26	0	30
Additions during the year	679	71	0	164
Additions relating to acquisitions	0	0	0	9
Disposals, repayments etc. during the year	-36	-4	-318	-189
Cost at 31.12.2015	**4,609**	**357**	**20**	**685**
Value adjustments at 1.1.2015	**577**	**0**	**15**	**-102**
Foreign currency translation adjustments	244	0	0	-6
Share of profit after tax IS	550	-	-	-
Dividends received	-104	-	-	-
Disposals during the year	-1	0	-23	6
Other adjustments	-61	0	0	-16
Value adjustments at 31.12.2015	**1,205**	**0**	**-8**	**-118**
Carrying amount at 31.12.2015 BS	**5,814**	**357**	**12**	**567**

Please refer to page 100 and 101 for a list of associates and joint ventures. The ownership interest equals share of voting rights. Please refer to Note 6.3 for further details.

3.4 NON-CURRENT ASSETS BY GEOGRAPHIC REGION

(DKK million)

	2016	2015
Non-current assets by geographic region:		
Denmark	3,902	3,735
Other Europe	8,908	8,338
North America	4,360	3,930
Oceania	506	476
Asia	137	120
Other countries	45	27
Total BS	**17,858**	**16,626**

Non-current assets are broken down by the geographical domicile of such assets. Please refer to Note 1.1 for further information on segments.

3.5 IMPAIRMENT TESTING

Impairment testing is carried out for the Group's cash-generating unit, William Demant Holding A/S. Based on the impairment test, a material excess value was identified compared to the carrying amount for which reason no impairment of goodwill was made at 31 December 2016 and at 31 December 2015. Future cash flows are based on the budget for 2017, on strategy plans and on projections hereof. Projections extending beyond 2017 are based on general parameters, such as expected market growth, selling prices and profitability assumptions. The terminal value for the period after 2017 is determined on the assumption of 2% growth (2% in 2015). The pre-tax discount rate is 7.5% (8% in 2015). 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.

In 2016, the Group recognised an impairment loss on a building in connection with the transfer of our operational activities in Thisted (Denmark) to Poland. Please refer to Note 3.2.

§ ACCOUNTING POLICIES

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

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

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

SECTION 4 CAPITAL STRUCTURE AND FINANCIAL MANAGEMENT

4.1 FINANCIAL RISK MANAGEMENT AND CAPITAL STRUCTURE

Policies relating to financial risk management and capital structure

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

Interest rate risks

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

Credit risks

The Group's credit risks relate primarily to trade receivables and loans to customers or business partners. Our customer base is fragmented, so credit risks in general only involve minor losses on individual customers. Together, our ten largest customers account for less than 12% of total consolidated revenue. Furthermore, when granting loans, we require that our counterparts provide security in their business. Overall, we therefore estimate that we have no major credit exposure on Group level.

The maximum credit risk relating to receivables matches the carrying amounts of such receivables. The Group has no major deposits with financial institutions for which reason the credit risk of such deposits is considered to be low. 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 2016 or 2015.

Liquidity risks

The Group aims to have sufficient cash resources to be able to take appropriate steps in case of unforeseen fluctuations in cash outflows. We have access to considerable undrawn credit facilities, and the liquidity risk is therefore considered to be low. We are of the opinion that the Group has strong cash flows and a satisfactory credit rating to secure the current inflow of working capital and funds for potential acquisitions. Neither in previous years nor in the financial year 2016 has the Group defaulted on any loan agreements.

Exchange rate risks

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

4.2 NET FINANCIAL ITEMS

(DKK million)	2016	2015
Interest on cash and bank deposits	4	3
Interest on securities	7	16
Interest on receivables, customer loans etc.	70	97
Other financial income	2	7
Financial income from financial assets not measured at fair value in the income statement	**83**	**123**
Gains on, and fair value adjustments of, other investments	0	6
Financial income IS	**83**	**129**
Interest on bank debt, mortgages etc.	-131	-110
Value adjustment transferred from equity relating to derivatives made for hedging loans and on securities transferred fron equity	0	-19
Financial expenses on financial liabilities not measured at fair value in the income statement	**-131**	**-129**
Foreign exchange losses, net	-11	-1
Unwinding of discounts	0	-1
Credit card and bank fees etc.	-78	-70
Financial expenses IS	**-220**	**-201**
Net financial items	**-137**	**-72**

§ ACCOUNTING POLICIES

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

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

4.3 CATEGORIES OF FINANCIAL INSTRUMENTS

(DKK million)	2016	2015
Unrealised gains on financial contracts BS	11	12
Financial assets used as hedging instruments	**11**	**12**
Receivables from associates and joint ventures BS	454	410
Other receivables BS	810	851
Trade receivables BS	2,466	2,203
Cash BS	806	735
Receivables and cash	**4,536**	**4,199**
Securities BS	74	91
Other investments BS	8	12
Financial assets available for sale	**82**	**103**
Unrealised losses on financial contracts	-46	-73
Financial liabilities used as hedging instruments	**-46**	**-73**
Unrealised losses on financial contracts	0	-1
Financial liabilities at fair value through the income statement	**0**	**-1**
Finance lease debt	-8	-9
Debt to credit institutions etc.	-3,261	-2,743
Debt to parent (convertible promissiory notes)	-2,000	-2,000
Interest-bearing bank debt	-2,405	-2,703
Trade payables BS	-513	-486
Other liabilities	-1,155	-1,060
Financial liabilities measured at amortised cost	**-9,342**	**-9,001**

Please refer to note 4.4 for a maturity specification of the above financial assets. As regards financial assets and liabilities, their carrying amounts approximate their fair values. The following non-financial item is included in the balance sheet and represents the difference between the table above and the balance sheet: Other liabilities of DKK -303 million (DKK -250 million in 2015).

§ ACCOUNTING POLICIES

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

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

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

4.3 CATEGORIES OF FINANCIAL INSTRUMENTS – *CONTINUED*

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

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

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

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

(DKK million)	Contractual cash flows				Carrying amount	Weighted average effective interest rate
	Less than 1 year	1-5 years	More than 5 years	Total		
2016						
Interest-bearing receivables	120	295	526	941	773	
Securities BS	50	52	0	102	74	
Cash BS	806	0	0	806	806	
Interest-bearing assets	**976**	**347**	**526**	**1,849**	**1,653**	**2.1%**
Finance lease debt	0	-8	0	-8	-8	
Debt to credit institutions etc.	-1,320	-1,938	-55	-3,313	-3,261	
Debt to parent	-70	-2,117	0	-2,187	-2,000	
Short-term bank facilities	-2,405	0	0	-2,405	-2,405	
Interest-bearing liabilities BS	**-3,795**	**-4,063**	**-55**	**-7,913**	**-7,674**	**1.7%**
Net interest-bearing debt	**-2,819**	**-3,716**	**471**	**-6,064**	**-6,021**	**1.7%**
2015						
Interest-bearing receivables	102	275	558	935	760	
Securities BS	11	131	0	142	91	
Cash BS	735	0	0	735	735	
Interest-bearing assets	**848**	**406**	**558**	**1,812**	**1,586**	**2.1%**
Finance lease debt	-1	-8	0	-9	-9	
Debt to credit institutions etc.	-688	-1,956	-166	-2,810	-2,743	
Debt to parent	-2,053	0	0	-2,053	-2,000	
Short-term bank facilities	-2,703	0	0	-2,703	-2,703	
Interest-bearing liabilities BS	**-5,445**	**-1,964**	**-166**	**-7,575**	**-7,455**	**1.6%**
Net interest-bearing debt	**-4,597**	**-1,558**	**392**	**-5,763**	**-5,869**	**1.5%**

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 187 million (DKK 119 million in 2015), which have a contractual maturity of 1-5 years. The contractual cash flows approximate their carrying amounts.

Interest-bearing debt broken down by currency: 29% in US dollars (24% in 2015), 58% in Danish kroner (57% in 2015), 11% in euros (17% in 2015) and 2% in other currencies (2% in 2015).

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)	2016					2015				
	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	-	0	0	0	2016	2.3%	171	0	1
			0	**0**	**0**			**171**	**0**	**1**

There are no outstanding interest swaps at the balance sheet date, and there has been no ineffectiveness on interest swaps in 2016 or 2015.

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

Interest cap

(DKK million)	2016					2015				
	Expiry	Interest rate/strike	Contractual amount at year-end	Positive fair value at year-end	Negative fair value at year-end	Expiry	Interest rate/strike	Contractual amount at year-end	Positive fair value at year-end	Negative fair value at year-end
DKK/DKK	2019	0%	650	0	1	-	-	0	0	0
			650	**0**	**1**			**0**	**0**	**0**

The fair value of the Group's interest cap (a strip of call options) outstanding at the balance sheet date is DKK -1 million, and the contractual value of this interest cap is DKK 650 million. The cap will run until 2019.

Sensitivity analysis in respect of interest rates
Based on the Group's net debt at the end of the 2016 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 12 million (DKK 24 million in 2015). About 63% of the Group's interest-bearing debt is subject to fixed or limited interest rates, partly due to a bought cap (a strip of call options) and partly due to loans being raised at fixed interest rates.

4.5 FAIR VALUE HIERARCHY

Methods and assumptions for calculation of fair values

Other investments

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

Derivatives

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

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

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

Contingent considerations

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

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

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

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

4.5 FAIR VALUE HIERARCHY – *CONTINUED*

(DKK million)	2016				2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets used as hedging instruments	0	11	0	**11**	0	12	0	**12**
Securities (assets available for sale)	74	0	0	**74**	91	0	0	**91**
Other investments (assets available for sale)	0	0	8	**8**	0	0	12	**12**
Financial liabilities used as hedging instruments	0	-46	0	**-46**	0	-73	0	**-73**
Financial liabilities at fair value through the income statement	0	0	0	**0**	0	-1	0	**-1**
Contingent considerations	0	0	-183	**-183**	0	0	-109	**-109**

There are no transfers between level 1 and 2 in the 2016 and 2015 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	
(DKK million)	**2016**	**2015**	**2016**	**2015**
Carrying amount at 1.1.	12	353	-109	-136
Foreign currency translation adjustment	0	0	-6	-13
Acquisitions	0	0	-118	-38
Sale and settlements	-4	-341	43	66
Other adjustments	0	0	7	12
Transferred to/from level 3	0	0	0	0
Carrying amount at 31.12.	**8**	**12**	**-183**	**-109**

Of adjustments to contingent considerations, DKK 0 million (DKK 6 million in 2015) is recognised as income in distribution costs relating to contingent considerations still held at year-end.

4.5 FAIR VALUE HIERARCHY – *CONTINUED*

§ ACCOUNTING POLICIES

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

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)	2016	2015
Tax on profit for the year:		
Current tax on profit for the year	-379	-434
Adjustment of current tax, prior years	17	-6
Change in deferred tax	-8	85
Adjustment of deferred tax, prior years	-14	6
Impact of changes in corporate tax rates	-1	-14
Tax on profit for the year IS	**-385**	**-363**
Reconciliation of tax rates:		
Danish corporate tax rate	22.0%	23.5%
Differences between tax rates of non-Danish enterprises and Danish corporate tax rate	1.4%	-4.8%
Impact of changes in corporate tax rates	0.0%	0.7%
Use of tax assets not previously recognised	-0.8%	-0.4%
Permanent differences	-2.9%	-4.0%
Other items, including prior-year adjustments	-1.7%	2.1%
Effective tax rate	**18.0%**	**17.1%**

§ 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)	2016	2015
Deferred tax recognised in the balance sheet:		
Deferred tax assets BS	396	376
Deferred tax liabilities BS	-162	-125
Deferred tax, net at 31.12.	**234**	**251**
Deferred tax, net at 1.1.	251	104
Foreign currency translation adjustments	2	3
Changes in deferred tax assets	-8	85
Additions relating to acquisitions	12	60
Adjustment of deferred tax, prior years	-14	6
Impact of changes in corporate tax rates	-1	-14
Deferred tax relating to changes in equity, net	-8	7
Deferred tax, net at 31.12.	**234**	**251**

The tax value of deferred tax assets not recognised is DKK 55 million (DKK 72 million in 2015) 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 2015).

Breakdown of the Group's temporary differences and changes:	Temporary differences at 1.1.2016	Foreign currency translation adjustments	Acquisitions	Recognised in profit for the year	Recognised in other comprehensive income	Temporary differences at 31.12.2016
Intangible assets	-19	-2	-13	-60	0	-94
Property, plant and equipment	-59	-1	0	-10	0	-70
Inventories	172	0	0	13	0	185
Receivables	22	1	1	4	0	28
Provisions	40	2	0	28	0	70
Tax losses	48	1	15	47	0	111
Other	47	1	9	-45	-8	4
Total	**251**	**2**	**12**	**-23**	**-8**	**234**

5.2 DEFERRED TAX – *CONTINUED*

§ **ACCOUNTING POLICIES**

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

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

ACCOUNTING ESTIMATES AND ASSUMPTIONS

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	South America	Total
			Fair value on acquisition		
2016					
Intangible assets	30	0	60	3	93
Property, plant and equipment	8	0	15	0	23
Other non-current assets	0	0	15	0	15
Inventories	2	0	7	0	9
Current receivables	5	0	34	0	39
Cash and bank debt	7	0	12	0	19
Non-current liabilities	0	0	-208	0	-208
Current liabilities	-15	-1	-34	0	-50
Acquired net assets	**37**	**-1**	**-99**	**3**	**-60**
Goodwill	235	6	312	7	560
Acquisition cost	**272**	**5**	**213**	**10**	**500**
Minority interests' share of acqusition cost	-11	0	0	0	-11
Fair value of non-controlling interests on obtaining control	-5	0	-30	-10	-45
Contingent considerations and deferred payments	-102	0	-16	0	-118
Acquired cash and bank debt	-7	0	-12	0	-19
Cash acquisition cost	**147**	**5**	**155**	**0**	**307**
2015					
Intangible assets	6	2	116	0	124
Property, plant and equipment	5	0	89	0	94
Other non-current assets	0	0	69	0	69
Inventories	2	0	44	0	46
Current receivables	3	1	231	0	235
Cash and bank debt	3	0	83	0	86
Non-current liabilities	-2	0	-222	0	-224
Current liabilities	-4	0	-426	0	-430
Acquired net assets	**13**	**3**	**-16**	**0**	**0**
Goodwill	120	8	1,522	0	1,650
Acquisition cost	**133**	**11**	**1,506**	**0**	**1,650**
Minority interests' share of acqusition cost	0	0	-578	0	-578
Fair value of non-controlling interests on obtaining control	0	0	-39	0	-39
Contingent considerations and deferred payments	-30	0	-8	0	-38
Acquired cash and bank debt	-3	0	-83	0	-86
Cash acquisition cost	**100**	**11**	**798**	**0**	**909**

6.1 ACQUISITION OF ENTERPRISES AND ACTIVITIES – *CONTINUED*

The Group's acquisitions in 2016 consist of a number of minor hearing healthcare distribution enterprises. In respect of these acquisitions, we paid acquisition cost exceeding the fair values of the acquired assets, liabilities and contingent liabilities. Such positive balances in value can be attributed to expected synergies between the activities of the acquired entities and our existing activities, to the future growth opportunities and to the value of staff competencies in the acquired entities. These synergies are not recognised separately from goodwill, as they are not separately identifiable.

In 2016, the Group made one significant acquisition in the hearing implant area. The purchased company, BCI Implants AB, was an associated company in which the Group purchased the remaining shares in 2016, thereby getting full ownership. The purchase price of the remaining shares was DKK 31 million, including estimated contingent considerations, and the Group recognised a gain of DKK 26 million, reflecting the increase in fair value of its existing investment. The purchase price allocation resulted in the recognition of intangible assets related to the technology developed by BCI of DKK 40 million and goodwill of DKK 51 million. The determination of the fair value of contingent considerations as well as the gain on the value of the existing investment and the value of technology and goodwill have involved a number of assumptions and judgements made by Management, among these the potential future viability and market potential of BCI's technology and the relevant discount rate.

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

In 2016, a few adjustments were made to the preliminary recognition of acquisitions made in 2015. These adjustments were made in respect of payments made, contingent considerations provided and net assets and goodwill acquired and totalled DKK -13 million. In relation to acquisitions with final recognition in 2010-2015, adjustments were made in 2016 in respect of estimated contingent considerations. Such adjustments are recognised in the income statement.

The total impact on the income statement of fair value adjustments of non-controlling interests in step acquisitions amounted to DKK 28 million (DKK -1 million in 2015) of which DKK 26 million is recognised under *Share of profit from associates*, and DKK 2 million (DKK -1 million 2015) is recognised under *Distribution costs*. Adjustments of estimated contingent considerations amounted to DKK 7 million (DKK 13 million in 2015) and are recognised under *Distribution costs*.

Of the total acquisition cost in 2016, including adjustments to preliminarily recognised acquisitions of DKK 0 million (DKK 0 million in 2015), the fair values of estimated contingent considerations in the form of discounted earn-outs or deferred payments accounted for DKK 118 million (DKK 38 million in 2015). The maximum contingent consideration in respect of acquisitions made in 2016 was DKK 133 million.

The acquired assets include contractual receivables amounting to DKK 21 million (DKK 104 million in 2015) of which DKK 4 million (DKK 9 million in 2015) was thought to be uncollectible at the date of the acquisition. Of total goodwill in the amount of DKK 560 million (DKK 1,650 million in 2015), DKK 244 million (DKK 128 million in 2015) can be amortised for tax purposes. In 2016, no contingent liability related to purchase agreement obligations was recognised (DKK 68 million in 2015).

Transaction costs in connection with acquisitions made in 2016 amounted to DKK 1 million (DKK 6 million in 2015), which has been recognised under *Distribution costs*.

Revenue and profit generated by the acquired enterprises since our acquisition in 2016 amount to DKK 206 million (DKK 306 million in 2015) and DKK 5 million (DKK 11 million in 2015), respectively. Had such revenue and profit been consolidated on 1 January 2016, we estimate that consolidated pro forma revenue and profit would have been DKK 12,113 million (DKK 11,266 million in 2015) and DKK 1,468 million (DKK 1,484 million in 2015), 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.

6.1 ACQUISITION OF ENTERPRISES AND ACTIVITIES – *CONTINUED*

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 2017, we have acquired additional distribution enterprises. We are in the process of calculating their fair values. The acquisition cost is expected to relate primarily to goodwill.

§ ACCOUNTING POLICIES

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

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

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

ACCOUNTING ESTIMATES AND ASSUMPTIONS

Identification of assets and liabilities

On recognition of assets and liabilities from business combinations, Management judgements may be required for the following areas:

– Intangibles assets resulting from technology, customer relationships, client lists or brand names
– Contingent consideration arrangements

Contingent consideration

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

6.2 DIVESTMENT OF ENTERPRISES AND ACTIVITIES

(DKK million)	2016	2015
Goodwill	12	0
Other intangible assets	13	0
Property, plant and equipment	2	0
Carrying amount of net assets divested	**27**	**0**
Proceeds from divestments CF	**27**	**0**

The divestment of entreprises and activities includes the divestment of a number of distribution enterprises.

6.3 ASSOCIATES AND JOINT VENTURES

In 2016, the Group received royalties from and paid licence fees to associates and joint ventures amounting to net expenses of DKK 1 million (net income of DKK 1 million in 2015) and received dividends from associates and joint ventures in the amount of DKK 40 million (DKK 104 million in 2015). Furthermore, in 2016 the Group received board remuneration fee and recharged costs of DKK 13 million (DKK 12 million in 2015) to associates. In 2016, the Group received interest income from associates and joint ventures in the amount of DKK 10 million (DKK 9 million in 2015).

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

	Associates		Joint ventures	
(DKK million)	2016	2015	2016	2015
Financial information (Group share):				
Revenue	2,644	2,394	372	333
Net profit for the year	296	504	51	48
Comprehensive income	274	694	51	48

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.

For more financial information on larger individual associates, please refer to the *Management Commentary*.

§ ACCOUNTING POLICIES

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

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

SECTION 7 PROVISIONS, OTHER LIABILITIES ETC.

7.1 PROVISIONS

(DKK million)	2016	2015
Restructuring cost provisions	45	0
Staff-related provisions	54	48
Miscellaneous provisions	130	78
Other provisions	229	126
Defined benefit plan liabilities, net	198	163
Provisions at 31.12.	**427**	**289**
Breakdown of provisions:		
Non-current provisions	395	273
Current provisions	32	16
Provisions at 31.12.	**427**	**289**

Other provisions

(DKK million)	Restructuring costs	Staff-related	Miscellaneous	Total
Other provisions at 1.1.2016	**0**	**48**	**78**	**126**
Foreign currency translation adjustments	0	1	1	2
Additions relating to acquisitions	0	0	14	14
Provisions during the year	46	5	106	157
Applied during the year	-1	0	-60	-61
Reversals during the year	0	0	-9	-9
Other provisions at 31.12.2016	**45**	**54**	**130**	**229**
Breakdown of provisions:				
Non-current provisions BS	29	54	114	197
Current provisions BS	16	0	16	32
Provisions at 31.12.2016	**45**	**54**	**130**	**229**
Other provisions at 1.1.2015	**0**	**42**	**12**	**54**
Foreign currency translation adjustments	0	1	-1	0
Additions relating to acquisitions	0	2	71	73
Provisions during the year	0	3	6	9
Applied during the year	0	0	0	0
Reversals during the year	0	0	-10	-10
Other provisions at 31.12.2015	**0**	**48**	**78**	**126**
Breakdown of provisions:				
Non-current provisions BS	0	48	62	110
Current provisions BS	0	0	16	16
Provisions at 31.12.2015	**0**	**48**	**78**	**126**

7.1 PROVISIONS – *CONTINUED*

(DKK million)	Note	2016	2015
Defined benefit plan costs recognised in the income statement:			
Current service costs		25	17
Curtailment		-23	0
Calculated interest on defined benefit plan liabilities, net		1	1
Costs recognised in the income statement	1.2	**3**	**18**
Defined benefit plan costs by function:			
R&D costs		-16	7
Distribution costs		12	4
Administrative expenses		7	7
Defined benefit plan costs		**3**	**18**
Accumulated actuarial loss recognised in the statement of comprehensive income		**-63**	**-56**

Miscellaneous provisions relate to provisions for disputes etc. and are essentially expected to be applied within the next five years, except DKK 100 million (DKK 0 million in 2015) regarding decommissioning of assets in Borkum Riffgrund 1, which will be applied after 5 years.

7.1 PROVISIONS – *CONTINUED*

(DKK million)	2016	2015
Present value of defined benefit obligations:		
Defined benefit obligations at 1.1.	349	309
Foreign currency translation adjustments	1	27
Reclassifications	37	-53
Additions relating to acquisitions	106	36
Current service costs	25	17
Curtailment	-23	0
Calculated interest on defined benefit obligations	3	4
Actuarial losses/(gains), demographic assumptions	5	0
Actuarial losses/(gains), financial assumptions	2	3
Actuarial losses/(gains), experience assumptions	2	7
Benefits paid	-23	-8
Contributions from plan participants	11	7
Defined benefit obligations at 31.12.	**495**	**349**
Fair value of defined benefit assets:		
Defined benefit assets at 1.1.	186	205
Foreign currency translation adjustments	1	22
Reclassifications	37	-53
Additions relating to acquisitions	64	0
Expected return on defined benefit assets	2	3
Actuarial gains/(losses)	2	2
Contributions	28	15
Benefits paid	-23	-8
Defined benefit assets at 31.12.	**297**	**186**
Defined benefit obligations recognised in the balance sheet, net	**198**	**163**
Return on defined benefit assets:		
Actual return on defined benefit assets	4	5
Expected return on defined benefit assets	2	3
Actuarial gains/(losses) on defined benefit assets	**2**	**2**
Assumptions:		
Discount rate	0.5%	1.0%
Expected return on defined benefit assets	1.0%	1.0%
Future salary increase rate	1.5%	1.5%

7.1 PROVISIONS – *CONTINUED*

Generally, the Group does not offer defined benefit plans, but it has such plans in Switzerland, France and Germany, where they are required by law. Moreover, the President & CEO of the Company has a seniority bonus, please refer to Note 1.2.

Defined benefit assets at 31 December 2016 include: bonds (34%), shares (23%), other securities (23%), cash and cash equivalents (7%) and other assets (13%). Defined benefit assets at 31 December 2015 included: bonds (35%), shares (28%), other securities (21%), cash and cash equivalents (4%) and other assets (12%). All plan assets, except other assets, are quoted on active markets.

The Group expects to pay approximately DKK 16 million in 2017 (DKK 10 million in 2016) into defined benefit plans.

Defined benefit obligations in the amount of DKK 149 million will mature within 1-5 years (DKK 66 million in 2015) and obligations in the amount of DKK 346 million after five years (DKK 283 million in 2015).

If the discount rate is 0.5% higher (lower), the defined benefit obligation will decrease by 6% (increase by 6%). If the expected salary growth rate is 0.5% higher (lower), the defined benefit obligation will increase by 1% (decrease by 2%).

7.1 PROVISIONS – *CONTINUED*

§ ACCOUNTING POLICIES

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

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

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

Defined benefit costs are categorised as follows:

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

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

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

ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

7.2 OTHER LIABILITIES

(DKK million)	2016	2015
Product-related liabilities	283	250
Staff-related liabilities	435	387
Other debt, public authorities	249	219
Contingent considerations	183	109
Accrued interest to parent	18	18
Other costs payable	290	327
Other liabilities	**1,458**	**1,310**
Due within 1 year BS	1,271	1,191
Due within 1-5 years BS	187	119

Product-related liabilities include service packages, warranties, returned products etc. Staff-related liabilities include holiday pay and payroll costs due.

The carrying amount of other liabilities approximates the fair value of such liabilities.

§ ACCOUNTING POLICIES

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

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

ACCOUNTING ESTIMATES AND ASSUMPTIONS

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 being returned in the various markets. Consolidated product-related liabilities are the sum of a large number of small items, the sum changing constantly due to a large number of transactions.

7.3 OPERATING LEASE COMMITMENTS

(DKK million)	2016	2015
Rent	849	629
Other operating leases	74	56
Total	**923**	**685**
Operating leases, less than 1 year	310	201
Operating leases, 1-5 years	450	357
Operating leases, over 5 years	163	127
Total	**923**	**685**

Operating leases are recognised in the income statement at an amount of DKK 470 million (DKK 367 million in 2015). The Group's operating leases mainly relate to rent and vehicles of which some have renewal options.

7.4 CONTINGENT LIABILITIES

William Demant Invest A/S disposed of its shares in Unisense Fertilitech A/S in November 2014. William Demant Invest A/S was compensated in Vitrolife AB shares. An additional compensation corresponding to a value of 304,653 shares will be paid to William Demant Invest A/S if certain defined sales objectives in 2016 and 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 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, joint ventures and joint operations as well as the William Demant Group's ownership interests in these companies appear from the lists on page 100 and 101, and financial information on associates and joint ventures can be found in Note 6.3.

In 2016, the Oticon Foundation paid administration fees to the Group of DKK 2 million (DKK 2 million in 2015). Further, the Oticon Foundation has granted loans (convertible promissory notes) to William Demant Invest A/S totalling DKK 2,000 million at year end 2016, on which interest in 2016 totals DKK 70 million (DKK 70 million in 2015).

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

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

(DKK million)	2016	2015
Statutory audit	10	9
Other assurance engagements	0	0
Tax and VAT advisory services	5	4
Other services	1	1
Total	**16**	**14**

A few Group enterprises are not audited by the Parent's appointed auditors or the auditors' foreign affiliates.

8.3 GOVERNMENT GRANTS

In 2016, the William Demant Group received government grants in the amount of DKK 14 million (DKK 14 million in 2015). Grants are offset against R&D costs.

§ **ACCOUNTING POLICIES**

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

8.4 EVENTS AFTER THE BALANCE SHEET DATE

There have been no events that materially affect the assessment of this Annual Report 2016 after the balance sheet date and up to today.

8.5 APPROVAL AND PUBLICATION

At the Board meeting on 25 April 2017, 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 25 April 2017.

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:

General

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

The consolidated financial statements are presented in Danish kroner (DKK), which is the 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, share-based remuneration, derivatives and financial assets classified as assets available for sale, which are measured at their fair values.

The financial statements for the Parent as well as the Parent's accounting policies are presented separately from the consolidated financial statements and are shown on the last pages of this Annual Report 2016.

The accounting policies remain unchanged for the consolidated financial statements compared to 2015, with the exception of the implementation of new and amended standards as described below. Also, insignificant reclassifications in the comparative figures for 2015 have been made.

Effect of new accounting standards

The Group has adopted all new, amended and revised accounting standards and interpretations as published by the IASB and adopted by the EU effective for the accounting period beginning on 1 January 2016. None of these new, updated and amended standards and interpretations resulted in any changes to the accounting policies for the Group or had any significant impact on the consolidated financial statements for 2016.

Effect of new accounting standards not yet in force

Revised and new standards and interpretations issued, but not yet effective or approved by the EU at the time of publication of this Annual Report 2016, have not been incorporated into this report.

Issued in May 2014, IFRS 15 Revenue from Contracts with Customers establishes a single comprehensive model for entities to be used in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue and related interpretations when it becomes effective. Management has analysed the impact of IFRS 15 and will continue this work in the coming year. It is Management's expectation that the new standard will have some impact on the timing of revenue recognition, on net or gross recognition of principal and agent relationships and on the disclosure of revenue. The value of the impact of these changes has not been estimated yet, but is at this stage expected to have some, but not material, impact. IFRS 15 will take effect on 1 January 2018.

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 Group's reporting on and disclosure of financial instruments and hedging instruments. Management is in the process of evaluating the impact and prospects of the revised standard and the option to hedge net positions (i.e. EBIT) instead of hedging revenue. The new rules on provisions for loans and receivables are expected to have very limited impact on our financial statements. IFRS 9 will take effect on 1 January 2018.

9.1 GROUP ACCOUNTING POLICIES – *CONTINUED*

Issued in January 2016, IFRS 16 Leases requires lessees to recognise nearly all leases on the balance sheet. Management is in the process of evaluating the expected future impact of the application of IFRS 16 on the amounts reported and disclosed by the Group. Management expects the implementation of this standard to have a material impact on the recognition of tangible assets and financial debt on the balance sheet. The standard will also impact the classification of expenses in the income statement, the classification of cash flows in the cash flow statement as well as the related key figures. IFRS 16 is expected to take effect on 1 January 2019.

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

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

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

Consolidation principles
The consolidated financial statements are prepared on the basis of the financial statements for the Parent, its subsidiaries and joint operations by aggregating uniform items. Enterprises that, 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 is negative.

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

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

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

9.1 GROUP ACCOUNTING POLICIES – *CONTINUED*

R&D 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 subsequent financial years. Prepaid expenses are measured at cost.

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

Equity
Foreign currency translation reserve includes foreign currency translation adjustments on the translation of financial statements of foreign subsidiaries, associates and joint ventures from their respective functional currencies into Danish kroner. Foreign currency translation adjustments are recognised in the income statement on realisation of the net investment. Hedging reserves include fair value adjustments of derivatives and loans satisfying the criteria for hedging of future transactions. The amounts are recognised in the income statement or the balance sheet 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 short-term bank facilities, which consist of uncommitted bank facilities and cash pool accounts that are part of the Group's cash management.

9.2 ACCOUNTING ESTIMATES AND ASSUMPTIONS

On the preparation of the consolidated financial statements, Management makes a number of accounting estimates and judgements. These relate to the recognition, measurement and classification of assets and liabilities. Many items can only be estimated rather than accurately measured. Such estimates are based on the most recent information available on preparation of the financial statements. Estimates and assumptions are therefore reassessed on an ongoing basis. Actual figures may, however, deviate from these estimates. Any changes in accounting estimates will be recognised in the reporting period in which such changes are made.

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

1.1 Revenue and segment information
1.2 Employees
1.5 Inventories
1.6 Receivables
3.1 Intangible assets
5.2 Deferred tax
6.1 Acqusition of enterprises and activities
7.1 Provisions
7.2 Other non-financial liabilities

PARENT FINANCIAL STATEMENTS

PARENT INCOME STATEMENT

(DKK million)	Note	2016	2015
Fee income		1.5	1.5
Administrative expenses	10.1 / 10.2	-7.6	-6.5
Operating profit/(loss) (EBIT)		**-6.1**	**-5.0**
Financial income	10.3	347.4	417.9
Financial expenses	10.3	-78.5	-82.2
Profit before tax		**262.8**	**330.7**
Tax on profit for the year		1.8	4.8
Profit for the year		**264.6**	**335.5**

PARENT BALANCE SHEET AT 31 DECEMBER

(DKK million)	Note	2016	2015
Assets			
Investments in subsidiaries		2,620.6	2,656.2
Investments in associates and joint operations		4,079.2	3,994.4
Receivables from associates and joint operations		1,809.0	1,748.1
Other investments		38.5	27.1
Financial assets	10.4	**8,547.3**	**8,425.8**
Non-current assets		**8,547.3**	**8,425.8**
Receivables from subsidiaries		36.7	59.0
Income tax		71.2	7.4
Other receivables		3.4	3.8
Receivables		**111.3**	**70.2**
Securities	10.5	**74.1**	**90.7**
Cash		**4.8**	**0.3**
Current assets		**190.2**	**161.2**
Assets		**8,737.5**	**8,587.0**

PARENT BALANCE SHEET AT 31 DECEMBER

(DKK million)	Note	2016	2015
Equity and liabilities			
Share capital		3.5	3.5
Retained earnings		6,424.5	6,179.9
Proposed dividend		20.0	0.0
Total equity		**6,448.0**	**6,183.4**
Debt to parent	10.6	2,000.0	0.0
Non-current liabilities		**2,000.0**	**0.0**
Debt to credit institutions		166.7	324.9
Debt to parent	10.6	17.5	2,017.5
Debt to subsidiaries		104.7	61.0
Other debt		0.6	0.2
Current liabilities		**289.5**	**2,403.6**
Liabilities		**2,289.5**	**2,403.6**
Equity and liabilities		**8,737.5**	**8,587.0**
Contingent assets and liabilities	10.7		
Proposed dividend	10.8		
Related parties	10.9		
Shareholders	10.10		
Events after the balance sheet date	10.11		
Parent accounting policies	10.12		

PARENT STATEMENT OF CHANGES IN EQUITY

(DKK million)	Share capital	Other reserves	Dividend	Total equity
Equity at 1.1.2015	**3.5**	**5,844.4**	**0.0**	**5,847.9**
Profit for the year	-	335.5	0.0	335.5
Dividend paid	-	-	0.0	0.0
Equity at 31.12.2015	**3.5**	**6,179.9**	**0.0**	**6,183.4**
Profit for the year	-	244.6	20.0	264.6
Dividend paid	-	-	0.0	0.0
Equity at 31.12.2016	**3.5**	**6,424.5**	**20.0**	**6,448.0**

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)	2016	2015
Remuneration, Board of Directors	1.3	0.7
Management fees to William Demant Holding A/S	5.3	5.3
Other expenses	1.0	0.5
Administrative expenses	**7.6**	**6.5**

In 2015 and 2016, the Parent has no employees and outsources via a management fee agreement tasks to William Demant Holding A/S. The Managing Director is employed by William Demant Holding A/S, but as of 1 April 2017, President & CEO Niels Jacobsen has decided to step down as member of the Executive Board in William Demant Holding A/S to become CEO of William Demant Invest A/S.

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

(DKK million)	2016	2015
Statutory audit	0.1	0.1
Total	**0.1**	**0.1**

10.3 NET FINANCIAL ITEMS

(DKK million)	2016	2015
Valuation adjustment of securities	1.5	0.0
Dividends from associates and joint ventures	30.5	25.1
Interest income from associates and joint ventures	67.6	58.7
Interest income from securities	7.3	16.4
Interest income from subsidiaries	0.0	0.4
Other financial income	0.1	9.5
Gain on disposal of shares in William Demant Holding A/S	240.4	307.8
Financial income	**347.4**	**417.9**
Valuation adjustment of securities	-0.0	-11.7
Interest expenses to Parent	-70.0	-70.0
Other financial expenses	-8.5	-0.5
Financial expenses	**-78.5**	**-82.2**
Net financial items	**268.9**	**335.7**

10.4 FINANCIAL ASSETS

(DKK million)	Investments in subsidiaries	Investments in associates and joint operations	Receivables from associates and joint operations	Other investments
Cost at 1.1.2016	**2,656.2**	**3,981.6**	**1,748.1**	**27.1**
Additions during the year	0.0	84.8	60.9	11.4
Disposals during the year	-35.6	0.0	0.0	0.0
Transfers during the year	0.0	0.0	0.0	0.0
Cost at 31.12.2016	**2,620.6**	**4,066.4**	**1,809.0**	**38.5**
Value adjustments at 1.1.2016	**0.0**	**12.8**	**0.0**	**0.0**
Adjustments during the year	0.0	0.0	0.0	0.0
Disposals during the year	0.0	0.0	0.0	0.0
Transfers during the year	0.0	0.0	0.0	0.0
Value adjustments at 31.12.2016	**0.0**	**12.8**	**0.0**	**0.0**
Carrying amount at 31.12.2016	**2,620.6**	**4,079.2**	**1,809.0**	**38.5**
Cost at 1.1.2015	**2,713.8**	**3,382.4**	**1,407.0**	**327.2**
Additions during the year	0.0	382.3	341.1	16.8
Disposals during the year	-57.6	0.0	0.0	-100.0
Transfers during the year	0.0	216.9	0.0	-216.9
Cost at 31.12.2015	**2,656.2**	**3,981.6**	**1,748.1**	**27.1**
Value adjustments at 1.1.2015	**0.0**	**0.0**	**0.0**	**25.0**
Adjustments during the year	0.0	0.0	0.0	5.9
Disposals during the year	0.0	0.0	0.0	-18.1
Transfers during the year	0.0	12.8	0.0	-12.8
Value adjustments at 31.12.2015	**0.0**	**12.8**	**0.0**	**0.0**
Carrying amount at 31.12.2015	**2,656.2**	**3,994.4**	**1,748.1**	**27.1**

10.5 SECURITIES

Securities with maturity within 1 year total DKK 17 million (DKK 15 million in 2015). Securities with maturity after 1 year but before 5 years total DKK 57 million (DKK 76 million in 2015).

10.6 DEBT TO PARENT

Of the total debt to Parent of DKK 2,017.5 million (DKK 2,017.5 million in 2015) DKK 2,000 million (DKK 2,000 million in 2015) is in convertible promissory notes.

10.7 CONTINGENT ASSETS AND LIABILITIES

William Demant Invest A/S disposed of its shares in Unisense Fertilitech A/S in November 2014. William Demant Invest A/S was compensated in Vitrolife AB shares. An additional compensation corresponding to a value of 304,653 shares will be paid to William Demant Invest A/S if certain defined sales objectives in 2016 and 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 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 PROPOSED DIVIDEND

The Board of Directors will at the general assembly propose a dividend of DKK 20.0 mio. for 2016. The remaining profit for the year of 244.6 million will be retained earnings.

10.9 RELATED PARTIES

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

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

10.10 SHAREHOLDERS

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

10.11 EVENTS AFTER THE BALANCE SHEET DATE

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

10.12 PARENT ACCOUNTING POLICIES

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

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

Income Statement

Tax

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

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

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, associates and joint operations

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

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

Other investments

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

Securities

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

Provisions

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

Dividends

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

Statement of changes in equity

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

Cash flow statement

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

SUBSIDIARIES, ASSOCIATES AND JOINT OPERATIONS

Company	Interest
William Demant Invest A/S, Denmark	Parent
■ William Demant Holding A/S, Denmark	57.0%
■ Össur hf., Iceland	43.0%
■ Jeudan A/S, Denmark	42.6%
■ Vitrolife AB, Sweden	19.5%
■ Boston Holding A/S, Denmark	37.0%

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES IN WILLIAM DEMANT HOLDING A/S

Company	*Interest*
William Demant Holding A/S	**Parent**
Oticon A/S, Denmark*	100%
Oticon AS, Norway*	100%
Oticon AB, Sweden*	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 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%
Audmet OY, Finland*	100%
Audmet Australia Pty. Ltd., Australia*	100%
Audmet B.V., the Netherlands*	100%
Audmet Canada LTD., Canada	100%
Audmet K.K., Japan*	100%
Audmet New Zealand Limited, New Zealand*	100%
Audmet S.r.l., Italy*	100%
Bernafon AG, Switzerland*	100%
Bernafon Hörgeräte GmbH, Germany	100%
Bernafon S.r.l., Italy*	100%
Bernafon LLC, USA	100%
Bernafon AB, Sweden*	100%
Bernafon Ibérica S.L.U., Spain*	100%
DGS Diagnostics Sp. z o.o., Poland	100%
DGS Poland Sp. z o.o., Poland	100%
Demant Technology Centre Sp. z o. o., Poland*	100%
ACS Sluchmed Sp. z o.o., Poland	100%
Acustica Sp. z o.o., Poland*	100%
Acoustic Metrology Limited, United Kingdom	100%
Akoustica Medica M EPE, Greece*	100%
American Hearing Aid Associates, Inc., USA	100%
Amplivox Ltd., United Kingdom	100%
Audika AG, Switzerland*	100%

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

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

William Demant Invest A/S
Kongebakken 9
2765 Smørum
Denmark
Phone +45 3917 7300
Fax +45 3927 8900
www.oticonfonden.dk
CVR no. 27761291

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

William Demant Invest